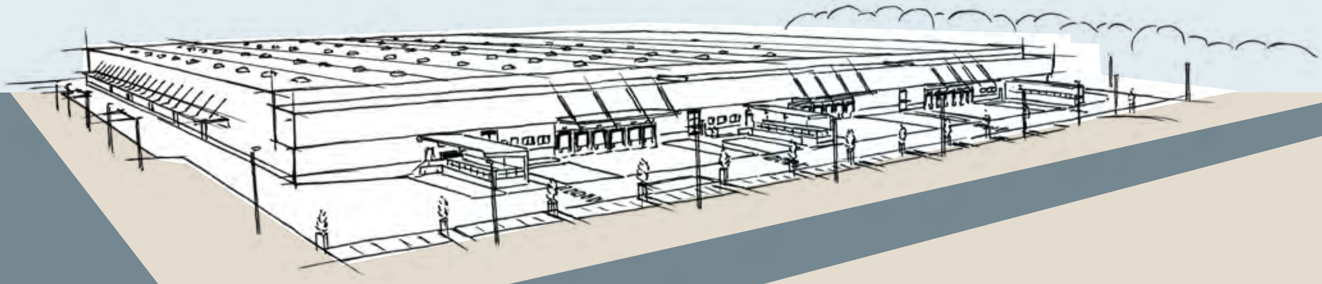
VIB Vermögen AG



DEVELOPING VALUES

ANNUAL REPORT 2015

KEY GROUP INDICATORS

IN EUR THOUSAND	2014	2015	Change in %
Income statement			
Revenue	69,869	75,133	+7.5
Total operating revenue	70,536	75,633	+7.2
EBIT (earnings before interest and tax)	59,124	73,438	+24.2
EBT (earnings before tax)	38,306	52,788	+37.8
EBT margin (in %)	54.3	69.8	+15.5 pt.
EBIT before valuation effects	51,595	57,028	+10.5
EBT before valuation effects	31,179	36,510	+17.1
Consolidated net income	32,404	44,047	+35.9
Earnings per share[1] (diluted/undiluted, in EUR)	1.23	1.46	+18.7
Balance sheet			
Total assets	942,199	1,009,352	+7.1
Equity	371,655	406,754	+9.4
Equity ratio (in %)	39.4	40.3	+0.9 pt.
Net debt	484,560	517,393	+6.8
LTV (loan-to-value ratio, in %)	53.7	53.1	–0.6 pt.
Gearing (in %)	153.5	148.2	–5.3 pt.
NAV (Net Asset Value)	360,480	412,765	+14.5
NAV per share[2] undiluted (in EUR)	14.54	15.69	+7.9
NAV per share[3] diluted (in EUR)	14.52	15.63	+7.6
Other key financials			
FFO (funds from operations)	28,592	32,599	+14.0
FFO per share[1] (in EUR)	1.13	1.18	+4.4
FFO return (based on stock market price as of December 31, in %)	7.9	6.9	–1 pt.
Share price (Xetra closing price as of 31/12, in EUR)	14.24	17.1	+20.1
Dividend per share (in EUR)	0.48	0.51*	+6.3
Number of shares[2] (reporting date: 31/12)	24,783,906	26,308,405	+6.2
ICR (interest coverage ratio: interest expense/net basic rents, in %)	34.4	31.7	–2.7 pt.
Average borrowing rate	3.91	3.67	–0.24 pt.
Vacancy rate (in %)	2.7	1.8	–0.9 pt.
EPRA key figures			
EPRA Earnings	25,502	29,056	+13.9
EPRA Earnings per share (in EUR)	1.00	1.05	+5.0
EPRA NAV	400,403	431,160	+7.7
EPRA NAV per share[2] (in EUR)	14.52	15.63	+7.6
EPRA vacancy rate (in %)	2.7	1.8	–0,9 pt.

[1] Average number of shares during the fiscal year
[2] Shares in issue as of the reporting date
[3] Number of shares as of the reporting date including potential shares from the mandatory convertible bonds

* Management proposal

PROPERTY PORTFOLIO

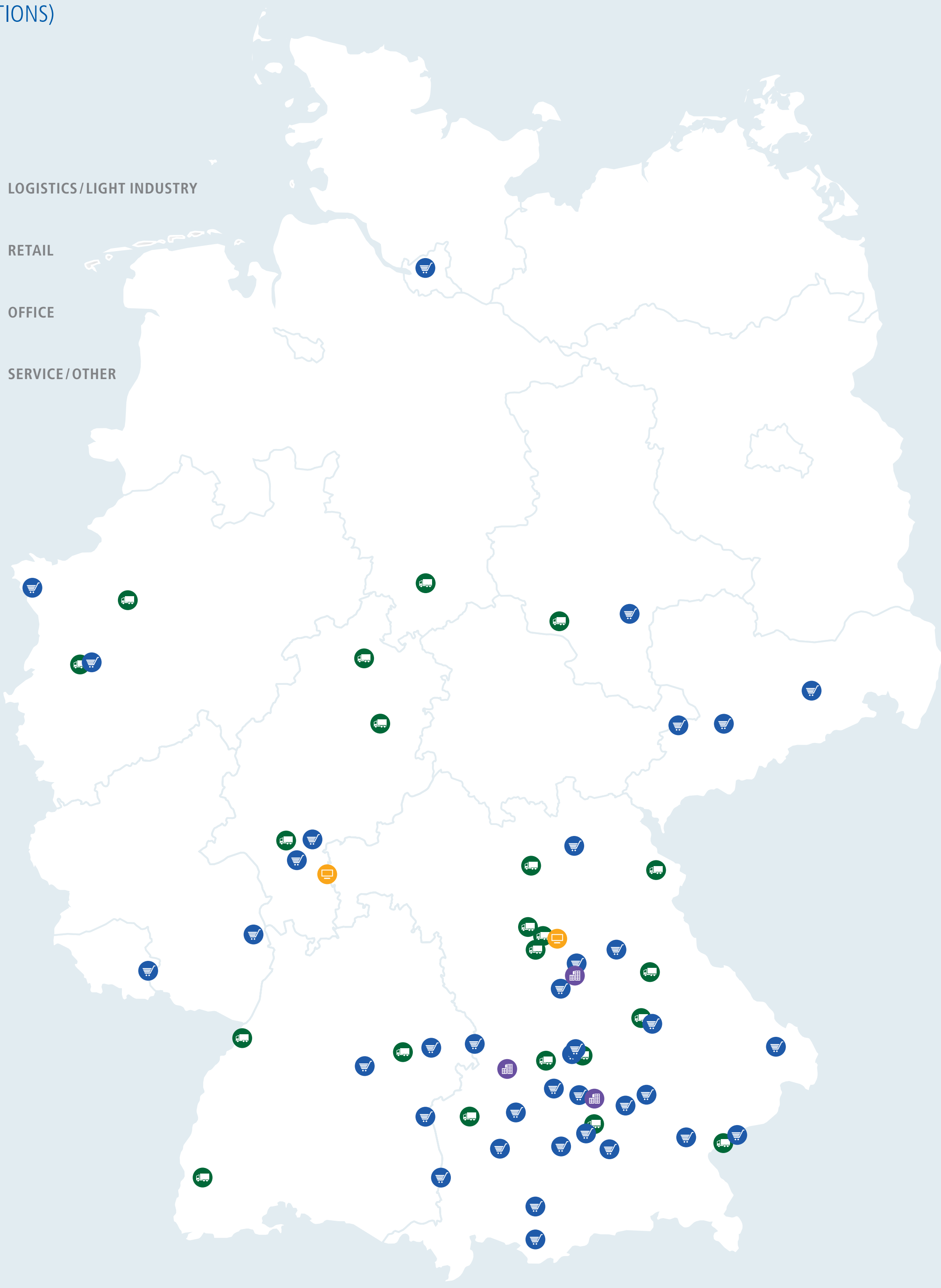
(LOCATIONS)

LOGISTICS / LIGHT INDUSTRY

RETAIL

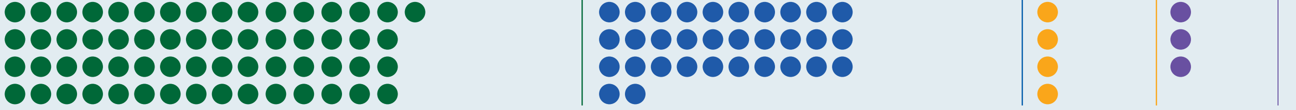
OFFICE

SERVICE / OTHER



NET RENTAL PROCEEDS BY SECTOR

LOGISTICS / LIGHT INDUSTRY	RETAIL	OFFICE	SERVICE / OTHER
61%	32%	4%	3%



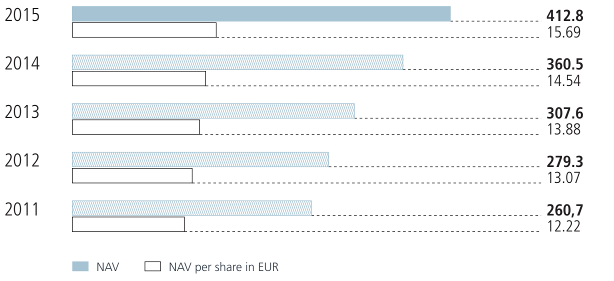
VIB AT A GLANCE

- › **Property company with a strong net asset value** and an investment focus on the economically strong, high-growth region of southern Germany
- › **Strategic flexibility** of the business model in terms of property acquisition, focus on tenants in particular sectors, and financing
- › **Broadly diversified portfolio** comprising 103 properties with more than 1.0 million sqm of rentable floor space and a low vacancy rate (1.8%)
- › **Sustainable growth and high profitability:** annual revenue growth of 9.4% since 2011 and EBT growth of 17% (excluding valuation)
- › **Long-term financing strategy:** annuity loans with a current average interest rate of 3.67%
- › **Strong cash flow:** sustainable increases in FFO facilitate new investments and an attractive dividend policy
- › **Experienced management team** with a strong network and 20-year success story

FIVE-YEAR GROWTH COMPARISON

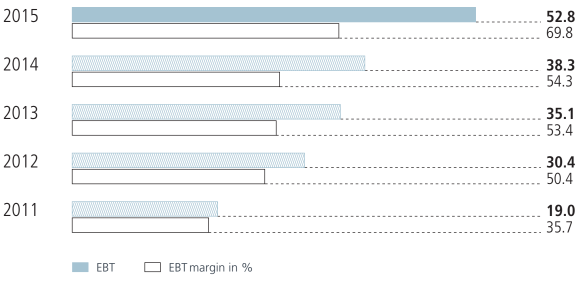
NAV (NET ASSET VALUE) INCL. NAV PER SHARE

IN EUR MILLION



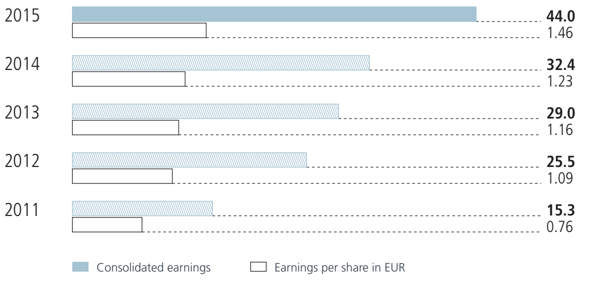
EBT (EARNINGS BEFORE TAX) AND EBT MARGIN

IN EUR MILLION



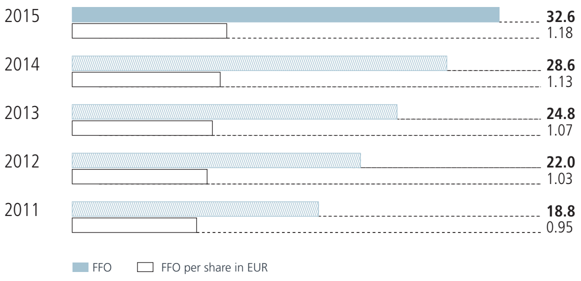
CONSOLIDATED EARNINGS AND EARNINGS PER SHARE (UNDILUTED)

IN EUR MILLION



FFO (FUNDS FROM OPERATIONS) AND FFO PER SHARE

IN EUR MILLION



DEVELOPING VALUES

We take a long-term view – and see this as the basis for sustainable success. At the same time, it makes us more independent of short-term market cycles and industry trends. We have made it our top priority to develop values: values that matter, values that stand the test of time. Our corporate strategy takes this approach into account. Five aspects are at the heart of what we do: property acquisition, in-house property development, the management of our portfolio, our financing policy and, as a consequence, the growth of our share and our dividend. We follow a single goal in all five areas: continuous success, thus enabling us to unite our economic results with the interests of our stakeholders.

VIB – we develop values.

CONTENTS

Martin Pfandzelter
Management Board
Member for Real Estate sector
(COO)

Ludwig Schlosser
Management Board
Chairman (CEO)

Holger Pilgenröther
Management Board
Member for Finance sector
(CFO)

LETTER TO THE SHAREHOLDERS

DEAR SHAREHOLDERS,

With our ten-year stock market anniversary, more than a million square metres of rented floor space and total assets above the one billion mark, we raised the bar in many ways in 2015. These achievements are the result of our long-term strategy. After all, we do not strive for short-term success, but create and develop values.

Ever since November 28, 2005, VIB Vermögen AG has been a firm fixture on the stock markets in Munich and Frankfurt. Looking back, our stock market flotation marked the start of a non-stop success story. This is illustrated perfectly by the growth of our share price. Anyone who invested in VIB back then will have seen the share price climb by about 200% as of the end of 2015; in other words, the share outperformed the SDAX price index by roughly 140%. But that’s not all: since the company became an AG (public limited company) back in 2000, we have continually paid our shareholders a dividend that reflects the success of the company.

We showed the same reliability in our core business. Exceeding the one million square metre mark in terms of rentable space was a key milestone in the history of the company. In fact, it hardly seems a coincidence that we passed this momentous threshold with our largest-ever in-house development to date – a state-of-the-art logistics facility at the Interpark site near Kösching/Ingolstadt. Opened in August, this fully rented property now strengthens our portfolio with some 95,000 sqm of floor space and some 55,000 sqm of usable space. With an investment volume of about EUR 34 million, we managed to achieve an attractive initial return on rent of 9.5% thanks to the high degree of efficiency shown on this in-house development.

Together with two other properties incorporated into our portfolio in 2015, we also took our total assets to a billion euros at the same time we reached our millionth square metre. We are also delighted about this milestone, as it rewards our tireless efforts over the years. Particularly pleasing was the fact that we achieved this growth without relaxing our high standards in terms of profitability. Thanks to our efficient portfolio management, we also brought the vacancy rate down to a mere 1.8%, which is well below the already impressive figure of 2.7% recorded in 2014.

How is this reflected in our operating results? In 2015, we generated operating revenue of EUR 75.6 million, with the 7.2% increase primarily attributable to increased rental incomes. In conjunction with lower operating expenses and a slight fall in the interest result, the increase in operating revenue led to earnings before tax (EBT excluding valuation effects and extraordinary items) of EUR 36.5 million, which corresponds to an above-average rise of around 17% that exceeded our guidance at the start of the year. Consequently, we recorded consolidated net income of EUR 44.0 million, which was up by 35.9 % on the previous year's level of EUR 32.4 million. The undiluted and diluted earnings per share both stood at EUR 1.46. We also improved our cash flow. As an indicator of our cash inflow from operating activities, FFO (funds from operations) rose from EUR 1.13 per share in the previous year to EUR 1.18 per share in the year under review.

The fact that we continued to work on the financing side of the business in 2015 also had a positive impact on our results. We have secured significantly more favourable interest rates ahead of time in respect of the lion's share of our loans for which the fixed interest rates expire in 2016 and 2017. This led to a reduction in the average interest rate on our portfolio of loan borrowings to 3.67% (previous year: 3.91%) and will have an increasingly positive impact on our development, with the full effect to be felt from 2018 onwards.

Dear shareholders, we want you to benefit from our success. Therefore, we will be proposing a dividend of EUR 0.51 per share at the Annual General Meeting for the 2015 fiscal year. This equates to an increase of 6.3% on the previous year and a dividend yield of 3%, taking the share price at the end of the 2015 fiscal year.

We will systematically press ahead with our trajectory path in 2016. We will, of course, have to face the challenges ahead, such as those arising from rising property prices due to the continued low interest rates. We will tackle these challenges with our proven three part-strategy, which enables us to flexibly adjust our business model in line with market conditions. As a result, we have increased our commitment to in-house developments and will continue to seize the available opportunities in this area in 2016. In doing so, we benefit from our extensive network of contacts with a focus on the economically strong regions of southern Germany.

WE WILL TACKLE CHALLENGES WITH OUR PROVEN THREE-PART STRATEGY, WHICH ENABLES US TO FLEXIBLY ADJUST OUR BUSINESS MODEL IN LINE WITH MARKET CONDITIONS.

In terms of the current fiscal year, we plan to further improve upon our strong results from the previous year. We therefore expect the following figures for 2016: operating revenue of between EUR 78.0 and EUR 82.0 million, EBIT of between EUR 58.0 and EUR 61.0 million and EBT of between EUR 38.0 and EUR 40.5 million (before valuation effects and extraordinary items in each case). Furthermore, we anticipate funds from operations (FFO) of between EUR 33.0 and EUR 35.5 million in the current fiscal year.

We would like to take this opportunity to extend our special thanks to our staff. Their commitment and dedication forms the cornerstone of our success. We would also like to thank our business partners for the working relationship based on mutual trust.

We would also like to thank you, our shareholders, for the trust you placed in us during the 2015 fiscal year. We would be delighted if you would continue to accompany us on our course over the years ahead.

Yours faithfully,

Neuburg/Danube, April 27, 2016

Ludwig Schlosser	Holger Pilgenröther	Martin Pfandzelter
(CEO)	**(CFO)**	**(COO)**

SUPERVISORY BOARD REPORT

DEAR SHAREHOLDERS,

The year 2015 was a successful year for VIB Vermögen AG. We recorded solid growth in both revenue and earnings in line with our expectations. We further expanded our property portfolio with targeted acquisitions and project developments. The Supervisory Board is pleased with the positive company growth and extends the Managing Board its unlimited support in terms of the company strategy pursued.

In the 2015 fiscal year, the Supervisory Board examined the position of the company in great detail, thereby fulfilling the advisory and controlling functions incumbent upon it according to both the law and the company's articles of incorporation.

SUPERVISION OF MANAGEMENT AND COOPERATION WITH THE MANAGING BOARD

During the course of the fiscal year, the Supervisory Board monitored the Managing Board's work on a regular basis and consulted with it concerning its management of the company's business. The Supervisory Board was always included in important decisions. The Managing Board's activities gave rise to no objections. The Managing Board informed the Supervisory Board regularly, promptly and in detail about all topics concerning the company's business activities, particularly its performance and financial position, as well as about new investment opportunities.

SUPERVISORY BOARD, MEETINGS AND RESOLUTIONS

A total of five Supervisory Board meetings were held in 2015, all of which were attended by all Supervisory Board members.

At these meetings, the Managing Board informed the Supervisory Board in depth about the company's business progress, as well as developments in sales and earnings.

At the meeting held on March 17, 2015, the Supervisory Board discussed the handling of the interim annual financial statements for 2014, questions of Managing and Supervisory Board remuneration, the report on risks and opportunities for the 2014 fiscal year, property-related issues, and the registered share capital or rather conditional capital. In addition, corporate strategy and planning were also on the agenda.

The annual financial statements (separate and consolidated financial statements) to December 31, 2015, were approved at the Supervisory Board meeting on April 21, 2015. Moreover, the Supervisory Board examined property-related topics, and discussed and improved the agenda for the Annual General Meeting.

The agenda for the meeting held on June 23, 2015, included the current course of business in 2015, the controlling report of March 31, 2015, property-related issues and information on the Annual General Meeting.

The meeting on August 4, 2015, focused on the course of business in the first half of 2015, the risk management and controlling report of June 30, 2015, and property-related issues.

JÜRGEN WITTMANN **FRANZ-XAVER SCHMIDBAUER** **ROLF KLUG**

At the meeting on December 15, 2015, the Supervisory Board focused their discussions on the current course of business in 2015, the controlling report of September 30, 2015, and property-related topics. The agenda also included an examination of Managing Board remuneration and the approval of the 2016 financial calendar.

Important individual transactions, particularly potential real estate transactions and development projects, were also discussed at the meetings, and the resolutions required by law or the company's articles of incorporation were passed in a timely fashion.

As before, no committees were formed due to the efficient size of the Supervisory Board in 2015.

2015 SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

The Supervisory Board reviewed the separate annual financial statements as of December 31, 2015, which the Managing Board prepared according to German commercial law regulations, and discussed them, together with the corresponding audit report prepared by S&P GmbH Wirtschaftsprüfungsgesellschaft, Augsburg, at its meeting on April 26, 2016. The review of the 2015 annual financial statements led to no modifications, and an unlimited audit opinion was issued. The separate annual financial statements as of December 31, 2015, were approved without objections and are thereby adopted. The Supervisory Board concurs with the Managing Board's proposal concerning the application of retained earnings.

The Supervisory Board also reviewed the 2015 consolidated annual financial statements, which the Managing Board prepared according to International Financial Reporting Standards (IFRS), and discussed them, together with the corresponding audit report prepared by S&P GmbH Wirtschaftsprüfungsgesellschaft, Augsburg, at its meeting on April 26, 2016. The audit of the 2015 consolidated financial statements also resulted in no amendments, with an unlimited audit opinion being issued and the consolidated financial statements as of December 31, 2015 being approved by the Supervisory Board. At its meeting on April 26, 2016, the Supervisory Board also approved the agenda for the Annual General Meeting on June 30, 2016.

The Supervisory Board wishes to thank the Managing Board, as well as all employees, for their contribution to the successful development of the VIB Group.

Neuburg/Danube, April 27, 2016

Franz-Xaver Schmidbauer
(Chairman)

OUR BUSINESS MODEL

SUCCESS BASED ON FLEXIBILITY

We continue to be nimble, as our business model can be flexibly adjusted and is therefore ideal in terms of seizing any market opportunities that present themselves. At the same time, it enables us to react immediately to changes in market and underlying conditions. We make adjustments to three strategic core components:

01 › **Type of property acquisition** – in other words:
Where do new properties for our portfolio come from?

02 › The sector **focus of our tenants**

03 › The structuring of **property financing** with a view to the source of capital.

This flexibility within our business model makes us unique.

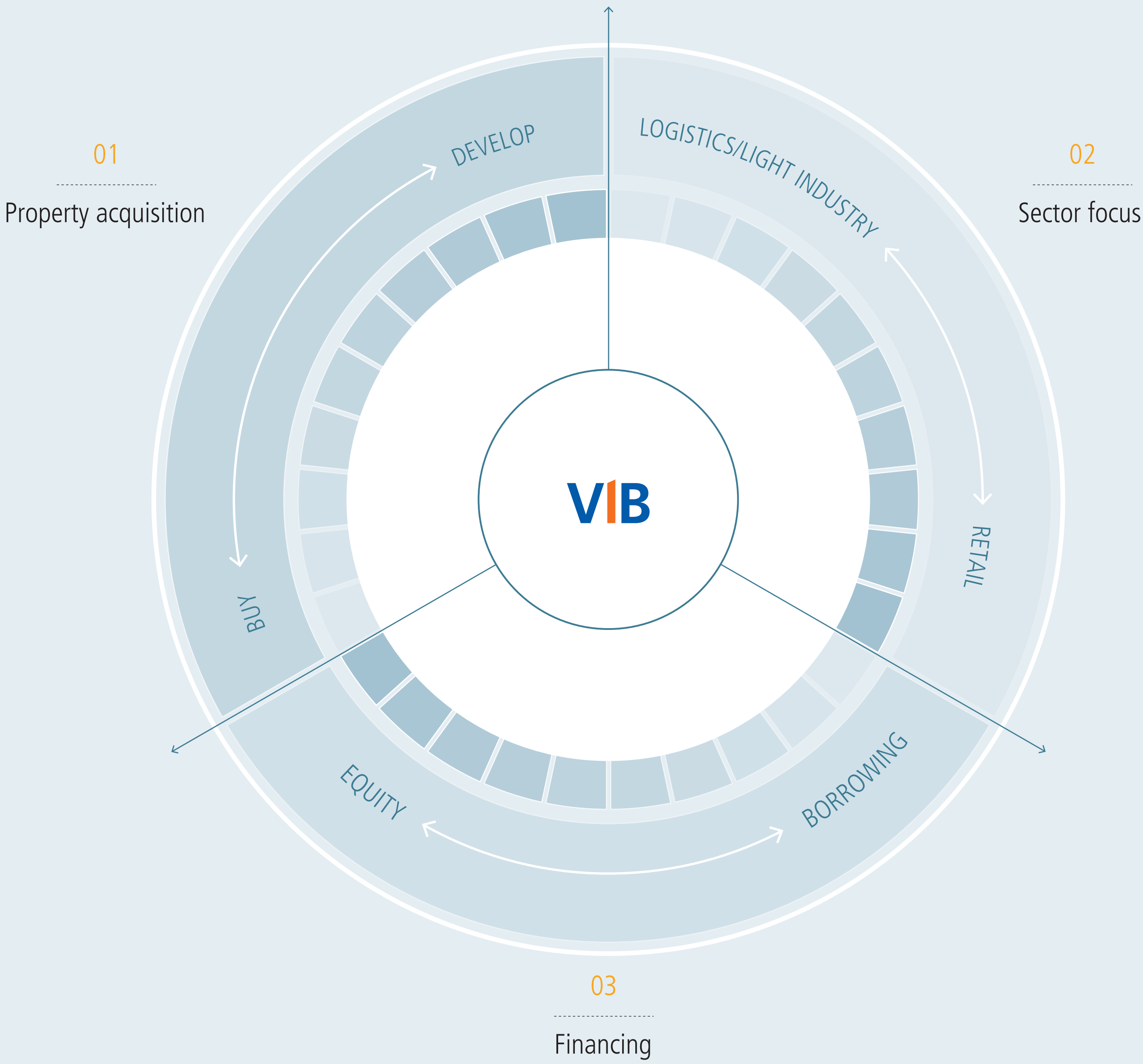
Buy or develop? That's the big question when it comes to property acquisition. What gives us an edge is that we can do both. In an era where property prices are rising appreciably, we are concentrating increasingly on a strategy of designing and building properties ourselves. We are able to do so thanks to our extensive expertise and a wide-ranging network. By contrast, we acquire more properties on the market whenever we spot attractive offers or such offers are presented to us by our network partners. In both cases, it goes without saying that they have to meet our clearly defined returns criteria.

Another key factor is the industry in which our tenants operate. We work primarily with companies in logistics/light industry, on the one hand, and with retailers, on the other. We possess outstanding expertise in both sectors, as well as an intuitive feeling for tenant needs and market trends. When concluding new rental agreements, our priorities therefore lie where we see the greatest potential for stable and reliable tenants – and therefore rents – in the future.

Each and every project has its own set of requirements – including in terms of financing. Our extensive access to the capital market enables us to strike the right balance between equity and debt financing. On the debt financing side, we rely primarily on annuity loans, which are ideal for the financing of long-term property projects. At the same time, they give us an opportunity to secure attractive long-term conditions in a low interest rate climate. On the equity side, we utilise the entire spectrum of available measures, from traditional capital increases through to mandatory convertible bonds, depending on the market situation at the time. A key criterion in this regard is dilution protection for our shareholders.

We will continue to keep sight of all three core components of our business model and adjust them in line with requirements, the aim being to continuously grow the value of our company.

THE THREE CORE COMPONENTS OF OUR BUSINESS MODEL

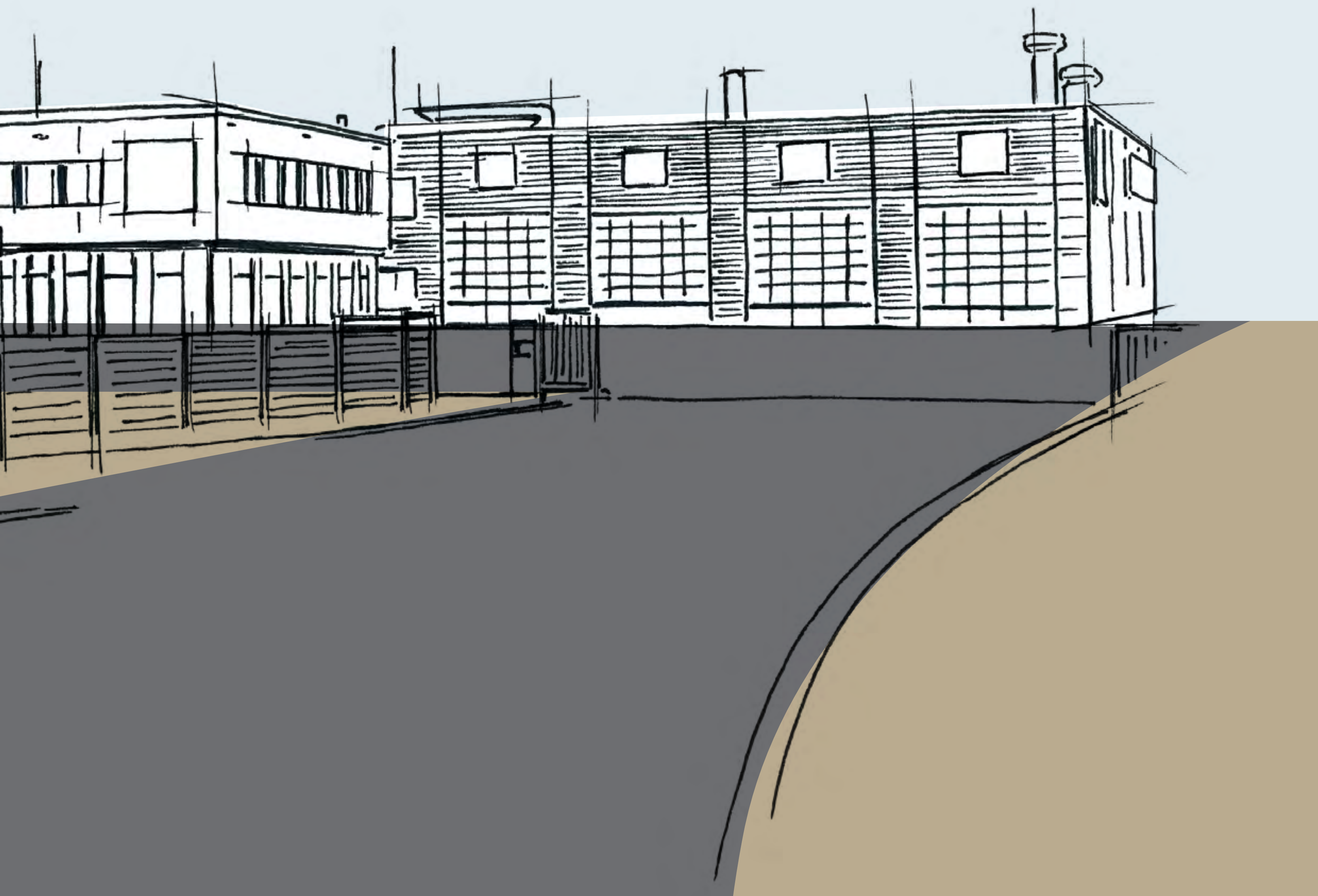


We play it safe and go 100% in terms of project development: we are building a pipeline of attractive sites at an early stage. When planning properties, we consider the needs of our potential tenants without losing sight of alternative utilisation.

100%

IMPLEMENTING PLANS

Alongside property acquisition, we have always developed properties for our portfolio. Our services range from site selection and acquisition through to planning, letting, financing, contracting and on-site construction monitoring. During the planning phase, we are guided by the individual needs of our tenants. In addition, we ensure good alternative usability, which, for instance, is the result of excellent location and a highly functional property. In keeping with our risk-aware approach, large sections of the future property are often already rented at the time construction gets under way. This is how we put into practice bespoke concepts with appreciable added value for our customers, whilst ensuring that we are able to plan reliably.



OUR HIGHLY PROFITABLE IN-HOUSE DEVELOPMENT PROJECTS ENABLE US TO KEEP GROWING, EVEN IN AN ERA OF CONTINUOUSLY RISING PROPERTY PRICES.

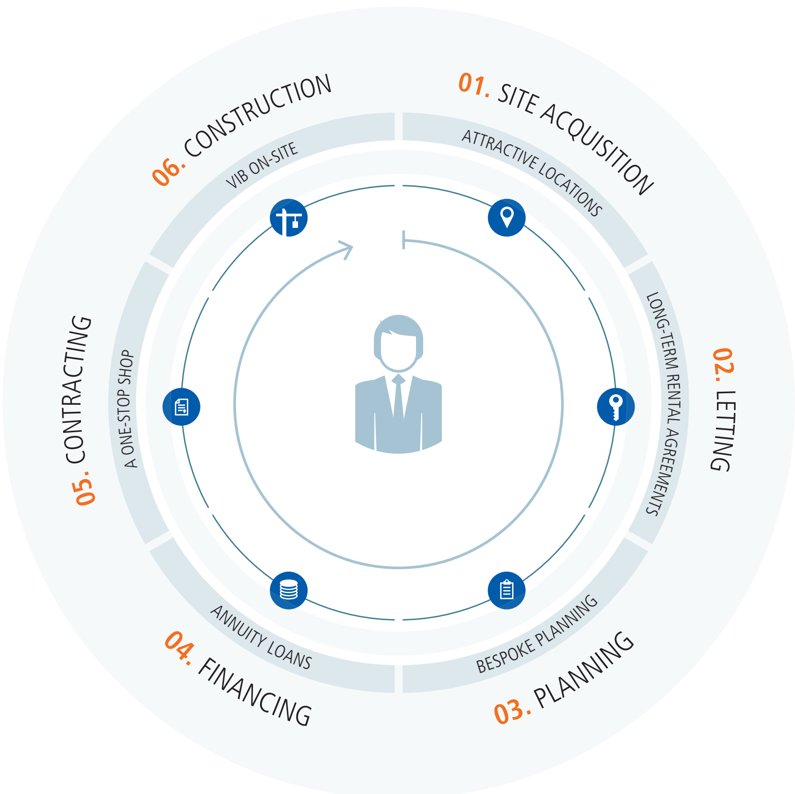
STRATEGIC FLEXIBILITY

Our ability to develop high-quality properties ourselves increases our strategic flexibility and sets us apart from the competition. We focus more strongly on in-house developments in times of rising property prices, as we can handle additional elements of the value chain within our company and therefore see additional potential for value increase.

Our access to a sufficient supply of sites is the basis for our in-house developments. Some of these are presented to us via our wide-ranging network in southern Germany. It goes without saying that we also proactively observe the market to search for suitable sites that are tailored to the usage requirements of our existing and potential tenants.

Our efforts are always focused squarely on the needs of our customers – our tenants. We gear our work to the maximum benefit for them.

OUR PROJECT DEVELOPMENT PROCESS



01. SITE ACQUISITION
When acquiring sites, we look for good transport links and an attractive industrial or commercial setting.

02. LETTING
Prior to construction, we conclude rental agreements with tenants who boast high credit ratings, thus ensuring predictable rental incomes. We link our rents to a consumer price index, thus ensuring profitability over the long term.

03. PLANNING
We consult closely with our future tenants before building work commences and tailor the property to their precise needs. We optimise the energy requirements at the planning stage, in order to reduce operating costs and damage to the environment.

04. FINANCING
We finance development projects using equity and long-term annuity loans, thus gradually increasing our Net Asset Value.

05. CONTRACTING
As part of our in-house developments, we work regularly with carefully selected general contractors.

06. CONSTRUCTION
Our experts personally supervise the implementation of the construction project and ensure that customer needs are met.

1 m sqm

With the completion of the Interpark project, the rentable space in our total portfolio exceeded the 1 million sqm mark.

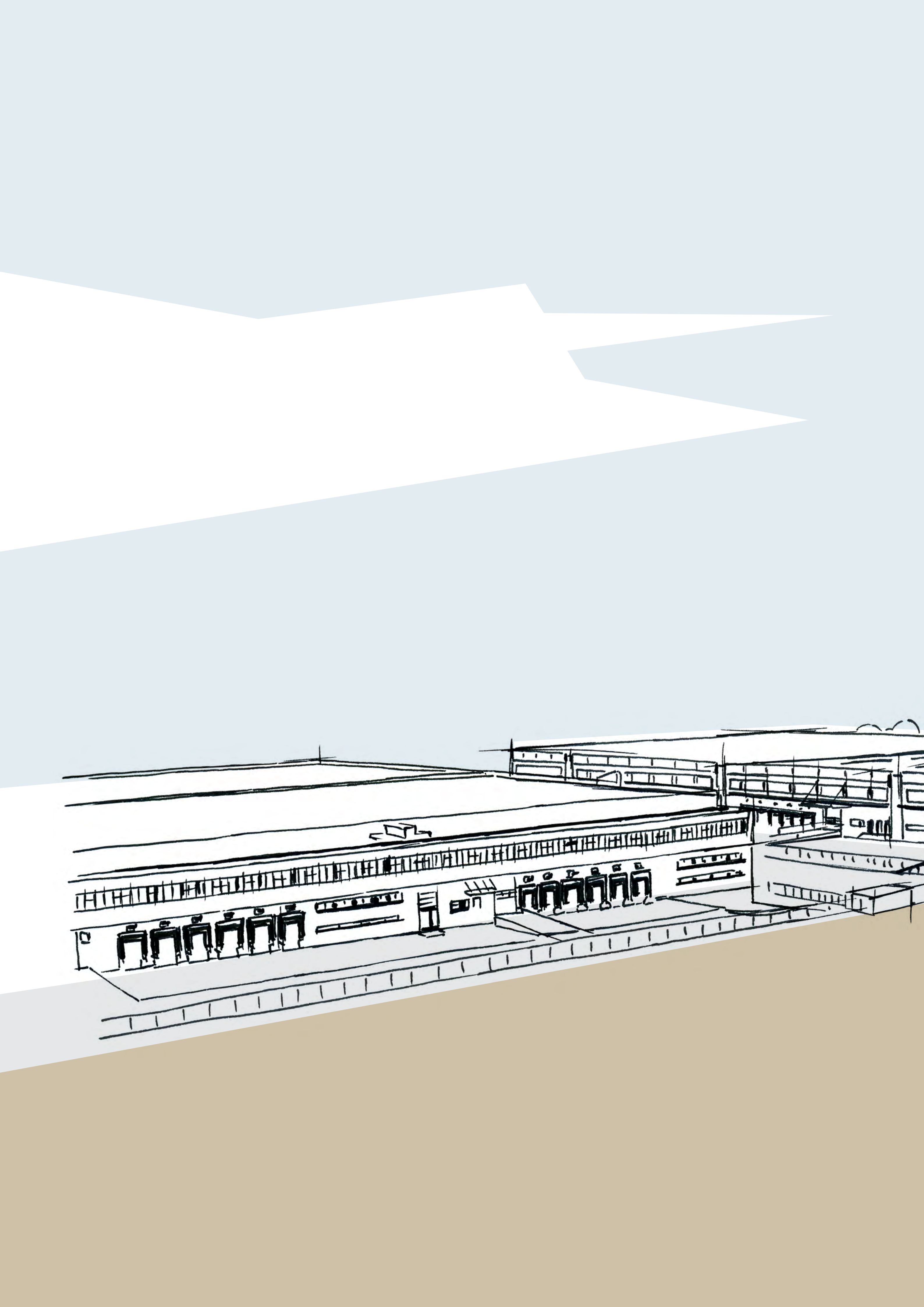
INTERPARK PROPERTY 55,000 SQUARE METRES OF CUTTING-EDGE LOGISTICS SPACE

The year 2015 saw us add our largest in-house development to date to our portfolio, namely a state-of-the-art logistics facility at the Interpark site near Kösching/Ingolstadt. Interpark is one of the most important industrial parks in southern Germany. It is situated in direct proximity to Ingolstadt and within the catchment area of the Munich and Nuremberg metropolitan regions. The property, which was completed in August 2015, offers some 95,000 sqm of floor space and some 55,000 sqm of usable space. It is fully rented to two tenants with excellent credit ratings. The premises were handed over to the two companies – one from the logistics industry and one from the automotive industry – following a construction phase lasting just 9 months. The investment volume stood at approximately EUR 34 million. Due to the high level of efficiency of this in-house development, we achieved an attractive initial return on rent of 9.5%.

The Interpark industrial park offers further project development potential – and we have already secured further promising sites on the estate.

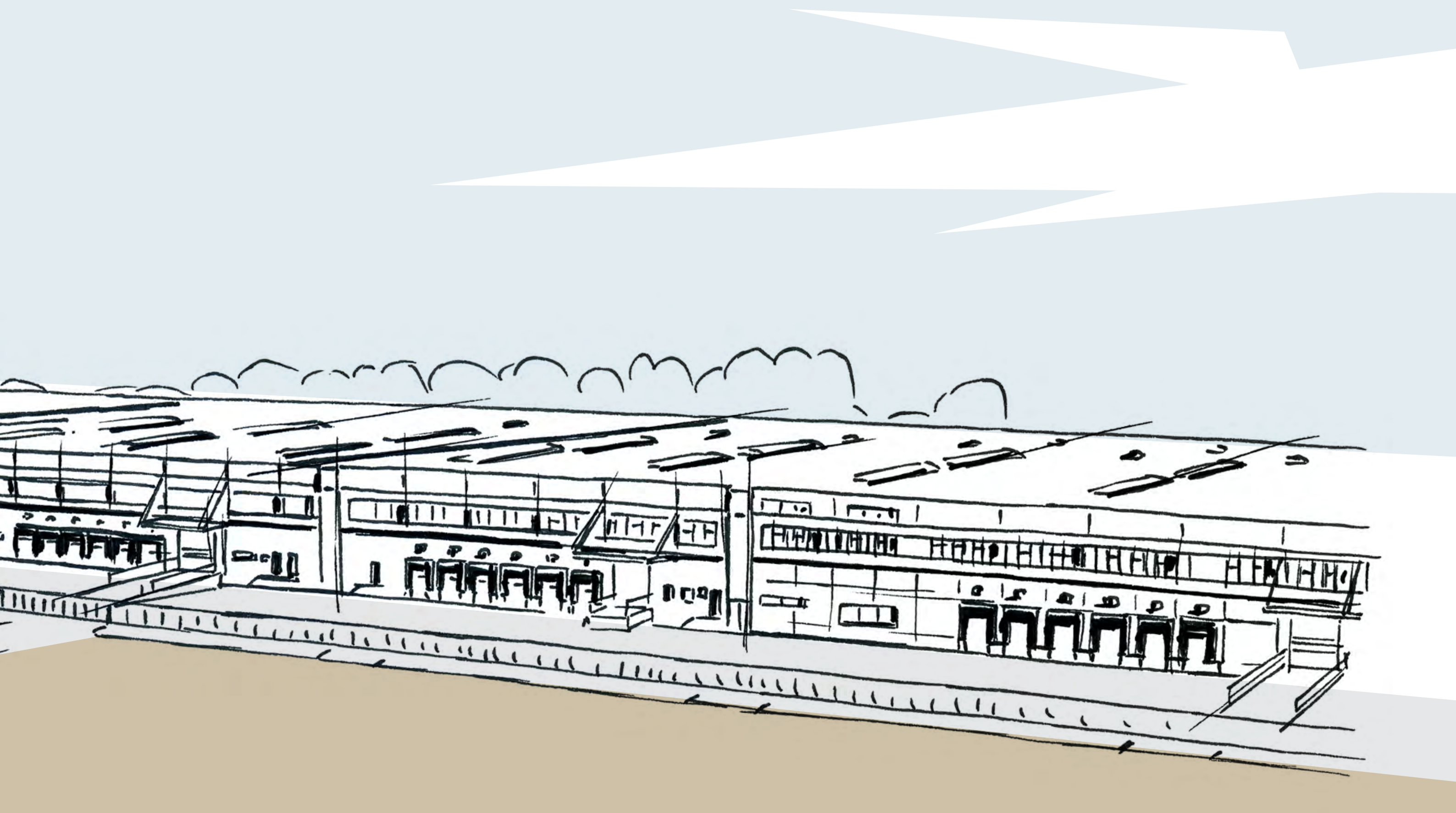
Alongside the Interpark project, we added our fourth MAN-Service Station (in Freiburg-Umkirch) to our portfolio at the beginning of the year. This in-house development has been generating stable rental income since February 2015 and generated an initial return on rent of 7.4%. We invested a total of EUR 7.5 million in the project, which is subject to a 20-year lease agreement.

- **Cutting-edge logistics facility at Interpark, near Ingolstadt**
- **Interpark is one of the most important industrial parks in southern Germany and is situated within the catchment area of Munich and Nuremberg**
- **Investment volume:** approx. EUR 34 million
- **Useful area:** 54,915 sqm
- **Hall space:** approx. 51,000 sqm
- **Office, communal and mezzanine space:** approx. 4,000 sqm
- **Initial return on rent:** approx. 9.5%
- **Vacancy rate:** fully rented
- **Tenants:** Audi, Preymesser



SEIZING OPPORTUNITIES

The successful acquisition of a commercial property depends on access to promising real estate, the right financing and solvent tenants. As part of our investment strategy, we observe the market on an ongoing basis and use the available opportunities to expand our portfolio by acquiring attractive properties.

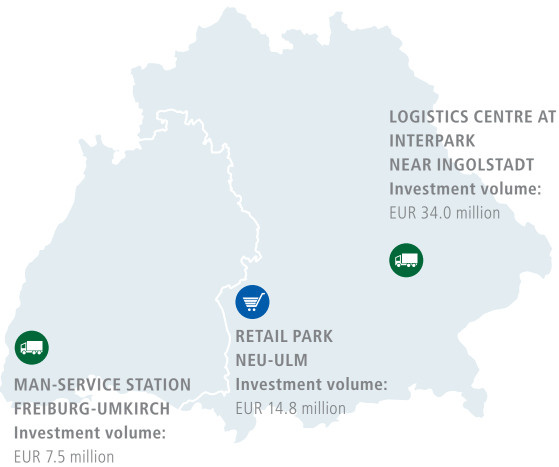


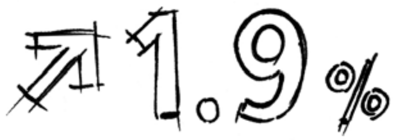
24 %

is the share of the total gross domestic product attributable to our target sectors of logistics/light industry and retail.

WE LIKE TO INVEST IN AREAS WE KNOW LIKE THE BACK OF OUR HAND.

NEW INVESTMENTS IN 2015





Forecast growth of the logistics and retail sectors in 2016 in Germany

AT HOME IN SOUTHERN GERMANY

We chiefly invest in properties located in the economically prosperous region of southern Germany. This region has excellent transport links thanks to its location in the heart of Europe, which is an especially important factor for many of our customers in the logistics industry. At the same time, southern Germany has a high density of industry with a corresponding demand for rental properties, not to mention low unemployment and high purchasing power. We harness these benefits with our close network of potential vendors and intermediaries, as well as our local knowledge. In other words, we like to invest in areas we know like the back of our hand. We also anticipate an increasing demand for high-quality commercial properties in southern Germany in the future, particularly due to the material prosperity, the diverse economic structure and the socio-demographic prospects, which are above the German average.

But our portfolio also includes properties outside southern Germany, often as a result of our tenants expanding to other areas of the country. We see this as further proof of the trust shown in VIB and our extensive knowledge of the commercial property market.

FOCUSING ON THE RIGHT SECTORS

Alongside the regional aspect, we concentrate on properties within sectors for which we see attractive future prospects. We are referring primarily to the logistics/light industry and retail sectors. Thanks to our more than 20 years of experience in the property business, we possess a high level of specialist knowledge, which helps us acquire properties and ensures that we never lose sight of tenant needs.

In terms of the logistics/light industry sector, we take into account one of the most significant developments in modern-day logistics. Logistics is no longer just the traditional storage or forwarding of goods, but increasingly includes various upstream and downstream activities. Therefore, the sector is becoming more and more like an extended workbench and is assuming greater responsibility for the success of its customers. These activities are also known as light industry. In light of these new requirements and changing consumer behaviour, high-quality and multifunctional logistics properties have become more and more important, whether in terms of increasing goods distribution on key transport routes or state-of-the-art e-commerce. Nowadays, more and more end consumers are buying small units online, which leaves retailers facing the huge challenge of adjusting their logistics processes to make them more flexible. And that is where we come in as a partner of choice. After all, very few providers possess the skill set to find the right property solutions to these demands.

Our second focus sector is retail. In recent years, growth in this sector has been fuelled mostly by resiliently strong domestic demand in Bavaria and Baden-Württemberg. Looking at the underlying economic conditions, we anticipate that this trend will continue over the next few years. Therefore, we will continue to focus many of our investment activities in this sector.

Here too, however, it is important to recognise the needs of future tenants. Modern retail outlets prefer to have about three times as much floor space as 20 years ago, which results in criteria such as flexibility and scope for expansion taking centre stage in relation to property.

PARTNERS ON AN EQUAL FOOTING

When acquiring new investment properties, we benefit from our broad network of regional partners. By virtue of our many years of industry experience, this network spans renowned companies and tenants, as well as banks, other intermediaries, local authorities and local decision makers. We maintain our personal contacts, which are based on mutual trust, on a regular basis, as reliability is paramount to us. We therefore build long-term partnerships, negotiating directly and on an equal footing to secure fair conditions – which gives us a key competitive edge.

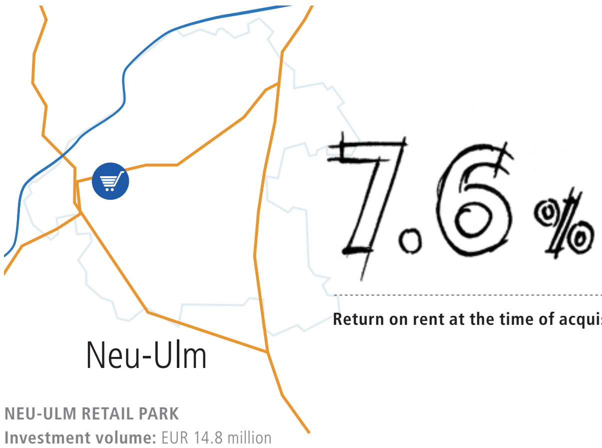
Thanks to our network, we gain regular access to new properties and attractive sites, which we then subject to a structured selection and inspection process. The result is a pipeline of potential investment properties in respect of which we conduct detailed individual talks.

UNDER THE MICROSCOPE

In order to maintain the high quality level of our portfolio, ensure sustainable rental incomes and minimise vacancy rates, we have set out stringent investment criteria. When making investments, we therefore minimise incidental costs and ensure a tax-optimised structure. The location and the usability of the property play a vital role and, last but not least, the price has to be right. Here, we are aware of the challenges posed by a market in which financing costs are at a historic low, which in turn is pushing up the cost of property prices.

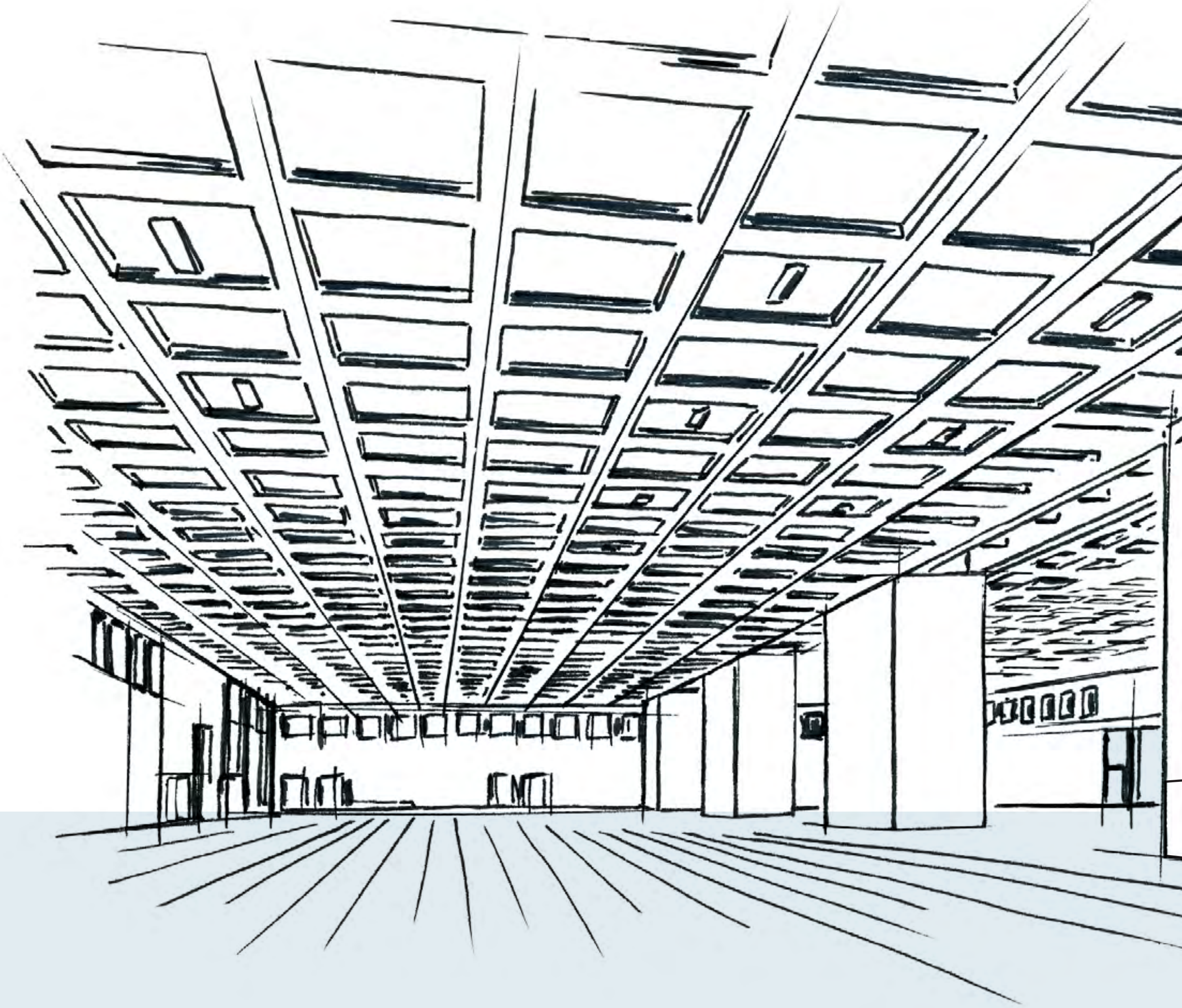
SUCCESSFUL NEW ACQUISITION IN 2015

In 2015, we expanded our portfolio with the acquisition of a retail park in Neu-Ulm. The park boasts excellent transport links and is situated in a highly frequented industrial estate in the Ulm / Neu-Ulm region, which crosses a state border. The total useful area of the property measures 18,740 sqm. At the time of acquisition, the property was rented to tenants with good credit ratings on long-term rental agreements of up to 15 years. Large parts of the property were extensively modernised and remodelled. Total investment stood at EUR 14.8 million. At the time of acquisition, the property generated a return on rent of approx. 7.6%.



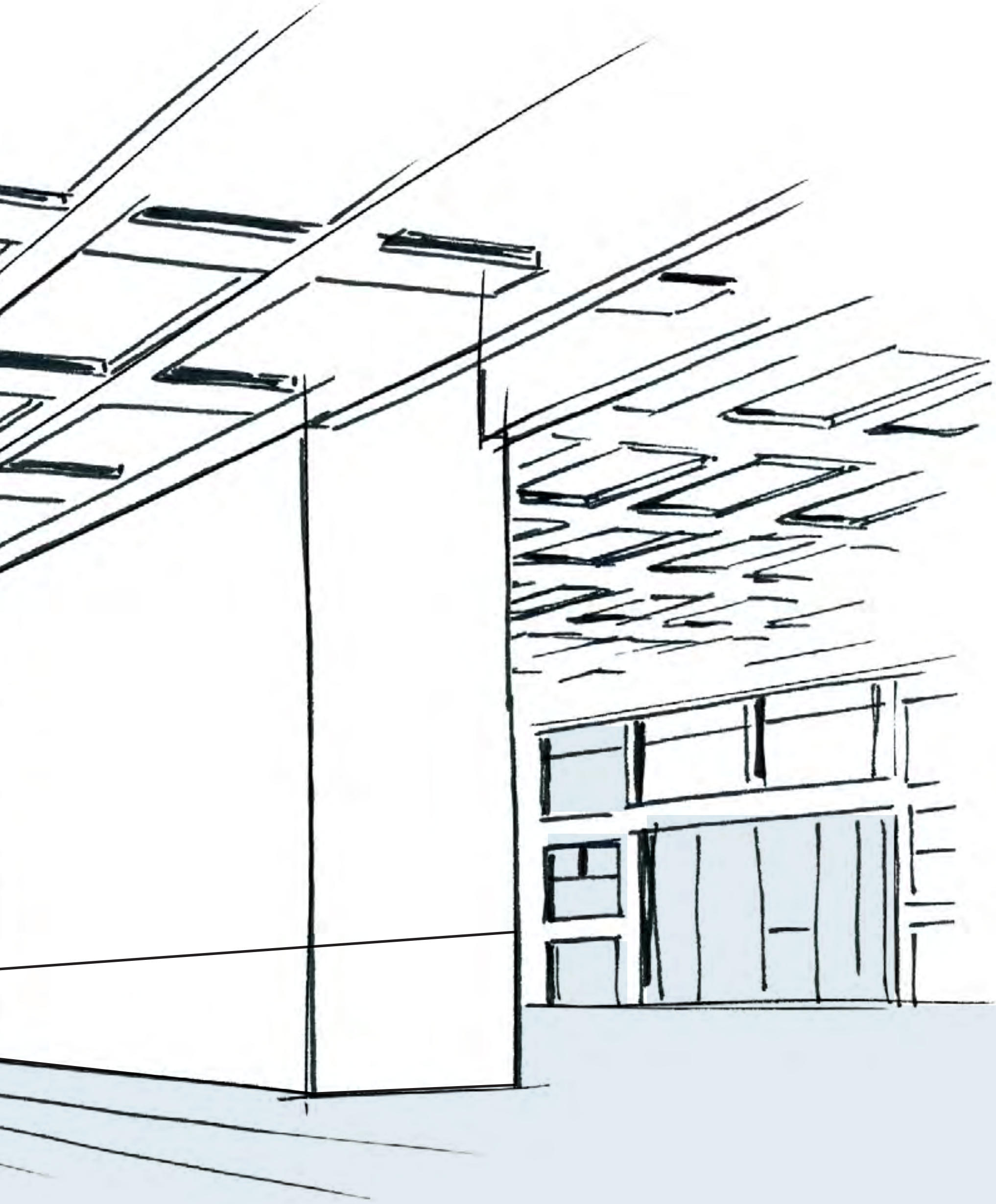
Return on rent at the time of acquisition

NEU-ULM RETAIL PARK
Investment volume: EUR 14.8 million
Useful area: 18,740 sqm
Term of rental agreement: up to 15 years



GENERATING ADDED VALUE

We don't just develop and buy properties – we keep them, too. Our aim is to expand our portfolio in order to generate steadily increasing rents. Therefore, we can continuously and sustainably increase the value of our portfolio – and therefore our company – in the interests of stakeholders. In 2015, we exceeded the key milestone of one million square metres of rentable floor space.



1.8 %

was our low vacancy rate, which is below the industry average. It is a further 0.9 percentage points down on the previous year’s figure.

IN 2015, WE EXCEEDED THE KEY MILESTONE OF ONE MILLION SQUARE METRES OF RENTABLE FLOOR SPACE.

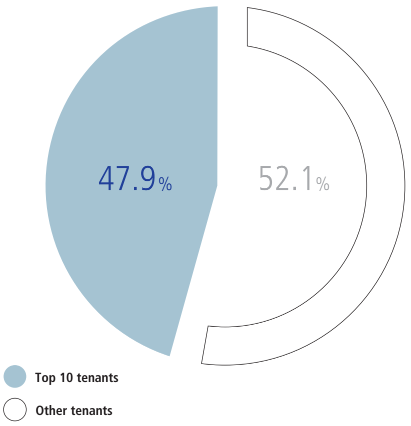
We manage all our properties ourselves, which we believe gives us three benefits: firstly, we remain in direct contact with our tenants and gain key insights into their needs. Secondly, it is the best way to meet our high quality standards and, thirdly, we avoid the high costs associated with external service providers. A further positive upshot is that we can use our network to quickly find a new tenant should the existing one move out. As a result, our vacancy rate is well below average. In 2015, we managed to further reduce the already low figure of 2.7% and thus posted a rate of 1.8%, which comes in below the average for the industry.

RELIABLE TENANTS, RELIABLE RENTS

In order to keep the vacancy rate low in the future, we focus our efforts on the acquisition of renowned tenants with excellent credit ratings. In the logistics/light industry sector, tenants include Geis Industry-Service, the Rudolph Group or big-name brands such as Audi or Continental. In the retail sector, we serve tenants such as ALDI, Edeka, Dehner and BayWa Bau- und Gartenmärkte GmbH & Co KG. A credit check is performed on all companies prior to the conclusion of a rental agreement in order to minimise the risk of rental default.

TOP 10 TENANTS OF VIB VERMÖGEN

SHARE OF THE TOP 10 IN TOTAL ANNUAL NET RENTS



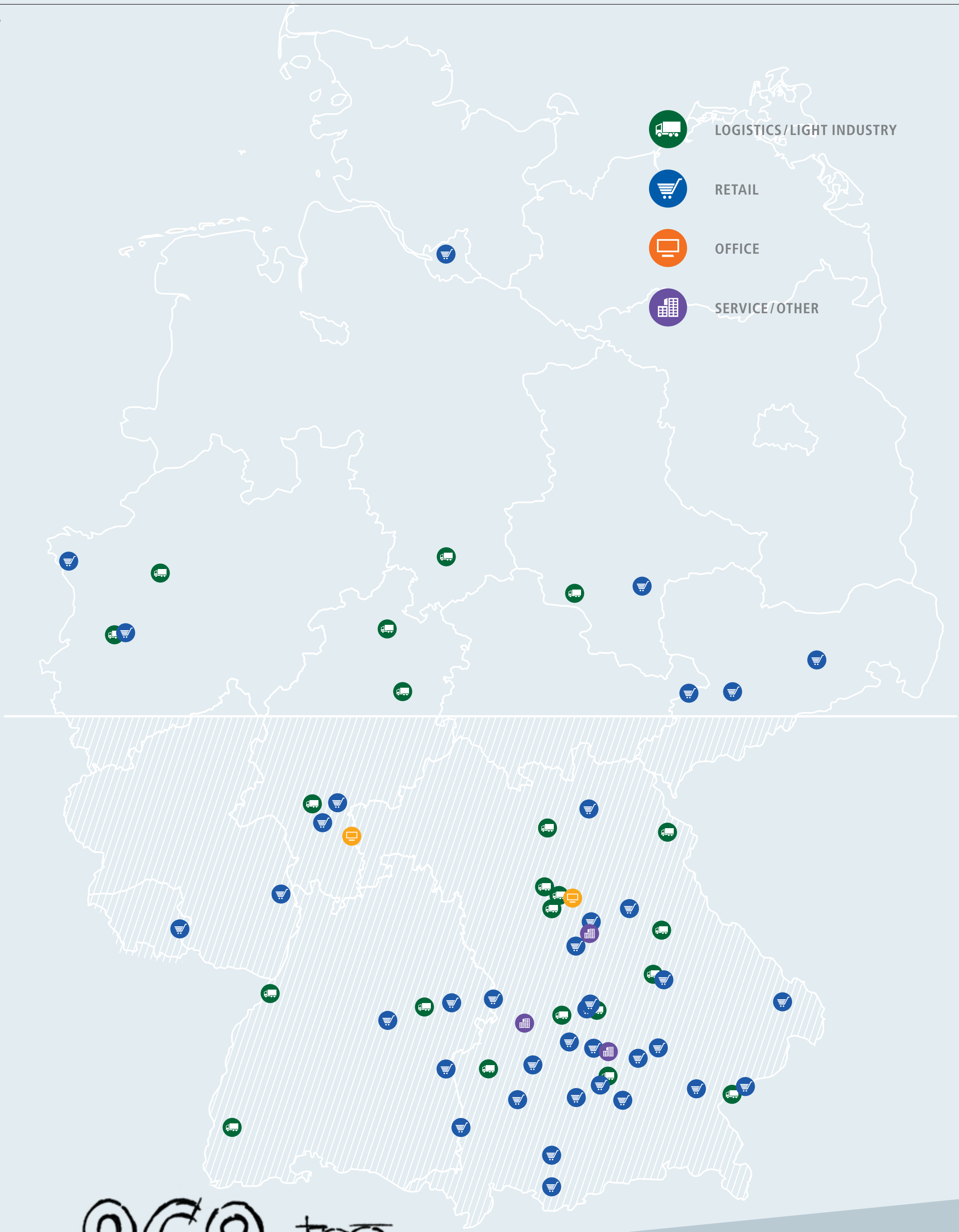
NAME OF TENANT	SECTOR	SHARE OF TOTAL ANNUAL NET RENTS	SITES
Dehner	Wholesale/retail	9.7%	15
Rudolph Group	Logistics/light industry	7.6%	11
Geis Industrie-Service GmbH	Logistics/light industry	6.1%	2
Gillhuber Logistik GmbH	Logistics/light industry	3.9%	1
Loxess Group	Logistics/light industry	3.7%	2
BayWa Bau- und Gartenmärkte GmbH & Co. KG	Wholesale/retail	3.6%	3
Anylink Systems AG	Logistics/light industry	3.5%	1
Continental Automotive GmbH	Logistics/light industry	3.5%	2
Audi	Logistics/light industry	3.3%	2
Lidl-Schwarz Group	Wholesale/retail	3.0%	4
Top 10 tenants in total		**47.9%**	**43**

Last updated: December 2015

To enable us to plan more effectively, we also prefer long-term rental agreements. In 2015, the average term of all rental agreements across our portfolio stood at 6 years and 3 months, which was on a par with the pleasing level witnessed in the previous year. Due to the high degree of customer loyalty we enjoy, we usually automatically extend rental agreements with initial short terms or convert them into indefinite rental agreements.

PORTFOLIO STRUCTURE WITH A FOCUS ON GERMANY

NUMBERS



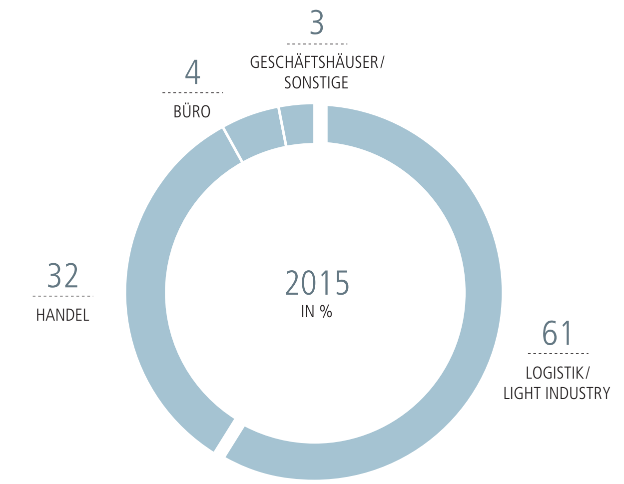
EUR 969 m

Market value of the VIB Vermögen portfolio

KEY PROPERTY PORTFOLIO INDICATORS AT A GLANCE

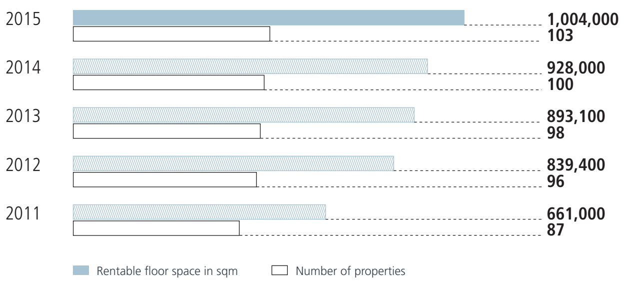
	31/12/2015	31/12/2014
Number of properties	103	100
Rentable space	approx. 1,004,000 sqm	approx. 928,000 sqm
Annualised rental proceeds	EUR 68.0 million	EUR 62.7 million
Vacancy rate	1.8%	2.7%

NET RENTAL PROCEEDS BY SECTOR IN 2015



GROWTH IN RENTABLE FLOOR SPACE / NUMBER OF PROPERTIES

AS OF THE END OF THE YEAR

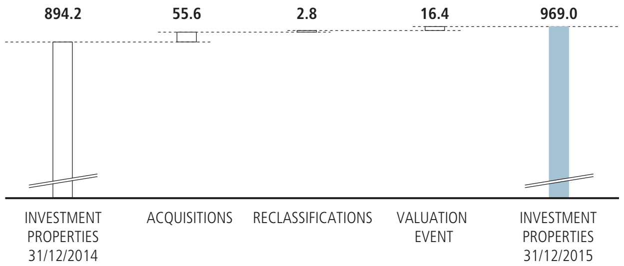


RENT RETURNS BY SECTOR AS OF 31/12/2015

IN %	
Logistics/light industry	7.5
Retail	7.0
Office	7.6
Service and other	5.5

GROWTH IN MARKET VALUE OF PORTFOLIO INVESTMENT PROPERTIES

IN %



SENSIBLE RISK DISTRIBUTION

We ensure that the share of total rental proceeds attributable to any single tenant remains proportional. We do this in order to keep the concentration risk low. In the year under review, none of our tenants had a share in excess of 10%, with the largest ten companies in total making up less than half of total net rental proceeds.

In 2015, our tenants from the logistics/light industry sector made up about 61% of our net rental proceeds, followed by companies from the retail industry with some 32%. We generated around 4% of our net rental proceeds by letting office space, followed by service and other properties with about 3%.

OUR PORTFOLIO IN FIGURES

In 2015, we exceeded the key milestone of one million square metres of rentable floor space. As of December 31, 2015, our portfolio included a total of 103 properties with a rentable floor space of 1,004,000 sqm. The market value of our property portfolio (including properties under construction) rose to EUR 969 million as of December 31, 2015. The year-on-year increase is primarily attributable to the acquisition of the retail park in Neu-Ulm and to our two in-house developments, the logistics centre at Interpark near Kösching/Ingolstadt and a MAN servicing centre in Freiburg-Umkirch.

The average return on rent across the entire property portfolio remained at an attractive 7.24% as of December 31, 2015, which was more or less on a par with the previous year.

We attach particular importance to a realistic valuation of our property portfolio. Every year, we ask an external appraiser to determine the market value of our portfolio using the generally recognised discount cash flow method.

Average return on rent

EUR 1 m

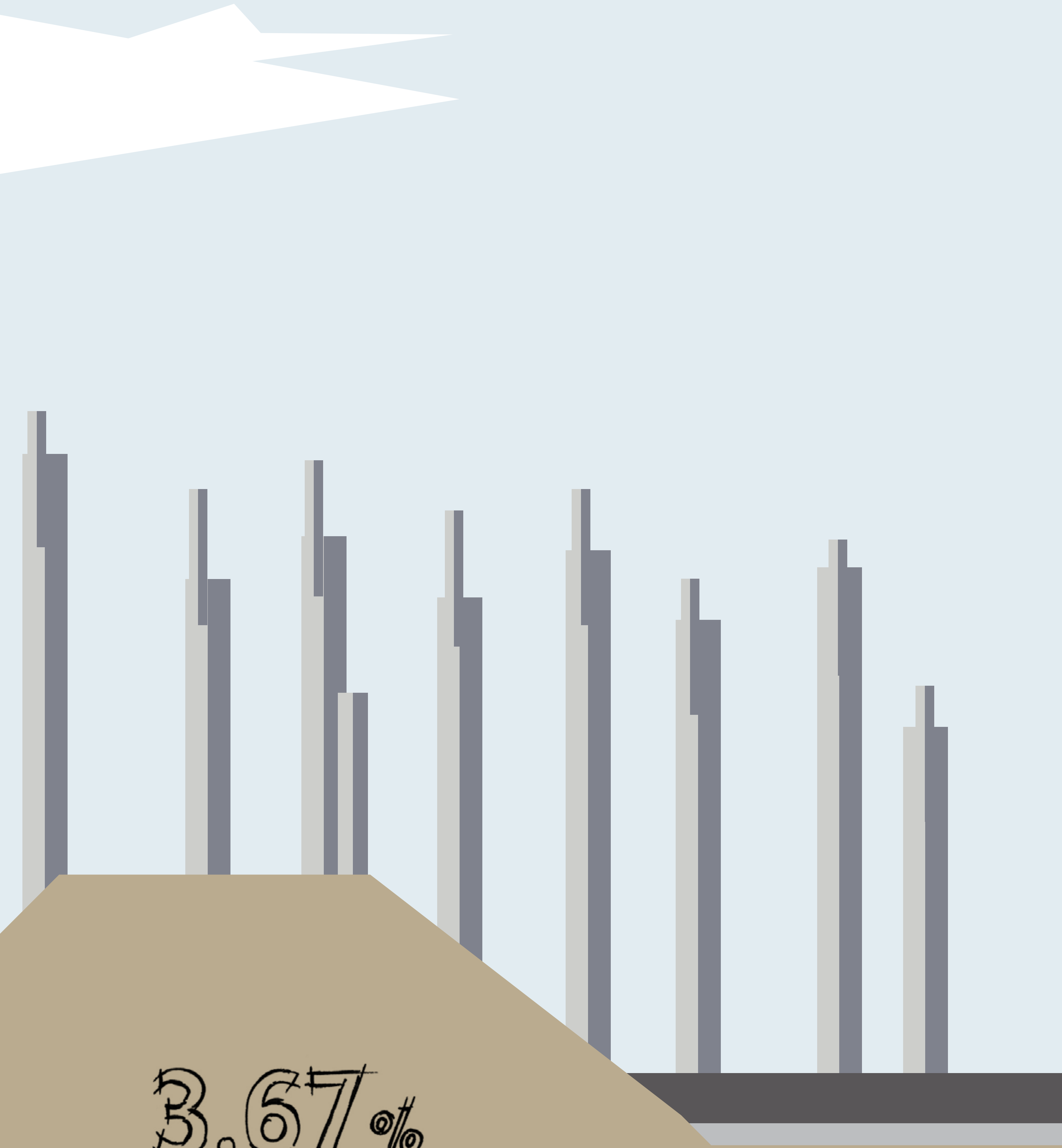
Investments in the Gersthofen modernisation project

CITY CENTER GERSTHOFEN TO REMAIN STATE OF THE ART

In order to keep our properties attractive to tenants over the long term, we continuously invest in their upkeep and maintenance. A current example is our property City Center Gersthofen, which we will extensively modernise in the first half of 2016. Here, we will invest about one million euros in the rejuvenation of all areas of the shopping centre. Measures are taken to modernise the interior, the external facade and the ambience as a whole, bringing them into line with the needs and expectations of today's tenants and visitors. Cutting-edge technologies, a uniform external identity (including improved advertising structures) and a new guidance system will ensure an interesting and enjoyable shopping experience from now on. As part of the revamp of the City Center property, we will also expand the range of services on offer. At the same time, the work aims to pull in further attractive tenants to the site.

Across the Group, we invested a total of EUR 2.5 million in the modernisation of our portfolio in the year under review.

- **Useful area:** approx. 8,000 sqm
- **Tenants:** 41
- **Initial return on rent:** approx. 95%

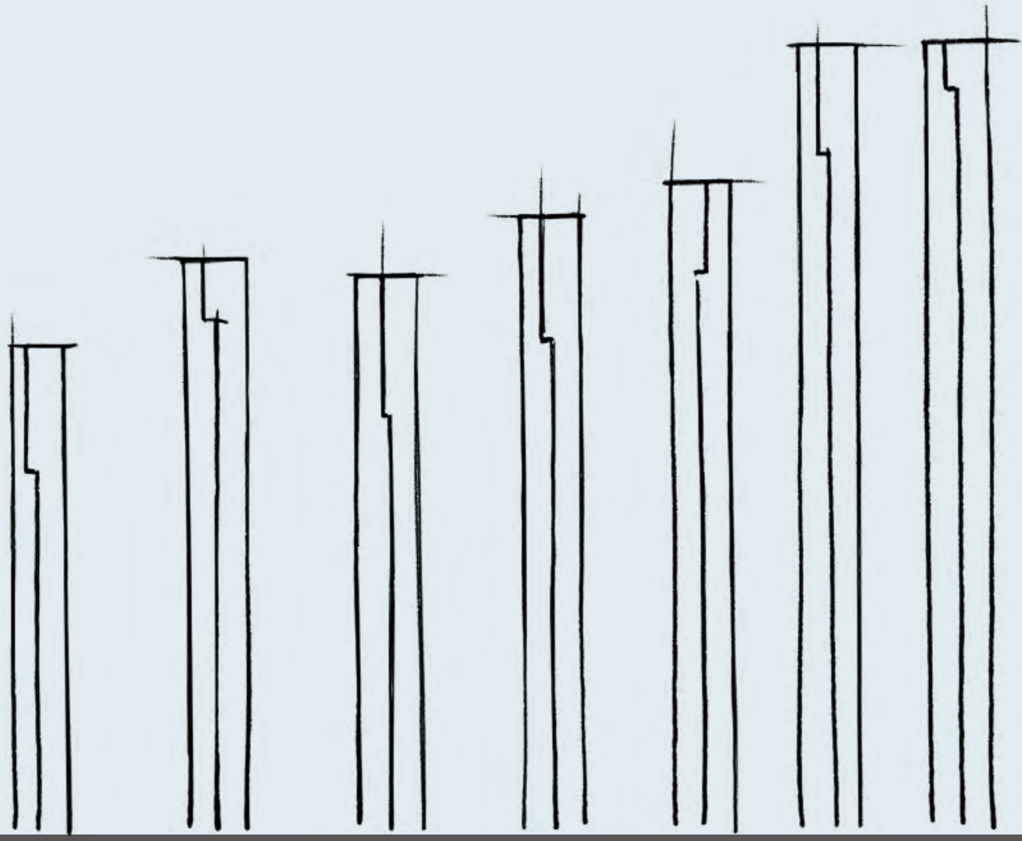


3.67%

was the average interest rate applicable to our loan portfolio as of December 31, 2015, down from 3.91% as of December 31, 2014. Due to continuous optimisation of our financing mix, the trend of a falling average interest rate will continue in the years ahead.

GROWING SUSTAINABLY

Like everything we do, our financing strategy is geared towards long-term needs. We therefore combine a healthy equity base with borrowing instruments whose risk we can control. In the year under review, we further optimised our financing mix in order to benefit from the attractive interest rate climate that currently prevails.



IN 2015, WE SECURED THE CURRENT LOW INTEREST RATES ON A LONG-TERM BASIS FOR AROUND 95% OF LOANS FOR WHICH THE FIXED INTEREST RATES EXPIRE IN EITHER 2016 OR 2017.

ANNUITY LOANS AS A SOLD BASIS

In accordance with our approach, annuity loans are one of the cornerstones of our property financing. This loan type is characterised by constant payment amounts (annuity instalments) across the entire term of the loan. The monthly annuity we pay includes both a repayment portion and an interest portion. In this way, the outstanding debt on the loan is repaid step by step, with the result that the interest portion within the fixed annuity decreases over time, whilst the repayment portion increases accordingly. As a result, the company continuously increases its Net Asset Value (NAV). Moreover, annuity loans offer three key benefits in comparison with other loan types:

- First of all, the future cash outflows are easy to plan due to the agreement of constant instalments over the entire term of the loan.
- Secondly, the debt can be precisely calculated and decreases steadily over time.
- Thirdly, there is no financing risk, as it is normally only necessary to renegotiate the interest upon expiry of the original fixed-interest period.

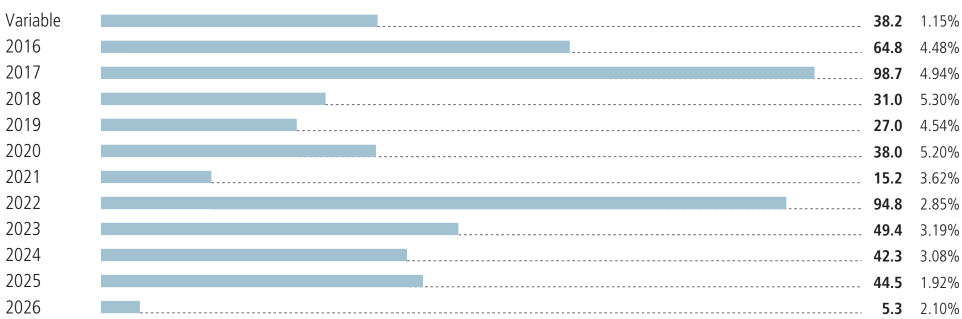
Beyond that, we also favour the instrument of fixed interest rates, with a view to the predictability of future interest rate payments. In 2015, we used forward agreements to secure, in the long term, the current low interest rates for around 95% (approx. EUR 160 million) of loans for which the fixed interest rates expire in either 2016 or 2017.

Our financing costs in 2015 fell compared to the previous year. The interest rate on our borrowing portfolio stood at 3.67% as of December 31, 2015 (previous year: 3.91%).

Due to the solid financing situation, our loans generally do not contain any conditions in the form of covenants.

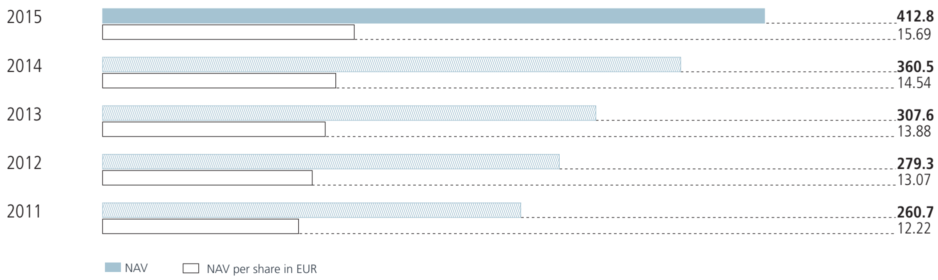
COMPOSITION OF BORROWINGS BY REMAINING TERM AND AVERAGE INTEREST RATE

IN EUR MILLIONS



GROWTH IN NAV AND NAV PER SHARE

IN EUR MILLION



FINANCIAL STABILITY

The instrument of the mandatory convertible bond, which we used in the years 2012 to 2014, is an extremely attractive option for us. In particular, the benefits to us from this financing method lie in the fact that we can already use the funds as equity when acquiring property, thus widening the investor base and further diversifying our sources of financing.

We attach the utmost importance to an appropriate equity ratio. We managed to improve on the already strong figures of previous years, achieving a ratio of 40.3% at the end of the year under review, in comparison to 39.4% as of December 31, 2014.

The financial stability of VIB Vermögen is also measured by the ratio of net debt to asset value. This indicator, which is known as “loan to value”, improved to 53.1% as of December 31, 2015 (December 31, 2014: 53.7 %).

Thanks to a balanced financing mix, solid portfolio growth and our stable equity base, we further improved the Net Asset Value (NAV) of VIB. Since 2011, this indicator has risen from EUR 260.7 million to EUR 412.8 million as of the balance sheet date December 31, 2015. The undiluted NAV per share rose accordingly to EUR 15.69 as of the end of the year under review. This equates to an increase of about 28% compared to 2011.

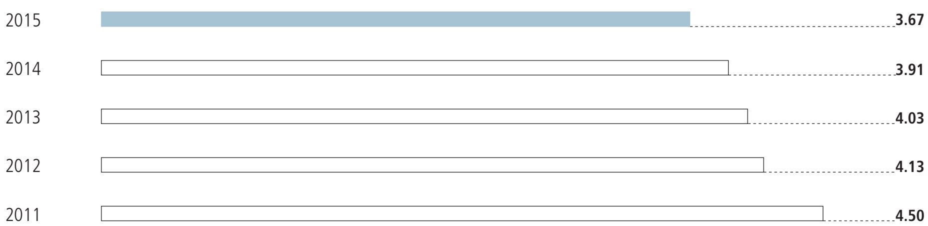
28%

Increase in NAV per share since 2011

Overall, we have excellent access to attractive financing, which we secure over the long term by maintaining and building upon our relations with a variety of financing partners.

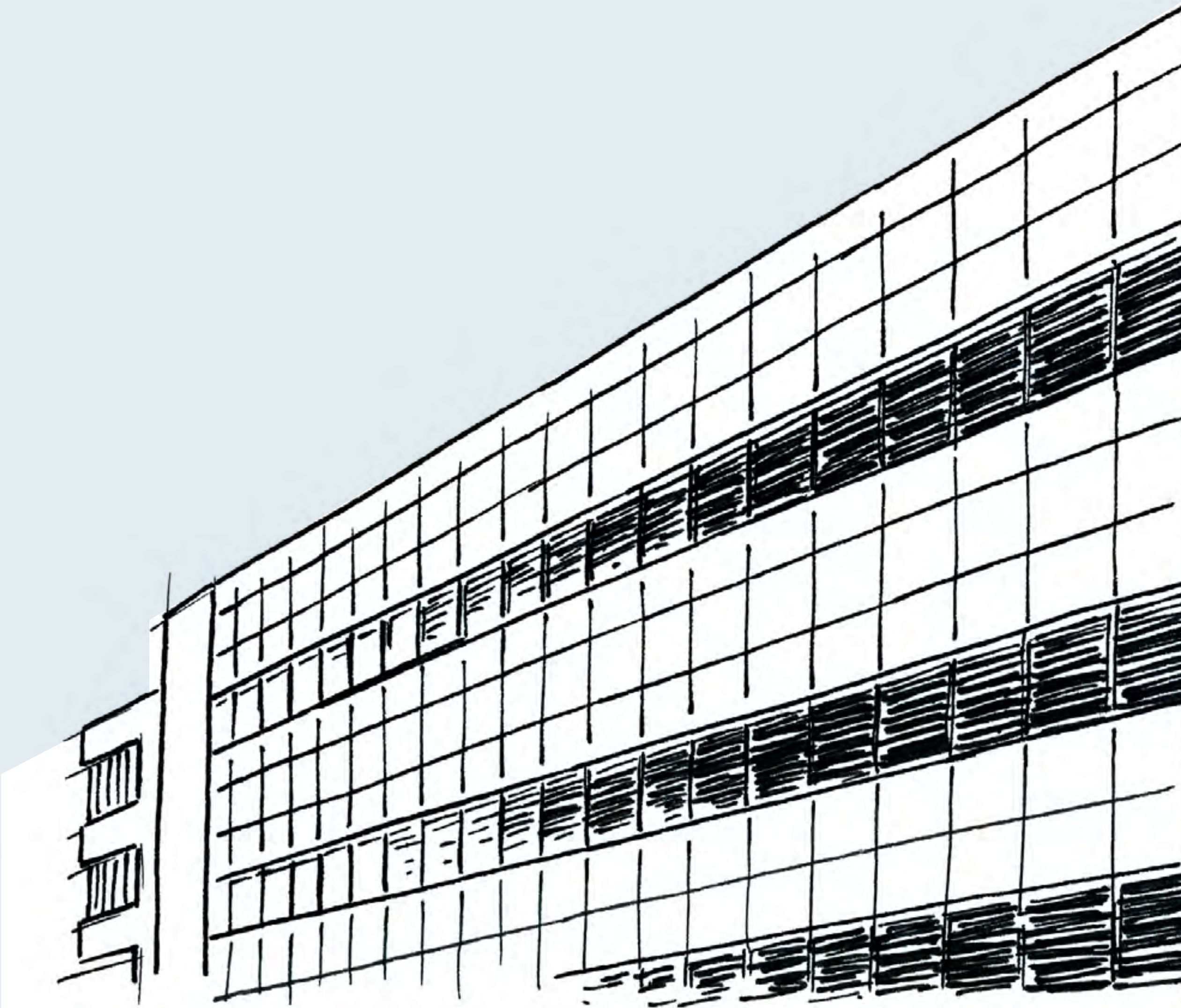
AVERAGE INTEREST RATE FOR THE LOAN PORTFOLIO (AS OF THE END OF THE YEAR)

IN %



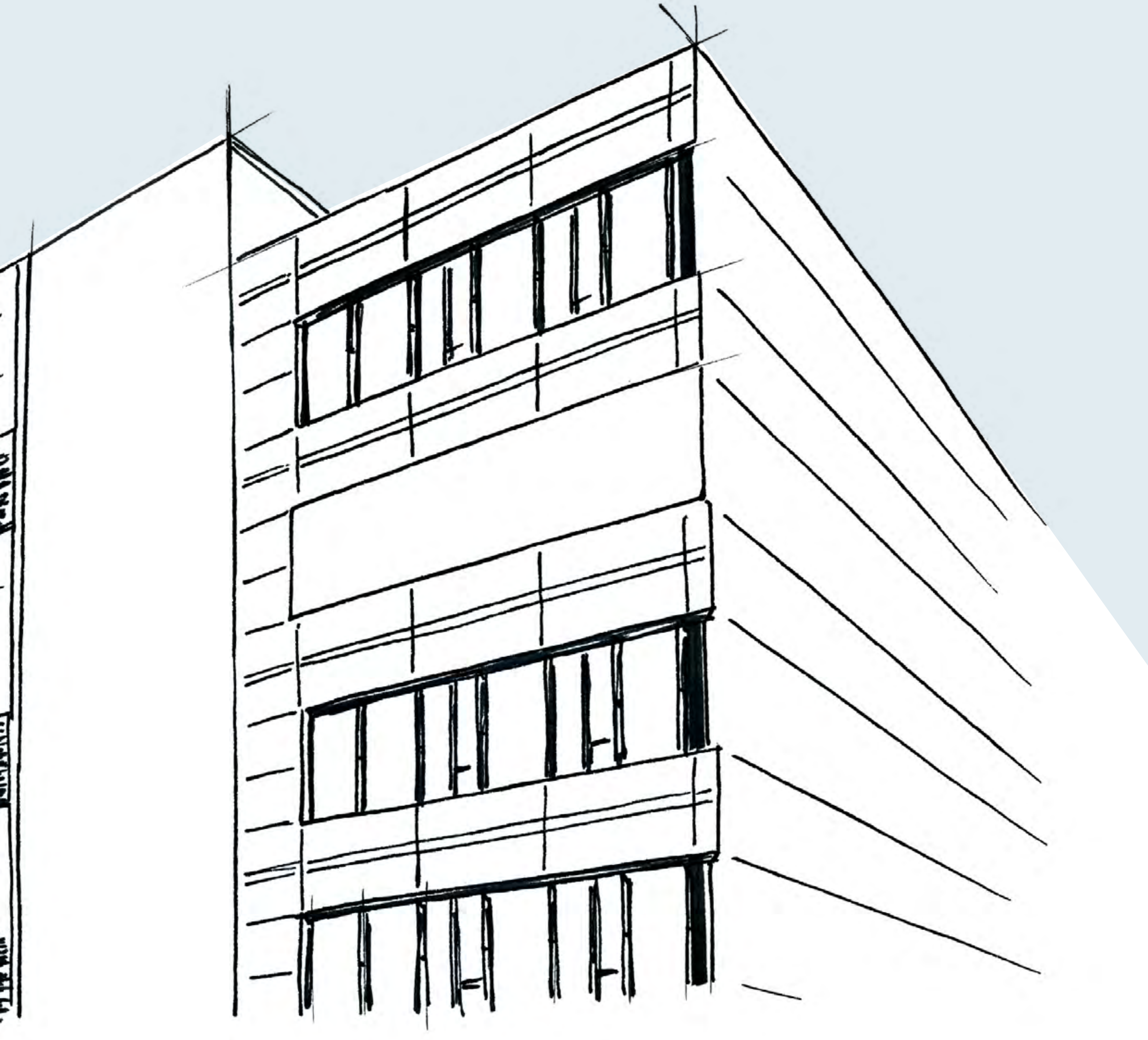
BOOSTING PERFORMANCE FURTHER – **THE SHARE**

We have set ourselves the goal of continuously increasing the value of the company in the interest of shareholders and ensuring that they benefit appropriately from the success of VIB, particularly by means of solid operating growth that is reflected in a rising share price and a sustainable dividend policy.



18 %

Our share continued its positive development in 2015 and, taking the year as a whole, the share price rose by 18%.



WITH A DIVIDEND YIELD OF 3%, THE COMPANY IS CONTINUING ITS POLICY OF SHARING ITS SUCCESS WITH THE SHAREHOLDERS IN AN APPROPRIATE MANNER OVER THE LONG TERM.

The year 2015 was once again a very pleasing year for our company. Coming in at around 18%, the increase in our share price was roughly on a par with the levels witnessed in the past 2 years. Therefore, the growth of the VIB share was only slightly below that of the SDAX (price index) and above that of the German leading index DAX (price index) and the industry index EPRA Germany.

With a dividend proposal of EUR 0.51 per share, we would like our shareholders to benefit from the company's success in the year under review to an appropriate extent.

KEY DATA AND SHARE INDICATORS

KEY DATA

Sector	Real estate
Securities identification number (within Germany)	245751
ISIN	DE0002457512
Stock symbol	VIH
Listing	November 28, 2005
Stock exchanges/market segments	Munich: open market (m:access), Frankfurt: open market/XETRA
Share type	No-par-value bearer shares

SHARE INDICATORS

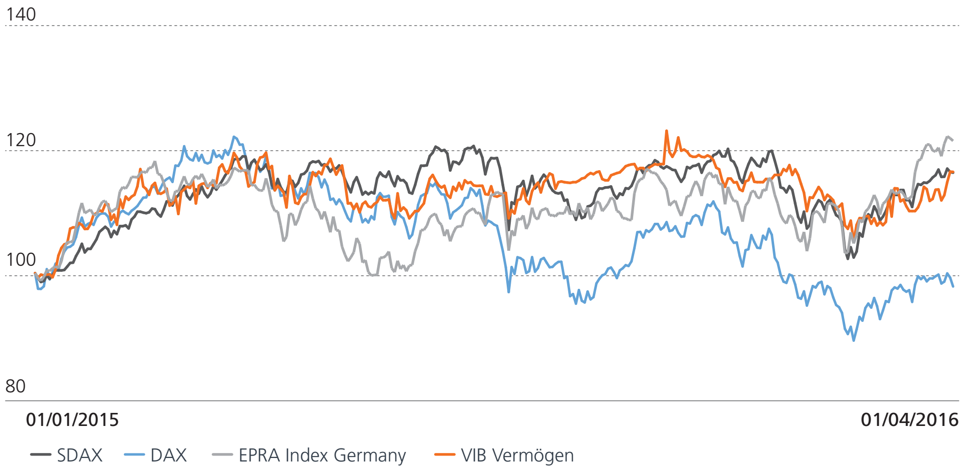
Subscribed share capital	EUR 26,308,405
Nominal value per share	EUR 1.00
Number of outstanding shares	26,308,405
Net Asset Value (NAV) per share (undiluted)	EUR 15.69
Balance sheet equity (consolidated)	EUR 406,754 thousand
Dividend per ordinary share for the 2015 financial year	EUR 0.51*
Opening price for the year	EUR 14.49
Closing price for the year	EUR 17.10
Annual high	EUR 18.42
Annual low	EUR 14.35
Average daily trading volume in 2015 **	21,700 shares
Market capitalisation (31/12/2015)	EUR 449.9 million

* Management proposal
** Xetra and all stock exchanges

VIB SHARE SHOWS STRONG INCREASE IN 2015

SHARE PRICE DEVELOPMENT

SINCE JANUARY 1, 2015 (INDEXED COMPARISON WITH EPRA AND THE DAX AND SDAX INDEXES), IN %



Below, the VIB share is compared with the price indexes DAX and SDAX. The price indexes are shown for reasons of objective comparability of the share price movements, as they do not include dividend payments or subscription rights.

MARKET DEVELOPMENT

IN %	**2015**	2014
VIB Vermögen AG	18.0	21.7
EPRA Germany	17.4	40.6
DAX (price index)	7.3	1.5
SDAX (price index)	23.3	3.1

The German DAX price index was characterised by relatively high volatility in 2015. Although it reached a new all-time high of 6,331 points on April 10, 2015, it then fell back to 4,730 points on September 24, 2015. The DAX closed at 5,390 points on December 31, 2015, an overall increase of 7.3%. The SDAX index grew much more strongly. Taking the year as a whole, it rose by 23.3% to 4,650 points.

Our share continued its positive growth in 2015. The share price rose sharply in the first quarter, in particular, before assuming a sideways trend for the rest of the year. Against a background of minor volatility, the share price fluctuated primarily between EUR 16.00 and EUR 18.00 and closed at EUR 17.10 on December 31, 2015. Taking the year as a whole, our share price rose by 18.0%.

EUR 449.9 m

As of the end of the year under review, market capitalisation is 27% up on the end of 2014.

EUR 15.7

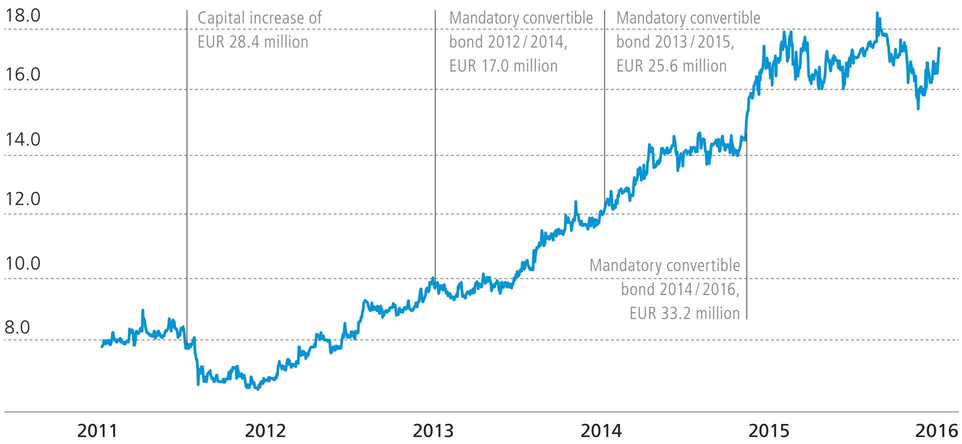
Net Asset Value rises to a new 5-year high

In the fiscal year under review, the VIB share slightly outperformed the comparative index relevant to the real estate sector, EPRA Germany. This sector index, which comprises the major German property companies, grew by 17.4% over the course of 2015 and came in at 0.6 percentage points below the increase witnessed in the VIB share.

As at the start of 2016, our share price continued to rise, closing the first quarter of 2016 at EUR 17.29, an increase of 1.1%.

5-YEAR TREND OF THE VIB SHARE

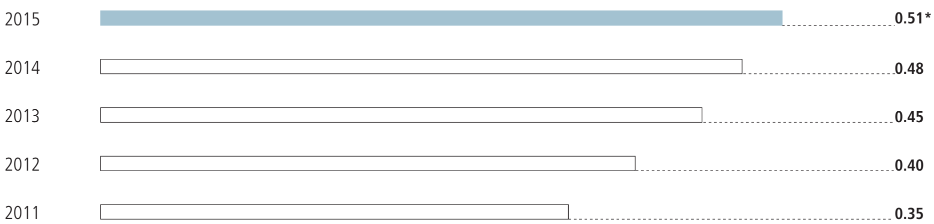
IN EUR



The 5-year trend clearly illustrates the positive growth of the VIB share. The pleasing development of our share price is driven in part by the continuous growth of the VIB Group. Therefore, VIB is regarded extremely positively on the capital market.

GROWTH IN DIVIDEND PER SHARE

IN EUR



* Management proposal

3%

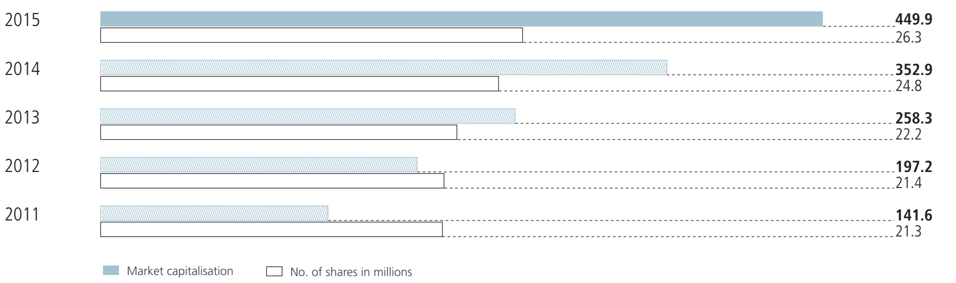
dividend yield

At the Annual General Meeting on June 30, 2016, the Managing and Supervisory Boards will propose that a dividend of EUR 0.51 per share be paid. This corresponds to a total dividend distribution of EUR 13.4 million. As in previous years, the dividend payment has grown in accordance with the positive growth in the company's FFO. With a dividend yield of 3% as of December 31, 2015, the company is continuing its policy of sharing its success with the shareholders in an appropriate manner over the long term.

MARKET CAPITALISATION CLIMBS TO EUR 449.9 MILLION

GROWTH IN MARKET CAPITALISATION

IN EUR MILLION

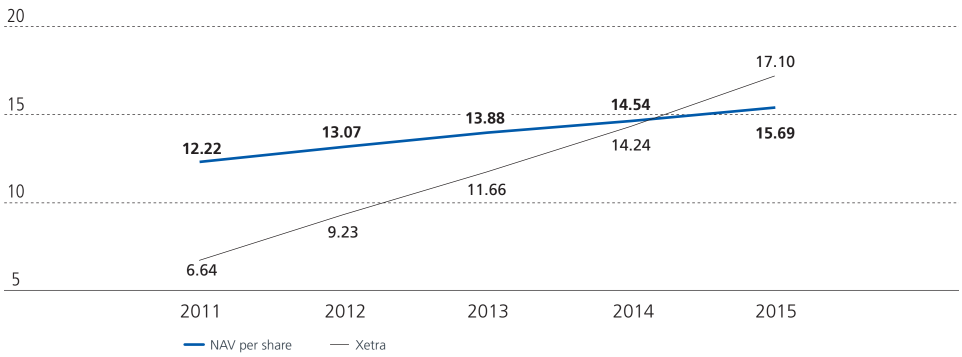


Due to the conversion of the 2013/2015 and 2014/2016 mandatory convertible bonds, the total number of shares rose to 26,308,405 as of December 31, 2015. Corresponding to the higher number of shares and coupled with the positive growth in the VIB share price, market capitalisation rose to EUR 449.9 million as of December 31, 2015. This equates to an increase of about 27% over the year as a whole.

Due to the positive increase in share price in the year under review, the share was being traded with a premium of approx. 9% of Net Asset Value as of December 31, 2015; there was a discount of 2% at the end of 2014. The premium on NAV pays testament to the positive development of the company and its enhanced perception on the capital market.

NAV PER SHARE AND SHARE PRICE

AS OF THE END OF THE YEAR IN EUR

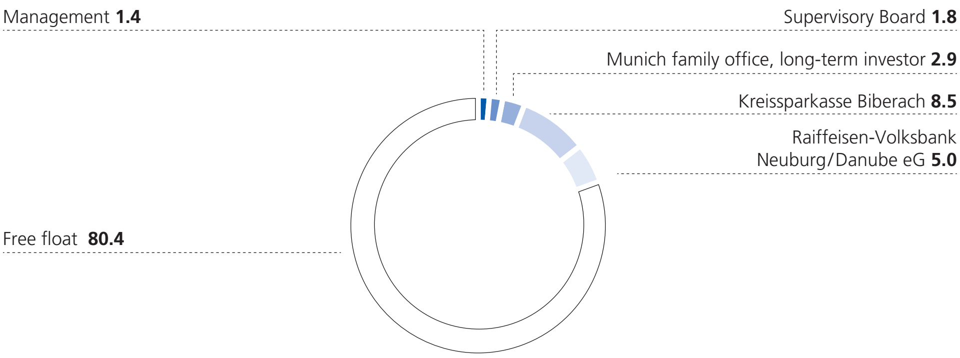


SHAREHOLDER STRUCTURE CHARACTERISED BY HIGH FREE FLOAT

Our shareholder structure is distinguished by a balanced ratio of free float to long-term investors. Alongside Raiffeisen-Volksbank Neuburg/Danube eG as a founding investor (5.0% share of voting rights), Kreissparkasse Biberach (8.5%) is another financial institution with a long-term investment in VIB Vermögen AG. A family office has also held a 2.9% interest in the company since the second half of 2014. The management holds 1.4%, and the Supervisory Board holds 1.8%, of the shares in VIB Vermögen. At the end of the 2015 fiscal year, our free float stood at 80.4% as per the data available at the 2015 AGM.

SHAREHOLDER STRUCTURE

IN %



As at: July 2015

POSITIVE ANALYST RECOMMENDATIONS ACROSS THE BOARD

The VIB Vermögen share continued to be highly regarded by analysts. The company is regularly covered by around eight national and international research houses. The overwhelming majority of analysts saw positive growth potential for VIB Vermögen in 2015 and recommended the VIB share as "buy". We publish updated analyst opinions on our website soon after they are issued.

ANALYST RECOMMENDATIONS AT A GLANCE

	Date	Recommendation	Share price target (EUR)
Baader Bank (Andre Remke)	08/04/2016	Buy	21.00
Bankhaus Lampe (Dr Georg Kanders)	12/04/2016	Buy	19.50
Berenberg (Kai Klose)	23/03/2016	Buy	20.00
BHF Bank (Thomas Effler)	12/04/2016	Overweight	20.60
equinet Bank (Jochen Rothenbacher)	16/03/2016	Neutral	16.50
Emmanuel Valavanis (Mirabaud)	16/03/2016	Buy	21.50
Petercam (Herman van der Loss)	16/03/2016	Add	18.10
SRC Research (Thilo Gorlt)	23/03/2016	Buy	19.00
Warburg Research (Andreas Pläsier)	12/04/2016	Buy	20.00

ANNUAL GENERAL MEETING

The ordinary Annual General Meeting for the year 2015 was held in Ingolstadt on July 2, 2015. We achieved considerable support from the shareholders on all items on the agenda, which were each accepted with a majority close to 100%. A total of 48.88% of the voting-entitled share capital was present. The ordinary Annual General Meeting for the year 2016 will be held in Ingolstadt on June 30, 2016.

DIALOGUE WITH THE CAPITAL MARKET

We pursue the aim of addressing as wide a group of shareholders as possible. We therefore regularly exceed the requirements of a listing in the open market of the Frankfurt Stock Exchange and the m:access segment of the Munich Stock Exchange. Continuous, comprehensible and transparent communication is aimed at meeting capital market expectations in terms of up-to-date and relevant information, and the equal treatment of parties that are interested in such information. To this end, we engage in communication with analysts, institutional investors and private investors, as well as with the financial, business and industry press. We also communicate with international investors by making all publications of relevance to the capital market available in both German and English. We also cultivate active contact with the financial community: the Managing Board conducts regular discussions with analysts, investors and journalists. We were present at many capital market conferences in the year under review, explaining our strategy, corporate development and current business results to a broad public. In the year under review, the Managing Board of VIB held presentations at the Baader Investment Conference in Munich, the Berenberg Conference in Munich, the Bankhaus Lampe Conference in Baden-Baden, the German Commercial Property Forum in London, the m:access Conference in Munich, the Petercam Real Estate Conference in Brussels and the SRC Forum in Frankfurt, for example. VIB's capital market communication is completed by roadshows for current and potential investors both in Germany and abroad.

INVESTOR RELATIONS
Petra Riechert

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E-mail petra.riechert@vib-ag.de

EPRA PERFORMANCE INDICATORS

VIB Vermögen AG has been a member of the European Public Real Estate Association (EPRA) since 2011. Based in Brussels, the organisation represents the interests of major European property companies vis-à-vis the general public and helps them raise their profile.

In recent years, we have been guided by EPRA recommendations in terms of communication and financial communication. We compare our share price development, for instance, with the EPRA Germany index.

For the 2015 fiscal year, we are going one step further and adopting the organisation's recommendations by using EPRA Earnings, EPRA NAV and EPRA Vacancy Rate to report on key industry performance indicators for the first time. As a result, we are fulfilling our pledge to provide our stakeholders with a high level of transparency.

EPRA PERFORMANCE INDICATORS AT A GLANCE

IN EUR THOUSAND	**Dec. 31, 2015**	Dec. 31, 2014
EPRA Earnings	29,056	25,502
EPRA NAV	431,160	400,403
EPRA Vacancy Rate	1.8%	2.7%

EPRA EARNINGS

The "EPRA Earnings" item shows operating revenue adjusted for extraordinary items such as valuation effects on investment properties and earnings from sales activities. Therefore, this figure indicates the extent to which a dividend payment is covered by earnings.

EPRA EARNINGS

IN EUR THOUSAND		**2015**	2014
Group shareholders' share of earnings		**40,119**	**31,309**
Adjusted for:			
(i)	Changes in value for investment properties	–16,410	–7,529
(ii)	Earnings from the disposal of investment properties	0	0
(iii)	Earnings from the disposal of trading properties	0	0
(iv)	Pro rata income tax on disposals	0	0
(v)	Badwill/impairments on goodwill	0	0
(vi)	Income/expenses from measurement of financial derivatives	132	436
(vii)	Transaction costs incurred on the acquisition of participating interests and associates	0	0
(viii)	Deferred taxes in relation to EPRA adjustments	2,576	1,122
(ix)	Adjustments to items (i) to (viii) in relation to associates	0	0
(x)	Minority interests in adjustments to EPRA Earnings	2,639	164
EPRA Earnings in absolute terms		**29,056**	**25,502**
Average number of shares		27,579,812	25,411,653
EPRA Earnings per share (in EUR)		**1.05**	**1.00**

EPRA NAV

EPRA NAV is the Net Asset Value of the company, assuming a company strategy with a long-term focus. The fair value of assets and liabilities is adjusted for extraordinary items such as the market valuation of derivative financial instruments or deferred taxes.

EPRA NET ASSET VALUE (NAV)

IN EUR THOUSAND	**Dec. 31, 2015**	Dec. 31, 2014
Total equity	406,754	371,655
Minority interest	–17,944	–12,594
NAV as shown on the consolidated balance sheet (attributable to Group shareholders)	**388,810**	**359,061**
Dilution effect due to options, convertible bonds and other equity instruments	763	2,821
Diluted NAV after options, convertible bonds and other equity instruments	**389,573**	**361,882**
plus:		
(i.a) Revaluation of investment properties (if the cost model pursuant to IAS 40 is applied)	n.a.	n.a.
(i.b) Revaluation of properties under construction (if the cost model pursuant to IAS 40 is applied)	n.a.	n.a.
(i.c) Revaluation of other assets (owner-occupied properties and interests)	n.a.	n.a.
less:		
(iv) The market value of derivative financial instruments	8,513	11,292
(v.a) Deferred taxes	33,074	27,229
EPRA NAV	**431,160**	**400,403**
Number of outstanding shares (diluted)	27,579,812	27,579,833
EPRA NAV per share (in EUR)	**15.63**	**14.52**

EPRA VACANCY RATE

The EPRA Vacancy Rate is calculated using a ratio of the estimated market rent of vacant properties to the estimated market rent of the property portfolio as a whole.

EPRA VACANCY RATE

IN EUR THOUSAND	**Dec. 31, 2015**	Dec. 31, 2014
Annualised market rent for the total portfolio	69,274	64,443
Vacant properties measured at market values	1,247	1,726
EPRA vacancy rate (in %)	**1.8**	**2.7**

GROUP **MANAGEMENT REPORT**

DETAILED INDEX

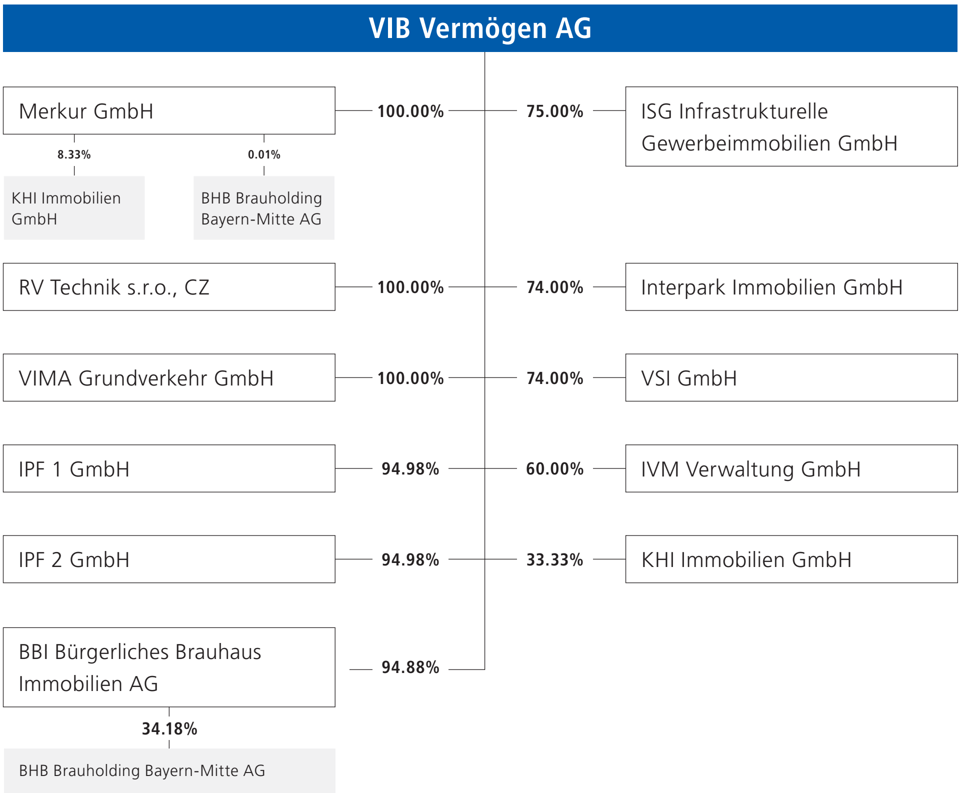
BASIS OF THE GROUP

1. BUSINESS ACTIVITIES, GROUP STRUCTURE AND PARTICIPATING INTERESTS

VIB Vermögen AG (also referred to below as "we", "VIB" or the "VIB Group") is a medium-sized company specialising in commercial real estate management that has now been operating successfully for more than 20 years. We focus on logistics and retail properties in the economically strong region of southern Germany. Founded as an unincorporated firm in 1993, it was converted into a public stock corporation in 2000. VIB's shares have been listed on the Munich (m:access) and Frankfurt (Open Market) stock exchanges since 2005.

Our business model is based on a "develop-or-buy-and-hold" strategy. We acquire properties that are already rented or completely develop new properties on our own land in order to transfer them to our own portfolio on a long-term basis and generate rental income from them. VIB also holds investments in companies with real estate assets. In total, the VIB Group portfolio as of December 31, 2015, comprises 103 attractive logistics properties, shopping and specialist retail centres, industrial buildings, as well as commercial and service centres with a total rentable space of more than 1 million sqm. VIB manages its own real estate portfolio itself, and with the support of its wholly owned subsidiary Merkur GmbH.

OVERVIEW OF PARTICIPATING INTERESTS AS OF DECEMBER 31, 2015



VIB Vermögen acquired a majority interest in BBI Immobilien AG in 2007. The interest it held as of December 31, 2015, amounts to 94.9% of the share capital of BBI Immobilien AG. VIB Vermögen AG indirectly holds 34.2% of the shares of the subsidiary of BBI Immobilien AG, BHB Brauholding Bayern-Mitte AG (BHB Brauholding AG), which was founded in November 2009.

A profit transfer agreement is in place between VIB Vermögen AG and BBI Immobilien AG. Accordingly, VIB Vermögen AG undertook to pay the shareholders of BBI reasonable monetary compensation (a guaranteed dividend) of EUR 0.74 (gross) per ordinary share for the duration of this agreement as a repeat annual payment.

2. CORPORATE TARGETS AND STRATEGY

We pursue the objective of continuously and sustainably growing the company’s value by expanding its real estate portfolio. Managing attractive commercial real estate assets creates a high level of recurring cash flows (funds from operations, FFO), ongoing appreciation of the company’s Net Asset Value (NAV), and an attractive dividend policy.

VIB pursues a three-part strategy to this end:

DEVELOP-OR-BUY-AND-HOLD STRATEGY

We constantly expand our portfolio through targeted acquisitions in the high-growth regional centres of the southern Germany. The company focuses on business areas that offer attractive future prospects – especially logistics and retail. Whilst the logistics sector is benefiting from trends in the growth area of e-commerce and global trade expansion, the retail sector in the economically successful regions of Bavaria and Baden-Württemberg is characterised by above-average growth in purchasing power. We focus on German medium-sized commercial tenants and multinational corporations with high credit ratings, thereby making a substantial contribution to the value retention of VIB’s real estate portfolio. We also invest in industrial and office properties in order to ensure broad asset diversification.

Moreover, we develop properties ourselves for our own portfolio. These in-house property developments differ from the conventional acquisition of portfolio properties in that we mostly operate within the context of our own network or in response to demand from existing customers. As a rule, we do not start building work until a significant portion of the planned properties have already been rented.

We are able to make recourse to an extensive regional network in both the acquisition of existing properties and the development of our own real estate assets. This facilitates low transaction costs, rapid processing, and profitable expansion of the real estate portfolio.

SUSTAINABLE FINANCING

In terms of financing, we focus on annuity loans and therefore pursue a long-term approach. We continually increase the Net Asset Value (NAV) of our portfolio by repaying these loans on an ongoing basis. At the same time, the refinancing risk – which exists, for instance, when concluding interest-only loans – is reduced. A solid equity ratio of around 40% and a balanced loan-to-value (LTV) ratio of roughly 53% enable us to tap new capital on attractive terms as and when we need it.

IN-HOUSE PORTFOLIO MANAGEMENT

We rely on our own staff to manage our properties inexpensively and efficiently, thus deliberately eschewing third-party management, which can often prove both time-consuming and expensive. Through intensive contact with our tenants, we can respond rapidly to changes in market circumstances and tenant needs, thereby keeping our vacancy rate low. In many cases, management costs are minimised further due to the long-term rental of properties to individual, solvent tenants.

3. STEERING SYSTEM

VIB's Managing Board steers the company with the help of financial and non-financial key indicators that significantly affect the growth of the company's value. These indicators are monitored constantly and form part of monthly and quarterly reporting to the Managing Board. The steering system ensures that deviations from the budget are identified at an early stage, thereby allowing countermeasures to be launched efficiently. Corresponding target/actual comparisons help to develop other potential courses of action. Further specific analyses are performed if required. We also regularly review our overall corporate development – including in comparison to relevant competitors.

The properties that we hold in our portfolio comprise our central asset base. Consequently, analyses and appraisals are prepared on an ongoing basis in order to assess the portfolio. These provide information about the most important indicators, such as rental contracts' remaining terms, tenant structure, vacancy rates and outstanding items.

VIB steers its operational business by applying the following financial and non-financial performance indicators:

PERFORMANCE INDICATORS

KPI	Calculation method	**Value as of 31/12/2015**	Value as of 31/12/2014
Financial performance indicators			
Total operating revenue	Total operating revenue (as per income statement)	EUR 75.6 million	EUR 70.5 million
EBIT	Earnings before interest and tax (excluding valuation result and extraordinary items)	EUR 57.0 million	EUR 51.6 million
EBT	Earnings before tax (excluding valuation result and extraordinary items)	EUR 36.5 million	EUR 31.2 million
Non-financial performance indicators			
Vacancy rate	Based on effective annual net rent	1.8%	2.7%
Average interest rate on borrowing portfolio	Fixed- and variable-interest borrowings	3.67%	3.91%

4. EMPLOYEES

Besides the three Managing Board members, the VIB Group employed 31 commercial staff at the end of the 2015 fiscal year (previous year: 29) and 6 industrial staff (previous year: 8).

The increase in commercial staff is attributable to the expansion of the property management area and reflects company growth in 2015. In addition, we foster young people as part of our trainee and apprenticeship programme.

The industrial staff are mostly caretakers and cleaners (mainly part-time employees), who are hired to manage individual properties. The resulting expenses are charged on to the respective tenants as incidental costs.

We support our employees by means of both internal and external training courses that are geared towards the needs of our core business. This enables us to meet our goal of building the right team to meet our customers' needs. A long-term approach is not only the defining characteristic of our core business, but also of our HR policy. We are proud that many of our employees have been with the company for many years.

The Managing Board comprises Ludwig Schlosser (Chairman/CEO), Holger Pilgenröther (Finance Division) and Martin Pfandzelter (Real Estate Division).

BUSINESS REPORT

1. MARKET AND COMPETITIVE ENVIRONMENT

MACROECONOMIC TRENDS

Global trade growth and domestic demand in Germany are particularly relevant for tenants of VIB's logistics/light industry properties. According to figures published by the International Monetary Fund, global economic growth slowed down slightly compared to the previous year, coming in at 3.1% (previous year: 3.4%), with low growth rates in several emerging markets playing a key role in the slowdown. At the same time, growth in global trade volume fell to 2.6% (previous year: 3.4%). By contrast, figures released by the German Federal Statistical Office show that the German economy grew slightly in 2015, posting an increase in gross domestic product of 1.7% (previous year: 1.6%).

Furthermore, price and purchasing power trends are of particular significance for tenants of retail properties. According to the German Federal Statistical Office, the inflation rate in Germany averaged 0.3% (previous year: 0.9%) in 2015. The eurozone rate was even lower at 0.2% (previous year: 0.4%), with continued declines in the oil price acting as one of the key drivers of the decrease in the fiscal year under review. On the other hand, purchasing power per capita in Germany continued to rise and achieved nominal growth of 2.7% (previous year: 2.9%). These figures supported private consumer expenditure, which climbed by 1.8% in 2015 according to the German Federal Statistical Office, thus increasing by about twice as much as in the previous year.

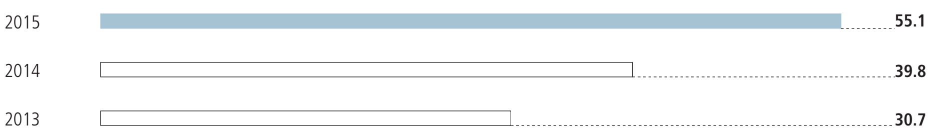
SECTOR TRENDS

As in the previous year, the ongoing low interest rate policy of the European Central Bank (ECB) underscored the importance of real estate as an asset class and had a positive impact on the property financing market. By virtue of its relative economic strength and stable regulatory framework, Germany remained an attractive investment haven, including for foreign investors, who now make up more than 50% of investment volume.

Based on the German Real Estate Financing Index (DIFI), a study published by real estate service provider Jones Lang LaSalle (JLL) and the Centre for European Economic Research (ZEW), the financing situation for commercial properties continues to be regarded as positive. The increase in the DIFI index is due to improvements in the assessment of the current situation and expectations across almost all property usage categories. The German Real Estate Financing Index (DIFI) illustrates the current situation (past 6 months) and the expectations (upcoming 6 months) of respondents in respect of the German property financing market.

TRANSACTION VOLUME FOR INDUSTRIAL REAL ESTATE IN GERMANY

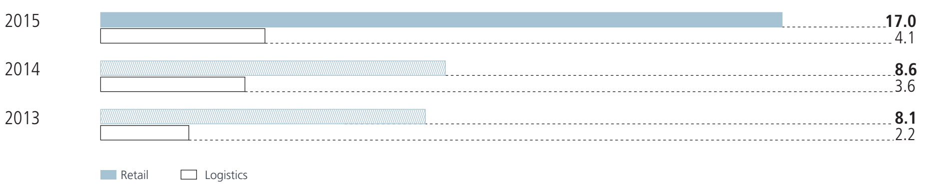
IN EUR BILLIONS



In line with the positive financing situation for property companies, the transaction volume on the property market rose for the sixth time in a row in 2015. According to calculations published by JLL, the transaction volume came in at roughly EUR 55 billion in 2015, representing growth of almost 40% on the 2014 level. The fourth quarter of 2015 was especially strong. With transactions worth just under EUR 17 billion, it contributed more than 30% to the annual result and marked of the highest-transaction quarter in the past 5 years.

TRANSACTION VOLUMES IN THE LOGISTICS AND RETAIL SECTORS

IN EUR BILLIONS



Our key sectors of logistics / light industry and retail continue to rank amongst the growth drivers of the German economy and together make up some 24% of gross domestic product. According to the German Logistics Association (BVL), the sector grew by 2.1% in 2015 to around EUR 240 billion (previous year: roughly EUR 235 billion). The area of e-commerce, Internet and mail order, which is of major importance to the sector, recorded particularly impressive growth, with sales up sharply on the previous year. According to the World Bank's Logistics Performance Index (LIP), which measures the attractiveness of 150 nations as logistics locations, Germany ranks first ahead of the Netherlands, Belgium and the UK. According to JLL, the transaction volume for logistics properties stood at about EUR 4.1 billion in 2015. As a result, the sector posted growth of about 14% – a new investment record (previous year: EUR 3.6 billion).

German retail also continued to grow. With growth of about 3% to some EUR 473 billion, it posted the strongest increase in sales for more than two decades. Key drivers for this strong performance were the ongoing low interest rates and the stable labour market. The fact that the retail sector is in such good shape resulted in positive growth on the investment market for retail properties. According to figures published by JLL, the transaction volume doubled year on year in the year under review to some EUR 17 billion. This also represented a doubling of the ten-year average. Munich held its place amongst the top three property strongholds.

2. BUSINESS TRENDS

TARGET / ACTUAL COMPARISON

	Guidance for 2015	Actual 2015
Financial performance indicators		
Total operating revenue	EUR 74.0 million to EUR 77.0 million	EUR 75.6 million
EBIT excluding valuation effects and extraordinary items	EUR 53.5 million to EUR 56.0 million	EUR 57.0 million
EBT excluding valuation effects and extraordinary items	EUR 33.0 million to EUR 35.0 million	EUR 36.5 million

Non-financial performance indicators	Guidance for 31/12/2015	Actual 31/12/2015
Vacancy rate	<5.0%	1.8%
Average interest rate on borrowing portfolio	3.80% to 3.90%	3.67%

VIB once again performed exceptionally well in the 2015 fiscal year. We either achieved or exceeded all the targets we set ourselves:

Our total operating revenue of EUR 75.6 million lay in the middle of the EUR 74.0 to EUR 77.0 million range that we set ourselves. In particular, it was positively influenced by increased rental incomes from properties added to our portfolio in 2015, as well from properties that only partially influenced annual revenue in 2014.

Our earnings before interest and tax (EBIT excluding valuation effects and extraordinary items) came in at EUR 57.0 million, which was slightly above the guidance of EUR 53.5 to 56.0 million made at the start of the year. This was attributable primarily to lower expenses for investment properties and a decline in other operating expenses.

Our earnings before tax (EBT excluding valuation effects and extraordinary items) also exceeded expectations slightly, amounting to EUR 36.5 million (2015 guidance: EUR 33.0 to 35.0 million). The continued low interest rates were also a contributory factor to this pleasing development, as they led to a small year-on-year decline in VIB’s interest expenses in spite of an increase in financial liabilities.

We also achieved or exceeded all of the targets that we had set ourselves in terms of non-financial performance indicators:

As far as the vacancy rate based on effective annual net rents was concerned, we assumed a figure below 5% for December 31, 2015. With a vacancy rate of 1.8%, we not only met our forecast but improved on the already strong figure of 2.7% as of December 31, 2014. This improvement was due, first and foremost, to our efficient and forward-looking portfolio management.

With a figure of 3.67%, the average interest rate on the portfolio of borrowings as of December 31, 2015, was slightly better than the guidance of 3.80% to 3.90%. Vital in this regard were not only the excellent conditions for new financing agreements but also the terms for existing loans whose fixed interest rates were due for renewal in 2015. In 2015, we used forward agreements to secure in the long term the current low interest rates for around 95% (approx. EUR 160 million) of loans for which the fixed interest rates expire in either 2016 or 2017.

We also pressed ahead with our successful investment strategy in 2015. We invested a total of some EUR 56 million (previous year: EUR 59 million) in the expansion of our portfolio, starting on February 1, 2015, with the MAN servicing centre in Freiburg-Umkirch, the fourth such property to be included in our portfolio. This in house developed servicing centre is on a 20-year lease and represented a total investment volume of some EUR 7 million.

On February 18, 2015, we acquired a retail park in the southern German town of Neu-Ulm. The property has excellent transport links and is situated on an industrial estate with high footfall. All units are rented to companies with an excellent credit rating who have been sitting tenants for many years. The property was extensively modernised and remodelled. A new lease term of 15 years was agreed for two thirds of the useful area, with most of the remaining floor space also rented on a long-term basis. The total rental area stands at more than 18,000 sqm, with an investment volume of some EUR 15 million.

On August 31, 2015, we completed our largest specially developed logistics centre (located at Interpark near Kösching/Ingolstadt) and added a cutting-edge logistics hall to our portfolio. The fully rented property offers some 95,000 sqm of floor space and a useful area of around 55,000 sqm, of which just under 4,000 sqm are used for office space, communal areas and mezzanines. The property is fully rented to two customers with excellent credit ratings and has an investment volume of some EUR 34 million.

Including the newly added properties, the VIB property portfolio comprises a total of 103 properties as of December 31, 2015 (previous year: 100), with a total rentable area of just over 1 million sqm (31/12/2014: 0.9 million sqm). The portfolio's vacancy rate fell further to 1.8% (previous year: 2.7%). Due to the increase in our property portfolio, the annualised net rental income rose to EUR 68.0 million as of December 31, 2015 (previous year: EUR 62.7 million). At the same time, the market value of the total portfolio increased to EUR 969.0 million as of the balance sheet date (31/12/2014: EUR 894.2 million). The average rental yield of all Group properties remained more or less on a par with the previous year at an attractive 7.24% (previous year: 7.25%).

In December 2014, VIB successfully issued a new mandatory convertible bond to finance its further growth. During the first conversion window in the 2015 fiscal year, 943,593 of a possible 2,215,000 new shares were created at a conversion price of EUR 15.00. A total of 580,906 new shares (conversion price: EUR 12.00) arose from the mandatory convertible bond issued in 2013 following its maturity final in 2015.

3. EARNINGS, ASSETS AND FINANCIAL POSITION

EARNINGS POSITION

SELECTED INDICATORS OF EARNINGS POSITION

IN EUR THOUSAND	2015	2014	Change in %
Revenue	75,133	69,869	+7.5
Total operating revenue	75,633	70,536	+7.2
EBIT	73,438	59,124	+24.2
EBIT (excluding valuation effects and extraordinary items)	57,028	51,595	+10.5
EBT	52,788	38,306	+37.8
EBT (excluding valuation effects and extraordinary items)	36,510	31,179	+17.1
Consolidated net income	44,047	32,404	+35.9
Earnings per share in EUR (undiluted)	1.46	1.23	+18.7
Earnings per share in EUR (diluted)	1.46	1.23	+18.7

In the 2015 fiscal year, our revenue rose by 7.5% to EUR 75.1 million (previous year: EUR 69.9 million). This was attributable to additional rental yield from new investments and properties purchased in the previous year that only generated rental yield across an entire year for the first time in 2015. Alongside rental yield, the item "Revenue" also includes operating costs paid by tenants. Other operating income stood at EUR 0.5 million (previous year: EUR 0.7 million) and was therefore down slightly on the previous year. This item chiefly includes income from agency agreements and insurance compensation, as well as income from the elimination of specific valuation allowances. Operating earnings – which comprises revenues and other operating earnings – therefore rose by 7.2% to EUR 75.6 million (previous year: EUR 70.5 million).

The market valuation of our real estate portfolio as of December 31, 2015, resulted in a EUR 16.4 million increase in the "changes in value for investment properties" item (previous year: EUR 7.5 million). This item includes both increases and reductions to the values of properties. A net value increase of EUR 3.2 million was recorded for existing properties. In respect of the in-house developments completed in 2015, value increases were recorded in the amount of EUR 13.2 million, with the new logistics centre at Interpark alone posting a positive value adjustment of EUR 11.0 million.

In the 2015 fiscal year, expenses for investment properties came in at EUR 13.6 million (previous year: EUR 13.8 million). This slight fall was chiefly due to a decline in costs for renovation and maintenance work on our properties. Personnel expenses amounted to EUR 3.3 million in 2015 (previous year: EUR 3.0 million) and reflect the high personnel requirements connected with company growth. Other operating expenses fell to EUR 1.6 million, primarily as a consequence of lower legal, consultancy and administrative costs (previous year EUR 2.1 million). We attribute our efficient cost situation (in comparison to the sector as a whole) to the fact that our own employees manage most of our properties as well as to our systematic cost management in all other areas.

After deducting depreciation and amortisation, we reported earnings before interest and tax (EBIT) of EUR 73.4 million (previous year: EUR 59.1 million) – an above-average rise of 24.2%. When adjusted for the aforementioned valuation effects, EBIT improved by 10.5% to EUR 57.0 million (previous year: EUR 51.6 million).

Equity-accounted investments, primarily the interest in BHB Brauholding Bayern Mitte AG, generated earnings of EUR 0.02 million in 2015 (previous year: EUR 0.22 million). The expense from the measurement of financial derivatives by adjusting the provision for impending loss on the CHF-based currency derivative of subsidiary BBI Immobilien AG stood at EUR 0.1 million (previous year: EUR 0.4 million). The derivative expired on December 31, 2015, meaning that no further costs will be incurred. In 2015, we posted interest income of approx. EUR 0.1 million (previous year: EUR 0.1 million). Despite the acquisitions in the past year and the resulting increase in overall liabilities, interest expenses declined slightly to EUR 20.4 million due to more favourable financing conditions (previous year: EUR 20.6 million). The expenses from the guaranteed dividend paid to the shareholders of BBI Bürgerliches Brauhaus Immobilien AG came in at EUR 0.2 million (previous year: EUR 0.2 million).

Our earnings before tax (EBT) improved by 37.8% in the year under review to EUR 52.8 million (previous year: EUR 38.3 million). When adjusted for effects from the valuation of real estate and financial derivatives, as well as deconsolidation effects, EBT was up by 17.1% at EUR 36.5 million (previous year: EUR 31.2 million). This result once again emphasises our excellent operating performance.

Income taxes came in at EUR 8.7 million in 2015 (previous year: EUR 5.9 million). Of this figure, EUR 2.6 million was attributable to current taxes (previous year: EUR 1.8 million) and EUR 6.1 million to deferred taxes (previous year: EUR 4.1 million). The income tax rate rose slightly to 16.6% as a result (previous year: 15.4%).

Consequently, we recorded consolidated net income of EUR 44.0 million, which was up by 35.9% on the previous year's level of EUR 32.4 million. Undiluted earnings per share stood at EUR 1.46 (previous year: EUR 1.23).

NET ASSETS

SELECTED INDICATORS OF NET ASSETS

IN EUR THOUSAND	**31/12/2015**	31/12/2014	Change in %
Total assets	1,009,352	942,199	+7.1
Investment properties	969,022	894,214	+8.4
Net debt (current and non-current financial liabilities ./. bank balances)	517,393	484,560	+6.8
Equity	406,754	371,655	+9.4
Equity ratio	40.3%	39.4%	—

In 2015, we continued to invest in our real estate portfolio. As a result, our total assets increased to EUR 1,009.4 million as of December 31, 2015 (31/12/2014: EUR 942.2 million).

In particular, this is reflected in our non-current assets totalling EUR 973.1 million (31/12/2014: EUR 897.8 million), which once again rose sharply due to portfolio expansion. Investment properties continued to make up the largest asset item within this category, totalling EUR 969.0 million (31/12/2014: EUR 894.2 million). Interests in associated companies remained unchanged at EUR 3.1 million (31/12/2014: EUR 3.1 million).

Non-current assets stood at EUR 36.3 million as at December 31, 2015 (31/12/2014: EUR 44.4 million). Bank balances and cash in hand comprised the most significant item in this context, falling from EUR 37.8 million to EUR 33.1 million. Assets held for sale in 2014 comprised an undeveloped site in the Czech Republic. This was reclassified to "investment properties" in 2015 due to IFRS accounting standards.

Equity rose to EUR 406.8 million as of December 31, 2015 (31/12/2014: EUR 371.7 million), due primarily to the increase in retained profits. We therefore strengthened our equity ratio by 0.9 percentage points to 40.3% as of the balance sheet date (31/12/2014: 39.4%). VIB's subscribed capital increased by EUR 1.5 million to EUR 26.3 million as of December 31, 2015 (31/12/2014: EUR 24.8 million). The increase is due to the conversion of the remaining bonds of the 2013/15 mandatory convertible bond and the conversion of individual bonds of the 2014/16 mandatory convertible bond. Net retained profits rose by 27.0% to EUR 121.2 million as at the balance sheet date (31/12/2014: EUR 95.2 million). This was primarily subject to two opposing effects: firstly, the increased earnings (share attributable to Group shareholders) for the period of EUR 40.1 million; secondly, the dividend payment to our shareholders in the amount of EUR 11.8 million. The balance sheet item "Non-controlling interests" increased accordingly from EUR 12.6 million to EUR 17.9 million.

Our non-current liabilities stood at EUR 571.9 million at the end of 2015 (31/12/2014: EUR 535.7 million). The largest item was non-current financial debt, which climbed by EUR 32.9 million to EUR 528.0 million (31/12/2014: EUR 495.1 million). This was a planned rise as part of our investment strategy and took the form of increases in loans on properties acquired in the 2015 fiscal year.

Deferred tax liabilities result primarily from differing valuations between the IFRS and tax values of properties and rose to EUR 33.1 million as of the balance sheet date (31/12/2014: EUR 27.4 million). The year-on-year increase mainly resulted from portfolio expansion in the form of new investments and positive adjustments to the values of investment properties.

Current liabilities fell from EUR 34.8 million to EUR 30.7 million. As a result, current financial liabilities decreased to EUR 21.9 million as of the balance sheet date (31/12/2014: EUR 26.6 million), due partly to regular repayments and restructuring to non-current loans. Other liabilities increased to EUR 7.3 million (31/12/2014: EUR 6.9 million) and mainly related to trade payables.

Our solid financing structure enabled us to once again finance a large share of our new investments from equity in 2015. Furthermore, we also took out new loans in the year under review and repaid outstanding loans as planned. New investments of some EUR 56 million gave rise to an increase in financial liabilities (current and non-current financial borrowings) of EUR 28.2 million. Not least due to the ongoing repayment of annuity loans, the company's Net Asset Value (NAV) rose significantly to EUR 412.8 million as of the balance sheet date (31/12/2014: EUR 360.5 million).

NET ASSET VALUE (NAV) – UNDILUTED

IN EUR THOUSAND	**31/12/2015**	31/12/2014
Investment properties	969,022	894,214
Other assets	990	257
Interests in associated companies	3,052	3,120
Assets held for sale	0	2,844
+ / – other assets / equity and liabilities (including minority interests)	–25,274	–18,293
Net debt	–517,393	–484,560
Share premium from mandatory convertible bond	–17,632	–37,102
NAV / net assets (undiluted)	**412,765**	**360,480**
Number of shares (balance sheet date)	26,308,405	24,783,906
NAV per share in EUR (undiluted)	**15.69**	**14.54**

NET ASSET VALUE (NAV) – DILUTED

IN EUR THOUSAND	31/12/2015	31/12/2014
NAV / net assets (undiluted)	412,765	360,480
Effects from mandatory convertible bond	18,395	39,923
NAV / net assets (diluted)	**431,160**	**400,403**
Number of shares (balance sheet date)	26,308,405	24,783,906
Potential ordinary shares from:		
– Mandatory convertible bonds	1,271,407	2,795,927
Number of shares (diluted)	27,579,812	27,579,833
NAV per share in EUR (diluted)	**15.63**	**14.52**

FINANCIAL POSITION

Our financial management includes the planning, coordination and monitoring of all measures designed to acquire funds (financing) and deploy funds (investment, primarily in the expansion of our property portfolio). The primary aims of our financial management are to secure long-term financial stability and a strong cash flow.

We draw on a raft of financing instruments in order to finance the company. As of the balance sheet date, we had access – just as in the previous year – to undrawn credit and overdraft lines in the amount of EUR 12.4 million.

SELECTED INDICATORS OF FINANCIAL POSITION

IN EUR THOUSAND	2015	2014	Change in %
Cash flow from operating activities	54,230	47,648	+13.8
Cash flow from investing activities	–56,323	–57,222	+1.6
Cash flow from financing activities	–2,582	21,858	—
Cash and cash equivalents at end of period	33,111	37,786	–12.4

In the year under review, the cash inflow from operating activities stood at EUR 54.2 million (previous year: EUR 47.7 million), with the increase attributable primarily to the increase in operating revenue. FFO (funds from operations) increased from EUR 28.6 million to EUR 32.6 million in the fiscal year.

FUNDS FROM OPERATIONS (FFO) PER SHARE – INDICATES THE PORTFOLIO'S EARNINGS STRENGTH

IN EUR THOUSAND	2015	2014
Earnings before interest and tax (EBIT)	**73,438**	**59,124**
Adjusted for:		
Income/expenses (non-cash effective)	–8	124
Changes in value for investment properties	–16,410	–7,529
	57,020	**51,719**
Interest and similar expenses	–20,433	–20,570
Other interest and similar income	62	112
Profit/loss on equity accounted investments	19	223
Expenses from guaranteed dividend	–166	–181
	36,502	**31,303**
Effective tax expense	–2,620	–1,798
	33,882	**29,505**
Minority interest (adjusted for valuation gains/losses)	–1,283	–913
FFO in absolute terms	**32,599**	**28,592**
Average number of shares in fiscal year	27,579,812	25,411,653
FFO per share (in EUR)	**1.18**	**1.13**
Share price on the respective closing date	17.10	14.24
FFO yield on the respective closing date (in %)	**6.90**	**7.94**

The cash outflow from investing activities was down slightly on the previous year's level at EUR 56.3 million (previous year: EUR 57.2 million). Significant cash outflows resulted from advance payments for the acquisition and development of new properties in the amount of EUR 55.6 million (previous year: EUR 58.8 million).

In the year under review, a cash outflow from financing activities of EUR 2.6 million was recorded (previous year: cash inflow of EUR 21.9 million). Here, it should be borne in mind that VIB received proceeds of EUR 33.2 million from the issue of the 2014/16 mandatory convertible bond in the previous year. In the 2015 fiscal year, however, no mandatory convertible bonds were issued. The net balance arising from the drawing down and repayment of borrowings stood at EUR 28.7 million in the year under review (previous year: EUR 19.6 million). A cash outflow of EUR 12.2 million was incurred for the dividend payment to the shareholders of VIB Vermögen AG and to non-controlling shareholders (previous year: EUR 10.6 million).

In total, cash and cash equivalents decreased by EUR 4.7 million as of December 31, 2015, to EUR 33.1 million (previous year: EUR 37.8 million).

4. OVERALL STATEMENT ON THE COMPANY'S BUSINESS POSITION

Our earnings, assets and financial position has continued to develop positively in 2015 in a stable macroeconomic environment. Not only did we increase revenue and earnings, but we also met or exceeded the values of the guidance published at the start of the year. The continued strength of our financial position is highlighted by further increases in equity ratio, operating cash flow (FFO) and Net Asset Value (NAV) compared to the previous year.

REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

In order to facilitate further property investments, VIB AG established KIP Verwaltung AG in February 2016. KIP Verwaltung GmbH is a wholly owned subsidiary of VIB Vermögen AG with share capital of EUR 200 thousand. No further events occurred after the end of the 2015 fiscal year that have a material impact on the earnings, assets or financial position. The course of business in the first few weeks of 2016 confirms the statements made in the chapter entitled "Outlook".

REPORT ON RISKS AND OPPORTUNITIES

RISK REPORT

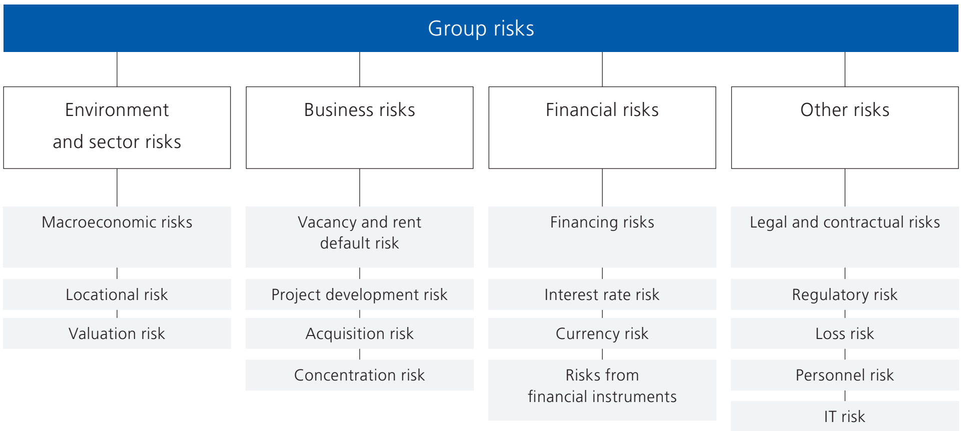
BASIC PRINCIPLES OF RISK MANAGEMENT

Our risk policy supports the objective of enhancing long-term company value through sustainable growth on the basis of managing or largely avoiding inappropriate risks. For us, risk refers to the risk of potential losses or forgone profits, both of which can be triggered by both internal and external factors.

Risk management at VIB forms an integral component of its business strategy, with the Managing Board directing risk policy. In order to identify and manage potential risks at an early stage, VIB has implemented an efficient risk management system that is closely integrated into the company's operating procedures and processes – especially controlling and planning processes. The system is also integrated into regular reporting to the Managing and Supervisory Boards in order to ensure that risks across the Group are handled effectively and efficiently at all times.

Risk reporting to the Managing and Supervisory Boards occurs on a regular basis – at least, twice a year. The Managing Board is also to be informed immediately in the form of unscheduled reports about all new risks categorised as material.

VIB has classified its potential risks into four categories that are also applied Group-wide at all subsidiaries.



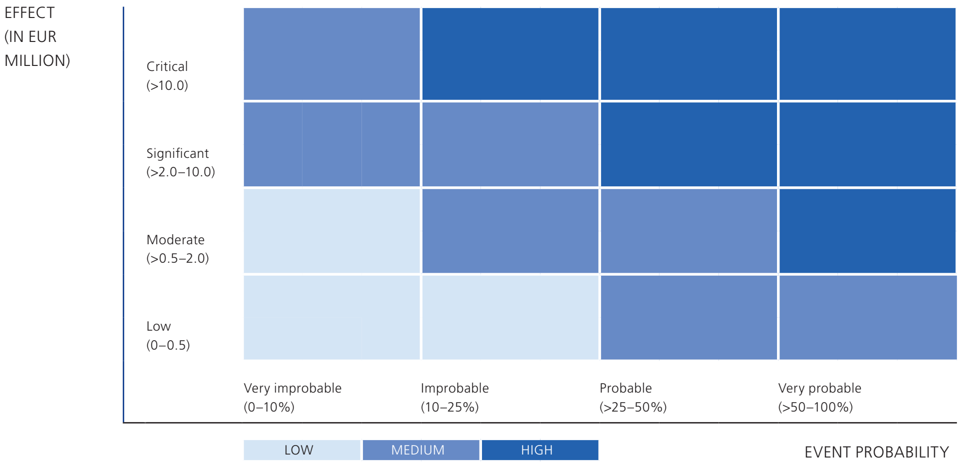
Once specific risks have been identified and recorded, they are analysed and classified according to their potential loss level and event probability. This is intended to enable conclusions to be drawn about the specific risk potential for VIB (see risk matrix graph):

1. The event probability of a risk is divided into the classes of “very improbable”, “improbable”, “probable” and “very probable”. These classes reflect the percentage probability with which a loss is expected to occur within a twelve-month period.

2. The potential effect (loss level) states the potential maximum extent of a loss given the occurrence of the loss event. Here, differentiation is made between low, moderate, significant and critical loss extents.

3. Multiplication of the maximum loss level by the event probability generates the risk potential or weighted potential loss amount of the corresponding risk. Risk potential is classified into the three categories of “low”, “medium” and “high”.

THE VIB GROUP RISK MATRIX



As a rule, specific risks at VIB are quantified only if this is also deemed appropriate for internal risk management. On this basis, suitable measures to avert or manage identified risks are determined in close coordination with the Managing Board.

COMPANY RISKS

ENVIRONMENT AND SECTOR RISKS

MACROECONOMIC RISKS

Real estate markets in Germany are closely connected with macroeconomic and financial market trends. As far as the commercial property sector is concerned, this is accompanied by the risk that companies are less prepared to invest, combined with a decline in rent levels and in increased vacancy risk. This risk affects only a small proportion of the company's rental income since the portfolio properties mostly have long-term leases, however. In order to further minimise such risk, VIB Vermögen AG focuses on tenants of with good credit ratings and on ensuring that its properties can be utilised for alternative purposes.

If macroeconomic and sector-specific trends were to worsen significantly, the risk also exists that the real estate portfolio could be subject to negative valuation changes. This risk is nevertheless mitigated by our strong regional focus on investments in the comparatively stable southern German real estate market. The VIB real estate portfolio also enjoys balanced diversification in terms of types of use and sector. Consequently, negative trends in individual economic sectors exert only limited impact on the company's overall portfolio.

For 2016, we anticipate no significant changes to risks arising from macroeconomic development. For this reason, VIB is of the view that macroeconomic risks are to be categorised as low, as in the previous year.

LOCATION RISK

The locational quality of the properties is partly affected by external factors (such as infrastructure deterioration, trends in purchasing power, construction activities, etc.) that lie beyond our sphere of influence. Such factors could negatively impact the value of a property as well as its achievable rental income. Maintenance and other management costs could also be higher than expected. We counter such risk by carefully examining properties at the acquisition stage (e.g. extensive technical due diligence), by managing portfolio properties on an ongoing basis and by keeping in close contact with our tenants.

We gauge the risk of a general deterioration of location quality as low, as in the previous year.

VALUATION RISK

An independent property valuation surveyor calculates the market value of all of the VIB Group's properties every year, applying the generally accepted discounted cash flow (DCF) method. The extent to which the real estate portfolio retains its value depends on various factors, including long-term capital market interest rate trends, macroeconomic and sector-specific trends, the properties' general condition, rental income levels and specific location factors.

Changes to these factors could negatively affect the value of the real estate portfolio and the results of the Group's operations. This risk is somewhat limited given our regional focus on the comparatively stable southern German real estate market, and the judicious property selection we apply. Our real estate portfolio also enjoys balanced diversification in terms of sector. Consequently, negative trends in individual economic sectors exert only limited impact on the company's overall portfolio value.

For this reason, the risk of a substantial decrease in the valuation of the real estate portfolio is gauged as medium, as in the previous year.

BUSINESS RISKS

VACANCY AND RENTAL DEFAULT RISK

As a real estate company, we are subject to a certain level of tenant risk that could entail potential rental default and vacancies. Rental defaults cannot be entirely excluded, especially in an economic downturn and a resulting worsening of the outlook on the commercial property market. The risk also exists that, in the case of unforeseen rent default (such as due to insolvency), it proves impossible to quickly find a new tenant. In the case of short-term rental agreements, the risk also exists that such agreements cannot be extended, and that a new tenant cannot be found quickly. For us, this may be accompanied by temporary vacancies and rental income defaults.

The company minimises such risk by focusing on tenants with good credit ratings and sectoral diversification of its portfolio. Rental arrears are processed as soon as they occur in order to identify tenants' payment difficulties at an early juncture. Priority is also placed on good alternative utilisation options when acquiring properties. This makes it easier to rent them again quickly if rental agreements are terminated.

Taking into account the requisite countermeasures, we appraise vacancy and rental default risk as currently low, as in the previous year.

PROJECT DEVELOPMENT RISK

Our activities as a property developer entail fundamental risks that arise from the acquisition of land and the subsequent construction of properties.

As part of project developments, land was acquired for which site preparation work is being undertaken. Possible value risks could arise in the event of planning permission being declined. Due to our close cooperation with the local agencies responsible and the stage in the process already reached, however, we regard these risks as manageable.

Furthermore, forecast investment and development costs could be exceeded with the consequence that planned financing resources (equity and bank borrowings) might prove insufficient for the financing of a property.

Delays in the completion of the properties cannot be ruled out as part of general construction risk. This would render it impossible to transfer properties to tenants on time. This could result in rent defaults, rent being paid late and compensation claims.

On larger construction projects, VIB works together with general contractors with strong credit ratings to actively counter such risks. This largely ensures that properties are completed within planned time and cost parameters. Due to the overall increase in project volume, we gauge potential risk from development projects as medium (previous year: low).

ACQUISITION RISK

VIB is generally exposed to risk relating to the acquisition of properties and property companies. This may relate to a failure to uncover hidden defects or other obligations that already existed when an asset was purchased and that have negative implications for the company. VIB counters such risk through comprehensive technical, financial and legal due diligence ahead of a transaction, including making recourse to external service providers such as architects, construction engineers, lawyers and tax consultants, where required.

Potential negative consequences arising from such acquisition risk are currently evaluated as low, as in the previous year.

CONCENTRATION RISK

VIB's portfolio includes some tenants that rent several properties from VIB. This gives rise to a certain level of concentration risk for our business. In order to largely minimise the risk of a potential vacancy or rental default, VIB focuses mainly on tenants with good credit ratings and on long-term rental agreements.

VIB currently gauges the consequences of a potential concentration risk as low, as in the previous year.

FINANCIAL RISKS

FINANCING RISKS

In times of economic downturn, there is always a risk that it may become more difficult to obtain the funds necessary to finance properties from banks. In an extreme-case scenario, this could mean that the necessary liquidity is not provided by banks or only provided to an insufficient degree. For us, this could mean projects not being completed, which would result in corresponding negative effects on revenue and earnings. In particular, the 2008/2009 economic and financial crisis showed that a deterioration in the macroeconomic situation can result in banks tending towards more restrictive lending policies.

Due to the diversification of our bank portfolio and a strong relationship with financing banks based on mutual trust, we continue to deem this risk as low, as in the previous year.

INTEREST RATE RISK

A potential increase in the general interest rate level entails the risk of a worsening of refinancing terms for VIB. This could not only affect the conclusion of new lending agreements for the financing of further properties, but also the agreement of new terms on existing loans after fixed-interest periods have expired. For this reason, we fix loan terms at an early stage for a period of predominantly ten years in order to secure real estate financing on a long-term basis. In the 2015 fiscal year, we agreed to new and significantly more favourable interest rate conditions ahead of time on a loan volume of approx. EUR 160 million, which corresponds to about 95% of loans for which the fixed interest rates expire in 2016 and 2017.

Interest rate swaps have also been entered into some cases in order to secure terms on bank borrowings. Given the current historically low interest rate level, loans with short-term interest agreements are also being utilised, such as those based on EURIBOR.

We currently appraise our short-term interest rate risk as low, as in the previous year.

CURRENCY RISK

Borrowings and loans in foreign currencies are always subject to the risk of currency fluctuations. No foreign currency items existed at VIB Vermögen AG as of December 31, 2015.

We therefore currently appraise our currency risk as low, as in the previous year.

RISKS FROM FINANCIAL INSTRUMENTS

We have entered into several interest rate swaps in order to hedge long-term interest rates and to make it easier to plan future interest payments. Together with the underlying transactions (bank loans), these interest rate swaps form a valuation unit (synthetic fixed-interest borrowings).

As in the previous year, we currently evaluate resultant potential risks as low.

BBI Immobilien AG, a subsidiary of VIB Vermögen AG, concluded a currency derivative transaction based on CHF in early 2006. The unfavourable change in the CHF/EUR exchange rate for BBI since 2010 and the resultant negative market value of the financial instrument required the formation of corresponding provisions for an impending loss between 2010 and 2015. With the final payment obligation on December 31, 2015 (based on the fixing date of June 30, 2015), the currency derivative expired, thus ending any risk to BBI Immobilien AG arising from this transaction.

OTHER RISKS

LEGAL AND CONTRACTUAL RISKS

Contractual risks, including possible follow-on costs, could result for VIB from concluding rental and purchase agreements. All major agreements are consequently audited internally, and externally if necessary, by legal experts from a commercial perspective.

We therefore currently appraise the resulting risk as low, as in the previous year.

REGULATORY RISK

An increasing number of measures to regulate and better supervise the financial sector have been implemented across the European Union over recent years. This could also give rise to regulatory measures for listed real estate companies. In this regard, the European Parliament has approved the Alternative Investment Fund Managers Directive that has been, and is being, enacted into national law in individual member states. Following internal and external review, we have arrived at the conclusion that VIB and its subsidiaries are not to be classified as investment assets in the meaning of the German Investment Code (KAGB). Future appraisal by the German Federal Financial Supervisory Authority (BaFin) is awaited, however.

The new EU market abuse regulation (Regulation No 596/2014 of the European Parliament and of the Council) will come into force on July 3, 2016. For open-market issuers like VIB Vermögen AG, this will mean an extension of publication obligations and a beefing up of penalties in the event of breaches and/or non-compliance. Through our subsidiary BBI Immobilien AG, which is listed on the regulated market in Munich, we already boast in-depth knowledge of the capital market, especially in relation to the more comprehensive regulation set out in the German Securities Trading Act (Wertpapierhandelsgesetz). Moreover, we are drawing on the help of external capital market specialists, who are looking at the issue in detail and advising us accordingly.

As in the previous year, we regard the risk of negative consequences arising from the implementation of the AIFM regulations and the EU market abuse regulation as low.

LOSS RISK

Damage to, or the destruction of, the company's existing properties constitutes a further potential risk. Under certain circumstances, this would have consequences for the company's financial position and performance. Certain weather scenarios could also result in construction and technical property management challenges for VIB (for instance, heavy snowfall on flat roofs during snowy winters, storm damage, etc.), requiring in-depth structural and architectural inspection. VIB counters such risks primarily through extensive insurance protection for its individual properties.

VIB currently appraises potential negative consequences arising from unforeseeable and extraordinary loss events as low.

PERSONNEL RISK

The skills and motivation of our staff are decisive factors behind the company's long-term success and profitability. The departure of top-performing individuals could result in a loss of know-how, with the recruitment and integration of replacement technical and managerial staff exerting a negative impact on daily operating business. We counter such risk by developing the expertise of existing staff on a targeted basis in line with requirements, by boosting VIB's attractiveness as an employer, and through a strong management and corporate culture.

Overall, the aforementioned risks are evaluated as low, unchanged compared with the previous year.

IT RISK

All of VIB's significant business processes are based on IT systems. A loss of the data stock or a protracted downtime of IT systems could negatively affect business processes. VIB continuously enhances its IT systems in cooperation with external service providers in order to protect against such risk. Data of relevance to its business is backed up daily. All important data can be reproduced within a relatively short time in the event of a hardware or software failure.

IT risks have not changed significantly compared with the previous year. We continue to appraise such risk as low.

SUMMARY OF RISK SITUATION

Risk management at VIB is a continuous process that not only identifies new risks, but that also continuously analyses and measures existing risks in order to derive appropriate risk minimisation and risk prevention measures from them. The company's risk situation during the year under review has not changed significantly compared with the previous year. According to our appraisal, no serious risks are currently identifiable with regard to the company's future development or in terms of the company as a going concern.

OPPORTUNITIES REPORT

Our sustainable business success and profitability also depends on the extent to which we identify opportunities at an early stage, and on how we manage and harness them on a forward-looking basis. We aim for a balanced relationship between opportunities and risks – with the objective of creating added value for all stakeholders.

VIB's steering instruments ensure that opportunities are measured and pursued on the basis of their potential, required investments and risk profile. In this regard, we pay equal attention to macroeconomic and sector-specific trends, as well as regional and local trends.

MACROECONOMIC AND SECTOR-SPECIFIC OPPORTUNITIES

According to the German Federal Statistical Office, the German economy once again grew slightly in 2015 and recorded a 1.7% increase in gross domestic product. This trend is expected to continue in 2016, not least due to high expectations in terms of domestic demand, export and the incoming orders of German companies. The German employment market is also set to continue its positive trajectory. Leading economic research institutes put the unemployment rate for 2015 at 6.4% and forecast it to remain at this level for 2016. Overall, we do not expect the macroeconomic conditions in Germany to worsen to any significant extent.

In light of the continued low interest rates and the low level of supply, there was once again increased demand for assets such as property that offer secure returns. According to figures published by property service provider Jones Lang Lasalle, the German commercial property investment market posted a transaction volume of some EUR 55 billion in 2015, which represents a considerable rise of about 40% on the previous year. As a significant increase in interest rates is not expected in the short term, we see an opportunity in that the prospects on the commercial property investment market are not anticipated to worsen significantly in 2016.

We feel that the macroeconomic and sector-specific conditions are favourable to a positive trend on the German commercial property market in 2016.

OPPORTUNITIES TO ACQUIRE AND DEVELOP NEW PROPERTIES

Network: We have established a very close network in southern Germany over the past two decades, especially in the areas of logistics and retail property. As before, the company is able to utilise this network in the future to gain early information about attractive project developments, and about property and land sales. This opens up new opportunities to grow revenue and income.

Geographic focus: We intentionally focus our investments on the fast-growing southern Germany: most of the properties in our real estate portfolio are located in Bavaria and Baden-Württemberg. As a consequence, the company focuses on the high-growth regions of Germany with strong purchasing power, and which are distinguished by favourable socio-demographic trends.

Sector focus: We have focused our investments to an increasing extent on the growth sectors of logistics/light industry and retail over recent years. We aim to continue to exploit our outstanding knowledge in relation to these sectors in the future in order to facilitate healthy growth for the company.

FINANCING OPPORTUNITIES

Close relationships based on mutual trust that have been built up with financing banks over many years, coupled with continued low interest rates, give VIB the opportunity to take out new loans – and renew existing ones – on highly attractive terms, thus further reducing the average interest rate on its borrowings. The advance extensions agreed upon in the 2015 financial year in respect of a significant portion of the borrowings with fixed interest rates due to expire in 2016 and 2017 led to a reduction in the average interest rate from between 4.5% and 5% to approx. 2% on a loan volume of some EUR 160 million. In light of the stable interest rate climate in Germany, we see further potential to improve our average financing conditions in the years ahead.

OPPORTUNITIES FOR A BETTER CAPITAL MARKET POSITION FOR VIB

The perception of VIB on the capital market continued to improve in 2015. The attractiveness of the VIB share can partly be measured by the fact that it was traded at a premium of around 9% on its NAV per share as of December 31, 2015.

Significant reasons for this positive perception lie not only in the sustainable and reliable corporate policy that has been pursued for many years, but also in the fact that VIB always maintains close contact with its investors and analysts. The market capitalisation of VIB Vermögen AG amounted to EUR 449.9 million on the balance sheet date, reflecting an increase of 27% compared with the previous year's reporting date. Assuming that the capital market environment remains stable and that the company continues along its successful growth path, we see an opportunity for the company to improve its position even further on the capital market.

OPPORTUNITIES FOR STABLE RENT YIELDS

We frequently agree indexed rental contracts, with rent levels being adjusted to reflect a consumer price index. Growth in rental income consequently offsets rising costs from general inflation and secures the high long-term profitability of the company's properties.

SUMMARY OF OPPORTUNITIES

VIB's opportunities have not changed significantly compared with the previous year. We continue to see further potential for increasing revenue and earnings by acquiring and developing attractive properties, as well as a positive trend in the overall interest rate climate.

OUTLOOK

ECONOMIC CONDITIONS IN 2016

Based on forecasts issued by the IMF, we assume that the global economy will grow by 3.4% in 2016, an increase of 0.3 percentage points on 2015. The European and German economies will continue to profit from factors such as stable domestic demand, low oil prices and low interest rates. The IMF forecasts a rise of 1.7% in German GDP, which is more or less on a par with the growth witnessed in 2015.

In terms of the German commercial property market, we expect the positive trend to continue in 2016. Bolstered by favourable interest rates and the resulting attractiveness of property as an asset class, renowned property service provider Jones Lang Lasalle forecasts that 2016 will once again be an excellent year in terms of the transaction volume of commercial properties in Germany.

EXPECTED TRENDS AND GROWTH FOR THE VIB GROUP IN 2016

In our 12-month planning, we anticipate that there will be no significant change of either economic or sector-specific conditions. In our focus sectors of logistics and retail, we continue to see a good market environment that will enable profitable growth in 2016. Alongside the acquisition of properties, we also expect to benefit from our expertise in the field of project development.

As part of our growth strategy, we will continue to attach great importance to a competitive cost situation. Our aim is to strike a balance between effective management of our property portfolio and ensuring that we meet the high quality standards we set ourselves.

In our guidance for the 2016 fiscal year, we take into account all opportunities and risks connected with future development that we regard as significant. The report on opportunities and risks presents a separate account of the opportunities and risks extending above and beyond our corporate planning. A serious change to the macroeconomic conditions or the overall interest rates could affect our ability to meet our forecasts.

We predict the following in respect of our financial performance indicators for the 2016 fiscal year:

› total operating revenue of between EUR 78.0 million and EUR 82.0 million (2015: EUR 75.6 million),
› earnings before interest and tax (EBIT) excluding valuation effects and extraordinary items of between EUR 58.0 and EUR 61.0 million (2015: EUR 57.0 million),
› earnings before tax (EBT) excluding valuation effects and extraordinary items of between EUR 38.0 and EUR 40.5 million (2015: EUR 36.5 million),
› funds from operations (FFO) of between EUR 33.0 million and EUR 35.5 million (2015: EUR 32.6 million).

As far as non-financial key performance indicators are concerned, we anticipate the following for the 2016 fiscal year:

› vacancy rate based on effective annual net rents of below 5.0% as of December 31, 2016 (2015: 1.8 %),
› an average interest rate on the portfolio of loan borrowings of between 3.30% and 3.40% as at December 31, 2016 (2015: 3.67%).

Neuburg/Danube, April 4, 2016

Ludwig Schlosser	Holger Pilgenröther	Martin Pfandzelter
(CEO)	**(CFO)**	**(COO)**

GROUP **FINANCIAL STATEMENTS**

DETAILED INDEX

CONSOLIDATED INCOME STATEMENT (IFRS)

FOR THE PERIOD FROM JANUARY 1, 2015 TO DECEMBER 31, 2015

IN EUR THOUSAND	NOTE	2015	2014
Revenue	D. 1	**75,133**	**69,869**
Other operating income	D. 2	500	667
Total operating revenue		**75,633**	**70,536**
Changes in value from investment properties	D. 3	16,410	7,529
Expenses for investment properties	D. 4	–13,620	–13,830
Personnel expenses	D. 5	–3,303	–2,997
Other operating expenses	D. 6	–1,626	–2,054
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**73,494**	**59,184**
Depreciation and amortisation	D. 7	–56	–60
Earnings before interest and tax (EBIT)		**73,438**	**59,124**
Profit/loss on equity accounted investments	D. 8	19	223
Gain/loss on deconsolidation	D. 9	0	34
Income/expenses from measurement of financial derivatives	D. 10	–132	–436
Other interest and similar income	D. 11	62	112
Interest and similar expenses	D. 12	–20,433	–20,570
Expenses from guaranteed dividend	D. 13	–166	–181
Earnings before tax (EBT)		**52,788**	**38,306**
Income taxes	D. 14	–8,741	–5,902
Consolidated net income		**44,047**	**32,404**
Group shareholders' share of earnings		40,119	31,309
Non-controlling shareholders' share of earnings	D. 16	3,928	1,095
UNDILUTED EARNINGS PER SHARE (IN EUR)			
Profit/loss on continuing operations	D. 17	1.46	1.23
Undiluted earnings per share		**1.46**	**1.23**
DILUTED EARNINGS PER SHARE (IN EUR)			
Profit/loss on continuing operations	D. 17	1.46	1.23
Diluted earnings per share		**1.46**	**1.23**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

FOR THE PERIOD FROM JANUARY 1, 2015 TO DECEMBER 31, 2015

IN EUR THOUSAND	NOTE	2015	2014
Consolidated net income		**44,047**	**32,404**
Other comprehensive income			
Other comprehensive income to be reclassified to the income statement in subsequent periods			
Foreign currency effects from the translation of independent subsidiaries		–45	20
Income tax effect		0	0
		–45	**20**
Cash flow hedges – value changes to effective hedges		1,641	–1,299
Income tax effect	D. 25	–231	240
		1,410	**–1,059**
Other comprehensive income to be reclassified to the income statement in subsequent periods		**1,365**	**–1,039**
Other comprehensive income not to be reclassified to the income statement in subsequent periods			
Actuarial gains/losses from pension plans		–388	–284
Income tax effect	D. 25	62	45
		–326	**–239**
Other comprehensive income not to be reclassified to the income statement in subsequent periods		**–326**	**–239**
Other comprehensive income after tax		**1,039**	**–1,278**
Total comprehensive income after tax		**45,086**	**31,126**
Total comprehensive income attributable to			
Group shareholders		41,140	29,948
Non-controlling shareholders		3,946	1,178

CONSOLIDATED BALANCE SHEET (IFRS)

AS OF DECEMBER 31, 2015

ASSETS

IN EUR THOUSAND	NOTE	**31/12/2015**	31/12/2014
Non-current assets			
Intangible assets	D. 19	24	4
Property, plant and equipment	D. 19	966	253
Investment properties	D. 20	969,022	894,214
Interests in associated companies	D. 21	3,052	3,120
Deferred taxes	D. 29	0	160
Total non-current assets		**973,064**	**897,751**
Current assets			
Receivables and other assets	D. 22	2,128	2,952
Income tax receivables	D. 22	33	332
Bank balances and cash in hand	D. 23	33,111	37,786
Prepayments and accrued income		1,016	534
Assets held for sale	D. 24	0	2,844
Total current assets		**36,288**	**44,448**
Total assets		**1,009,352**	**942,199**

EQUITY AND LIABILITIES

IN EUR THOUSAND	NOTE	**31/12/2015**	31/12/2014
Equity	D. 25		
Subscribed share capital		26,308	24,784
Share premium account		192,410	192,992
Retained earnings		55,914	54,490
Net retained profits		121,235	95,178
		395,867	**367,444**
Cash flow hedges		–7,052	–8,423
Foreign currency translation		–5	0
Asset group held for sale		0	40
Non-controlling shareholders’ share of earnings		17,944	12,594
Total equity		**406,754**	**371,655**
Non-current liabilities			
Profit participation capital	D. 26	660	660
Financial debt	D. 27	527,975	495,054
Derivative financial instruments	D. 28	8,513	11,292
Deferred taxes	D. 29	33,074	27,389
Pension provisions	D. 30	1,634	1,325
Total non-current liabilities		**571,856**	**535,720**
Current liabilities			
Financial debt	D. 31	21,869	26,632
Income tax liabilities	D. 33	491	148
Liabilities to participating interests	D. 34	827	827
Other liabilities	D. 35	7,288	6,896
Accruals and deferred income		267	321
Total current liabilities		**30,742**	**34,824**
Total equity and liabilities		**1,009,352**	**942,199**

CONSOLIDATED CASH FLOW STATEMENT (IFRS)

FOR THE PERIOD FROM JANUARY 1, 2015 TO DECEMBER 31, 2015

IN EUR THOUSAND	2015	2014
A. Cash flow from operating activities		
Net income for the year (after tax)	44,047	32,404
+/– Net interest result	20,371	20,458
+/– Income taxes	8,741	5,902
+/– Amortisation, depreciation and impairment losses	56	60
+/– Increase/decrease in provisions	309	217
+/– Fair value changes to investment properties	–16,410	–7,529
+/– Deconsolidation results	0	–34
+/– Profits/losses from equity accounted investments	–19	–223
+/– Income taxes paid	–1,945	–1,951
Cash flow from operating activities after tax (before interest expense)	**55,150**	**49,304**
+/– Other non-cash expenses/income	–1,502	–499
+/– Changes in inventories, receivables and other assets not attributable to investing activities	314	–289
+/– Change in liabilities not attributable to financing activities	268	–868
Cash flow from operating activities (before interest expense)	**54,230**	**47,648**
B. Cash flow from investing activities		
– Outgoing payments for investments in intangible fixed assets	–30	0
– Outgoing payments for investments in property, plant and equipment	–775	–289
– Outgoing payments for investments in investment properties	–55,568	–58,776
– Outgoing payments to acquire subsidiaries, less cash acquired	132	0
– Outgoing payments for investments in financial fixed assets	–101	–159
+ Proceeds from the disposal of non-current assets and investment properties	19	1,543
+ Proceeds from the disposal of subsidiaries, less cash sold	0	–15
+ Proceeds from the disposal of financial fixed assets	0	474
Cash flow from investing activities	**–56,323**	**–57,222**

IN EUR THOUSAND	2015	2014
C. Cash flow from financing activities		
+ Proceeds from issuing mandatory convertible bonds	0	33,225
+ Proceeds from the drawing down of borrowings	75,352	58,566
– Payments to company owners and non-controlling shareholders (dividends)	–12,229	–10,683
– Outgoing payments for the redemption of borrowings	–46,698	–38,969
+/– Payments received from non-controlling shareholders	1,300	117
+ Interest received	62	112
+ Dividends received	64	60
– Interest paid	–20,433	–20,570
Cash flow from financing activities	**–2,582**	**21,858**
D. Cash and cash equivalents at end of period		
Net change in cash and cash equivalents		
+/– Cash flow from operating activities	54,230	47,648
+/– Cash flow from investing activities	–56,323	–57,222
+/– Cash flow from financing activities	–2,582	21,858
Change in cash flow	**–4,675**	**12,284**
Cash and cash equivalents at start of period	37,786	25,502
Cash and cash equivalents at end of period	**33,111**	**37,786**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

FOR THE PERIOD FROM JANUARY 1, 2015 TO DECEMBER 31, 2015

IN EUR THOUSAND

Balance 01/01/2015
Net income for the period
Other comprehensive income
Total comprehensive income
Reclassification between shareholders shown in equity
Transfers to retained earnings
Mandatory convertible bonds
Dividends paid
Non-controlling shareholders' share of capital increase at subsidiary
Asset group held for sale
Balance 31/12/2015

FOR THE PERIOD FROM JANUARY 1, 2014 TO DECEMBER 31, 2014

Balance 01/01/2014
Net income for the period
Other comprehensive income
Total comprehensive income
Issue of VIB shares as part of share exchange
Acquisition of non-controlling interests' shares
Transfers to retained earnings
Withdrawals from retained earnings
Mandatory convertible bonds
Dividends paid
Non-controlling shareholders' share of capital increase at subsidiary
Asset group held for sale
Balance 31/12/2014

Subscribed share capital	Share premium account	Retained earnings	Cash flow hedge reserve	Foreign currency translation reserve	Net retained profits	Non-controlling shareholders	Asset group held for sale	**Consolidated equity**
24,784	**192,992**	**54,490**	**–8,423**	**0**	**95,178**	**12,594**	**40**	**371,655**
0	0	0	0	0	40,119	3,928	0	44,047
0	0	0	1,371	–45	–306	19	0	1,039
0	**0**	**0**	**1,371**	**–45**	**39,813**	**3,947**	**0**	**45,086**
0	0	–436	0	0	0	436	0	0
0	0	1,860	0	0	–1,860	0	0	0
1,524	–582	0	0	0	0	0	0	942
0	0	0	0	0	–11,896	–333	0	–12,229
0	0	0	0	0	0	1,300	0	1,300
0	0	0	0	40	0	0	–40	**0**
26,308	**192,410**	**55,914**	**–7,052**	**–5**	**121,235**	**17,944**	**0**	**406,754**
22,151	**162,339**	**55,136**	**–7,281**	**0**	**73,431**	**14,089**	**19**	**319,884**
0	0	0	0	0	31,309	1,095	0	32,404
0	0	0	–1,142	21	–239	83	0	–1,277
0	**0**	**0**	**–1,142**	**21**	**31,070**	**1,178**	**0**	**31,127**
138	1,821	0	0	0	0	–1,959	0	0
0	0	0	0	0	0	–958	0	–958
0	0	525	0	0	–525	0	0	0
0	0	–1,171	0	0	1,171	0	0	0
2,495	28,832	0	0	0	0	0	0	31,327
0	0	0	0	0	–9,969	–276	0	–10,245
0	0	0	0	0	0	520	0	520
0	0	0	0	–21	0	0	21	0
24,784	**192,992**	**54,490**	**–8,423**	**0**	**95,178**	**12,594**	**40**	**371,655**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2015 FINANCIAL YEAR

A. GENERAL INFORMATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

VIB Vermögen AG, Neuburg/Danube, Germany (also referred to below as "VIB AG" or the "company") has its corporate seat at Luitpoldstrasse C 70 in 86633 Neuburg/Danube, Germany, and is registered in the commercial register of Ingolstadt District Court with commercial register sheet number 101699.

The company's shares are traded in the M:access segment of the Regulated Unofficial Market of the Munich Stock Exchange, and through the Xetra trading system of Deutsche Börse AG, which is headquartered in Frankfurt.

The parent company of the VIB Group, VIB Vermögen AG, is classified as a large corporation pursuant to Section 267 of the German Commercial Code (HGB). The listing of the company's shares in OTC trading is not a listing in the meaning of Section 2 (5) of the German Securities Trading Act (WpHG).

The Group's core competence is the purchasing, development and management of its own real estate assets and the holding of participating interests in companies with real estate assets. As a portfolio manager for commercial real estate in southern Germany, the VIB Group has been able to establish a high-yielding portfolio of properties over the past few years, with investments focusing on promising high-growth regions in southern Germany.

VIB Vermögen AG is required to prepare consolidated financial statements pursuant to Section 290 in combination with Section 293 of the German Commercial Code (HGB). The consolidated financial statements are prepared voluntarily according to the requirements of the IASB (Section 315a [3] of the German Commercial Code [HGB]), however.

These consolidated financial statements of VIB AG, including figures from the previous year, were prepared in line with International Financial Reporting Standards (IFRS) as applicable in the European Union, and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

These consolidated financial statements have been prepared in euros (EUR). All figures, unless otherwise stated, are presented in thousands of euros. Rounding differences may occur. The separate financial statements of the companies included in the consolidated financial statements are based on uniform accounting policies. Carrying amounts based on tax regulations are not included in the consolidated financial statements. The separate financial statements were prepared on the same balance sheet date as the consolidated financial statements.

The nature of expense method has been applied for the consolidated income statement. In addition to the income statement, the statement of comprehensive income, the balance sheet and the cash flow statement, a statement of changes in equity is also provided.

The consolidated balance sheet is categorised according to the term structure of its respective assets and liabilities. Assets and liabilities are classified as being current if they can be realised or redeemed within 1 year. Trade receivables and trade payables, tax receivables, tax liabilities and inventories are generally reported as current items. Deferred tax assets and liabilities are presented as non-current.

Non-controlling interests form part of consolidated equity.

In order to improve the clarity and transparency of presentation, consolidated balance sheet items and consolidated income statement items are summarised to the extent that it is pertinent and possible to do so. These items are analysed in the notes to the consolidated financial statements and discussed accordingly.

Changes to accounting policies are discussed in the notes. The retroactive application of revised and new standards requires that the results of the previous year and the opening financial statements for this comparable period are adjusted as if the new accounting policies had always been applied, unless a differing regulation exists for the respective standard.

B. APPLICATION OF NEW ACCOUNTING STANDARDS

VIB AG has applied all of the standards (IFRS, IAS) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) which applied in the EU on December 31, 2015. The corresponding transitional regulations have been applied. The consolidated financial statements also include further information required under the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

NEW ACCOUNTING PRINCIPLES – IMPLEMENTED –

The company applied the following accounting regulations, which are of relevance for the VIB Group, for the first time in the fiscal year under review:

In May 2013, the IASB published IFRIC 21 Levies, which provides guidance on when to recognise a liability for a levy imposed by a government. It identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. The levies are not to be recorded on the balance sheet until the obligating event occurs. If the obligating event occurs over a period of time, the liability is to be recognised progressively.

IFRIC 21 was applied retroactively. The application of this interpretation had no significant effect on the consolidated financial statements.

In December 2013, the IASB published minor amendments to the standards IFRS 1, IFRS 3, IFRS 13 and IAS 40 as part of the 2011–2013 cycle of the Annual Improvements to IFRS process. The amendments are to be applied for the first time to fiscal years beginning on or after January 1, 2015. In respect of IFRS 1, the meaning of “effective IFRS” was clarified. The amendment to IFRS 3 specifies scope exceptions for joint ventures. In IFRS 13, the portfolio exception was stated in more precise terms. Furthermore, clarification was provided on the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

The application of these amendments had no effect on the consolidated financial statements.

PUBLISHED ACCOUNTING ANNOUNCEMENTS – NOT YET IMPLEMENTED –

The IASB and the IFRIC have published the following promulgations which did not yet require mandatory application in the 2015 fiscal year, or whose recognition by the European Union is still outstanding. VIB does not generally apply such accounting regulations until the time when application is mandatory. The following section presents only those new accounting principles which are expected to be applicable to the consolidated financial statements of VIB AG.

In November 2013, the IASB published amendments to IFRS 9, IFRS 7 and IAS 39 relating to the accounting treatment of hedges. The amendment expands the underlying transactions and hedge transactions that come under consideration for a hedge relationship. The previous interval that was applied to determine the effectiveness of a hedge has also been abolished. In the IFRS 9 model, a financial connection between the underlying transaction and the hedging instrument must be established, although no quantitative thresholds have been set. The amendments also include expanded disclosure requirements relating to the accounting treatment of hedges. These particularly affect disclosures about risk management strategy, cash flows from hedging activities and the effect of the hedge on the financial statements. These amendments are to be applied at the latest for fiscal years commencing on or after January 1, 2018.

In November 2013, the IASB published amendments to IAS 19 Employee Benefits, thereby clarifying the attribution of employer contributions or third-party contributions that are connected with period of service. An exemption was also included for the instance that contributions depend on the number of service years worked. These amendments are to be applied for fiscal years commencing on or after February 1, 2015. No significant effects are anticipated for the VIB Group.

In May 2014, the IASB published amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets relating to permissible depreciation and amortisation methods. These amendments clarify which depreciation and amortisation methods are to be applied. These amendments come into force for fiscal years commencing on or after January 1, 2016. No significant effects are anticipated for the Group.

Also in May 2014, the IASB published Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11). The amendments clarify the accounting treatment of acquisitions of interests in a jointly controlled operation, where such an operation comprises a business. These amendments come into force for reporting years commencing on or after January 1, 2016. The VIB Group currently has no joint operations within the meaning of IFRS 11.

In addition, the IASB published IFRS 15 Revenue from Contracts with Customers in May 2014. According to IFRS 15, recognition of revenue should reflect the transfer of the agreed goods or services to the customer at the amount that corresponds to the consideration that the entity will prospectively receive in exchange for goods or services. Revenue is recognised if the customer prospectively receives control over the goods or services. IFRS 15 also includes regulations relating to the reporting of performance surpluses or performance obligations existing at contract level. This comprises assets and liabilities deriving from customer contracts that arise irrespective of the relationship between the services rendered by the company and the customer’s payments. The new standard also requires the disclosure of a number of quantitative and qualitative items of information that enable users of consolidated financial statements to understand the nature, level and timing, as well as uncertainty, of revenues and cash flows from contracts with customers. IFRS 15 replaces IAS 11 Construction

Contracts and IAS 18 Revenue, as well as related interpretations. The standard must be applied to fiscal years commencing on or after August 1, 2018. The company is currently examining the effects that application of IFRS 15 will have on the company's consolidated financial statements.

In July 2014, the IASB concluded its project to replace IAS 39 Financial Instruments: Recognition and Measurement through the publication of the final version of IFRS 9 Financial Instruments. IFRS 9 introduces a standardised approach to classifying and measuring financial assets. The standard makes recourse to cash flow characteristics and the business model according to which they are managed as its basis. It also includes a new impairment model based on anticipated credit defaults. In addition, IFRS 9 comprises new regulations relating to the application of hedge accounting in order to thereby better present an entity's risk management activities, especially concerning the management of non-financial risks. The new standard is applicable to fiscal years commencing on or after January 1, 2018; voluntary application is permitted. VIB is currently examining the effects that application of IFRS 9 will have on the company's consolidated financial statements.

In September 2014, the IASB published Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28). These amendments address a conflict between the regulations of IAS 28 Interests in Associates and Joint Ventures and IFRS 10 Consolidated Financial Statements. It clarifies that the extent of gain or loss recognition for a transaction with an associate or joint venture depends on whether the sold or contributed asset comprises a business. These amendments come into force for reporting years commencing on or after January 1, 2016. VIB is currently examining the resultant effects on its consolidated financial statements.

In December 2014, the IASB published Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28). These amendments address circumstances that have arisen in connection with applying the consolidation exception for investment entities. They come into force for reporting years commencing on or after January 1, 2016. As VIB AG does not meet the criteria of an investment entity, no effects for the Group are anticipated.

Also in December 2014, the IASB published Disclosure Initiative – Amendments to IAS 1. The amendments aim to eliminate hurdles that preparing parties of financial statements perceive in relation to the exercising of discretion when preparing financial statements. They come into force for reporting years commencing on or after January 1, 2016. The company is currently examining any effects.

In December 2013, the IASB published Cycle 2010–2012 as part of its "Annual Improvements to IFRS" project. This included minor amendments and clarifications relating to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. These amendments and clarifications are to be applied for the first time fiscal for years commencing on or after February 1, 2015. No significant effects are anticipated for the VIB Group.

In September 2014, the IASB published minor amendments to the standards IFRS 5, IFRS 7, IAS 19 and IAS 34 as part of the 2012–2014 cycle of the Annual Improvements to IFRS process. These amendments and clarifications are to be applied for the first time fiscal for years commencing on or after July 1, 2016. No significant effects are anticipated for the VIB Group.

In January 2016, the IASB published the IFRS 16 Leases accounting standard. The key idea behind the new standard is that the lessee reports all leases and related rights and obligations on the balance sheet. Therefore, the difference between financing and operating leases required under IAS 17 will therefore no longer apply for the lessee. As far as the lessor is concerned, however, the provisions of the new standard are similar to those of the previous one, IAS 17. Leases will continue to be classified as either finance or operating leases. Application of the new regulations is mandatory for fiscal years commencing on or after January 1, 2019. Voluntary application before this date is permitted, provided that IFRS 15 is also applied.

As part of its Disclosure Initiative, the IASB published amendments to IAS 7 Statement of Cash Flows in January 2016. The aim of the amendments is to improve information on changes in an entity's liabilities. The amendments come into force in fiscal years commencing on or after January 1, 2017; prior application is permissible. In the year of first-time application, prior-year comparative disclosures are not required. The company expects that these amendments will lead to extended disclosures in the notes.

Also in January 2016, the IASB published amendments to IAS 12 Income Taxes – Recognition of deferred tax assets for unrealised losses. With the amendment to IAS 12, the IASB is clarifying that an impairment on debt instruments measured at fair value resulting from changes to market interest rates results in deductible temporary differences. The IASB has also clarified that all deductible temporary differences should be viewed collectively when assessing whether it is likely that sufficient taxable income will be generated in future to enable these differences to be used and recognised. Separate measurements are only to be performed insofar as tax law draws a distinction between different types of taxable income. Furthermore, rules and examples will also be added to IAS 12 that clarify how to determine future taxable income for the purpose of accounting for deferred tax assets. The amendments come into force retroactively for fiscal years commencing on or after January 1, 2017. No significant effects are anticipated for the VIB Group.

C. GROUP OF CONSOLIDATED COMPANIES AND ACCOUNTING POLICIES

These consolidated financial statements have been prepared on the assumption of a going concern.

The VIB Group's group of consolidated companies includes VIB Vermögen AG and the subsidiaries over which VIB AG can either directly or indirectly exercise control. As a rule, control is assumed to exist when the majority of voting rights for a subsidiary (including special-purpose vehicles) are held by one or several Group companies. Subsidiaries are generally included in the consolidated financial statements (full consolidation) from the date on which control is attained. They are deconsolidated on the date on which control ends.

The investment account is consolidated (eliminated) in accordance with IAS 27 Consolidated and Separate Financial Statements and IFRS 3 Business Combinations. The carrying amount of the participation is offset against the subsidiary's remeasured equity on the acquisition date. All business combinations are accounted for applying the acquisition method. Acquisition costs correspond to the fair value of the assets rendered, the equity instruments issued, and the debts resulting or assumed on the transaction date (acquisition date). On initial consolidation, assets, liabilities and contingent liabilities that are identified as part of a business combination are measured at their fair value on the date of acquisition. Goodwill is recognised if the acquisition costs for the acquisition of interests in subsidiaries exceed the proportion of the fair value of the net assets that is attributable to the Group. If the acquisition costs are lower than the fair value of the net assets of the acquired subsidiary, and after the purchase price allocation has been reviewed for correctness, the difference is recognised directly in profit or loss (other operating income). The interests of non-controlling shareholders in Group subsidiaries are carried at the fair value of the assets and liabilities recognised in equity equivalent to the amount due to non-controlling interests.

The income and expenses of the subsidiaries acquired or sold during the course of the year are carried on the consolidated income statement from the date of the start or end of the opportunity to exercise control. Intra-Group transactions, balances and unrealised gains from transactions between Group companies are eliminated. Unrealised losses are also eliminated, unless the transaction indicates impairment of the transferred asset.

The portion of the consolidated equity, consolidated annual earnings and comprehensive income due to non-controlling interests is shown separately from the portions due to the shareholders of VIB Vermögen AG as the parent company.

The separate financial statements of the companies included in the consolidated financial statements are based on uniform accounting policies. The key accounting policies that were applied when preparing these consolidated financial statements are discussed below.

The balance sheet dates of all of the subsidiaries in VIB Vermögen AG's consolidated financial statements are the same as the parent company's balance sheet date.

FAIR VALUE MEASUREMENT

On each balance sheet date, the Group measures certain financial instruments (e.g. derivatives) and certain non-financial assets (e.g. investment properties) at fair value. Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in a normal transaction between market participants at the measurement date. When measuring fair value, it is assumed that the business transaction as part of which the sale of the asset or transfer of the liability occurs either

(a) in the principal market for the asset or liability, or
(b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Group must have access to the principal or most favourable market.

The fair value of an asset or liability is measured on the basis of the assumptions that market participants apply as the basis to price the asset or liability. In this context, it is assumed that the market participants operate in their best economic interests.

When measuring the fair value of non-financial assets, the ability of the market participant is taken into account to generate economic benefit through the highest and best use of the asset, or through its sale to another market participant that finds the highest and best use for the asset.

The Group applies valuation techniques that are appropriate under the respective circumstances, and for which sufficient data to measure fair value is available. Both observable and non-observable inputs are utilised in this context.

All assets and liabilities for which fair value is determined, or which are reported in the financial statements, are allocated to the fair value hierarchy described below, based on the inputs for the lowest level for which fair value measurement is significant overall:

Level 1 – Listed (unadjusted) prices in active markets for identical assets or liabilities.

Level 2 – Measurement methods where the input of the lowest level that is material overall for fair value measurement is directly or indirectly observable in the market.

Level 3 – Measurement methods where the input of the lowest level that is material overall for fair value measurement is not observable in the market.

In the case of assets and liabilities that are recurrently reported in the financial statements, the Group determines whether regroupings between the hierarchy levels have occurred by reviewing the classification at the end of each reporting period (based on the input for the lowest level for which fair value measurement is significant overall).

Together with the Managing Board, the staff who are chiefly responsible for Group financial accounting determine the guidelines and procedures for recurring (e.g. investment properties) and non-recurring (e.g. non-current assets classified as held for sale) fair value measurement.

Recourse is made to an external surveyor to value the real estate portfolio. The related decision in this context is made annually by the Managing Board. Market knowledge, reputation, independence, expertise and compliance with professional standards are the main criteria that are applied to select the valuation surveyor. Following discussions with the external valuation surveyor, the relevant managerial staff who are responsible for real estate valuation and the managers who are responsible for the properties decide which valuation techniques and inputs are to be applied in each specific case. On each balance sheet date, the managerial staff who are responsible for real estate valuation analyse the value changes of assets and liabilities that must be remeasured or reappraised pursuant to Group financial accounting policies. This entails reconciling the significant inputs that are applied in the valuation with contracts and other relevant documents. Fair value changes for each property are reviewed together with the valuation surveyor, and any changes are investigated as to their plausibility.

In order to comply with fair value disclosure requirements, the Group has determined groups of assets and liabilities based on their type, characteristics and risk, as well as levels in the aforementioned fair value hierarchy.

ASSOCIATED COMPANIES

Associated companies are companies – including partnerships – in which the shareholder has a significant influence, but not control. As a result, these are neither subsidiaries nor joint ventures. A significant influence is to be understood as being the opportunity to participate in financial or business policy decisions, although not the ability to take such decisions alone. As a rule, a significant influence is assumed if a participating interest exists of between 20% and 50%.

In line with IAS 28.13, interests in associated companies are accounted for applying the equity method. In the first stage, the participating interest is capitalised at cost. In line with IFRS 3, differences from first-time consolidation are treated according to full consolidation rules. Positive differences constitute goodwill, which is included in the carrying amount of the participating interest in the associated company, and is not amortised. Negative differences are recognised directly in profit or loss as other operating income after a review of the purchase price allocation.

The Group's share of the profits and losses of associated companies are reported from the date of the acquisition or change of status in the financial result in the income statement, and the share of changes to equity directly under equity. Dividends paid by associated companies reduce their carrying amounts.

As of December 31, 2015, the following companies were carried as associated companies according to the equity method:

- BHB Brauholding Bayern-Mitte AG (34.2% interest)
- KHI Immobilien GmbH (41.7% interest)

The interest held in VIMA Grundverkehr GmbH was increased from 50.0% to 100.0% during the fiscal year under review; this company is now shown in the group of fully consolidated companies.

The associated companies' balance sheet dates harmonise with the balance sheet date of the VIB Group.

ASSET GROUP HELD FOR SALE

Non-current assets are reclassified as assets held for sale if the related carrying amount is to be realised predominantly through a disposal transaction rather than through continued utilisation. For this to be the case, it must be possible to sell the asset immediately in its current condition on terms that are current and normal for the disposal of such assets, and such a disposal must be highly probable. Non-current assets and disposal groups categorised as held for sale are measured at the lower of their carrying amount and fair value less costs of disposal if the measurement rules of IFRS 5 are applicable to the items presented in the disposal group.

SEGMENT REPORTING

In line with IFRS 8.2, companies such as VIB Vermögen AG, in which shares are publicly traded, must prepare segment reports. The so-called management approach is to be utilised for segmentation.

According to IFRS 8.5, a business segment is a distinguishable component of an entity that reports similar non-current income or has comparable economic characteristics. The individual business segments should also differ from the other segments in terms of risks, opportunities and returns.

The VIB Group reported one segment – "Rental and Management of Real Estate Assets" – in the year under review. The Group represents a so-called "one segment company" in this context. The company has refrained from segment reporting for this reason.

RECOGNITION OF REVENUE AND EXPENSES

Revenue is the gross inflow during the period arising in the course of the Group's ordinary activities. Revenues are recognised if a corresponding agreement and convincing verification that the service has been provided exist (generally transfer of risk; in the case of rentals, a contractual agreement and rental period), the amount of revenues can be identified reliably, and it can be assumed that it will be possible to collect the receivable. In the case of long-term agreements (in particular usage fees), revenues are recognised on an accrual basis based on the provisions of the associated agreement; in other words, revenues are generally recognised applying the straight-line method over the term of the agreement, and if service performance is not straight-line, as soon as the performance has been rendered. Revenues from services are recognised when the services are rendered.

Revenues are measured at the fair value of the consideration received or to be received. Rebates, discounts or taxes connected with the sale of goods and services are deducted from revenues.

Interest income is accrued taking into account the amount of the extended loan outstanding and the applicable interest rate (effective interest rate). The applicable effective interest rate is the interest rate that is utilised to discount the estimated future receipts and payments over the term of the financial asset to the net carrying amount of the asset.

Dividend income from financial assets is reported when the legal claim to payment arises.

Expenses that cannot be accounted for are deferred in the income statement.

BORROWING COSTS

In line with IAS 23, and if the corresponding conditions apply, borrowing costs must be capitalised as part of the costs of an asset if these can be directly allocated to the acquisition, construction or production of a qualifying asset. Borrowing costs of EUR 5 thousand were capitalised during the fiscal year elapsed (previous year: EUR 18 thousand).

GOVERNMENT GRANTS

Grants are allocated and deducted from the corresponding expenses in the periods in which the associated costs are incurred. Grants for assets are carried as deferred income.

INCOME TAXES

Income taxes constitute the total of current tax expenses and deferred tax.

The Group identifies current tax expenses based on the taxable income of the companies included as subsidiaries in the consolidated financial statements. Taxable income differs from the net income derived from the income statement, as it excludes income and expenses that will subsequently, or never, be taxable or tax-deductible due to tax regulations (including deferrals). Current tax liabilities for the Group companies are calculated based on the tax rates that apply to the assessment period.

Deferred tax liabilities and assets are formed according to the asset and liability method (IAS 12) for anticipated tax charges and tax relief on the differences between the carrying amounts of the assets and liabilities in the IFRS consolidated financial statements and the tax base, from consolidation measures, and on loss carryforwards that are likely to be realised.

Deferred tax liabilities are formed for all taxable temporary differences. Deferred tax assets for deductible temporary differences and tax losses carried forward that can be utilised in the future are reported to the extent that it is probable that sufficient future taxable surpluses will be available for which the deductible temporary differences can be utilised. No deferred taxes are formed for temporary differences from the recognition of goodwill, or from the first-time recognition of other assets or liabilities (unless this formed part of a business combination or a transaction which impacts either taxable income or net income).

Deferred tax assets and deferred tax liabilities are offset if they relate to the same tax authority.

The carrying amount of the deferred taxes recognised in the financial statements is reviewed annually on the balance sheet date and reduced if it is no longer probable that sufficient taxable income will be available to recover the deferred taxes either in full or in part.

Deferred taxes are recognised in profit or loss, except for items that are carried in other comprehensive income or directly in equity.

Deferred taxes are identified based on tax rates that apply on the date the liability is settled or the asset is realised. The impact of changes in tax rates on deferred taxes is recognised in profit or loss in the period in which the legislation on which the change to the tax rate is based has mostly been passed, unless these relate to items carried directly under equity.

Deferred tax liabilities that result from temporary differences connected with interests in subsidiaries and associated companies (outside basis differences) are recognised, unless the date of the reversal of the temporary differences can be controlled by the Group, and it is probable that the temporary differences will not be reversed in the foreseeable future.

INTANGIBLE ASSETS (LICENCES, INCL. SOFTWARE)

Purchased intangible assets are recognised at cost. In the case of acquired software, straight-line amortisation over 4 years is imputed as a result of its limited useful life. Impairment charges are applied to intangible assets if their recoverable amount is less than their amortised cost on the balance sheet date. They are reversed if the reasons for impairment in previous years no longer apply.

GOODWILL

Any goodwill arising on initial consolidation of subsidiaries corresponds to the surplus by which the sum of the consideration transferred and the non-controlling interests in the acquired entity exceeds the fair values of the identified assets and liabilities as measured on the acquisition date. Goodwill and intangible assets with indefinite useful lives are not amortised, in line with IFRS 3 and IAS 38. Instead, pursuant to IAS 36, they are tested annually for impairment (and also during the year if reason exists to suspect impairment), and are written down to their recoverable amount if required (impairment only approach). Goodwill is distributed amongst cash-generating units for impairment tests. All impairments are expensed immediately. They are not reversed at a later date. If a subsidiary is sold, the attributable amount of goodwill is included when determining the profit or loss from the sale.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is carried at cost less depreciation and impairment losses. Costs include all of the expenses directly attributable to the acquisition of the asset.

Property, plant and equipment is depreciated straight-line or according to the anticipated course of the future utilisation of the equipment. In the case of straight-line depreciation, costs are depreciated as follows over the anticipated useful life of the assets:

› Other property, plant and equipment: 3–10 years

The residual carrying amounts, economic useful lives, depreciation methods and residual useful lives are reviewed on each balance sheet date and adjusted as necessary. If the carrying amount of an asset exceeds its estimated recoverable amount (which is the higher of its fair value less costs of disposal and its value in use), it is immediately written down to its recoverable amount. Gains and losses from the disposal of assets are calculated as the difference between the income from the sale and the carrying amount, and recognised in profit or loss.

INVESTMENT PROPERTIES

Due to the company's business activities, all properties are treated as investment properties pursuant to IAS 40. Investment properties are initially measured at cost. Any government investment subsidies to cover additional expenses from listed buildings as a result of investments in real estate are deducted from the acquisition costs of the corresponding asset pursuant to IAS 20. Subsequent measurement is at fair value through profit or loss, whereby fair value is reduced to reflect incidental purchase costs for a potential, typical purchaser.

The fair values were measured by an independent valuation surveyor (Landestreuhand Weihenstephan GmbH Wirtschaftsprüfungsgesellschaft). The valuation surveyor generally applied the discounted cash flow method to identify the present values.

In the discounted cash flow method, the fair value of a property mostly depends on the following influencing factors:

- expected gross rent
- expected loss of rent from vacant units
- management costs
  (operating and management costs as well as ground rent not allocable to tenants)
- default risk with regards to rents and assessments
- maintenance expenses
- discount and capitalisation rates

Gross rents include contractual rents and customary rents for short-term vacancies. The capitalisation and discount rates are calculated individually for each property.

The transaction costs for a potential, typical purchaser are reflected through a discount from present value.

Please see note 20 in Chapter D for more information about the discounted cash flow method and inputs applied.

Inventory land and property under construction is also reported as investment property. Fair value generally applies for valuation in accordance with IAS 40. In addition to other parameters, this includes rental income from current tenancies and appropriate and reasonable assumptions, which correspond to what would be agreed between knowledgeable, willing parties for rental income generated from future tenancies according to current market conditions.

Pursuant to IAS 40.53, a rebuttable presumption exists that an entity will be able to measure reliably and on a continuing basis the fair value of an investment property. If the fair value of an investment property under construction cannot be reliably determined as a result of the early stage of the project, it is measured at cost. As soon as VIB is able to identify the fair value, the property is carried at fair value. This occurs when the property is completed, at the latest.

As a result of factors including the early development phase of the properties, the VIB Group was not able to reliably measure the fair value of investment properties under construction. As of December 31, 2015, these were consequently measured at cost in line with IAS 16.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The VIB Group applies impairment losses to the carrying amount of property, plant and equipment, intangible assets and inventories, if required, to the extent that prospectively permanent impairment has occurred due to particular circumstances.

Intangible assets of indefinite useful life are not amortised, but are instead tested annually for impairment. Assets that are amortised are tested for impairment if corresponding events or changes to circumstances give reason to believe that an asset may be impaired. The impairment is measured as the difference between the lower of the recoverable amount and the carrying amount, and is recognised in profit or loss. The recoverable amount is the higher of the fair value of the asset less cost of sale and the asset's value in use. During impairment testing, assets are summarised at the lowest level for which separate cash flows can be identified (cash-generating units). The value in use is given by discounting the cash-generating unit's estimated future cash flows.

On each balance sheet date, VIB Vermögen AG reviews whether or not grounds exist to believe that an impairment loss can be reversed. In so doing, the carrying amount of an asset or the cash-generating unit is written up to the re-estimated recoverable amount. The increase in the carrying amount is limited to the carrying amount which would have been determined if no impairment loss had been reported for the asset (of the cash-generating unit) in previous years. Any reversal of an impairment loss is recognised in profit or loss immediately. Goodwill impairment losses are not reversed.

FINANCE LEASES

Leases are classified as finance leases if, as a result of the conditions of the lease, the major risks and opportunities associated with ownership are transferred to the lessee. All other leases are classified as operating leases.

Lease payments resulting from an operating lease are expensed straight-line over the lease duration, unless another systematic basis better corresponds to the temporal duration of the benefit for the lessee.

TRADE RECEIVABLES

Trade receivables are recognised at fair value. Amortised costs are extrapolated over time applying the effective interest rate method and after deducting valuation allowances. Valuation allowances are applied to trade receivables if objective indications exist that due receivables will not be collected in full. The amount of the valuation allowance is the difference between the carrying amount of the receivable and the cash value of the estimated future cash flow from this receivable, discounted applying the effective interest rate. Such valuation allowances are expensed. Valuation allowances that have been applied to receivables are reversed accordingly if the reasons for which the valuation allowances have been applied in prior periods no longer exist. For more information, please refer to the remarks in this chapter relating to the impairment of financial assets.

BANK BALANCES AND CASH IN HAND

Bank balances and cash in hand include cash, demand deposits, other current highly liquid financial assets with an original maximum term of 3 months and current account overdrafts. Current account overdrafts are carried in the balance sheet as bank borrowings under current financial liabilities. Bank balances and cash in hand are measured at amortised cost.

FINANCIAL ASSETS

CLASSIFICATION AND MEASUREMENT

Financial assets (all agreements that lead to the recognition of a financial asset at one company and the recognition of a financial liability or an equity instrument at another company) are allocated to the following categories according to IAS 39:

- Financial assets measured at fair value through profit or loss
- Held-to-maturity investments
- Loans and receivables
- Available-for-sale financial assets

Classification depends on the purpose for which the respective financial assets were acquired. Management determines the classification of the financial assets upon initial recognition and reviews the classification on each balance sheet date.

1. ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets that are allocated to this category are to be allocated to one of the following sub categories:

- Financial assets that have been classified as “held for trading” from the outset
- Financial assets that were classified as measured at fair value through profit or loss on initial recognition.

A financial asset is allocated to this category if it was, in principle, acquired with the intention to sell it over the short term, or if the financial asset was designated accordingly by the management. Assets in this category are carried as current assets if they are either held for trading or will probably be realised within 12 months of the balance sheet date.

Derivative financial instruments (mainly interest rate swaps at the VIB Group) are carried at fair value. Changes in the value of derivatives that are not hedges are regarded as being “held for trading” and are consequently recognised in profit or loss. If derivatives are included in a cash flow hedge, the fair value adjustments are reported directly in equity taking deferred taxes into account. When derivative financial instruments are included in fair value hedges, the carrying amount of the underlying transaction is adjusted for the profit or loss from the derivative allocable to the hedged risk.

2. LOANS AND RECEIVABLES

Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not listed on an active market. Exceptions include financial assets held for trading and financial assets that the management has designated as at fair value. Loans and receivables arise when the Group directly provides money, goods or services to a debtor without the intention of selling such receivables on. They are allocated to current assets to the extent that the due date of the loans and receivables is not more than 12 months after the balance sheet date. Loans and receivables with longer terms are carried under non-current assets. Loans and receivables are included in the "receivables and other assets" item in the balance sheet.

3. HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, for which the Group's management has the intention and ability to hold them to maturity. These do not include investments which are measured at fair value through profit or loss, those that are held for trading or those that are to be allocated to loans and receivables.

4. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are non-derivative financial assets that were either allocated to this category or which were not allocated to any of the other categories shown. These are carried under non-current assets to the extent that management does not intend to sell these within 12 months of the balance sheet date.

Financial assets are measured at fair value plus transaction costs on the date they are first recognised. They are derecognised when the rights to payments from the investment have expired or been transferred, and the Group has essentially transferred all of the opportunities and risks that are associated with owning them.

Available-for-sale financial assets and assets in the "measured at fair value through profit or loss" category are measured at fair value after initial recognition. Loans and receivables and held-to-maturity financial investments are carried at amortised cost applying the effective interest method.

Realised and unrealised gains and losses from changes to the fair value of assets in the "measured at fair value through profit or loss" category are recognised in profit or loss in the period in which they arise. Unrealised gains and losses from changes to the fair value of non-monetary securities in the "available-for-sale" category are carried to other comprehensive income. If securities in the "available-for-sale" category are sold or impaired, fair value changes aggregated within other comprehensive income are recognised in profit or loss as gains or losses from financial assets.

The fair values of financial assets that are listed on an active market are based on the current bid rate. If no active market exists for the financial assets, or if these are unlisted securities, the corresponding fair values are measured applying suitable valuation methods. These include references to recent transactions between independent business parties, the use of current market prices for other comparable assets, discounted cash flow methods and, if necessary, special option pricing models.

IMPAIRMENT OF FINANCIAL ASSETS

With the exception of financial assets measured at fair value through profit or loss, financial assets are investigated for indications of impairment on each reporting date. Financial assets are deemed to be impaired if, as a consequence of one or several events occurring after initial recognition of the asset, an objective indication exists that the expected future cash flows from the financial instrument have suffered a negative change.

In the case of equity instruments which are classified as available-for-sale financial assets, any major or sustained downturn in the fair value to below the acquisition costs of these financial instruments is taken into account when determining the extent to which the equity instruments are impaired.

In the case of all other financial assets, objective indications of impairment can exist as follows:

- Significant financial difficulties on the part of the counterparty
- Payment defaults or delays above and beyond the debtor's average credit duration
- Default or delay in interest or redemption payments
- Increased probability that the borrower will enter bankruptcy or other financial reorganisation

In the case of assets measured at amortised cost, the impairment loss corresponds to the difference between the asset's carrying amount and the present value of the expected future cash flows calculated applying the financial asset's original effective interest rate.

Impairment results in the direct application of an impairment loss to the carrying amount of the respective financial asset, with the exception of trade receivables whose carrying amounts are reduced through a valuation account. If a trade receivable to which a valuation allowance has been applied is deemed to be uncollectible, consumption is recognised against the valuation account. Subsequent receipts relating to amounts that have already been written down are also recorded against the valuation account.

In the instance that an available-for-sale financial asset is gauged to be impaired, gains and losses that have been recognised previously in other comprehensive income are to be reclassified to the consolidated income statement in the period under review.

If the level of impairment of a financial asset measured at amortised cost reduces in a subsequent fiscal year, and if such a reduction can be attributed objectively to an event that occurs after recognition of the impairment, the previously recognised impairment is reversed in profit or loss. A reversal of an impairment loss may, nevertheless, not exceed the amount that would have arisen given continued amortisation of costs without any impairment.

In the case of available-for-sale equity instruments, past impairments recognised in profit or loss are not reversed in profit or loss. Following the application of an impairment loss, any increase in fair value is recognised in other comprehensive income and accumulated within the revaluation reserve.

In the case of available-for-sale debt instruments, reversals of impairment losses are recognised in profit or loss if an increase in the instrument's fair value is attributable to an event that occurred after the impairment was recognised.

DERECOGNITION OF FINANCIAL ASSETS

The Group only derecognises a financial asset if the contractual rights to the cash flows from the financial asset expire or if it transfers the financial asset as well as all opportunities and risks that are essentially connected with ownership of the asset to a third party.

To the extent that the Group neither transfers nor retains all opportunities and risks essentially connected with ownership, but continues to have control over the transferred asset, the Group recognises its remaining interest in the asset, as well as a corresponding liability equivalent to the amounts that are potentially to be paid. In the case that the Group essentially retains all opportunities and risks connected with ownership of a transferred asset, the Group continues to recognise the financial asset and a financial liability.

When a financial asset is fully derecognised, the difference between its carrying amount and the sum of consideration received or to be received, and all cumulative gains or losses that are recognised in other comprehensive income and accumulated within equity, are recognised in consolidated profit or loss.

Where a financial asset is not fully derecognised (e.g. if the Group retains an option to repurchase part of the transferred asset), the Group allocates the earlier carrying amount of the financial asset between the portion that it continues to recognise in line with its continuing investment and the portion that it no longer recognises, based on these portions' relative fair values on the transfer date. The difference between the carrying amount that was allocated to the portion that is no longer recognised, and the sum derived from the consideration that was received for the portion that is no longer recognised, and all cumulative gains or losses that are allocated to it and that were reported in other comprehensive income, are recognised in consolidated profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group deploys a number of derivative financial instruments to manage its interest-rate and foreign currency exchangerate-risks. These mainly comprise interest-rate swap transactions.

Derivatives are initially recognised on their contract dates at fair value, and subsequently measured at fair value on each reporting date. Gains or losses deriving from measurement are recognised in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument as part of a hedge.

Derivatives embedded in non-derivative host contracts are treated as free-standing derivatives if they:

› meet the criteria of a derivative,
› the financial characteristics and risks are not closely connected with the host contract, and
› the entire contract is not measured at fair value through profit or loss.

CASH FLOW HEDGES

Interest rate swaps are partly utilised when drawing down loans. These are utilised to hedge the fixed interest rate and some of the lending terms set by the bank. The effectiveness of the hedge is ascertained prospectively applying the critical terms match method under IAS 39.AG108. The effectiveness is reviewed retrospectively on each balance sheet date applying an effectiveness test in the form of a so-called dollar offset test. For these financial instruments utilised as cash flow hedges, the unrealised gains and losses from the effective hedge transaction are recognised directly in equity. The ineffective portion is recognised immediately in profit or loss. The amounts accumulated under equity are reported in profit or loss in the periods in which the underlying transaction affects earnings for the period.

EQUITY

The ordinary shares of VIB Vermögen AG are categorised as equity. Expenses directly connected with the issue of new shares are deducted directly in equity from the issue proceeds after deducting income tax. The share premium account, retained earnings, the Group's profit carried forward, the cash flow hedge reserve and the interests of non-controlling shareholders are also allocated to equity.

If a Group company acquires its own shares, the value of the compensation paid, including directly allocable additional costs (net of tax), is deducted from the equity due to the company's shareholders until the shares have been withdrawn, reissued or sold on. If such shares are subsequently issued or resold, the consideration received is reported in equity that is due to the company's shareholders, net of any directly allocable additional transaction costs and associated income taxes. No Group company held any of its own shares as of the balance sheet date.

PROVISIONS

Provisions are formed according to IAS 37 if a legal or constructive obligation to third parties exists from past events and if this obligation is likely to lead to an outflow of funds for which the amount can be reliably estimated. Provisions are carried in the amount that is required according to the best possible estimate in order to cover all current obligations on the balance sheet date. Future events that could impact the amount required to settle an obligation are taken into account in the provisions to the extent that these can be predicted with sufficient objective certainty and to the extent that such obligations result from past transactions. Expenses for the formation of provisions are disclosed in the income statement. If an outflow of funds is to be expected only after more than one year, the provisions are discounted applying a pre-tax interest rate. In the event of discounting, the increase in the provisions over time is carried as interest expense.

PENSION PROVISIONS

The actuarial valuation of provisions for pensions for company retirement benefits is based on IAS 19. The provision is formed based on the projected unit credit method for defined benefit plans. The differences (so-called actuarial gains and losses) which result at the end of the year between the forecast pension commitments and the actual projected unit credit are carried directly to other comprehensive income, taking into account deferred tax. The service cost contained in the pension expense is reported under personnel expenses, and the interest portion is carried through the income statement under interest and similar expenses.

FOREIGN CURRENCIES

FUNCTIONAL CURRENCY AND REPORTING CURRENCY

The consolidated financial statements are prepared in euros, the parent company's functional currency.

The functional currency of a Group company is the currency of the primary economic environment in which the company operates. The company prepares its separate financial statements in the functional currency. This is the euro for all of the companies, with the exception of RV Technik s.r.o, CZ.

Assets (including goodwill and hidden reserves disclosed as part of a purchase price allocation) and liabilities for foreign subsidiaries for which the functional currency is not the euro, are translated in line with IAS 21 at the rate prevailing on the balance sheet date, whilst income and expenses are translated applying the average rate of exchange. VIB Vermögen AG takes translation differences directly to equity.

TRANSACTIONS AND BALANCES

Foreign currency transactions are translated to the functional currency applying the exchange rate on the transaction date. Gains and losses that result from the fulfilment of these transactions and from conversion at the closing rate of monetary assets and liabilities in foreign currency are reported in the income statement.

FINANCIAL LIABILITIES

The financial liabilities comprise financial liabilities, profit participation capital (Genussrechte), other liabilities, and derivative financial instruments to be measured at fair value. Except for derivative financial instruments measured at fair value, financial liabilities are measured at amortised cost.

Financial liabilities are initially recognised at fair value. In the case of financial liabilities that are not measured at fair value through profit or loss, they also include transaction costs that are directly attributable to the liability.

Current financial liabilities (that is, liabilities for which repayment is expected within 12 months of the balance sheet date) are carried at their repayment amounts. As part of subsequent measurement, non-current liabilities and finance debt are carried at amortised cost applying the effective interest method. Liabilities from finance leases are carried at the present value of the minimum lease payments.

The fair values of financial liabilities that are listed on an active market are based on the current bid rate. If no active market exists for the financial liabilities, or if these are unlisted securities, the corresponding fair values are measured applying suitable valuation methods. These include references to recent transactions between independent business parties, the use of current market prices for other comparable assets, discounted cash flow methods and, if necessary, special option pricing models.

In line with the definition of equity in IAS 32, equity exists from the company's perspective only if the corresponding financial instrument does not evidence a contractual obligation to repay capital or to deliver other financial assets. Repayment obligations from company assets can arise if (non-controlling) shareholders have a right of termination and, at the same time, exercising this right evidences a compensation claim against the company. Any such capital provided by non-controlling interests is carried as a liability, even if this is regarded as equity under the principles of German commercial law. Compensation claims are carried at fair value.

RISK MANAGEMENT

The Group is exposed to various financial risks that derive from its operations and financing activities. The key financial risks for the Group arise from changes in interest rates, and its counterparties' credit ratings and solvency.

Financial risk management within the Group is based on principles stipulated by the management. These include interest rate, market, credit and liquidity risks. Principles and guidelines for other areas, such as liquidity management and the procurement of short and long-term loans, also exist.

Financial risk management aims to secure, to the extent necessary, the various risks detailed above and consequently to limit the negative impact on the Group's profit and loss and balance sheet. Taking into account the principle of functional separation, the financial risks to which the Group is exposed are measured, monitored and actively controlled on an ongoing basis applying various measures.

VALUATION UNCERTAINTIES, ASSUMPTIONS, ESTIMATING UNCERTAINTIES

Assumptions must be made when applying the accounting and valuation methods. The most important forward-looking assumptions and other key sources of estimating uncertainties which exist on the balance sheet date – as a result of which a risk exists that could necessitate an adjustment to the carrying amounts of assets and liabilities during the next fiscal year – are discussed below:

- The identification of the fair values for assets and liabilities and the useful lives of assets are based on the management's assessments. This also applies to the identification of impairments for property, plant and equipment, intangible assets and financial assets. At VIB Vermögen AG, this applies in particular to the valuation of investment property, and also to financial instruments and derivatives.
- Valuation allowances are formed for doubtful receivables in order to take estimated losses from customers' unwillingness or inability to pay into account.
- Estimates must also be made when calculating actual and deferred taxes. In particular, the possibility of generating sufficient taxable income plays a key role in assessing whether or not deferred tax assets can be utilised.
- Discount factors and anticipated developments are the key estimates made in accounting for, and measuring, pension provisions and current provisions.

- VIB Group companies are involved in various proceedings and official proceedings as part of their general business operations, and such proceedings may be initiated or asserted in future. Even if the outcome of the individual proceedings cannot be forecast with certainty as a result of the uncertainties associated with litigation, it is currently expected that no significant negative impact will arise for the Group's results of operations that goes beyond the risks taken into account as liabilities or provisions in the financial statements.

The best possible information about circumstances prevailing on the balance sheet date is generally utilised for such valuation uncertainties. The actual amounts that result may differ from the estimated amounts. The carrying amounts disclosed in the financial statements that are subject to such uncertainties are detailed on the balance sheet or in the related notes.

On the date the consolidated financial statements were prepared, no material changes to the assumptions on which accounting or valuation were based were to be assumed. As things stand, no notable adjustments to the assumptions and estimates or the carrying amounts of the affected assets and liabilities are therefore to be expected in the 2016 fiscal year.

EFFECTS OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

During the fiscal year under review, the Group applied new standards and amendments to existing standards for the first time (see also the remarks in chapter B). Application resulted in no significant effects on the consolidated financial statements of VIB Vermögen AG. The previous year's figures did not need to be restated.

ACQUISITION OF FURTHER SHARES IN SUBSIDIARIES

As part of the portfolio optimisation program, the company further increased its interest in VIMA Grundverkehr GmbH from 50.00% to 100.00%. A purchase price of EUR 125 thousand was paid and the shares held at the time of acquisition were revalued accordingly.

Due to the resulting gain of control, the subsidiary has been fully consolidated for the first time. From the point of view of the Group, the transaction is a non-significant acquisition.

INFORMATION ABOUT SUBSIDIARIES

As of December 31, 2015, 10 (previous year: 9) companies were included in the consolidated financial statements of VIB Vermögen AG.

Companies included in the consolidated financial statements as of December 31, 2015:

Company	Headquarters	Voting rights and equity interest (in %)	
		31/12/15	31/12/14
Merkur GmbH	Neuburg/Danube	100.00	100.00
RV Technik s.r.o., CZ	Plzeň (Czech Republic)	100.00	100.00
VIMA Grundverkehr GmbH	Neuburg/Danube	100.00	50.00
BBI Bürgerliches Brauhaus Immobilien AG	Ingolstadt	94.88	94.88
IPF 1 GmbH	Neuburg/Danube	94.98	94.98
IPF 2 GmbH	Neuburg/Danube	94.98	94.98
ISG Infrastrukturelle Gewerbeimmobilien GmbH	Ingolstadt	75.00	75.00
Interpark Immobilien GmbH	Neuburg/Danube	74.00	74.00
VSI GmbH	Neuburg/Danube	74.00	74.00
IVM Verwaltung GmbH	Neuburg/Danube	60.00	60.00

The interests shown correspond to the proportionate interests attributable to the Group. For more information, please also refer to the list of shareholdings under note 52.

The main business activity of the parent company and of all its subsidiaries consists in the management of commercial real estate.

The following table contains details about subsidiaries that the Group does not wholly own, and where significant non-controlling interests exist.

Name of subsidiary	Headquarters	Equity interest and voting rights interest of non-controlling shareholders (in %)		Gain or loss attributable to non-controlling interests (in %)		Cumulative noncontrolling interests (in EUR thousand)	
		31/12/15	31/12/14	**2015**	2014	**31/12/15**	31/12/14
BBI Bürgerliches Brauhaus Immobilien AG	Ingolstadt	5.12%	5.12%	261	270	4,670	3,954
Interpark Immobilien GmbH	Neuburg	26.0%	26.0%	2,580	–62	4,837	957
ISG Infrastrukturelle Gewerbe-immobilien GmbH	Ingolstadt	25.0%	25.0%	388	492	4,009	3,796
Subsidiaries with individually immaterial non-controlling interests						4,428	3,887
Total sum of non-controlling interests						**17,944**	12,594

Summarised financial information about Group subsidiaries with significant non-controlling interests is presented below. The summarised financial information corresponds to amounts before intra-Group eliminations.

BBI BÜRGERLICHES BRAUHAUS IMMOBILIEN AG

IN EUR THOUSAND	31/12/15	31/12/14
Non-current assets	202,802	202,486
Current assets	2,485	3,361
Non-current liabilities	110,777	116,082
Current liabilities	11,100	10,695
Interest in equity attributable to parent company shareholders	79,141	75,021
Non-controlling shareholders	4,269	4,048

IN EUR THOUSAND	2015	2014
Revenue	14,441	14,385
Other income	882	1,253
Expenses	–11,362	–11,339
Net profit for the year	**3,961**	**4,299**
Net profit for the year attributable to parent company shareholders	3,758	4,079
Net profit for the year attributable to non-controlling shareholders	203	220
Total net income for the year	**3,961**	**4,299**
Other comprehensive income attributable to parent company shareholders	360	–606
Other comprehensive income attributable to non-controlling shareholders	19	–33
Total other comprehensive income	**379**	**–639**
Total comprehensive income attributable to parent company shareholders	4,118	3,473
Total comprehensive income attributable to non-controlling shareholders	222	187
Total comprehensive income	**4,340**	**3,660**
Dividends paid to non-controlling shareholders	—	—
Net cash flows from operating activities	571	601
Net cash flows from investing activities	3	29
Net cash flows from financing activities	–481	–703
Total net cash flows	**93**	**–73**

INTERPARK IMMOBILIEN GMBH

IN EUR THOUSAND	31/12/15	31/12/14
Non-current assets	45,031	10,562
Current assets	262	523
Non-current liabilities	17,915	7,175
Current liabilities	8,775	229
Share of equity attributable to parent company shareholders	13,766	2,724
Non-controlling interests	4,837	957

IN EUR THOUSAND	2015	2014
Revenue	1,171	0
Other income	10,979	0
Expenses	–2,227	–240
Net profit for the year	**9,923**	**–240**
Net income for the year attributable to parent company shareholders	7,343	–178
Net income for the year attributable to non-controlling interests	2,580	–62
Total net income for the year	**9,923**	**–240**
Other earnings attributable to parent company shareholders	—	—
Other earnings attributable to non-controlling interests	—	—
Total other comprehensive income	**—**	**—**
Total earnings attributable to parent company shareholders	7,343	–178
Total earnings attributable to non-controlling interests	2,580	–62
Total comprehensive income	**9,923**	**–240**
Dividends paid to non-controlling shareholders	—	—
Net cash flows from operating activities	535	–4
Net cash flows from investing activities	–6,108	–204
Net cash flows from financing activities	5,453	330
Total net cash flows	**–120**	**122**

ISG INFRASTRUKTURELLE GEWERBEIMMOBILIEN GMBH

IN EUR THOUSAND	31/12/15	31/12/14
Non-current assets	35,609	35,600
Current assets	478	532
Non-current liabilities	18,980	19,904
Current liabilities	1,098	1,069
Interest in equity attributable to parent company shareholders	12,007	11,369
Non-controlling shareholders	4,002	3,790

IN EUR THOUSAND	2015	2014
Revenue	2,574	2,538
Other income	40	608
Expenses	–1,064	–1,177
Net profit for the year	**1,550**	**1,969**
Net profit for the year attributable to parent company shareholders	1,162	1,477
Net profit for the year attributable to non-controlling shareholders	388	492
Total net income for the year	**1,550**	**1,969**
Other comprehensive income attributable to parent company shareholders	0	0
Other comprehensive income attributable to non-controlling shareholders	0	0
Total other comprehensive income	**0**	**0**
Total comprehensive income attributable to parent company shareholders	1,162	1,477
Total comprehensive income attributable to non-controlling shareholders	388	492
Total comprehensive income	**1,550**	**1,969**
Dividends paid to non-controlling shareholders	175	125
Net cash flows from operating activities	541	555
Net cash flows from investing activities	0	5
Net cash flows from financing activities	–555	–514
Total net cash flows	**–14**	**46**

D. NOTES ON THE INCOME STATEMENT

The structure of the income statement for the current fiscal year is the same as in the previous fiscal year.

1. REVENUE

The Group's revenues are composed as follows:

IN EUR THOUSAND	2015	2014
Revenue from rents excluding utilities charges	65,748	61,175
Revenue from operating costs	8,825	8,537
Miscellaneous revenue	560	157
	75,133	**69,869**

The revenue relates almost exclusively to revenue from investment properties.

2. OTHER OPERATING INCOME

Other operating income is composed as follows:

IN EUR THOUSAND	2015	2014
Miscellaneous operating revenue	500	604
Disposal gains on properties	0	63
	500	**667**

Miscellaneous operating income in the year under primarily review arises from insurance compensation payments, agency agreements, building management activities, the reversal of individual impairment losses applied to receivables and payments on receivables that had already been written off.

3. CHANGES IN VALUE FOR INVESTMENT PROPERTIES

IN EUR THOUSAND	2015	2014
Reversals to impairment charges arising from changes in market value IAS 40	21,421	11,430
Impairment charges arising from changes in market value IAS 40	–5,011	–3,901
	16,410	**7,529**

Rental properties are measured at fair value through profit or loss pursuant to IAS 40. As it is not yet possible to reliably determine the fair value for the properties still being developed, these are measured at amortised cost. Reversals to impairment loss of EUR 21,421 thousand are composed as follows:

IN EUR THOUSAND	2015	2014
Increase in the value of development projects and acquisitions after completion of the development and start of property use	13,168	1,721
Maintenance expenses	8,253	9,709
	21,421	**11,430**

4. EXPENSES FOR INVESTMENT PROPERTIES

The expenses connected with investment properties are composed as follows:

IN EUR THOUSAND	2015	2014
Land expenses/operating costs	10,167	10,166
Maintenance expenses	3,453	3,664
	13,620	**13,830**

Expenses for investment property that did not contribute to generating rental income during the year under review (including in construction, vacancies, etc.) are of minor importance.

5. PERSONNEL EXPENSES

IN EUR THOUSAND	2015	2014
Wages and salaries	2,951	2,693
Social security contributions	352	304
	3,303	**2,997**

The VIB Group employed an average of 37 employees excluding the Managing Board members (previous year: 35).

6. OTHER OPERATING EXPENSES

Other operating expenses fell from EUR 2,054 thousand in 2014 to EUR 1,626 thousand. This EUR 428 thousand decline is due primarily to a lower level of legal and consultancy costs and smaller transfers to individual impairment losses on trade receivables.

7. DEPRECIATION AND AMORTISATION

IN EUR THOUSAND	2015	2014
Amortisation	11	12
Depreciation	45	48
	56	**60**

8. PROFIT/LOSS ON EQUITY ACCOUNTED INVESTMENTS

The income from investments is due to the following participating interests in associated companies:

IN EUR THOUSAND	2015	2014
VIMA Grundverkehr GmbH (until May 31, 2015)	–2	–22
KHI Immobilien GmbH	–11	0
BHB Brauholding Bayern-Mitte AG	32	245
	19	**223**

The income from investments is recognised pursuant to IAS 28.11 and includes both the share of the profit and loss of the interest held and adjustments to the carrying amounts of the shares due to impairment losses.

9. GAIN / LOSS ON DECONSOLIDATION

No shares in subsidiaries were sold in the fiscal year under review. Therefore, the gain / loss on deconsolidation amounted to EUR 0 thousand (previous year: EUR 34 thousand).

10. INCOME / EXPENSES FROM MEASUREMENT OF FINANCIAL DERIVATIVES

In 2015, an expense of EUR –132 thousand (previous year: EUR –436 thousand) was incurred for the final time in connection with the measurement of a foreign currency derivative. The derivative expired at the end of the fiscal year.

11. OTHER INTEREST AND SIMILAR INCOME

Other interest and similar income in the amount of EUR 62 thousand (previous year: EUR 112 thousand) is due mostly to interest on current account balances and demand deposits as well as loans extended comprising part of financial assets.

12. INTEREST AND SIMILAR EXPENSES

Interest and similar expenses in the amount of EUR 20,433 thousand (previous year: EUR 20,570 thousand) are due mostly to interest on bank borrowings and interest payments on interest rate swaps.

The interest expense for financial liabilities that are not measured at fair value through profit or loss amounted to EUR 18,618 thousand in the fiscal year under review (previous year: EUR 18,849 thousand).

13. EXPENSES FROM GUARANTEED DIVIDEND

This expense results from the dividend guaranteed to outstanding shareholders as set out in the profit and loss transfer agreement with BBI Immobilien AG and reduces earnings in the amount of EUR 166 thousand (previous year: EUR 181 thousand). The underlying appeal proceedings were concluded in the previous year. The court increased the retroactive cash settlement from EUR 0.64 to EUR 0.74 (gross) per ordinary share.

14. INCOME TAXES

Income taxes are composed as follows:

IN EUR THOUSAND	**2015**	2014
Current income tax expense	2,620	1,798
Deferred income tax expense	6,121	4,104
Expense from taxes on income	**8,741**	**5,902**

The current tax expense mostly comprises corporation tax including the solidarity surcharge.

The deferred tax expense arises primarily from deferred taxes on the valuation differences on investment properties.

The differences between the reported tax expense and the expected tax expense are reported in the statement of reconciliation below. The expected income tax expense arises from the earnings before taxes multiplied by the expected tax rate. The anticipated income tax rate includes statutory German corporation tax as well as the solidarity surcharge due on this amount. As a result of the further reduction in trade tax, this is not included in this tax rate. The anticipated tax rate is consequently 15.825%. Any trade tax effects are reported as reconciliation issues.

IN EUR THOUSAND	**2015**	2014
Earnings before income taxes	52,788	38,306
Anticipated income tax rate: 15.825%		
Anticipated income tax expense	8,354	6,062
Prior years' taxes (current and deferred)	115	–270
Tax impact of subsidiaries and equity accounted investments	–3	–35
Tax effects from deconsolidation gains	0	–5
Corporation tax on compensation payment	26	29
Corporation tax on supplementary compensation claim	0	39
Tax rate differences (trade tax)	0	–12
Tax-free income (especially Section 8b KStG)	18	11
Non-tax-deductible expenses	16	14
Tax effects arising from interest on mandatory convertible bonds (interest and issuing costs)	222	59
Other	–7	10
Reported income tax expense	**8,741**	**5,902**
Effective tax rate	16.56%	15.41%

15. PROFIT / LOSS ON DISCONTINUED OPERATIONS

In the 2015 fiscal year, no earnings components exist arising from discontinued operations.

16. NON-CONTROLLING SHAREHOLDERS' SHARE OF EARNINGS

The consolidated net income in the amount of EUR 44,047 thousand includes shares attributable to non-controlling shareholders (BBI Immobilien AG, IPF 1 GmbH, IPF 2 GmbH, ISG Infrastrukturelle Gewerbeimmobilien GmbH, Interpark Immobilien GmbH, VSI GmbH, IVM Verwaltung GmbH) in the amount of EUR 3,928 thousand (previous year: EUR 1,095 thousand).

17. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated based on the following information:

IN EUR THOUSAND	2015	2014
Earnings		
Consolidated net income	44,047	32,404
Less: earnings attributable to non-controlling interests	–3,928	–1,095
Basis for undiluted earnings per share	**40,119**	**31,309**
Less: profit/loss on discontinued operations	0	0
Basis for undiluted earnings per share for continuing operations	**40,119**	**31,309**
Impact of potentially dilutive shares	0	0
Basis for diluted earnings per share	**40,119**	**31,309**
Less: profit/loss on discontinued operations	0	0
Basis for diluted earnings per share for continuing operations	**40,119**	**31,309**
Number of shares		
Weighted average number of shares in circulation for undiluted earnings per share	27,579,812	25,411,653
Impact of potentially dilutive shares	0	0
Weighted average number of shares in circulation for diluted earnings per share	27,579,812	25,411,653
Undiluted earnings per share (in EUR)	**1.46**	**1.23**
Undiluted earnings per share for continuing operations (in EUR)	**1.46**	**1.23**
Diluted earnings per share (in EUR)	**1.46**	**1.23**
Diluted earnings per share for continuing operations (in EUR)	**1.46**	**1.23**

Following the conclusion of the appeal proceedings relating to the review of the appropriateness of the guarantee dividend for the outstanding BBI shareholders and the exchange ratio for the exchange of BBI shares for VIB shares during the fiscal year elapsed, it will no longer be possible to exchange shares. In addition, no potential dilutive shares will arise in the future as a consequence (see section 25 Conditional capital).

DIVIDENDS PAID

In the 2015 fiscal year, and according to the resolution of the General Meeting on July 1, 2015, an amount of EUR 11,896,274.88 (previous year: EUR 9,968,098.95) was disbursed from the 2014 net retained profit of VIB Vermögen AG. This corresponds to a dividend of EUR 0.48 per share (previous year: EUR 0.45 per share).

The Managing and Supervisory Boards of VIB Vermögen AG will propose to the shareholders at the company's General Meeting for the 2015 fiscal year that a dividend of EUR 0.51 per share be disbursed from the net retained profit of VIB Vermögen AG (total of EUR 13,417,286.55).

18. FAIR VALUE MEASUREMENT

The following table shows the fair value measurement of the Group's assets and liabilities by hierarchy levels.

QUANTITATIVE INFORMATION ABOUT THE FAIR VALUE MEASUREMENT OF ASSETS BY HIERARCHY LEVELS AS OF DECEMBER 31, 2015

			Fair value measurement applying		
IN EUR THOUSAND	Measurement date	Total	prices listed on active markets (Level 1)	significant observable inputs (Level 2)	significant non-observ-able inputs (Level 3)
Assets measured at fair value					
Investment properties (note 20)					
Logistics/light industry	31/12/15	555,720	—	—	555,720
Retail	31/12/15	321,790	—	—	321,790
Office	31/12/15	36,700	—	—	36,700
Service/other	31/12/15	36,930	—	—	36,930
Assets held for sale	31/12/15	0	—	—	0
Liabilities measured at fair value					
Derivative financial liabilities (Note 28)					
Interest rate swaps	31/12/15	8,513	—	8,513	—
Forward currency contract (CHF)	31/12/15	0	—	0	—
Liabilities for which fair value is reported in the notes					
Interest-bearing loans (note 43)					
Fixed-interest loans	31/12/15	566,937	—	566,937	—

QUANTITATIVE INFORMATION ABOUT THE FAIR VALUE MEASUREMENT OF ASSETS BY HIERARCHY LEVELS AS OF DECEMBER 31, 2014

			Fair value measurement applying		
IN EUR THOUSAND	Measurement date	Total	prices listed on active markets (Level 1)	significant observable inputs (Level 2)	significant non-observable inputs (Level 3)
Assets measured at fair value					
Investment properties (note 20)					
Logistics/light industry	31/12/14	498,330	—	—	498,330
Retail	31/12/14	305,270	—	—	305,270
Office	31/12/14	36,070	—	—	36,070
Service/other	31/12/14	36,640	—	—	36,640
Assets held for sale	31/12/14	2,844	—	—	2,844
Liabilities measured at fair value					
Derivative financial liabilities (Note 28)					
Interest rate swaps	31/12/14	10,153	—	10,153	—
Forward currency contract (CHF)	31/12/14	1,139	—	1,139	—
Liabilities for which fair value is reported in the notes					
Interest-bearing loans (note 43)					
Fixed-interest loans	31/12/14	498,046	—	498,046	—

No regroupings occurred between the levels of the measurement hierarchies in the period under review.

19. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

19.1 INTANGIBLE ASSETS

IN EUR THOUSAND	Other rights	Total
Cost as of 01/01/2015	**137**	**137**
Additions	30	30
Disposals	0	0
Balance 31/12/2015	**167**	**167**
Amortisation / impairment as of 01/01/2015	**133**	**133**
Additions	10	10
Balance 31/12/2015	**143**	**143**
Carrying amount 31/12/2015	**24**	**24**
Carrying amount 01/01/2015	**4**	**4**

IN EUR THOUSAND	Other rights	Total
Cost as of 01/01/2014	**137**	**137**
Additions	0	0
Disposals	0	0
Balance 31/12/2014	**137**	**137**
Amortisation / impairment as of 01/01/2014	**121**	**121**
Additions	12	12
Balance 31/12/2014	**133**	**133**
Carrying amount 31/12/2014	**4**	**4**
Carrying amount 01/01/2014	**16**	**16**

19.2 PROPERTY, PLANT AND EQUIPMENT

IN EUR THOUSAND	Land and buildings	Other property, plant and equipment	Advance payments made and property under construction	Total
Cost as of 01/01/2015	**20**	**1,096**	**0**	**1,116**
Additions	706	40	28	774
Disposals	0	–2	0	–2
Reclassified to investment properties	–16	0	0	–16
Balance 31/12/2015	**710**	**1,134**	**28**	**1,872**
Amortisation / impairment as of 01/01/2015	**0**	**863**	**0**	**863**
Additions	0	45	0	45
Disposals	0	–2	0	–2
Change to consolidation scope	0	0	0	0
Balance 31/12/2015	**0**	**906**	**0**	**906**
Carrying amount 31/12/2015	**710**	**228**	**28**	**966**
Carrying amount 01/01/2015	**20**	**233**	**0**	**253**

IN EUR THOUSAND	Land and buildings	Other property, plant and equipment	Advance payments made and fixed assets under construction	Total
Cost as of 01/01/2014	**0**	**1,421**	**0**	**1,421**
Additions	20	193	0	213
Disposals	0	–518	0	–518
Change to consolidation scope	0	0	0	0
Balance 31/12/2014	**20**	**1,096**	**0**	**1,116**
Amortisation / impairment as of 01/01/2014	**0**	**994**	**0**	**994**
Additions	0	48	0	48
Disposals	0	–179	0	–179
Change to consolidation scope	0	0	0	0
Balance 31/12/2014	**0**	**863**	**0**	**863**
Carrying amount 31/12/2014	**20**	**233**	**0**	**253**
Carrying amount 01/01/2014	**0**	**427**	**0**	**427**

20. INVESTMENT PROPERTIES

IN EUR THOUSAND	2015	2014
Investment properties, measured at fair value	951,140	876,310
Property under construction, measured at amortised cost	17,882	17,904
	969,022	**894,214**

INVESTMENT PROPERTIES, MEASURED AT FAIR VALUE

IN EUR THOUSAND	2015	2014
Carrying amount 01/01	**876,310**	**813,858**
Changes to consolidation scope	0	0
Additions	39,485	47,662
Disposals	–23	–1,058
Reclassified from property under construction	18,958	8,319
Unrealised increases in market value	21,421	11,430
Unrealised deductions in market value	–5,011	–3,901
Carrying amount 31/12	**951,140**	**876,310**

The investment properties (IAS 40) relate to properties held for rental and value appreciation purposes deriving from the Group's core business. The Group measures the properties on the basis of the fair value model. External valuation surveys were obtained for this purpose.

The properties relate predominantly to commercial real estate assets that are largely rented to renowned tenants on a long-term basis. The properties are subdivided into the categories of logistics/light industry, retail, office, and service and other.

At the Group, no restrictions exist relating to the disposability of investment properties, and no contractual obligations exist to purchase, construct or develop investment properties. Moreover, no contractual obligations exist relating to repairs, maintenance and improvements.

Note 18 includes information concerning the fair value hierarchy for investment properties measured at fair value.

The changes in the fair values per category are as follows:

IN EUR THOUSAND	Logistics/ light industry	Retail	Office	Service/ other	Total
Carrying amount 01/01/2015	**498,330**	**305,270**	**36,070**	**36,640**	**876,310**
Changes to consolidation scope	0	0	0	0	0
Additions	23,240	14,624	1,621	0	39,485
Disposals	–5	–18	0	0	–23
Reclassified from property under construction	18,150	808	0	0	18,958
Unrealised market value changes recognised in profit or loss for the period	16,005	1,106	–991	290	16,410
Carrying amount 31/12/2015	**555,720**	**321,790**	**36,700**	**36,930**	**951,140**

IN EUR THOUSAND	Logistics/ light industry	Wholesale/ retail	Office	Service/ other	Total
Carrying amount 01/01/2014	**489,380**	**252,794**	**35,618**	**36,066**	**813,858**
Changes to consolidation scope	0	0	0	0	0
Additions	571	47,087	0	4	47,662
Disposals	0	0	–454	–604	–1,058
Reclassified from property under construction	4,692	3,628	0	–1	8,319
Unrealised market value changes	3,687	1,761	906	1,175	7,529
Carrying amount 31/12/2014	**498,330**	**305,270**	**36,070**	**36,640**	**876,310**

The unrealised gains and losses recognised in profit or loss for the period are reported under the "changes in value for investment properties" item.

The applied measurement methods and significant inputs for investment properties measured at fair value are as follows:

Category	Measurement method	Significant non-observable inputs	Range/value** 2015	Range/value** 2014
Logistics/light industry real estate	Discounted cash flow method	Estimated rent per sqm and month	EUR 3 – EUR 14 (weighted average: EUR 5)	EUR 3 – EUR 12 (weighted average: EUR 5)
		Estimated rent management costs	EUR 0.23 – EUR 1.61 (weighted average: EUR 0.37)	EUR 0.01 – EUR 1.35 (weighted average: EUR 0.20)
		Discounting rate	6.15% – 9.70%	6.55% – 9.55%
Retail properties	Discounted cash flow method	Estimated rent per sqm and month	EUR 5 – EUR 12 (weighted average: EUR 8)	EUR 5 – EUR 12 (weighted average: EUR 8)
		Estimated rent management costs	EUR 0.06 – EUR 1.49 (weighted average: EUR 0.71)	EUR 0.01 – EUR 2.23 (weighted average: EUR 0.44)
		Discounting rate	5.80% – 7.70%	5.90% – 7.90%
Office real estate	Discounted cash flow method	Estimated rent per sqm and month	EUR 5 – EUR 12 (weighted average: EUR 8)	EUR 5 – EUR 12 (weighted average: EUR 8)
		Estimated rent management costs	EUR 0.62 – EUR 1.39 (weighted average: EUR 0.89)	EUR 0.32 – EUR 0.93 (weighted average: EUR 0.73)
		Discounting rate	6.35% – 8.40%	6.60% – 8.45%
Service and others	Discounted cash flow method	Estimated rent per sqm and month	EUR 2 – EUR 28 (weighted average: EUR 8)	EUR 3 – EUR 28 (weighted average: EUR 8)
		Estimated rent management costs	EUR 0.19 – EUR 2.66 (weighted average: EUR 0.79)	EUR 0.33 – EUR 2.26 (weighted average: EUR 0.68)
		Discounting rate	4.20% – 8.05%	3.75% – 8.05%

** The average values presented in the table are derived from the arithmetic average of the respective values of a category.

The properties are generally valued applying the discounted cash flow (DCF) method. The model comprises two phases: during the first phase (detailed planning period over 10 years), periodic cash surpluses are calculated and then discounted to the measurement date. For the second phase, which follows the detailed planning period, a residual value (disposal proceeds) is calculated by capitalising a sustainably achievable cash surplus into perpetuity. This residual value is also discounted to the measurement date. The gross present value of the property comprises the sum of the discounted cash surpluses from the detailed planning phase and the discounted disposal proceeds. This is converted into a net present value (net disposal price) by deducting potential buyers' incidental purchase costs (transaction costs): land purchase tax, as well as notary and land registry costs.

The calculation of the income surpluses generally comprises all incoming and outgoing payments relating to the property. Incoming payments include contractually agreed gross rents, taking any rental adjustment clauses into consideration. A standard market rent that takes into account rental increases that are expected over the course of time is applied to spaces that become vacant on a short-term basis, as well as for periods after rental contracts expire. Outgoing payments comprise property management costs: mainly administrative expenses, operating costs that cannot be charged on to the tenant, maintenance expenses, ground rents and costs in relation to guarantees, doubtful debts, contingent losses and so on. During the detailed planning period, management costs are calculated on the basis of fixed rates that correspond to the expected costs. These rates are based on the costs actually incurred in previous years.

Identifiable structural vacancies and any maintenance backlogs are reflected through corresponding discounts from the gross present value.

Returns derived from the property market are applied to discount the cash flows forecast for the detailed planning period and the residual value (proceeds of sale). The starting point is the gross initial yield, i.e. the ratio of the contractual rent to the sale price of the property excluding incidental purchase costs. Taking the gross initial yield, the net initial yield is determined as a property-specific rate of interest. The net initial yield shows the ratio of the incoming payment surpluses to the total investment, which comprises the purchase price plus incidental purchase costs. The specific characteristics of individual properties being valued (age, location, condition, rentability) are reflected using property-specific surcharges or deductions on the net initial yield. Due to growth deductions and surcharges for ageing, the capitalisation rate used to determine the residual value (proceeds of sale) usually differs from the interest rate used to discount incoming payment surpluses during the detailed planning period and the residual value at the time of valuation.

When observed on an isolated basis, significant increases (reductions) in the estimated rent would result in a significantly higher (lower) fair value for the respective property. In contrast, a significant increase (decrease) in management costs would feed through to a considerably lower (higher) fair value. When observed on an isolated basis, a markedly higher discounting rate (and capitalisation rate) would result in a significantly lower (higher) fair value. In general, a modification to the assumptions relating to the expected market rent gives rise to a corresponding change to the discounting rate (and capitalisation rate).

PROPERTY UNDER CONSTRUCTION, MEASURED AT AMORTISED COST

IN EUR THOUSAND	2015	2014
Carrying amount 01/01	**17,904**	**15,135**
Additions	16,172	11,096
Disposals	0	–8
Exchange rate effects	–80	–53
Reclassified to investment properties measured at fair value	–18,958	–8,319
Reclassified to/from assets held for sale IFRS 5	2,844	53
Carrying amount 31/12	**17,882**	**17,904**

Property under construction relates predominately to developed land plots with buildings under construction and undeveloped portfolio land plots measured at amortised cost.

Due to the ongoing sales negotiations relating to the shares in wholly owned subsidiary RV Technik s.r.o., Czech Republic, its capitalised plot of land with a market value of EUR 2,844 thousand (previous year: EUR 2,844 thousand) was reclassified to the "investment properties" item from the "available-for-sale assets" item.

The investment properties are encumbered with land charges and mortgages in connection with the long and short-term financial liabilities taken out for financing.

The book value of assets under construction serves as the best approximation of fair value.

21. INTERESTS IN ASSOCIATED COMPANIES

The investments in companies included in the consolidated financial statements as associated companies were included in the consolidated financial statements in line with the equity method set out in IAS 28 and were recognised at the corresponding remeasured equity.

All interests in associates are regarded as immaterial when taken individually.

IN EUR THOUSAND	2015	2014
Carrying amount of Group interests in associates	**3,052**	**3,120**

Summarised information for associates that are individually immaterial:

IN EUR THOUSAND	2015	2014
Group interest in profit or loss from continuing operations	116	21
Group interest in earnings after tax from discontinued operations	—	—
Group interest in other comprehensive income	—	—
Group interest in total comprehensive income	**116**	**21**

22. RECEIVABLES AND OTHER ASSETS

IN EUR THOUSAND	2015	2014
Trade receivables	1,104	1,594
Other assets	1,024	1,358
	2,128	**2,952**

The trade receivables stem mostly from current renting, as well as the capitalisation of claims arising from the settlement of incidental costs due from tenants.

Individual valuation allowances were required in the amount of EUR 44 thousand (previous year: EUR 339 thousand).

Other assets relate primarily to maintenance reserves, VAT reimbursement claims, insurance payments and short-term loans extended.

All accounts receivable and other assets have a residual term of less than one year.

The changes in valuation allowances are shown in the following table:

IN EUR THOUSAND	2015	2014
Balance – start of year	339	313
Additions	37	237
Consumed in derecognition	–319	–59
Release	–13	–152
	44	**339**

When determining whether trade receivables are impaired, every change in credit rating since the time when the payment deadline was granted through to the balance sheet date is taken into account. No notable concentration in credit risk exists, as the customer base is broadly distributed and no correlations exist. Correspondingly, the Managing Board believes that no risk provisions are required over and above the valuation allowances already reported.

The present value of the trade receivables corresponds to their carrying amount. Additions to valuation allowances during the fiscal year are carried in the income statement under other operating expenses, with reversals carried under other operating income.

The receivables from income taxes of EUR 33 thousand (previous year: EUR 332 thousand) are due to corporation tax credits at BBI Immobilien AG, which are due to the change from the imputation tax credit system to the half income method.

23. BANK BALANCES AND CASH IN HAND

This item is utilised to disclose cash in hand and bank balances with a term of less than 3 months, as well as financial securities with an original term of less than 3 months. The item is attributable to VIB Vermögen AG in an amount of EUR 27,718 thousand (previous year: EUR 31,890 thousand), to BBI Immobilien AG in an amount of EUR 2,170 thousand (previous year: EUR 3,090 thousand), to VIMA GmbH in an amount of EUR 763 thousand (previous year: EUR 0 thousand), to IPF 1 GmbH in an amount of EUR 778 thousand (previous year: EUR 1,274 thousand), to IPF 2 GmbH in an amount of EUR 394 thousand (previous year: EUR 142 thousand), to ISG GmbH in an amount of EUR 476 thousand (previous year: EUR 532 thousand), to Merkur GmbH in an amount of EUR 301 thousand (previous year: EUR 89 thousand), to IVM Verwaltung GmbH in an amount of EUR 196 thousand (previous year: EUR 135 thousand), to Interpark GmbH in an amount of EUR 46 thousand (previous year: EUR 507 thousand) and to VSI GmbH in an amount of EUR 268 thousand (previous year: EUR 127 thousand).

24. ASSETS HELD FOR SALE

Due to the ongoing sales negotiations relating to the shares in wholly owned subsidiary RV Technik s.r.o., Czech Republic, its capitalised plot of land with a market value of EUR 2,844 thousand (previous year: EUR 2,844 thousand) was reclassified to the “investment properties” item from the “available-for-sale assets” item. Other current assets in the form of bank balances in the amount of EUR 1 thousand were also reclassified to the item “bank balances and cash in hand”.

25. EQUITY

SUBSCRIBED SHARE CAPITAL

The subscribed share capital of VIB Vermögen AG amounts to EUR 26,308,405.00 (previous year: EUR 24,783,906.00) and is divided into 26,308,405 ordinary bearer shares (previous year: 24,783,906). During the fiscal year, no (0) shares were issued from approved capital, and 1,524,499 shares were issued from conditional capital.

In the fiscal year elapsed, creditors of 2013/15 and 2014/16 mandatory convertible bonds exercised their right of early conversion of individual bonds, giving rise to 1,524,499 new shares. The 2013/14 mandatory convertible bond was fully converted in November 2015 in accordance with its terms.

SHARE PREMIUM ACCOUNT

The share premium account arises from the share premium of VIB Vermögen AG (adjusted to reflect capital raising costs after tax).

Due to the early and final exchange of individual bonds by holders of the 2013/15 and 2014/16 mandatory convertible bonds, an amount of EUR 942 thousand was released to share premium account from the debt component that was newly added in the previous years. The shares that were newly created by the exchange reduce the share premium account by EUR 1,524 thousand.

RETAINED EARNINGS

As part of the preparation of its annual financial statements as of December 31, 2015 (separate financial statements prepared according to the German Commercial Code [HGB]), the Managing Board of VIB Vermögen AG added EUR 1,410 thousand to retained earnings.

NET RETAINED PROFITS

The Group's net retained profits derive from the previous year's net retained profits less the distribution for 2014 (EUR 11,896 thousand), the allocations to the retained earnings of subsidiaries (EUR 450 thousand) and parent companies (EUR 1,410 thousand) plus the current consolidated net income from the 2015 fiscal year that is due to Group shareholders (EUR 40,119 thousand), and the corresponding other comprehensive income from the statement of total comprehensive income (EUR –306 thousand).

CASH FLOW HEDGES

The cash flow hedge reserve is utilised to report the market value of cash flow hedge derivatives (including deferred tax) to the extent that these serve to hedge (interest) cash flows for specific underlying transactions.

FOREIGN CURRENCY TRANSLATION

This reserve includes the differences from the conversion of foreign currencies at the foreign subsidiaries to the Group's functional currency.

The cumulative foreign currency translation effects were reclassified to the corresponding reserve due to the reclassification of the corresponding assets denominated in foreign currencies.

NON-CONTROLLING SHAREHOLDERS' SHARE OF EARNINGS

The interest for non-controlling shareholders is attributable to the interests in BBI Immobilien AG, IPF 1 GmbH, IPF 2 GmbH, ISG Infrastrukturelle Gewerbeimmobilien GmbH, Interpark Immobilien GmbH, VSI GmbH and IVM Verwaltung GmbH.

This item changed as follows:

IN EUR THOUSAND	**2015**	2014
Balance – start of year	12,594	14,089
Issue of VIB shares as part of share exchange	0	–1,959
Purchase of shares of non-controlling shareholders	0	–958
Reclassification between shareholders in equity	437	0
Distribution to shareholders	–333	–276
Share of annual earnings	3,928	1,095
Non-controlling shareholders' share of other comprehensive income	18	83
Share of non-controlling shareholders in capital increase: Interpark Immobilien GmbH (previous year: Interpark Immobilien GmbH)	1,300	520
Balance – end of year	**17,944**	**12,594**

With regard to material non-controlling interests, please refer to the section "Information on subsidiaries" in Chapter C.

AUTHORISED CAPITAL

AUTHORISED CAPITAL 2010:

On July 6, 2010, the Annual General Meeting passed a resolution to create authorised capital (Authorised Capital 2010) in the amount of EUR 5,451,147. Of this amount, a sum of EUR 137,574 was utilised through the capital increase in June 2011. The remaining amount of EUR 5,313,573 was annulled by a resolution of the AGM on July 1, 2015.

AUTHORISED CAPITAL 2013:

The Annual General Meeting on July 3, 2013, adopted a resolution to create further authorised capital (Authorised Capital 2013) in the amount of EUR 2,136,430. None of this has been utilised to date. The authorisation granted to the Managing Board to issue, with Supervisory Board assent, new shares in return for cash and non-cash capital contributions, and the possibility of simplified exclusion of subscription rights, runs until July 2, 2018.

AUTHORISED CAPITAL 2015:

The Annual General Meeting on July 1, 2015, adopted a resolution to create further authorised capital (Authorised Capital 2015) in the amount of EUR 2,478,390. None of this has been utilised to date. The authorisation granted to the Managing Board to issue, with Supervisory Board assent, new shares in return for cash and non-cash capital contributions, and the possibility of simplified exclusion of subscription rights, runs until June 30, 2020.

The available authorised capital consequently stands at EUR 4,614,820.

CONDITIONAL CAPITAL

The Annual General Meeting on June 25, 2008, adopted a resolution to create conditional capital in the amount of EUR 1,356,114. A total of EUR 890,459 of conditional capital had been utilised to exchange shares of BBI Immobilien AG with shares in VIB Vermögen AG by December 31, 2014. The conditional capital of EUR 465,655 remaining after the conclusion of the exchange offer was cancelled as the result of a resolution by the Managing and Supervisory Boards on January 12, 2015.

The Annual General Meeting on July 7, 2009, adopted a resolution to create further conditional capital (2009) in the amount of EUR 3,416,800. With a resolution of the Annual General Meeting of July 3, 2013, an amount of EUR 1,716,800 was cancelled from this conditional capital. The remaining conditional capital of EUR 1,700,000 was fully exhausted as a result of the full conversion of the remaining bonds arising from the 2012/14 mandatory convertible bond issue in an amount of EUR 939,900 in the 2014 fiscal year.

The Annual General Meeting on July 3, 2013, adopted a resolution to create further conditional capital (2013) in the amount of EUR 2,136,430. Of this conditional capital, an amount of EUR 581,357 remained at the end of the previous year. Due to the full conversion of the remaining bonds from the 2013/15 mandatory convertible bond issue in the amount of EUR 580,906 in the fiscal year under review, this condition capital was almost fully exhausted as of December 31, 2015. As at the end of 2015, there was a remaining amount of EUR 451.

The Annual General Meeting on July 2, 2014, adopted a resolution to create further conditional capital (2014) in the amount of EUR 2,215,133. As of December 31, 2015, there was a remaining amount of EUR 943,593 of this conditional capital, as bond creditors of the 2014/16 mandatory convertible bond exercised their right of early exchange for new shares. As at the end of 2015, there was a remaining amount of EUR 1,271,540.

The Annual General Meeting on July 1, 2015, adopted a resolution to create further conditional capital (2015) in the amount of EUR 2,478,390. None of this conditional capital had been used as of December 31, 2015. The 2015 conditional capital is still available in full.

DEFERRED TAXES ON INCOME AND EXPENSES TAKEN DIRECTLY TO EQUITY

The following table shows individual details of the deferred taxes on expenses and income taken directly to equity:

IN EUR THOUSAND	**2015**			2014		
	Before tax	Taxes	After tax	Before tax	Taxes	After tax
Foreign currency effects from the translation of independent subsidiaries	–45	0	–45	20	0	20
Mark-to-market valuation of cash flow hedges	1,641	–231	1,410	–1,299	240	–1,059
Actuarial gains/losses on pension plans	–388	62	–326	–284	45	–239
Income and expenses taken directly to equity	**1,208**	**–169**	**1,039**	**–1,563**	**285**	**–1,278**

26. PROFIT PARTICIPATION CAPITAL

VIB Vermögen AG issued profit participation rights with a repayment amount of EUR 675 thousand in 2003. An amount of EUR 15 thousand from this was cancelled in previous years. The profit participation certificates bear interest of 5% in the event of profits. The profit participation certificates participate in losses, and in the event of liquidation or insolvency proceedings, they are served after other creditors have been satisfied.

The profit participation certificates have an indefinite term. The holders of the profit participation certificates and VIB Vermögen AG can terminate the profit participation rights at the earliest 3 years from the date of their issue with a 2-year notice period to the year end.

All profit participation rights agreements were terminated on the due date on December 31, 2016. Repayment will occur one day after the 2017 Ordinary AGM.

27. NON-CURRENT FINANCIAL LIABILITIES

IN EUR THOUSAND	2015	2014
Remaining term of between 1 and 5 years	104,363	136,321
Remaining term of more than 5 years	423,612	358,733
	527,975	**495,054**

Financial liabilities with a term of more than 12 months are from the following companies:

IN EUR THOUSAND	2015	2014
Non-current financial liabilities		
VIB Vermögen AG	352,279	321,905
BBI Bürgerliches Brauhaus Immobilien AG	96,687	101,069
ISG Infrastrukturelle Gewerbeimmobilien GmbH	17,281	18,329
VSI GmbH	17,033	16,771
Interpark Immobilien GmbH	16,150	7,175
IPF 1 GmbH	13,053	13,633
IPF 2 GmbH	13,923	14,542
IVM Verwaltung GmbH	1,569	1,630
	527,975	**495,054**

The non-current financial liabilities are secured by land charges on the investment properties, and the assignment of rental claims and of a securities deposit account.

28. LIABILITIES ARISING FROM DERIVATIVE FINANCIAL INSTRUMENTS

The Group utilises interest rate swaps to manage risk and to optimise interest expenses connected with bank loan drawn down.

One derivative (CHF foreign currency derivative) also exists whose market value changes are presented in the "Profit/loss from the valuation of financial derivatives" item (EUR –132 thousand).

The cash flows and their effects on profit or loss are expected to occur in the 2016 to 2020 reporting periods.

IN EUR THOUSAND	2015	2014
Derivative financial instruments		
Interest rate swaps (payer swaps)	8,513	10,153
CHF derivative	0	1,139
	8,513	**11,292**

29. DEFERRED TAXES

Deferred tax results from differing valuations between the IFRS and tax values for Group companies and consolidation measures.

The deferred tax liabilities and the deferred tax assets are distributed amongst the following items:

IN EUR THOUSAND	2015	2014
Deferred tax assets		
Derivative assets	1,225	1,796
Pension provisions/other	95	80
Liabilities connected to mandatory convertible bonds	146	0
Intra-Group profit elimination	41	35
Total deferred tax assets	**1,507**	**1,911**
Deferred tax liabilities		
Investment properties	34,581	29,140
Total deferred tax liabilities	**34,581**	**29,140**
Offsetting of deferred tax assets and liabilities	–1,507	–1,751
Carrying amount after offsetting		
Deferred tax assets	**0**	**160**
Deferred tax liabilities	**33,074**	**27,389**

Deferred tax assets and deferred tax liabilities were offset insofar as they relate to the same tax authority.

Losses carried forward on December 31, 2015, were reported as follows:

- Trade tax: EUR 13,019 thousand (previous year: EUR 11,822 thousand).
- Corporation tax: EUR 86 thousand (previous year: EUR 519 thousand).

No deferred tax was capitalised for trade losses due to the expanded scope of tax reduction.

No deferred tax liabilities were recognised for EUR 52,426 thousand of outside basis differences since the parent company is able to control a reversal, and reversal is currently not anticipated.

30. PENSION PROVISIONS

Provisions for pensions include company retirement benefit commitments to beneficiaries and their surviving dependants. The pension commitments are based on individual contractual benefit commitments. The beneficiaries can generally claim a fixed old-age and invalidity pension when they reach pensionable age (63 to 65) depending on their period of service. Other benefits are not planned after the end of employment contracts. The pensions' values are linked to the inflation index. No plan assets in the meaning of IAS 19 exist.

The Group's commitments from retirement benefit plans totalling EUR 1,634 thousand as disclosed on the balance sheet correspond to their projected unit credit value.

The projected unit credit values of the defined benefit obligations changed as follows:

IN EUR THOUSAND	2015	2014
Balance 01/01	**1,325**	**1,108**
Interest expense	25	38
Pensions paid	–104	–106
Actuarial gains/losses		
due to changes in demographic assumptions	0	0
due to changes in financial assumptions	–88	224
due to experience-related adjustments	476	61
Balance 31/12	**1,634**	**1,325**

Calculated actuarial assumptions:

IN %	2015	2014
Discounting rate	2.06–2.64	1.60–2.20
Pension trend	1.50–2.00	1.50–2.00
Salary trend	0	0
Life expectancy at age 65		
Men	20 years	20 years
Women	23 years	23 years

The salary trend was carried at 0.0% (as was the case for the probability of staff turnover) as the benefit commitments (with one exception) are solely to employees who already receive a pension.

A quantitative sensitivity analysis for the most important assumptions as of December 31, 2015, generates the following results:

- An increase of 1 percentage point in the discount rate results in a EUR 173 thousand decrease in the DBO,and a EUR 22 thousand increase in the interest cost.
  A decrease of 1 percentage point in the discount rate results in a EUR 208 thousand increase in the DBO, and a EUR 1 thousand decrease in the interest cost.
- An increase of 1 percentage point in pension growth results in a EUR 182 thousand increase in the DBO, and a EUR 17 thousand increase in the interest cost.
- A decrease of 1 percentage point in pension growth results in a EUR 156 thousand decrease in the DBO, and a EUR 8 thousand increase in the interest cost.

This sensitivity analysis was conducted using a method that extrapolates the effects of realistic modifications to the most important assumptions on the defined benefit obligation until the end of the reporting period.

The following amounts are expected to be paid out over the coming years as part of the defined benefit obligation:

IN EUR THOUSAND	2015	2014
Over the next 12 months	65	100
Between 2 and 5 years	363	341
Between 5 and 10 years	476	322
Expected outgoing payments	**904**	**763**

The average duration of the defined benefit obligation amounted to 17 years at the end of the reporting period (previous year: 11).

31. CURRENT FINANCIAL LIABILITIES

Current financial liabilities mostly relate to current bank borrowings. This item includes current account credit lines that can be terminated at short notice, short-term loans and redemption payments for long-term loans due within one year of the balance sheet date.

Current financial liabilities are from the following companies:

IN EUR THOUSAND	2015	2014
VIB Vermögen AG	13,401	16,519
BBI Bürgerliches Brauhaus Immobilien AG	4,382	6,909
ISG Infrastrukturelle Gewerbeimmobilien GmbH	1,047	1,012
Interpark Immobilien GmbH	1,025	225
IPF 1 GmbH	580	560
IPF 2 GmbH	619	598
VSI GmbH	753	751
IVM Verwaltung GmbH	62	58
	21,869	**26,632**

The current financial liabilities are secured by land charges, and the assignment of rental claims and a securities deposit account (including shares in the fully consolidated BBI Immobilien AG).

32. PROVISIONS

The amounts carried as provisions relate to transactions from the 2015 fiscal year or earlier years that have led to a current obligation by the company and that are expected to lead to an outflow of resources. Uncertainty exists, however, surrounding the date on which these will become due and the exact amount of the liability.

No obligations entailing significant uncertainties existed as of December 31, 2015. As a consequence, all corresponding amounts are reported amongst liabilities.

33. INCOME TAX LIABILITIES

The reported income tax liabilities of EUR 491 thousand (previous year: EUR 148 thousand) relate to current tax liabilities for 2015 relating to VIB AG (EUR 403 thousand), Merkur GmbH (EUR 15 thousand), IPF 1 GmbH (EUR 5 thousand), IPF 2 GmbH (EUR 5 thousand), ISG GmbH (EUR 9 thousand), VSI GmbH (EUR 45 thousand) and IVM GmbH (EUR 9 thousand).

34. LIABILITIES TO PARTICIPATING INTERESTS

The reported liabilities relate to liabilities of fully consolidated companies to their non-controlling shareholders. This instance relates to interest-bearing liabilities on the part of VSI GmbH.

35. OTHER LIABILITIES

IN EUR THOUSAND	**2015**	2014
Trade payables	914	1,348
Miscellaneous current liabilities	6,374	5,548
	7,288	**6,896**

36. SEGMENT REPORTING

Please refer to the comments under section C regarding the scope of segment reporting.

Pursuant to IFRS 8, VIB Vermögen AG defines its primary business area, as in the previous year, as the utilisation and development of its own real estate portfolio (real estate segment).

One reporting segment pursuant to IFRS 8 was calculated since the Group's business activities are restricted almost exclusively to the rental of properties to predominantly commercial tenants in Germany. This segment comprises all of the VIB Group's operating activities.

As business activities are geared almost exclusively to Germany, no secondary, "Regions" reporting format is presented in the company's internal reporting. The company has consequently refrained from such segmentation. Internal reporting to the Managing Board is in line with this reporting.

37. CASH FLOW STATEMENT

The consolidated cash flow statement shows how the VIB Group's cash and cash equivalents have changed in the year under review and the previous year. In line with IAS 7, cash flows are presented as cash flows from operating, investing and financing activities.

The cash and cash equivalents in the amount of EUR 33,111 thousand (previous year: EUR 37,786 thousand) comprise the balance sheet item cash and cash equivalents, which includes checks, cash on hand, bank balances as well as financial securities with an original term of less than 3 months.

The cash flow statement starts with consolidated net profit/loss. Cash flow from operating activities shows surplus income before any funds are tied up. Cash flow from operating activities also includes working capital changes. In this context, interest income and interest expenses are allocated to cash flow from financing activities.

38. OTHER FINANCIAL LIABILITIES AND CONTINGENT LIABILITIES

Contingent liabilities comprise existing or future liabilities which are based on past events, but for which an outflow of resources is not deemed to be probable. According to IAS 37, these liabilities are to be listed in the notes to the financial statements. No contingent liabilities required recognition as of December 31, 2015, or in the previous year.

Shares in the provident fund of Bürgerliches Brauhaus Ingolstadt GmbH were transferred to BHB Brauholding Bayern-Mitte AG in 2010. BBI Bürgerliches Brauhaus Immobilien AG is indirectly liable on the basis of subsidiary liability for the provision of company pensions in an amount of EUR 19 thousand (previous year: EUR 24 thousand). Utilisation is not anticipated as of the balance sheet date due to business and financial circumstances.

As of the balance sheet date, an order obligation of EUR 26,765 thousand (previous year: EUR 22,703 thousand) exists from investment projects and land purchase agreements that have already commenced.

39. LEASES

VIB VERMÖGEN AG AS LESSOR

As part of its operating business activities, VIB Vermögen AG leases the investment properties carried on its balance sheet as part of operating leases.

For fiscal years from 2016, VIB AG will receive the following minimum lease payments from existing rental agreements which cannot be cancelled.

IN EUR THOUSAND	**2015**	2014
Due within 1 year	66,959	61,014
Due within 1–5 years	203,770	185,764
Due in more than 5 years	161,008	175,112
	431,737	**421,890**

The minimum lease payments include the contractually agreed payments from tenants (excluding ancillary costs) through to the end of the contract or the earliest possible termination date.

The company reported through the income statement EUR 30 thousand (previous year: EUR 108 thousand) of contingent rental payments in the fiscal year under review.

VIB VERMÖGEN AG AS LESSEE

If leases are to be classified as operating leases, the rental payments are distributed on a straight-line basis over the term of the lease in the earnings for the period, and are included in other operating expenses.

On the balance sheet date, the Group carried outstanding obligations from operating leases that were due as follows:

IN EUR THOUSAND	**2015**	2014
Remaining term of up to 1 year	156	157
Remaining term of 1–5 years	21	72
Remaining term > 5 years	1	0
	178	**229**

Payments from operating leases relate to vehicles and office equipment. Leases are concluded for an average term of 3 to 4 years. The lease agreements do not include any conditional rental payments or price adjustment clauses. As a rule, extension and purchase options are not utilised.

Operating leases incurred expenses of EUR 160 thousand in the 2015 financial year (previous year: EUR 142 thousand).

40. LIQUIDITY AND INTEREST RATE RISK

Liquidity risk reflects a scenario in which the Group is unable to pay its own liabilities. The Group manages its liquidity centrally so that it has sufficient funds available at all times in order to service its liabilities when they fall due. As of December 31, 2015, the Group had at its disposal undrawn credit lines in an amount of EUR 12,450 thousand (previous year: EUR 9,598 thousand).

The following table shows when the financial liabilities are due. The table is based on undiscounted cash flows. Financial liabilities are allocated to the earliest band of maturities in which the Group can be obligated to make a payment, even if the Group expects that part of the liabilities will only have to be paid later than the earliest date on which they are due.

IN EUR THOUSAND	Financial loans with variable interest	Financial loans with fixed interest	Trade payables	Miscellaneous financial liabilities	Derivative financial instruments
Liquidity analysis as of 31/12/2015					
Due in 1–12 months	2,142	37,665	915	6,081	1,765
Due in 12–60 months	8,247	144,694	0	0	6,124
Due in > 60 months	32,580	523,264	0	0	0
Liquidity analysis as of 31/12/2014					
Due in 1–12 months	10,301	36,781	1,348	6,208	3,077
Due in 12–60 months	21,270	172,823	0	0	7,408
Due in > 60 months	58,411	409,317	0	0	1,039

The average interest rate on the variable-rate financial loans amounted to 1.15% as of December 31, 2015 (previous year: 1.56%). The average interest rate on the fixed-rate financial loans amounted to 3.86% as of December 31, 2015 (previous year: 4.29%).

Changes to interest rates are presented in sensitivity analyses in line with IFRS 7. These show the effects of changes in the market interest rates on financial income and expenses and on equity. No significant concentration of interest rate risks exists in the Group.

The Group takes out non-current bank borrowings at fixed and variable interest rates. Changes in market interest rates for bank borrowings with fixed interest rates only impact earnings if they are measured at fair value. Measurement is always at amortised cost. As a result, non-current liabilities to banks with fixed interest rates are not subject to any risks of interest rate changes within the meaning of IFRS 7. Non-current bank borrowings with variable interest rates are, in part, hedged against the risk of interest rate changes using interest rate swaps; to this extent, no interest rate risk exists. The changes in the market value of the interest rate swaps are included in the statement of changes in shareholders' equity. The volume and term of the interest rate swaps are geared to the repayment structure for financial borrowings.

Changes in market interest rates for interest rate swaps classified as hedges impact the hedge reserve under equity and are consequently taken into account in equity-related sensitivity calculations.

Changes in the market interest rate impact the interest result for short-term variable-interest bank loans, for which interest payments are not intended to be underlying transactions as part of a hedge, and are consequently taken into account in the earnings- and equity-related sensitivity calculations.

If the market interest level had been 100 basis points higher (lower) in 2015, earnings would have been approximately EUR 735 thousand (previous year: EUR 826 thousand) lower (higher) and equity (before the earnings effect) would have been around EUR 1,626 thousand (previous year: EUR 2,216 thousand) higher (lower).

41. FOREIGN CURRENCY RISKS

The foreign currency risks of VIB Vermögen AG arise primarily from receivables and liabilities between German and foreign Group companies that are not denominated in the functional currency. In order to present market risks, IFRS 7 calls for sensitivity analyses that show the impact of hypothetical changes in relevant risk variables on earnings and equity.

The carrying amount of the Group's monetary assets and liabilities denominated in foreign currencies on the December 31, 2015, balance sheet date was as follows:

IN EUR THOUSAND	**31/12/2015**	31/12/2014
Assets in CZK	2,838	2,844
Liabilities in CZK	0	0

If the euro had been 10% stronger against the Czech koruna (CZK), equity would have been EUR 61 thousand lower (previous year: EUR 62 thousand).

42. DEFAULT RISKS

The maximum default risk is reflected by the carrying amount of each financial asset on the balance sheet. An analysis of carrying amounts by balance sheet items and categories as per IFRS 7 is presented in the "Notes to the balance sheet". No other material off-balance-sheet default risks exist.

No de facto default risk exists relating to cash and cash equivalents and derivative financial instruments, as these are held by banks with excellent credit ratings as certified by ratings agencies. The following considerations consequently focus on "Loans and receivables". This affects the following balance sheet items: non-current and current financial investments, trade receivables and other receivables and assets.

The following table quantifies the loans and receivables that have been written down individually as well as the overdue loans and receivables not yet written down:

IN EUR THOUSAND	Non-current and current investments	Trade accounts receivable	Miscellaneous financial receivables and assets
Loans and receivables – 31/12/2015			
Gross carrying amount	0	1,104	763
of which overdue but not value-adjusted	0	0	0
of which impaired	0	121	0
Loans and receivables – 31/12/2014			
Gross carrying amount	0	1,933	1,358
of which overdue but not value-adjusted	0	0	0
of which impaired	0	475	0

In the case of the trade receivables and other receivables, and assets that were neither value-adjusted nor in default, no signs existed on the balance sheet date that the debtors would fail to fulfil their payment obligations.

The fair values of the cash and cash equivalents, current receivables and liabilities roughly correspond to their carrying amounts. This is due, in particular, to these instruments' short terms.

43. CATEGORIES OF FINANCIAL INSTRUMENTS

The following table shows by category the carrying amounts and fair values of all of the Group's financial instruments reported in the consolidated financial statements.

No fair value is stated for financial instruments whose carrying amounts represent appropriate approximations of fair value.

2015

IN EUR THOUSAND
ASSETS
Non-current financial assets
Loans
Receivables and other assets
Trade receivables
Other financial assets
Bank balances and cash in hand
EQUITY AND LIABILITIES
Profit participation capital
Variable-rate loans
Fixed-interest loans
Hedge accounting derivatives
Derivatives without hedge accounting
Liabilities to participating interests
Trade payables
Miscellaneous financial liabilities
of which aggregated according to IAS 39 measurement categories
Financial assets
Loans and receivables (LaR) (measured at amortised cost)
Financial liabilities
Financial liabilities at cost (FLAC) (measured at amortised cost)
Financial liabilities held for trading (FLHfT) (measured at fair value through P&L)
Derivatives with cash flow hedge (measured at fair value directly in equity)

IAS 39 and IFRS 7 measurement categories	IFRS 13 fair value category	Carrying amount as of 31/12/2015	Fair value as of 31/12/2015	of which at amortised cost	of which at fair value through profit or loss	of which at fair value through equity
LaR	n. a.	0	n. a.	0	—	—
LaR	n. a.	1,104	n. a.	1,104	—	—
LaR	n. a.	763	n. a.	763	—	—
LaR	n. a.	33,111	n. a.	33,111	—	—
FLAC	n. a.	660	n. a.	660	—	—
FLAC	Level 2	33,487	n. a.	33,487	—	—
FLAC	Level 2	516,357	566,937	516,357	—	—
CF hedge	Level 2	8,513	8,513	—	—	8,513
FLHfT	Level 2	0	0	—	0	—
FLAC	n. a.	827	n. a.	827	—	—
FLAC	n. a.	914	n. a.	914	—	—
FLAC	n. a.	5,421	n. a.	5,421	—	—
		34,978				
		557,666				
		0				
		8,513				

2014

IN EUR THOUSAND
ASSETS
Non-current financial assets
Loans
Receivables and other assets
Trade receivables
Other financial assets
Bank balances and cash in hand
EQUITY AND LIABILITIES
Profit participation capital
Variable-rate loans
Fixed-interest loans
Hedge accounting derivatives
Derivatives without hedge accounting
Liabilities to participating interests
Trade payables
Miscellaneous financial liabilities
of which aggregated according to IAS 39 measurement categories
Financial assets
Loans and receivables (LaR) (measured at amortised cost)
Financial liabilities
Financial liabilities at cost (FLAC) (measured at amortised cost)
Financial liabilities held for trading (FLHfT) (measured at fair value through P&L)
Derivatives with cash flow hedge (measured at fair value directly in equity)

As far as items for which no fair values are stated in the tables above are concerned, the management has determined that the carrying amounts almost correspond to their fair values due to their short terms or standard market interest rate.

The fair value of fixed-interest loans and derivative financial instruments is stated at the amount at which the respective instrument could be exchanged between business partners that were willing to enter into agreement concerning a current transaction (except forced disposal or liquidation).

IAS 39 and IFRS 7 measurement categories	IFRS 13 fair value category	Carrying amount as of 31/12/2015	Fair value as of 31/12/2015	of which at amortised cost	of which at fair value through profit or loss	of which at fair value through equity
LaR	n.a.	0	n.a.	0	—	—
LaR	n.a.	1,594	n.a.	1,594	—	—
LaR	n.a.	1,358	n.a.	1,358	—	—
LaR	n.a.	37,786	n.a.	37,786	—	—
FLAC	n.a.	660	n.a.	660	—	—
FLAC	Level 2	72,428	n.a.	72,428	—	—
FLAC	Level 2	449,258	498,046	449,258	—	—
CF hedge	Level 2	10,153	10,153	—	—	10,153
FLHfT	Level 2	1,139	1,139	—	1,139	—
FLAC	n.a.	827	n.a.	827	—	—
FLAC	n.a.	1,348	n.a.	1,348	—	—
FLAC	n.a.	5,548	n.a.	5,548	—	—
		40,738				
		530,069				
		1,139				
		10,153				

The methods and assumptions applied to calculate fair value are as follows:

- The fair values of the Group's fixed-interest loans are calculated applying the discounted cash flow method. This is based on the discounting rate that reflects the issuer's debt funding rate at the end of the period under review. The proprietary risk of non-satisfaction was categorised as low as of December 31, 2015.
- The Group enters into derivative financial instruments with various parties, especially banks with good credit ratings. Derivatives measured applying a valuation method comprising observable market input parameters mainly comprise interest rate swaps and forward currency contracts. The most frequently applied valuation methods include option pricing and swap models utilising present value calculations. These models include a range of variables such as business partners' credit ratings, cash and forward currency exchange rates and yield curves. Derivative positions are marked to market as of December 31, 2015; the default risk for the Group and the bank is classified as low in this context.

The VIB Group has pledged financial assets in the amount of EUR 51,949 thousand (this amount corresponds to the carrying amount of the shares held in BBI Immobilien AG) as security for loans drawn down. The carrying amount of the collateral is less than fair value.

The following net gains and losses were reported for the individual categories of financial assets and liabilities in the income statement and statement of comprehensive income:

IN EUR THOUSAND	**2015**	2014
Loans and receivables	24	177
Bank balances and cash in hand	62	112
Assets and liabilities measured at fair value through profit or loss	–132	–436
of which: held for trading	–132	–436
Available-for-sale financial assets	0	0
Financial liabilities measured at amortised cost	–18,788	–19,058
Derivative financial instruments designated and effective as hedging instruments (cash flow hedges)	–174	–3,019
of which in consolidated profit or loss	–1,815	–1,720
of which in other comprehensive income	1,641	–1,299

The net gains comprise interest expenses, interest income, dividends, impairment losses and reversals of impairment losses, as well as valuation gains/losses on financial instruments. Commissions and fees for financial liabilities that are measured at cost depressed earnings by EUR 170 thousand.

As part of its risk management, the company mostly utilises interest rate swaps to hedge against interest rate risks from variable-interest loans. It mostly utilises cash flow hedges, which compensate for the risks from future changes in interest cash flows.

Impairment losses of EUR 37 thousand relating to financial assets were expensed during the period (previous year: EUR 237 thousand). The impairment losses relate to specific valuation allowances applied to trade receivables. Reversals of valuation allowances applied to trade receivables amounted to EUR 13 thousand (previous year: EUR 60 thousand).

44. CAPITAL RISK MANAGEMENT

The Group manages its capital with the aim of maximising income for its stakeholders by optimising its debt to equity ratio. This ensures that all of the Group companies can operate on a going concern basis.

The Group’s capital structure comprises liabilities, cash and cash equivalents and the equity due to investors in the parent company. This comprises issued shares and reserves.

Capital management aims to ensure a going concern and generate an adequate return on equity.

Capital is monitored based on economic equity. Economic equity comprises the equity as recognised on the balance sheet. Liabilities are defined as being non-current and current financial liabilities, provisions and other liabilities.

Balance sheet equity and the total assets are as follows:

IN EUR THOUSAND	31/12/2015	31/12/2014
Equity	406,754	371,655
Equity as a % of total capital	40.3	39.4
Liabilities	602,598	570,544
Liabilities as a % of total capital	59.7	60.6
	1,009,352	**942,199**

45. THE COMPANY'S BOARDS

During the 2015 fiscal year, the company's Managing Board comprised:

Ludwig Schlosser, Chief Executive Officer, mathematics graduate (Diplom-Mathematiker), Neuburg
Activities in controlling bodies on December 31, 2015, were as follows:

- Chairman of the Supervisory Board of BBI Bürgerliches Brauhaus Immobilien AG, Ingolstadt
- Chairman of the Supervisory Board of BHB Brauholding Bayern-Mitte AG, Ingolstadt
- Chairman of the Supervisory Board of Raiffeisen-Volksbank Neuburg/Danube eG, Neuburg

Holger Pilgenröther, Chief Financial Officer, business studies graduate (Diplom-Betriebswirt), Neuburg/Danube
As of December 31, 2015, Mr Pilgenröther performs no activities in controlling bodies.

Martin Pfandzelter, Chief Operating Officer, business administration graduate (Diplom-Kaufmann), Neuburg/Danube
As of December 31, 2015, Mr Pfandzelter performs no activities in controlling bodies.

In the 2015 fiscal year, the Supervisory Board comprised the following members:

- Mr Franz-Xaver Schmidbauer, engineering graduate (Diplom-Ingenieur), Managing Director of FXS Vermögensverwaltung GmbH (Chairman)
- Mr Jürgen Wittmann, Sparkasse (savings bank) Managing Board member (Deputy Supervisory Board Chairman)
- Mr Rolf Klug

46. DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

The statement relating to the German Corporate Governance Code, which is required pursuant to Section 161 of the German Stock Corporation Act (AktG), was issued for BBI Bürgerliches Brauhaus Immobilien Aktiengesellschaft by its Managing and Supervisory Boards on December 14, 2015 (and previously on February 11, 2015), and was made accessible to shareholders on the website (www.bbi-immobilien-ag.de).

The Managing and Supervisory Boards of BBI Bürgerliches Brauhaus Immobilien AG issued a corporate governance declaration within the meaning of Section 289a of the German Commercial Code (HGB) and published this in the management report of BBI Bürgerliches Brauhaus Immobilien AG.

47. MANAGING BOARD REMUNERATION

During the fiscal year, the members of the Managing Board of parent company VIB Vermögen AG received recurrent remuneration in the amount of EUR 1,305 thousand (previous year EUR 1,268 thousand) of which EUR 740 thousand (previous year: EUR 660 thousand) was in performance-related payments. In addition, pension payments were made in the amount of EUR 8 thousand (previous year: EUR 35 thousand).

The Supervisory Board determines Managing Board compensation, taking into account individual performance and market trends.

48. SUPERVISORY BOARD REMUNERATION

Total compensation for the Supervisory Board for VIB Vermögen AG and BBI AG amounted to EUR 156 thousand in the fiscal year under review (previous year: EUR 146 thousand).

49. AUDITOR'S FEES

The expenses reported in the 2015 fiscal year for the auditor of the parent company relating to audit services for the (consolidated) financial statements amount to EUR 110 thousand for 2015, and EUR 112 thousand for 2014. A total of EUR 8 thousand was reported for other certification services (previous year: EUR 8 thousand).

50. EVENTS AFTER THE REPORTING DATE

In order to facilitate further property investments, VIB AG established KIP Verwaltung AG in February 2016, after the balance sheet date. KIP Verwaltung GmbH is a wholly owned subsidiary with share capital of EUR 200 thousand. In future, the company aims to maintain and manage its own properties.

No further events occurred after the end of the 2015 fiscal year that have a material impact on the, earnings, assets or financial position.

51. RELATED PARTIES

VIB Vermögen AG prepares these consolidated financial statements as the uppermost controlling company. These consolidated financial statements are not included in any higher-level consolidated financial statements.

Balances and business transactions between VIB Vermögen AG and subsidiaries that are related parties were eliminated during consolidation and are not discussed in these notes. Details on business transactions between the Group and related parties are detailed as follows:

The company also entered into several loans with Hypothekenbank Frankfurt AG as part of its business activities. Rupert Hackl, a Supervisory Board member of BBI Immobilien AG, was a branch manager for the South Region of Hypothekenbank Frankfurt AG in Munich until June 30, 2015. BBI Immobilien AG and VIB Vermögen AG concluded a EUR 66.9 million loan with Hypothekenbank Frankfurt AG, Stuttgart branch, to finance the acquisition of investment properties. This loan is currently valued at EUR 54.0 million (previous year: EUR 55.9 million). The loans extended were entered into at standard market terms.

In addition, the company concluded several loans with Sparkasse Ingolstadt as part of its business activities. Supervisory Board member Jürgen Wittmann is a Managing Board member of Sparkasse Ingolstadt. The company's total exposure amounts to EUR 26.8 million (previous year: EUR 18.0 million). The loans extended were entered into at standard market terms.

Please refer to notes 47 and 48 in this chapter for information about compensation of staff in key positions (Managing Board).

52. LIST OF SHAREHOLDINGS PURSUANT TO SECTION 314 (2) OF THE GERMAN COMMERCIAL CODE (HGB)

The following comprise the company's significant direct or indirect shareholdings:

	share capital in %	Equity In EUR thousand	Equity In EUR thousand
Merkur GmbH, Neuburg/Danube	100.00	1,162	61
RV Technik s.r.o., Plzeň (Tschechien)	100.00	36	–1
VIMA Grundverkehr GmbH, Neuburg/Danube	100.00	6,251	–3
IPF 1 GmbH, Neuburg/Danube	94.98	1,011	950
IPF 2 GmbH, Neuburg/Danube	94.98	896	778
BBI Bürgerliches Brauhaus Immobilien AG, Ingolstadt *	94.88	50,233	3,681
ISG Infrastrukturelle Gewerbeimmobilien GmbH, Ingolstadt	75.00	6,848	895
Interpark Immobilien GmbH, Neuburg/Danube	74.00	9,114	434
VSI GmbH, Neuburg/Danube	74.00	1,907	511
IVM Verwaltung GmbH, Neuburg/Danube	60.00	1,087	228
BHB Brauholding Bayern-Mitte AG, Ingolstadt **	34.19	10,738	307
KHI Immobilien GmbH, Neuburg/Danube ***	41.67	421	–25

* Profit/loss before profit-and-loss-transfer
** Indirect interest
*** Direct and indirect interest

53. EMPLOYEES

The company employed an average of 37 staff in the 2015 fiscal year (previous year: 35 staff).

54. AUTHORISATION OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR PUBLICATION PURSUANT TO IAS 10.17

The Managing Board approved these consolidated financial statements for publication on April 4, 2016. The Supervisory Board's task is to review the consolidated financial statements and declare whether it approves the consolidated financial statements.

Neuburg/Danube, April 4, 2016

Ludwig Schlosser	Holger Pilgenröther	Martin Pfandzelter
(CEO)	(Managing Board member)	(Managing Board member)

AUDIT OPINION

We have audited the consolidated financial statements prepared by VIB Vermögen AG, Neuburg/Danube, comprising of the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and notes, together with the Group management report for the financial year from January 1 to December 31, 2015. The preparation of the consolidated financial statements and the consolidated management report in accordance with IFRS, as adopted by the EU, and the supplementary requirements of German commercial law pursuant to Section 315a (1) HGB (Handelsgesetzbuch: German Commercial Code) are the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Auditors (Institut der Wirtschaftsprüfer, IDW). Those standards require that we plan and perform the audit such that misstatements, whether due to fraud or error, materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit also includes assessing the annual financial statements of the companies included in the consolidated financial statements, the definition of the scope of consolidation, the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU and the supplementary requirements of the German Commercial Law as stipulated by Section 315a (1) HGB, and give a true and fair view of the Group's net assets, financial position and results of operations in accordance with these requirements. The Group management report is consistent with the consolidated financial statements, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Augsburg, April 4, 2016

S&P GmbH
Wirtschaftsprüfungsgesellschaft

ppa. Dr Burkhardt-Böck	Kanus
German Public Auditor	German Public Auditor

The audit opinion may only be used outside of this audit report with our prior consent. The publication or reproduction of the consolidated financial statements and/or Group management report of VIB AG, Neuburg/Danube, in a version different from the approved version (including translation into other languages) requires our prior opinion, if our audit opinion is cited or a reference to our audit is drawn; please also refer to paragraph 328 of the German Commercial Code (HGB).

GLOSSARY

ANNUITY LOANS › Annuity loans refer to loans with constant payments (installments) for their entire term. The installments comprise both a redemption payment and interest. As a result, the remaining debt is repaid step by step each time an installment is paid, thus reducing the amount of interest paid in each installment. At the end of the term, the loan is repaid in full. An annuity loan has numerous advantages compared to other types of loans. The agreement of constant installments over the term of the loan means that this type of credit financing allows the future cash flows to be easily forecast. The changes in the remaining debt can be precisely determined and this decreases constantly over the term of the loan. In addition, annuity loans typically have long terms, which means that the monthly repayments can be kept constant.

ASSOCIATED COMPANY › A company is an associated company when it is subject to the significant influence of a group company which holds a participating interest in it. According to the German Commercial Code (Handelsgesetzbuch, HGB), this is always assumed when the group company holds an equity interest with voting rights of at least 20% (Section 311 HGB). The significant influence is shown by representation on the Supervisory Board and participation in key company decisions. Associated companies are carried in the consolidated financial statements at equity within the meaning of Section 312 HGB. In so doing, the respective value of the participating interest is recognised in income and adjusted for proportionate earnings from participating interests, based on what are generally annually amortised costs. The annual earnings of the associated company are carried separately in the consolidated income statement.

CASH FLOW › KPI for analysing equities or companies. The cash flow is mostly calculated by adding the net income, amortisation/depreciation, changes in non-current provisions and income taxes. It shows the cash available within a specific accounting period. It is used in investment accounting, which aims to provide quantifiable data to be used in decision-making when assessing pending investment projects. The cash flow is also a key indicator for balance sheet and financial analysis. There is no uniform definition. The DVFA/SG cash flow attempts to provide a uniform definition.

CASH FLOW HEDGE › Financing instrument to hedge the company against cash flow fluctuations as defined in IAS 39.

CORPORATE GOVERNANCE › Corporate governance is the sum total of organisational and business-specific ways in which companies are managed and monitored. For this purpose, corporate governance offers a legal and factual framework, particularly concerning the inclusion of a company within its environment. The goal of good corporate governance is to strengthen the competiveness of the company and thus to increase its long-term value. The issues covered include the functional roles of the Managing and Supervisory Boards, the way they work together and their relations with shareholders and stakeholders.

COVENANTS › Covenants are non-standardised loan conditions. A distinction is made between affirmative covenants, which require the borrowing party to do or refrain from something, and financial covenants, which grant creditors an extraordinary right to cancel the loan in the event of infringement or the deterioration of certain KIPs.

EBIT › EBIT is a corporate indicator and stands for "earnings before interest and taxes".

EBITDA › EBITDA stands for "earnings before interest, taxes, depreciation and amortisation." This figure is cash flow-like, as the write-downs not reflected in liquidity are added to the operating income in a similar manner to calculations for the indirect cash flow.

EBIT MARGIN › The EBIT margin shows the percentage of earnings from operations before interest, taxes and the financial result that a company was able to record per unit of total operating revenue. This indicator therefore provides information on a company's earnings power and profitability. The EBIT margin is suitable for use as a relative indicator in international, cross-industry comparisons of companies.

EBT › Abbreviation for "earnings before tax".

EBT MARGIN › Ratio between total operating revenue and earnings before tax. Is used as a comparative indicator for companies' earnings power in international comparisons, as income taxes are not taken into account.

EQUITY METHOD › A valuation method for interests in companies for which a significant influence can be exercised in their business policy (associated companies). The proportionate net profits/losses for the company are included in the carrying amount of the interests. In the case of disbursements, the carrying amount is reduced by the proportionate amount.

FAIR VALUE › Market value at which an asset could be exchanged between knowledgeable, willing parties in an arm's-length transaction.

FINANCE LEASING › Transfer of an asset from the lessor to the lessee for a basic lease period which cannot be terminated.

FUNDS FROM OPERATIONS (FFO) › In the real estate sector, funds from operations (FFO) are a key performance indicator to assess the operative business development. The ratio contains the earnings before depreciations, amortisations and taxes, without sales revenues for properties, development projects and valuation yield. This figure shows, how much cash flow is generated in the operative business.

IAS › International Accounting Standards, see IFRS

IFRS › Abbreviation for "International Financial Reporting Standards", formerly "International Accounting Standards" (IAS). These accounting standards have been compulsory for listed companies in the EU since January 2005. The IFRS are developed by the IASB (International Accounting Standards Board), a private accounting body.

INTEREST RATE SWAP › Exchange of fixed or variable interest commitments for two nominal capital amounts for a fixed period.

LTV › Loan to value (LTV) is defined as the ratio between the assets and the net debts (= financial debts less bank balance).

M:ACCESS › m:access is a market segment of the Munich Stock Exchange for medium-sized enterprises. It which is conceived as a stock exchange regulated market across various segments. Access is obtained via an IPO, listing or segment change. Due to the target group, listing requirements and follow-up admission rules are specifically designed with the needs of small and medium-sized companies in mind.

MANDATORY CONVERTIBLE BOND › A mandatory convertible bond is a special type of common convertible bond that obligates the investor to convert the bond into shares no later than at the end of the retention period. It therefore has the character of a bond, as it pays a coupon during the retention period but is liquidated with new shares no later than at the end of the retention period.

NAV › Abbreviation for “Net Asset Value”. This is the value of all of a company’s tangible and intangible assets, less liabilities. This figure reflects the company’s fundamental value, but does not provide any information on the company’s potential future prospects.

FINANCIAL CALENDAR

May 11, 2016	Publication of the first interim report 2016
June 30, 2016	Annual General Meeting in Ingolstadt
August 11, 2016	Publication of the 2016 half-year Report
November 9, 2016	Publication of the second interim Report 2016

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KEY GROUP INDICATORS

5-YEAR OVERVIEW

IN EUR THOUSAND	2011	2012	2013	2014	**2015**	Change in %
Income statement						
Revenue	52,373	59,809	64,958	69,869	75,133	+7.5
Total operating revenue	53,056	60,461	65,711	70,536	75,633	+7.2
EBIT (earnings before interest and tax)	38,507	49,974	54,241	59,124	73,438	+24.2
EBT (earnings before tax)	18,950	30,446	35,099	38,306	52,788	+37.8
EBT margin (in %)	35.7	50.4	53.41	54.3	69.8	+15.5 pt.
EBIT before valuation effects	38,181	43,874	47,042	51,595	57,028	+10.5
EBT before valuation effects	18,624	24,224	26,987	31,179	36,510	+17.1
Consolidated net income	15,271	25,540	29,036	32,404	44,047	+35.9
Earnings per share[1] (undiluted, in EUR)	0.76	1.09	1.16	1.23	1.46	+18.7
Balance sheet						
Total assets	686,840	788,096	864,693	942,199	1,009,352	+7.1
Equity	240,828	272,833	319,884	371,655	406,754	+9.4
Equity ratio (in %)	35.1	34.6	37.0	39.4	40.3	+0.9 pt.
Net debt	378,513	440,549	473,368	484,560	517,393	+6.8
LTV (loan-to-value ratio, in %)	57.6	58.3	56.6	53.7	53.1	–0.6 pt.
Gearing (in %)	185.2	188.9	170.3	153.5	148.2	–5.3 pt.
NAV (Net Asset Value)	260,694	279,264	307,568	360,480	412,765	+14.5
NAV per share[2] undiluted (in EUR)	12.22	13.07	13.88	14.54	15.69	+7.9
NAV per share[3] diluted (in EUR)	12.22	12.79	13.52	14.52	15.63	+7.6
Other key financials						
FFO (funds from operations)	18,818	22,001	24,803	28,592	32,599	+14.0
FFO per share[1] (in EUR)	0.95	1.03	1.07	1.13	1.18	+4.4
FFO return (based on stock market price as of December 31, in %)	14.3	11.2	9.2	7.9	6.9	–1 pt.
Share price (Xetra closing price as of 31/12, in EUR)	6.64	9.23	11.66	14.24	17.1	+20.1
Dividend per share (in EUR)	0.35	0.4	0.45	0.48	0.51*	+6.3
Number of shares[2] (reporting date: 31/12)	21,328,828	21,364,306	22,151,331	24,783,906	26,308,405	+6.2
ICR (interest coverage ratio: interest expense/net basic rents, in %)	42.1	39.8	36.6	34.4	31.7	–2.7 pt.
Average borrowing rate (in %)	4.50	4.13	4.03	3.91	3.67	–0.24 pt.
Vacancy rate (in %)	1.4	2.2	1.9	2.7	1.8	–0.9 pt.

[1] Average number of shares during the fiscal year
[2] Shares in issue as of the reporting date
[3] Number of shares as of the reporting date including potential shares from the mandatory convertible bonds

* Management proposal

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