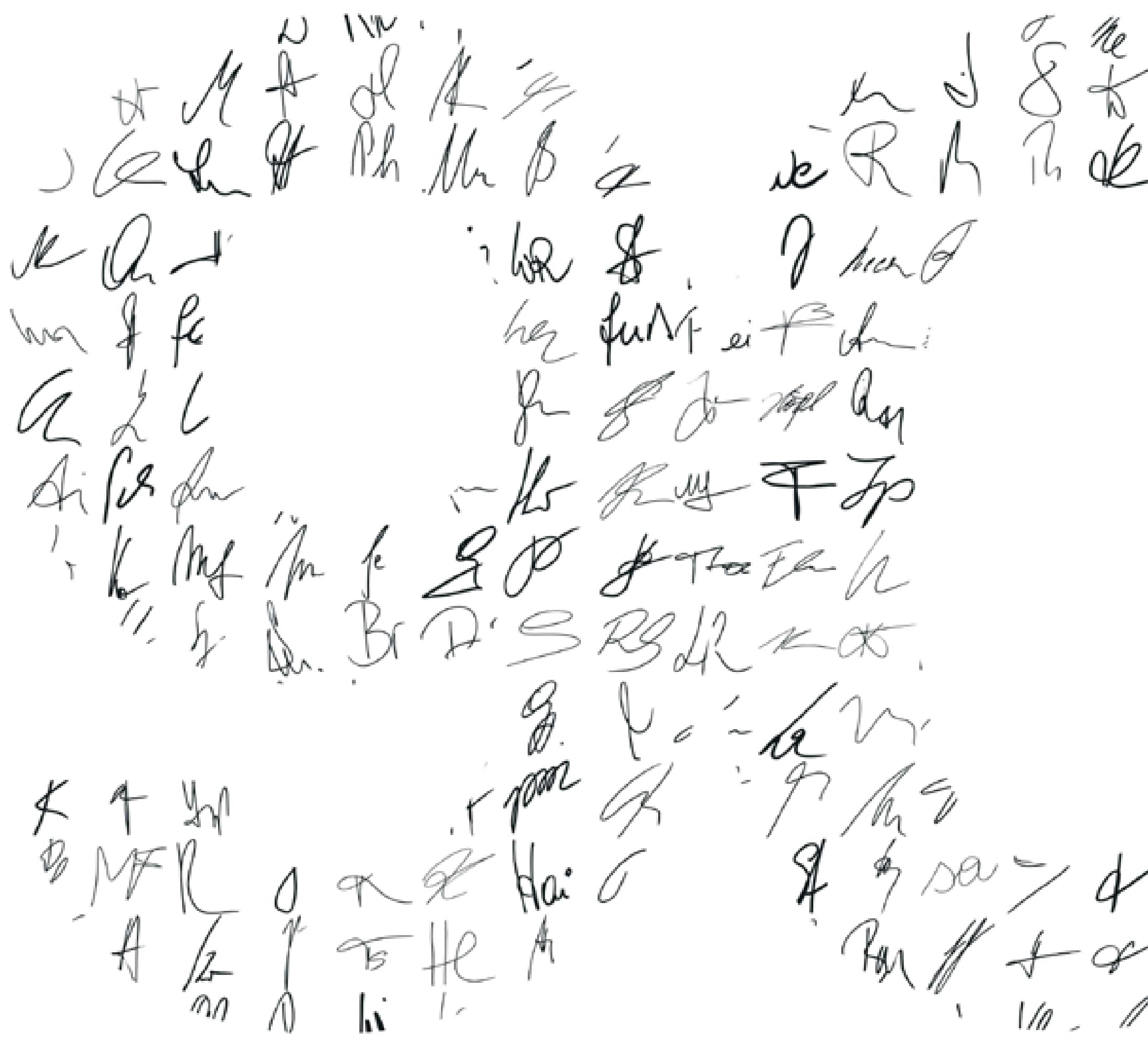
2016 ANNUAL REPORT

HISTORY WITH FUTURE



90 YEARS
RAIFFEISEN-LANDESBANK STEIERMARK

CONTENT

IMPORTANT FIGURES AT A GLANCE

Monetary values in TEUR	2016	2015	Change
Income statement			
Net interest income after impairment charges	121,180	149,608	-19.0 %
Net fee and commission income	36,465	38,868	-6.2 %
Profit/loss from hedge accounting	-645	1,838	>100 %
Net trading income	13,467	1,477	>100 %
Profit/loss from financial instruments – designated at fair value through profit or loss	-13,574	50,123	>100 %
Profit/loss from financial assets – available for sale	6,653	29,743	-77.6 %
General administrative expenses	-158,569	-169,773	-6.6 %
Consolidated net profit/loss for the year before taxes	27,823	155,039	-82.1 %
Consolidated net profit/loss for the year	31,549	152,420	-79.3 %
Consolidated comprehensive income	49,074	85,765	-42.8 %
Balance sheet			
Loans and receivables at amortised cost after impairment charges	8,278,162	8,138,443	1.7 %
Trading assets	2,557,569	1,863,201	37.3 %
Financial assets – designated at fair value through profit or loss	1,393,198	1,322,277	5.4 %
Financial assets – available for sale	1,632,228	1,542,117	5.8 %
Companies carried at equity	762,831	801,233	-4.8 %
Financial liabilities at amortised cost	9,534,661	8,068,177	18.2 %
Trading liabilities	869,364	845,450	2.8 %
Financial liabilities – designated at fair value through profit or loss	3,096,135	3,707,124	-16.5 %
Equity (including non-controlling interests)	1,275,156	1,239,285	2.9 %
Total assets	14,961,617	14,046,293	6.5 %
Regulatory information [1]			
Total own funds	1,190,337	1,052,167	13.1 %
Total risk	6,329,966	6,299,168	0.5 %
Tier 1 ratio (in relation to all risks)	17.7 %	15.8 %	1.9 PP
Eligible Tier 1 capital (core capital)	1,121,712	992,201	13.1 %
Own funds ratio (in relation to all risks)	18.8 %	16.7 %	2.1 PP
Leverage ratio	8.0 %	7.2 %	0.8 PP
Liquidity coverage ratio (LCR)	117.3 %	107.5 %	9.8 PP
Net stable funding ratio (NSFR)	104.1 %	100.7 %	3.4 PP

[1] Raiffeisen-Landesbank Steiermark does not constitute a separate group of credit institutions as defined by the Austrian Banking Act (BWG). Therefore, it is not subject itself as a group to the supervisory regulations for banking groups, as it is part of the CRR scope of consolidation of RLB-Stmk Verbund. Determination of Raiffeisen-Landesbank Steiermark's consolidated regulatory capital requirements and capital is based on the CRR scope of consolidation of RLB-Stmk Verbund eGen.

Monetary values in TEUR	2016	2015	Change
Other financial ratios			
Return on equity	2.2 %	12.9 %	-10.7 PP
Cost/income ratio [2)]	59.4 %	65.7 %	-6.3 PP
Non-performing loan ratio	6.4 %	8.5 %	-2.1 PP
Non-performing exposure ratio	2.6 %	4.3 %	-1.7 PP
Average number of employees	926	963	-37
Banking outlets	20	21	-1

[2)] The cost/income ratio for 2016 was calculated without taking into account one-off effects totalling TEUR -118,100. Of that, TEUR -93,683 relates to impairment charges for companies carried at equity and TEUR -24,417 to the one-off payment for the stability fee. The previous year's figure was adjusted accordingly.

Rating	Short-term	Long-term	Outlook	Issuer rating	Change / Confirmation
Moody's	Baa2	P-2	Positive	Baa2	10.1.2017

2016 CONSOLIDATED MANAGEMENT REPORT

I. REPORT ON BUSINESS PERFORMANCE AND ECONOMIC CONDITIONS

I.1. Economic environment and business performance

2016 was marked by a number of notable events. At the beginning of the year, the markets started out very restrained. In particular, the initially weak price of (Brent) oil, which reached a 10-year low at USD 26 per barrel, and the Chinese Renminbi engendered uncertainties in the markets. On the political scene, attention was largely focused on the US Presidential election and the Brexit vote. While a government was finally formed in Spain, the situation worsened in Italy as a referendum on constitutional reform failed. The uncertainties in the Italian banking market also put that country in the headlines during the year. The markets continued to focus on the central banks. Contrary to original expectations, the US Fed raised the interest rate only once in 2016. The European Central Bank (ECB) first supported the market with a package of measures and then, toward the end of the year, extended its liquidity programme, but only to a lesser extent. The Bank of Japan chose an interesting approach with the introduction of yield curve control, which sought to guarantee a certain steepening of the yield curve. However, it first reduced the deposit rate to a negative level.

In March, the ECB announced another package of measures against the backdrop of weak inflation figures and confidence indicators. First, the deposit rate was reduced to -0.4%, and then the bond-buying programme was expanded from EUR 60 billion to EUR 80 billion per month. Moreover, the range of eligible assets was expanded to include corporate bonds. In addition, a new long-term refinancing operation was launched (TLTRO II). In December, the ECB made a surprising move: it extended the bond-buying programme from March 2017 to December 2017, as expected, but reduced the volume from EUR 80 billion to EUR 60 billion.

Data showed that economic growth in the euro area was very robust quarter-on-quarter at 0.5% in the first quarter and 0.3% and 0.4% in the second and third quarters respectively, despite volatile confidence indicators. The labour market developed in a positive direction and at 9.8%, unemployment reached the lowest point since 2009. Inflation also recovered somewhat and reached 0.6% in November due to higher oil prices, after hovering around zero in the first half of the year.

An acceleration of the Austrian economy was also discernible. Thanks to an increase in private consumption and investments in equipment, the economy grew by 1.4% year-on-year. Despite a strong rise in employment, the jobless rate climbed from 5.7% to 6.1%. Inflation remained low at 0.9%.

In Spain, after several failed attempts, a minority government was formed in October. Initial fears that this government would be unstable and unable to assert itself have thus far not been confirmed. However, new political uncertainty arose in Italy. After the Italians voted against constitutional reform in a referendum, the country's Prime Minister, Matteo Renzi, resigned as announced. However, the expected turbulence on the capital markets did not materialise.

Great Britain's Brexit decision was the surprise of the year. The treaty with the EU negotiated by Premier David Cameron ultimately failed to convince the British to vote for remaining in the EU. As a result, Cameron resigned shortly thereafter. To protect the country's economy from shock, the Bank of England responded by cutting its benchmark interest rate by 25 basis points and initiating a programme to buy government and corporate bonds. It also lined up a large-scale loan support programme to fuel lending. These measures proved effective, and after a low in July, the Purchasing Managers' Index (PMI) even reached pre-Brexit levels. Britain's post-Brexit economy recorded 0.6% growth during the third quarter of the year, driven mostly by strong consumption. Inflation rose significantly due to the decline in the value of the British pound.

At the start of 2016, the US Fed held out the prospect of four interest rate hikes during the course of the year. However, due to falling prices for raw materials, lower inflation expectations, and a temporary weakness in the US labour market, it gradually revised its outlook downward in the first half of 2016. Following an improvement in the economic situation, the Fed then raised its benchmark rate for the second time since the outbreak of the financial crisis. After a fair-to-middling first six months, the US economy gained momentum in the second half of the year, fuelled by an uptick in consumption. Due to the bad start early in the year, the economy grew by a mere 1.6% in 2016, and thus did not reach the previous year's 2.6% growth rate. The unemployment rate continued to improve and reached 4.6% in November, with 4.8% constituting full employment under the Fed's definition. The second surprising event of the year was without a doubt the US presidential election. The turbulence predicted by analysts following the victory of Donald Trump was short-lived. The markets ultimately found that the likely economic effects of future Trump policies would be positive and the so-called "Trump rally" set in.

The Bank of Japan presented its new measures against weak inflation at the beginning of the year, under the name of "quantitative and qualitative easing with a negative interest rate". Relatively soon thereafter, in September, the Japanese central bank introduced its new concept of yield curve control, which is intended to ensure that the returns on long-term Japanese government bonds remain at around zero despite low short-term interest rates.

China continued to rely on a debt-based economic programme instead of implementing the announced intensification of structural reforms and thus was able to eke out 6.7% economic growth in the first three quarters of 2016. After real estate price indicators in the third quarter showed signs of overheating, the political course was changed in the direction of debt reduction.

Economic growth in the EU Member States of Central, Eastern, and Southern Europe slowed in the third quarter due to weak investment, a development likely triggered by the deceleration of EU funds disbursements from the 2007–2013 multi-annual financial framework at the end of 2015. Volatile growth in industrial production stood at 2.5% thanks to a good export climate. Private consumption remained strong, driven by favourable labour market conditions. The region's unemployment rate fell to 6.2% in September. At 4%, the Czech Republic even has the lowest rate in the EU. In Russia, economic growth in the third quarter improved to 0.4% over the previous year, with a growth rate of 0.6% being reported for the second quarter. This positive development appears to be primarily driven by private consumption.

After the turbulent start to the year, volatility remained high due to political uncertainties. Over the course of 2016, most of the stock indexes posted significant gains due to the year-end rally. The S&P 500 rose by 11%, the DAX by 7%, the CAC 40 by 4% and the Nikkei 225 by 2%. Due to the decline in the British pound as a result of the Brexit vote, the FTSE 100 even jumped by 13%. Only Chinese stocks (Shanghai Composite) were unable to make up the initial decline in January and ended the year with an 11% loss. The oil price slowly recovered after reaching a 10-year low of USD 26 per barrel and was additionally boosted by the OPEC deal in November. At year-end 2016, oil stood at USD 55.2 per barrel. The yields on 10-year German and Japanese government bonds entered negative territory in the first six months of 2016, but turned positive again in October or November. The yields on 10-year US treasury bonds were also weak initially, but then picked up significantly starting in November. The FX market, in particular, was affected by political events. The British pound fell by 17% against the USD after the Brexit referendum. By contrast, the USD strengthened against the other main currencies due to the US presidential election, supported by the expectation of a Fed interest rate hike.

In general, the markets stayed very resilient in the face of the numerous political events in 2016, the effects of which were often of short duration.

Beyond the overall economic conditions, which increase both cost and income pressure on banks, the banking sector also faces regulatory challenges and changes in customer behaviour. The key factors driving this transformation in customer demand patterns are digitalisation, the influx of people to areas of high population density, and new competitors.

Considering this environment, the resource and competency pooling implemented within the RLB Group during recent years has yielded many positive results. The volumes of loans and initial deposits trended positive and posted a slight increase over the previous year, which, among other factors, is the result of a proactive approach in customer care. RLB Steiermark plays a key role in market cultivation, which includes the entire Raiffeisen Banking Group (RBG). It is thus a cause for satisfaction that RLB was able to attract some 28,000 new retail and corporate clients and, with a total of approximately 818,000 customer relationships, holds the position of market leader in the federal state of Styria. This places the RLB Steiermark Group on a strong footing to successfully meet the challenges of today's banking environment. The insights gained from a recent productivity and efficiency campaign were put into practice during 2016, which will strengthen the Group's competitive advantage in the years ahead.

RLB Steiermark is also pursuing the objective of enhancing its competitiveness in its role as part of the Raiffeisen Banking Group in Styria. As a central institute for the Styrian Raiffeisen banks, RLB Steiermark performs the services mandated by the Austrian Banking Act (BWG). However, RLB Steiermark's range of services extends far beyond areas that are subject to statutory regulation. Among other things, they include data centre services, processing payment transactions, product development, services in the areas of building savings schemes, insurance plans and securities, as well as support and advice in matters relating to business management. In its role as part of the Raiffeisen organisation, RLB Steiermark's strategic focus in 2016 was on providing support for the planning, management and control/monitoring of the key parameters that measure capital, risk, liquidity, cost, and income.

In the retail business segment, earnings power was strengthened by enhancing the profitability of the core business, mobilising underused income potential, instituting income and cost optimisation measures, and making improvements in the quality of assets. Potentially untapped resources for enhancing operational efficiency through streamlining structures, optimising branch-offered services and advancing interbank cooperation (such as by pooling processing resources) were analysed in conjunction with the independent Raiffeisen banks.

To meet current and future regulatory requirements (specifically those laid out under Basel III), ongoing monitoring activities and measures were implemented on the basis of RLB Steiermark's previously established equity and risk sharing schemes. The equity sharing scheme comprises a set of incentive mechanisms aimed at managing and increasing core (Tier 1) capital in a targeted manner. These measures have yielded decidedly positive results, thereby contributing to the sustained retention of profits, and by extension, the independence and autonomy of the Raiffeisen Banking Group in Styria and its members. Concurrently, the security of each and every customer is also improved as a result. Along with the institutional protection scheme (IPS), a mutual liability arrangement within the Raiffeisen sector, sophisticated early warning systems and mechanisms are being employed to protect association members (and by extension, their customers) from financial risks. In addition, the Raiffeisen Banking Group in Styria has specified a set of "ground rules" within its joint liability scheme, thereby enhancing the Group's ability to identify any potential risks as early as possible and to minimise them to the greatest extent possible.

I.2. Notes on the Group's financial position, the results of its operations, and its cash flows

In this consolidated management report, current and prior-year figures have been rounded to thousands of euros (TEUR) or millions of euros (EUR million). This may result in minor rounding differences in the report totals.

At the outset, we would like to refer to the information provided in the notes to the consolidated financial statements and point out that in the following, we will limit ourselves to explaining only the most significant changes in the consolidated financial statements.

Against the backdrop of an unremittingly challenging economic and financial environment characterised by low interest rates, the RLB Steiermark Group achieved a consolidated net profit after taxes of EUR 31.5 million in the 2016 financial year (2015: EUR 152.4 million).

Along with markedly lower provisions for impairment losses, the development of net trading income and the reduction in administrative expenses were positive contributors, while the main drag came from one-off effects, notably impairment charges for companies carried at equity and the one-off payment for the stability fee. Overall, this resulted in expenses of EUR 118.1 million in the reporting year. The income from financial instruments (designated at fair value through profit or loss and available for sale) also experienced a decline.

Income statement

In the 2016 financial year, interest and similar income decreased by EUR 21.1 million to EUR 326.2 million. The decline in interest income essentially stemmed from a decrease in interest income from derivative financial instruments (non-trading) in the amount of EUR 11.9 million, an EUR -3.2 million drop in interest income from loans and advances to other banks and a reduction in interest income from fixed-income securities totalling EUR -6.2 million. Negative interest on liability-side items totalling EUR 1.0 million (2015: EUR 2.9 million) is shown as a separate line item in interest income. Current income from variable-yield securities and investments rose by EUR 2.3 million year-on-year.

Interest and similar expenses amounted to EUR 195.3 million at year-end 2016, compared to EUR 207.2 million in the previous year. This corresponds to a year-on-year decrease of EUR 11.9 million or 5.7%, which is essentially attributable to a reduction in interest expenses from liabilities evidenced by certificates in the amount of EUR 12.3 million and a EUR 2.4 million drop in liabilities to other banks. Due to a strong increase in demand deposits and time deposits, interest expenses from liabilities to customers developed in the opposite direction and posted an increase of EUR 1.1 million. Similar to "Interest and similar income", negative interest on asset-side items totalling EUR 1.8 million (2015: EUR 0.9 million) is shown as a separate item in interest expenses.

The profit/loss from investments in companies carried at equity came to EUR -55.0 million (2015: EUR -1.0 million) as at 31.12.2016. It includes the income portion for the current year at an amount of EUR 38.7 million (2015: EUR 24.7 million) and impairment charges totalling EUR -93.7 million (2015: EUR 25.7 million).

For 2016, this results in net interest income of EUR 75.9 million, an amount that is EUR 63.2 million less than the figure for the previous year. Considering interest income and interest expenses as shown in net trading income, net interest income amounts to EUR 80.3 million (2015: EUR 135.8 million). Net of current income from securities and equity interests as recognised in net interest income and income from companies carried at equity, the net interest income for 2016 came to EUR 125.0 million compared to EUR 128.7 million in the previous year.

Risk provisions (impairment charges) decreased significantly in 2016. The resultant net effect on profit or loss after direct write-offs and recoveries of loans and receivables previously written off is EUR 45.3 million (2015: EUR 10.5 million).

The specific impairment allowances were reversed through profit or loss in the reporting period (including direct write-offs and receivables previously written off) in the amount of EUR 24.2 million (2015: EUR 8.2 million).

Through its investment in the fully consolidated subsidiary Landes-Hypothekenbank Steiermark AG, the RLB Steiermark Group was also affected by the "HETA" moratorium. As at 31 December 2015, risk provisions for receivables in relation to HETA ASSET RESOLUTION AG (HETA) or unused lines of credit in relation to Pfandbriefbank (Österreich) AG (when utilised, these would constitute loans and advances to HETA) totalled EUR 28.5 million (impairment allowances of EUR 15.4 million and provisions for credit risks of EUR 13.1 million).

In October 2016, a settlement was reached between the federal government, the state of Carinthia, and the HETA creditors by majority acceptance of the second offer of the Carinthian Settlement Payment Fund (Kärntner Ausgleichszahlungs-Fonds, KAF). HYPO Steiermark decided in favour of the conversion offer (zero-coupon bond with an economic value of 90.00% at the time of issue and a buyback obligation from KAF). The existing risk provisions for HETA in the amount of EUR 7.8 million were therefore utilised in the 2016 financial year, and the remainder of EUR 20.7 million was reversed through profit or loss. Of that, the amount of EUR 10.4 million is attributable to the reversal of specific impairment allowances and the amount of EUR 10.3 million is attributable to the reversal of provisions for off-balance sheet transactions.

Portfolio-based impairment allowances were recognised in profit or loss at EUR 0.4 million (2015: EUR 8.6 million reversed through profit or loss).

The risk provisions for off-balance sheet transactions also decreased considerably in comparison with the year-end figure for 2015, and were reversed through profit or loss at a net amount totalling EUR 21.5 million (2015: addition of EUR 6.3 million).

Net fee and commission income fell by EUR 2.4 million, primarily due to declines in lending and securities operations, and stood at EUR 36.5 million at year-end 2016 (2015: EUR 38.9 million).

The effects of fair value hedge accounting (as defined by IAS 39) are shown in the line item "Profit/loss from hedge accounting". By reporting fair value hedges on the balance sheet in this manner, one-sided effects associated with economically hedged risks can be avoided. The net result from the valuation of hedged items and hedging instruments shown in this item amounts to EUR -0.6 million for the year under review (2015: EUR 1.8 million).

At EUR 13.5 million, net trading income is EUR 12.0 million above the comparable figure for the previous year. Of that, an amount of EUR +9.1 million (2015: EUR +4.9 million) is attributable to remeasurement gains, while net interest income from the transactions shown under this item accounts for EUR +4.4 million (2015: EUR -3.4 million). The year-on-year improvement is primarily the result of higher interest income from interest rate and currency derivatives.

The profit/loss from financial instruments – designated at fair value through profit or loss decreased from EUR +50.1 million in 2015 to EUR -13.6 million in the year under review. Of that, gains from the sale of financial instruments account for EUR +4.4 million, as compared to EUR +34.0 million in 2015. The significant gains from the sale of financial instruments recorded in 2015 were mainly driven by one-off effects from the early redemption of securities. In the reporting year, remeasurement gains/losses totalled EUR -17.9 million (2015: +16.1 million), largely on account of the pull-to-par effect of the financial instruments contained in this item. In 2015, the net result from remeasurement gains/losses was positively impacted by an increase in the credit spreads of the bank's own liabilities.

Profit/loss from financial assets – available for sale went down by EUR -23.1 million to EUR +6.7 million in the 2016 financial year. Of that, gains and losses from the sale of financial assets account for EUR +1.0 million, as compared to EUR +32.7 million in 2015. In 2015, this item also included the gains from two sector investments which were sold. The impairment charges due to the depreciation of ownership interests, which are also shown under this item, experienced a year-on-year increase and totalled EUR -5.2 million in 2016 (2015: EUR -2.9 million). In the reporting year, four fully consolidated companies left the scope of consolidation and were therefore deconsolidated from the financial statements. The EUR 10.9 million gain resulting from this exit was also recognised in this item.

Administrative expenses decreased by EUR 11.2 million or -6.6% to EUR 158.6 million in the reporting year, essentially due to a reduction of non-staff costs by EUR 4.4 million (-7.0%) which, among other factors, reflects lower IT expenses due to changes in the sector's internal cost transfer framework and lower office operating expenses. Owing largely to a EUR 2.8 million drop in expenses for severance payments and pensions, personnel expenses posted a year-on-year decrease to EUR 86.6 million. Depreciation of property and equipment and amortisation of intangible assets shrunk by EUR 3.9 million to EUR 13.4 million in the year under review.

Other operating profit decreased significantly, from EUR 53.2 million to EUR 22.8 million (-57.0%) compared to the previous reporting period.

This decline is primarily attributable to the stability fee imposed on financial institutions as a means to ensure fiscal sustainability ("banking levy") which is included in this item. On 15 December 2016, the National Council adopted an amendment to the Austrian Stability Fee Act (StabAbgG). In the course of changing the stability fee, the National Council also provided for a one-off payment (advance payment) for the stability fee. The advance payment is 0.211% of the assessment base determined pursuant to § 5 (1) in conjunction with § 2 StabAbgG, which resulted in a total of EUR 24.4 million to be paid by the RLB Steiermark Group. Since both RLB Steiermark and HYPO Steiermark decided to make the one-off payment immediately, the payment obligation under § 5 (1) (4) StabAbgG arose at the beginning of the last calendar quarter of 2016. Therefore, the full amount was included in the 2016 consolidated financial statements. An additional EUR 13.3 million (2015: EUR 13.5 million) was paid for the current stability fee, which brings the total charge for the 2016 financial year to EUR 37.7 million (2015: EUR 13.5 million).

Pursuant to Directive 2014/49/EU on deposit guarantee schemes and Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions (implemented in Austria through the Federal Act on the Recovery and Resolution of Banks (BaSAG) and the Austrian Act on Deposit Guarantee Schemes and Investor Compensation (ESAEG), respectively), banks are required to make contributions to government-mandated protection schemes as of 2015. In the 2016 financial year, a total of EUR 5.1 million (2015: EUR 5.1 million) was recognised as expenses in order to comply with the requirements of those Directives.

Summing up the combined effects of the foregoing, the RLB Steiermark Group posted a consolidated net profit before taxes of EUR 27.8 million for 2016 (2015: EUR 155.0 million).

The item “Income taxes” totalling EUR +3.7 million (2015: EUR -2.6 million) comprises current tax expenses in the amount of EUR 1.4 million (2015: EUR 2.9 million) and deferred income tax assets totalling EUR 5.1 million (2015: EUR 0.3 million).

Of the Group’s consolidated net profit for the year in the amount of EUR 31.5 million, EUR 26.1 million are attributable to the shareholders of RLB Steiermark and EUR 5.5 million to non-controlling interests. The Group’s consolidated net profit for the previous period totalled EUR 152.4 million, of which EUR 151.5 million were attributable to the shareholders of RLB Steiermark and EUR 0.9 million to non-controlling interests.

The Group’s comprehensive income totals EUR 49.1 million as compared to EUR 85.8 million in 2015. Of that, the other comprehensive income of the companies carried at equity accounts for EUR 15.7 million (2015: EUR -16.8 million) and the changes in the valuation of financial assets available for sale (including deferred taxes) for EUR 2.2 million (2015: EUR -51.4 million). The change in the AFS reserve over the prior year is primarily attributable to the transfer (recycling) of amounts to the income statement in connection with the sale of equity investments. In addition to the consolidated net profit for the year, the Group's comprehensive income also includes actuarial gains and losses from defined benefit plans (including deferred taxes) of EUR -0.3 million (2015: EUR 1.6 million) and the foreign currency reserve totalling TEUR 9 (2015: TEUR -4). Of that amount, a net result of EUR 43.9 million is attributed to the shareholders of RLB Steiermark, and EUR 5.2 million to the non-controlling interests.

Balance sheet

The Group’s total assets came to EUR 14,961.6 million at 31 December 2016. Compared to the end of 2015, this represents an increase of EUR 915.3 million or +6.5%.

Loans and receivables at amortised cost went up by EUR 79.0 million or 0.9% over the 2015 year-end figure and were recognised at EUR 8,531.8 million as at 31.12.2016. Of that amount, loans and advances to other banks (after impairment charges) decreased by EUR 34.7 million to EUR 2,813.97 million. Due to the higher lending volume experienced in 2016, loans and advances to customers (after impairment charges), which are also shown in this item, increased by EUR 174.5 million from the previous year and stood at EUR 5,464.2 million as at 31.12.2016.

Charges for impairment allowances on loans and advances netted against the assets side were reported in the balance sheet at a total of EUR -253.7 million (2015: EUR -314.4 million), of which a share of EUR -238.9 million (2015: EUR -300.0 million) is attributable to specific impairment allowances and EUR -14.8 million (2015: EUR -14.4 million) to portfolio-based impairment allowances. After deduction of impairment allowances, loans and receivables at amortised cost totalled EUR 8,278.2 million at year-end 2016 (2015: EUR 8,138.4 million).

Trading assets stood at EUR 2,557.6 million on the reporting date – an increase of EUR 694.4 million over the prior-year figure. In addition to time deposits in the trading portfolio in the sum of EUR 1,593.6 million (2015: EUR 987.3 million) and securities in the amount of EUR 146.8 million (2015: EUR 95.0 million), trading assets also include the positive fair values (dirty price) of all derivative financial instruments at a total of EUR 817.2 million (2015: EUR 780.9 million). That item includes the positive fair values of derivatives held for trading, as well as hedging instruments qualified for hedge accounting (as defined by IAS 39) and the positive fair values of derivatives reported under the fair value option to avoid accounting mismatches (“economic hedges”).

Financial assets – designated at fair value through profit or loss rose by 5.4% to EUR 1,393.2 million at year-end 2016 (2015: EUR 1,322.3 million), driven mainly by the increase in designated institutional funds. This development primarily affected the areas of bonds and other fixed-income securities.

Financial assets – available for sale went up by EUR 90.1 million or 5.8% year-on-year, to EUR 1,632.2 million at 31.12.2016. Bonds and other fixed-income securities experienced the largest increase (EUR +95.1 million), while the remaining items decreased by a total of EUR -5.0 million.

The balance sheet value of companies carried at equity shrunk by EUR 38.4 million compared to the previous year and came to a total of EUR 762.8 million as at 31.12.2016, which is exclusively attributable to the investment in RZB. This decline is mostly due to the impairment charges already discussed under the corresponding item in the income statement.

Intangible assets and property and equipment came to a total of EUR 155.0 million (2015: EUR 159.6 million) as at 31.12.2016, which represents a reduction of EUR 4.5 million or -2.8%.

Investment properties totalled EUR 1.4 million (2015: EUR 0.0 million) on the reporting date; they consist of a property in the core area of Graz.

At EUR 21.0 million, current and deferred income tax assets saw an increase of EUR 4.1 million compared to the previous year's figure.

Other assets went down by EUR 20.5 million to EUR 134.8 million as at 31.12.2016. This item primarily comprises receivables resulting from supplies of goods and services, tax assets and accruals, and deferred items. The decrease over the previous year is largely attributable to the lower level of payment orders being processed at the reporting date.

On the liabilities side, liabilities at amortised cost totalled EUR 9,534.7 million on the reporting date after EUR 8,068.2 million in 2015, which corresponds to an increase of 18.2%. This change is primarily due to an increase in liabilities evidenced by certificates of EUR 798.7 million, growth in liabilities to customers of EUR 293.6 million, and an increase in liabilities to other banks of EUR 354.5 million. Of particular note in this regard is Raiffeisen-Landesbank Steiermark AG's EUR 500 million benchmark bond that was launched in January 2016 and sold out in just three hours, despite the difficult market environment.

At 31.12.2016, trading liabilities totalled EUR 896.4 million – EUR 23.9 million above the previous year's figure. In addition to liabilities to other banks in the amount of EUR 591.0 million (2015: EUR 579.1 million), trading liabilities also include the negative fair values (dirty price) of all derivative financial instruments at a total of EUR 278.4 million (2015: EUR 266.3 million). That item includes the negative fair values of derivatives held for trading, as well as hedging instruments qualified for hedge accounting (as defined by IAS 39) and the negative fair values of derivatives reported under the fair value option to avoid accounting mismatches ("economic hedges").

Financial liabilities – designated at fair value through profit or loss amounted to EUR 3,096.1 million as of 31.12.2016 (2015: EUR 3,707.1 million). This corresponds to a decrease of EUR 611.0 million or 16.5%. The most significant factor in that development was a EUR 601.9 million decline in liabilities evidenced by certificates, which is mostly attributable to scheduled repayments.

Provisions came to a balance sheet value of EUR 98.2 million at the reporting date and thus were down EUR 25.1 million or -20.3% compared to the previous year's figure. This development stems from a reduction in long-term employee provisions by EUR -3.5 million and from a year-on-year decrease of EUR -21.6 million in other provisions. Other provisions primarily include provisions for off-balance sheet transactions (recourse claims, guarantees and credit risks). Of the reduction in provisions for off-balance sheet transactions, an amount of EUR 13.1 million relates to the reversal or partial utilisation of the provision created to cover the default risk associated with the share of the debt instruments issued by HETA via Pfandbriefbank (PBÖ) which has to be assumed by Landes-Hypothekenbank Steiermark AG.

Current income tax liabilities and deferred income tax liabilities decreased by EUR 1.4 million in the year under review and totalled EUR 12.3 million as at 31.12.2016.

At EUR 75.8 million, other liabilities went down in comparison with the previous year (EUR 49.3 million). This development is largely attributable to the change in the level of payment orders being processed at the reporting date and is mentioned as well under "Other assets".

Compared to the prior-year value, equity increased by EUR 35.9 million to EUR 1,275.2 million as at 31.12.2016. Of that amount, a share of EUR 1,214.1 million (2015: EUR 1,183.4 million) is attributable to equity holders of the parent and EUR 61.1 million (2015: EUR 55.9 million) to non-controlling interests. The subscribed capital (share capital) of RLB Steiermark totalled TEUR 142,721 as at 31.12.2016, unchanged from the previous year, and consisted of 3,113,507 registered no-par shares (ordinary shares).

Detailed information regarding this development can be found in the statement of changes in equity in the consolidated financial statements.

I.3. Report on branches and offices

As at 31 December 2016, Raiffeisen-Landesbank Steiermark AG operated ten bank branches, nine in Graz and one in Frohnleiten. The number of bank branches has thus remained constant in 2016, following optimisation measures in 2015. The largest office of Raiffeisen-Landesbank Steiermark AG is located in Raaba-Grambach. At present, more than 800 employees work at this location.

In addition to its main branch in Radetzkystraße, HYPO Steiermark, headquartered in the state capital of Graz, maintains three more branches in the Graz urban area – at the General Hospital (LKH), in Plüddemanngasse and in Kärntnerstraße – and another location dedicated to PREMIUM.PrivateBanking.

The Kärntnerstraße branch also provides services for our customers at the banking outlets in Graz General Hospital, western district; Graz General Hospital, southern district; and Deutschlandsberg General Hospital.

Reflecting its role as a regional bank, five more branches are operated throughout Styria in Feldbach, Fürstenfeld, Judenburg, Leibnitz and Schladming.

I.4. Financial performance indicators

Cost/income ratio (CIR) – without one-off effects

The cost/income ratio is defined as the ratio of operating expenses to operating income. Due to the EUR 118.1 million in one-off effects in the 2016 financial year, the operating income, which is the decisive factor in calculating the cost/income ratio, had to be adjusted. After eliminating the one-off effects resulting from impairment charges for companies carried at equity, which came to EUR 93.7 million (2015: EUR 25.7 million), and the advance payment for the stability fee (EUR 24.4 million), the cost/income ratio breaks down as follows:

TEUR	2016	2015*)	CHANGE
Operating income without one-off effects	266,775	258,317	3.3 %
Operating expenses	-158,569	-169,773	-6.6 %
CIR without one-off effects	59.4 %	65.7 %	-6.3 PP

*) Due to the elimination of the impairment charges for companies carried at equity, the previous year's value of 73.0% was adjusted to 65.7%.

Return on equity (ROE)

Return on equity (ROE) is defined as the net profit for the year before taxes relative to average shareholders' equity and breaks down as follows for 2016:

TEUR	2016	2015	CHANGE
Net income for the year before taxes	27,823	155,039	-82.1 %
Average shareholders' equity	1,257,221	1,197,705	5.0 %
ROE before taxes	2.2 %	12.9 %	-10.7 PP

Non-performing loan ratio (NPL ratio)

The NPL ratio is a tool to measure the quality of banks' assets. It is defined as the proportion of non-performing loans (NPL) to the total loan portfolio. The definition of default under Art. 178 CRR is used to classify loans as non-performing.

	2016	2015	CHANGE
Non-performing loan ratio (NPL ratio)	6.4 %	8.5 %	-2.1 PP

Due to the improvement in the risk situation, the NPL ratio decreased significantly in the reporting year.

When analysing the NPL ratio, the coverage ratio, i.e. the extent to which non-performing loan exposures are covered by collateral and risk provisions, needs to be taken into account as well. In the RLB Steiermark Group, the non-performing loan exposures were almost completely covered as at year-end 2016.

Liquidity coverage ratio (LCR)

The liquidity coverage ratio (LCR) is a measure to assess the short-term liquidity risks of banks. The LCR is the ratio of high-quality liquid assets to the projected net cash outflows over the next 30 days under the stress assumptions imposed by Basel III.

The purpose of the LCR is to ensure that banks have enough high-quality liquid assets in their liquidity buffer to cover the difference between the expected cash outflows and the expected capped cash inflows over a 30-day stressed period.

	2016	2015	CHANGE
Liquidity coverage ratio (LCR)	117.3 %	107.5 %	9.8 PP

A bank's LCR must be at least 80% in 2017 and at least 100% from the beginning of 2018. The RLB Steiermark Group is thus already in compliance with the minimum requirements that become effective in 2018.

Net stable funding ratio (NSFR)

The net stable funding ratio (NSFR) is a measure that assesses a bank's structural liquidity position. Banks must ensure that their long-term obligations are adequately backed by a variety of stable funding instruments under both normal and stressed conditions.

The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding.

	2016	2015	CHANGE
Net stable funding ratio (NSFR)	104.1 %	100.7 %	3.4 PP

As of 2018, banks must maintain a minimum NSFR of 100%, although the final form of calculation may change. Based on the existing standards, the RLB Steiermark Group already meets the minimum requirements.

Regulatory own funds

Raiffeisen-Landesbank Steiermark does not constitute a separate group of credit institutions as defined by the Austrian Banking Act (BWG). Therefore, it is not subject itself as a group to the supervisory regulations for banking groups, as it is part of the CRR scope of consolidation of RLB-Stmk Verbund eGen.

With effect from 1 January 2014, determination of Raiffeisen-Landesbank Steiermark's consolidated regulatory capital and consolidated regulatory capital requirements is based on the CRR scope of consolidation of RLB-Stmk Verbund eGen pursuant to Basel III.

The total own capital funds of the companies included in the CRR scope of consolidation of RLB-Stmk Verbund eGen reached a volume of EUR 1,190.3 million as at 31.12.2016 (2015: EUR 1,052.2 million). This compared with a regulatory own funds requirement of EUR 546.0 million (2015: EUR 503.9 million), resulting in a surplus of own funds of EUR 644.3 million (2015: EUR 548.2 million) on the reporting date. During the reporting period, the Tier 1 ratio increased to a satisfactory level of 17.72% (2015: 15.75%) while the own funds ratio came to 18.80% and was also well above the prior-year figure of 16.70%.

I.5. Non-financial performance indicators

The corporate policy of the RLB Steiermark Group is directed toward ensuring sustainable profits. This is also reflected in the Group's HR policy, which focuses on the cornerstones of sustainable, trust-based staff and customer relations, the advancement and development of young employees, and life-long learning for the entire workforce. On average, the company's 1,076 employees work just under 17 years for the company.

With their knowledge and skills, our workforce is the mainstay of our business model as a customer-centred provider of financial services. Essential success factors encompass clearly formulated and communicated strategic objectives as a permanent foundation for planning, performance measurement and further development. For this reason, the Managing Board, together with the division managers, developed a "roadmap for the future" in 2016, which outlines RLB's vision, its mission statement, specific parameters for action and conduct, and value-based leadership principles. This roadmap establishes a consistent internal standard, which provides guidance and support to all managers and employees in times of change.

Independence, achievement orientation and willingness to embrace change are the premises which have now been formulated in greater detail and will be implemented throughout the organisation. The Raiffeisen brand, our values and the cooperation within the sector are the starting point for new thinking and forward-looking action in the age of digitalisation and profound changes in the banking industry. In terms of leadership, our corporate values "professional, respectful, open & transparent" will continue to define work-related interaction within the organisation.

All of these actions not only benefit RLB Steiermark in terms of employer branding, but also position the Group as a reliable Austrian employer in the mind of the public. These are vital criteria when it comes to being perceived as a trustworthy, long-term partner by the public and our customers.

In the context of its place in society, the RLB Steiermark Group has always pursued the aim of fulfilling its role as a responsible flagship company in a dedicated and conscientious manner. Success in this segment is based on internal quality criteria so as to achieve optimum outcomes for all parties involved. We therefore ensure that all our projects are in conformity with our corporate values, individually and effectively planned, and professionally implemented.

RLB Steiermark and Landes-Hypothekenbank Steiermark operate on the market as separate banks. As sponsors, it is up to our partners to determine how they want to implement projects for and with people. By design, individual projects are not always communicated to the public, especially since it has been demonstrated that individual support is often the most effective element, particularly for the numerous charitable initiatives in this field.

Sponsoring is based on the common purpose of those involved to be more successful together and to promote broad public awareness. RLB Steiermark and Landes-Hypothekenbank Steiermark specifically lend their logos to individual persons, associations, and institutions which, through their ideas and achievements, are trendsetters in and driving forces behind our federal state.

As initiators, RLB Steiermark and Landes-Hypothekenbank Steiermark champion certain topics themselves, generate lively and substantive discussions, and offer solutions to problems. This means, for instance, that customer events are organised, discussion workshops are held, and/or interactive methods targeted to younger age groups are used on social media sites including Facebook.

I.6. Events of particular significance after the reporting date

Merger of Raiffeisenzentralbank Österreich AG (RZB) with Raiffeisenbank International AG (RBI)

In October 2016, the Managing and Supervisory Boards of RZB and RBI, after a detailed evaluation phase, decided to merge RZB into RBI. The objective of that amalgamation was to simplify the structure of the Group and adapt the Group to increased regulatory requirements. The merger was approved at the extraordinary shareholders' meetings of RZB and RBI on 23 and 24 January 2017 and recorded in the Commercial Register on 18 March 2017, thereby taking full legal effect. As at 31 December 2016, RLB Steiermark held a 15.32% equity interest in RZB and, after the merger, held a 9.95% equity interest in RBI, based on the increase in the share capital undertaken as part of the merger. As before, RLB Steiermark's CEO, MMag. Schaller, will continue to hold a seat on the Supervisory Board of RBI, which will ensure his continued influence on the main decision-making processes regarding RBI's business and financial policies.

II. REPORT ON THE EXPECTED DEVELOPMENT AND RISKS OF THE COMPANY (OUTLOOK)

II.1. Expected development of the company

Unexpected political events and increased uncertainty are expected to continue in 2017. On the one hand, the new political orientation of the United States will be given more specific form and on the other hand, the Brexit process will forge ahead. The elections to be held in France, Germany, and possibly in Italy, may also throw up some unexpected surprises.

For the euro area, slow but steady growth is on the horizon, although at a somewhat lower rate than in previous years. The positive effects of low oil prices and low returns on government bonds in earlier years will no longer be tangible in 2017. Overall, economic growth will show a split image, with Germany and Spain emerging as growth drivers, while France and Italy will likely grow at a sluggish pace. Inflation may increase somewhat, on foot of higher energy prices. However, core inflation, i.e. adjusted for volatile components such as energy prices, should remain low. No inflationary pressure is expected from the labour market in 2017. Due to the slow-growth economic environment, there is currently no sign of significantly rising wages and salaries, even in Germany.

By extending the bond-buying programme until the end of 2017, the European Central Bank has placed itself in a comfortable position and is therefore not expected to launch any significant measures during the course of the year.

Moderate growth is forecast for Austria. However, the strong rise in employment was not sufficient to boost the labour market, which is why a sustained decline in the jobless rate is not expected until 2019. Inflation should go up slightly in the coming years.

After the electoral success of Donald Trump, the forecasts for economic growth in the US were revised upward. Trump's announced policy of lowering taxes and increasing budget spending should provide an impetus for growth. As implementation of these measures is still a few months away, their positive effects will not be felt until the second half of 2017. However, strong opposition to Trump's tax plans from the Democratic members of Congress might significantly delay the tax cuts becoming operative and thus push their pro-growth effects into 2018. In addition to the stimulating elements of Trump's plans, they also generate considerable uncertainty. Trump's proposed renegotiation of trade agreements with various countries, for instance, could result in higher customs duties and weaken the US economy in the long term, while a strong dollar may be a drag on exports. As far as monetary policy measures are concerned, the market can expect further rate hikes from the Fed.

In Japan, growth should edge upward in the coming years, bolstered by the government's fiscal policy. However, consumption is likely to remain constrained despite low unemployment, and inflation should also continue low. China, too, is anticipated to benefit from a more expansive fiscal policy. However, the new orientation of US trade policy might negatively impact both countries.

Growth at around 3% is expected for the EU's Central, Eastern and Southern European member states, with above-average growth being forecast for Romania, Slovakia and Poland. For the Baltic states, Hungary and Slovenia, weaker growth is projected, while the Russian economy should expand in 2017, although at a moderate pace at best.

The economic environment for banks will remain challenging in 2017, with upward pressure on costs and shrinking margins and no relief from regulatory burdens. Given this backdrop of complex realities, stability and a strong regional rooting – factors that have long been important elements in the success of the Raiffeisen banks – become all the more significant.

Our forward-looking corporate policy puts us on a firm foundation to master the challenges associated with our economic and statutory environment. Maintaining a close relationship with our customers and upholding our values of security, proximity and trust are our highest priorities. Advice, assistance and jointly developing solutions for the financial needs of our customers are the central focus of our activities. As a strong regional bank that is part of a wider banking Group, we are a reliable partner to our customers, equity holders, and the society in which we operate – even in turbulent times.

II.1. Risk report

Information for IFRS 7 disclosure purposes regarding the types of risk associated with financial instruments is shown in the "Risk report" of the consolidated financial statements. For details regarding the risks arising from defined benefit plans (severance payments and pensions), we refer to the information contained in note 24 "Provisions".

III. REPORT ON RESEARCH AND DEVELOPMENT

Raiffeisen-Landesbank Steiermark maintains contacts with renowned experts and innovators from around the country, which are shared with Landes-Hypothekenbank Steiermark. This is reflected in cooperation agreements with research universities and universities of applied sciences as well as joint projects with innovation centres like evolaris next level GmbH. The annual economic discussion forum held by Raiffeisen-Landesbank Steiermark AG on the basis of the expert reports and forecasts of the Industriellenvereinigung (IV, Federation of Austrian Industries) regarding the country's future economic development has long since been a central focal point for leading figures from the fields of economics, politics, academia and the media.

The presentations and discussion points given by employees to share their expertise with public bodies, higher education establishments, partner companies and schools have also become important stimuli for the transfer and expansion of knowledge. In turn, students join Raiffeisen-Landesbank Steiermark AG as interns seeking to put their knowledge into practice in the context of concrete projects.

Due to the nature of the industry in which Raiffeisen-Landesbank Steiermark AG operates, there is no further relevant information about research and development activities.

IV. NOTES ON THE KEY FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM WITH REGARD TO THE FINANCIAL REPORTING PROCESS

1. Legal background

Pursuant to § 243a (2) of the Austrian Business Enterprise Code (UGB), the (consolidated) management report of companies whose shares or other securities issued are admitted for trading on a regulated market pursuant to § 1 (2) of the Austrian Stock Exchange Act (BörseG) must describe the key features of the company's internal control and risk management system with regard to the financial reporting process.

2. Subject of the report

The term "internal control system" (ICS) refers to all processes designed by management and executed within the bank to facilitate

- the monitoring and control of the effectiveness and efficiency of its operating activities (including protecting assets against losses resulting from damages or misconduct),
- the reliability of the financial reports,
- and its compliance with material legal regulations to which it is subject.

The internal control system comprises all the principles, processes and measures that are applied to secure effective, economical and proper accounting and compliance with the pertinent legal provisions. This also includes the internal auditing system insofar as it relates to accounting.

The risk management system covers all processes that serve to identify, analyse and measure risks and that serve to determine and implement appropriate measures that will ensure that RLB Steiermark can still reach its objectives when risks are incurred.

A part of the internal control system, the risk management system with regard to the financial reporting process is related to control and monitoring procedures of accounting just as the latter is, in particular when it comes to items shown on the balance sheet that recognise the bank's risk hedging.

3. Key features of the internal control and risk management system with regard to the (Group) financial reporting process

The key features of the RLB Steiermark Group's internal control and risk management system with regard to the (Group) financial reporting process can be described as follows:

- RLB Steiermark and the RLB Steiermark Group have a clearly defined management and corporate structure.
- The functions of the areas primarily involved in the (Group) accounting process are Finance and Accounting and Controlling, which are clearly separated from market activities. All areas of responsibility are unambiguously assigned.
- As a company oriented toward the needs of the capital markets, RLB Steiermark is required to prepare its consolidated financial statements according to International Financial Reporting Standards (IFRS).
- The "Finance, Controlling and Total Bank Management/Bank Accounting" department is responsible for fundamental aspects of preparing IFRS-compliant financial statements and prepares the Group's consolidated financial statements.
- The consolidated financial statements are based on the individual financial statements of the subsidiaries included in the scope of consolidation, which are prepared in compliance with Group-wide standards.
- The systems in use are protected against unauthorised access by corresponding IT measures.
- Standard software is used for these systems as far as possible.
- An adequate guidance system (e.g. acquisition approval, payment order authority, etc.) has been established and is being updated constantly.
- The departments and areas involved in the (Group) accounting process are adequately equipped with regard to both quantity and quality.
- Accounting data received or referred are continuously checked for completeness and accuracy, e.g. through spot checks. The software used also performs programmed plausibility checks.
- The principle of dual control (four-eyes principle) is consistently applied for all processes of relevance to (Group) accounting.
- Processes of relevance to (Group) accounting are regularly checked by the internal audit department, which operates independently of processes.
- The departments involved in the (Group) accounting process prepare regular reports – in particular controlling reports, segment earnings statements, etc. – for the Managing Board.
- The Managing Board prepares a quarterly report for the Supervisory Board in accordance with § 81 of the Austrian Stock Corporation Act (AktG).

4. Notes on the key features of the internal control and risk management system with regard to the financial reporting process

The internal control and risk management system with regard to the (Group) financial reporting process, whose key features are described in point 3, ensures that matters pertaining to the business are fully and accurately recognised, prepared and evaluated on the balance sheet and are included in the (Group) accounting. Suitable personnel resources, the use of adequate software and clear legal and internal specifications form the basis for a proper, uniform and continuous (Group) accounting process. Clearly defined areas of responsibility as well as various control and review mechanisms as previously described in more detail in point 3 – in particular plausibility checks and the principle of dual control (four-eyes principle) – ensure that all (Group) accounting processes are executed correctly and with due care and attention. In particular, this framework ensures that business transactions are recorded, processed and correctly and promptly documented in the accounting systems in compliance with legal requirements, the Articles of Association and internal guidelines. At the same time, this guarantees that assets and liabilities are accurately recognised, disclosed and measured in the annual financial statements and consolidated financial statements, and that reliable and relevant information is supplied completely and promptly.

Graz, 3 April 2017

The Managing Board

CEO and Chairman of the Managing Board Martin SCHALLER (signed)
responsible for the management of the bank and the association, finance & controlling, capital markets and real estate

Member of the Managing Board Matthias HEINRICH (signed)
responsible for risk management, non-performing loan management, organisation and IT

Member of the Managing Board Rainer STELZER (signed)
responsible for corporate customers, retail customers, marketing and sales, insurance and residential building savings schemes

CONTENT

2016 CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

STATEMENT OF COMPREHENSIVE INCOME

Income statement

	Note/s	2016	2015		Change
		TEUR	TEUR	TEUR	%
Interest and similar income	1	326,184	347,306	-21,122	-6.1
Interest and similar expenses	1	-195,294	-207,205	11,911	-5.7
Profit/loss from companies carried at equity	1	-54,993	-958	-54,035	>100
Net interest income	**1**	**75,897**	**139,143**	**-63,246**	**-45.5**
Charges for impairment allowances on loans and advances	2	45,283	10,465	34,818	>100
Net interest income after impairment charges		**121,180**	**149,608**	**-28,428**	**-19.0**
Net fee and commission income	3	36,465	38,868	-2,403	-6.2
Profit/loss from hedge accounting	4	-645	1,838	-2,483	>100
Net trading income	5	13,467	1,477	11,990	>100
Profit/loss from financial instruments – designated at fair value through profit or loss	6	-13,574	50,123	-63,697	>100
Profit/loss from financial assets – available for sale	7	6,653	29,743	-23,090	-77.6
General administrative expenses	8	-158,569	-169,773	11,204	-6.6
Other operating profit/loss	9	22,846	53,155	-30,309	-57.0
Consolidated net profit/loss for the year before taxes		**27,823**	**155,039**	**-127,216**	**-82.1**
Income taxes	10	3,726	-2,619	6,345	>100
Consolidated net profit/loss for the year		**31,549**	**152,420**	**-120,871**	**-79.3**
Net profit/loss for the year attributable to the shareholders of RLB Steiermark		26,071	151,524	-125,453	-82.8
Consolidated net profit/loss for the year attributable to non-controlling interests		5,478	896	4,582	>100

Reconciliation to consolidated comprehensive income

	2016	2015		Change
	TEUR	TEUR	TEUR	%
Consolidated net profit/loss for the year	**31,549**	**152,420**	**-120,871**	**-79.3**
Other comprehensive income				
Items not reclassified to profit or loss (OCI non-reclassified)				
Actuarial gains and losses from defined benefit plans	-469	2,083	-2,552	>100
Deferred taxes on actuarial gains and losses	143	-491	634	>100
Proportionate changes in equity of companies carried at equity without effect on profit or loss	1,279	714	565	79.1
Deferred taxes on proportionate changes in equity of companies carried at equity not recognised through profit or loss	-135	-114	-21	18.4
Items that can be reclassified to profit or loss (OCI reclassified)				
Changes in the valuation of financial assets available for sale (AFS)	2,415	-56,958	59,373	>100
Deferred taxes in relation to the valuation of financial assets available for sale (AFS)	-262	5,559	-5,821	>100
Proportionate changes in equity of companies carried at equity not recognised through profit or loss	13,400	-13,469	26,869	>100
Deferred taxes on proportionate changes in equity of companies carried at equity not recognised through profit or loss	1,145	-3,975	5,120	>100
Currency translation differences	9	-4	13	>100
Total other comprehensive income	**17,525**	**-66,655**	**84,180**	**>100**
Consolidated comprehensive income	**49,074**	**85,765**	**-36,691**	**-42.8**
Consolidated comprehensive income attributable to the shareholders of RLB Steiermark	43,884	86,269	-42,385	-49.1
Consolidated comprehensive income attributable to non-controlling interests	5,190	-504	5,694	>100

STATEMENT OF CHANGES IN THE AVAILABLE-FOR-SALE RESERVE (AFS RESERVE)

Changes in AFS reserve	31.12.2016 (TEUR)			31.12.2015 (TEUR)		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Attributable to the shareholders of RLB Steiermark	2,641	-356	2,285	-54,763	5,011	-49,752
Attributable to non-controlling interests	-226	94	-132	-2,195	548	-1,647
Changes in AFS reserve	**2,415**	**-262**	**2,153**	**-56,958**	**5,559**	**-51,399**

BALANCE SHEET

	Note/s	2016	2015	Change	
		TEUR	TEUR	TEUR	%
Cash and balances with central banks	11	26,742	47,218	-20,476	-43.4
Loans and receivables at amortised cost	12	8,531,822	8,452,848	78,974	0.9
Charges for impairment allowances on loans and advances	13	-253,660	-314,405	60,745	19.3
Trading assets	14	2,557,569	1,863,201	694,368	37.3
Financial assets – designated at fair value through profit or loss	15	1,393,198	1,322,277	70,921	5.4
Financial assets – available for sale	16	1,632,228	1,542,117	90,111	5.8
Companies carried at equity	17	762,831	801,233	-38,402	-4.8
Intangible assets	18	5,583	7,119	-1,536	-21.6
Property and equipment	19	148,068	152,450	-4,382	-2.9
Investment properties	20	1,375	0	1,375	-
Current income tax assets	25	258	998	-740	-74.1
Deferred income tax assets	25	20,784	15,928	4,856	30.5
Other assets	21	134,819	155,309	-20,490	-13.2
TOTAL ASSETS		**14,961,617**	**14,046,293**	**915,324**	**6.5**
Financial liabilities at amortised cost	22	9,534,661	8,068,177	1,466,484	18.2
Trading liabilities	23	869,364	845,450	23,914	2.8
Financial liabilities – designated at fair value through profit or loss	24	3,096,135	3,707,124	-610,989	-16.5
Provisions	25	98,214	123,300	-25,086	-20.3
Current income tax liabilities	26	2,724	4,025	-1,301	-32.3
Deferred income tax liabilities	26	9,550	9,661	-111	-1.1
Other liabilities	27	75,813	49,271	26,542	53.9
Equity	**28**	**1,275,156**	**1,239,285**	**35,871**	**2.9**
Equity attributable to the shareholders of RLB Steiermark	28	1,214,074	1,183,388	30,686	2.6
Equity attributable to non-controlling interests	28	61,082	55,897	5,185	9.3
TOTAL EQUITY AND LIABILITIES		**14,961,617**	**14,046,293**	**915,324**	**6.5**

STATEMENT OF CHANGES IN EQUITY

TEUR	Subscribed capital	Capital reserves	Retained earnings	AFS reserve	Consolidated net profit/loss for the year	Equity attributable to the shareholders of RLB Steiermark	Equity attributable to non-controlling interests	Aggregate capital
Equity at 1.1.2016	**142,721**	**401,956**	**402,509**	**84,678**	**151,524**	**1,183,388**	**55,897**	**1,239,285**
Consolidated net profit/loss for the year					26,071	26,071	5,478	31,549
OCI non-reclassified			975			975	-157	818
OCI reclassified			14,553	2,285		16,838	-131	16,707
Consolidated comprehensive income			15,528	2,285	26,071	43,884	5,190	49,074
Change in retained earnings due to consolidated net profit/loss for the year			151,524		-151,524			
Dividend distribution			-5,044			-5,044		-5,044
Change in scope of consolidation			-8,206			-8,206		-8,206
Other changes		-131	183			52	-5	46
Equity at 31.12.2016	**142,721**	**401,825**	**556,494**	**86,963**	**26,071**	**1,214,074**	**61,082**	**1,275,156**
Equity at 1.1.2015	**141,419**	**403,258**	**416,964**	**134,430**	**5,213**	**1,101,284**	**54,839**	**1,156,123**
Consolidated net profit/loss for the year					151,524	151,524	896	152,420
OCI non-reclassified			1,945			1,945	247	2,192
OCI reclassified			-17,448	-49,752		-67,200	-1,647	-68,847
Consolidated comprehensive income			-15,503	-49,752	151,524	86,269	-504	85,765
Capital increase	1,302	-1,302						
Change in retained earnings due to consolidated net profit/loss for the year			5,213		-5,213			
Dividend distribution			-5,010			-5,010		-5,010
Other changes			845			845	1,562	2,407
Equity at 31.12.2015	**142,721**	**401,956**	**402,509**	**84,678**	**151,524**	**1,183,388**	**55,897**	**1,239,285**

Details of the changes summarised above are reported in note 28 “Equity”.

CASH FLOW STATEMENT

TEUR	Note/s	2016	2015
Consolidated net profit/loss for the year		**31,549**	**152,421**
Non-cash items contained in the consolidated net profit/loss for the year and reconciliation to the cash flow from operating activities			
Depreciation, amortisation, impairment of financial assets		22,565	34,985
Net creation of provisions and impairment allowances		-44,587	-12,320
Profit from the sale of assets		-2,719	-18,257
Loss from the sale of assets		4,446	7,041
Other adjustments		-130,608	-149,359
Change in assets and liabilities arising from operating activities after corrections for non-cash items			
Loans and receivables at amortised cost (after impairment charges)	12	-115,948	-48,176
Trading assets	14	-641,795	-209,646
Financial assets – designated at fair value through profit or loss	15	-75,946	81,792
Financial assets – available for sale	16	-87,440	143,973
Other assets from operating activities	21	21,008	-67,415
Financial liabilities at amortised cost	22	1,452,704	427,036
Trading liabilities	23	8,206	339,711
Financial liabilities – designated at fair value through profit or loss	24	-618,490	-802,771
Other liabilities from operating activities	27	27,707	-65,884
Taxes on income paid	26	-3,691	14,399
Interest received	1	318,034	347,067
Dividends received	1	8,670	7,586
Interest paid	1	-194,698	-216,861
Cash flow from operating activities		**-21,033**	**-34,680**
Cash proceeds from the sale of:			
Property and equipment and intangible assets	18, 19	398	4,854
Equity investments (non-consolidated)	16	607	46,340
Sale of subsidiaries		634	1,025
Cash paid for the acquisition of:			
Property and equipment and intangible assets	18, 19	-10,550	-10,729
Equity investments (non-consolidated) including subsidies	16	-4,558	-3,681
Cash flow from investing activities		**-13,469**	**37,809**
Dividends	28	-5,044	-5,010
Subordinated liabilities		18,923	8,065
Cash flow from financing activities		**13,879**	**3,055**
Cash and cash equivalents at end of previous period		**47,218**	**41,062**
Cash flow from operating activities		-21,033	-34,680
Cash flow from investing activities		-13,469	37,809
Cash flow from financing activities		13,879	3,055
Effects of exchange rate fluctuations		147	-30
Cash and cash equivalents at end of period [1]	11	**26,742**	**47,218**

[1] The item “Cash and cash equivalents” is equivalent to cash and balances held with central banks.

Other adjustments relate primarily to the change in companies carried at equity and deferred taxes. Furthermore, this item reconciles interest and fair value measurements, as these figures appear in other cash flow line items.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial reporting principles

General information

Raiffeisen-Landesbank Steiermark AG (RLB Steiermark) is the regional central institution of the Raiffeisen Banking Group in Styria (Raiffeisen Bankenkgruppe Steiermark) and is registered in the Commercial Register at the Graz Regional Court for Civil Matters under Commercial Register number FN 264700s. The corporate address of RLB Steiermark is Kaiserfeldgasse 5, 8010 Graz (Austria). RLB Steiermark is a universal bank which is predominantly active in the south of Austria.

RLB-Stmk Holding eGen (RLB-Stmk Holding) holds 84.08% (2015: 84.08%) of the shares in RLB Steiermark. A further 13.13% are held directly by Styrian Raiffeisen banks. RLB-Stmk Verbund eGen (RLB-Stmk Verbund) owns 95.18% (2015: 95.16%) of RLB-Stmk Holding. The remaining shares are held by other cooperative members. RLB-Stmk Verbund is the Group's ultimate parent company.

As the superordinate financial holding company, RLB-Stmk Verbund is 100% owned by the Raiffeisen banks in Styria. As a result of this holding structure, the Raiffeisen banks in Styria enjoy an indirect majority ownership position – including in terms of voting rights – relative to RLB Steiermark.

In accordance with Austrian disclosure regulations, the consolidated financial statements of RLB-Stmk Verbund are lodged with the Commercial Register at the Graz Regional Court and published in the official gazette (Amtsblatt der Wiener Zeitung).

Unless specifically stated otherwise, the figures in these consolidated financial statements are rounded to the nearest thousand euros (TEUR). As a result, rounding differences may appear in the tables that follow.

Disclosure pursuant to Part 8 (Articles 431 to 455) of the CRR is based on the consolidated financial position of RLB-Stmk Verbund in its function as an EEA parent financial holding company. This disclosure may be viewed on the website of RLB Steiermark.

Accounting policies underlying the consolidated financial statements

The consolidated financial statements for the 2016 financial year, together with the prior-year figures for 2015, have been prepared in accordance with EU Regulation (EC) No. 1606/2002 in conjunction with § 245a of the Austrian Business Enterprise Code (UGB) and § 59a of the Austrian Banking Act (BWG). All of the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), and all of the interpretations issued by the IFRS Interpretations Committee (IFRIC) whose application in connection with the consolidated financial statements was mandatory were taken account of as adopted by the EU. The consolidated financial statements comply with the provisions of § 245a UGB and § 59a BWG governing the exemption from filing consolidated financial statements in accordance with internationally recognised accounting principles.

Application of amended/new standards and interpretation

New and amended standards and interpretations, the application of which is mandatory from the year under review:

Standard/interpretation	Description	Effective for annual periods beginning on or after	Adopted by the EU
IAS 19	Amendments to IAS 19, “Defined Benefit Plans: Employee Contributions”	1.2.2015	Yes
Improvements IFRS (2010–2012)	Annual improvements (cycle 2010–2012)	1.2.2015	Yes
IAS 1	Amendments to IAS 1, Disclosure Initiative: “Presentation of Financial Statements”	1.1.2016	Yes
IAS 16, IAS 38	Amendments to IAS 16 and IAS 38, “Clarification of Acceptable Methods of Depreciation and Amortisation”	1.1.2016	Yes
IAS 16, IAS 41	Amendments to IAS 16 and IAS 41, “Bearer Plants”	1.1.2016	Yes
Improvements IFRS (2012–2014)	Annual improvements (cycle 2012–2014), IFRS 5, IFRS 7, IAS 19, IAS 34	1.1.2016	Yes
IFRS 10, IFRS 12 and IAS 28	Amendments to IFRS 10, IFRS 12 and IAS 28, “Investment Entities – Application of the Exemption Rule to Consolidation”	1.1.2016	Yes
IFRS 11	Amendments to IFRS 11, “Accounting for the Acquisition of an Interest in a Joint Operation”	1.1.2016	Yes
IAS 27	Amendments to IAS 27 – “Separate Financial Statements (Equity Method)”	1.1.2016	Yes

IAS 1 “Disclosure Initiative”
Amendments to IAS 1 that arise from the disclosure initiative represent the completion of the first sub-project of the IASB’s financial reporting initiative. The amendments include clarifications and interpretation recommendations that relate to materiality, note order, disaggregation of balance sheet line items, and separate reporting for the other comprehensive income (OCI) portion that covers equity-accounted joint ventures and associates from other OCI components.

Since the other new and amended standards (the application of which is mandatory from the year under review) are not relevant for the RLB Steiermark Group, they are not discussed further.

Standards and interpretations which have been published but are not yet mandatory:

Standard/interpretation	Description	Effective for annual periods beginning on or after	Adopted by the EU
IFRS 9	Financial instruments	1.1.2018	Yes
IFRS 15	Revenue from Contracts with Customers	1.1.2018	Yes
IFRS 14	Regulatory Deferral Accounts	1.1.2016	No**
IAS 7	Statement of Cash Flows – Disclosure Initiative	1.1.2017	No
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1.1.2017	No
Improvements IFRS (2014–2016)	Annual improvements (cycle 2014–2016), IFRS 12 clarification	1.1.2017	No
Improvements IFRS (2014–2016)	Annual improvements (cycle 2014–2016), IFRS 1 IAS 28 Fair Value Measurement	1.1.2018	No
IFRS 4	Amendments to IFRS 4, Applying IFRS 9 with IFRS 4 Insurance Contracts	1.1.2018	No
IFRS 2	Amendments to IFRS 2, Classification and Measurement of Share-based Payment Transactions	1.1.2018	No
Amendment to IFRS 15	Clarification: Revenue from Contracts with Customers	1.1.2018	No
IFRIC 22	Foreign currency translation for advance consideration	1.1.2018	No
Amendments to IAS 40	Classification of properties not yet completed	1.1.2018	No
IFRS 16	Leasing	1.1.2019	No
IFRS 10, IAS 28	Amendments to IFRS 10 and IAS 28, “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	– *	No

* The mandatory effective date had initially been set for 1.1.2016 but was deferred indefinitely by the IASB.
** The EU will not adopt this “transitional standard” but will wait for the final standard to be released.

A determination was made to refrain from the early adoption of standards and interpretations which, although they have been approved and endorsed by the EU, are not yet mandatory.

IFRS 9, “Financial Instruments”
Published in July 2014, IFRS 9 is subject to mandatory application with effect from the 2018 financial year. Specifically, it replaces the existing standards in IAS 39, “Financial instruments: Recognition and Measurement”. IFRS 9 introduces new regulations for classifying and valuating financial assets, requires changes in accounting for effects arising from the change in own credit risk for financial liabilities designated at fair value, replaces the current regulations regarding recognition of impairment losses for financial assets, and changes the accounting requirements for hedge accounting. For the most part, the IFRS 9 regulations for recognising and derecognising financial instruments have been carried over from IAS 39. At present, the RLB Steiermark Group intends to apply IFRS 9 for the first time in the financial year that starts 1 January 2018.

Details relating to the IFRS 9 project

The RLB Steiermark Group conducted a preliminary study as early as 2012 to determine the effects of the application of IFRS 9. The practical implementation project was launched in autumn 2015 after accomplishing the necessary software evaluation and making the appropriate decisions. In terms of the initial application, IFRS 9 is scheduled for implementation as of 1 January 2018.

In addition to defining and implementing the technical topics relating to classification, impairment, measurement and hedge accounting, intensive work has been conducted since early 2016 on the necessary adjustment/implementation of the systems and interfaces required. According to the current project plan, the key technical topics will largely have been dealt with by mid-2017. A parallel, IFRS 9-based calculation will be conducted in the second half of 2017 to analyse the impact of the new standard on the balance sheet and the equity of the RLB Steiermark Group. This will allow sufficient time before initial application of the standard, and to plan the required measures accordingly.

Within the ongoing project, topic-specific calculations and impact analyses are already being undertaken to establish the basis for decisions regarding the application of methods/models to be devised, the adjustments in processes required, and the incorporation of insights gained when preparing customer contracts.

The new standard furthermore requires the RLB Steiermark Group to adjust its accounting processes and internal control system relating to the reporting of financial instruments. Of note, such adjustments have not yet been completed.

Changes and consequences caused by new classification rules

Under IFRS 9, the classification of financial assets (debt instruments) is based on the characteristics of the contractual cash flows and the basic principles of the business model used to manage the financial assets concerned. Depending on their characteristics and considering the possibility of exercising the option to designate a financial liability as measured at fair value through profit or loss (fair value option to avoid/reduce an accounting mismatch), assets are either recognised at “fair value through profit or loss”, at “fair value through other comprehensive income”, or at “amortised cost”.

Based on the current perspective, the RLB Steiermark Group will only apply the “Hold” business model with respect to lending portfolios. The characteristics of the contractual cash flows of financial assets are evaluated both manually, based on a catalogue of criteria that are potentially hazardous to fulfilment of the SPPI (solely payments of principal and interest) requirement under IFRS 9, and automatically, via an IT-based benchmark test that identifies contractual clauses that are potentially hazardous to fulfilment of the SPPI requirement. From the present perspective, the assessment of contractual cash flows in lending transactions will only trigger recognition at fair value in isolated cases. Accordingly, conversion to IFRS 9 will not produce any significant negative effects for the 2018 financial year or for subsequent periods.

Where securities holdings are concerned, the RLB Steiermark Group applies the “Sell” business model (trading portfolio), the “Hold” business model, and the “Hold and Sell” business model. An analysis of the current securities portfolio indicates that only a small number of securities must be recognised at fair value through profit or loss because they do not satisfy the SPPI criterion. Conversion effects that are expected to have an adverse impact on equity are therefore expected primarily from the reclassification of assets from IAS 39 categories “Financial assets – available for sale (AFS)” and “Financial assets – designated at fair value through profit or loss (FVO)” to valuation under IFRS 9.

The IAS 39 rules that govern the classification and measurement of financial liabilities remain largely unchanged. However, changes in the fair value of liabilities designated at fair value through profit or loss that are attributable to changes in own credit risk must be recognised directly in OCI unless this leads to accounting mismatches in the income statement. For liabilities that remain designated under the fair value option, conversion to IFRS 9 is expected to give rise to higher volatility in OCI. The RLB Steiermark Group has designated a considerable part of its liabilities under the fair value option, particularly on the basis of IAS 39.9 b (i). These liabilities are measured at fair value through profit or loss. In the context of analysing the impacts of IFRS 9 conversion, the Group is also reviewing current and future designation options, especially for interest-rate hedged financial assets and financial liabilities (use of the fair value option under IFRS 9 as well as hedge accounting). At present, the effects that result therefrom cannot be assessed reliably.

Utilising the OCI presentation alternative for equity instruments not held for trading is also under evaluation, particularly for equity investments. As above, the outcome of this evaluation cannot be reliably assessed at this point.

Changes and consequences caused by new impairment rules

The IAS 39 rules on impairment are replaced by the expected credit loss model under IFRS 9. Under this model, expected credit losses are recognised from the point at which a financial instrument is originated or purchased. These regulations apply to financial assets measured at “fair value through other comprehensive income” or at “amortised cost” for lease receivables, trade receivables, contract assets as defined in IFRS 15, and off-balance-sheet transactions (recourse claims, guarantees and credit risks).

Under the IFRS 9 impairment model, a loss allowance at an amount equal to 12-month expected credit losses must be recognised for financial assets that are performing (stage 1 assets). In instances where credit risk has increased significantly since origination or purchase but the asset is not yet non-performing (stage 2), and for non-performing financial assets as well, IFRS requires recognition of a loss allowance at an amount equal to all of the losses expected during the entire term of the asset. This is called “lifetime expected loss”.

In the context of implementation of the new impairment model, the RLB Steiermark Group takes into account state-of-the-art model assumptions as well as publications issued by bank supervisory authorities on the subject of key input parameters for the computation of expected credit loss. These are “probability of default” (PD), “loss given default” (LGD) and “exposure at default” (EAD) for the respective products. In assessing and measuring expected loss provisioning, forward-looking information and macroeconomic factors are also considered appropriately. Any stage transfers are based on both qualitative and quantitative criteria.

The RLB Steiermark Group anticipates that IFRS 9-based impairment rules will lead to an overall increase in risk provisioning throughout the Group. This assessment is based primarily on the increase in the volume of assets which, according to IFRS 9, fall under the “lifetime expected loss” model (stage 2) due to an increased credit risk (IAS 39 only requires such provisioning if a loss event has already occurred). The new impairment regulations are also expected to increase volatility in the income statement.

Changes and consequences caused by the new hedge accounting rules under IFRS 9

The fundamental hedge accounting methodology under IAS 39 has not been changed substantially in IFRS 9. However, the accounting treatment of hedges is to be aligned more closely with risk management. When transitioning to IFRS 9, entities have the option to apply the IFRS 9 hedge accounting rules or continue IAS 39 hedge accounting. The RLB Steiermark Group has not yet made a final decision on that matter. For newly adopted decisions regarding hedge accounting approaches or any changes to the scope of hedge accounting within the RLB Steiermark Group, we refer to the information provided on the subject of classification.

Overall assessment

The actual impacts of the initial application of IFRS 9 effective from 1 January 2018, as well as any further effects in subsequent periods, are unknown. Such effects can only be estimated based on assumptions about the development of the RLB Steiermark Group’s portfolio of financial instruments, future economic conditions and market developments, and the Group’s selection of accounting methods and discretionary decisions (such as decisions on classification and designation). From the current perspective and based on the assumptions and simulations of potential effects described above, the RLB Steiermark Group anticipates that transition to IFRS 9 will not cause any significant negative effects in terms of balance sheet equity or regulatory tier 1 capital.

Amendments to IAS 7: Statement of Cash Flows – Disclosure Initiative

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes arising from cash flow and non-cash changes.

The amendments are effective for annual periods beginning on or after 1 January 2017, and early adoption is permitted. The amendments are not relevant for the RLB Steiermark Group.

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments are effective for annual periods beginning on or after 1 January 2017, and early adoption is permitted.

The RLB Steiermark Group is currently assessing the potential impact of the amendments on its consolidated financial statements. So far, the Group does not expect any significant impact.

IFRS 15: Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18, “Revenue”, IAS 11, “Construction Contracts”, and IFRIC 13, “Customer Loyalty Programmes”. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, and early adoption is permitted. These amendments will have no material impact on future consolidated financial statements of the RLB Steiermark Group.

IFRS 16: Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset as representing its right to use the underlying asset and a lease liability as representing its obligation to make lease payments. Optional exemptions exist for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard, i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces the guidance for existing leases, including IAS 17, “Leases”, IFRIC 4, “Determining whether an Arrangement contains a Lease”, SIC-15, “Operating Leases – Incentives” and SIC-27, “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15, “Revenue from Contracts with Customers” at or before the date IFRS 16 was applied initially.

The RLB Steiermark Group has begun initial assessment of the potential impact on its consolidated financial statements. So far, the most significant impact identified is that the RLB Steiermark Group will recognise new assets and liabilities for its operating leases. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The RLB Steiermark Group has not yet decided whether it will use the optional exemptions. No significant impact is expected for the RLB Steiermark Group’s finance leases.

Other amendments

The other newly applicable standards are not expected to have a significant impact on future financial statements.

RECOGNITION AND MEASUREMENT POLICIES

Uniform accounting principles throughout the Group

The basis for the consolidated financial statements was provided by the separate financial statements of all the consolidated companies, which were prepared applying uniform, Group-wide standards and in accordance with the provisions of IFRS. With the exception of two subsidiaries which were included in the consolidated financial statements as at 30 September, the fully consolidated companies and the company carried at equity prepared their annual financial statements as at 31 December. Appropriate adjustments were carried out to allow for the effects of material business transactions and other events occurring between subsidiaries' reporting dates and 31 December. The DASAA 8010 Miteigentumsspezialfonds (joint ownership special fund), as well as the sub-funds GLAN 8041 and EURAN 8051, use a different financial year (which ends on October 31); however, they are included in the consolidated financial statements on the basis of interim reports.

Acquisitions

In the course of capital consolidation, all identifiable assets, liabilities and contingent liabilities of the subsidiary are measured at their fair value on the acquisition date according to the provisions of IFRS 3. The acquisition costs are offset with the proportional net assets. The resulting positive differences are capitalised as goodwill and tested annually for impairment. Additional impairment tests are carried out if events or circumstances indicate that the carrying value might be impaired. If negative goodwill arises within the context of first-time consolidation, this must be recognised immediately in profit or loss once the valuations have been reassessed. Incidental acquisition costs are recognised as expenses. Transactions with non-controlling interests that do not lead to any change in the control relationship are only shown directly in equity.

Consolidation methods

The consolidation measures undertaken in the context of preparing the consolidated financial statements include capital consolidation, debt consolidation, consolidation of income and expenses, and elimination of intragroup profits.

During the elimination of intragroup balances, receivables and payables between companies belonging to the scope of full consolidation were offset.

Intragroup income and expenses were eliminated during the process of consolidating income and expenses.
Intragroup profits were eliminated if their effect on line items in the income statement was material.

Subsidiaries

Subsidiaries are included in the scope of fully consolidated companies of the RLB Steiermark Group if a control relationship as defined in IFRS 10.6 exists. Accordingly, a parent entity controls an investee if, as a result of its involvement with the investee, the bank is exposed to, or has rights to, variable economic returns from its involvement with the investee, and has the opportunity to influence those economic returns through its decision-making power over the investee. This decision-making power derives from existing rights to determine the activities of the investee in a way which significantly influences its economic success.

Interests in subsidiaries which had not been included in the consolidated financial statements and investments in associates which were not carried at equity are identified in the balance sheet item "Financial assets – available for sale" and have been measured at fair value.

Investments in associates

Investments in companies over which RLB Steiermark had a significant influence are carried at equity and recorded on the balance sheet in the line item “Companies carried at equity”. As at the reporting date, this exclusively applies to the equity investment in Raiffeisen Zentralbank Österreich AG, Vienna (RZB). As a rule, ownership interests of between 20% and 50% confer significant influence. In accordance with IAS 28.5, if ownership interest is less than 20%, the investor will be presumed not to have significant influence in the financial and operating policy decisions of the investee, unless such influence can be clearly demonstrated. RLB Steiermark held a 15.32% interest in RZB at year-end 2016. Significant influence exists because RLB Steiermark also had a permanent seat on the supervisory board of Raiffeisen Zentralbank Österreich AG (RZB) und der Raiffeisen Bank International AG (RBI) as at 31.12.2016. The merger of RZB and RBI took legal effect on 18 March 2017. Since that date, RLB Steiermark is responsible for delegating the First Vice President of RBI’s Supervisory Board (see also note 54 “Events after the balance sheet date”)

If there are indicators that suggest a possible impairment as defined by IAS 39, equity carrying amounts must undergo an impairment test pursuant to IAS 28 in conjunction with IAS 36. As a rule, impairment testing is carried out using a valuation method based on future financial surpluses of the associate. Charges on the basis of impairments are shown in the income statement under “Profit/loss from companies carried at equity”. The proportionate net profit/loss attributable to companies carried at equity is shown in the same item of the income statement.

The same rules are applied to companies carried at equity (date of first-time consolidation, calculation of goodwill or negative goodwill) as to investments in subsidiaries. The basis for recognition is provided by the respective year-end financial statements of the companies carried at equity.

The number of fully consolidated companies and companies carried at equity is as follows:

	Full consolidation*		Equity method	
	2016	**2015**	**2016**	**2015**
At 1 January	**36**	**36**	**1**	**1**
Included for the first time in the reporting year	0	0	0	0
Change due to reorganisation during the reporting year	0	0	0	0
Deconsolidated in the reporting year	-4	0	0	0
At 31 December	**32**	**36**	**1**	**1**

* including Raiffeisen-Landesbank Steiermark AG (parent entity) and the consolidated structured entities (special funds) DASAA, GLAN and EURAN.

A detailed list of fully consolidated companies and of investments in companies carried at equity is provided in the overview of equity investments presented in the annex. In the year under review, three subsidiaries were liquidated and one subsidiary was sold.

Foreign currency translation

Foreign currency translation takes place in accordance with the provisions of IAS 21. Accordingly, non-euro monetary assets and liabilities are translated into euro at the ECB reference rates prevailing at the reporting date. Non-monetary assets and liabilities measured on the basis of historical costs are translated at the market exchange rates prevailing at the time of their acquisition. Non-monetary assets measured at fair value are translated at the market exchange rates prevailing at the reporting date. Forward currency transactions are measured using the prevailing forward rates for their respective maturities.

Income and expense items are immediately translated into the functional currency at the time they arose applying the market exchange rates prevailing at the date of the transaction. Currency translation differences are always recognised in the profit or loss for the reporting period.

Financial instruments

A financial instrument is a contract that gives rise to both a financial asset of one company and a financial liability or equity instrument of another company.
IAS 39 requires that all financial assets and liabilities, including derivative financial instruments, must be recognised on the balance sheet. The initial recognition point is the date when the group becomes a party to the contractual provisions for the financial instrument and consequently has a right to receive and/or a legal obligation to pay cash. Financial instruments are generally recorded on the transaction date.
A financial asset is derecognised at the time when the company loses the power to dispose of the asset or when the contractual rights to the asset are lost. A financial liability is derecognised when it has been repaid.

Financial instruments must be divided into defined categories. Their subsequent measurement depends on the category to which they were allocated:

- Financial assets or financial liabilities – designated at fair value through profit or loss

Financial assets or financial liabilities designated at fair value through profit or loss are financial instruments which are either classified by the company as held for trading or designated as at fair value through profit or loss.

- **Held for trading**. Financial assets and financial liabilities classified as financial instruments held for trading serve the purpose of generating a profit from short-term fluctuations in market price or dealer's margin. All financial instruments held for trading are measured at fair value, with revaluation gains and losses being recognised in the income statement under the line item "Net trading income".
- **Derivatives**. Derivatives are carried in the balance sheet at fair value, with revaluation gains and losses being recognised in the income statement.
- **Designated at fair value through profit or loss**. Essentially, this category includes those financial assets and liabilities that are irrevocably designated as "Financial assets/liabilities at fair value through profit or loss" (the so-called "fair value option") at the date of acquisition, irrespective of any intention to trade.

The **fair value option** for a financial instrument may only be exercised in the following cases:

- elimination or reduction of an accounting mismatch;
- management and performance measurement of a portfolio of financial instruments on a fair value basis in accordance with a documented risk management or investment strategy;
- the (structured) financial instrument includes one or more embedded derivatives that must be separated.

Upon initial recognition, the financial assets and liabilities are measured at the fair value of the consideration given (in the case of acquisition of financial assets) or received (in the case of entering into a financial commitment). Financial assets and liabilities designated upon initial recognition as financial assets at fair value through profit or loss are also measured subsequently at fair value, with valuation gains and losses being recognised under a separate item in the income statement.

- Loans and receivables

Loans and receivables with fixed or definable payments that are not listed on an active market are assigned to this category. This applies regardless of whether the financial instruments were originated by the bank or acquired in the secondary market. Items classified as "loans and receivables" are initially measured at their fair value. Subsequent measurement is stated at amortised cost.

Pursuant to IAS 39.9, amortised cost is defined as the amount at which the item is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation of premiums and discounts calculated using the effective interest method, and minus any reduction for impairment or uncollectibility.

As premiums and discounts are a component of the amortised cost calculation, they must be shown in one balance sheet item together with the relevant financial instruments. Premiums and discounts are spread over the respective term and recognised in the income statement under net interest income.

- Held to maturity

This category is not addressed in greater detail, as the RLB Steiermark Group does not have any portfolio items that are held to maturity.

- Available for sale

Financial assets available for sale are those non-derivative financial assets that are designated as available for sale or which are not allocated to any of the categories mentioned above. These assets are measured at fair value pursuant to IAS 39. The gains and losses (i.e. all positive and negative changes in value) arising from the valuation are recognised in a separate item of equity (AFS reserve) until the asset is disposed of or impaired. Upon disposal of the asset, the remeasurement gains and losses accumulated in the AFS reserve are reversed and recorded in the income statement. In the event of an impairment, the AFS reserve is adjusted by the impairment amount and entered in the income statement. If the fair value increases, the impairment will be reversed and the reversal recognised in the income statement (for debt instruments); or the impairment will be reversed and recognised in equity (for listed equity instruments). Unless a fair value can be reliably determined for unlisted equity instruments pursuant to IFRS 13, the impairment is reversed and recognised in equity.

Premium and discount amortisations are not components of the AFS reserve, but are instead recognised in the income statement under net interest income. Gains and losses from the currency translation of monetary items (debt instruments) are recognised in profit or loss.

Hedge accounting

RLB Steiermark applies fair value hedge accounting as defined by IAS 39. As a general rule, the changes in the fair value of a measured hedged item that can be ascribed to a certain risk (e.g. interest or currency risk) are hedged by means of an opposing hedging transaction. By accounting for them as fair value hedges, one-sided effects on profit or loss in connection with economically hedged risks can be avoided. A fundamental prerequisite lies in the prospectively and retrospectively demonstrable and documented effectiveness of the hedging relationships. At the outset of the hedging relationship, the association between the hedged item and the hedging instrument (including the underlying risk management objectives) is documented. Furthermore, upon entering into the hedging relationship and as it progresses, a high degree of effectiveness at compensating for changes in fair value on the part of the hedging instrument designated in the hedging relationship must be documented at regular intervals.

Within the RLB Steiermark Group, hedge accounting is predominantly used for underlying transactions on the liabilities side that are subject to fixed interest rate risks, which are hedged through derivative financial instruments that essentially have identical parameters but are expected to move in the opposite direction. The objective is to reduce the volatility of earnings which may arise – without hedge accounting – in the event of a one-sided market valuation of the derivative, as well as in the event of a market valuation of the derivative and the hedged item (when exercising the fair value option). To hedge the interest rate risk of refinancing, interest rate swaps are concluded that fulfil the requirements for hedge accounting. These hedges are documented, assessed on an ongoing basis and classified as highly effective. Both at the outset and throughout the term of the hedging relationship, it can be assumed that it is highly effective, that changes in the fair value of a hedged item will be offset almost completely by the changes in the fair value of the hedging instrument, and that the risk offset will lie within a range of 80% to 125%.

Hedging transactions in connection with fair value hedge accounting are shown in the balance sheet items “Trading assets” and “Trading liabilities”.

Hedged items in connection with fair value hedge accounting are currently included in the items “Financial liabilities at amortised cost” and “Financial assets – available for sale” in the balance sheet.

The effect of hedge accounting is shown separately in the line item “Profit/loss from hedge accounting” in the income statement.

Other financial liabilities

Financial liabilities, provided they do not constitute trading liabilities or have not been designated under the fair value option, are also accounted for at amortised cost. Repurchased own issues are deducted from equity on the liabilities side.

Financial guarantees

A financial guarantee is a contract under which the guarantor is obliged to make certain payments that indemnify the party to whom the guarantee is issued for a loss arising in the event that particular debtor does not meet its payment obligations as stipulated by the original or amended terms of a debt instrument by the due date. The obligation arising from a financial guarantee is recorded as soon as the guarantor becomes party to the contract, i.e. at the time the guarantee offer is accepted. Financial guarantees are measured initially at their fair value on the date of recognition; the fair value generally equals the premium received when the transaction is concluded. If no upfront premium is paid, the fair value at the conclusion of the transaction is zero. This figure is reviewed for impairment indicators within the scope of subsequent measurement.

Embedded derivatives

IAS 39 governs the way in which components of a hybrid security that are embedded in a non-derivative instrument (embedded derivatives) are accounted for. Under certain conditions, an embedded derivative must be separated from the primary financial instrument and accounted for as a stand-alone derivative. To reduce the complexity compared to a separate recognition and measurement of the underlying contract and the derivative, or to increase the reliability of the measurement (IAS 39.AG33A), the entire financial instrument may be recognised at fair value through profit or loss under the fair value option. In the case of structured financial instruments for which separation is obligatory, the RLB Steiermark Group generally makes use of this designation option and recognises those financial instruments in the balance sheet items “Financial assets – designated at fair value through profit or loss” and “Financial liabilities – designated at fair value through profit or loss”. The fair value gains and losses are also shown in a separate line item in the income statement (Profit/loss from financial instruments – designated at fair value through profit or loss).

INCOME STATEMENT

Net interest income

Besides interest income and interest expenses, net interest income also includes all similar recurring and non-recurring income and charges.

Interest income mainly includes interest income from loans and advances to other banks and customers, from deposits with central banks and from derivative financial instruments and fixed-income securities that are not allocated to the trading portfolio. In addition, this item includes income from shares and other variable-yield securities (especially dividend income) as well as the income from interests in excluded entities and equity investments.

Interest expenses and similar charges primarily include interest costs for liabilities toward other banks and customers, central banks and for liabilities evidenced by certificates and supplementary and subordinated debt capital.

Following the ruling by the IFRS Interpretation Committee regarding the reporting of negative interest rates, the negative interest for financial instruments carried as assets is shown under interest expenses and the negative interest for financial instruments carried as liabilities under interest income.

The profit/loss from investments in companies carried at equity is also shown as a separate position under net interest income. Impairments and reversals of impairment losses as well as gains and losses from the disposal of companies carried at equity are also shown under this item.

Interest income and expenses and similar income and charges are recorded and measured on an accrual basis. Dividend income is recognised as of the time the right to payment arises.

Impairment allowances

The line item charges for impairment allowances on loans and advances includes all expenses and income connected with the revaluation of loans and advances to other banks and customers and in connection with other credit risks for which provisions are created. In particular, this line item shows additions to and reversals of specific (item-by-item) and portfolio-based impairment allowances plus direct write-offs of loans and advances as well as recoveries of loans and advances previously written off.

Additions to and reversals of other impairment allowances that are not related to the lending business are shown in other operating profit/loss.

Net fee and commission income

Net fee and commission income includes all income and expenses arising in connection with the rendering of services. Above all, this applies to income and expenses for services that relate to the Group's lending and securities operations and payment services.

Profit/loss from hedge accounting

This item includes expenses and income from revaluation gains and losses on hedged items and hedging instruments.

Net trading income

This item includes all net gains and losses from securities, loans and borrowings, derivatives (held for trading) and foreign currency positions. In addition to the income realised on and the remeasurement gains and losses from the trading portfolio measured at fair value, the net interest income from items in the trading book is also presented under this item. Because the currency risk is controlled centrally within the RLB Steiermark Group, all currency translation differences as defined in IAS 21.52(a) are reported as part of the net trading income.

Profit/loss from financial instruments – designated at fair value through profit or loss

This line item includes both remeasurement gains and losses as well as profit and loss realised from financial assets and financial liabilities that were designated irrevocably as financial instruments at fair value at the time of initial recognition in the balance sheet, irrespective of any intention to trade (the so-called "fair value option"). In addition, this item also includes the gains/losses from the remeasurement of economic hedges which can be allocated to designated underlying transactions. Application of the fair value option is tied to certain conditions, which are explained in greater detail in the "Balance sheet" section ("Financial assets – designated at fair value through profit or loss").

Profit/loss from financial assets – available for sale

This item comprises impairments and reversals of impairment losses as well as gains and losses from the disposal of debt instruments and equity instruments available for sale, as well as income effects arising from changes to the scope of consolidation.

General administrative expenses

General administrative expenses include staff costs, other administrative expenses and depreciation/amortisation/write-offs of intangible assets and property and equipment.

Other operating profit/loss

Other operating profit/loss includes, inter alia, the income and expenses from the disposal of property and equipment, real estate and intangible assets, contribution to protection schemes as well as income from internal charges for IT services and other taxes.

Income taxes

Current and deferred income taxes are presented under this item.

BALANCE SHEET

Cash and balances with central banks
This item comprises cash and deposits held with central banks. These balances are recognised at their nominal value.

Loans and receivables at amortised cost
Loans and advances to other banks and customers not resulting from core banking relationships and purchased receivables are initially measured at their fair value. Subsequent measurement is stated at amortised cost.

Premiums and discounts are spread over the term of the respective item and shown in the income statement under net interest income. Accrued interest is shown in the respective line item.

Receivables not attributable to core banking relationships are presented under other assets.

Impairment allowance balance
The specific risks of lending operations are covered by creating impairment allowances and provisions.

Loans and advances to customers and other banks are tested for impairment when objective indications of a decline in value are present, and are considered within the context of a specific impairment allowance. In the case of significant borrowers in default categories, the amount of impairment allowance is determined by estimating and discounting future cash flows (discounted cash flow method). Beyond this and when taken individually, receivables for which there is no indication of actual impairment, and receivables of an immaterial nature, are impaired using a portfolio-based approach. The amount of the impairment is based on historical default probabilities and loss rates.

Impairments of loans and advances to customers and other banks are recorded in a separate impairment allowance account.
In the event receivables cannot be collected, they are either written off directly and charged to the income statement or derecognised and charged to an existing impairment. If the credit risk no longer applies, the impairment is reversed.

The balance of impairment allowances for receivables recognised on the balance sheet is presented in a separate line item on the assets side of the balance sheet as a charge. The impairment allowance for off-balance sheet transactions (indemnity agreements, credit risks) is recognised as a provision.

Trading assets/trading liabilities
Trading assets include securities, loan receivables (fixed deposits), derivatives (positive fair values) and other financial instruments. Trading liabilities primarily include negative fair values of derivatives, borrowings and other liabilities in the trading portfolio. Financial instruments held for trading are accounted for in the balance sheet at their fair value as at the reporting date.

Derivatives held for trading are shown under trading assets if their fair value, including accrued interest, is positive (dirty price). If the dirty price is negative, they are presented under trading liabilities. Positive and negative fair values are not netted against each other.

Gains and losses on the disposal and remeasurement of trading assets and trading liabilities are shown under net trading income in the income statement. This also applies to interest and dividend income from the trading portfolio as well as the associated interest costs.

These balance sheet items also reflect the positive or negative market values of derivative financial instruments held for hedging purposes, which fall into two categories: derivatives held for hedging purposes pursuant to IAS 39 (hedge accounting) and derivatives that do not meet the conditions of IAS 39 (economic hedges).

The measurement of derivative financial instruments classified as hedging instruments according to IAS 39 (hedge accounting) is shown in “Profit/loss from hedge accounting”, while the interest is shown in net interest income. Changes in the value of derivatives that do not meet the conditions of IAS 39 are included in “Profit/loss from financial instruments – designated at fair value through profit or loss”. The interest is shown in net interest income.

Financial assets – designated at fair value through profit or loss

Due to the fair value option and as a general rule, all financial instruments may, under certain circumstances, be classified irrevocably as fair value through profit or loss. The RLB Steiermark Group applies the fair value option to those situations where, through such a designation, a measurement or recognition inconsistency (accounting mismatch) can be eliminated or reduced significantly, and where the separation of embedded derivatives can be avoided. In addition, financial assets and/or financial liabilities (including derivatives) are also assigned to this category if they are managed on the basis of a documented risk management or investment strategy within the scope of portfolios measured at fair value, and if their performance is reported to the Group’s key executives on a regular basis.

Changes to fair value are shown in the income statement under “Profit/loss from financial instruments – designated at fair value through profit or loss”, while current interest and dividend income is shown in net interest income. Any foreign currency translation differences in respect of debt instruments are recognised in profit or loss under “Net trading income”.

Financial assets – available for sale

This item includes debt and equity instruments that are allocated to the available-for-sale portfolio. The financial assets presented in this item are measured at fair value.

The interest and dividend income from financial assets classified as AFS is recognised in net interest income. Any foreign currency translation differences in respect of debt instruments are recognised in profit or loss under “Net trading income”.

Companies carried at equity

Companies carried at equity are presented in a separate line item. The profit/loss (including impairments) from investments in companies carried at equity is shown in the statement of comprehensive income under net interest income. Proportionate changes in equity of companies carried at equity without effect on profit or loss are shown in other comprehensive income.

Intangible assets

Purchased intangible assets with a determinable period of use are measured at cost less straight-line scheduled depreciation. Straight-line depreciation is based on expected periods of use ranging between 4 and 10 years (or rates of depreciation ranging between 10% and 25%).

If the carrying amount of the asset exceeds its recoverable amount, an impairment loss must be recognised in addition to scheduled depreciation. The recoverable amount is the higher of an asset’s fair value less costs to sell and its value in use. If, in subsequent reporting periods, there are grounds to believe that the impairment no longer exists, a writeback up to the recoverable amount is required. The reversal of previous impairment losses is limited to the asset’s amortised cost.

Property and equipment
Property and equipment include land and buildings used for RLB Steiermark's own purposes, as well as office furniture and equipment, and are stated at the cost of acquisition or construction less scheduled depreciation.

Depreciation is carried out on a straight-line basis assuming the following periods of use:

Period of use	Years
Buildings	10–67
Office furniture and equipment	3–20

Investments in rented premises are depreciated on a straight-line basis over the lease term or their expected period of use, whichever period is shorter.

If the carrying amount of the asset exceeds its recoverable amount, IAS 36 requires an impairment loss to be recognised in addition to scheduled depreciation. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. If, in subsequent reporting periods, there are grounds to believe that the impairment no longer exists, a writeback up to the recoverable amount is required under IAS 36. The reversal of previous impairment losses is limited to the asset's amortised cost.

Investment properties
Investment properties as defined by IAS 40.5 consist of land or buildings or parts of buildings held for the purpose of earning rentals or for capital appreciation, but not for own use or for sale in the ordinary course of business. Significant portions of mixed-use properties that are used by third parties are also considered investment properties, provided that the relevant separability requirements (possibility to lease out or sell those portions separately) have been met.

Items belonging to this category are valued at amortised cost. Current rental income is reported under "Other operating profit/loss" and scheduled depreciation is reported under "General administrative expenses".

Other assets
Other assets primarily include receivables resulting from supplies of goods and services, tax assets and inventories. Inventories are measured at acquisition cost, taking into account the lower of cost or market principle. Corresponding writedowns are applied if the acquisition value is above the net realisable value on the reporting date or if reduced marketability or prolonged storage periods have impaired the value of the inventories.

Financial liabilities at amortised cost
Financial liabilities, provided they do not constitute trading liabilities or have not been designated as part of the fair value portfolio, are recognised at amortised cost. This item includes liabilities to other banks and customers as well as liabilities evidenced by certificates and subordinated liabilities. Subordinated liabilities essentially comprise supplementary capital as defined by Part 2 Title I Chapter 4 of Regulation (EU) No. 575/2013. The recognised total is reduced by the amount of securities issued by the bank that had been repurchased.

Accrued interest is shown in the respective line item. Premiums and discounts are accrued over the term of the respective item and presented in the income statement.

Financial liabilities – designated at fair value through profit or loss

This item includes those financial liabilities that meet the requirements for the application of the fair value option. These liabilities are measured at fair value on the reporting date. Liabilities to other banks and customers, liabilities evidenced by certificates and subordinated liabilities are also presented under this item. Subordinated liabilities essentially comprise supplementary capital as defined by Part 2 Title I Chapter 4 of Regulation (EU) No. 575/2013. The recognised total is reduced by the amount of securities issued by the bank that had been repurchased.

Changes to fair value are recognised in the income statement under “Profit/loss from financial instruments – designated at fair value through profit or loss”, while current interest expenses are shown in interest income.

Provisions

Provisions were created if there was a legal or actual obligation to a third party resulting from past transactions or events and a reliable estimate of the amount of the future liability could be made.

Post-employment benefits.
Pursuant to IAS 19, pension and severance benefits constitute post-employment benefits. The benefits offered by the RLB Steiermark Group include both defined contribution and defined benefit plans.

Defined contribution plans. A defined contribution plan is a retirement pension plan in which a defined contribution is paid to an external pension provider, and no additional payments are required if the fund does not have sufficient assets available in order to provide the benefit. In this case, the employees bear the investment risk associated with the investment. The RLB Steiermark Group makes contributions for a group of employees, either based on contractual obligations or voluntarily, to a pension fund which administers the funds and makes the pension payments. Payment of contributions to the pension fund are treated as current expenditures and recognised under the line item “General administrative expenses”.

Defined benefit plans. A defined benefit plan is a retirement pension plan that commits to pay a particular benefit to the beneficiaries. The RLB Steiermark Group has irrevocably and with legally binding effect, promised a group of employees defined benefit plans (“Pensionsstatute” post-employment benefit schemes, special agreements) that specify the amounts of subsequent pensions. The funds required to cover future pension payments are either accrued via the pension fund or remain within the entity.

Other long-term employee benefits.
Defined benefit plans also include long-service benefits – these obligations represent other long-term employee benefits. Long-service benefits (payments for long service/loyalty to the company) depend on the duration of the employment relationship. The entitlement to long-service benefits is based on the collective agreement that governs both the requirements that must be met to claim the entitlement, and the amount paid.

All obligations in connection with defined benefit plans (provisions for pension and severance obligations or long-service benefits) are calculated in accordance with IAS 19 (2011) “Employee Benefits” using the projected unit credit method. The future obligations due to employees are measured on the basis of actuarial opinions, which take account of different parameters (e.g. retirement age, life expectancy, fluctuation, etc.).

The difference between the remeasured value of the obligation as of the reporting date and the value forecast at the beginning of the year is referred to as the actuarial gain or loss. Where severance and pension benefit obligations are concerned, IAS 19.57 stipulates that this gain/loss must be shown in other comprehensive income. Remeasured values of obligations for long-service benefits are recorded in the income statement under the item “General administrative expenses”. Contributions to the plan assets are made solely by the employer.

As in previous years, the biometrical basis for the computation of all provisions for social capital was provided by the computational framework for post-employment benefit insurance (AVÖ 2008-P-Rechnungsgrundlagen für die Pensionsversicherung – Pagler & Pagler) using the variant for salaried employees.

Expenditure on provisions for staff benefits is reported in the statement of comprehensive income, under general administrative expenses in the income statement and under “Actuarial gains and losses from defined benefit plans” in other comprehensive income. In addition, past service costs resulting from retroactive changes to the plan benefits, as well as the net interest on the net defined benefit liability must be recorded immediately and fully in profit or loss pursuant to IAS 19.103.

Defined benefit pension plans apply almost exclusively to employees who have already retired. Additionally, in the past few years, pension benefit obligations for active employees have been transferred to external pension funds. Within the RLB Steiermark Group, obligations under defined benefit plans exist only for employees who were already retired by 31 December 1998 (when the Austrian pension reform took effect), for employees who retired in 1999 (but whose individual contracts still entitle them to a direct pension), and for employees with pension entitlements for surviving dependants.

For active employees, the actuarial calculation of pension obligations was based on an effective salary increase of 3.30% (2015: 3.70%). The interest rate parameter used was 1.30% (2015: 1.60%), and the expected increase in pension benefits was set between 1.50% (2015: 1.30%) and 2.30% (2015: 2.50%). The different approaches result from differing salary schemes within the RLB Steiermark Group.

According to the current provisions of Austrian law, the theoretical retirement age for women and men was set at 62 years (2015: 62 years), taking into account the transitional provisions pursuant to the Austrian Budget Accompanying Act 2011 (BBG 2011, Federal Law Gazette No. 111/2010 dated 30.12.2010) and the Federal Constitutional Act on Retirement Ages (BVG Altersgrenzen, Federal Law Gazette No. 832/1992; federal act governing different retirement ages for men and women under social security).

If plan assets exist, offsetting the present value of the obligation against the fair value of the plan assets, taking into account actuarial gains or losses, results in the actual net obligation reported in the balance sheet (IAS 19.131). If pension liabilities are covered by plan assets, net interest costs must be calculated on the basis of the net defined benefit liability or asset (defined benefit obligation less fair value of the plan assets) using a single interest rate.
Severance benefit obligations apply to employees whose employment relationship with the Group commenced before 1 January 2003. The severance benefit is a one-time payment to which employees are entitled when their employment relationship ends.

In accordance with the provisions of § 23 and § 23a of the Austrian Salaried Employees Act (AngG), employees whose period of employment began prior to 1 January 2003 are entitled to severance benefits upon termination by the employer or at the time of retirement. The amount of the severance benefit depends on the employee’s number of years of service and salary level at the time of separation, and ranges between two and twelve times the employee’s monthly salary. Within the RLB Steiermark Group, provisions have been established for these obligations.

To calculate the severance benefit obligations and long-service bonuses (completing 25 or 35 years of service), an interest rate of 1.00% (2015: 1.40%) and an average salary increase between 2.60% (2015: 2.60%) and 3.30% (2015: 3.70%) were assumed (the different approaches result from differing salary schemes within the RLB Steiermark Group). Additionally, annual fluctuation rates determined individually on the basis of employees’ years of service were considered in the calculation.

For women and men, the calculations were based on a retirement age of 62 years (2015: 62 years), taking into account the transitional provisions pursuant to the Austrian Budget Accompanying Act 2011 (BBG 2011, Federal Law Gazette No. 111/2010 dated 30.12.2010) and the Federal Constitutional Act on Retirement Ages (BVG Altersgrenzen, Federal Law Gazette No. 832/1992; federal act governing different retirement ages for men and women under social security).

For all employees who joined the Group up to and including 2002, the severance benefit obligations are determined according to the projected unit credit method. For employees who joined the Group after 1 January 2003, the severance benefit obligations were assumed by a staff benefit fund within the scope of a defined contribution plan. The RLB Steiermark Group pays contributions to a staff benefit fund in accordance with statutory provisions. There are no benefit obligations over and above the payment of contributions.

As a result of its defined benefit plans for pension and severance obligations or long-service benefits and other post-employment benefits, the RLB Steiermark Group is subject to insurance underwriting risks, such as longevity risk, interest rate risk and market risk (investment risk).

Other provisions are created if the Group has a current obligation that results from a past event, and it is both likely that the Group will be required to settle this obligation and the amount can be reliably estimated. The amount recognised as a provision is the best estimate of the expenditure that would be required to settle the obligation at the reporting date, taking into account the risks and uncertainties underlying the obligation. The estimate also considers risks and uncertainties.

Other liabilities

Other liabilities mainly consist of liabilities resulting from supplies of goods and services, tax liabilities and other liabilities.

Equity

Equity is composed of paid-in capital, which is the capital made available to the entity (subscribed share capital and capital reserves) and the earned capital (retained earnings, consolidated net profit/loss for the year).

Equity includes, among other components, the gains and losses not recognised in the income statement from the valuation of the AFS portfolio (AFS reserve) less the apportionable deferred taxes, the actuarial gains and losses from defined benefit plans and the apportionable deferred taxes, plus the proportionate changes in equity of companies carried at equity without effect on profit or loss and the foreign currency reserve.

Non-controlling interests in the equity of consolidated subsidiaries are shown as a separate item within equity.

Tax assets and tax liabilities/income taxes

Income tax is recognised and measured in conformance with IAS 12 using the balance sheet liability method.

Current taxes

Income tax assets and liabilities from current income taxes are recognised in the amount of the anticipated settlement with the relevant tax authorities, and shown under the “Current income tax assets” and/or “Current income tax liabilities” line items.

Deferred taxes

Deferred taxes on temporary differences that will balance out again in subsequent periods are calculated by comparing the accounting values of assets and liabilities with the taxable carrying amounts of the respective Group company.
Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that sufficient taxable profit will be available in the future against which those deductible temporary differences or unused tax losses can be utilised. The carrying amount of deferred tax assets is reviewed on each reporting date and reduced, where required, to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed on each reporting date and recognised to the extent that is has become probable that future taxable profit will allow recovery of the deferred tax asset. Provided the applicable requirements of IAS 12.74 are met, deferred tax assets and liabilities are netted against one another for those members of a group of taxable companies which have been included in the consolidated financial statements of RLB Steiermark by way of full consolidation. Deferred taxes are not discounted.

Deferred tax assets and liabilities are measured in accordance with IAS 12.47 on the basis of the tax rates expected to be in effect for the period in which the assets or liabilities are expected to be recovered or settled. The tax rates used are those that were enacted, or substantially enacted, by the end of the reporting period ("enacted tax rate").

Deferred income tax assets and liabilities are shown under the separate balance sheet items "Deferred income tax assets" and "Deferred income tax liabilities".

Current and deferred income taxes are shown in the income statement under "Income tax", while other taxes are presented under "Other operating profit/loss".

Taxable group of companies pursuant to § 9 KStG (Austrian Corporation Tax Act)

Since the 2011 assessment year, Raiffeisen-Landesbank Steiermark AG has been the group parent of a group of companies pursuant to § 9 KStG. Based on the application for changes to a corporate group (submitted in December 2016), in addition to the group parent, the group of companies consists of eight (2015: eight) other group members. The companies concerned have entered into a tax reconciliation agreement which stipulates that there will be an annual balancing of the tax charges or credits arising from the income of each group member accrued during its membership in the group.

The fully consolidated Landes-Hypothekenbank Steiermark AG has also been the group parent of a taxable group of companies since the 2005 assessment year. It has signed a tax contribution agreement (Steuerumlagenvereinbarung) with the group members. In addition to the group parent, Landes-Hypothekenbank Steiermark AG, the taxable group of companies included 14 (2015: 14) further group members in the 2016 assessment year.

Furthermore, the following fully consolidated companies are group parents of a taxable group of companies:

- RLB Beteiligungs- und Treuhandgesellschaft mbH with 14 group members (2015: 13)
- Optima-Vermögensverwaltungs- und Beteiligungsgesellschaft mbH with 6 group members (2015: 7)
- Steirische Raiffeisen-Immobilien-Leasing GmbH with 5 group members (2015: 5)

The tax assessment basis for the group as a whole is the sum of the earnings of the group parent and the allocated taxable profits of the group members taking account of the group parent's tax loss carryforwards to the extent permitted by law.

Repurchase transactions

In genuine repurchase (repo) transactions, the Group sells assets to a counterparty and concurrently agrees to repurchase the same assets on a specified date at an agreed price. The assets remain on the Group's balance sheet and are measured by applying the rules governing the respective measurement category. At the same time, an obligation in the amount of the payments received is recognised as a liability. The securities are not derecognised as the transferring entity retains all the risks and rewards associated with the ownership of the assets. The financial assets that have been transferred but not derecognised thus carry substantially the same risks and rewards as the financial assets that have not been transferred.

Under reverse repo agreements, assets are acquired for a consideration subject to a simultaneous undertaking to sell them in the future. Such transactions are shown under the line item "Loans and receivables at amortised cost" in the balance sheet.

Interest expenses from repos and interest income from reverse repos are deferred over the term of the transaction. They are recognised under net interest income.

Securities lending transactions

Securities lending transactions are recognised in the same way as securities in genuine repurchase transactions. Loaned securities remain in the securities portfolio and are valued according to the provisions of IAS 39. Borrowed securities are neither recognised on the balance sheet nor are they measured.

Trust activities

Assets and liabilities held by the RLB Steiermark Group in its own name but for the account of third parties are not recognised on the balance sheet. Any fee and commission payments arising in the course of these transactions are shown under net fee and commission income.

Leasing

The RLB Steiermark Group distinguishes between finance leases and operating leases. According to IFRS, a lease is classified as a finance lease if it transfers substantially all the risks and rewards associated with the ownership of an asset to the lessee. All other leases are classified as operating leases. The analysis to determine whether the lease should be classified as a finance lease or an operating lease occurs upon inception of the lease. Changes to the lease agreement may necessitate a later reassessment.

Pursuant to IAS 17, if a lease is classified as a finance lease, the present value of the future lease payments and any residual values must be shown as amounts due from the lessee in the balance sheet of the lessor. Where finance leases are concerned, the lessee recognises the leased asset under the relevant tangible fixed asset line item and balances the entry with a corresponding finance lease liability. The RLB Steiermark Group enters into finance lease agreements only as a lessor.

In the case of operating leases, both lessor and lessee recognise the lease payments through profit or loss. The leased asset is capitalised by the lessor, less depreciation.

Latitude of judgement and estimates

The preparation of IFRS consolidated financial statements requires discretionary judgements when applying recognition and measurement policies, as well as estimates and assumptions about future developments by management, all of which may significantly affect the recognition and value of assets and liabilities, the disclosure of other liabilities on the reporting date, and the reporting of income during the reporting period.

If estimates or judgements are required for accounting and valuation according to IAS/IFRS, these are made in compliance with the relevant standards and are based on historical experience and other factors such as planning and probable expectations or forecasts of future events based on current discretion. The assumptions underlying such estimates are subject to regular examination and review. Changes to these estimates, to the extent they apply only to one period, are exclusively taken into account in this period.
In the event that subsequent reporting periods are also affected, changes are taken into account in the current and subsequent periods. The most important discretionary decisions, assumptions and estimates are outlined below:

Charges for impairment allowances on loans and advances

At each reporting date, the financial assets measured at amortised cost are reviewed for any decline in value, in order to determine whether any impairment charges must be recognised in profit or loss. Off-balance sheet transactions related to the lending business (guarantees, indemnity agreements, etc.) are likewise analysed for provisioning requirements. In particular, a judgement is made as to whether there are any objective indications of a decline in value caused by any loss event occurring after initial recognition. Furthermore, the amount and timing of future cash flows must be estimated when determining the amount of the impairment charge. Details about the development of risk provisions are outlined in note 13 “Impairment allowances”.

Impairment of associates
If there are indicators that suggest a possible impairment, investments in companies carried at equity must undergo an impairment test. An evaluation to determine whether objective indications of impairment exist requires management assessments that may change over time, depending on future events whose occurrence is uncertain. Additional information regarding impairment of associates can be found in note 17 “Companies carried at equity”.

Fair value of financial instruments
Where the market for a financial instrument is not active, fair value is established using a valuation technique or pricing model. Generally, estimates are used for valuation methods and models, the scale of which depends on the complexity of the instrument and the availability of market-based data. Where possible, the input parameters for these models are derived from observable market data. Under certain circumstances, measurement adjustments are necessary to account for additional factors such as model risk, liquidity risk or credit risk. The valuation models are described in the section “Notes on financial instruments” (see notes 32 “Fair value of financial instruments” and 33 “Fair value hierarchy”).

Deferred tax assets
Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profit will be available against which those unused tax losses, unused tax credits or deductible temporary differences can be utilised. This assessment requires significant management judgments and assumptions. In determining the amount of deferred tax assets, the management uses forecasted operating results based upon approved business plans, including a review of the eligible carryforward period. Deferred taxes are not reported separately in the income statement. Details are provided in comprehensive income and in note 10 “Income taxes” and note 26 “Current and deferred income tax assets and liabilities”.

Provisions for defined benefit plans
The costs of the defined benefit plan are determined using an actuarial valuation. The actuarial measurement is based on assumptions about discount rates, expected rates of return on assets, future salary developments, mortality rates and future pension increases. The assumptions and estimates used to calculate long-term staff benefit obligations are described in the section on provisions. Quantitative data for long-term employee provisions are disclosed in note 25 “Provisions”.

Leasing
The basis for the classification of leases is the extent to which the risks and rewards associated with the ownership of a leased asset remain with the lessor or pass to the lessee. For this purpose, an assessment of the materiality of the transfer of risks and rewards is carried out; this can change when a contract is amended, so that an adjustment becomes necessary.

When applying recognition and measurement policies, judgement latitude is exercised in light of the purpose of the consolidated financial statements, which is to provide meaningful information about the Group’s financial position, the results of its operations and cash flows, and about changes in its financial position and the results of its operations.

NOTES TO THE INCOME STATEMENT

1. Net interest income

TEUR	2016	2015
Interest income	**315,864**	**339,285**
From loans and advances to other banks	27,254	30,494
From loans and advances to customers	122,973	122,697
From fixed-income securities	54,938	61,100
From derivative financial instruments	100,516	112,385
Negative interest on liability items	1,039	2,909
Other interest and similar income	9,144	9,700
Current income	**10,320**	**8,021**
From shares and other variable-yield securities	1,650	435
From investments in subsidiaries	5,932	4,057
From other equity investments	2,738	3,529
Total interest and similar income	**326,184**	**347,306**
Interest expenses	**-195,294**	**-207,202**
For liabilities to other banks	-22,406	-24,805
For liabilities to customers	-69,144	-68,039
For liabilities evidenced by certificates	-100,399	-112,653
Negative interest on asset items	-1,791	-881
On subordinated debt capital as defined by the CRR	-1,554	-824
Other interest and similar expenses	**0**	**-3**
Interest and similar expenses – total	**-195,294**	**-207,205**
Profit/loss from companies carried at equity	**-54,993**	**-958**
of which: proportionate net profit/loss for the year	*38,690*	*24,716*
of which: impairment charges	*-93,683*	*-25,674*
Total	75,897	139,143

The item "Interest income from derivative financial instruments" includes interest income from negative interest in the amount of TEUR 15,141 and interest expenses from negative interest in the amount of TEUR 9,199. In 2015, negative interest in connection with derivative contracts was included in "Negative interest on liability-side items" in the amount of TEUR 2,635.

In the year under review, the interest income from financial instruments not measured at fair value in the income statement amounted to TEUR 197,231 (2015: 205,966). The interest expenses from financial instruments not recognised at fair value through profit or loss came to TEUR 88,013 (2015: TEUR 82,023).

The interest income and expenses resulting from trading activities are part of the net trading income.
Interest and similar income and charges are spread over the term of the respective financial instrument and measured on an accrual basis.

2. Impairment allowances

TEUR	2016	2015
Specific impairment allowances		
Additions to impairment allowances	**-57,643**	**-111,733**
Reversals due to non-utilisation	80,704	118,821
Direct write-offs	-861	-501
Recoveries of loans and receivables previously written off	1,999	1,566
Portfolio-based impairment allowances		
Additions to impairment allowances	-7,648	-6,923
Reversals of impairment allowances	7,217	15,536
Other risk provisions		
Additions to impairment allowances	-14,821	-33,032
Reversals due to non-utilisation	36,336	26,731
Total	**45,283**	**10,465**

For detailed information on impairment allowances, see note 13 "Impairment allowances".

3. Net fee and commission income

TEUR	2016	2015
Lending operations	2,034	3,181
Securities operations	12,013	13,670
Payment services	18,444	18,314
Foreign exchange transactions	1,959	1,840
Other banking services	2,015	1,863
Total	**36,465**	**38,868**

In the year under review, fee and commission income amounted to TEUR 55,229 (2015: TEUR 55,809), while fee and commission expenses were TEUR 18,763 (2015: TEUR 16,941).

4. Profit/loss from hedge accounting

TEUR	2016	2015
Revaluation gains/losses on hedged items in fair value hedges	-47,199	20,218
Revaluation gains/losses on hedging derivatives in fair value hedges	46,554	-18,380
Total	**-645**	**1,838**

The RLB Steiermark Group applies fair value hedge accounting as defined by IAS 39. The main area of application within the Group lies in hedging against fixed income risks arising from transactions on the liabilities side through financial instruments that essentially have identical parameters but are expected to move in the opposite direction.

5. Net trading income

Net trading income comprises all interest and dividend income, interest expenses, fees and commissions plus realised and unrealised fair value changes in the trading portfolio. Net foreign exchange gains/losses are also included in this item.

TEUR	2016	2015
Interest rate contracts	6,845	-7,787
Currency contracts	6,094	9,272
Credit derivatives	0	-13
Other contracts	528	5
Total	**13,467**	**1,477**

In the reporting year, the net foreign exchange gains/losses included in net trading income totalled TEUR 3,553 (2015: TEUR 5,711).

6. Profit/loss from financial instruments – designated at fair value through profit or loss

Profit/loss from financial instruments – designated at fair value through profit or loss includes the gains and losses on the disposal and remeasurement of financial assets, financial liabilities and derivatives designated at fair value under the fair value option.

TEUR	2016	2015
Gains and losses from disposals	4,373	34,004
Remeasurement gains and losses	-17,947	16,119
Total	**-13,574**	**50,123**

7. Profit/loss from financial assets – available for sale

Profit/loss from financial assets – available for sale comprises the gains and losses on the disposal and remeasurement of AFS financial instruments.

TEUR	2016	2015
Gains and losses from disposals	956	32,650
Debt instruments	729	802
Equity instruments	227	31,848
Remeasurement gains and losses	**5,697**	**-2,907**
Depreciation due to impairment	**-5,153**	**-2,907**
Equity instruments	-5,153	-2,907
Difference arising from changes in the scope of consolidation	10,850	0
Total	**6,653**	**29,743**

Impairment charges on equity instruments (investments) are triggered by changes in planning data and the resultant changes in fair value. The difference arising from changes in the scope of consolidation is attributable to the deconsolidation of four subsidiaries, of which three were liquidated and one was sold.

8. General administrative expenses

General administrative expenses break down as follows:

TEUR	2016	2015
Staff costs	**-86,571**	**-89,419**
Wages and salaries	-65,033	-64,690
Social security costs	-17,033	-17,073
Voluntary social benefits	-1,830	-1,856
Expenses for severance payments and pensions	-2,675	-5,800
Other administrative expenses	**-58,611**	**-63,030**
Rental and leasing costs	-3,334	-2,965
IT expenses	-24,430	-26,201
Maintenance costs	-5,660	-6,212
Expenses associated with investment properties	-63	0
Operating expenses associated with business premises	-3,490	-3,703
Legal and consultancy fees	-5,646	-6,191
Advertising and entertainment expenses	-3,466	-3,890
Staff training expenses	-705	-800
Office costs	-2,700	-4,753
Vehicle costs	-472	-451
Other administrative expenses	-8,645	-7,864
Depreciation	**-13,387**	**-17,324**
Property and equipment	-9,688	-11,690
Intangible assets	-3,673	-5,634
Investment properties	-26	0
Total	**-158,569**	**-169,773**

9. Other operating profit/loss

Other operating profit/loss includes, inter alia, the income from internal charges for IT services and other taxes, and breaks down as follows:

TEUR	2016	2015
Profit/loss from the disposal of property and equipment and of intangible assets	-1,209	-1,003
Profit/loss from investment properties	88	0
Other operating income	70,298	76,897
Other taxes	-38,181	-13,630
Contributions to protection schemes	-5,082	-5,133
Other operating expenses	-3,068	-3,976
Total	**22,846**	**53,155**

On 15 December 2016, the National Council adopted an amendment to the Austrian Stability Fee Act (StabAbgG). In the course of changing the stability fee, the National Council also provided for a one-off payment (advance payment) for the stability fee. The one-off advance payment is 0.211% of the assessment base determined pursuant to § 5 (1) in conjunction with § 2 StabAbgG, which resulted in a total of TEUR 24,417 to be paid by the RLB Steiermark Group as a one-off sum. Since both RLB Steiermark and HYPO Steiermark decided to make the one-off payment immediately, the payment obligation arose at the beginning of the last calendar quarter of 2016. Therefore, the full amount was included in the 2016 consolidated financial statements. An additional TEUR 13,274 (2015: TEUR 13,545) was paid for the current stability fee, which brings the total charge for the 2016 financial year to TEUR 37,691 (2015: TEUR 13,545).

Pursuant to Directive 2014/49/EU on deposit guarantee schemes and Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions (implemented in Austria through the Federal Act on the Recovery and Resolution of Banks (BaSAG) and the Austrian Act on Deposit Guarantee Schemes and Investor Compensation (ESAEG), respectively), banks are required to make contributions to government-mandated protection schemes as of 2015.

Pursuant to § 8 (1) of the Austrian Act on Deposit Guarantee Schemes and Investor Compensation (ESAEG), Raiffeisen-Landesbank Steiermark AG and Landes-Hypothekenbank Steiermark AG (as institutions based in Austria and which accept deposits) are both part of the single protection scheme pursuant to § 1 (1) (1) ESAEG. ESAEG requires each protection scheme to establish a deposit protection fund that must be funded (via an annual contribution payable by the member institutions) with a statutory minimum of 0.8% of the total covered deposits of the member institution. Based on the transitional provisions prescribed in § 59 (3) ESAEG, the role of the protection scheme of the Raiffeisen Banking Group in Austria will be performed by the Austrian Raiffeisen deposit protection guarantee scheme (Österreichische Raiffeisen Einlagensicherung (ÖRE)) until 31 December 2018. For the state mortgage banks (Landes-Hypothekenbanken), it will be performed by Hypo-Haftungs-GmbH, which has been established by the Association of Austrian State Mortgage Banks. Obligations arise for Raiffeisen-Landesbank Steiermark AG and Landes-Hypothekenbank Steiermark AG from the mandatory membership prescribed in §§ 8 and 45 ESAEG.

To ensure adequate funding of the statutory deposit protection scheme (by establishing an ex-ante fund as defined by § 13 ESAEG), credit institutions are required to make annual contributions pursuant to § 21 ESAEG. The contribution amount stipulated by § 23 ESAEG is determined on the basis of the institution's covered deposits and the risk profile to which it is exposed.

Additionally, in the event the funds held to cover depositor claims are insufficient, protection schemes can levy special annual contributions up to a maximum of 0.5% of the total of the covered deposits held by the member institutions. In individual cases, that threshold may be exceeded with FMA approval. The special contribution amount is determined according to § 22 ESAEG relative to the most recent annual contribution as a proportion of the total of the most recent annual contributions of all members of the protection scheme. In the 2016 financial year, no special contributions were levied.

As at 1 January 2019, the role of the sectoral protection schemes will be transferred to the single protection scheme to be set up by the Austrian Federal Economic Chamber (WKO).

In the event compensation is paid out for secured investment services as defined by § 49 ESAEG (investor compensation), the contribution of each individual institution per financial year amounts to a maximum of 1.5% of the assessment base pursuant to Art. 92 (3) (a) of the EU Capital Requirements Regulation (CRR), plus 12.5 times the minimum capital requirement for the position risk pursuant to Part 3 Title IV Chapter 2 CRR. In the 2016 financial year, no investor compensation was paid.

EU Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms has been implemented in Austria via the Federal Act on the Recovery and Resolution of Banks (BaSAG).

To ensure adequate funding of the statutory resolution financing arrangement (by establishing an ex-ante fund as defined by § 123 BaSAG), credit institutions are required to make regular contributions pursuant to § 125 BaSAG. As stipulated by § 126 BaSAG, the amount of those contributions is calculated as a ratio of the institution's liabilities, less its secured deposits, to the aggregate liabilities, less the secured deposits of all institutions authorised in Austria. Furthermore, these contributions must be weighted according to the respective institution's risk profile. In 2016, the RLB Steiermark Group contributed a total of TEUR 4,215 (2015: TEUR 4,758). No irrevocable payment commitments were used.

Additionally, when required, the resolution authority can levy extraordinary ex-post contributions pursuant to § 127 BaSAG. The amount of such contributions is calculated according to the rules for ordinary contributions as defined by § 126 BaSAG and may not exceed three times the annual amount of ordinary contributions.

In the 2014 financial year, due to the IPS agreement that took effect in 2014, contributions were paid to the institutional protection schemes at the state and federal levels, and no longer to sectoral support institutions. After-tax profits were used to create a special IPS provision in the amount of the contributions to be paid. This provision, reflected under retained earnings, totalled TEUR 12,045 (2015: TEUR 8,074) at the reporting date.

10. Income taxes

Income taxes include the current taxes on income calculated in each of the Group companies on the basis of taxable results, income tax corrections and changes to deferred taxes.

TEUR	2016	2015
Current income taxes	-1,367	-2,869
Deferred taxes	5,093	250
Total	**3,726**	**-2,619**

For detailed information on deferred taxes, see note 26 “Current and deferred income tax assets and liabilities”.

The following reconciliation shows the relationship between consolidated net profit/loss for the year and actual tax burden:

TEUR	2016	2015
Consolidated net profit/loss for the year before taxes	**27,823**	**155,039**
Theoretical income tax expense in the year under review, based on the domestic income tax rate of 25%	-6,956	-38,760
Associates carried at equity	-5,845	-239
Reduction in tax burden due to tax-exempt income from equity investments and other income	2,552	2,253
Increase in tax burden due to expenses not deductible for tax purposes	-1,900	-4,732
Changes in realisability of loss carryforwards and impairments to equity investments	8,290	19,652
Change in deferred taxes due to utilisation of tax losses or temporary differences not previously recognised	6,120	4,910
Deferred tax liability resulting from the depreciation of a deferred tax asset	-471	-1,046
One-off effect from the sale of equity interests	0	7,719
Deconsolidation effects	2,140	0
Other adjustments	-204	7,624
Actual tax income/actual tax burden	**3,726**	**-2,619**
Tax rate (%)	13.39 %	-1.69 %

SEGMENT REPORTING

Segment reporting is based on the Group's internal organisational and management structure as well as its internal financial reporting system. The process of segmental reporting follows the "management approach" pursuant to IFRS 8 "Operating segments", which requires segmental information to be presented externally in the same manner as it is provided regularly to the Group Managing Board for performance assessment and resource allocation purposes.

Such reporting takes the form of a multi-stage breakeven analysis. Income and expenses are allocated to the originating segments. Income positions are the net interest income, net fee and commission income, net trading income and other operating profit/loss. Net interest income is calculated on the basis of the market interest rate method.

The charges for impairment allowances on loans and advances capture the net impairment allowance and provisions for counterparty risks, direct write-offs and the recovery of loans and advances previously written off. General administrative expenses include direct and indirect costs. Direct costs (staff costs and other administrative expenses) are incurred by individual business segments, while indirect costs are allocated on the basis of internal accounting prices or predefined ratios.

The total risk of the individual segments calculated according to the internal risk identification and management processes forms the basis for the distribution of equity. The net notional interest credit is determined on the basis of the allocated equity and reported in net interest income.

The business segments are presented as if they were autonomous entities with their own capital resources and the responsibility for their own results.

The attribution of costs to the individual segments is based on cost accounting and defined internal institutional accounting standards.

Business segments are classified on the basis of the organisational responsibility for the RLB Steiermark Group's customers.

RLB Steiermark's segment reporting system distinguishes between the following business segments:

- Corporate
- Retail
- Capital market and treasury
- Equity investments
- Other

Corporate

In the "Corporate" banking segment, the RLB Steiermark Group concentrates its strategic focus on the industry sector, SMEs, institutional customers and the public sector. This segment covers traditional financing services for corporate customers, trade and export finance, documentary business and the financing of local authorities and financial institutions. Traditional financing services include the provision of working capital, investment finance and trade finance using a wide variety of financing instruments (e.g. current account loans, cash advances, direct loans, venture capital finance, subsidised export finance arrangements). Further areas of responsibility in this segment include the documentary business, e.g. preparation of guarantees and letters of credit for Austrian and international customers, and the provision of lease financing services for all relevant lines of business. In addition, customers are offered tailored solutions for payment transactions, risk hedging, financial planning and wealth creation, as well as liquidity and investment management.

Retail
The “Retail” banking segment comprises the Group’s retail and private banking operations, as well as business relations with physicians and the liberal professions. Retail banking customers are serviced at 20 banking outlets in Styria as well as in the central consultancy centres for private banking and physicians and the liberal professions. This segment targets all private individuals, small businesses and self-employed customers. Offerings in the “Retail” segment consist mainly of standardised products in the areas of investment (securities, savings deposits, building savings schemes), financing (home loans, consumer loans), payment transactions (current and salary accounts, credit cards) and financial planning (term life/life insurance). In the private banking segment, the main areas of focus are investments (securities) and financing for physicians and the liberal professions (consultancy centres), with comprehensive advisory services provided for both customer groups.

Capital market and treasury
The “Capital market and treasury” segment covers the Group’s treasury activities, in particular its earnings from management of the banking book (profit from maturity transformation (Strukturbeitrag)) and from the trading book. The capital market and treasury segment is responsible for the Group’s proprietary positions with interest rate and price products (money market deposits, forwards, futures and options). These include interest rate and currency contracts, liquidity management and asset liability management (maturity transformation). Treasury operations also include management of the Group’s portfolios of bonds, funds and short-term and long-term alternative investments (combinations of securities products with derivatives).

Trading in financial instruments occurs centrally and is subject to limits that are strictly enforced. While all proprietary trading is reported in this segment, profit contributions made by customer treasury transactions are allocated to other segments. The portion of the contribution to profit made over and above market prices is allocated to the customer segments.

Equity investments
The “Equity investments” segment comprises the Group’s portfolio of equity investments in banks and financial institutions, including associates that are carried at equity. The most important components are equity investments in the universal financial services area, particularly investments in the Austrian Raiffeisen organisation (Verbund), such as those in RZB and its subsidiary, RBI. All activities connected with the Raiffeisen banks are also included in this segment. However, if such activities pertain to the interbank business, they are included in the capital market and treasury segment.

Other
The “Other” segment includes the income and expenses arising in connection with the data processing centre, which provides IT services to Raiffeisen banks and other third-party customers. In addition, this segment encompasses income and expenses that cannot, by their nature, be allocated to any other business segment.

The column “Reconciliation” is not defined as a segment; it shows the reconciliation to the consolidated net profit/loss for the year and consists primarily of amounts resulting from the consolidation between the segments.

The RLB Steiermark Group uses two central key performance indicators: return on equity (ROE) and cost/income ratio (CIR). Return on equity expresses the ratio between the consolidated net profit/loss for the year and average equity employed, and shows the interest on the capital employed in the respective segment. The cost/income ratio expresses a segment’s cost efficiency.

The cost/income ratio is the proportion of general administrative expenses to the sum of net interest income, net fee and commission income, net trading income, profit/loss from investments in companies carried at equity and other operating profit/loss. Calculation of the cost/income ratio does not take into account the one-off effects from impairment charges for companies carried at equity and from the advance payment for the stability fee.

2016 financial year

TEUR	Corporate	Retail	Capital market and treasury	Equity investments	Other	Reconciliation	Total
Net interest income	69,068	23,241	50,429	-43,649	1,706	-24,898	75,897
Charges for impairment allowances on loans and advances	26,015	-894	-581	0	20,743	0	45,283
Net interest income after impairment charges	**95,083**	**22,347**	**49,848**	**-43,649**	**22,449**	**-24,898**	**121,180**
Net fee and commission income	10,497	12,097	4,935	9,814	51	-929	36,465
Net trading income	218	441	14,162	0	0	-1,354	13,467
Profit/loss from financial assets/liabilities[1)]	-506	0	-14,133	-4,926	0	11,999	-7,566
Administrative expenses (including depreciation)	-30,321	-35,312	-14,933	-52,803	-84,652	59,452	-158,569
Other operating profit/loss	6,597	2,901	-414	51,116	21,046	-58,400	22,846
Consolidated net profit/loss for the year before taxes	**81,568**	**2,474**	**39,465**	**-40,448**	**-41,106**	**-14,130**	**27,823**
Ø allocated equity	283,521	42,918	323,839	606,943	-	-	1,257,221
Return on equity	28.77 %	5.77 %	12.19 %	-	-	-	2.21 %
Cost/income ratio [2)]	35.10 %	91.29 %	21.61 %	39.00 %	>100 %	-	59.44 %

1) The income statement line items “Profit/loss from financial instruments – designated at fair value through profit or loss”, “Profit/loss from financial assets – available for sale” and “Profit/loss from hedge accounting” are aggregated under “Profit/loss from financial assets/liabilities”.
2) The cost/income ratio for 2016 was calculated without taking into account one-off effects in the amount of TEUR -118,100. Of that, TEUR -93,683 relates to impairment charges for companies carried at equity and TEUR -24,417 to the one-off payment for the stability fee. The previous year’s figure was adjusted accordingly.

The income from investments in companies carried at equity, in the amount of TEUR -54,993 (2015: TEUR -958), relates in its entirety to the “Equity investments” segment and includes impairment charges of TEUR 93,683 (2015: TEUR 25,674). The carrying amount of the associates, totalling TEUR 762,831 (2015: TEUR 801,233) is also attributable to the “Equity investments” segment.

2015 financial year

TEUR	Corporate	Retail	Capital market and treasury	Equity investments	Other	Reconciliation	Total
Net interest income	66,657	21,284	63,202	10,829	3,511	-26,340	139,143
Charges for impairment allowances on loans and advances	25,923	-1,740	-694	0	-13,024	0	10,465
Net interest income after impairment charges	**92,580**	**19,544**	**62,508**	**10,829**	**-9,513**	**-26,340**	**149,608**
Net fee and commission income	11,310	12,760	5,572	10,045	115	-934	38,868
Net trading income	456	626	-1,349	0	117	1,627	1,477
Profit/loss from financial assets/liabilities[1)]	5,067	0	53,728	-2,474	0	25,383	81,704
Administrative expenses (including depreciation)	-32,120	-35,741	-15,041	-55,337	-88,970	57,436	-169,773
Other operating profit/loss	7,761	3,058	582	44,606	47,884	-50,736	53,155
Consolidated net profit/loss for the year before taxes	**85,054**	**247**	**106,000**	**7,669**	**-50,367**	**6,436**	**155,039**
Ø allocated equity	194,581	41,100	366,710	595,314	-	-	1,197,705
Return on equity	43.71 %	0.60 %	28.91 %	1.29 %	-	-	12.94 %
Cost/income ratio [2)]	37.27 %	94.73 %	22.12 %	60.70 %	>100 %	-	65.72 %

1) The income statement line items “Profit/loss from financial instruments – designated at fair value through profit or loss”, “Profit/loss from financial assets – available for sale” and “Profit/loss from hedge accounting” are aggregated under “Profit/loss from financial assets/liabilities”.
2) As the model for calculating the cost/income ratio was changed from the previous year, the previous year’s figure was adjusted accordingly.

NOTES TO THE BALANCE SHEET

11. Cash and balances with central banks

TEUR	2016	2015
Cash on hand	17,609	18,441
Balances with central banks	9,133	28,777
Total	**26,742**	**47,218**

A more detailed presentation of the development of this balance sheet item is set out in the “Cash flow statement”.

12. Loans and receivables at amortised cost

All receivables recognised under this item are categorised as “loans and receivables”. Receivables designated under the fair value option are shown in the balance sheet item “Financial assets – designated at fair value through profit or loss”.

TEUR	2016	2015
Loans and advances to other banks	2,814,915	2,849,699
Loans and advances to customers	5,716,907	5,603,149
Total	**8,531,822**	**8,452,848**

Breakdown of loans and advances to other banks at amortised cost:

TEUR	2016	2015
Demand deposits	889,999	882,213
Time deposits	1,775,452	1,809,797
Other loans and advances	149,463	157,689
Loans and advances to other banks before impairment charge	**2,814,914**	**2,849,699**
Provisions for losses on loans and advances to other banks	-998	-1,033
Total	**2,813,916**	**2,848,666**

Breakdown of loans and advances to customers at amortised cost:

TEUR	2016	2015
Loans and advances to customers before impairment charge	5,716,907	5,603,149
Receivables due from customers before impairment charge	**5,716,907**	**5,603,149**
Provisions for losses on loans and advances to customers	-252,662	-313,371
Total	**5,464,245**	**5,289,778**

13. Impairment allowances

The impairment allowances on loans and advances (which are capitalised on the assets side of the balance sheet) and the provisions for off-balance sheet transactions (guarantees, indemnity agreements and credit risks) are shown here. The portfolio-based impairment allowances reflect the assumptions regarding impairments of the loan portfolio that have already occurred but are not yet known on the reporting date.

2016 financial year

TEUR	Opening balance at 1 January	Addition	Utilisation	Reversal	Reclassifi-cation*	Changes in scope of consolida-tion	Closing balance at 31 Decem-ber
Provisions for losses on loans and advances to other banks							
Portfolio-based provisions for impairment losses	1,033	427	0	462	0	0	998
Balance	**1,033**	**427**	**0**	**462**	**0**	**0**	**998**
Provisions for losses on loans and advances to customers							
Specific provisions for impairment losses	299,966	57,643	38,030	80,704	0	0	238,875
Portfolio-based provisions for impairment losses	13,405	7,221	0	6,755	0	-84	13,787
Balance	**313,371**	**64,864**	**38,030**	**87,459**	**0**	**-84**	**252,662**
Balance of impairment allowances (netted against the assets side)	**314,404**	**65,291**	**38,030**	**87,921**	**0**	**-84**	**253,660**
Off-balance sheet transactions	45,865	14,821	245	36,336	-2,753	0	21,352
Total	**360,269**	**80,112**	**38,275**	**124,257**	**-2,753**	**-84**	**275,012**

* Relates to the reclassification of a provision for credit risks to “Other liabilities”.

Of the risk provisions for off-balance-sheet transactions, the customer segment accounts for TEUR 21,327 and banks for TEUR 25. Interest income from impaired financial assets totalled TEUR 4,658 for the financial year under review (2015: TEUR 6,787).

2015 financial year

TEUR	Opening balance at 1 January	Addition	Utilisation	Reversal	Closing balance at 31 December
Provisions for losses on loans and advances to other banks					
Portfolio-based provisions for impairment losses	226	890	0	83	1,033
Balance	**226**	**890**	**0**	**83**	**1,033**
Provisions for losses on loans and advances to customers					
Specific provisions for impairment losses	371,923	111,733	64,869	118,821	299,966
Portfolio-based provisions for impairment losses	22,825	6,033	0	15,453	13,405
Balance	**394,748**	**117,766**	**64,869**	**134,274**	**313,371**
Balance of impairment allowances (netted against the assets side)	**394,974**	**118,656**	**64,869**	**134,357**	**314,404**
Off-balance sheet transactions	39,564	33,032	0	26,731	45,865
Total	**434,538**	**151,688**	**64,869**	**161,088**	**360,269**

14. Trading assets

Trading assets comprise the following held-for-trading loans and receivables and derivative financial instruments held for trading and hedging purposes.

TEUR	2016	2015
Bonds and other fixed-income securities	146,788	94,988
Positive fair values (dirty price) of derivative contracts	817,152	780,925
Loans and receivables	1,593,629	987,288
Total	**2,557,569**	**1,863,201**

The loans and receivables in the trading portfolio consist of fixed deposits held for trading.

Breakdown of bonds and other fixed-income securities – held for trading:

TEUR	2016	2015
Bonds and debt securities issued by other issuers	146,788	94,988
Total	**146,788**	**94,988**
of which:		
Listed	136,329	94,988
Unlisted	10,459	0

Breakdown of the positive fair values of derivative contracts:

TEUR	2016	2015
Positive fair values of derivatives held for trading	**94,941**	**94,525**
From interest rate derivatives	92,453	92,932
From currency derivatives	2,488	1,593
Positive fair values from credit derivatives	**0**	**0**
Positive fair values of derivatives held for hedging purposes (IAS 39)	**137,023**	**90,271**
From interest rate derivatives	137,023	90,271
Positive fair values of derivatives held for hedging purposes (economic hedges)	**585,188**	**596,129**
From interest rate derivatives	581,508	592,122
From currency derivatives	3,680	4,007
Total	**817,152**	**780,925**

Breakdown of loans and receivables – held for trading:

TEUR	2016	2015
Time deposits	1,343,632	737,288
Loans and advances to other banks	249,997	250,000
Total	**1,593,629**	**987,288**

15. Financial assets – designated at fair value through profit or loss

TEUR	2016	2015
Bonds and other fixed-income securities	973,413	927,269
Shares and other variable-yield securities	15,993	12,180
Other loans and receivables (debt instruments)	119,376	152,438
Designated institutional funds	284,416	230,390
Total	**1,393,198**	**1,322,277**

The designated institutional funds consist in their entirety of the financial instruments held by the consolidated structured entities (special funds) DASAA, GLAN and EURAN.

Breakdown of bonds and other fixed-income securities – designated at fair value:

TEUR	2016	2015
Public-sector debt instruments eligible for refinancing	213,894	282,159
Bonds and debt securities issued by other issuers	759,519	645,110
Total	**973,413**	**927,269**
of which:		
Listed	973,413	927,269

Breakdown of shares and other variable-yield securities – designated at fair value:

TEUR	2016	2015
Other securities	15,993	12,180
Total	**15,993**	**12,180**
of which:		
Unlisted	15,993	12,180

Breakdown of loans and receivables – designated at fair value:

TEUR	2016	2015
Debt instruments (receivables evidenced by certificates)	119,376	152,438
Total	**119,376**	**152,438**

Breakdown of financial assets – designated at fair value by selected countries as at 31.12.2016:

As at the reporting date, the portfolio does not contain any designated financial assets issued by issuers from the PIIGS countries, Hungary or Ukraine.

Breakdown of financial assets – designated at fair value by selected countries as at 31.12.2015:

Country	Sovereigns	Banks	Funds	Total
Italy	0	5,206	0	5,206
Total	**0**	**5,206**	**0**	**5,206**

16. Financial assets – available for sale

TEUR	2016	2015
Bonds and other fixed-income securities	1,347,988	1,252,889
Shares and other variable-yield securities	0	8,396
Other loans and receivables (debt instruments)	199,526	200,180
Equity instruments	84,714	80,652
Total	**1,632,228**	**1,542,117**

Financial assets – available for sale include impaired assets for which, in the financial year under review, an impairment of TEUR -5,153 (2015: TEUR -2,907) was recognised in the income statement.

Breakdown of bonds and other fixed-income securities – available for sale:

TEUR	2016	2015
Public-sector debt instruments eligible for refinancing	341,204	291,750
Bonds and debt securities issued by other issuers	1,006,784	961,139
Total	**1,347,988**	**1,252,889**
of which:		
Listed	1,347,988	1,252,889

Breakdown of shares and other variable-yield securities – available for sale:

TEUR	2016	2015
Other securities	0	8,396
Total	**0**	**8,396**
of which:		
Unlisted	0	8,396

Breakdown of loans and receivables – available for sale:

TEUR	2016	2015
Debt instruments (receivables evidenced by certificates)	199,526	200,180
Total	**199,526**	**200,180**

Breakdown of financial assets – available for sale by selected countries as at 31.12.2016:

Country	Sovereigns	Banks	Total	AFS reserve
Italy	0	3,686	3,686	357
Spain	0	7,783	7,783	225
Total	**0**	**11,469**	**11,469**	**582**

Breakdown of financial assets – available for sale by selected countries as at 31.12.2015:

Country	Sovereigns	Banks	Total	AFS reserve
Italy	0	3,614	3,614	259
Total	**0**	**3,614**	**3,614**	**259**

17. Companies carried at equity

TEUR	2016	2015
Banks	762,831	801,233
Total	**762,831**	**801,233**

This balance sheet item exclusively comprises the equity investment in Raiffeisen Zentralbank Österreich AG (RZB), which stood at 15.32% as at 31.12.2016. At year-end 2016, RZB held a 60.8% interest in RBI, a listed company. At the reporting date, the Chief Executive Officer of Raiffeisen-Landesbank Steiermark AG was a member of the Supervisory Boards of both Raiffeisen Zentralbank Österreich AG (RZB) and Raiffeisen Bank International AG (RBI). In January 2017, the extraordinary shareholders' meetings of RZB and RBI decided to merge RZB into RBI. The merger was recorded in the Commercial Register on 18 March 2017, thereby taking full legal effect. For further information regarding the merger, we refer to note 54, "Events after the balance sheet date", of the consolidated financial statements.

Due to trigger events (including the sale of an essential part of the UNIQA investment, the results of the EBA stress test in summer 2016 and an increase in supervisory regulations), the at-equity investment in RZB was subjected to an impairment test as at 31.12.2016. A value in use based on the present value of the cash flows to be expected (discounted cash flow method) of the companies in the Group was set as the target value. The five-year management plans for RZB and RBI, which were adapted in accordance with the requirements of IAS 36 regarding determination of the value in use, were used as the basis for calculation. The anticipated effects of the merger of RZB into RBI were not considered in determining the value in use as at 31.12.2016.

A risk-adequate capitalisation rate was used to discount the cash flows that can be achieved with the object of the valuation. An after-tax capitalisation rate between 9.72% and 9.78% was used to determine corporate value, depending on the various future periods. The value in use determined for RZB, in the amount of TEUR 762,831, resulted in an impairment charge of TEUR 93,683 (2015: TEUR 25,674).

Any change in the capitalisation rate by plus or minus 100 basis points (BP) would result either in a reduction or increase in the corporate value of the RZB Group by -12.6% or +15.7%, respectively.

18. Intangible assets

2016 financial year

	Historical cost of acquisition/production					Depreciation		Carrying amounts	
TEUR	At 1 January	Additions[1)]	Disposals	Transfers	Currency translation	Accumulated	Financial year	At 31 December	At 1 January
Software	67,170	2,138	3,902	0	2	59,825	3,673	5,583	7,119

[1)] Additions to intangible assets exclusively relate to software acquisitions.

2015 financial year

	Historical cost of acquisition/production				Depreciation		Carrying amounts	
TEUR	At 1 January	Additions[1)]	Disposals	Transfers	Accumulated	Financial year	At 31 December	At 1 January
Software	68,292	2,109	3,236	5	60,051	5,634	7,119	11,394

[1)] Additions to intangible assets exclusively relate to software acquisitions.

Amortisation of intangible assets is shown under “Administrative expenses” in the income statement.

19. Property and equipment

2016 financial year

	Historical cost of acquisition/production					Depreciation		Carrying amounts	
TEUR	At 1 January	Additions	Disposals	Transfers	Currency translation	Accumulated	Financial year	At 31 December	At 1 January
Land and buildings used by the Group for its own operations	155,007	2,916	1,752	-5,294	0	29,227	3,259	121,650	123,436
Other land and buildings	8,130	1,211	32	2,242	0	5,474	184	6,077	4,607
Office furniture and equipment, other property and equipment	91,044	3,690	12,985	198	130	61,736	6,270	20,341	24,407
Total	**254,181**	**7,817**	**14,769**	**-2,854**	**130**	**96,437**	**9,713**	**148,068**	**152,450**

2015 financial year

	Historical cost of acquisition/production					Depreciation		Carrying amounts	
TEUR	At 1 January	Additions	Disposals	Transfers	Currency translation	Accumulated	Financial year	At 31 December	At 1 January
Land and buildings used by the Group for its own operations	159,954	1,859	6,328	-478	0	31,571	3,363	123,436	128,566
Other land and buildings	7,983	150	3	0	0	3,523	149	4,607	4,608
Office furniture and equipment, other property and equipment	99,082	6,611	15,085	473	-37	66,637	8,178	24,407	27,546
Total	**267,019**	**8,620**	**21,416**	**-5**	**-37**	**101,731**	**11,690**	**152,450**	**160,720**

The land and buildings used by the Group for its own operations consist of properties in Graz and Graz-Raaba.

20. Investment properties

2016 financial year

	Historical cost of acquisition/production				Depreciation		Carrying amounts	
TEUR	At 1 January	Additions	Disposals	Transfers	Accumulated	Financial year	At 31 December	At 1 January
Land and buildings used by the Group for its own operations	0	595	0	2,854	2,074	26	1,375	0
Total	**0**	**595**	**0**	**2,854**	**2,074**	**26**	**1,375**	**0**

Investment properties comprise a single, mixed-use property. The fair value of the portion of the property used by third parties was TEUR 4.982 as at 31.12.2016.

21. Other assets

TEUR	2016	2015
Tax assets	780	262
Other assets	134,039	155,047
Total	**134,819**	**155,309**

Breakdown of other assets:

TEUR	2016	2015
Accruals and deferred items	3,935	3,635
Other assets	130,104	151,412
Total	**134,039**	**155,047**

22. Financial liabilities at amortised cost

The liabilities shown in this item are measured at amortised cost. Liabilities designated under the fair value option are shown in the balance sheet item "Financial liabilities – designated at fair value through profit or loss".

TEUR	2016	2015
Liabilities to other banks	4,013,341	3,658,884
Liabilities to customers	2,937,934	2,644,364
Liabilities evidenced by certificates	2,537,487	1,738,804
Subordinated liabilities	45,899	26,125
Total	9,534,661	8,068,177

Breakdown of liabilities to other banks at amortised cost:

TEUR	2016	2015
Demand deposits	2,167,143	2,068,048
Time deposits	1,363,401	1,128,124
Borrowed funds	482,797	462,712
Total	**4,013,341**	**3,658,884**

Breakdown of liabilities to customers at amortised cost:

TEUR	2016	2015
Demand deposits	1,692,606	1,486,121
Time deposits	515,746	412,526
Savings deposits	729,582	745,717
Total	**2,937,934**	**2,644,364**

Breakdown of liabilities evidenced by certificates at amortised cost:

TEUR	2016	2015
Bonds issued by the Group	1,644,829	1,103,170
Other liabilities evidenced by certificates	892,658	635,634
Total	**2,537,487**	**1,738,804**

Breakdown of subordinated liabilities at amortised cost:

TEUR	2016	2015
Supplementary capital	45,899	26,125
Total	**45,899**	**26,125**

The subordinated loans constitute subordinated liabilities as defined in § 51 (9) BWG and § 45 (4) BWG and therefore, pursuant to Article 63 of Regulation (EU) No. 575/2013 (Capital Requirements Regulation, CRR), have been included in instruments of supplementary capital with effect from 1.1.2014.

23. Trading liabilities

Trading liabilities include, among other elements, deposits from banks and the negative fair values of derivative financial instruments held for trading and hedging purposes.

TEUR	2016	2015
Negative fair values (dirty price) of derivative contracts	278,395	266,324
Liabilities to other banks	590,969	579,126
Total	**869,364**	**845,450**

Breakdown of the negative fair values of derivative contracts:

TEUR	2016	2015
Negative fair values of derivatives held for trading	122,351	114,381
From interest rate derivatives	103,167	102,420
From currency derivatives	19,184	11,961
Negative fair values of derivatives held for hedging purposes (IAS 39)	2,939	79
From interest rate derivatives	2,939	79
Negative fair values of derivatives held for hedging purposes (economic hedges)	153,105	151,864
From interest rate derivatives	138,116	120,965
From currency derivatives	14,989	30,899
Total	**278,395**	**266,324**

Breakdown of liabilities to other banks:

TEUR	2016	2015
Time deposits	240,962	79,107
Borrowed funds	350,007	500,019
Total	**590,969**	**579,126**

24. Financial liabilities – designated at fair value through profit or loss

TEUR	2016	2015
Liabilities to other banks	172,718	199,319
Liabilities to customers	1,243,823	1,226,294
Liabilities evidenced by certificates	1,679,594	2,281,511
Total	**3,096,135**	**3,707,124**

Breakdown of liabilities to other banks – designated at fair value:

TEUR	2016	2015
Time deposits	38,290	48,461
Borrowed funds	134,428	150,858
Total	**172,718**	**199,319**

Breakdown of liabilities to customers – designated at fair value:

TEUR	2016	2015
Time deposits	1,243,823	1,226,294
Total	**1,243,823**	**1,226,294**

Breakdown of liabilities evidenced by certificates – designated at fair value:

TEUR	2016	2015
Bonds issued by the Group	696,811	960,681
Other liabilities evidenced by certificates	982,783	1,320,830
Total	**1,679,594**	**2,281,511**

When determining the fair values of the liabilities evidenced by certificates – designated at fair value, the guarantor's liability of the state of Styria was taken into account as collateral security.

The application of the fair value option to financial liabilities results in a carrying amount of TEUR 387,041 (2015: TEUR 381,780) above the future repayment amount of these liabilities.

A change to the default probability assessment for RLB Steiermark's own credit risk, particularly for the credit risk of the securities issued by Pfandbriefbank (Österreich) AG on behalf of Landes-Hypothekenbank Steiermark AG, prompted a fair value increase of TEUR 13,177 in the 2016 financial year (2015: TEUR 28,968 reduction). The cumulative amount of fair value changes attributable to changes in the bank's own credit risk totalled TEUR 29,322 as at 31 December 2016 (2015: TEUR 42,499). Overall, these adjustments caused a reduction in the fair values of financial liabilities – designated at fair value through profit or loss.

The proportion of the change in a financial instrument's fair value that is attributable to changes in the borrower's rating is calculated using a differential method. This method determines the effect of the spread change (historic versus actual) on the fair value of a financial instrument on the basis of sensitivity measures derived from rating scores.

25. Provisions

TEUR	2016	2015
Long-term employee provisions	70,881	74,361
Severance benefits and similar obligations	34,864	37,905
Post-employment benefits and similar obligations	30,427	30,959
Other long-term employee benefits (anniversary bonuses)	5,590	5,497
Other provisions	27,333	48,939
Litigation	3,944	2,005
Off-balance sheet transactions	21,352	45,866
Other	2,037	1,068
Total	**98,214**	**123,300**

Long-term employee provisions

Provisions for severance and pension benefit obligations as well as other long-term employee benefits are shown under “Long-term employee provisions”. Obligations that arise from long-service payment entitlements fall under other long-term employee benefits.

Severance benefit obligations changed as follows:

TEUR	2016	2015
Present value of defined benefit obligations (DBO) at 1 January	37,905	38,454
Obligations transferred without being recognised in the income statement	0	17
Service costs	1,518	1,582
Interest costs	520	563
Severance benefit payments	-1,737	-1,390
Net loss resulting from retroactive changes to plan benefits	-3,031	0
Actuarial gain/loss arising from experience adjustments	-645	-168
Actuarial gain/loss arising from changes in demographic parameters	13	12
Actuarial gain/loss arising from changes in financial parameters	321	-1,165
Present value of defined benefit obligations (DBO) at 31 December	**34,864**	**37,905**

Post-employment benefit obligations changed as follows:

TEUR	2016	2015
Present value of defined benefit obligations (DBO) at 1 January	37,188	39,129
Service costs	16	15
Interest costs	576	570
Payments to beneficiaries	-2,206	-1,726
Actuarial gain/loss arising from experience adjustments	145	-653
Actuarial gain/loss arising from changes in financial parameters	682	-147
Present value of defined benefit obligations (DBO) at 31 December	**36,401**	**37,188**

Plan assets changed as follows:

TEUR	2016	2015
Fair value of plan assets at 1 January	6,229	6,531
Interest income from plan assets	96	95
Contributions to plan assets	58	95
Taxes and costs for employer’s contributions	-4	-6
Retirement benefits paid from plan assets	-453	-447
Actuarial gain/loss for the financial year	48	-39
Fair value of plan assets at 31 December	**5,974**	**6,229**

Reconciliation of the present value of **post-employment benefit obligations** and the fair value of plan assets to recognised provisions:

TEUR	2016	2015
Present value of defined benefit obligations (DBO) at 31 December	36,401	37,188
Fair value of plan assets at 31 December	-5,974	-6,229
Net obligations at 31 December	**30,427**	**30,959**

Breakdown of **pension obligations**:

TEUR	2016	2015
Present value of defined post-employment benefit obligations (DBO) at 31 December	36,401	37,188
Active workforce	592	583
Retirees	35,810	36,605

The **plan assets** were structured as follows:

%	2016	2015
Bonds and other fixed-income securities	36.26	54.03
Shares and other variable-yield securities	34.93	26.81
Real estate	4.49	4.34
Other	24.32	14.82
Total	**100.00**	**100.00**

During the reporting year, most of the plan asset instruments were traded on an active market; fewer than 16% (2015: 22%) were quoted on an inactive market.

The range of pension plans is varied and comprises several different plans: not fund-financed, partly fund-financed and fully fund-financed. The assets of the partly and fully fund-managed pension plans are managed by Valida Pension AG. Valida Pension AG is a pension fund and therefore specifically regulated by the provisions of the Austrian Pension Fund Act (PKG) and the Austrian Company Pension Act (BPG).

Valida Pension AG utilises an asset/risk management process (ARM process). Under this process, the risk-bearing capacity of each pension and staff benefit plan (Veranlagungs- und Risikogemeinschaft, VRG) managed by Valida is evaluated once a year taking as a basis its structure on the liabilities side of the balance sheet. The investment structure of the plan is derived from this risk-bearing capacity. The investment structure also takes account of requirements specified and documented by the customer.
The defined investment structure is implemented in the fund named “VRG 7”, in which the amounts accrued for RLB Steiermark are invested using a concept-based investment tool. This means that the weighting of predefined asset classes moves between bandwidths according to objective criteria derived from market trends. In addition, the equity components are hedged during periods of stress in the financial markets.

Return on plan assets:

TEUR	2016	2015
Actual losses/return on plan assets	144	56

Obligations for other **long-term employee benefits (anniversary bonuses)** changed as follows:

TEUR	2016	2015
Present value of defined benefit obligations (DBO) at 1 January	5,497	5,603
Obligations transferred without being recognised in the income statement	0	10
Service costs	315	321
Interest costs	74	80
Payments	-336	-511
Actuarial gain/loss for the financial year	40	-6
Present value of defined benefit obligations (DBO) at 31 December	**5,590**	**5,497**

The following tables show the present values of the defined benefit obligations and experience adjustments:

Severance benefits:

TEUR	2016	2015
Present value of obligations	34,864	37,905
Experience adjustments on obligations	645	168

Post-employment benefits:

TEUR	2016	2015
Present value of obligations	36,401	37,188
Fair value of plan assets	5,974	6,229
Net obligations	30,427	30,959
Experience adjustments on obligations	-145	653
Experience adjustments on plan assets	-48	39

No regular plan payments will be made for future years because the RLB Steiermark Group has not had any active employees since 2013 who qualified for defined benefits. Additional contributions may be payable for obligations arising from the defined benefit plans that were contracted out to Valida Pension AG.

Long-service bonuses:

TEUR	2016	2015
Present value of obligations	5,590	5,497
Experience adjustments on obligations	11	-32

Breakdown of expenditure on defined contribution plans:

TEUR	2016	2015
Expenditure on defined contribution plans	2,675	2,626
of which on defined contribution plans (pension fund)	2,309	2,270
of which on the staff benefit fund (Mitarbeitervorsorgekasse)	365	356

The expenditure on defined contribution plans for members of the Managing Board amounted to TEUR 142 during the reporting year (2015: TEUR 105).

The following actuarial assumptions regarding the calculation of defined benefit obligations are considered significant and subjected to stress testing. The resultant band of increases and reductions, expressed as percentage changes, in comparison with the values reported for defined benefit obligations is as follows:

2016 financial year

	Actuarial interest rate		Projected trend in salaries		Discount for employee turnover	
	+0.50 %	-0.50 %	+ 0.50 %	- 0.50 %	+ 0.50 %	- 0.50 %
Severance payments	-4.23 %	4.53 %	4.41 %	-4.15 %	-2.15 %	0.57 %
Pension plans	-5.14 %	5.62 %	5.55 %	-5.13 %	-	-

2015 financial year

	Actuarial interest rate		Projected trend in salaries		Discount for employee turnover	
	+0.50 %	-0.50 %	+ 0.50 %	- 0.50 %	+ 0.50 %	- 0.50 %
Severance payments	-4.41 %	4.74 %	4.61 %	-4.34 %	-2.23 %	0.63 %
Pension plans	-5.26 %	5.77 %	5.71 %	-5.27 %	-	-

Average maturities (duration) of defined benefit plans at 31.12.2016:

	Average maturities (duration)	
	2016	2015
Severance payments	7 to 10 years	7 to 10 years
Pension plans	9 to 13 years	9 to 13 years

Other provisions

2016 financial year

TEUR	At 1 January	Transfers	Addition	Reversal	Utilisation	Interest rate effects	At 31 December
Litigation	2,005	0	2,000	-61	0	0	3,944
Off-balance sheet transactions	45,866	-2,753	16,587	-38,103	-245	0	21,352
Other	1,068	-51	1,121	-84	-18	1	2,037
Total	**48,939**	**-2,804**	**19,708**	**-38,248**	**-263**	**1**	**27,333**

Provisions for off-balance sheet transactions comprise provisions for recourse claims from guarantees, indemnity agreements and other credit risks.

As at 31.12.2015, risk provisions for receivables in relation to HETA ASSET RESOLUTION AG (HETA) or unused lines of credit in relation to Pfandbriefbank (Österreich) AG (when utilised, these would constitute loans and advances to HETA) totalled TEUR 28,524 (specific impairment allowances of TEUR 15,449 and provisions for credit risks of TEUR 13,075).

In October 2016, a settlement was reached between the federal government, the state of Carinthia, and the HETA creditors by majority acceptance of the second offer of the Carinthian Settlement Payment Fund (Kärntner Ausgleichszahlungs-Fonds, KAF). HYPO Steiermark decided in favour of the conversion offer (zero-coupon bond with an economic value of 90.00% at the time of issue and a buyback obligation from KAF). The existing risk provisions for HETA in the amount of TEUR 7,804 were therefore utilised in the 2016 financial year, and the remainder of TEUR 20,720 was reversed through profit or loss.

Other provisions relate primarily to provisions for potential compensation claims in relation to negative interest rates arising from index-linked foreign currency loans (TEUR 1,693; 2015: TEUR 607) and provisions for death benefits (TEUR 185; 2015: TEUR 193). These are exclusively short-term provisions.

2015 financial year

TEUR	At 1 January	Transfers	Addition	Reversal	Utilisation	Interest rate effects	At 31 December
Litigation	2,082	0	0	-77	0	0	2,005
Off-balance sheet transactions	39,564	0	33,033	-26,731	0	0	45,866
Other	1,631	-1,089	626	-147	-14	61	1,068
Total	**43,277**	**-1,089**	**33,659**	**-26,955**	**-14**	**61**	**48,939**

26. Current and deferred income tax assets and liabilities

TEUR	2016	2015
Current income tax assets	258	998
Deferred tax assets	20,784	15,928
Total	**21,042**	**16,926**

TEUR	2016	2015
Current income tax liabilities	2,724	4,025
Deferred tax liabilities	9,550	9,661
Total	**12,274**	**13,686**

Net deferred tax assets break down as follows:

TEUR	2016	2015
Deferred tax assets	255,932	236,895
Deferred tax liabilities	244,698	230,628
Total	**11,234**	**6,267**

Net deferred tax assets resulted from the following items:

TEUR	2016	2015
Loans and receivables at amortised cost	764	1,255
Impairment allowance balance	4,064	3,349
Trading assets	0	1,056
Intangible assets	147	25
Property and equipment	2,051	2,120
Other assets	0	25
Tax loss carryforwards and as yet unused sevenths of partial writedowns	46,793	40,616
Financial liabilities at amortised cost	30,893	19,494
Trading liabilities	58,413	50,652
Financial liabilities – designated at fair value through profit or loss	99,491	100,959
Provisions	13,216	17,228
Other liabilities	100	116
Deferred tax assets	**255,932**	**236,895**
Loans and receivables at amortised cost	67	127
Trading assets	185,340	174,749
Financial assets – designated at fair value through profit or loss	26,213	25,102
Financial assets – available for sale	29,636	29,405
Property and equipment	0	13
Trading liabilities	3,442	1,232
Deferred tax liabilities	**244,698**	**230,628**
Net deferred tax assets	**11,234**	**6,267**

Deferred taxes on tax loss carryforwards and impairments to equity investments were determined on the basis of a five year forecast period. Assets in the amount of TEUR 58,924 (2015: TEUR 73,122) arising from currently unused tax loss carryforwards and impairments to equity investments were not capitalised in the consolidated financial statements because, from the present perspective, it seems unlikely that it will be possible to realise them within the forecast period of five years and it does not appear reasonably probable that sufficient taxable results will be available against which they can be utilised.
In connection with companies carried at equity, as of 31.12.2016, taxable temporary differences amount to TEUR 96,463 (2015: TEUR 97,568). In accordance with IAS 12.39, no deferred tax liabilities need to be entered in the balance sheet for these temporary differences because of management's stated and documented intention to hold these for the long term.

For a presentation of income taxes attributable to the individual components of other comprehensive income, we refer to the statement of comprehensive income.

27. Other liabilities

TEUR	2016	2015
Tax liabilities	5,707	6,952
Other liabilities	70,106	42,319
Total	**75,813**	**49,271**

Breakdown of other liabilities:

TEUR	2016	2015
Accruals and deferred items	1,646	6,285
Clearing items	20,921	8,269
Other liabilities	47,539	27,765
Total	**70,106**	**42,319**

28. Equity

TEUR	2016	2015
Attributable to equity holders of the parent	**1,214,074**	**1,183,388**
Subscribed capital	142,721	142,721
Capital reserves	401,825	401,956
Retained earnings	643,457	487,187
of which AFS reserve	86,963	84,678
Consolidated net profit/loss for the year	26,071	151,524
Equity attributable to non-controlling interests	**61,082**	**55,897**
Total	**1,275,156**	**1,239,285**

The share capital (subscribed capital) of RLB Steiermark totalled TEUR 142,721 as at 31.12.2016 (2015: TEUR 142,721) and consisted of 3,113,507 (2015: 3,113,507) registered no-par shares (ordinary shares).

The Managing Board proposes to distribute from the net profit of Raiffeisen-Landesbank Steiermark AG an amount of EUR 5,043,881.34 (2015: EUR 5,043,881.34). This corresponds to a dividend of EUR 1.62 (2015: EUR 1.62) per share on Raiffeisen-Landesbank Steiermark AG's share capital, which is subdivided into 3,113,507 (2015: 3,113,507) registered no-par shares.

Retained earnings include, among other items, income and expense items shown in comprehensive income that are not offset in the income statement. These include actuarial gains and losses from defined benefit plans less the apportionable deferred taxes, remeasurement gains and losses on financial assets available for sale and the apportionable deferred taxes recognised in other comprehensive income, the proportionate changes in equity of companies carried at equity without effect on profit or loss, and the foreign currency reserve.

As at the reporting date of 31.12.2016, the accumulated balance of actuarial gains and losses from defined benefit plans including the equity attributable to non-controlling interests stood at TEUR -11,082 (2015: TEUR -10,756). The available for sale reserve including non-controlling shareholders' equity totalled TEUR 90,639 at year-end 2016 (2015: TEUR 88,485). Proportionate changes in equity of companies carried at equity without effect on profit or loss came to TEUR -185,237 (2015: TEUR -200,926). The foreign currency reserve totalled TEUR 11 (2015: TEUR 4).

A comprehensive presentation of the changes in equity is provided in the table "Statement of changes in equity".

Other changes in retained earnings are largely attributable to other changes in equity resulting from the equity investment in RZB (see note 17 "Companies carried at equity").

For the securities in the AFS portfolio disposed of during the reporting year, an amount of TEUR 2,742 (2015: TEUR 2,751) was reclassified from the AFS reserve to the income statement. The associated income tax is TEUR -686 (2015: TEUR -688).

In addition, as a result of impairment charges on equity investments, an amount of TEUR 1,321 (2015: TEUR 37,342) was reclassified from other comprehensive income and shown as income under the line item "Profit/loss from financial assets – available for sale" in the reporting year. The associated income tax is TEUR -330 (2015: TEUR -1,617).

NOTES TO FINANCIAL INSTRUMENTS

29. Breakdown of terms to maturity

The term to maturity is defined as the period between the reporting date and the contractually agreed maturity of the liability.

Breakdown of terms to maturity at 31.12.2016:

Financial liabilities (TEUR)	Contractual cash flows	On demand/no specific term	Up to 3 months	3 months to 1 year	1 to 5 years	5 years and over
Financial liabilities at amortised cost	9,891,337	4,110,950	360,458	783,266	1,778,754	2,857,909
Trading liabilities	933,098	0	527,386	103,535	154,807	147,370
Financial liabilities – designated at fair value through profit or loss	3,418,894	0	227,541	305,240	1,134,811	1,751,302
Off-balance sheet transactions	1,526,038	1,526,038	0	0	0	0

Breakdown of terms to maturity at 31.12.2015:

Financial liabilities (TEUR)	Contractual cash flows	On demand/no specific term	Up to 3 months	3 months to 1 year	1 to 5 years	5 years and over
Financial liabilities at amortised cost	8,481,734	3,766,415	403,091	634,724	1,576,626	2,100,878
Trading liabilities	911,247	0	445,179	173,802	127,542	164,724
Financial liabilities – designated at fair value through profit or loss	4,198,855	0	163,886	375,332	1,625,944	2,033,693
Off-balance sheet transactions	1,459,383	1,459,383	0	0	0	0

30. Netting of financial assets and liabilities

The provisions of IFRS 7 require entities to disclose information on netting rights and/or master netting arrangements for financial assets and liabilities.

The RLB Steiermark Group concludes loan and interbank deposit transactions on the basis of deposit netting agreements and/or master netting arrangements with major customers. Generally, the amounts owed by each counterparty on all outstanding transactions under such agreements can be combined into a single net amount, provided that the requirements of IAS 32.42 have been met as follows:

- a current and legally enforceable right exists to offset financial assets and liabilities against one another;
- the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Some of those agreements are not netted in the balance sheet because the respective counterparties are granted the right to offset recognised amounts. This right is enforceable only upon the occurrence of an event of default, insolvency or bankruptcy of the Group or counterparty, or other predetermined events. In addition, the Group and its counterparties do not intend to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. The Group receives and provides collateral in the form of liquid assets and marketable securities.

The following tables present financial assets and liabilities that are netted in the consolidated statement of financial position or are subject to a master netting agreement or similar arrangement, irrespective of whether their carrying values are netted in the balance sheet.

2016 financial year

TEUR Financial assets	Financial assets – gross	Financial liabilities netted against financial assets	Financial assets reported in the balance sheet – net	Effect of master netting agreements	Collateral in the form of financial instruments	Net total
					Not netted	
Loans and receivables at amortised cost	456,420	-38	456,382	-453,093	0	3,289
Trading assets	554,033	0	554,033	-62,970	-158,684	332,379
– of which: derivatives and interbank funds	304,036	0	304,036	-62,970	0	241,066
– of which: repurchase (reverse repo) transactions	249,997	0	249,997	0	-158,684	91,313
Total	**1,010,453**	**-38**	**1,010,415**	**-516,063**	**-158,684**	**335,668**

TEUR Financial liabilities	Financial liabilities – gross	Financial assets netted against financial liabilities	Financial liabilities reported in the balance sheet – net	Effect of master netting agreements	Collateral in the form of financial instruments	Net total
					Not netted	
Financial liabilities at amortised cost	2,558,629	-38	2,558,591	-342,310	0	2,216,281
– of which: financial liabilities at amortised cost	2,548,629	-38	2,548,591	-342,310	0	2,206,281
– of which: repurchase (repo) transactions	10,000	0	10,000	0	0	10,000
Trading liabilities	565,680	0	565,680	-155,904	-139,619	270,157
– of which: derivatives and interbank funds	215,673	0	215,673	-155,904	0	59,769
– of which: repurchase (repo) transactions	350,007	0	350,007	0	-139,619	210,388
Financial liabilities – designated at fair value through profit or loss	25,689	0	25,689	-17,849	0	7,840
Total	**3,149,998**	**-38**	**3,149,960**	**-516,063**	**-139,619**	**2,494,278**

2015 financial year

TEUR						
Financial assets	**Financial assets – gross**	**Financial liabilities netted against financial assets**	**Financial assets reported in the balance sheet – net**	**Effect of master netting agreements**	**Collateral in the form of financial instruments**	**Net total**
					Not netted	
Loans and receivables at amortised cost	413,731	-13,178	400,553	-353,643	0	46,910
Trading assets	441,007	0	441,007	-133,976	-51,973	255,058
– of which: derivatives and interbank funds	191,006	0	191,006	-133,976	0	57,030
– of which: repurchase (reverse repo) transactions	250,001	0	250,001	0	-51,973	198,028
Total	**854,738**	**-13,178**	**841,560**	**-487,619**	**-51,973**	**301,968**

TEUR						
Financial liabilities	**Financial liabilities – gross**	**Financial assets netted against financial liabilities**	**Financial liabilities reported in the balance sheet – net**	**Effect of master netting agreements**	**Collateral in the form of financial instruments**	**Net total**
					Not netted	
Financial liabilities at amortised cost	2,281,974	-13,178	2,268,796	-410,329	0	1,858,467
Trading liabilities	566,671	0	566,671	-53,653	-166,128	346,890
– of which: derivatives and interbank funds	66,653	0	66,653	-53,653	0	13,000
– of which: repurchase (repo) transactions	500,018	0	500,018	0	-166,128	333,890
Financial liabilities – designated at fair value through profit or loss	33,051	0	33,051	-23,637	0	9,414
Total	**2,881,696**	**-13,178**	**2,868,518**	**-487,619**	**-166,128**	**2,214,771**

31. Derivative financial instruments

The following tables present the derivative financial transactions outstanding at the reporting date, broken down by term to maturity. The fair values incorporate the effects of counterparty risk (CVA/DVA).

Derivative financial products not held for trading (banking book) at 31.12.2016:

	Nominal amounts – term to maturity				Fair value	
TEUR	Up to 1 year	1 to 5 years	5 years and over	Total	Positive	Negative
Interest rate forwards						
OTC products						
Interest rate swaps	1,441,487	1,762,999	4,713,515	7,918,001	710,469	140,432
Interest rate options – calls	17,260	93,152	26,682	137,094	8,062	0
Interest rate options – puts	18,760	31,177	31,369	81,306	0	622
Total	**1,477,507**	**1,887,328**	**4,771,566**	**8,136,401**	**718,531**	**141,054**
Exchange-traded products						
Interest rate futures	39,908	0	0	39,908	292	329
Total	**1,517,415**	**1,887,328**	**4,771,566**	**8,176,309**	**718,823**	**141,383**
Foreign exchange forwards						
OTC products						
Currency spots/forwards	112,490	0	0	112,490	958	2,393
Cross currency interest rate swaps/cross currency swaps	35,809	124,585	0	160,394	3,680	14,989
Total	**148,299**	**124,585**	**0**	**272,884**	**4,638**	**17,382**
Aggregate total	**1,665,714**	**2,011,913**	**4,771,566**	**8,449,193**	**723,461**	**158,765**

Derivative financial products not held for trading (banking book) at 31.12.2015:

TEUR	Nominal amounts – term to maturity				Fair value	
	Up to 1 year	1 to 5 years	5 years and over	Total	Positive	Negative
Interest rate forwards						
OTC products						
Interest rate swaps	792,331	2,212,319	3,605,837	6,610,487	670,364	119,699
Interest rate options – calls	67,358	111,760	49,303	228,421	12,030	0
Interest rate options – puts	73,241	68,176	77,541	218,958	1	1,345
Total	**932,930**	**2,392,255**	**3,732,681**	**7,057,866**	**682,395**	**121,044**
Exchange-traded products						
Interest rate futures	51,064	0	0	51,064	137	122
Total	**983,994**	**2,392,255**	**3,732,681**	**7,108,930**	**682,532**	**121,166**
Foreign exchange forwards						
OTC products						
Currency spots/forwards	73,614	0	0	73,614	266	389
Cross currency interest rate swaps/cross currency swaps	15,349	294,554	0	309,903	3,954	30,899
Currency options – calls	1,731	0	0	1,731	28	0
Total	**90,694**	**294,554**	**0**	**385,248**	**4,248**	**31,288**
Other forward transactions						
OTC products						
Credit derivatives	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**
Aggregate total	**1,074,688**	**2,686,809**	**3,732,681**	**7,494,178**	**686,780**	**152,454**

Derivative financial products held for trading (trading book) at 31.12.2016:

	Nominal amounts – term to maturity				Fair value	
TEUR	Up to 1 year	1 to 5 years	5 years and over	Total	Positive	Negative
Interest rate forwards						
OTC products						
Interest rate swaps	340,000	849,342	1,208,416	2,397,758	87,997	100,500
Interest rate options – calls	-69,458	274,206	98,747	303,495	4,456	0
Interest rate options – puts	3,080	234,753	99,147	336,980	0	2,667
Total	**273,622**	**1,358,301**	**1,406,310**	**3,038,233**	**92,453**	**103,167**
Exchange-traded products						
Interest rate futures	5,500	0	0	5,500	0	0
Total	**279,122**	**1,358,301**	**1,406,310**	**3,043,733**	**92,453**	**103,167**
Foreign exchange forwards						
OTC products						
Currency spots/forwards	58,872	356	0	59,228	1,677	1,373
Cross currency interest rate swaps/cross currency swaps	582,154	2,050	12,983	597,187	804	17,804
Currency options – calls	1,186	0	0	1,186	7	0
Currency options – puts	1,186	0	0	1,186	0	7
Total	**643,398**	**2,406**	**12,983**	**658,787**	**2,488**	**19,184**
Aggregate total	**922,520**	**1,360,707**	**1,419,293**	**3,702,520**	**94,941**	**122,351**

Derivative financial products held for trading (trading book) at 31.12.2015:

	Nominal amounts – term to maturity				Fair value	
TEUR	Up to 1 year	1 to 5 years	5 years and over	Total	Positive	Negative
Interest rate forwards						
OTC products						
Interest rate swaps	199,901	909,503	1,301,350	2,410,754	89,904	99,706
Interest rate options – calls	91,214	293,125	110,159	494,498	3,028	0
Interest rate options – puts	123,355	201,813	122,042	447,210	0	2,714
Total	**414,470**	**1,404,441**	**1,533,551**	**3,352,462**	**92,932**	**102,420**
Foreign exchange forwards						
OTC products						
Currency spots/forwards	29,880	0	0	29,880	231	500
Cross currency interest rate swaps/cross currency swaps	441,749	2,050	12,983	456,782	1,305	11,404
Currency options – calls	4,593	1,148	0	5,741	57	0
Currency options – puts	4,593	1,148	0	5,741	0	57
Total	**480,815**	**4,346**	**12,983**	**498,144**	**1,593**	**11,961**
Aggregate total	**895,285**	**1,408,787**	**1,546,534**	**3,850,606**	**94,525**	**114,381**

32. Fair value of financial instruments

The fair value of all financial instruments reported at fair value is measured on a recurring basis.

A financial instrument's fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between the market participants at the measurement date. The measurement of fair value at the RLB Steiermark Group is based primarily on external sources of data (stock market prices or broker quotes). If no observable market price is available, the fair value is determined using generally accepted valuation methods. Depending on their market proximity and degree of objectivity, the valuation parameters used are assigned to one of the three levels (levels 1, 2 or 3) of the fair value hierarchy.

Description of valuation models and parameters

The RLB Steiermark Group uses only valuation models which have been tested internally and for which the valuation parameters (such as interest rates, exchange rates, volatilities and credit spreads) have been determined independently.

Where current, generally observable prices exist for securities and derivatives, these products will be recognised at the quoted market prices. For the remaining securities and derivatives, the fair value determined on the basis of the present value of future cash flows.

For plain vanilla (fixed and floating) debt securities, the fair value is calculated by discounting the future cash flows using a discounting curve. This discounting curve is determined by the interest rate for the respective currency of issue and a spread adjustment derived from the credit spread curve of the issuer. If no issuer curve is available, the spread is derived from a proxy instrument and adjusted for differences in the risk profile of the respective instrument. If no close proxy is available, the spread adjustment is estimated on the basis of internal ratings and default probabilities. For more complex debt securities, the fair value is determined using combinations of discounted cash flow models and more sophisticated modelling techniques including methods used for the valuation of OTC derivatives. The fair value of financial liabilities designated at fair value through profit or loss is determined using analogous methods.

The fair value of cross currency and cross currency interest rate swaps as well as forward rate agreements is determined on the basis of discounted cash flows. Here, the market interest rates applicable for the term to maturity are used.

The fair value of currency forwards is determined on the basis of the prevailing forward rates for their respective maturities. Options are measured at market prices or using recognised models for determining option prices. For simple European options and interest rate instruments, the established Black & Scholes models are used as valuation models (due to current market interest rate levels, the Black Sholes normal approach is also applied in some cases).

In the context of measuring derivatives, credit value adjustments (CVA) for counterparty risk and debt value adjustments (DVA) for the bank's own credit risk are applied. To determine the credit/debt value adjustments for OTC derivatives, the level of the portfolio value expected in the future (potential future exposure, PFE) is calculated by Monte Carlo simulation. That calculation is assessed using default rates observable on the market for the customer and RLB Steiermark. Generally, a counterparty's entire portfolio of derivatives is considered. CVA and DVA are calculated for the uncollateralised exposure. If the exposure is collateralised, the collateral lag (margin period of risk) is also factored into the calculation of CVA/DVA.

Optionalities in financial liabilities are measured, inter alia, on the basis of the Hull-White model. If third parties provide collateral, this is taken into account in the measurement of liabilities.

The fair value of certain financial instruments corresponds very closely to the carrying amount. This applies to cash and balances with central banks as well as receivables and liabilities that have no defined maturity or fixed interest rate and/or liabilities callable on demand or at short-term.

In the case of the remaining receivables and liabilities, the anticipated cash flows are discounted at current interest rates taking into account the respective spreads and costs of equity. For determining the fair value of loans, spreads based on internal credit rating models are applied.

Investments in associates are measured at equity. The remaining investments are measured at fair value. In cases where a market or transaction price is available, this is used for measurement purposes. Otherwise, the fair value is calculated on the basis of discounted net cash flows or by means of simplified approximation methods. The fair value of real estate is determined on the basis of appraisals prepared close to the measurement date. The forecast of financial surpluses includes specific estimates for at least two years. The expected net cash flows are discounted at a risk-free interest rate, factoring in an appropriate risk haircut.

Where financial guarantees and irrevocable credit commitments are concerned, the carrying amount corresponds to the fair value.

The following table presents the fair values by balance sheet position:

	2016		2015	
TEUR	Fair value	Carrying amount	Fair value	Carrying amount
Assets				
Cash and balances with central banks	26,742	26,742	47,218	47,218
Loans and receivables at amortised cost[1)]	8,781,686	8,278,162	8,960,536	8,138,443
Trading assets	2,557,569	2,557,569	1,863,201	1,863,201
Financial assets – designated at fair value through profit or loss	1,393,198	1,393,198	1,322,277	1,322,277
Financial assets – available for sale	1,632,228	1,632,228	1,542,117	1,542,117
Liabilities				
Financial liabilities at amortised cost	9,490,481	9,534,661	6,584,152	8,068,177
Trading liabilities	869,364	869,364	845,450	845,450
Financial liabilities – designated at fair value through profit or loss	3,096,135	3,096,135	3,707,124	3,707,124

[1)] Figures after consideration of impairment allowances.

33. Fair value hierarchy

The fair value hierarchy reflects the level of independent, objective evidence surrounding the inputs used to measure the fair value of financial assets and financial liabilities. This hierarchy divides the input factors used to determine fair value into three categories (levels), depending on the extent to which the input factors used are observable.

Quoted prices in active markets (level 1): The fair value of financial instruments classified in level 1 of the fair value hierarchy is calculated on the basis of the prices quoted on the active markets (stock exchange price or prices quoted by market participants). An active market for a financial instrument exists if quoted prices are regularly provided, for instance by stock exchanges, brokers or pricing services such as Reuters or Bloomberg, and transactions at these prices actually take place on a regular basis. This category contains equity instruments and debt instruments listed on stock exchanges, while financial instruments not measured at fair value essentially comprise liabilities evidenced by certificates.

Inputs based on market observables (level 2): If fair value determination is based on a price for which the market cannot be considered to be active because liquidity is limited, the underlying financial instrument is classified in level 2 of the fair value hierarchy. Where no market prices are available, the fair value is calculated by marking to model, for which market data are used as parameters. Provided that all key parameters of the valuation model are observable on the market, the financial instrument will be categorised in level 2 of the fair value hierarchy. Level 2 valuations typically employ interest curves, credit spreads and implicit volatilities as observable and verifiable market parameters.

In the category of financial instruments recognised at fair value, this includes in particular the majority of OTC derivatives and interbank funds in the trading portfolio and liabilities evidenced by certificates. Debt instruments and investment certificates for which there is no active market are also included in level 2. Financial instruments not measured at fair value essentially comprise interbank funds and deposits.

Inputs based on relevant, non-observable parameters (level 3): In some instances, the fair value cannot be determined either on the basis of sufficiently frequent quoted market prices or by using valuation models that rely entirely on observable market data. The financial instruments in this category feature input parameters that are not observable and have a more than immaterial effect on the fair value of an instrument. In these cases, individual valuation parameters not observable in the market are estimated on the basis of reasonable assumptions. Besides observable parameters, level 3 valuations typically employ credit spreads derived from internally calculated historical probability of default (PD) and loss given default (LGD) measures as non-observable parameters. Level 3 financial instruments measured at fair value essentially include structured liabilities evidenced by certificates, complex OTC derivatives, asset-backed securities and investments. Financial instruments not measured at fair value mainly comprise loans and deposits.

Description of valuation methods and processes for level 3 financial instruments

A level 3 position involves one or more significant inputs that are not directly observable on the market. Therefore, additional price verification procedures – which, among other methods, may include analysis of historical data or benchmarking against similar financial instruments – are required to substantiate the valuation price. These procedures involve parameter estimates and obtaining expert opinions.

Financial instruments measured at fair value – with the exception of investments – are measured and categorised by the market risk control department, which is responsible for market evaluations and the calculation models used, including the determination of level 3 fair values. The market risk control department monitors important non-observable input factors and valuation adjustments at regular intervals. If third-party prices, for example partner evaluations or external models, are used to determine fair values, the market risk control department records and documents these values and verifies their credibility. Important measurement issues and the effects of measurement changes are reported to the overall bank risk committee and/or the Managing Board. The fair values of investments are determined and categorised by the investments department, which is responsible for the entire investment portfolio.

Qualitative information about level 3 fair value measurements:

	Type	Fair value (EUR million)	Valuation method	Significant non-observable inputs	Range of non-observable inputs
Bonds and other fixed-income securities	Bonds	7	Broker estimates	Probability of default, interest rate	10–30 %
Bonds and other fixed-income securities (1:1 collateralised)	Issues	-111	Broker estimates, DCF method	Expected interest payments	10–20 %
Hedging derivatives	Interest rate derivatives	21	Broker estimates	Expected interest payments	10–20 %

Equity investments:

Valuation method	Description	Input factors	from	to
Discounted cash flow method (DCF – flow-to-equity)	Free cash flows are discounted at an internal interest rate (discount rate, beta factor and market risk factor).	Internal interest rate	6.36 %	7.75 %
		Beta factor	0.83	0.97
		Market risk factor	6.25 %	7.00 %
		Risk-free interest rate	0.96 %	1.38 %
		Planning horizon	2 years	18 years
Net asset value method (real estate)	The property's current market value is obtained via expert appraisal on the measurement date. The unrealised gains/losses thus determined are included in equity.	Lease per m^2 Markup/markdown	0.38 EUR + 500 BP	251 EUR - 500 BP
Income capitalisation method (option price)	A projected income statement is used to calculate future profit surpluses which are then discounted to determine the value of equity at the measurement date.	Discount rate	5 %	7 %

For some of the level 3 financial instruments, identical and similar compensatory positions exist with regard to the non-observable inputs. The IFRS provisions require that assets and liabilities must be reported on a gross basis. Some financial instruments in the level 3 category are hedged with level 2 category instruments.

If a change in the calculation of fair value has occurred, for example if observable parameters are available for the determination of fair value instead of non-observable parameters, the respective financial instrument is reclassified.

The Group records reclassifications between different levels of the fair value hierarchy at the end of the reporting period in which the change took place, on the basis of the opening balance.

The following table shows the fair value hierarchy for the financial instruments measured at fair value.

Fair value hierarchy of financial assets and liabilities measured at fair value:

			2016			2015
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Trading assets						
Bonds and other fixed-income securities	146,788	0	0	94,988	0	0
Positive fair values (dirty price) of derivative contracts	0	758,650	58,503	0	719,579	61,346
Loans and receivables	0	1,593,628	0	0	987,288	0
Financial assets – designated at fair value through profit or loss	892,213	497,635	3,350	860,547	438,241	23,489
Financial assets – available for sale	1,198,563	348,951	84,714	1,149,449	312,224	80,444
Total	**2,237,564**	**3,198,864**	**146,567**	**2,104,984**	**2,457,332**	**165,279**

Financial liabilities	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Trading liabilities						
Liabilities to other banks	0	590,969	0	0	579,126	0
Negative fair values (dirty price) of derivative contracts	0	240,197	38,198	0	235,876	30,448
Financial liabilities – designated at fair value through profit or loss	0	2,988,950	107,185	0	3,561,997	145,127
Total	**0**	**3,820,116**	**145,383**	**0**	**4,376,999**	**175,575**

Reclassifications from and to level 1:

2016 financial year

TEUR	Reclassifications from level 1 to level 2
Financial assets	
Financial assets – available for sale	28,202
Total	**28,202**

2015 financial year

TEUR	Reclassifications from level 1 to level 2	Reclassifications from level 2 to level 1
Financial assets		
Financial assets – designated at fair value through profit or loss	4,501	2,496
Total	**4,501**	**2,496**

Assets were reclassified from level 1 to level 2 because observable market transactions did not indicate the presence of an active market. The reclassifications took place on the basis of the opening balance.

Reconciliation to level 3 financial instruments:

2016 financial year

	Balance at 1 January	Recorded in the income statement[1]	Recorded in other comprehensive income	Additions	Disposals	Settlements	Reclassifications to level 3	Reclassifications from level 3	Balance at 31 December
Financial assets									
Trading assets									
Positive fair values (dirty price) of derivative contracts	61,345	7,094	0	0	-7,563	0	0	-2,373	58,503
Financial assets – designated at fair value through profit or loss	23,489	-2,090	0	0	0	-18,049	0	0	3,350
Financial assets – available for sale	80,445	2,926	1,267	542	-466	0	0	0	84,714
Total	**165,279**	**7,930**	**1,267**	**542**	**-8,029**	**-18,049**	**0**	**-2,373**	**146,567**
Financial liabilities									
Trading liabilities									
Negative fair values (dirty price) of derivative contracts	30,448	7,750	0	0	0	0	0	0	38,198
Financial liabilities – designated at fair value through profit or loss	145,127	2,813	0	0	-885	-21,027	0	-18,843	107,185
Total	**175,575**	**10,563**	**0**	**0**	**-885**	**-21,027**	**0**	**-18,843**	**145,383**

[1]) In the case of assets, positive amounts represent gains and negative amounts represent losses. Where liabilities are concerned, positive amounts represent losses and negative amounts represent gains.

Reclassification from level 3 to level 2 of trading assets and financial liabilities – designated at fair value through profit or loss took place because observable input factors are now available for all these transactions. The transactions scheduled to mature in 2017 are variable-interest financial instruments. As the expected interest payments for 2017 are known as at 31.12.2016, they constitute an observable input factor that is incorporated in the valuation.

Beyond that, no reclassifications to or from level 3 occurred in the year under review. The reclassifications took place on the basis of the opening balance.

2015 financial year

	Balance at 1 January	Recorded in the income statement[1)]	Recorded in other comprehensive income	Additions	Disposals	Settlements	Reclassifications to level 3	Reclassifications from level 3	Balance at 31 December
Financial assets									
Trading assets									
Positive fair values (dirty price) of derivative contracts	71,504	-4,534	0	0	-5,140	0	0	-485	61,345
Financial assets – designated at fair value through profit or loss	37,332	2,994	0	0	-16,837	0	0	0	23,489
Financial assets – available for sale	123,308	-1,418	2,048	2,105	-45,383	0	0	-215	80,445
Total	**232,144**	**-2,958**	**2,048**	**2,105**	**-67,360**	**0**	**0**	**-700**	**165,279**
Financial liabilities									
Trading liabilities									
Negative fair values (dirty price) of derivative contracts	32,107	-1,616	0	0	0	0	0	-43	30,448
Financial liabilities – designated at fair value through profit or loss	167,755	-6,691	0	0	-1,286	-10,000	0	-4,651	145,127
Total	**199,862**	**-8,307**	**0**	**0**	**-1,286**	**-10,000**	**0**	**-4,694**	**175,575**

[1)] In the case of assets, positive amounts represent gains and negative amounts represent losses. Where liabilities are concerned, positive amounts represent losses and negative amounts represent gains.

The profit/loss from financial assets and liabilities – designated at fair value through profit or loss recognised in the income statement and the gains and losses from the revaluation of the corresponding underlyings (economic hedges) are contained in the line item “Profit/loss from financial instruments – designated at fair value through profit or loss” (note 6). The interest associated with these instruments is shown in net interest income. The profit/loss from financial assets – available for sale recorded in the income statement is shown in the line item “Profit/loss from financial assets – available for sale” (note 7).

The gains and losses from the revaluation of AFS financial assets are contained in other income under the line item “Changes in the valuation of financial assets available for sale (AFS)”.

Gains and losses from level 3 financial instruments held at the reporting date

In accordance with the provisions of IFRS 7, the following table only presents gains and losses related to level 3 instruments held at the reporting date.

TEUR	2016	2015
Financial assets measured at fair value		
Trading assets – positive fair values (dirty price) of derivative contracts	7,093	-4,887
Financial assets – designated at fair value through profit or loss	-49	489
Financial assets – available for sale	2,927	-1,418
Total	**9,971**	**-5,816**
Financial liabilities measured at fair value		
Trading liabilities – negative fair values (dirty price) of derivative contracts	-7,750	-1,659
Financial liabilities – designated at fair value through profit or loss	-991	-2,868
Total	**-8,741**	**-4,527**
Aggregate total	**1,230**	**-10,343**

The compensatory gains and losses recorded relative to the corresponding hedging transactions are not reflected in the above table. Pursuant to IFRS 13, these only include gains and losses that result from the original level 3 instruments.

Sensitivity analysis

With the exception of investments, the level 3 financial instruments measured at fair value consist predominantly of yield curve positions collateralised at a ratio of one to one. The essential non-observable input parameters for these complex products (OTC) are historic volatilities and historic correlations between CMS indices. Possible effects that result from the relative uncertainty regarding the fair values of financial instruments whose measurement is based on non-observable input parameters (level 3) are presented within the context of the sensitivity analysis for level 3 instruments.

For the sensitivity analysis, the non-observable level 3 input factors (as described above) were converted into observable factors and then subjected to sensitivity shifts based on interest rate sensitivity and credit spread sensitivity.

To quantify interest rate sensitivity, all products subject to interest risk were accounted for as zero bonds for the defined term to maturity. For this purpose, these products were first approximated to corresponding forwards and allocated to the respective maturity bands. As a next step, a so-called interest rate shock was assumed, i.e. the impact on the fair value in the event of a parallel upward or downward shift of the interest rate curve by 200 basis points (BP) was examined. Furthermore, the measurement effects in the event of a curve rotation (money market -100 BP, annual base 0, capital market +100 BP) were examined. The results of the analysis are summarised in the table below.

To quantify the credit spread risk, the term to maturity and internal rating of the portfolio of level 3 securities (assets and liabilities) were taken into account. In this context, it was assumed that the spreads of the level 3 securities had shifted by 200 basis points upwards or downwards. The resulting profit/loss effects on the fair value are shown in the table below.

2016 financial year

TEUR	Change in input factors	Change in fair value Asset items	Liability items	Total
Interest rate sensitivity:				
Interest rate change	+ 200 BP	-510	0	-510
Interest rate change	-200 BP	587	0	587
Curve rotation:				
Money market	-100 BP	-264	0	-264
Capital market	+100 BP			
Credit spread sensitivity:				
Credit spread change	+ 200 BP	-510	7,974	7,464
Credit spread change	-200 BP	587	-9,393	-8,805

2015 financial year

TEUR	Change in input factors	Change in fair value Asset items	Liability items	Total
Interest rate sensitivity:				
Interest rate change	+200 BP	-817	0	817
Interest rate change	-200 BP	914	0	914
Curve rotation:				
Money market	-100 BP	-419	0	-419
Capital market	+100 BP			
Credit spread sensitivity:				
Credit spread change	+200 BP	-817	10,320	9,503
Credit spread change	-200 BP	914	-12,137	-11,223

The foreign currency transactions included in the calculation were subjected to a currency shift to account for the currency risk. As the foreign currency positions are offset by corresponding refinancing positions in foreign currency (same amount, same interest rate adjustment dates), no foreign currency risk results from this currency shift for level 3 products.

Equity investments

Level 3 investments measured at fair value are composed exclusively of equity investments that are not publicly traded. Almost none of the parameters on which the valuation of these investments is based can be observed in the market. The valuation method depends on the characteristic features of the entity being valued (type of business, contracts, etc.). Annual forecasts are drawn up for companies valued using the discounted cash flow method. As changes in the assumed free cash flows can have a significant impact on fair value, the analysis was based on the assumption of a change in the respective free cash flows by +/-100 BP per planning period. The discount rate is influenced by several parameters, each of which has a varying impact. To factor in interest rate sensitivity, the discount rate was varied in each case by +/-100 BP. For the investments measured at net asset value, the prices per m^2 determined by an expert appraisal represent the key input parameter, which was varied by +/- 500 BP. For the investment measured at capitalised value, only interest rate sensitivity was analysed. This was done by applying a parallel shift in the discount rate of +/- 100 BP since a selling option exists for this investment. Therefore, a change in the forecast would not have a significant impact on the fair value of the investment.

The six largest investments were taken as the basis for the sensitivity analysis. The resulting fair value effects not impacting profit/loss are shown in the table below.

2016 financial year

TEUR

Valuation method	Input factors	Change in input factors	Fair value	Best case	Worst case
Discounted cash flow method	Discount rate	+/- 100 BP		-100 BP	+100 BP
	Free cash flow	+/- 100 BP		+100 BP	-100 BP
Total			**21,740**	**25,382**	**18,996**
Net asset value method (real estate)	Markup/ markdown	+/- 500 BP		+500 BP	-500 BP
Total			**20,686**	**20,869**	**20,503**
Income capitalisation method (option price)	Discount rate	+/- 100 BP		-100 BP	+100 BP
Total			**4,072**	**4,311**	**3,849**

2015 financial year

TEUR					
Valuation method	**Input factors**	**Change in input factors**	**Fair value**	**Best case**	**Worst case**
Discounted cash flow method	Discount rate	+/- 100 BP		-100 BP	+100 BP
	Free cash flow	+/- 100 BP		+100 BP	-100 BP
Total*			**22,258**	**25,663**	**19,639**
Net asset value method (real estate)	Markup/markdown	+/- 500 BP		+500 BP	-500 BP
Total			**10,720**	**11,184**	**10,232**
Income capitalisation method (option price)	Discount rate	+/- 100 BP		-100 BP	+100 BP
Total			**3,842**	**4,105**	**3,597**

* In the 2015 financial year, fair value was presented with reference to total corporate value. Since presentation of fair value in the 2016 financial year is based on the respective ownership structures, the values for the 2015 financial year were adjusted to facilitate a better comparison.

Fair value hierarchy of financial assets and liabilities not measured at fair value:
Pursuant to IFRS 13.97, the allocation to the individual levels of the fair value hierarchy is also shown for instruments measured at amortised cost.

The fair values of certain financial instruments, accounted for at nominal values, correspond very closely to their carrying amounts. This applies, for instance, to cash and balances with central banks as well as receivables and liabilities due on demand and/or receivables and liabilities that have no defined maturity or fixed interest rate. These instruments are regularly transferred at their repayment amounts, e.g. the nominal amount repayable in the case of demand deposits. Pursuant to IFRS 7.29 (a), disclosure of fair values is not required for these instruments, as the carrying amount represents a reasonable approximation of the fair value.

The following table shows the fair values of financial assets and liabilities not measured at fair value, including their levels in the fair value hierarchy.

TEUR			2016			2015
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial assets						
Loans and receivables at amortised cost	0	1,898,987	5,235,576	0	2,088,383	5,017,395
Financial liabilities						
Financial liabilities at amortised cost*	**1,081,625**	**2,977,775**	**1,205,453**	**607,470**	**2,396,548**	**1,149,780**

* In the 2015 financial year, the underlying transactions eligible for hedge accounting as defined in IAS 39 were allocated to level 2 of the fair value hierarchy. This presentation did not comply with the requirements of IFRS 13.97. For this reason, the presentation for the 2016 financial year was modified so that hedged items and hedging instruments are assigned to their respective levels of the fair value hierarchy regardless of the existence of a hedging relationship. The previous year's figures were adjusted accordingly. No adjustments were necessary for the figures as at 31.12.2014.

RISK REPORT

Structure of the risk management system

Among the key factors in successful banking is a bank's ability to recognise the opportunities and risks that result from its business operations and to assess those opportunities and risks properly. The overarching goal is to maintain a sustained positive profit position based on a differentiated risk measurement strategy that considers its capital resources through suitable control, management and monitoring procedures.

The importance of bank-wide risk management, especially a bank's ability to identify and measure all significant risks and to control and monitor them in a timely manner, has increased substantially in recent years due to the volatility of the economic environment. The RLB Steiermark Group therefore sees risk management as a proactive corporate function and an integral component of total bank management.

Professional risk management is one of the core tasks of the RLB Steiermark Group. The structure of its risk management system ensures that key risks faced by the Group are identified, measured and monitored continuously, and that appropriate risk mitigation measures are planned and executed.

The Managing Board bears overall responsibility for the entire area of risk control. The Managing Board and the Supervisory Board jointly define the risk strategy and risk policy based on the RLB Group's mission statement and overall corporate strategy. The risk strategy defines the strategic approach to risk management for all types of risks. Accordingly, the risk strategy represents the primary source of guidance for risk-centred management and is a cornerstone of the systems and tools used to control, monitor and mitigate risks. By extension, the risk strategy is a key factor in ensuring internal capital adequacy. Based on its risk strategy and the risk policy and operational parameters derived therefrom, the RLB Steiermark Group aims to identify all relevant risks associated with the banking business and bank operations early on, and to manage and mitigate them proactively through implementation of an effective risk management process. Risk Management reports to both the Managing Board and the Supervisory Board on a near real-time basis.

Extract from the organisational structure of the RLB Steiermark Group's risk management system

Risk Controlling	Credit Risk Management	Legal, Compliance/AML and Risk Protection Schemes	Non-Performing Loan Management
Overall Bank Risk and Credit Risk Controlling	Individual Risk Management	Banking Law	Collateral Management
Market Risk Controlling	Business Risk Analysis	Compliance / AML	Rehabilitation
	Back Office – Active	Regulatory Law and Reporting Requirements	Liquidation

The RLB Steiermark Group's risk management activities are based on clear responsibilities. Risk management subsumes all of the organisational activities for identifying and dealing with the risks of business operations, with the exception of NPL management. All organisational units concerned with the identification, recording, assessment and analysis of risk are combined under the direct leadership of the Chief Risk Officer (CRO). The management of non-performing loans is assigned to a Managing Board member responsible for a non-front office function. Risks are identified, measured and controlled by the Risk Controlling division in cooperation with the corresponding organisational units. In addition, Risk Controlling is responsible for developing and supplying the processes used for risk measurement and the necessary IT systems. Furthermore, is the responsibility of Risk Controlling to ensure a proactive risk control system that meets the requirements arising from the Group's business model.

The structure of the risk management system is designed to support the competent specialists and the independent functionality of their processes and systems. The current organisational structure ensures that employees entrusted with the management of risk are able to act independently within their area of responsibility.

The risk controlling structures have been designed to ensure that key risks faced at all levels within the Group (i.e. credit risk, investment risk, market price risk, liquidity risk, operational and other risks) can be identified, measured and controlled. Special committees support the Managing Board in the performance of its risk-related tasks, for which it bears ultimate responsibility.

The objective of risk management is risk limitation, i.e. the targeted allocation of risk capital with a view to achieving sustainable, profitable growth in all business segments and at the same time maintaining and enhancing the Group's equity position.

The focus of the risk portfolio is geared toward the following strategic framework:

- Clear and transparent decisions.
- Thorough, timely and realistic assessment of credit quality for all lending transactions.
- In the event of a non-transparent, unmanageable risk situation, the principle of prudence is applied.
- Systematic, thorough risk management through timely identification and assessment of risks and purposeful implementation of the necessary measures.
- Risk minimisation is also achieved through appropriate diversification of all banking operations.
- Efficient management turns risks into opportunities to generate revenue.
- Risks incurred by the bank are always sufficiently diversified, not only within individual business areas, but also across segment boundaries.
- Development and implementation of effective processes in daily business operations.
- Product launches and new market entries are subject to a specific risk analysis that is based on a forward-looking assessment of risks.
- Products and services are offered to our customers only if we possess the necessary authorisation, specialist know-how and infrastructure.
- "Know Your Customer": We know our customers and provide loans only after a thorough review of their payment history and credit rating.

The categories required pursuant to IFRS 7.6 are defined as follows:

- Cash and balances with central banks
- Loans and receivables at amortised cost
- Trading assets
- Financial assets – designated at fair value through profit or loss
- Financial assets – available for sale
- Financial liabilities at amortised cost
- Trading liabilities
- Financial liabilities – designated at fair value through profit or loss

The risk limitation measures in place within the RLB Steiermark Group are structured along the lines of its risk-bearing capacity and are reviewed at appropriate intervals. The Managing Board controls and limits the risk-bearing capacity on an extreme case basis (VaR 99.9%), while the utilisation of economic capital is constantly monitored. Concurrently, the going concern perspective (VaR 95%) is observed in the calculation of the capital requirement.

The risk-bearing capacity analysis is a fundamental tool used in management decision-making, and it is a key part of ongoing risk reporting to the Managing Board as well as quarterly risk reporting to the Supervisory Board. Regular monitoring of risk limits is the responsibility of the RLB Steiermark Group's Risk Controlling division.

Risk Controlling reports the overall risk situation to the Managing Board at regular intervals. The current status of limit utilisation for individual risk types and business areas is monitored in the context of the risk-bearing capacity analysis. In addition, Risk Controlling is responsible for the further development and implementation of the risk quantification and measurement methods, for refining the risk management instruments employed, and for maintaining and updating the rules and regulations governing risk management. The Group's Risk Steering Committee analyses the risk reports and defines the appropriate risk management measures.

RLB-Stmk Verbund eGen was charged with compiling a Group-wide recovery plan pursuant to §§ 15 et seq. BaSAG. Accordingly, a recovery plan was drawn up at the level of RLB-Stmk Verbund eGen for the RLB Steiermark Group of credit institutions. Additionally, a separate plan was prepared at the level of the state institutional protection scheme (L-IPS), and a further plan at the level of the federal institutional protection scheme (B-BPS). As a member of RLB Stmk Verbund eGen's recovery plan and of the recovery plans prepared by the state institutional protection scheme (L-IPS) and the federal institutional protection scheme (B-BPS), RLB Steiermark AG is not required to prepare its own recovery plan.

These recovery plans were drawn up based on the applicable statutory provisions, particularly the Federal Act on the Recovery and Resolution of Banks (Federal Law Gazette I 98/2014) and the EBA and FMA guidelines. All assumptions, calculations and forecasts are based on figures ascertained as at 31.12.2015 and were submitted to the FMA on 30.09.2016 in accordance with the requisite resolutions made by the responsible committees.

Periodic stress tests are performed within RLB Steiermark Group and discussed by the Group's Aggregate Bank Risk Committee. Stress tests yield information that supplements the value-at-risk analyses and helps identify potential loss events. Using macroeconomic scenarios, these stress tests assess banks' sensitivity to changes in a variety of risk factors, assuming the existence of an extraordinary but plausible negative development in the national economy. In the process, a distinction is made between "system crises", "idiosyncratic crises", and "combined crises". These scenarios are subject to annual review. In addition, reverse stress tests are conducted, which target the risk sensitive areas within the RLB Steiermark Group and thus provide its management with important information for managing and controlling organisational risk.

RLB Steiermark is a member of the Raiffeisen-Einlagensicherung Steiermark deposit protection scheme, the customer deposit guarantee association (Kundengarantiegemeinschaft) and the solidarity association (Solidaritätsverein) of Raiffeisen-Geldorganisation Steiermark, and of the institutional protection schemes at the federal (B-IPS) and state (I-IPS) levels.

Pursuant to the provisions of the Austrian Act on Deposit Guarantee Schemes and Investor Compensation (ESAEG), RLB Steiermark paid the contribution to the deposit protection fund as stipulated by Österreichischen Raiffeisen-Einlagensicherung eGen in the 2016 financial year. For the state mortgage banks (Landes-Hypothekenbanken), the role of the protection scheme will be performed by Hypo-Haftungs-GmbH, which has been established by the Association of Austrian State Mortgage Banks. Annual contributions are mandatory until mid-2024.

As ordered by the resolution authority, RLB Steiermark and HYPO Steiermark make annual contributions to the national resolution fund. In 2016, this fund was transferred to the European single resolution fund.

Aggregate bank risk

The risk-bearing capacity analysis, based on the Internal Capital Adequacy Assessment Process (ICAAP), is a key component of the Group's aggregate risk management framework. In accordance with international best practice, the ICAAP is designed as a revolving management process, which starts with the definition of a risk strategy, followed by risk identification, quantification, and aggregation. The process finishes with determination of the risk-bearing capacity, capital allocation and limit setting, as well as ongoing risk monitoring. The individual elements of the cycle are performed with varying regularity (daily for measurement of trading book market risk, monthly for determination of the risk-bearing capacity, and annually for risk inventory, risk strategy and risk policy). All activities that are part of the process are reviewed at least once annually for timeliness and appropriateness, and are adapted as needed to reflect changes in the operating environment.

In line with this principle, the Group uses a risk inventory to identify the risks present in ongoing banking operations and to assess their significance and the potential danger they pose for the RLB Steiermark Group. The process includes a quantitative assessment of the

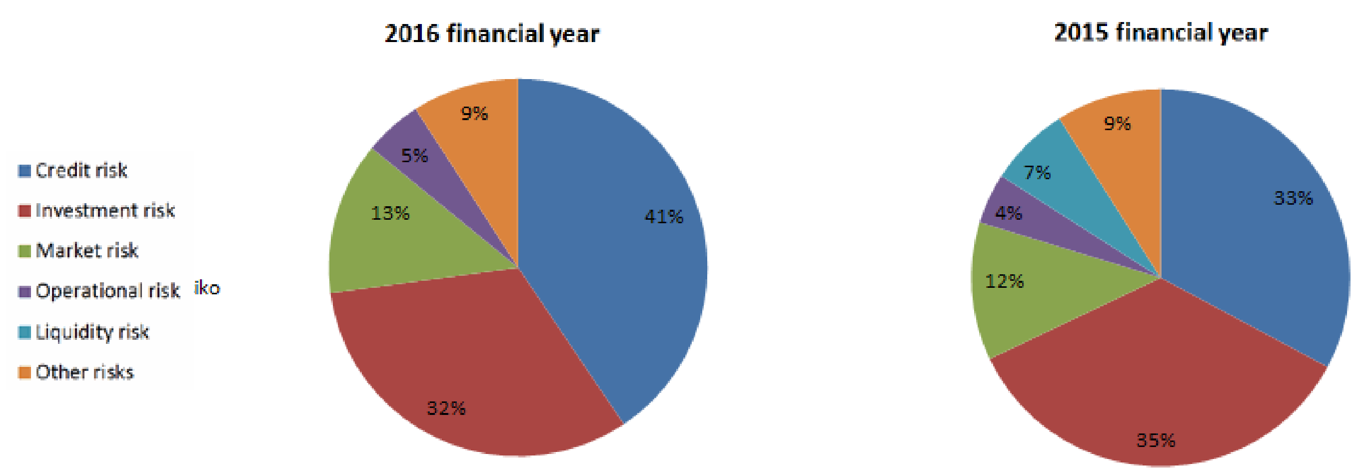
individual types of risks and a qualitative analysis of the methods and systems used for risk monitoring and management. The results of the risk inventory are analysed, collated, and incorporated into the risk strategy and risk policy.
Internal capital adequacy is assessed at regular intervals, based on the risks measured within an internal models-based framework. The internal models used for risk measurement purposes must consider the materiality of specific risks.

The objective is to ensure that the Group has sufficient covering assets at its disposal at all times to provide sufficient cover for risks that have been entered into, even in unexpected situations. For this purpose, all identified and quantified risks are aggregated into an assessment of overall banking risk.

The aggregated total potential loss is compared against the amount of cover funds available within the RLB Steiermark Group to compensate for these potential losses in order to determine whether the bank is in a position to absorb such losses without suffering serious detriment to its business activities. With the capital adequacy target set on a going concern basis (VaR 95%), potential risk and risk-bearing capacity must be balanced in such a way that the bank would be in a position to absorb negative stress events and continue business operations in an orderly manner. The capital adequacy target based on the worst-case scenario (VaR 99.9%) is a regulatory requirement and serves to protect the creditors.

Share of individual risks in the aggregate risk position

Based on the extreme case scenario, the economic capital requirement as at 31 December 2016 came to EUR 783.0 million (2015: EUR 818.8 million). The corresponding covering assets within the Group totalled EUR 1,341.8 million (year-end 2015: EUR 1,258.9 million).



The aggregate risk situation is assessed on the basis of the risk-bearing capacity analysis, which compares the aggregate risk position with the available risk cover fund. The risk-bearing capacity analysis provides information about how much additional risk can be tolerated and/or whether activities carrying a higher degree of risk should be reduced. The values for the risk-bearing capacity analysis are presented in two scenarios: first, on the basis of a 95% confidence interval from a going concern perspective and second, on the basis of a 99.9% confidence interval from a liquidation perspective. While the going concern approach aims at ensuring that the regulatory minimum capital requirements are fulfilled even in the event of total consumption of the covering assets, the extreme case scenario aims to ensure that in the event of a "notional liquidation" the creditors will be completely satisfied. Unless otherwise stated in the risk report, all data are based on the extreme case scenario.

In an effort to limit risks, an overall limit system has been established, which comprises the individual risk types and strategic business segments and has been approved by the Managing and Supervisory Boards. Risk Controlling analyses the risks identified and, by conducting regular target-actual comparisons, monitors compliance with the defined limits. When identifying concentration risks, due consideration is given to the individual circumstances of the Group. A concentration of the risk of default arises, for example, from a high volume of business activities focusing on certain industries, currencies, geographical regions or on a limited number of individual customers.

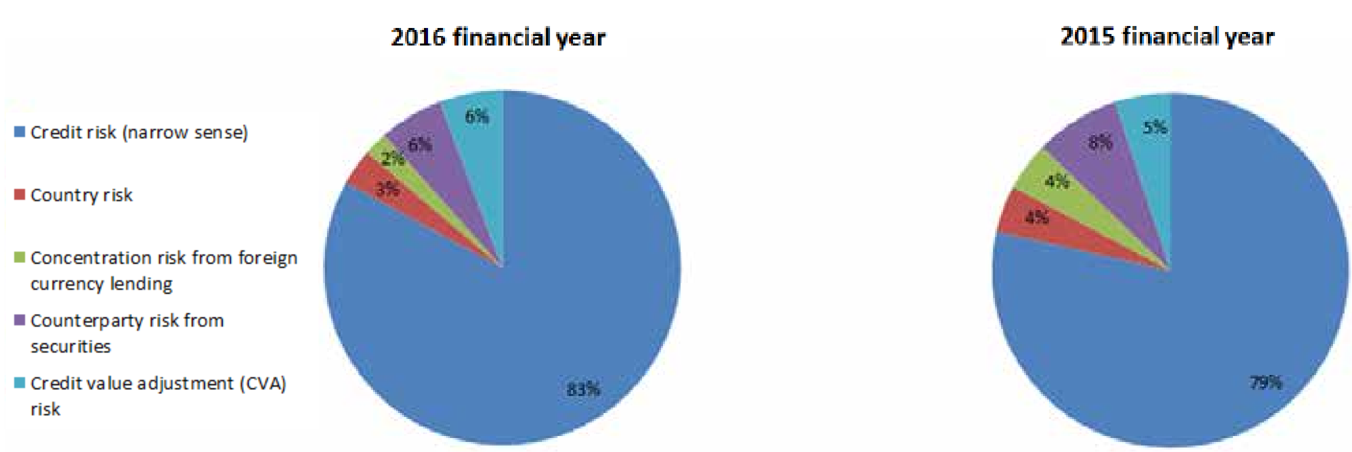
The risk-bearing capacity analysis, performed at regular intervals, is the central instrument that brings together and captures all risk-related aspects. Using this analysis, appropriate activities are implemented to control the aggregate bank risk. Individual types of risk are managed on a daily basis and, where required, even by intraday processes. As a general principle, the RLB Steiermark Group only targets business segments in which it has gained appropriate experience in assessing the specific risks. The development of new business segments or products is based on an adequate analysis of the business-specific risks. That analysis is undertaken using a standardised product introduction process.

The framework for managing and controlling risks on a daily basis is provided by the operational parameters of the risk strategy that have been approved by the Supervisory and Managing Boards and which are defined in the risk manual. All risk-related information is summarised in a central database which is accessible to every employee. The information contained in that database must be duly taken into account by all staff members. Internal Auditing and Group Auditing check the effectiveness of the workflows, processes and controls in the context of the Group's Internal Control System (ICS). Credit risk, investment risk, market price risk, operational risk, liquidity risk and other risks have been identified as significant types of risk. Other risks include macroeconomic risk and a buffer for non-quantifiable risks. Individual risks are aggregated to form an aggregate bank risk position, which is comprised of the following components:

Credit risk

In addition to the credit (default) risk in the narrow sense of the term, credit risk also includes the concentration risk from foreign currency lending, the counterparty risk from securities, the country risk, and the credit value adjustment risk (CVA risk). Since the 2016 financial year, CVA risk appears as a risk subtype within credit risk. The previous year's figures were adjusted accordingly.

Share of individual risks in credit risk



Credit risk is the result of possible losses that arise due to the full or partial default of customers or counterparties or due to a decline in the credit rating of the respective counterparty. Impaired securities can also be a possible cause (residual risk from credit risk-reducing procedures).

Credit risk is monitored and analysed loan-by-loan for individual customers and on a portfolio basis. This analysis enables an assessment of the extent of the risk and development of the necessary measures (if any) for risk reduction. To control credit risks, a number of parameters, such as limits at portfolio level, borrower level and product level, have been defined.

Credit risk is measured at overall portfolio level using the indicators “expected loss” and “unexpected loss”. The maximum loss that can be incurred within one year which, with a certain level of probability (95% or 99.9%), will not be exceeded, is calculated. The expected loss is compensated by an adequate premium (standard risk cost), while the unexpected loss should be covered by economic capital Responsibility for measuring these metrics falls to the organisational unit responsible for aggregate bank and default risk controlling. All risk-related reporting is also prepared by this unit.

The credit risk inherent in individual exposures is assessed by Credit Risk Management. The tasks of Credit Risk Management include preparing second opinions, checking and releasing rating classifications, regular monitoring of credit exposures and updating of ratings, early identification of potential default events and contributing to the optimisation of the rating system.
Unsecured loan volumes (exposure less collateral securities) and open positions (exposure less collateral securities less impairment charges), as well as customer and counterparty credit ratings are important input parameters for controlling and measuring credit risk. In the context of a rating, these parameters are used to assign credit scores – a numerical value reflecting the credit risk posed by a person or transaction. The principles for assessing customers’ creditworthiness are contained in the credit risk manual. The rating systems are validated and enhanced on an ongoing basis.

The RLB Steiermark Group currently uses the following rating classes for its internal rating processes:

Standard & Poor’s	Moody’s	Raiffeisen Rating Scale	Description
AAA	Aaa	0.5	No risk
AA+ to AA-	Aa1 to Aa3	1.0	Excellent credit standing
A+ to A-	A1, A2	1.5	Very good credit standing
BBB+ to BBB	A3, Baa1	2.0	Good credit standing
BBB-	Baa2, Baa3	2.5	Average credit standing
BB+, BB	Ba1, Ba2	3.0	Mediocre credit standing
BB-, B+	Ba3, B1	3.5	Weak credit standing
B, B-, CCC+ to CCC-	B2, B3, Caa1 to Caa3	4.0	Very weak credit standing
CC, C	Ca	4.5	At risk of default
D	C	5.0 5.1 5.2	Default

For the purposes of assessing credit risk, both the economic situation (rating classification) and the collateral furnished are taken into account. This categorisation makes it possible to determine and limit risk concentrations.

Maximum exposure to credit risk pursuant to IFRS 7.36a

The maximum exposure to credit risk pursuant to IFRS 7.36a corresponds to the carrying amount of the financial instruments that entail risk. In the case of financial guarantees and credit commitments, it corresponds to the nominal amount of the guarantee or the amount of the as yet unused credit commitment.

TEUR	2016	2015
Cash and balances with central banks	9,133	28,777
Loans and receivables at amortised cost (less impairment allowances)	8,278,162	8,138,444
Trading assets	2,557,569	1,863,201
Financial assets – designated at fair value through profit or loss	1,382,864	1,312,405
Financial assets – available for sale	1,547,514	1,453,069
Balance	13,775,242	12,795,896
Contingent liabilities	278,058	256,303
Commitments	1,229,494	1,170,290
Balance	**1,507,552**	**1,426,593**
Total	**15,282,794**	**14,222,489**

In the case of doubtful debts (i.e. if the debt interest and principal payments appear to be fully or partly at risk), an impairment allowance equivalent to the amount of loss incurred must be created. Risk is identified through early warning systems. Once it has been established that an impairment allowance is required, the reasons for the impairment are recorded and the debtor's income and asset situation is set out, along with conclusive evidence of how the impairment amount was calculated.

Non-performing loans and advances are those with a credit rating of 5.0, 5.1 and 5.2.

Distribution of lending and counterparty volumes by rating categories (gross carrying value):

2016 financial year

TEUR	Rating – Moody's (Aaa to B1)*	Rating – Moody's (B2 to C)*	Unrated	Balance
Loans and receivables at amortised cost	7,931,327	575,910	24,585	8,531,822
Loans and advances to customers	5,116,511	575,813	24,583	5,716,907
Loans and advances to other banks	2,814,816	97	2	2,814,915
Trading assets	**2,555,782**	**1,094**	**693**	**2,557,569**
Financial assets – designated at fair value through profit or loss	**1,382,864**	**0**	**0**	**1,382,864**
Financial assets – available for sale	**1,547,514**	**0**	**0**	**1,547,514**
Off-balance sheet transactions	**1,443,622**	**57,763**	**24,653**	**1,526,038**
Total	**14,861,109**	**634,767**	**49,931**	**15,545,807**

* Raiffeisen ratings, matched to Moody's.

2015 financial year

TEUR	Rating – Moody's (Aaa to B1)*	Rating – Moody's (B2 to C)*	Unrated	Balance
Loans and receivables at amortised cost	**7,701,583**	**725,002**	**26,263**	**8,452,848**
Loans and advances to customers	4,876,545	724,737	1,867	5,603,149
Loans and advances to other banks	2,825,038	265	24,396	2,849,699
Trading assets	**1,861,024**	**1,727**	**450**	**1,863,201**
Financial assets – designated at fair value through profit or loss	**1,312,405**	**0**	**0**	**1,312,405**
Financial assets – available for sale	**1,453,069**	**0**	**0**	**1,453,069**
Off-balance sheet transactions	**1,349,627**	**69,727**	**40,029**	**1,459,383**
Total	**13,677,708**	**796,456**	**66,742**	**14,540,906**

* Raiffeisen ratings, matched to Moody's.

Distribution of lending and counterparty volumes (excluding securities) by selected countries:

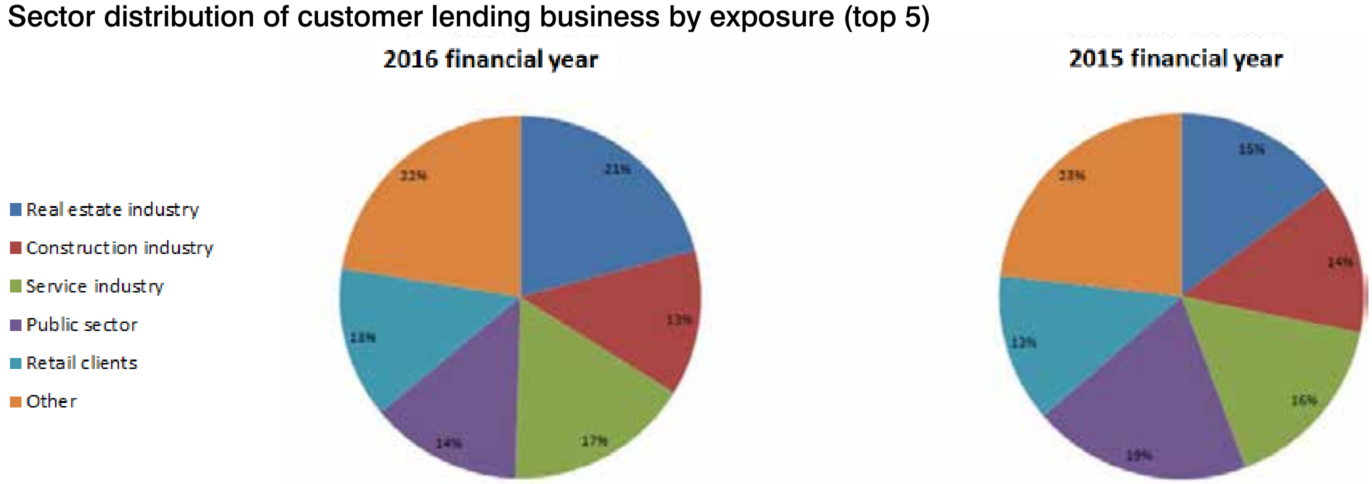
Loans and advances to other banks:

TEUR	2016	2015
France	700	14,197
Italy	37	35
Croatia	0	24,390
Russia	527	0

Loans and advances to customers:

TEUR	2016	2015
Bosnia-Herzegovina	503	612
Italy	470	995
Croatia	92,249	114,179
Republic of Ireland	148	153
Romania	14,561	16,676
Russia	605	6,034
Slovenia	21,782	22,843
Spain	471	704
Hungary	7,575	7,929

Sector distribution of customer lending business by exposure (top 5)



The Group’s Aggregate Bank Risk Committee regularly informs the Managing Board about the ongoing development of the branches’ limit situation.

Distribution of collateral values by rating categories

2016 financial year

TEUR	Rating – Moody's (Aaa to B1)*	Rating – Moody's (B2 to C)*	Unrated	Balance
Loans and receivables at amortised cost	**3,458,481**	**245,951**	**16,709**	**3,721,141**
Loans and advances to customers	3,085,711	245,880	16,709	3,348,300
Loans and advances to other banks	372,770	71	0	372,841
Total	**3,458,481**	**245,951**	**16,709**	**3,721,141**

* Raiffeisen ratings, matched to Moody's.

2015 financial year

TEUR	Rating – Moody's (Aaa to B1)*	Rating – Moody's (B2 to C)*	Unrated	Balance
Loans and receivables at amortised cost	**3,066,632**	**261,433**	**248**	**3,328,313**
Loans and advances to customers	2,649,669	261,433	248	2,911,350
Loans and advances to other banks	416,963	0	0	416,963
Trading assets	**27,587**	**0**	**0**	**27,587**
Total	**3,094,219**	**261,433**	**248**	**3,355,900**

* Raiffeisen ratings, matched to Moody's.

Collateral is rated and managed according to the existing statutory specifications and internal regulations. A standard policy framework is in place that addresses the rating and management of collateral provided by customers and other credit enhancements. This framework applies for the entire credit sector. The collateral manual lists every type of collateral accepted by the RLB Steiermark Group. Conservative discount factors are defined for each type of collateral.

Collateral is divided into the following four categories:

- Immovable assets
- Movable assets
- Financial collateral, claims and rights
- Personal collateral, unfunded collateral (such as guarantees or indemnities)

In addition to guarantees within the context of public funding bodies, private guarantors (whose creditworthiness is checked with due diligence and care) are also used to minimise credit risk.
Economic risks are mitigated by the collection of data regarding banking collateral and its evaluation. Subject to the credit rating of the counterparty and the amount of the exposure, minimum requirements must be met for the acceptance of collateral. The responsibilities for valuation of collateral are clearly defined in the RLB Steiermark Group's collateral valuation process.

Entities are required to disclose the following for each class of financial asset (IFRS 7.37):

- An analysis of the age of the financial assets that are past due but not impaired as at the end of the reporting period, and
- An analysis of financial assets that are individually determined to be impaired as at the end of the reporting period, including the factors the entity considered in determining the impairment

Distribution of lending and counterparty volumes by days overdue (gross carrying value):

2016 financial year

TEUR	Balance	Un-impaired*	Impaired	1–30 days past due, no specific impairment charge	31–60 days past due, no specific impairment charge	61–90 days past due, no specific impairment charge	Default – no specific im-pairment charge**
Loans and receivables at amortised cost	**8,531,822**	**8,063,031**	**367,808**	**75,679**	**5,873**	**1,466**	**17,965**
Loans and advances to customers	5,716,907	5,248,116	367,808	75,679	5,873	1,466	17,965
Loans and advances to other banks	2,814,915	2,814,915	0	0	0	0	0
Trading assets	**2,557,569**	**2,557,569**	**0**	**0**	**0**	**0**	**0**
Financial assets – designated at fair value through profit or loss	**1,382,864**	**1,382,864**	**0**	**0**	**0**	**0**	**0**
Financial assets – available for sale	**1,547,514**	**1,547,514**	**0**	**0**	**0**	**0**	**0**
Off-balance sheet transactions	**1,526,038**	**1,502,267**	**23,187**	**0**	**0**	**0**	**584**
Total	**15,545,807**	**15,053,245**	**390,995**	**75,679**	**5,873**	**1,466**	**18,549**

* Not subject to specific impairment charges or past due.
** Amount of receivable without deduction of collateral.

For the most part, the exposure assigned to the category “Default – no specific impairment charge” is covered by collateral (see the table “Distribution of collateral by days past due” below).

Distribution of impaired and unimpaired lending and counterparty volumes:

2016 financial year TEUR	Gross carrying amount	Gross carrying amount – unimpaired	Gross carrying amount – impaired	Specific impairment charges	Portfolio-based impairment charges	Carrying amount
Loans and receivables at amortised cost	**8,531,822**	**8,164,014**	**367,808**	**238,875**	**14,785**	**8,278,162**
Loans and advances to customers	5,716,907	5,349,099	367,808	238,875	13,787	5,464,245
Loans and advances to other banks	2,814,915	2,814,915	0	0	998	2,813,917
Financial assets available for sale	**1,547,514**	**1,547,514**	**0**	**0**	**0**	**1,547,514**

2016 financial year TEUR	Total	Unimpaired	Impaired	Provisions
Off-balance sheet transactions	**1,526,038**	**1,502,851**	**23,187**	**18,486**

Distribution of lending and counterparty volumes by days overdue (gross carrying value):

2015 financial year

TEUR	Balance	Un-impaired*	Impaired	1–30 days past due, no specific impairment charge	31–60 days past due, no specific impairment charge	61–90 days past due, no specific impairment charge	Default – no specific im-pairment charge**
Loans and receivables at amortised cost	**8,452,848**	**7,749,917**	**514,442**	**106,222**	**8,143**	**27,644**	**46,480**
Loans and advances to customers	5,603,149	4,900,218	514,442	106,222	8,143	27,644	46,480
Loans and advances to other banks	2,849,699	2,849,699	0	0	0	0	0
Trading assets	**1,863,201**	**1,861,914**	**0**	**0**	**0**	**0**	**1,287**
Financial assets – designated at fair value through profit or loss	**1,312,405**	**1,312,405**	**0**	**0**	**0**	**0**	**0**
Financial assets – available for sale	**1,453,069**	**1,453,069**	**0**	**0**	**0**	**0**	**0**
Off-balance sheet transactions	**1,459,383**	**1,400,341**	**48,422**	**0**	**0**	**0**	**10,620**
Total	**14,540,906**	**13,777,646**	**562,864**	**106,222**	**8,143**	**27,644**	**58,387**

* Not subject to specific impairment charges or past due.
** Amount of receivable without deduction of collateral.

Distribution of impaired and unimpaired lending and counterparty volumes:

2015 financial year

TEUR	Gross carrying amount	Gross carrying amount – unimpaired	Gross carrying amount – impaired	Specific impairment charges	Portfolio-based impairment charges	Carrying amount
Loans and receivables at amortised cost	**8,452,848**	**7,938,406**	**514,442**	**299,966**	**14,438**	**8,138,444**
Loans and advances to customers	5,603,149	5,088,707	514,442	299,966	13,405	5,289,778
Loans and advances to other banks	2,849,699	2,849,699	0	0	1,033	2,848,666
Financial assets available for sale	**1,453,069**	**1,453,069**	**0**	**0**	**0**	**1,453,069**

2015 financial year

TEUR	Total	Unimpaired	Impaired	Provisions
Off-balance sheet transactions	**1,459,383**	**1,410,961**	**48,422**	**32,790**

Distribution of collateral by days overdue:

2016 financial year

TEUR	Balance	Unimpaired	Specific impairment charge	1–30 days past due, no specific impairment charge	31–60 days past due, no specific impairment charge	61–90 days past due, no specific impairment charge	Default – no specific impairment charge
Loans and receivables at amortised cost	**3,721,141**	**3,560,661**	**104,361**	**34,866**	**3,188**	**266**	**17,799**
Loans and advances to customers	3,348,300	3,187,820	104,361	34,866	3,188	266	17,799
Loans and advances to other banks	372,841	372,841	0	0	0	0	0
Trading assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**3,721,141**	**3,560,661**	**104,361**	**34,866**	**3,188**	**266**	**17,799**

2015 financial year

TEUR	Balance	Unimpaired	Specific impairment charge	1–30 days past due, no specific impairment charge	31–60 days past due, no specific impairment charge	61–90 days past due, no specific impairment charge	Default – no specific impairment charge
Loans and receivables at amortised cost	**3,328,313**	**3,119,358**	**127,525**	**48,284**	**4,650**	**1,917**	**26,579**
Loans and advances to customers	2,911,350	2,702,395	127,525	48,284	4,650	1,917	26,579
Loans and advances to other banks	416,963	416,963	0	0	0	0	0
Trading assets	**27,587**	**27,587**	**0**	**0**	**0**	**0**	**0**
Total	**3,355,900**	**3,146,945**	**127,525**	**48,284**	**4,650**	**1,917**	**26,579**

Forbearance

Forbearance refers to circumstances in which the lender grants concessions to the borrower, for economic or legal reasons related to the borrower's financial difficulty, which the lender would not otherwise consider. In the case of debts of this kind, an adjustment may be made to the debtor's obligation(s) within the framework of the existing credit agreement to prevent a default (e.g. exemption from interest, extension agreements for principal and/or interest payments, deferral of repayment). IAS 39.59 (c) considers these circumstances to constitute objective evidence of impairment in a financial asset.

In this respect, the internal procedures of the RLB Steiermark Group stipulate that in the event of "restructuring on the basis of credit standing" and/or in the case of concessions meeting the above criteria, appropriate monitoring and flagging mechanisms and/or impairment testing requirements must be put in place.

During the financial year under review, the carrying amounts of assets subject to forbearance developed as follows:

2016 financial year

TEUR	At 1 January	Additions	Increases	Disposals	At 31 December
Loans and receivables at amortised cost	299,780	14,871	3,607	-35,323	282,935

2015 financial year

TEUR	At 1 January	Additions	Increases	Disposals	At 31 December
Loans and receivables at amortised cost	350,767	64,559	9,022	-124,568	299,780

The column "Additions" shows deferred assets that were not previously subject to forbearance. Forbearance measures already in existence at the prior-year's reporting date are presented in the column "Increases". The column "Disposals" shows the net decrease in assets subject to forbearance, as well as the decrease caused by repayments and write-offs.

The following table presents the carrying amounts (before risk provisioning) of the assets for which concessions have been made due to financial hardship on the part of the borrower, broken down by type of agreement and indicating the amount of the specific and portfolio-based provisions for impairment losses.

2016 financial year TEUR	Corporate	Retail	Total
Loans and receivables at amortised cost			
Change of instalment amount (principal or general)	110,851	23,532	134,383
Restructuring provisions	141,092	7,460	148,552
Total loans and receivables at amortised cost	**251,942**	**30,993**	**282,935**
Specific provisions for impairment losses	**-100,928**	**-16,636**	**-117,564**
Portfolio-based provisions for impairment losses	**-475**	**-20**	**-494**

2015 financial year TEUR	Corporate	Retail	Total
Loans and receivables at amortised cost			
Change of instalment amount (principal or general)	128,040	28,110	156,150
Restructuring provisions	136,522	7,109	143,630
Total loans and receivables at amortised cost	**264,561**	**35,219**	**299,780**
Specific provisions for impairment losses	**-101,767**	**-18,211**	**-119,978**
Portfolio-based provisions for impairment losses	**-806**	**-24**	**-829**

2016 financial year TEUR	Balance	Un-impaired*	Impaired	Past due – no specific impairment charge	Default – no specific impairment charge**
Loans and receivables at amortised cost	282,935	85,079	186,412	3,281	8,164

* Not subject to specific impairment charges or past due.
** Amount of receivable without deduction of collateral.

2015 financial year

TEUR	Balance	Un-impaired*	Impaired	Past due – no specific impairment charge	Default – no specific impairment charge**
Loans and receivables at amortised cost	299,780	91,096	199,305	0	9,379

* Not subject to specific impairment charges or past due.
** Amount of receivable without deduction of collateral.

Non-performing loans

The non-performing loan ratio (NPL ratio) for loans and advances to customers amounted to 6.4% in 2016 (2015: 8.5%). All loans and advances with a credit rating of 5.0 to 5.2 are defined as non-performing loans. Once a customer is more than 90 days late in making a payment or when a customer-related default criterion applies, the customer is classified as being in default and is assigned to default categories 5.0 to 5.2. Taking into account the aggregate volume of loans and advances, the ratio of non-performing exposures (NPE ratio) for the Group came to 2.6% in 2016 (2015: 4.3%).

Specific impairments by customer segments

The share of the corporate customer segment in the specific impairment charges was 68.1% in the reporting year (2015: 73.7%), while retail customers accounted for a share of 31.9% (2015: 26.3%).

Country risk

Country risk represents the risk of losses in value due to transfer/conversion restrictions and/or prohibitions or other sovereign measures implemented by the country of the borrower (transfer risk). The RLB Steiermark Group has a country limit system in place to control this risk. To this end, a strategy for country risks is established annually and compared with actual developments throughout the year. The limit is based on the credit rating of the individual countries and on the Group's equity funds, taking into account changes occurring in the course of the year: the poorer a country's credit rating, the lower the limit. Appropriate measures to reduce risk are then promptly defined and implemented. A special early warning system has been developed for countries without a current external credit rating. The country risk accounted for 3.3% (2015: 4.3%) of the total credit risk. Due to its scale, it is only of minor importance.

Concentration risk – foreign currency loans

Country risk subsumes possible additional default risks that arise through increased exposure due to currency fluctuations are recorded under concentration risk. Through the appreciation of a currency's value in relation to the euro, the credit exposure (converted into euros) of a foreign currency loan increases, as does – assuming the customer's probability of default remains the same – the bank's potential for loss.

In the case of foreign currency loans, concentration risk as a proportion of the overall credit risk was 2.2% in the reporting year (2015: 4.4%). When calculating the risk inherent in foreign currency loans, a foreign currency premium is added to account for the additional risk assumed.

Based on the FMA's recommendation issued in the wake of the 2008 financial crisis, foreign currency loans are no longer extended to consumers. Furthermore, a downsizing plan is in place to reduce the foreign currency loan volume, which will ultimately also reduce borrower risks resulting from exchange rate volatilities, variable interest rates and fluctuations in the performance of repayment vehicles for loans repayable at term.

Reporting on foreign currency loans and repayment vehicle loans repayable at term is part of the reporting duties of Risk Controlling. The bank actively reduces the volume of these portfolios on an ongoing basis, and advice provided to customers regarding these products is directed towards risk reduction and asset preservation measures.

Counterparty risk – securities
Counterparty risk describes the risk of a declining credit rating or default on the part of the counterparty in the case of securities. This type of risk accounted for 5.8% (2015: 7.7%) of the total credit risk in the reporting year.

Derivative financial instruments
The derivatives utilised within the RLB Steiermark Group are employed in part to manage market price risks (especially interest rate change and currency risks) resulting from trading activities. Beyond this, they are also used to hedge positions in the context of the asset/liability management process, and to manage credit risks arising in the context of credit derivatives.

Detailed information (nominal volumes and fair values) on derivative financial instruments can be found in note 31.

Credit value adjustment risk (CVA risk)
The CVA risk describes the risk of losses that can arise from a deterioration in the credit quality of counterparties to derivative transactions. Calculated on the basis of regulatory capital requirements, The CVA risk accounted for 5.7% (2015: 5.0%) of the total credit risk in the reporting year.

Investment risk

The investment risk is comprised of the risk of potential losses in connection with participating interests which may materialise in the event of disposals and lost dividends, and in the case of impairments due to declining credit ratings. Possible risks related to investments are identified by the Investment Management department, which reports to the Risk Controlling division. Most of the investment risk results from sector investments. For a sensitivity analysis of investments, we refer to the information contained in the section “Notes to financial instruments”.

Market price risk

Market price risk describes the risk that losses will be incurred due to changes in prices on financial markets for the bank’s positions in the trading and banking book.

Market price risks may arise in the form of interest rate change risk, currency risk, option risk, exchange risk, spread risk, equity risk, gold risk, commodity risk and real estate risk. The risks are calculated using value at risk (VaR) methods and supplementary statistical methods. They are monitored regularly and are reported in the risk management committees in accordance with ICAAP requirements.

The VaR figures represent forecast maximum losses on the basis of historic simulations. The VaR values are calculated on the basis of a 99.9% confidence level and a holding period for banking book positions of 250 days and 90 days for trading book positions. The effects of potentially arising extreme situations are taken into account by means of stress tests.

A strict separation of duties between the front, back and risk control offices ensures a comprehensive, transparent and objective depiction of risks to the Managing Board and regulatory authorities.

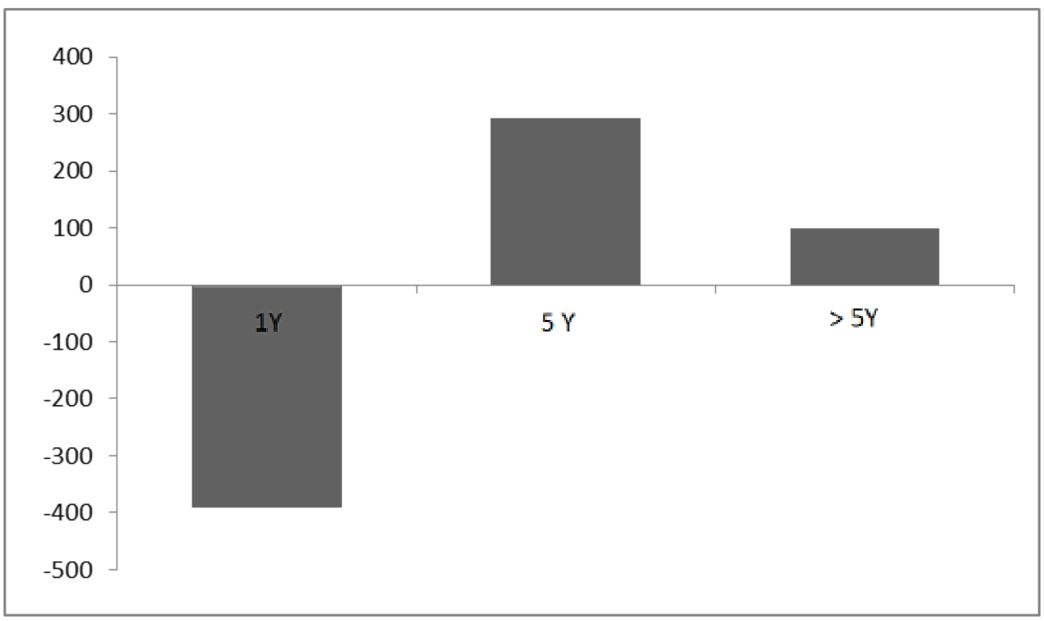
Portfolio – extreme case scenario	VaR 2016	VaR 2015
Interest rate change risk, banking book	21.70 million	18.00 million
Banking book (interest rate risk, price risk, credit spread risk, equity risk) – securities only	79.90 million	75.50 million
Trading book (interest rate risk, price risk, credit spread risk, equity risk)	0.70 million	1.80 million

	Risk 2016	Risk 2015
Option risk, currency risk	0.80 million	1.50 million

The downward trend in trading book risk is attributable to the risk management strategies employed by the responsible front office units.

All trading book portfolio positions are measured daily at market prices and subjected to a limit monitoring process. The interest rate change risk is determined in compliance with the regulatory requirements related to interest rate risk statistics by simulating a parallel shift in the interest rate curve by 200 basis points. Further models and simulations, in which stress tests play a key role, are being used to manage interest rate risk. As part of the ongoing management of interest rate positions, interest rate sensitivities calculated using basis point values (with an interest rate curve shift either up or down by 1 BP) are taken into account. Furthermore, book risks (gamma, vega, smile) and basic risks are measured, controlled and limited.

Fixed interest rate gap structure at 31.12.2016 (EUR million)



Operational risks

Operational risk reflects the risk of direct or indirect losses resulting from inadequate or failed internal processes, individuals and systems, or from external events. It also includes legal risk.

The basis indicator approach is used to measure operational risk. A risk-adequate internal control system and scheduled and unscheduled inspections by Internal Auditing/Group Auditing in the individual Group companies ensures a high degree of safety. Operational losses are systematically recorded and analysed in a loss event database. The Managing Board is kept informed of any loss events. To identify operational risks and develop an awareness of potential risk sources, self-assessments are conducted.

Liquidity risk

Liquidity risk describes the risk that the bank will be unable to adequately fulfil its current and future payment liabilities in a timely manner, or that it will be unable to procure an adequate level of liquidity at the expected terms in the event of a liquidity shortage. Liquidity management is the responsibility of the Treasury division, while the Market Risk Control division is responsible for risk measurement.

Liquidity risk is measured both on a going concern and a worst case basis. When measuring liquidity from the going concern perspective, the risk associated with terms and conditions, the reinvestment risk and the refinancing risk are considered in the risk-bearing capacity calculation. For the liquidity risk in worst-case scenarios, a VaR figure is calculated in the front office system based on historic simulations. Structural liquidity is controlled and monitored via capital commitment reports. Undetermined capital commitments are taken into account using theoretical maturity scenarios in accordance with the reference rate protocol. In addition, scenario analyses are conducted at regular intervals.

For the purpose of securing liquidity, securities eligible for ECB and SNB tenders and tenderable loans are provided as collateral. In 2016, further proactive steps were taken to generate additional securities in order to launch additional issues that are eligible as cover-pool assets. The corresponding risk-accompanying measures and systems were successfully optimised and extended, and the applicable legal and regulatory provisions were adhered to continuously during the reporting period.

One of the core functions of RLB Steiermark is that of providing clearing services between the Styrian Raiffeisen banks, a role that is also enshrined in the Austrian Banking Act (central institution pursuant to § 27a BWG). In the hierarchical structure of the Raiffeisen Banking Group in Styria, the local Raiffeisen banks are primarily responsible for deposit and lending transactions with end customers. The RLB Steiermark Group acts analogously in its own local area of operations while concurrently executing liquidity transfers within the Raiffeisen Banking Group in Styria.

In compliance with the agreed liquidity management policies and limits set by the sector committees, liquidity management is conducted on a decentralised basis by the Raiffeisen banks. Within the RLB Steiermark Group, liquidity management is the responsibility of the Capital Markets & Treasury division.

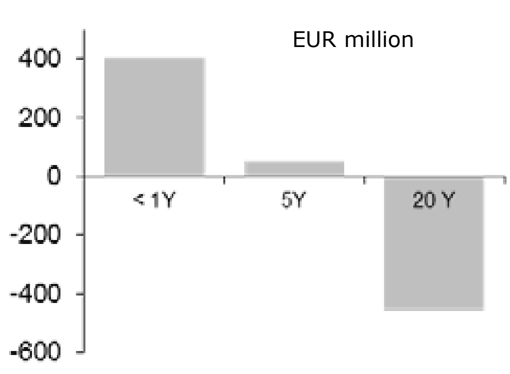
The joint Group Treasury also fulfils important functions for the Raiffeisen banks. It is responsible for the liquidity management in connection with bonds issued by RLB Steiermark for Styrian securities customers, and also offers Raiffeisen banks the possibility of providing RLB Steiermark, in its role as central clearing facility, with customer loans for central bank transactions with the OeNB/ECB and for the jointly managed Aaa-rated cover pools.
Beyond its management of cover assets, the joint Group Treasury also performs other key funding and liquidity functions.

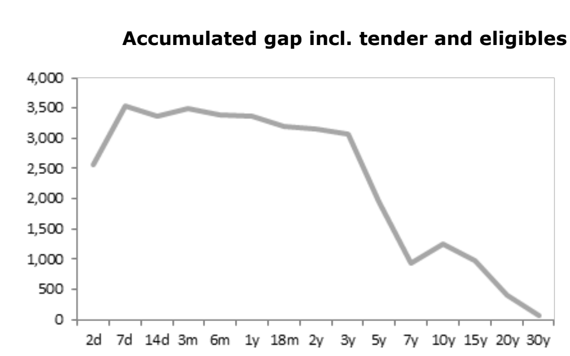
The RLB Steiermark Group has instituted a highly developed liquidity management system, which facilitates the daily and intraday control of cash holdings and forecasted cash flows generated by customers and/or the bank. All key risk indicators and control metrics mandated by regulatory standards (BWG, CRR), the supervisory authorities (FMA/OeNB), the Austrian Raiffeisen deposit protection guarantee scheme, and internal limits are monitored and managed on an ongoing basis. Parameters such as stress scenarios, the liquidity coverage ratio, key operational and structural liquidity indicators, and the liquidity value-at-risk (LVaR) are particularly important elements in the risk management process.

RLB Steiermark also monitors potential liquidity outflows that arise from impending new business activity and off-balance sheet items. Moreover, the retention times for deposits of all kinds and the utilisation periods and amounts of loans with an indefinite term or an extension option for the borrower are subjected to empirical analyses at periodic intervals.

To respond effectively to unforeseen developments or emergency situations, appropriate strategies and action plans have been developed and approved by the relevant management committees.

Capital commitment structure including liquidity potential at 31.12.2016 (EUR million)





Other risks

Other risks include macroeconomic risk and the risk buffer.

Macroeconomic risk

Macroeconomic risk results from an overall decline in economic conditions within the context of the classical economic cycle and any resultant increases in relevant risk parameters. To ensure that the bank will have sufficient covering assets even after such periods of decline without having to instigate massive interventions and measures, macroeconomic risk factors are taken into account. The quantification assumes a downturn in GDP with a resultant deterioration of default rates. Based on these default rates, the credit risk is recalculated and the difference to the original credit risk constitutes the macroeconomic risk.

Risk buffer

A risk buffer is factored in for other, non-quantifiable risks, such as reputational or strategic risks. As a risk buffer, an across-the-board risk premium of 5% is added for all identified risk exposures for which sufficient coverage must be provided within the overall limit.

OTHER DISCLOSURES

34. Related party transactions

An overview of loans and advances, liabilities and contingent liabilities to parent companies, companies carried at equity and related parties is provided below.

Related party disclosures as at 31.12.2016 break down as follows:

Balance sheet

TEUR	Parent companies	Companies carried at equity	Related entities	Related persons
Loans and receivables at amortised cost (after impairment charges)	0	2,261,060	116,876	1,260
Trading assets	0	35,511	0	14
Financial assets designated at fair value	0	10,271	0	0
Financial assets available for sale	0	109,407	11,770	0
Other assets	0	4,290	0	0
Financial liabilities at amortised cost	4,517	188,718	89,907	1,149
Trading liabilities	0	8,087	0	0
Provisions	0	0	500	0
Other liabilities	0	10	0	0

For loans and advances to related parties, specific impairment allowances totalling TEUR 1,606 (2015: TEUR 25,093) were made. In the year under review, no provisions for off-balance sheet transactions with related parties were recognised (2015: TEUR 8,276). Loans and advances to companies carried at equity essentially relate to RZB.

Income statement

TEUR	Parent companies	Companies carried at equity	Related entities	Related persons
Interest and similar income	0	33,899	2,914	16
Interest and similar expenses	0	-3,458	-271	-1
Charges for impairment allowances on loans and advances	0	0	32,450	0
Net fee and commission income	0	16	34	7
Other operating profit/loss	0	-361	0	0

Related party disclosures as at 31.12.2015 break down as follows:

Balance sheet

TEUR	Parent companies	Companies carried at equity	Related entities	Related persons
Loans and receivables at amortised cost (after impairment charges)	0	2,301,352	138,468	1,385
Trading assets	0	102,567	0	1
Financial assets designated at fair value	0	10,431	0	0
Financial assets available for sale	0	119,136	63,465	0
Other assets	0	4,290	1,191	0
Financial liabilities at amortised cost	4,628	57,996	81,980	752
Trading liabilities	0	5,047	0	3
Provisions	0	0	8,276	0
Other liabilities	0	35	1,665	0

Income statement

TEUR	Parent companies	Companies carried at equity	Related entities	Related persons
Interest and similar income	0	37,055	12,111	16
Interest and similar expenses	0	-3,836	-422	-2
Charges for impairment allowances on loans and advances	0	0	-1,084	0
Net fee and commission income	0	85	119	1
Net profit/loss from financial assets – available for sale	0	0	-116	0
Other operating profit/loss	0	-458	330	0

By definition, the parent companies are the non-operationally active financial holding companies RLB-Stmk Verbund and RLB-Stmk Holding. As at 31.12.2016, RLB-Stmk Verbund, which is a 100% subsidiary of the Styrian Raiffeisen banks, is the largest shareholder in RLB-Stmk Holding, with an investment of 95.18% (2015: 95.16%). RLB-Stmk Holding in turn holds an investment of 84.08% (2015: 84.08%) in RLB Steiermark.

In accordance with IAS 24.12, the definition “related party” also includes the subsidiaries of an associate. The business relations with these companies are presented jointly with the companies carried at equity.

Related parties are deemed to be subsidiaries and equity investments that are not included in the consolidated financial statements due to their secondary importance.

Natural persons who according to IAS 24 are considered to be related, are first and foremost the members of the Managing Board and the Supervisory Board of Raiffeisen-Landesbank Steiermark AG, the members of the Managing Board of Landes-Hypothekenbank Steiermark Aktiengesellschaft, and the close family members of all these individuals.

The business relations with the named entities and persons are conducted in the context of usual banking business. Above all, such business pertains to investments and refinancing. Banking transactions with related parties in the normal course of business activities are entered into on arm’s length terms and conditions. The receivables and liabilities with respect to these parties pertain to loans, sight and time deposits.

35. Managing Board and Supervisory Board remunerations

The active members of the Managing Board and the Supervisory Board of RLB Steiermark, and the Managing Board of Landes-Hypothekenbank Steiermark Aktiengesellschaft, are deemed to be members of the key management personnel in accordance with IAS 24.9.

Remuneration for the active members of the Managing Board breaks down as follows:

TEUR	2016	2015
Short-term benefits	1,781	1,625
Post-employment benefits	169	51
Other long-term benefits	-20	9
Aggregate total	**1,930**	**1,685**

The salaries of the former members of the Managing Board amounted to TEUR 166 during the reporting year (2015: TEUR 172).

During the year under review, the members of the Managing Board received supervisory board remuneration payments from fully consolidated subsidiaries amounting to TEUR 25 (2015: TEUR 25).

In 2016, emoluments amounting to TEUR 212 (2015: TEUR 213) were paid to the members of the Supervisory Board.

36. Foreign currency volumes

The consolidated financial statements comprise the following volumes of assets and liabilities denominated in foreign currencies:

TEUR	2016	2015
Assets	829,916	980,842
Liabilities	143,476	254,020

37. Foreign assets/liabilities

Assets and liabilities arising from transactions with counterparties outside Austria break down as follows:

TEUR	2016	2015
Assets	2,673,277	2,427,009
Liabilities	2,806,821	3,187,886

38. Subordinated assets

TEUR	2016	2015
Loans and receivables at amortised cost	3,164	6,459
Financial assets – designated at fair value through profit or loss	2,309	2,308
Financial assets – available for sale	85	85

39. Subordinated liabilities and supplementary capital

The following subordinated bonds were issued:

Description/characteristics	Currency	Amount in TEUR	Interest rate	Maturing on	Year of issue
Subordinated bond “Raiffeisen Stufenzins-Anleihe 2013-2024/1” of Raiffeisen Landesbank Steiermark AG (ISIN AT000B091921) – tap issue	EUR	3,545	4.80	27.05.2024	2013
Subordinated bond “Raiffeisen Stufenzins-Anleihe 2014-2024/1” (ISIN AT000B092101) – tap issue	EUR	8,491	3.75	14.02.2024	2014
Supplementary capital bond “Ergänzungskapital Fixzins-Anleihe 2014-2029/2” (ISIN AT000B092200) – single issue	EUR	5,000	4.60	18.06.2029	2014
Supplementary capital bond “Cap&Floor-FRN 2015-2027/1” (ISIN AT000B092291) – tap issue	EUR	2,170	4.4 – 6	27.04.2027	2015
Subordinated bond “RLB Stmk Fixzins-Anleihe 2015-2025/3” (ISIN AT000B092390) – tap issue	EUR	4,289	5.00	11.08.2025	2015
Subordinated bond “RLB Stmk Fixzins-Anleihe 2015-2022” (ISIN AT000B092440) – tap issue	EUR	1,680	3.40	11.08.2022	2015
Subordinated bond “RLB Stmk Fixzins-Anleihe 2016-2026” (ISIN AT000B092614) – tap issue	EUR	2,989	4.85	21.01.2026	2016
Subordinated bond “RLB Stmk Fixzins-Anleihe 2016-2026” (ISIN AT000B092747) – tap issue	EUR	6,841	4.50	29.04.2026	2016
Subordinated bond “RLB Stmk Fixzins-Anleihe 2016-2026” (ISIN AT000B092895) – tap issue	EUR	9,142	4.15	27.07.2026	2016

The subordinated loans in the amount of TEUR 44,147 (2015: TEUR 25,175) constitute subordinated liabilities as defined in Article 63 of Regulation (EU) No. 575/2013 (Capital Requirements Regulation, CRR).

Redemption prior to call date: Raiffeisen-Landesbank Steiermark AG is entitled to call all subordinated bonds at 100% of the nominal value with the approval of the Austrian Financial Market Authority (FMA) for regulatory (e.g. legislative changes) or fiscal reasons.

The interest expenses for subordinated liabilities came to TEUR 1,554 in the year under review (2015: TEUR 509).

40. Contingent liabilities and other off-balance sheet liabilities and commitments

Contingent liabilities:

TEUR	2016	2015
Contingent liabilities from guarantees and other indemnity commitments provided to non-banks	267,709	252,490
Contingent liabilities from guarantees and other indemnity commitments provided to banks	16,240	17,377
Contingent liabilities from the supplement required from members of cooperatives in respect of amounts guaranteed	743	743
Total contingent liabilities	**284,692**	**270,610**
Provision for off-balance sheet transactions	6,634	14,307
Total	**278,058**	**256,303**

The historically low interest rate environment seen in recent years resulted in negative indicators being used in the calculation of interest rates. In the RLB Steiermark Group, interest rates for loans indexed to a reference rate (e.g. Euribor, Libor) are reduced to the level of premium agreed upon with the customer. Because of the current legal landscape, a possible outflow of funds in connection with loans tied to the Euribor is estimated to be very limited. Therefore, no contingent liability was recorded for these arrangements.

Commitments:

TEUR	2016	2015
Unused credit lines – up to 1 year	730,571	765,154
Unused credit lines – more than 1 year	510,775	423,619
Total commitments	**1,241,346**	**1,188,773**
Provision for off-balance sheet transactions	11,852	18,483
Total	**1,229,494**	**1,170,290**

Customer deposit guarantee association

Raiffeisen-Landesbank Steiermark AG is a member of the Raiffeisen-Geldorganisation Steiermark customer deposit guarantee association. The members of the association assume a contractual guarantee obligation to the effect that according to the statutes of the association, they jointly and severally guarantee the timely fulfilment of an insolvent association member's obligations arising from customer deposits and financial instruments issued by that member. The capacity of any one member of the association will depend on its freely available reserves subject to the pertinent provisions of BWG and CRR. As it is impossible to determine the amount of the potential liability of Raiffeisen-Landesbank Steiermark AG arising from the guarantee association, the guarantee obligation was accounted for by recognition of a nominal amount of one euro in the balance sheet. To the same extent, all customer deposits of Raiffeisen-Landesbank Steiermark AG and all financial instruments issued by it are protected by this guarantee association. This protection exceeds the statutory guarantee under ESAEG.

The customer deposit guarantee association of Raiffeisen-Geldorganisation Steiermark is, for its part, a member of the Raiffeisen customer deposit guarantee association in Austria (Raiffeisen-Kundengarantiegemeinschaft Österreich). Members of the association are Raiffeisen Zentralbank Österreich AG, Raiffeisen Bank International AG and other regional Raiffeisen customer deposit guarantee associations. The purpose of the association is the same as that of the Raiffeisen-Geldorganisation Steiermark customer deposit guarantee association with respect to Raiffeisen Zentralbank Österreich AG, Raiffeisen Bank International AG and the members that have joined the regional Raiffeisen customer deposit guarantee associations.

Institutional protection scheme

The regulatory changes introduced under Basel III also mandated additional prudential adjustments for decentralised banking groups, particularly the establishment of institutional protection schemes (IPS). An IPS is a liability or indemnity agreement created via contractual agreement or through articles of association, statutes or charters, the intent of which is to provide protection for member banks in a decentralised banking group. Such an agreement sets out the terms according to which the member banks stand together to achieve mutual solidarity. For the purpose of determine capital adequacy, Article 49 CRR stipulates that banks must generally deduct the equity instruments of other banks they hold unless the exemption under Article 49 (3) CRR (institutions that fall within the same IPS) applies.

Raiffeisen-Landesbank Steiermark is a member of the regional state IPS, to which all Raiffeisen banks in Styria belong. In addition, it holds membership in the federal IPS, the members of which also include Raiffeisen Zentralbank Österreich (RZB), Raiffeisen Bank International AG (RBI) upon legal effectiveness of the merger in March 2017, Austria's regional Raiffeisen banks (Raiffeisenlandesbanken), Raiffeisen Wohnbaubank, Raiffeisen Bausparkasse, Raiffeisen-Holding Niederösterreich-Wien and Posojilnica Bank eGen. Pursuant to Article 113 (7) of the CRR, a bank may, subject to consent from the relevant regulatory authorities, assign a risk weighting of 0% to risk exposures in respect of counterparties with whom the bank has signed an IPS. However, this does not apply to risk exposures that represent items of CET 1 capital, additional tier 1 capital or tier 2 capital as specified by the CRR.

The Austrian Financial Market Authority (FMA) has issued preliminary approval for both of the institutional protection schemes in which Raiffeisen-Landesbank Steiermark holds membership.

41. Assets pledged as collateral

The following liabilities were collateralised by assets recognised on the balance sheet:

TEUR	2016	2015
Financial liabilities at amortised cost	1,379,232	795,821
Financial liabilities – designated at fair value through profit or loss	304,494	303,051
Total	**1,683,726**	**1,098,872**

The following assets recognised on the balance sheet were pledged as collateral:

TEUR	2016	2015
Cover pool for fiduciary funds	11,495	18,368
Other cover pool assets	1,487,328	1,316,969
Total	**1,498,823**	**1,335,337**

The contractual terms that are associated with the use of these securities are standard banking terms.

Breakdown of non-Group assets pledged as collateral:

TEUR	2016	2015
Cover pool for covered bonds	1,919,187	1,835,213

The non-Group securities for covered bonds relate solely to credit claims.

42. Repurchase transactions

In the context of genuine repurchase agreements, the following repurchase and redelivery commitments existed at 31 December:

TEUR	2016	2015
Genuine repurchase agreements as seller		
Trading liabilities:		
Deposits from banks	350,007	500,018
Financial liabilities at amortised cost:		
Borrowed funds	10,000	0
Total	**360,007**	**500,018**

TEUR	2016	2015
Genuine repurchase agreements as buyer (reverse repurchase agreement)		
Trading assets		
Loans and advances to other banks	249,997	250,001
Total	**249,997**	**250,001**

The assets provided and/or accepted as collateral under genuine repurchase agreements break down as follows:

TEUR	2016	2015
Assets transferred under repurchase agreements		
Loans and receivables at amortised cost	139,619	166,128
Total	**139,619**	**166,128**

Non-Group securities totalling TEUR 120,381 (2015: TEUR 133,884) were used in the context of refinancing operations through tender transactions. Assets transferred under repurchase agreements, totalling TEUR 260,000 in the reporting year (2015: TEUR 300,012), serve as collateral for liabilities to other banks.

The following assets are available as potential cover for risks arising from repurchase (repo) transactions (ECB, SNB, EUREX):

TEUR	2016	2015
Bank's own assets		
Securities	1,500,521	1,752,509
Credit claims	226,581	127,633

TEUR	2016	2015
External assets		
Securities	145,669	160,544

Breakdown of assets received under repurchase agreements:

TEUR	2016	2015
Securities received under repurchase agreements		
Bonds and other fixed-income securities	158,684	51,973

43. Finance leasing

Finance leasing – lessor:

TEUR	2016	2015
Gross investment value	**176,002**	**218,420**
Minimum lease payments	123,686	150,634
Up to 1 year	23,648	26,532
1 to 5 years	57,672	62,115
5 years and over	42,366	61,987
Non-guaranteed residual values	52,316	67,786
Unrealised financial income	**18,905**	**27,859**
Up to 1 year	2,985	3,782
1 to 5 years	7,602	10,381
5 years and over	8,318	13,696
Net investment value	**157,097**	**190,561**

Impairment allowances for uncollectible, outstanding minimum lease payments amounted to TEUR 20,614 (2015: TEUR 22,914).

TEUR	2016	2015
Vehicle leasing	31,705	34,048
Real estate leasing	95,066	124,476
Equipment leasing	30,326	32,037
Total	**157,097**	**190,561**

44. Operating leasing

Operating leasing – lessor:

Future lease payments under non-terminable operating leases break down as follows:

TEUR	2016	2015
Up to 1 year	2,967	2,440
1 to 5 years	4,318	3,421
5 years and over	2	30
Total	**7,287**	**5,891**

Operating leasing – lessee:

The liabilities arising from the use of property and equipment not recognised on the balance sheet break down as follows:

TEUR	2016	2015
Up to 1 year	1,134	1,143
1 to 5 years	4,518	4,228
5 years and over	396	402
Total	**6,048**	**5,773**

45. Financial investments pursuant to § 64 BWG

The breakdown of securities listed and/or admitted to stock exchange trading by fixed and current assets is as follows:

Securities held as fixed assets (financial investments):

TEUR	2016	2015
Bonds and other fixed-income securities	814,896	726,829

Securities held as current assets:

TEUR	2016	2015
Bonds and other fixed-income securities	1,093,950	991,388

Classification as a financial investment or current financial asset was decided on a case-by-case basis by the responsible committees. Securities intended for use on a continuing basis in the normal course of the bank's activities are reported as fixed assets. Securities not classified as financial investments are reported as current assets.

46. Bonds, other fixed-income securities and bonds issued by the Group pursuant to § 64 (1) (7) BWG

Bonds and other fixed-income securities maturing in the year following the reporting date:

TEUR	2016	2015
Bonds and other fixed-income securities	361,997	335,307
Bonds issued by the Group	186,647	350,803

47. Trading book volume pursuant to Art. 103 et seq. of Regulation (EU) No. 575/2013

TEUR	2016	2015
Derivative financial instruments		
positive fair values	94,941	94,525
negative fair values	122,351	114,381
Securities	146,788	94,988
Loans and deposits	2,184,598	1,566,414

48. Loans and advances to Managing Board and Supervisory Board members

TEUR	2016	2015
Managing Board members	876	975
Supervisory Board members	530	505

Repayments were made as agreed; terms to maturity and interest rates were those generally available from banks.

49. Expenses for severance payments and pensions

Severance payments:

TEUR	2016	2015
Managing Board and senior employees	15	235
Other employees	-325	1,590

Pensions:

TEUR	2016	2015
Managing Board and senior employees	631	989
Other employees	3,701	2,189

50. Expenses for remuneration of the auditors

The remuneration recognised in the financial year under review for auditing the consolidated and individual financial statements, as well as other services provided by the auditors, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Österreichischer Raiffeisenverband (ÖRV) and other audit firms, breaks down as follows:

	2016			2015		
TEUR	ÖRV	KPMG	Other	ÖRV	KPMG	Other
Audit fees	564	465	65	549	403	72
Other services	16	70	0	12	73	0
Total	580	535	65	561	476	72

Pursuant to § 237 (14) UGB, the auditor’s remuneration for the individual financial statements of the subsidiaries is published as part of the notes to the consolidated financial statements. Thus, the auditor’s remuneration (gross figures) is presented cumulatively for the Group and the subsidiaries.

51. Average number of employees

	2016	2015
Waged employees	0	0
Salaried employees	926	963
Total	**926**	**963**

52. Regulatory capital

Raiffeisen-Landesbank Steiermark does not constitute a separate group of credit institutions as defined by the Austrian Banking Act (BWG). Therefore, it is not subject itself as a group to the supervisory regulations for banking groups, as it is part of the CRR scope of consolidation of RLB-Stmk Verbund.

With effect from 1 January 2014, determination of Raiffeisen-Landesbank Steiermark's consolidated regulatory capital and consolidated regulatory capital requirements is based on the CRR scope of consolidation of RLB-Stmk Verbund eGen under Basel III. Within the European Union (EU), the Basel III regulations will be implemented under the Capital Requirements Directive (CRD IV) and the Capital Requirements Regulation (CRR). Raiffeisen-Landesbank Steiermark applies these regulations and determines the capital ratios mandated by Basel III standards on the basis of national transitional provisions defined in the Austrian regulation transposing the CRR published by the Austrian banking supervisory authority (FMA).

According to the CRR, own funds consist of common equity core capital (common equity tier 1 – CET 1), additional core capital (additional tier 1 – AT 1) and supplementary capital (tier 2 – T 2). The capital ratios are determined by comparing the relevant capital components with the total risk, after consideration of all regulatory deductions and/or adjustment items.

The minimum capital ratios are 4.5% for common equity tier 1 capital (CET 1), 6% for tier 1 capital (CET 1 plus additional tier 1 capital (AT 1)), and 8% for total own funds (total capital).

In addition to minimum capital ratios, banks must also meet capital requirements as defined in the Supervisory Review and Evaluation Process (SREP) and capital buffer requirements. In a decision made on 17 January 2017, the Austrian Financial Market Authority (FMA) instructed RLB Steiermark to maintain a SREP total capital ratio (as defined in Art. 92 (2) (c) of the CRR) of 11.3% based on the consolidated situation of RLB-Stmk Verbund eGen. RLB Steiermark anticipates a stable equity and capital situation for the coming years. The regulatory ratios will be exceeded significantly and the SREP ratio prescribed by the FMA will be complied with.

As at 31.12.2016, in addition to meeting the minimum capital requirements, RLB Steiermark was required to maintain a capital conservation buffer of 0.625%. In accordance with transitional provisions defined in § 103q (11) of the Austrian Banking Act (BWG), the capital conservation buffer will be raised to 1.25% on 1.1.2017. In the years following, it will be increased linearly, reaching 2.5% by 1.1.2019.

Regulatory capital of RLB Steiermark Verbund:

TEUR	31.12.2016	31.12.2015
Capital instruments eligible as CET 1 capital	252,321	252,452
Retained earnings	426,710	440,297
Accumulated other comprehensive income	-103,803	-107,096
Other reserves	401,535	545,004
Minority interests given recognition in CET 1 capital	246,234	0
CET 1 capital before deduction and adjustment items	**1,222,997**	**1,130,657**
Gains and losses on liabilities measured at fair value resulting from changes in the institution's own credit risk	-29,322	-42,499
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	-371	-1,222
Value adjustments due to the requirements for prudent valuation	-9,545	-9,280
Other intangible assets	-5,730	-7,145
Deferred tax assets that rely on future profitability excluding those arising from temporary differences, net of associated tax liabilities	-46,793	-40,616
Other transitional adjustments to core capital	-9,524	-37,694
Adjustments to CET 1 capital due to deduction and adjustment items	**-101,285**	**-138,456**
CET 1 capital	**1,121,712**	**992,201**
Additional tier 1 capital	**0**	**0**
Core capital	**1,121,712**	**992,201**
Capital instruments and subordinated loans eligible as T2 capital	0	24,641
Instruments issued by subsidiaries that are given recognition in T2 capital	68,625	0
Transitional adjustments due to grandfathered T2 capital instruments and subordinated loans	0	35,325
Supplementary capital	**68,625**	**59,966**
Total eligible own funds	**1,190,337**	**1,052,167**

The total risk exposure (assessment base) breaks down as follows:

TEUR	31.12.2016	31.12.2015
Minimum capital requirement for credit risk	5,492,644	5,481,539
Minimum capital requirement for the position risk of debt instruments	128,160	100,170
Minimum capital requirement for the risk of foreign currency positions	55,368	54,774
Minimum capital requirement for operational risk	481,966	493,219
Minimum capital requirement for CVA risk	171,828	169,466
Total risk (minimum capital requirement)	**6,329,966**	**6,299,168**
Common equity tier 1 ratio (based on all risks)	**17.72%**	**15.75%**
Tier 1 capital ratio (based on all risks)	**17.72%**	**15.75%**
Own funds ratio (based on all risks)	**18.80%**	**16.70%**

The minimum capital requirements were complied with during the 2016 financial year.

53. Capital management

The capital management of RLB Steiermark is based on the regulatory framework of the CRR and corresponding national regulations, as well as the economic capital management approach (Basel III, Pillar 2) of the Internal Capital Adequacy Assessment Process (ICAAP). Capital is and always has been an integral component of the RLB Steiermark Group's bank management system, with a number of control parameters being considered. Ensuring an appropriate level of capital resources and compliance with the regulatory capital requirements take precedence over all other considerations.

Regulatory values are defined for the RLB Steiermark Group by the Austrian Banking Act (BWG) based on the relevant EU directives and the applicable regulations of the European Parliament. The RLB Steiermark Group uses target values for internal management and control processes that cover all types of risk (credit risk, trading book risk, currency risk and operational risk) and are reflective of future requirements regarding the quality and quantity of capital. The current planning activities also take account of the advancement and harmonisation of capital requirements by the regulatory authorities.

The primary focus of the ICAAP framework (Basel III, Pillar 2) is on the management of economic capital. The ICAAP of RLB Steiermark takes into account the bank's risk-bearing capacity as well as its business and risk profiles, and constitutes an integral part of its planning and control system. In the course of the ICAAP, the bank's risk-bearing capacity is determined for regulatory and economic purposes, and the efficient use of capital for risk coverage purposes is monitored. Additional details on the calculation are provided in the risk report.

Regulatory and economic management are fundamental components of the RLB Steiermark Group's planning and forecasting framework. For the current year as well as subsequent periods, the planned business volumes are compared against the expected movement in eligible own funds. In addition to regulatory capital management, economic capital limits aligned with the planning objectives are assigned to business units and segments as part of the ICAAP process.

A core task in capital management is to monitor the development of the bank's business continually, to analyse changes in its risk-weighted assets, and to reconcile these changes with the available regulatory capital and ICAAP limits.

To ensure adequate levels of liquidity and capitalisation, capital planning processes are updated periodically to reflect current developments. In addition, scenario calculations are performed and analysed, the outcomes of which are incorporated into management considerations.

Leverage ratio

As a supplementary measure to its capital requirements, the CRR framework introduced the leverage ratio as a new instrument for limiting the accumulation of excessive leverage. According to Art. 429 of the CRR, the leverage ratio is calculated as an institution's capital measure, divided by that institution's total exposure measure (leverage exposure). In other words, it is the tier 1 capital in proportion to the unweighted exposure on and off the statement of financial position. The Basel Committee initially specified a minimum requirement of 3 percent. Following a review by the Basel Committee during the first six months of 2017 and possible recalibration of the minimum standard, the leverage ratio will come into force on 1 January 2018.

TEUR	31.12.2016	31.12.2015
Total exposure	13,973,221	13,746,680
Core capital	1,121,712	992,200
Leverage ratio	**8.03 %**	**7.22 %**

54. Events after the reporting date

Merger of Raiffeisenzentralbank Österreich AG (RZB) with Raiffeisenbank International AG (RBI)
In October 2016, the Managing and Supervisory Boards of RZB and RBI – following a detailed evaluation phase – decided to merge RZB into RBI. The objective of that amalgamation was to simplify the structure of the Group and adapt the Group to increased regulatory requirements. The merger was approved at the extraordinary shareholders' meetings of RZB and RBI on 23 and 24 January 2017 and recorded in the Commercial Register on 18 March 2017, thereby taking full legal effect. As at 31 December 2016, RLB Steiermark held a 15.32% equity interest in RZB, and following the merger, held a 9.95% equity interest in RBI based on the increase in the share capital undertaken as part of the merger. As before, RLB Steiermark, via CEO MMag. Schaller, will continue to hold a seat on the Supervisory Board of RBI, which will ensure continued influence in significant decision-making processes regarding RBI's operating and financial policies. Therefore, according to current assessments, RBI has the status of an associated company. Raiffeisenlandesbank Steiermark assumes that there will be no essential (negative) impact on the Group's results and capital position through recording this transaction on the balance sheet. Given the advantages associated with the merger, a positive effect on the future development of RBI is expected.

Beyond that, to the present date, no other business transactions or events took place that would be of particular public interest or would materially affect the 2016 consolidated financial statements.

SCOPE OF CONSOLIDATION AND INFORMATION ON COMPANIES CARRIED AT EQUITY

The table below shows the fully consolidated members of the RLB Steiermark Group. A list showing the full details of equity interests is presented in the annex.

	Percentage held	Equity (TEUR)	Profit/loss[1] (TEUR)	Date of annual financial statements
"DÖHAU" Liegenschaftsges.m.b.H., Graz	81.25 %	-625	6	31.12.2016
Columbia Beteiligungs GmbH, Graz	75.00 %	-186	13	31.12.2016
FUTURA LHB-RLB Leasing Holding GmbH, Graz	93.73 %	8	-4	31.12.2016
Grundstücksverwaltung Salzburg-Mitte GmbH, Graz	75.00 %	-316	71	31.12.2016
HSE Beteiligungs GmbH, Graz	100.00 %	28,420	-1,433	31.12.2016
HST Beteiligungs GmbH, Graz	100.00 %	28,391	-1,454	31.12.2016
HYPO Steiermark Beteiligungen GmbH, Graz	75.00 %	3,624	4	31.12.2016
HYPO Steiermark Immobilienleasing GmbH, Graz	75.00 %	699	-121	31.12.2016
HYPO Steiermark Kommunal- und Gebäudeleasing GmbH, Graz	75.00 %	1,246	-129	31.12.2016
HYPO Steiermark Leasing - Holding GmbH, Graz	75.00 %	2,235	-2,226	31.12.2016
HYPO Steiermark PUNTI Grundstücksverwaltung GmbH, Graz	75.00 %	417	174	31.12.2016
Hypo-Leasing Steiermark d.o.o., Zagreb	93.73 %	675	-138	31.12.2016
Immobilienerwerbs- und Vermietungs Gesellschaft m.b.H., Graz	100.00 %	73,220	666	31.12.2016
Landes-Hypothekenbank Steiermark Aktiengesellschaft, Graz	75.00 %	162,279	29,472	31.12.2016
NOVA HYPO Leasing GmbH, Graz	75.00 %	1,776	1,808	31.12.2016
NWB Beteiligungs GmbH, Graz	100.00 %	1,298	27	31.12.2016
Optima-Vermögensverwaltungs- und Beteiligungsgesellschaft m.b.H., Graz	100.00 %	11,055	4,518	31.12.2016
Raiffeisen Informatik Center Steiermark GmbH, Graz	94.75 %	20,577	-4	31.12.2016
Raiffeisen Rechenzentrum GmbH, Graz	100.00 %	750	595	31.12.2016
Raiffeisen Rechenzentrum Holding GmbH, Graz	100.00 %	21,839	661	31.12.2016
RATIO Beteiligungsverwaltungs GmbH, Graz	75.00 %	1,570	219	31.12.2016
RLB – Beteiligungs- und Treuhandgesellschaft m.b.H., Graz	100.00 %	98,074	5,020	30.09.2016
RLB-Hypo Group Leasing Steiermark GmbH, Graz	100.00 %	94	42	31.12.2016
RLB-Stmk Immobilienbeteiligungs- und Verwaltungs GmbH, Graz	100.00 %	66,303	987	30.09.2016
RSAL Raiffeisen Steiermark Anlagenleasing GmbH, Graz	81.00 %	63	3	31.12.2016
RSIL Immobilienleasing Raiffeisen Steiermark GmbH, Graz	81.00 %	-1,422	17	31.12.2016
SOLUTIO Beteiligungsverwaltungs GmbH, Graz	100.00 %	4,293	3,253	31.12.2016
Steirische Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Graz	100.00 %	7,235	354	31.12.2016

[1] Profit/loss before P&L transfer.

The RLB Steiermark Group's scope of consolidation includes a structured entity.

This entity consists of a special fund in which the RLB Steiermark Group holds a 100% interest. After consideration of the factors specified in IFRS 10.B60, it appears that the structured entity is acting as an agent.

	Percentage held	Fund assets (TEUR)	Fund profit/loss (TEUR)	Date of annual statement of accounts
DASAA 8010, Graz	100.00 %	283,537	1,877	31.10.2016

The following subsidiaries hold significant stakes in non-controlling interests:

Name	Registered office	Equity attributable to non-controlling interests		Date of annual financial statements
		2016	2015	
Landes-Hypothekenbank Steiermark Aktiengesellschaft	Graz	25.00 %	25.00 %	31.12.2016
HYPO Steiermark Leasing - Holding GmbH	Graz	25.00 %	25.00 %	31.12.2016

Summary of financial information about subsidiaries with significant minority interests:

The figures indicated are taken from the separate IFRS financial statements pursuant to IFRS 12 B10 and B11.

TEUR	Landes-Hypothekenbank Steiermark Aktiengesellschaft		HYPO Steiermark – Leasing Holding GmbH	
	2016	2015	2016	2015
Net interest income	60,729	48,712	-1	0
Profit/loss for the year after taxes	20,119	3,101	-2,226	52
Profit/loss for the year attributable to non-controlling interests	5,030	775	-556	13
Other comprehensive income	-1,326	-5,811	-58	-37
Consolidated comprehensive income	**18,793**	**-2,710**	**-2,284**	**15**
Consolidated comprehensive income attributable to non-controlling interests	4,698	-678	-571	4

TEUR	Landes-Hypothekenbank Steiermark Aktiengesellschaft		HYPO Steiermark – Leasing Holding GmbH	
	2016	2015	2016	2015
Assets	4,240,525	4,380,369	2,991	1,681
Liabilities	4,003,344	4,161,630	740	847
Equity	**237,181**	**218,739**	**2,251**	**834**
Equity attributable to non-controlling interests	59,295	54,685	563	209

The following associate is of significant importance for the RLB Steiermark Group and is carried at equity:

Name	Relation-ship	Registered office	Percentage held	Date of an-nual finan-cial state-ments
Raiffeisen Zentralbank Österreich AG	Central banking institution	Vienna	15.32 %	31.12.2016

Summary of financial information about companies carried at equity:

TEUR	2016	2015
Net interest income	3,217,559	3,623,422
Consolidated profit/loss after taxes	532,938	465,354
Other comprehensive income	152,270	-141,980
Consolidated comprehensive income	**685,208**	**323,374**

TEUR	2016	2015
Assets	134,846,575	138,425,830
Liabilities	125,052,815	129,129,703
Equity	**9,793,760**	**9,296,127**

Reconciliation to carrying amounts of companies carried at equity:

TEUR	2016	2015
Consolidated equity Raiffeisen Zentralbank Österreich AG as at 31 December	9,793,760	9,296,127
Equity attributable to non-controlling interests	4,044,834	3,908,160
Consolidated equity attributable to the shareholders of Raiffeisen Zentralbank AG	**5,748,926**	**5,387,967**
Equity attributable to the RLB Steiermark Group as at 31 December	880,454	825,173
Goodwill (before impairment)*	0	7,415
Impairment as at 1 January excluding goodwill write-down	-18,259	0
Impairment during year under review	-93,683	-25,674
Elimination of intragroup gains/losses pursuant to IAS 28.28	-5,681	-5,681
Companies carried at equity as at 31 December	**762,831**	**801,233**

*) Goodwill was fully written down in 2015.

The balance sheet value of the companies carried at equity shown on the reporting date corresponds to a share of 15.32% in the consolidated equity of Raiffeisen Zentralbank Österreich AG.

BOARDS AND OFFICERS

Managing Board

Chairman
CEO Martin **SCHALLER**

Members of the Managing Board
Member of the Managing Board Martin **SCHALLER**
Member of the Managing Board Matthias **HEINRICH**
Member of the Managing Board Rainer **STELZER**

Supervisory Board
Executive committee:
Wilfried **THOMA**, President
Chairman of RLB-Stmk Verbund eGen and Chairman of Raiffeisenbank Leoben-Bruck eGen

Herbert **KOLB**, First Vice President (until 07.02.2017)
Managing Director of Raiffeisenbank Gröbming eGen

Josef **HAINZL**, Second Vice President
Chairman of the Supervisory Board of Raiffeisenbank Aichfeld eGen

Members of the Supervisory Board:
Werner **FÜRNSCHUSS** (until 25.05.2016)
Chairman of the Supervisory Board of Raiffeisenbank Deutschlandsberg eGen

Josef **GALLER** (from 25.05.2016)
Managing Director of Raiffeisenbank Mureck eGen

Romana **GSCHIEL-HÖTZL**
Managing Director of Raiffeisenbank Bad Radkersburg-Klöch eGen

Alois **HAUSLEITNER** (from 25.05.2016)
Chairman of Agrarunion Südost eGen

Alois **PABST** (until 25.05.2016)
Chairman of Lagerhaus Graz Land reg.Gen.m.b.H.

Josef **SCHEROUNIGG** (until 25.05.2016)
Managing Director of Raiffeisenbank Graz-Straßgang eGen

Hubert **STIENINGER** (until 25.05.2016)
Managing Director of Raiffeisenbank Mittleres Mürztal eGen

Franz **STRAUSSBERGER**
Managing Director of Raiffeisenbank Pöllau-Birkfeld eGen

Peter **SÜKAR** (from 25.05.2016)
Chairman of Raiffeisenbank Voitsberg and Chairman of the Voitsberg Economic Chamber

Franz **TITSCHENBACHER**
Chairman of Raiffeisenverband Steiermark

Gernot **REITER**
Management Board Chairman of HYPO-VERSICHERUNG AG

Gerhard **ZAUNSCHIRM**, MSc (from 25.05.2016)
Managing Director of Raiffeisenbank Hausmannstätten eGen

Josef **ZÜGNER**
Chairman of Raiffeisenbank Großwilfersdorf eGen

Delegated by the employees' council:

Alois **BAUMANN** (from 04.03.2017)
Sabine **FUCHS**
Harald **KORSCHELT** (until 04.03.2017)
Eva **PILGER-BUCHEGGER**
Michael **THIER** (until 01.03.2017)
Bernd **VERONIG** (from 01.03.2017)
Bernhard **WAGNER**
Bernhard **WESENER**

State commissioners:

Gabriele **HERBECK**
Gabriele **HERMANN**

CONCLUDING REMARKS BY THE MANAGING BOARD

The Managing Board approved the consolidated financial statements for publication on 3 April 2017.

Statement of all legal representatives

We confirm that, to the best of our knowledge, the consolidated financial statements, which have been prepared according to the applicable financial reporting standards, provide a true and fair view of the Group's financial position, the results of its operations and its cash flows, that the consolidated management report presents the business development, performance and position of the Group in a manner that provides a true and fair view of the Group's financial position, the results of its operations and its cash flows, and that the consolidated management report describes the material risks and uncertainties to which the Group is exposed.

Graz, 3 April 2017

The Managing Board

CEO and Chairman of the Managing Board Martin **SCHALLER** (signed)
responsible for the management of the bank and the association, finance & controlling, capital markets and real estate

Member of the Managing Board Matthias **HEINRICH** (signed)
responsible for risk management, non-performing loan management, organisation and IT

Member of the Managing Board Rainer **STELZER** (signed)
responsible for corporate customers, retail customers, marketing and sales, insurance and residential building savings schemes

AUDIT CERTIFICATE

Report on the consolidated financial statements

Audit opinion

I have audited the consolidated financial statements of

Raiffeisen-Landesbank Steiermark AG,
Graz,

and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2016, the statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year ending on 31 December 2016, and the notes to the consolidated financial statements.

In my opinion, the attached consolidated financial statements comply with the legal requirements and present fairly, in all material respects, a true and fair view of the financial position and performance of the Group as at 31 December 2016, and the results of its operations and cash flows for the financial year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, the additional requirements pursuant to § 245a of the Austrian Business Enterprise Code (UGB), and other legal or regulatory requirements.

Basis for the audit opinion

I conducted my audit in accordance with the Austrian Standards on Auditing. Those standards require application of the International Standards on Auditing (ISA). My responsibilities under these regulations and standards are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of my report. Pursuant to Austrian laws on commercial undertakings and statutory professional requirements, I operate independently from the Group and have fulfilled my other professional responsibilities according to those requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Key audit matters

Key audit matters are those which, in my professional opinion, had the greatest significance to my audit of the financial statements for the period being audited. As these matters were taken into consideration in the context of my audit of the consolidated financial statements and when forming my audit opinion, I do not provide a separate opinion on these matters.

In the context of my audit, five such matters were identified as described below.

Intrinsic value of interest in the equity-accounted company Raiffeisen Zentralbank Österreich Aktiengesellschaft

KEY MATTER AND RISK FOR THE FINANCIAL STATEMENTS
The interest held in Raiffeisen Zentralbank Österreich Aktiengesellschaft (RZB), which is also the central institution of RLB Stmk AG, is shown at a total amount of TEUR 762,831 under the item "Interest in companies carried at equity" in the consolidated financial statements of RLB Stmk AG as at 31 December 2016.

The intrinsic value of companies carried at equity must be reviewed if there are objective indications of impairment.

The legal representatives of the Group parent company identified objective indications of impairment as at 31 December 2016, which necessitated a review of the intrinsic value in accordance with IAS 36.

As part of the impairment test, the recoverable amount is determined based on the planned future payments using a discounted cash flow approach. The Group parent company obtained a valuation from an external expert.

To a significant extent, determination of company value is based on assumptions and estimates related to anticipated future cash flows. These are based on projected figures for the company to be valued, and along with the discount rate, were also reviewed for appropriateness by the legal representatives of the Group parent company. The valuation is subject to both discretion and associated with uncertainties related to the estimates and thereby represents a risk for the financial statements.

AUDIT APPROACH
I ascertained the relevant processes and tested the controls already in place to determine if they were suitable for the purposes of identifying objective indications for potential impairments or would require write-ups sufficiently in advance.

I assessed estimates provided by the Group parent company relative to the presence of indications of impairment and reviewed the valuation of the interest in RZB based on an external opinion. I examined the bases of this external opinion, particularly the valuation model and the parameters used, such as the discount rate. I did so by using market data specific to the industry and information and market expectations relevant to the company. I analysed and assessed the appropriateness of the future cash inflows and cash equivalents used in the calculation and the ability to adhere to projected figures, based in particular on company documents and current figures.

REFERENCE TO ADDITIONAL INFORMATION
The Group's disclosures on valuation of the interest in companies carried at equity are outlined in the notes to the consolidated financial statements as at 31 December 2016 in the chapter titled "Recognition and measurement policies", in notes 1 and 17, and in the chapter titled "Scope of consolidation and information on companies carried at equity".

Valuation of loans and advances to customers

KEY MATTER AND RISK FOR THE FINANCIAL STATEMENTS
In the consolidated financial statements of RLB Stmk AG as at 31 December 2016, loans to non-banks are shown under the item “Loans and receivables at amortised cost” at an amount of TEUR 5,716,907. The provisions for the risks arising from these loans (specific impairment allowances and portfolio-based impairment allowances) come to a total of TEUR 252,663. The loan loss provisions for loans and advances to other banks and customers amount to TEUR 2,814,915.

Loans and advances to customers are subject to a credit value adjustment during the entire term. This stipulates individual loan loss provisions for loans and advances in the event of impairments and additionally a portfolio loan loss provision in accordance with the rating grade in each case.

RLB Stmk AG has developed and put into place internal valuation policies and policies for the recognition of collateral.

As part of its credit monitoring activities, the Group parent company ascertains whether there are objective indications of impairment that have an impact on future payments, and whether specific impairment allowances are required as a result.

The Group parent company determines specific impairment allowances based on individually anticipated future cash flows for all significant defaulted loans to customers.

Loan loss allowances are formed at the portfolio level (portfolio-based impairment allowances) for all receivables not classified as at risk of default. Aside from customer liabilities and collateral, this model also includes parameters based on empirical values determined statistically by the bank. These parameters comprise, in particular, the probability of default based on the relevant customer’s credit ratings, the collateral loss given default, and the period of time until the event of default is identified.

The estimate of future cash flows, rating grades, and the valuation of pledged collateral are based largely on assumptions of the legal representatives. For this reason, the impairment of loans and advances represents a key audit matter of particular importance in the consolidated financial statements of RLB Stmk AG as at 31 December 2016.

AUDIT APPROACH
My audit procedures included judging the structure and testing the effectiveness of critical internal controls in connection with the lending, rating, loan loss provision, and collateral processes. Also included were impairment tests based on borrowers’ economic evidence, which used a sampling approach.

I examined the loans and advances to customers reflected in the consolidated balance sheet based on sample checks intended to determine objective indications of impairment, the impact on expected future payments, the credit standing of the borrowers, and the assessment of the collateral in terms of appropriateness. The samples were selected using a risk-based approach with particular consideration given to individual customer ratings that indicated a higher probability of default.

For the portfolio-based impairment allowances, I evaluated the model and the parameters used therein considering the results of the backtesting conducted by the Group parent company. I also analysed whether the model and parameters used were appropriate for calculating the impairment allowances. Additionally, I analysed the mathematical accuracy of the portfolio-based impairment allowances.

The consideration of collateral was judged by evaluating the recognition of market values, lending value deductions, and legal marketability.

REFERENCE TO ADDITIONAL INFORMATION
The disclosures on loans and advances to customers, and on impairment allowances on loans and advances, are outlined in the chapter titled “Recognition and measurement policies” of the notes to the consolidated financial statements, and in notes 12 and 13.

Valuation of securities and derivative financial instruments

KEY MATTER AND RISK FOR THE FINANCIAL STATEMENTS
Securities and derivatives are assessed and valued in the consolidated financial statements of RLB Stmk AG in accordance with their respective categorisation and the valuation principles applicable to each measurement category under IAS 39.

To assess securities and derivatives, accounting and valuation policies that consider the corresponding accounting standards were implemented within the Group parent company.

For the consolidated financial statements of RLB Stmk AG, categorisation of these financial instruments in accordance with IAS 39, application of the valuation principles deriving therefrom, and hedge accounting arrangements are all subject to discretion. Determination of the fair values under IFRS 13 for instruments for which no prices are listed on active markets occurs on the basis of internal valuation models and is dependent on estimates. Therefore, these must be classified as a significant risk.

AUDIT APPROACH
I ascertained the processes implemented by the Group parent company for categorisation, reconciliation and measurement of securities and derivatives, and used sample checks to examine the essential internal controls for effectiveness.

I examined the categorisation of financial instruments according to whether they met internal requirements and accounting standards. Using sample analyses, I compared the fair values with values available externally. I assessed the allocation criteria for the financial instruments to the fair value hierarchy per the corresponding accounting standards and reviewed compliance using sample checks. I reviewed the appropriateness of models aimed at determining fair value where no listed prices were available, along with the parameters used in such valuation models.

In the case of securities not recognised at fair value, I implemented audit procedures in view of the presence of indications of impairments attributable to credit risk, particularly country and bank risks.

I examined the appropriateness of the valuation models used, the underlying valuation parameters, and their consistency with the previous year. For this, I compared the parameters used with market data. I also analysed the calculation assumptions and fair value calculations using sample checks. I examined hedge accounting arrangements on a sample basis by reviewing the relevant associated documentation. In particular, I examined whether there was an intention to hedge and whether documentation requirements had been complied with. I also examined the appropriateness of the effectiveness tests conducted by the Group parent company.

REFERENCE TO ADDITIONAL INFORMATION
The Group's disclosures on financial instruments are outlined in the notes (chapter "Recognition and measurement policies"), particularly notes 4, 5, 6, 14, 15, 16 and 30.

Valuation and calculation of deferred taxes

KEY MATTER AND RISK FOR THE FINANCIAL STATEMENTS
Deferred tax assets amounting to TEUR 20,784 were shown under the balance sheet item "Deferred income tax assets" in the consolidated financial statements of RLB Stmk AG as at 31 December 2016.

The concept of accounting for deferred taxes in IFRS consolidated financial statements is governed by IAS 12. The temporary concept and the mandatory recognition of deferred tax assets and liabilities are addressed in IAS 12. Capitalisation of tax claims from loss carryforwards is possible under restrictive conditions.

Due to the temporary concept, which adds complexity to the calculation of deferred taxes, and the material judgments to be made by the management in connection with this, there is an increased risk of error regarding the extent and completeness of deferred taxes in the consolidated financial statements of RLB Stmk AG as at 31 December 2016.

AUDIT APPROACH
I collected samples to determine whether the comparison of tax and IFRS valuation approaches necessary for the calculation of deferred taxes was documented completely and transparently. I used an analysis of the calculated differences based on a sample approach to determine whether the legal representatives' estimate related to classification differences was appropriate, and that as a result, a proper recognition of deferred taxes had been implemented. Where the differences did not lead to recognition of deferred taxes as assets or liabilities, compliance with legal requirements was reviewed. In respect of the capitalisation of loss carryforwards, I determined the probability that future taxable results within the meaning of IAS 12 will be available against which unused tax losses or tax credits can be offset.

REFERENCE TO ADDITIONAL INFORMATION
The disclosures on deferred taxes are outlined in note 26.

Reversal of risk provisions related to HETA ASSET RESOLUTION AG

KEY MATTER AND RISK FOR THE FINANCIAL STATEMENTS
In the 2015 consolidated financial statements of RLB Stmk AG, risk provisions for receivables in relation to HETA ASSET RESOLUTION AG (HETA) and unused lines of credit in relation to Pfandbriefbank (Österreich) AG indirectly attributable to HETA were shown at an amount of TEUR 28,524. Of that, specific impairment allowances accounted for TEUR 15,449 and provisions for TEUR 13,075.

The establishment of these risk provisions was based to a great extent on estimates and assumptions made by the legal representatives. In 2016, a settlement was reached between the federal government, the state of Carinthia, and the HETA creditors. The directly affected subsidiary of Landes-Hypothekenbank Steiermark Aktiengesellschaft decided in favour of the conversion offer and received a zero-coupon bond in exchange for the existing receivables in relation to HETA. In the opinion of the legal representatives, it was no longer necessary to maintain the risk provisions established in 2015 because the bond is expected to retain its value. For this reason, the risk provisions were reversed, which resulted in significant income in the consolidated financial statements. Therefore, we consider that this issue is a key audit matter of particular importance in the consolidated financial statements of RLB Stmk AG as at 31 December 2016.

AUDIT APPROACH
I evaluated the legal existence of the settlement as of the balance sheet date by analysing the contracts pertaining to the subject matter. I assessed the value of the zero-coupon bond received in exchange for the HETA receivables on the basis of external transactions that had taken place up to the date of this audit certificate. Based on the information derived therefrom, the calculations performed by the bank relating to the reversal of the risk provisions were examined for accuracy.

REFERENCE TO ADDITIONAL INFORMATION
The disclosures on HETA are outlined in note 25.

Responsibilities of the legal representatives and the audit committee for the consolidated financial statements

The legal representatives are responsible for preparing consolidated financial statements that present a true and fair view of the financial position of the Group, the results of its operations and its cash flows in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, as well as the additional requirements of § 245a of the Austrian Business Enterprise Code (UGB). The legal representatives are also responsible for such internal controls as they determine are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue its activities as a going concern, stating any circumstances associated with continuing its activities as a going concern as applicable, and for applying the accounting principle of continuing its activities as a going concern, unless the legal representatives intend either to liquidate the Group, discontinue its corporate activities, or have no realistic alternative to either outcome.

The audit committee is responsible for monitoring the Group's accounting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

My objective is to achieve a reasonable degree of certainty as to whether the consolidated financial statements are generally free from material misstatement, whether due to fraud or error, and to issue an audit certificate that includes my audit opinion. Adequate certainty is a high degree of certainty, but not a guarantee that any audit conducted in accordance with the Austrian Standards on Auditing, which require application of the International Standards on Auditing (ISA), will always reveal a material misstatement if such exists. Misstatements may be the result of fraudulent activity or error, and are regarded as material if, individually or collectively, they could reasonably be expected to influence the financial decisions of readers based on these consolidated financial statements.

As part of any audit conducted in accordance with the Austrian Standards on Auditing, which require application of the International Standards on Auditing (ISA), I exercise due diligence and maintain a critical approach throughout the entire audit process.

The following also applies:

- I identify and assess the risks of material misstatements in the financial statements, whether due to fraud or error, plan audit actions in response to these risks, implement such actions, and obtain adequate and appropriate audit evidence to serve as a basis for my audit opinion. The risk that material misstatements resulting from fraudulent activity are not uncovered is higher than instances that result from error, since fraudulent activity may involve collusion, forgery, deliberate omission, misleading representations, or bypassing internal controls.

- I obtain an understanding of the internal control system to the extent that it is relevant to the audit of the financial statements, in order to plan audit activities that are appropriate under the given circumstances, but not with the objective of providing an opinion on the effectiveness of the internal control system implemented by the Group parent company.

- I assess the appropriateness of the accounting methods applied and of the feasibility of the estimates made by the legal representatives in the accounts and related disclosures.

- I draw conclusions about the appropriateness of the application of the going concern principle by the legal representatives and, based on the audit evidence obtained, about whether any material uncertainty exists with regard to events or facts which may give rise to significant doubt as to the Group’s ability to continue as a going concern. If I arrive at conclusions that indicate material uncertainty, I am obligated to draw attention in my audit certificate to the relevant disclosures in the consolidated financial statements, or to modify my audit opinion if such disclosures are insufficient. My conclusions are based on the audit evidence obtained up to the date of my audit certificate. However, future events or facts may result in the Group discontinuing its activities as a going concern.

- I assess the overall presentation, structure and content of the consolidated financial statements, including the notes, and assess whether the consolidated financial statements represent the underlying transactions and events in a manner that produces a true and fair view.

- I obtain adequate and appropriate audit evidence on the financial information of the entities or business activities within the Group in order to provide an audit opinion on the consolidated financial statements. I am responsible for guiding, monitoring and implementing the audit of the consolidated financial statements, and I bear sole responsibility for my audit opinion.

I discuss, among other subjects, the planned scope and temporal arrangement of the audit with the audit committee, along with significant audit findings, including any significant defects in the internal control system I identify during my audit.

I also make a declaration to the audit committee that I have complied with the relevant professional requirements for independence and discuss all relations and other circumstances that may be reasonably assumed to influence my independence and any associated safeguards as applicable.

Based on the circumstances I have discussed with the audit committee, I identify those most significant to the audit of the consolidated financial statements for the financial year under review, which therefore represent the audit circumstances of particular importance. I describe these circumstances in my audit certificate unless statutes or other legal regulations prohibit public disclosure of the relevant facts, or when in extremely rare cases I determine that a circumstance should not be communicated in my audit certificate because it can be reasonably expected that the negative consequences of any such communication would exceed the benefits to the public interest.

Other statutory and legal requirements

Report on the consolidated management report

Pursuant to the Austrian laws on commercial undertakings, the consolidated management report must be audited to determine whether it is consistent with the consolidated financial statements and has been prepared in accordance with the applicable legal requirements.

The legal representatives are responsible for preparing the consolidated management report in compliance with Austrian business and banking laws.

I conducted my audit in compliance with the professional principles and standards associated with auditing a consolidated management report.

OPINION

In my opinion, the consolidated management report has been prepared in compliance with the applicable legal requirements, contains the appropriate disclosures according to § 243a (2) of the Austrian Business Enterprise Code (UGB), and is consistent with the consolidated financial statements.

DECLARATION

No material misstatements were noted in the consolidated management report given the findings obtained in the audit of the consolidated financial statements and the understanding gained regarding the Group and its environment.

Other information

The legal representatives are responsible for the disclosure of other information. Other information includes all information in the annual report, with the exception of the consolidated financial statements, the consolidated management report and the audit certificate. The annual report is expected to be provided to me after the date of the audit certificate.

My audit opinion of the consolidated financial statements does not cover such other information, and I will not be providing any type of warranty in that regard.

In association with my audit of the consolidated financial statements, it is my responsibility to read that other information once it becomes available and determine, based on the understanding obtained in the audit, whether it materially contradicts the consolidated financial statements or otherwise appears to include material misstatements.

Chartered accountant and auditor

The chartered accountant and auditor responsible for the audit of the financial statements is Dr. Matthias Trost.

Vienna, 6 April 2017

Auditor appointed by the Austrian Raiffeisen Association:
Dr. Matthias **TROST** – Chartered Accountant

Publication or dissemination of these consolidated financial statements bearing my audit certificate shall only be permitted if the financial statements are identical with the audited version attached to this report. Publication or dissemination of these annual financial statements bearing our audit certificate shall only be permitted if the financial statements are identical with the audited version attached to this report. For any other versions, the stipulations of § 281 (2) UGB shall apply.

AUDIT CERTIFICATE

Report on the consolidated financial statements

Audit opinion

We have audited the consolidated financial statements of

Raiffeisen-Landesbank Steiermark AG,
Graz,

and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2016, the statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year ending on 31 December 2016 and the notes to the consolidated financial statements.

In our opinion, the consolidated financial statements comply with the legal requirements and present fairly, in all material respects, a true and fair view of the financial position and performance of the Group as at 31 December 2016, and the results of its operations and cash flows for the financial year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, the additional requirements pursuant to § 245a of the Austrian Business Enterprise Code (UGB) and § 59a of the Austrian Banking Act (BWG).

Basis for the audit opinion

We conducted our audit in accordance with the Austrian Standards on Auditing. Those standards require application of the International Standards on Auditing (ISA). Our responsibilities under these regulations and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. Pursuant to Austrian laws on commercial undertakings and statutory professional requirements, we operate independently from the Group and have fulfilled our other professional responsibilities according to those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. § 275 UGB applies to our responsibility and liability as auditors in respect of the company and in respect of third parties.

Key audit matters

Key audit matters are those which, in our professional opinion, had the greatest significance to our audit of the financial statements for the period being audited. As these matters were taken into consideration in the context of our audit of the consolidated financial statements and when forming our audit opinion, we do not provide a separate opinion on these matters.

2016 ANNUAL REPORT

Impairment of loans and advances to customers measured at amortised cost and valuation of the provisions for the lending business

THE RISK FOR THE FINANCIAL STATEMENTS
The loans and advances to customers included in the balance sheet item “Loans and receivables at amortised cost” amount to TEUR 5,716,907; loan loss allowances total TEUR 252,662, and provisions for the lending business come to TEUR 21,327.

The Managing Board of Raiffeisen-Landesbank Steiermark AG describes the procedures for determining loan loss provisions in the notes (chapter “Balance sheet”, section “Impairment allowance balance”).

The identification of default events and determination of specific impairment allowances, as well as the valuation of provisions for contingent liabilities and credit risks, are all subject to discretionary latitude and to significant uncertainties in terms of the estimates made. These uncertainties derive from assessment of the economic position, performance of the borrower, and valuation of loan collateral, and affect the amount and time of the expected future cash flows. As a result, these uncertainties pose a risk for the financial statements.

OUR AUDIT APPROACH

- We ascertained the rating process at Raiffeisen-Landesbank Steiermark AG and judged its suitability for identifying required impairments sufficiently in advance. We reviewed the methodology stipulated in the policies for calculating impairment allowances for loans or calculating the provisions for contingent liabilities from indemnity agreements and lines of credit for compliance with the accounting concept. We tested the key controls in this area in terms of their design and implementation, and also tested their effectiveness based on randomly selected samples.

- We used samples of significant borrowers in the loan portfolio to ascertain whether default events were identified sufficiently in advance and whether the specific impairment allowances and provisions for contingent liabilities and credit risks were adequate to cover the projected liabilities. The samples were selected using a risk-based approach with particular weighting for ratings with a higher risk of default. Where impairments were identified, the appropriateness of management assessments of future cash flows and the assumptions made were reviewed, in due consideration of evidence of the borrower’s economic position and performance and the valuation of loan collateral.

- We verified the models and parameters used to determine the provisions for non-significant, non-performing borrowers (general loan loss provision) and analysed these for their suitability to determine provisions in adequate amounts. We also analysed the mathematical accuracy of the risk provisions.

- We reviewed the calculation model used as a basis for calculating the level of risk provisioning required at the portfolio level and analysed the underlying parameters on the basis of rating validations. We also analysed the data taken as the basis for the calculation and verified the arithmetic accuracy of the amounts calculated.

- Finally, we evaluated the information contained in the notes to determine its appropriateness in terms of credit risk provisions.

Classification and valuation of associates

THE RISK FOR THE FINANCIAL STATEMENTS
The Raiffeisen-Landesbank Steiermark Group accounts for its investments in associates using the equity method. The total carrying amount for the companies carried at equity comes to TEUR 762,831. Discretionary latitude may arise in relation to classification of an investee as an associate, particularly for companies in which the capital share or share in the voting rights held is below 20%. This latitude relates in particular to whether significant influence is exercised over the relevant company.

The Managing Board of Raiffeisen-Landesbank Steiermark AG describes the procedures for the classification and valuation of companies carried at equity in the notes to the consolidated financial statements (chapter “Recognition and measurement policies”, section “Investments in associates”).

The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor’s share of the investee’s net assets. If there are objective indications of impairment, the recoverable amount is determined. The result of these assessments is highly dependent on factors such as expected future cash flows and discounting factors, and therefore represents a risk for the financial statements.

OUR AUDIT APPROACH
- We examined the classification as an associate based on inspections of internal documentation and existing contractual documents.

- As part of the audit team, we employed our own valuation specialists to audit the measurement of investments in associates. They reviewed the measurement models and the measurement parameters used. Corporate projections were analysed based on market data and information available publicly to ascertain if the underlying assumptions were varied over a reasonable range of values. Planning adherence was evaluated by comparing the previous year’s planned figures with the results of the current year. We evaluated the appropriateness of the assumptions used to determine the interest rates by reconciling these with capital market data.

- Finally, we assessed the statements contained in the notes to the consolidated financial statements on the companies measured at equity to determine their appropriateness.

Financial instruments – fair value measurement

THE RISK FOR THE FINANCIAL STATEMENTS
The Raiffeisen-Landesbank Steiermark Group recognised TEUR 5,582,995 in financial instruments at fair value on the assets side (including TEUR 146,567 at level 3) and TEUR 3,965,499 on the liabilities side (including TEUR 145,383 at level 3).

The Managing Board of Raiffeisen-Landesbank Steiermark AG describes the accounting and valuation methods for financial instruments in the notes (chapter “Recognition and measurement policies”, section “Financial instruments”). Information on the fair value of financial instruments is provided in note 32, while note 33 addresses the fair value hierarchy.

Financial instruments must be assigned to a category upon first-time recognition. Allocation to a category is essential for the purposes of subsequent valuations. Measurement of the fair value of financial instruments shown in the balance sheet as assets and liabilities is strongly influenced by discretionary judgement, especially in the case of valuation parameters not observable on the market (level 3 instruments), since these depend to a large extent on estimates and valuation models. These estimation uncertainties represent a risk for the financial statements.

OUR AUDIT APPROACH

- We examined the categorisation of financial instruments using sample analyses and reviewed whether the subsequent valuation is in accordance with the relevant categorisation.

- As part of the audit team, we employed specialists for the audit level of 3 instruments. These specialists analysed the valuation models to determine if they were widely recognised market models and to ascertain who determined whether the input parameters used were comparable to market data and if the data derived therefrom was appropriate.

- Using sample analyses, we reviewed the calculation of fair values ascertained by the bank.

- Finally, we assessed the statements contained in the notes to the consolidated financial statements on categorisation and presentation of valuation methods to determine their completeness and appropriateness.

Responsibilities of the legal representatives and the audit committee for the consolidated financial statements

The legal representatives are responsible for preparing consolidated financial statements that present a true and fair view of the financial position of the Group, the results of its operations and its cash flows in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, as well as the additional requirements of § 245a of the Austrian Business Enterprise Code (UGB) and § 59a of the Austrian Banking Act (BWG). The legal representatives are also responsible for such internal controls as they determine are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue its activities as a going concern, stating any circumstances associated with continuing its activities as a going concern as applicable, and for applying the accounting principle of continuing its activities as a going concern, unless the legal representatives intend either to liquidate the Group, discontinue its corporate activities, or have no realistic alternative to either outcome.

The audit committee is responsible for monitoring the Group's accounting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is to achieve a reasonable degree of certainty as to whether the consolidated financial statements are generally free from material misstatement, whether due to fraud or error, and to issue an audit certificate that includes our audit opinion. Adequate certainty is a high degree of certainty, but not a guarantee that any audit conducted in accordance with the Austrian Standards on Auditing, which require application of the International Standards on Auditing (ISA), will always reveal a material misstatement if such exists. Misstatements may be the result of fraudulent activity or error, and are regarded as material if, individually or collectively, they could reasonably be expected to influence the financial decisions of readers based on these consolidated financial statements.

As part of any audit conducted in accordance with the Austrian Standards on Auditing, which require application of the International Standards on Auditing (ISA), we exercise due diligence and maintain a critical approach throughout the entire audit process.

The following also applies:

- We identify and assess the risks of material misstatements in the financial statements, whether due to fraud or error, plan audit actions in response to these risks, implement such actions, and obtain adequate and appropriate audit evidence to serve as a basis for our audit opinion. The risk that material misstatements resulting from fraudulent activity are not uncovered is higher than instances that result from error, since fraudulent activity may involve collusion, forgery, deliberate omission, misleading representations, or bypassing internal controls.

- We obtain an understanding of the internal control system to the extent that it is relevant to the audit of the financial statements, in order to plan audit activities that are appropriate under the given circumstances, but not with the objective of providing an opinion on the effectiveness of the internal control system implemented by the company.

- We assess the appropriateness of the accounting methods applied and of the feasibility of the estimates made by the legal representatives in the accounts and related disclosures.

- We draw conclusions about the appropriateness of the application of the going concern principle by the legal representatives and, based on the audit evidence obtained, about whether any material uncertainty exists with regard to events or facts which may give rise to significant doubt as to the Group's ability to continue as a going concern. If we arrive at conclusions that indicate material uncertainty, we are obligated to draw attention in our audit certificate to the relevant disclosures in the consolidated financial statements, or to modify our audit opinion if such disclosures are insufficient. Our conclusions are based on the audit evidence obtained up to the date of our audit certificate. However, future events or facts may result in the Group discontinuing its activities as a going concern.

- We assess the overall presentation, structure and content of the consolidated financial statements, including the notes, and assess whether the consolidated financial statements represent the underlying transactions and events in a manner that produces a true and fair view.

- We obtain adequate and appropriate audit evidence on the financial information of the entities or business activities within the Group in order to provide an audit opinion on the consolidated financial statements. We are responsible for guiding, monitoring and implementing the audit of the consolidated financial statements, and we bear sole responsibility for our audit opinion.

- We discuss, among other subjects, the planned scope and temporal arrangement of the audit with the audit committee, along with significant audit findings, including any significant defects in the internal control system we identify during our audit.

- We also make a declaration to the audit committee that we have complied with the relevant professional requirements for independence and discuss all relations and other circumstances that may be reasonably assumed to influence our independence and any associated safeguards as applicable.

- Based on the circumstances we have discussed with the audit committee, we identify those most significant to the audit of the consolidated financial statements for the financial year under review, which therefore represent the audit circumstances of particular importance. We describe these circumstances in our audit certificate unless statutes or other legal regulations prohibit public disclosure of the relevant facts, or when in extremely rare cases we determine that a circumstance should not be communicated in our audit certificate because it can be reasonably expected that the negative consequences of any such communication would exceed the benefits to the public interest.

Other statutory and legal requirements

Report on the consolidated management report
Pursuant to the Austrian laws on commercial undertakings, the consolidated management report must be audited to determine whether it is consistent with the consolidated financial statements and has been prepared in accordance with the applicable legal requirements.

The legal representatives are responsible for preparing the consolidated management report in compliance with the Austrian laws on commercial undertakings.

We conducted our audit in compliance with the professional principles and standards associated with auditing a consolidated management report.

OPINION
In our opinion, the consolidated management report has been prepared in compliance with the applicable legal requirements, contains the appropriate disclosures according to § 243a of the Austrian Business Enterprise Code (UGB), and is consistent with the consolidated financial statements.

DECLARATION
No material misstatements were noted in the consolidated management report given the findings obtained in the audit of the consolidated financial statements and the understanding gained regarding the Group and its environment.

Other information
The legal representatives are responsible for the disclosure of other information. Other information includes all information in the annual report, with the exception of the annual financial statements/consolidated financial statements, the management report/consolidated management report, and the relevant audit certificates.

Our audit opinion of the consolidated financial statements does not cover such other information, and we will not be providing any type of warranty in that regard.

In association with our audit of the consolidated financial statements, it is our responsibility to read that other information once it becomes available and determine, based on the knowledge obtained during our audit, whether it is materially inconsistent with the consolidated financial statements or if it otherwise appears to include material misstatements. If we conclude, based on the audit activities we have performed, that the other information includes any material misstatements, we are obligated to report those conditions. We have nothing to report in that regard.

Chartered accountant and auditor
The chartered accountant and auditor responsible for the audit of the financial statements is Mag. Martha Kloibmüller.

Linz, 6 April 2017

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Martha **KLOIBMÜLLER** – Chartered Accountant

Publication or dissemination of these consolidated financial statements bearing our audit certificate shall only be permitted if the financial statements are identical with the audited version attached to this report. Publication or dissemination of these annual financial statements bearing our audit certificate shall only be permitted if the financial statements are identical with the audited version attached to this report. For any other versions, the stipulations of § 281 (2) UGB shall apply.

ANNEX – LIST OF EQUITY HOLDINGS OF THE RLB STEIERMARK GROUP

	Registered office	Percentage held	Equity (TEUR)	Profit/loss[1] (TEUR)	Date of annual financial statements
Fully consolidated entities					
Columbia Beteiligungs GmbH	Graz	75.00 %	-186	13	31.12.2016
DASAA 8010 [2]	Graz	100.00 %	283,537	1,877	31.10.2016
EURAN 8051 [2]	Graz	100.00 %	113,614	1,813	31.10.2016
GLAN 8041 [2]	Graz	100.00 %	113,870	2,351	31.10.2016
"DÖHAU" Liegenschaftsges.m.b.H.	Graz	81.25 %	-625	6	31.12.2016
FUTURA LHB-RLB Leasing Holding GmbH	Graz	93.73 %	8	-4	31.12.2016
Grundstücksverwaltung Salzburg-Mitte GmbH	Graz	75.00 %	-316	71	31.12.2016
HSE Beteiligungs GmbH	Graz	100.00 %	28,420	-1,433	31.12.2016
HST Beteiligungs GmbH	Graz	100.00 %	28,391	-1,454	31.12.2016
HYPO Steiermark Beteiligungen GmbH	Graz	75.00 %	3,624	4	31.12.2016
HYPO Steiermark Immobilienleasing GmbH	Graz	75.00 %	699	-121	31.12.2016
HYPO Steiermark Kommunal- und Gebäudeleasing GmbH	Graz	75.00 %	1,246	-129	31.12.2016
HYPO Steiermark Leasing - Holding GmbH	Graz	75.00 %	2,235	-2,226	31.12.2016
HYPO Steiermark PUNTI Grundstücksverwaltung GmbH	Graz	75.00 %	417	174	31.12.2016
Hypo-Leasing Steiermark d.o.o.	Zagreb	93.73 %	675	-138	31.12.2016
Immobilienerwerbs- und Vermietungs Gesellschaft m.b.H.	Graz	100.00 %	73,220	666	31.12.2016
Landes-Hypothekenbank Steiermark Aktiengesellschaft	Graz	75.00 %	162,279	29,472	31.12.2016
NOVA HYPO Leasing GmbH	Graz	75.00 %	1,776	1,808	31.12.2016
NWB Beteiligungs GmbH	Graz	100.00 %	1,298	27	31.12.2016
Optima-Vermögensverwaltungs- und Beteiligungsgesellschaft m.b.H.	Graz	100.00 %	11,055	4,518	31.12.2016
Raiffeisen Informatik Center Steiermark GmbH	Graz	94.75 %	20,577	-4	31.12.2016
Raiffeisen Rechenzentrum GmbH	Graz	100.00 %	750	595	31.12.2016

	Registered office	Percentage held	Equity (TEUR)	Profit/loss[1] (TEUR)	Date of annual financial statements
Raiffeisen Rechenzentrum Holding GmbH	Graz	100.00 %	21,839	661	31.12.2016
RATIO Beteiligungsverwaltungs GmbH	Graz	75.00 %	1,570	219	31.12.2016
RLB – Beteiligungs- und Treuhandgesellschaft m.b.H.	Graz	100.00 %	98,074	5,020	30.09.2016
RLB-Hypo Group Leasing Steiermark GmbH	Graz	100.00 %	94	42	31.12.2016
RLB-Stmk Immobilienbeteiligungs- und Verwaltungs GmbH	Graz	100.00 %	66,303	987	30.09.2016
RSAL Raiffeisen Steiermark Anlagenleasing GmbH	Graz	81.00 %	63	3	31.12.2016
RSIL Immobilienleasing Raiffeisen Steiermark GmbH	Graz	81.00 %	-1,422	17	31.12.2016
SOLUTIO Beteiligungsverwaltungs GmbH	Graz	100.00 %	4,293	3,253	31.12.2016
Steirische Raiffeisen - Immobilien - Leasing Gesellschaft m.b.H.	Graz	100.00 %	7,235	354	31.12.2016
Other equity holdings					
ALPHA-BAU Planungs-, Projektentwicklungs- und Baubetreuungs GmbH	Graz	100.00 %	460	72	31.12.2015
ARTEMIA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H.	Vienna	50.00 %	477	-50	31.12.2015
Bergbau Radmer GmbH	Graz	100.00 %	6	-5	31.12.2015
BONITA HYPO Leasing GmbH	Graz	75.00 %	37	1,742	31.12.2016
CADO Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H.	Vienna	50.00 %	3,541	46	31.12.2015
CALDO Grundstücksverwertungsgesellschaft m.b.H.	Vienna	50.00 %	27	-6	31.12.2015
Caprea Liegenschaftsverwaltungs GmbH	Graz	100.00 %	67	-7	31.12.2015
Ciconia Immobilienleasing GmbH	Graz	87.75 %	-358	10	31.12.2016
Comm-Unity EDV GmbH	Lannach	51.00 %	2,429	605	31.12.2015
Dynamit Nobel Graz Gesellschaft m.b.H.	Graz	100.00 %	101	-3	31.12.2015
EBVG Liegenschafts-Erwerbs-, Betriebs- und Verwaltungsgesellschaft m.b.H.	Graz	75.00 %	97	8	31.12.2015
G + R Leasing Gesellschaft m.b.H. & Co. KG.	Graz	50.00 %	51	-22	30.09.2016
GRM Vermögensverwaltungs- und Beteiligungs GmbH	Graz	100.00 %	384	-1,120	31.12.2015
INPRIMIS Beteiligungs GmbH	Graz	100.00 %	1,555	-3	31.12.2015
KONKRETA Beteiligungsverwaltungs GmbH	Graz	100.00 %	5	-4	31.12.2015
KONSTRUKTA Unternehmensberatungs GmbH	Graz	100.00 %	183	0	31.12.2015
Liegenschaftsverwaltung Radmer-Frohnleiten GmbH	Graz	100.00 %	7,223	-70	31.12.2015
LKH-Eingangszentrum Errichtungs- und Betreiber GmbH	Graz	75.00 %	1,682	272	31.12.2015
Minos Liegenschaftsverwaltungs GmbH	Graz	100.00 %	723	138	31.12.2015
Obst Hofer Handels-GmbH	Ludersdorf-Wilfersdorf	100.00 %	-270	-1,434	31.07.2015

	Registered office	Percentage held	Equity (TEUR)	Profit/loss[1)] (TEUR)	Date of annual financial statements
OCTANOS Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H.	Vienna	50.00 %	85	12	31.12.2015
ORION Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H.	Vienna	50.00 %	3	-2	31.12.2015
Raiffeisen – Einlagensicherung Steiermark registrierte Genossenschaft mit beschränkter Haftung	Graz	53.92 %	4	0	31.12.2016
Raiffeisen Baudienstleistungs GmbH	Graz	93.75 %	596	0	31.12.2015
Raiffeisen Bauträger & Projektentwicklungs GmbH	Graz	100.00 %	1,382	9	31.12.2015
Raiffeisen-Immobilien Steiermark Gesellschaft m.b.H.	Graz	100.00 %	1,861	175	31.12.2015
RIL VI Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H.	Vienna	50.00 %	-42	-2	31.12.2015
RLO Beteiligungs GmbH	Graz	100.00 %	3,265	1,151	31.12.2016
RVS Raiffeisen Vertrieb und Service GmbH	Graz	100.00 %	3,021	2,537	31.12.2015
smart city living GmbH	Graz	100.00 %	392	-37	31.12.2015
SPICA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H.	Vienna	50.00 %	198	6	31.12.2015
STED EDV-Dienste Betriebsgesellschaft m.b.H.	Graz	100.00 %	3,047	152	31.12.2016
Steirerfrucht Betriebsgesellschaft m.b.H. & Co.KG	Unterfladnitz	100.00 %	-11,438	-1,949	31.07.2015
Steirerfrucht Betriebsgesellschaft mbH	Graz	100.00 %	21	-13	31.07.2016
Steirerfrucht Verwaltung eGen	Unterfladnitz	100.00 %	330	179	31.07.2016
SUPRA HYPO Leasing GmbH in liquidation	Graz	75.00 %	65	-4	31.12.2015
Tinea Beteiligungs GmbH	Graz	100.00 %	30	-2	31.12.2015
Topf Kunststofftechnik Gesellschaft m.b.H. in liquidation	Graz	100.00 %	2	0	31.12.2015
TSI-Terminal und Software Installationen GmbH	Graz	75.00 %	136	708	31.12.2016
Companies carried at equity					
Raiffeisen Zentralbank Österreich Aktiengesellschaft [3)]	Vienna	15.32 %	9,793,760	532,938	31.12.2016
Associates					
Apfel-Land Fruchtlogistik GmbH	Unterfladnitz	24.00 %	208	-458	31.07.2015
G + R Leasing Gesellschaft m.b.H.	Graz	37.50 %	19	-1	31.09.2016
ILION-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	41.25 %	-2,439	2	31.12.2015
IMMORENT – ANDROMEDA Grundverwertungsgesellschaft m.b.H.	Vienna	33.20 %	395	357	31.12.2015
ÖWGES Gemeinnützige Wohnbaugesellschaft m.b.H.	Graz	30.00 %	286,954	15,461	31.12.2015
Steirische Kommunalgebäudeleasing Gesellschaft m.b.H.	Graz	25.00 %	210	136	31.12.2015
VN-Industrie Immobilien GmbH in liquidation	Vienna	26.00 %	85	-2	31.12.2015
VN-Wohn Immobilien GmbH	Vienna	26.00 %	339	-65	31.12.2015

1) Profit/loss before P&L transfer.
2) These entities are special funds in which the RLB Steiermark Group holds a 100% interest. The figures in this table represent the fund assets and profit/loss.
3) Figures taken from the consolidated financial statements of RZB as at 31 December.

RAIFFEISEN-LANDESBANK STEIERMARK AG

Established in 1927

Regional headquarters, credit and financing institution as well as service provider and information centre of the Raiffeisen Banking Group in Styria

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Bank sort code 38000
S.W.I.F.T. code RZSTAT2G

For reasons of simplicity, no gender-specific distinctions have been made in this annual report. All terms used herein shall be deemed to refer to both genders.

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