HYPO TIROL

Unsere Landesbank

Annual Report 2020

HYPO
TIROL
Unsere Landesbank

Mag. Johannes Haid, Mag. Wilfried Stauder, Johann Peter Hörtnagl und Mag. Alexander Weiß

Distinguished readers!

The year 2020 can be described as unusual and challenging. Due to the pandemic, we had to cope with major restrictions - in private life as well as in the corporate environment. Especially during these difficult times, Hypo Tirol has been a strong partner for the people in our country. The roots and the consistency of a state bank truly stand the test in times of crisis. In the 2020 business year, we were able to offer our clients a course of action with a number of new impulses. Therefore, we can look into the future with strength, hope and confidence!

A strong bank and consulting partner– focussing on the well-being of the Tyrolean people

In 2020, presence was of particular importance for the Tyrolean people. In order to make the right decisions, individual consulting service was essential for our clients. In this context, the alignment of Hypo Tirol showed its full potential. For the second time in a row, we took a top position in the Forbes ranking of "The World's best banks" (Austrian comparison). The evaluation criteria comprised the quality of financial service, customer confidence, fees, and charges, as well as digital services. The steadily increasing number of clients and the high demand for flexible financing models verifies that the state bank is perfectly accepted as a financial partner by all Tyrolean people.

Excellent investment – "summa cum laude"

Hypo Tirol is a strong financial partner and also an excellent investment bank. Six "Österreichische Dachfonds Awards" - including two number one positions – are the best proof. In addition, the Tyrolean state bank received the "summa cum laude" award by the "Elite Report" trade magazine. Thus, the bank now belongs to the best asset managers in the German speaking area. The evaluation criteria included asset analysis, investment strategy and yield after costs. We are proud to say that Hypo Tirol is one of the best investment banks in the domestic market.

"Prime Status" – creating the future in a sustainable manner

Furthermore, Hypo Tirol received the ISS ESG "Prime Status". Consequently, Hypo Tirol is one of the most sustainable financial institutions worldwide (evaluated by ISS ESG), which makes it a pioneer in the Tyrol. The evaluation carried out by the international established rating agency for sustainability attests that the Tyrolean state bank follows the strategy of an economically sustainable company management and that it takes social and environmental responsibility. Moreover, our portfolio of shares and bonds was certified with the SIF seal. In addition, all our clients receive a debit card, which is made from recycled plastic and produced by a regional company.

A state bank with a vision – active responsibility

The economically sustainable company management is also reflected by rating class A (Standard & Poor's) and an income before tax (2020) in the amount of kEUR 12,092. Due to the pandemic we wanted to be on the safe side and therefore, risk provision was raised, which had direct impact on the company result. The balance sheet total increased to kEUR 8,771,114, while the core capital rate (14.52%) and the equity rate (16.79%) remained on the same high level.

Hypo Tirol is a strong company that truly fulfils its responsibility as a state bank. We act in a sustainable and economical manner. We are a reliable partner for the people living in our county. We are a consistent employer that safeguards domestic bank expertise on the long run. And: we are actively engaged in the Tyrolean society by means of partnerships in the field of education, sports, and social and cultural matters. Thanks to the commitment of our employees, the confidence of our clients and the loyalty of our partners and owners we are able to make all this possible. And therefore, we would like to express our gratitude to all of them.

Mag. Wilfried Stauder,
Chairman of the Supervisory Board

Johann Peter Hörtnagl,
Chairman of the Managing Board

Mag. Johannes Haid,
Managing Board

Mag. Alexander Weiß,
Managing Board

MANAGEMENT REPORT 2020

Management Report for the fiscal year ended December 31, 2020 prepared by the Managing Board of Hypo Tirol Bank AG

1. Hypo Tirol Bank. Our federal state bank.

Being the state bank of the Province of the Tyrol and therefore, the bank for all Tyrolean people, Hypo Tirol acts as a universal and regional financial partner for both, people and economy. Due to its experience and expertise, the bank generates sustainable success and provides comprehensive financial security regarding all financial areas. In this context, the federal state bank acknowledges the importance of personal on-site service and so, it focuses on the regular modernisation of existing offices.

The whole branch network in the defined core market covering North, East and South Tyrol as well as Vienna comprises 22 branch offices. Our teams working in these offices provide service for all strategic target groups, with special attention being given to private clients, corporate clients, freelance professions, private banking, and public institutions.

The service concept is perfectly tailored to the requirements of these target groups, which is also manifested in the organisational structure. The experts of Hypo Tirol Bank comprehensively support their clients and help them to manage daily financial life and strategic capital transactions, such as the financing of housing, corporate financing and saving and investment strategies. In this context, the personal account manager plays as decisive role as he or she is the contact person, who will – if necessary - consult the supra-regional team of Hypo WohnVision, the corporate client centre or the private banking sector. The comprehensive financial service is completed by the “Hypo Tirol Versicherungs Gmbh” insurance company, the “Hypo Immobilien Betriebs GmbH” real estate company and the “Hypo Tirol Leasing Gmbh” leasing company. This wide range of consulting services allows us to offer the highest degree of efficiency and expertise via an individual dual service.

The Italian branch office of Hypo Tirol Bank is operated in Bolzano as an EU branch office. The majority of transactions is administered by the North Tyrolean office. The service offered focuses on financing, payment solutions and sophisticated investment for freelance professionals and companies. The objective is to acquire new business in a moderate manner.

Moreover, Hypo Tirol Bank is a sponsor in the field of education, social affairs, culture, and sports and thus, safeguards cultural values and takes responsibility for social justice.

2. Economic condition and business development in the reporting year

2.1. Economic condition

While COVID-19 and its negative impact on the economic condition had dominated the headlines throughout the whole year, most capital markets developed rather pleasing, in spite of the great economic slump in spring.

Almost the whole year of 2020 was overshadowed by the development of the COVID-19 pandemic. The spread of the Coronavirus and the wide-ranging lockdowns in many countries in March and April resulted in a historic economic slump. Gross domestic product in Austria in the second quarter of 2020 declined by -14.1% in comparison to the previous year, while GDP for the entire euro area declined by -14.7%.

During summer, it seemed that we could go back to normal. Optimism increased, and in Austria and other counties the economic performance in the third quarter developed positively. Especially private consumption almost reached the pre-crisis level, at least in some regions. The same applied to the manufacturing industry, where economic prospects also improved. From September on, the Coronavirus again dominated the headlines, because the number of people with a positive test result was increasing drastically worldwide. From November on, many countries imposed another lockdown, and in the middle of December, Austria again adjusted the restrictions to control the spread of the virus for a third time.

In the euro zone, an economic downturn of more than 7% had been predicted for the entire year 2020. This would have been a mega-record since World War II. Also other regions, such as the USA, had to suffer from negative economic effects. China has come out of the crisis comparatively unscathed: the economic motor clearly accelerated in the second half of the year. Multi-billion packages were created all around the world, and manyfold monetary measures taken by the most important central banks inhibited a more negative result. Due to the economic crisis, energy prices were on a low level, which supressed inflation. From September on, the annual change of the consumer price index in the euro area accounted for -0.3%.

Due to the acceptance of temporary high price losses, global share markets were able to generate a respectable annual result

Despite the exceptional economic situation and the numerous lockdowns, the global share markets developed rather pleasing in 2020. Especially, shares from the technology and health care sector were highly demanded. This development was quite positive for the USA, which was indicated by a relatively strong value change. Share markets in Asia developed also very well. On the other hand, Europe suffered from its dependency on industry and export. However, by the end of the year, the loses, which had been recorded in spring, could be compensated to a large extent.

The expansive monetary policy followed by the most important national banks kept capital market yields on a historically low level

In March, when the Coronavirus pandemic escalated, investors started demanding more secure types of investment, especially high-grade government bonds. Therefore, on 9 March 2020, yields declined and reached a historic low. The most important national banks reacted by lowering the interest rates (US-FED) and by establishing new purchasing and re-financing programmes for credit institutions (ECB). After the situation had eased in the second quarter of the year, the further development in the euro area was marked by decreasing capital market yields. On 10 December 2020, the ECB announced an increase in volumes and the prolongation of the pandemic emergency purchasing programme (PEPP). In view of the fact that the majority of government bonds was estimated to generate negative yields up to their maturity, investors were still searching for mor attractive yields. Therefore, bonds such as high-yield bonds developed quite well. Euro company bonds benefited from the ECB’s purchasing programmes. US government bonds on one hand suffered from moderate growing yields and on the other hand from the weakness of the US Dollar.

2.2. Economic development in the market area

In spring, Austria quite successfully tackled the problem regarding the increasing number of Corona infections caused by the COVID-19 pandemic. Consequently, the economic development during summer was surprisingly good. However, in October dark clouds were approaching on the economic horizon, because our nation was severely affected by the number of people who were tested positive. On 17 November 2020, the government decided to impose a second lockdown. With the beginning of Christmas, Austria had to cope with a third lockdown, caused by the sustained difficult situation in the health care sector. In total, die decline of real gross domestic product in 2020 is estimated to account for -7.1%. This corresponds to the worst economic slump since World War II. In spite of the massive economic burden, the inflation rate in 2020 declined only moderately to 1.3%. The whole national deficit (according to Maastricht criteria) increased due to the comprehensive fiscal measures to 10.1% of GDP.

The COVID-19 pandemic had serious effects on the Austrian employment market. In March 2020, as a result of the crisis-related measures that had been taken, unemployment increased sharply and affected different groups of people and branches. In April 2020, throughout Austria, there were 5.0% less employees than in 2019. Despite this historic slump, which was caused by the lockdown, the extension of short-time working could mitigate an even more dramatic development. Unfortunately, in October, the situation on the employment market deteriorated again. According to the job centre, the number of unemployed persons in December 2020 amounted to 459,.682 and thus, was a drastic increase in comparison to the previous year (in the end of December 2019 349,795 people were unemployed).

In the Tyrol, the situation that had been caused by the COVID-19 pandemic was extremely challenging. Business activities in the tourism related service sector and in the traveling and accommodation sectors were severely affected. However, the regional and federal government offered comprehensive financial support in order to compensate for the losses. Further public aid measures comprised the deferral of public fees and charges and the assumption of liability for specific loans. Moreover, in compliance with EU provisions, the Austrian Financial Market Authority implemented several relaxations of regulations regarding regulatory law in order to cushion the economic consequences of the Corona crisis. Trade and the construction industry represented important economic pillars in such a challenging year. In these sectors the order books of the companies were well filled.

2.3. Current company development in the reporting year

For Hypo Tirol Bank the year 2020 was also influenced by the COVID-19 pandemic and its impact on both, the economy and society. The tasks for the financial institution as a system-relevant company were versatile and ranged from employee protection, the proper management of market turbulences, caused by the pandemic, to intensive client assistance.

Holistic crisis management
Owing to the introduction of a crisis committee and an efficient crisis management, challenges could be handled to the benefit of clients and the company alike. Therefore, the good reputation of the bank as a reliable and competent financial partner and a responsible and modern employer could be fortified. In coordination with the management, the crisis committee – which includes representatives from all relevant company sections – handled all health-related, organisational, and communication-related matters that had to be addressed during the crisis. In the context of the BCM programme, trainings and practical exercises were also offered for employees to enable them to cooperate efficiently in case of crisis.

Consistent employer
The possibility to work from home and the associated provision of the required technical equipment, was of special importance. This option was also embedded in the guidelines in order, to provide security to employees and to comply with all legal, regulatory and data protection related regulations. Especially during the two lockdown periods, the greatest part of our employees worked from home. We did not make use of short working. We focused on supporting the possibility to work from home in order to allow our employees to be flexible in such an exceptional year.

Reliable financial partner
The latest development paired with Hypo Tirol Bank AG's expertise, determination and reliability, positively influenced our popularity, which was reflected by the large number of clients. The Coronavirus crisis has accelerated two trends in a sustainable manner: first, daily money transactions are now managed online and second, people prefer individual consulting service if they have to make urgent or difficult decisions. For that reason, the management decided to adapt the bank's opening hours. Thus, consulting hours were extended until 07:00 p.m. and opening hours were optimised.

Especially in times of crisis, it becomes apparent that Hypo Tirol Bank's philosophy to focus on long-term customer relations, which are based on expertise, experience and communication at eye is effective. The strategy enables us to take appropriate measures and make fast decisions. In the context of COVID-19 bridging guarantees, Hypo Tirol Bank supported many customers and provided the required liquidity and so they could cope with the current crisis and continue business operations. The banks are backed by government guarantees.

Despite the COVID-19 crisis, financing transactions in the segment of private housing remained on a high level. Due to the latest development there has been a high demand for flexible financing models and know-how – especially in such a sector. This is one of the reasons, why the classic product "WohnVision – stage of life credit" was very much in demand. Due to the option to reduce or suspend instalments, this product has become more popular than ever and truly captures the current zeitgeist. In the field of capital investment, clients could also rely on the future-oriented and determined management and expertise of our state bank employees. Our internal funds compensated for the downturn and thus, client portfolios performed quite well during the crisis.

Successful year
Apart from the crisis and in addition to the hard facts that are stated in the financial statements, the strategic business areas of Hypo Tirol Bank showed quite a successful result. Compared with other regional, national, and even international financial institutions, the Tyrolean state bank performs very well due to its dedication and proficiency.

In the segment of asset generation and asset management, Hypo Tirol Bank has become one of the leading companies on the domestic market. This is underscored by the six top positions, including two first places, three "silver medals" and one third place in the context of the "Österreichische Dachfonds Award". The equity fund "Aktienstrategie global" generated the best yield/risk result (term 12 and 36 years) and prevailed against all other mutual funds registered in Austria with a yield of 14.90% (30 October 2020).

For the second time in a row, Hypo Tirol Bank ranked among the best asset managers in the "Elite Report". In addition, it was the first Tyrolean bank that received the "summa cum laude" award. The evaluation criteria included asset analysis, research, investment strategy and yield after costs. In total, there were 358 participants, with 49 asset managers being described as "to be recommended" (Elite Report 2021). The list alco included 41 companies from Germany, four from Austria, two from Switzerland and two from the Principality of Liechtenstein. In other words, Hypo Tirol Bank is ranked among the “elite” in asset management in the German speaking area.

Moreover, – also for the second time in a row – Hypo Tirol Bank was ranked among the “World’s Best Banks” (published by the Forbes magazine). The ranking was based on a client questionnaire. The evaluation criteria included general customer confidence, quality of financial service, charges, and digital services.
Even though, awards and rankings are just a snapshot, they still confirm achievements of the past and represent a mission for the future.

Responsible pioneer
As the bank of the Province of the Tyrol, Hypo Tirol Bank AG is well aware of its role model function. It is convinced that a positive interaction with man and nature paired with a sustainable company management serve as the foundation for economic success.
In the past years, the bank has steadily been committed to implement this approach by setting new impetus. This kind of commitment has turned out to be a successful strategy, because in 2020, the “ISS ESG”, the internationally established rating agency for sustainability, awarded Hypo Tirol Bank AG the “Prime Status”. Consequently, the state bank is one of the most sustainable financial institutions worldwide and a pioneer in the Tyrol. The rating considers the following categories, which are analysed on the basis of strict industry-related evaluation criteria: social and environmental matters and company management (for further details please see: https://www.issgovernance.com/esg/ratings).
With regard to the range of products and product development, sustainability becomes increasingly important as well. In this context, it shall be pointed out that the new debit card, which was introduced in 2020, is made of recycled plastic and produced by a local company. Another sustainable product is the sustainable portfolio of shares and bonds. Both products were certified with the SIF seal, which confirms that both umbrella funds comply with the strict quality criteria for sustainable investment. In a holistic assessment, institutional credibility of the respective issuer, product standards, and the selection procedure in the context of fund management are evaluated. Only, if all three stages correspond to the ecological and ethical requirements, the Sustainability Investment Forum awards the SIF seal as a quality symbol and thus, provides more transparency and comparability for the clients.

A strong bank
Even though, Hypo Tirol Bank AG had to cope with one of the most extreme macrosocial crises since World War II, it stands on solid economic feet. It provides excellent capital resources and sufficient liquidity. The rating agency Standard & Poor’s shares this view and in spring 2020, it confirmed rating “category A”. Based on the fact that the granting of loans in the core segment of private housing is mortgage secured, together with the risk-aware granting of loans and a good mix of branches in the SME-segment, Hypo Tirol Bank AG will successfully overcome the consequences of the COVID-19 crisis.

Business development

Company key figures

in k €	2020	2019 adjusted	2018
Balance sheet total in kEUR	8 771 114	7 448 664	7 327 147
Receivables from clients in kEUR	6 019 586	5 724 740	5 642 043
Liabilities to clients in kEUR	3 727 381	3 593 688	3 363 732
Liabilities evidenced by certificate in kEUR	2 560 674	2 523 022	2 297 963
Equity according to CRR in kEUR	645 219	627 627	603 723
of which Tier 1 in kEUR	557 884	543 338	529 876
Net interest income after risk provision in kEUR	55 171	67 318	85 486
Net commission income in kEUR	28 603	26 296	26 641
Administrative expenses in kEUR	71 042	71 142	71 506
Operative result in kEUR	12 092	26 677	41 458
Core capital ratio in %	14.52%	14.58%	14.67%
Equity ratio in %	16.79%	16.84%	16.71%
Return on equity (IFRS) in %	2.13%	4.78%	7.69%
Return on equity (IFRS) in % (without stability fee, deposit insurance and resolution funds)	3.35%	5.73%	8.86%
Return on investment	0.09%	0.31%	0.44%
Cost-income-ratio (IFRS) in %	66.92%	62.39%	60.49%
Cost-income-ratio (IFRS) in % (without stability fee, deposit insurance and resolution funds)	62.86%	59.62%	57.42%
Number of employees according to capacities	499	516	516

Balance sheet development

In the past business year, the balance sheet total amounted to EUR 8,771.1 million. Thus, it was 17.75% higher than the balance sheet total of the previous year (EUR 7,448.7 million). This increase had been expected. The essential single balance sheet items illustrate the following situation:

Cash reserve
Hypo Tirol Bank AG participates in the TLTRO III programme. For that reason, deposits held with central banks are rather high, and the associated balance sheet item shows an increased amount of kEUR 1,226,219 (previous year: kEUR 127,497).

Receivables from credit institutions
On 31 December 2020, receivables from credit institutions amounted to EUR 63.8 million (previous year: EUR 101.7 million). Thus, they decreased by EUR 37.9 million.

Receivables from clients
At the balance sheet date, receivables from clients accounted for EUR 6,019.6 million (previous year: EUR 5,724.7 million). The decline regarding the volume of receivables in Italy was compensated by an increase in Austria. In total, receivables from clients grew by EUR 294.8 million, respectively by 5.15%.

Other financial assets
On 31 December 2020, other financial assets accounted for EUR 1,173.5 million (previous year: EUR 1,227.0 million). With an amount of EUR 726.5 million (previous year: 635.7 million), more than half of the financial assets is assigned to the “held” portfolio and evaluated on the basis of amortised costs.

Liabilities to credit institutions
In the past business year, liabilities to credit institutions increased by EUR 1,156.3 million to EUR 1,710.0. (previous year: EUR 553.7 million.). In this context, most liabilities refer to liabilities to the OeNB (Austrian central bank).

Liabilities to clients
In the past business year, liabilities to clients increased by EUR 133.7 million to EUR 3,727.4 million (previous year: EUR 3,593.7 million). In this respect, time deposits declined by EUR 7.7 million. However, savings deposits increased by EUR 52.7 million and in the field of giro accounts an increase of EUR 199.1 million was recorded.

Liabilities evidenced by certificate
In the past business year, liabilities evidenced by certificate increased by EUR 37.7 million to EUR 2,560.7 million (previous year: EUR 2,523.0 million).

Capital resources

Based on regulation (EUR) no. 575/2013 (Capital Requirements Regulations – CRR) and the directive regarding the access to operations of financial institutions (Capital Requirements Directive – CRD), equity and supervisory capital requirements shall be determined.

Achievements

In the 2020 business year, Hypo Tirol Bank once again pursued the determined strategy of the previous years and focused on the core market (North, East and South Tyrol, and Vienna). Apart from that, it continued to cut risk positions. Even though the result was strongly influenced by the COVID-19 pandemic and the associated risk provision, a quite pleasing situation can be illustrated.

Net interest income after risk provision
Net interest income after risk provision declined by EUR 12.1 million to EUR 55.2 million (previous year: EUR 67.3 million). In the 2020 reporting year, net interest income, which was evaluated on the basis of the effective interest method, accounted for EUR 102.2 million (previous year: EUR 109.4 million.). The adjustment, which was a result of the COVID-19 pandemic, resulted in an increase in risk provision in stage 1 and stage 2. In total, the building of risk provision accounted for EUR 23.0 million.

Net commission income
In comparison to the previous year, net commission income increased by EUR 2.3 million to EUR 28.6 million (previous year: EUR 26.3 million). In this context, a particular increase in commission income referring to the transaction of securities in the amount of EUR 10.8 million (previous year: EUR 8.5 million) was recorded.

Administrative expenses
This balance sheet item shows a very pleasing picture. In comparison to the previous year, administrative expenses once again were reduced and accounted for EUR 71.0 million (previous year: EUR 71.1 million). This decline meets the expectations of the management and complies with the determined goals and the strategy to optimise the utilisation of personnel capacities.

Result before tax
The result before tax in the past business year accounted for EUR 12.1 million (previous year: EUR 26.7 million). After the deduction of tax on income and profit in the amount of EUR 4.3 million (previous year: EUR 3.4 Mio.) the result after tax amounted to EUR 7.8 million (previous year: EUR 23.3 million).

3. Report on anticipated corporate development

3.1. Economic development

Basic economic scenario:
In the beginning of the year, economic growth will be rather weak, however it is estimated to accelerate clearly in spring. The lockdowns and the associated unemployment together with increasing cases of insolvency bear risks for an economic recovery.

The beginning of the year 2021 once again focuses on the current development of the COVID-19 pandemic. Many European countries are in lockdown again, partly for the third time in one year. In addition, other regions in the world, such as the USA and Latin America are severely affected by the crisis. In Europe, the consequences, caused by strong international interlacing and the importance of the service sector, are overwhelmingly negative. In Austria, where the tourism industry is the most important sector, the unemployment rate in December 2020 was 28% higher than in the past year, despite the possibility of short time work. With this in mind, it is anticipated that the economic situation will not recover in the forthcoming weeks and months. As far as Germany is concerned, a technical recession (that is a negative economic growth for the 4th quarter of 2020 and the 1st quarter of 2021) must be expected. When temperatures start to rise in spring and medical treatment for Corona-patients is bettered, the situation will probably improve. Apart from that, the catch-up effect will lead to a high demand for investments and acquisitions.

In the beginning of 2021, the situation has already improved on the global stage. The Purchasing Manager’s index, which is an important factor for economic development, has been exceeding the 50% level for a couple of months, so a positive economic development can be expected. The central banks also play a crucial role in this context, as they have been providing liquidity for months as well. The amount of money in the euro area and in the USA is currently increasing with twodigit growth rates. Consequently, national governments can refinance themselves and provide financial support for their citizens and companies and help them to cope with the difficult situation. Still, one should be realistic, because some companies will become insolvent due to the long lockdown period. In the USA, the resolution for a new economic programme was passed just before the turn of the year. However, debt in the USA – like in many other countries – will strongly increase. Asia has been enjoying an economic upwards trend for the past few months, and consequently, the global economy Is supported as well. This fact is also underscored by the positive figures of global trade, which illustrate a growing number of exports.

The acceleration in prices is currently rather slow. In the euro are the annual increase in consumer prices has amounted to 0.3% for the past months. Japan and China also record negative inflation rates. However, these figures have to be taken with a pinch of salt, because due to the long lockdown period, the prices of some product groups cannot be determined and estimated at the moment.

3.2. Economic development in the market area

The start into the new year of 2021 represents a major challenge for the Austrian economy. Based on the number of people, who were tested positive, the country has been in the third lockdown since Christmas. Our neighbouring countries have also imposed travelling restrictions and quarantine regulations and so, the winter season, which is a huge economic factor, could not start as expected. Guests from other countries could not travel respectively enjoy their usual winter holiday. Nevertheless, private consumption can be described as a supporting pillar in connection with a positive economic development. At the moment, the savings rate is remarkably high, but it is estimated to decline in the course of the year and consequently, consumption will be boosted. Apart from that it is expected that after the investment slowdown in 2020, companies will increasingly focus on investment again in 2021. After the worst economic slump since World War II, the economic growth rates for 2021 are anticipated to rise again. According to the future prospects made by the Austrian Institute of Economic Research in December 2020, a GDP growth in the amount of +4,5% is anticipated for 2021.

With regard to the Tyrol, the year 2021 also represents a major challenge. According to a survey, conducted by the Federation of Austrian Industries and the Austrian Chamber of Commerce, the effects of the COVID-19 pandemic were rated with 2.99 (school grade) and described as serious. Nevertheless, this value was better than the value conducted in Mai 2020 (3.36). Still, a slight increase in production performance can be forecasted. The evaluation of the unemployment situation is rather difficult because the country is still in lockdown and several companies had to close their business. It is estimated that rising temperatures and health care measures taken by the government will bring about a change for Tyrolean people and companies alike.

3.3. Anticipated corporate development

In compliance with the corporate strategy and the 2021 planning projects, Hypo Tirol Bank aims at achieving controlled growth including the following key tasks.

- Focusing on the defined core markets
- Strengthening customer relations
- Optimising administration expenses
- Optimising the Group’s NPL rate
- Optimising the alignment of the core capital rate

The future development will strongly be influenced by the amount of risk provisions that has to be build and thus, by the whole economic development.

After the economic collapse in 2020, a recovery is predicted for 2021. The dynamics of economic development will be affected by the scope and the duration of the measures to combat the COVID-19 crisis. In 2021, supportive measures, which have been implemented by the government and which have contributed to a positive liquidity situation of private households and companies, are expected to decline gradually. Subsequently, the number of insolvencies in the market area is expected to grow. Besides the development of real estate markets in the market area and the general economic development (economic growth, rate of unemployment, etc.), tourism will be especially monitored, since it is one of the most important economic sectors in the Tyrol

It is anticipated that - mainly during the crisis - the conservative business model offered by the state bank will prove to be successful. In addition, the amount of capital resources is clearly higher than the regulatorily required amount and regarding liquidity, excess liquidity is further predicted. Moreover, Hypo Tirol Bank is built on a solid economic foundation and so, it can cope with the effects of the crisis. On the cost side, the regular efficiency enhancement of processes will be further implemented in order to optimise administrative expenses and thus, create additional leeway.

With regard to the client sector, the bank will continue to concentrate on the provision of holistic consulting services on site. In addition, the range of digital products and services will be broadened, in the areas that represent added value for our customers. In this respect, budgetary means for investment and ongoing expenses will support the expansion of digitalisation, the adaption of trade space and the implementation of new supervisory requirements.
It is considered that, due to a broad client base, net interest income, risk provision and net commission income will increase. The predicted economic recovery is said to boost the demand for financing. As far as the securities portfolio is concerned, the way that has been chosen, will consequently be pursued and the volume will be extended by further attractive offers, intensive consulting services and corresponding competitive and communicative measures.

3.4. Major risks and uncertainties

Risk management

Risk management is implemented and continuously improved by Hypo Tirol Bank AG and aims at safeguarding long-term success for Hypo Tirol Bank AG. Therefore, the requirements of ICAAP (Internal Capital Adequacy Assessment Process) as well as ILAAP (Internal Liquidity Adequacy Assessment Process) shall be fulfilled.

In this respect, the conditions for efficient risk management are defined by the total risk strategy, whereas risk culture and the risk appetite framework are defined by the managing board. Among others, the risk management process applied by Hypo Tirol Bank AG comprises the following elements.

- Risk identification
- Risk quantification
- Risk aggregation
- Risk monitoring and controlling

By employing this systematic risk management process, capital adequacy and liquidity adequacy, which correspond to the risk appetite are safeguarded.
In this context, the following major risks are quantified and actively controlled in order to guarantee such capital adequacy:

Risks
Credit risk incl. CCR Classic credit risk Macroeconomic credit risk incl. credit risk reducing measures CCR Risks from other assets Risk capital from participating interest relevant to the group's strategy Concentration risk
Market risk Interest risk Risk from equity instruments Credit spread risk Credit valuation adjustment (CVA) Risk arising out of termination rights of own issues
Liquidity risk incl. macroeconomic liquidity risk
Operational risk
Risk buffer Model risk and data quality risk

Subsequently, these risks are aggregated (total risk) and compared with the risk capacity. Concentration risks are controlled and limited in all risk types. Due to the local business model of Hypo Tirol Bank, a concentration of countries mainly exists in Austria. The proportion of foreign currencies in the volume of receivables amounts to < 5%. In connection with liquidity risk, the top 20 deposits are limited to 23%. We foster well established relations with clients who provide a high volume of deposits. The limits for single risks and risk capacity are determined by the managing board, monitored on a monthly basis and disclosed in the context of the overall bank management meetings. In case current developments or predictions require the implementation of measures, such measures are defined and implemented in terms of active risk control in a timely manner.

Credit risk and counter party credit risk

Definition
Hypo Tirol Bank AG defines credit risks as default risks arising out of non-securitized receivables and securitised receivables from third parties. The risks comprise receivables for Hypo Tirol Bank AG, which will not be paid as stated in the terms of the contract (i.e. amount, time). Credit risks may also result from specific forms of product design or from the application of measures to minimize credit risks.
Credit risk within Hypo Bank Tirol AG is evaluated on the basis of the going concern view and the liquidity view in compliance with the same method. Counter party credit risk (CCR), real-estate participation risk, risk from other assets, and macroeconomic credit risk and risk from credit risk concentrations are considered within the quantification of credit risk.
Credit risk (default risk) is controlled by credit risk management, which assesses the financial recovery and operation of non-performing loans. The operational portfolio is managed by the department of Law & Compliance.

Division of the portfolio by credit rating
The regular evaluation of our clients' credit rating is a systematic process and essential for controlling credit risk. The composition of the portfolio is evaluated on a quarterly basis and reported to the decision makers.
The proportion of the volume of receivables, which can be assigned to the segment of high-quality credit rating, ranging from outstanding credit rating and good credit rating, was further increased compared to the previous years and currently amounts to roughly 76%.
The proportion of the default segment could be further decreased by managing the portfolio in consistent, sustainable, and active manner; therefore, the non-performing loans rate developed positively and could be further reduced in the 2020 business year.

Division of the portfolio by regions
In the 2020 fiscal year, Hypo Tirol Bank AG succeeded in further expanding the volume of receivables in the defined core markets and in reducing the volume outside the defined core markets.
This is illustrated in note (19) receivables from clients by region.

Foreign currency proportion – receivables from clients
The positive development of the previous years could also be seen in the year 2020; thus, foreign currency volume was further reduced. Due to the specifications defined in our foreign currency policy, no new transactions in foreign currency with private clients are intended and with corporate clients only to a very restricted extent. Top priority is given to the further and consistent reduction of foreign currency volume.
The illustration of foreign currency volumes divided by balance sheet items can be found in note (45).

Development of repayment vehicle loans
The strategy to continuously reduce the portfolio of repayment vehicle loans was further pursued in 2020. The reduction was positively influenced by defined restrictions in relation to the granting of new loans and the management of the existing portfolio.

Development of the Nostro securities portfolios
In 2020, Nostro securities nearly maintained on the same level. Nostro securities, which are highly qualitative, are used by Hypo Tirol Bank AG to control liquidity.
The development of Nostro securities (by evaluation categories) is illustrated in note (21).

Reducing credit risk - collateral
In order to minimise the risk of loss, Hypo Tirol Bank AG aims at securing the volume of receivables in adequate manner. In this context, real estate collateral is the most important type of collateral. It is evaluated in compliance with the defined corporate standards and used in accordance with the existing catalogue in order to secure credit exposures.
A respective monitoring process, which is carried out by an independent institution, was established to ensure recoverability. The high quality of mortgage cover funds is also reflected by the external rating (Aa1 according to Moody's).

Risk provision policy

Early Warning System
In order to identify credit risk potentials as soon as possible, Hypo Tirol Bank AG established an early warning procedure, which is based on qualitative and quantitative risk criteria. The system allows to identify risks at an early stage and thus, appropriate measures can be taken in timely manner.

Non-Performing Loans (NPL)
According to the definition established by Hypo Tirol Bank AG and the definition in compliance with EBA key risk indicators, non-performing loans include loans in default in the supervisory category of receivables and restructuring and operating cases. Due to the further operation of the Italian portfolio it was possible to reach the positive development of the previous years and to further reduce the NPL rate essentially. On 31 December 2020 it accounted for 3.0% (previous year 2.9%).

Risk provision policy
Risk provision requirements are documented in a separate system. The system describes the responsibilities and particularly the process how to evaluate the required amount of the respective special allowance. For further information please see note (4). Additionally, contract adaptations, which are considered as forbearance measures (concessions concerning loan conditions to avoid value loss) are also a part of risk provision policy.

Market risk and interest rate risk

Definition
Hypo Tirol Bank AG describes market risk as the danger of losses, which result from changes in market prices. The term market risk refers to the following risk categories:

- Interest rate risk
- Risk from equity instruments
- Credit spread risk
- Credit valuation adjustment (CVA)
- Risk arising out of termination rights of own issues

Market risk control
Market risk control is managed by the treasury department. In this context, special attention is given to a balanced asset/liability management process in consideration of the resulting impact on the financial statement in accordance with the Austrian Commercial Code and IFRS. As far as interest rate risk is concerned, a risk report regarding the bank's net interest income (NII) is evaluated beyond the cash value perspective.

In order to reduce interest rate risk, Hypo Tirol Bank AG carries out hedge accounting, which allows to secure fixed interest loans, emissions, and securities of the bank's own portfolio as fair value hedges. The foundation for market risk control is formed by the Interest rate positioning and the interest rate risk which are evaluated on a monthly basis.

Interest rate risk and interest scenarios
Interest rate risk is divided in interest curve risk, interest rate re-fixing risk, base risk, and interest option risk.
As far as fluctuations in profit or economic values as stipulated in section 448 b, CRR, are concerned, a change concerning the cash value of the Hypo Tirol Bank AG portfolio (assets and liabilities) is evaluated by using shift scenarios of the interest curve. These scenarios include six scenarios, defined by the EBA guidelines for the management of interest rate risk arising out of non-trading book activities. Furthermore, additional control-relevant scenarios are observed.

Effects of market risk
The market risk of Hypo Tirol Bank AG comprises

- Interest risk
- Credit spread risk, and
- Risk from equity instruments

The P&L account of Hypo Tirol Bank AG shows a certain dependency of external market conditions, i. e. changes of the interest curve, changes regarding credit spreads and changes regarding the valuation of shares, alternative investment types and equity options.

With regard to interest risk, Hypo Tirol Bank AG examines the P&L-effects of the six scenarios according to the EBA guidelines for the management of interest rate risk arising out of non-trading book activities (EBA/GL/2018/02). In this context, there are two types of activities: activities that are evaluated at cost and hedge accounting derivatives, where cashflows are examined by using the six EBA scenarios. As far as activities at fair value are concerned, the cash values ae evaluated on the basis of the six scenarios. The following chart shows the impact of the 6 EBA scenarios on the P&L account of Hypo Tirol Bank AG on 31 December 2020.

Scenario (in EUR)	P&L cashflow effect	P&L cash value effect
EBA parallel up	8 351 112	-641 483
EBA parallel down	11 465 190	162 316
EBA steepener	1 371 333	773 052
EBA flattener	10 385 514	-338 435
EBA short rates up	11 794 504	-1 058 387
EBA short rates down	10 702 781	177 076

The credit spread extension of risk premiums resulted in price losses of held shares. Credit spread risk measures potential P&L-loses, which would be the result of such extensions of risk premiums and the consequent sale of bonds. If bonds are held to maturity, credit spread risk does not apply. Since the sale of the majority of the Hypo Tirol Bank AG portfolio was restricted for sale and will therefore be held to maturity, credit spread risk only play a subordinate role for Hypo Tirol Bank AG.

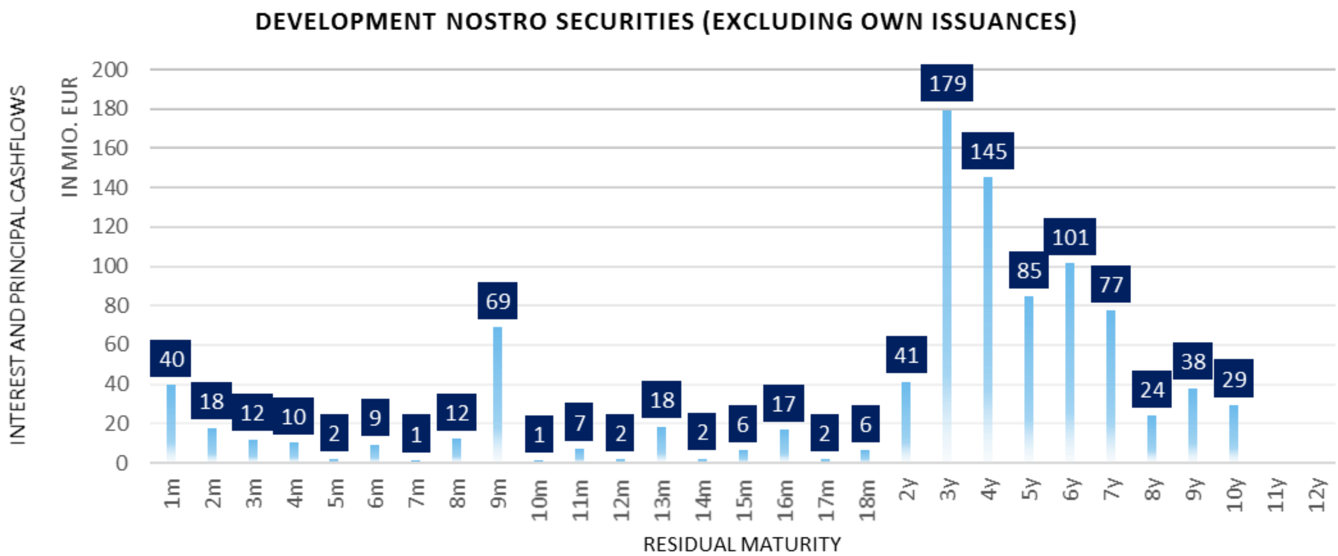
Risk from equity instruments: The portfolio of shares and alternative investment types and their collaterals, the equity options, are subject to price fluctuations. Regarding the quantification of the risk from equity instruments a probability distribution of possible price losses is observed. On 31. December 2020 the 95%-quantile of this distribution amounted to kEUR 1,609, respectively the 99,9% quantile to kEUR 5,356.

Liquidity risk

Definition
Liquidity risk is defined as the danger that current or future payments cannot be made or made in full, or in a timely manner or cannot be made without having to suffer unacceptably high losses. Liquidity risk distinguishes between short-term liquidity risk (up to one year) and long-term refinancing risk (more than one year).

Liquidity risk control
Hypo Tirol Bank AG quantifies and monitors short-term liquidity risk on the basis of the key figures of liquidity coverage potential (A'LCP) and the supervisory key figures of liquidity coverage ratio (LCR). The LCR forecast is integrated into liquidity risk management as an early warning instrument. In addition, LCR, liquidity buffer and liquidity sensitive products are monitored on a daily basis by means of the liquidity risk dashboard. Refinancing risk is quantified via structural liquidity risk and the supervisory key figure of NSFR (Net Stable Funding Ratio) and monitored via a refinancing monitoring system (comparison of planned/actual data). In 2020, the LCR key figure accounted for averagely 205%.

In 2020, in terms of a balanced risk-/income control, liquidity risk was declined via the inclusion of several TLTRO III tranches. As far as refinancing is concerned, Hypo Tirol Bank AG resorts to highly liquid collateral and available cover potentials in mortgage pools and local cover pools.



The maturity analysis of liabilities can be illustrated as follows:

Liabilities in MEUR	0-1 months	1-3 months	3-12 months	1-5 years
Customer deposits	3 385	30	67	96
Austrian National Bank tender	0	0	0	1 565
Repo	0	0	0	0
Secured issues	1	504	23	423
Unsecured issues	30	29	68	537

The Hypo Tirol Bank AG treasury department manages liquidity risk control.

Operational risk

Definition
Hypo Tirol Bank AG defines operational risk as the danger of loss caused by the inappropriateness or failure of internal procedures, individuals, systems, or external events. Moreover risks arising out of information and communication technologies (ICT) are also defined as operational risks. Strategic risks and reputation risks are excluded whereas legal risks are included.
The following instruments are employed to control operational risks:

- Damage date base
- Risk inventories (self-assessment)
- Communication and training programmes

The employment of these tools ensures a comprehensive control of operational risks within Hypo Tirol Bank AG. In addition, the following tools and methods are applied to minimise operational risks:

- Internal control systems
- Clearly documented internal guidelines ("instructions")
- Allocation and limitation of decision-making competences
- Separation of functions ("four eyes principle") and avoiding of interest conflicts regarding essential risk-relevant processes
- Continuous assurance and improvement of employee's skills in the context of vocational education and training (human resource development)
- Employment of modern technologies
- Risk insurance

Excessive debt risk

Definition
Hypo Tirol Bank AG defines the debt quota as the quotient from the measured quantity of core capital and the overall risk position quantity. The control of this key figure is ensured by integrating it into the planning process. Consequently it can be limited.

Macroeconomic risk

Definition
Macroeconomic risks are loss potentials resulting from exposure against macro-economic risk factors. Risk factors are i.e. unemployment rate, GDP development, etc., and their respective impact on different business sectors of the bank. Hypo Tirol Bank AG assumes that risks resulting from a macro-economic environment are substantially reflected in the following factors:

- Currency risk
- Possibility of default on the part of the clients
- Recoverability of credit collateral
- Market volatilities

In order to determine risk values for macroeconomic risks, these parameters are stressed, and additional unexpected losses are calculated in the context of this scenario.

Risk management organisation

The managing board determines the overall risk strategy, the specified risk appetite framework, the risk limits, and the risk manual of Hypo Tirol Bank AG, which documents on the risk management process. Hence, the strategy is presented to and concluded by the supervisory board.
Within the corporate group's managing board, the determined manager, who is responsible for business transactions, takes the responsibility for the further development of risk management and takes the leading position in the context of strategic risk management and in risk controlling. Hence, risk control shall report to the managing board.
The supervisory board, respectively its subcommittee (risk committee) is responsible for the regular monitoring of the corporate group's management and the continuous evaluation of the risk management system operated by Hypo Tirol Bank AG.
In this respect, the managing board informs the supervisory board respectively the risk committee in pre-defined intervals about the risk situation of the corporate group and the risk management analysis. By doing so, the monitoring function administered by the supervisory board/risk committee is safeguarded.
The risk controlling executive department is responsible for the development and the continuous improvement process of risk management systems. It identifies, qualifies, monitors and controls major risks and risk covering potentials as well as short term liquidity to ensure capital- and liquidity adequacy. In this context, proposals regarding risk and portfolio control are made and monitoring is conducted on the basis of defined internal reports. While risk management in production units is basically performed on the single item level risk controlling deals with risk management on portfolio level.
The central internal committee, which is responsible for active bank-wide control, organises the bank-wide control meeting on a monthly basis. The members of this committee are the general managing board, the head of the treasury department, the head of the accounting department, the head of the controlling department, the head of the audit executive department as well as the head of the risk controlling executive department.
The work of the committee is complemented by a comprehensive reporting system; in this context, reports are forwarded to the decision makers at least once a month.

Procedure to Quantify Risks and Risk Cover Potentials

Types of risk/risk parameter	Going concern view	Liquidation view
Confidence level	95%	99.9%
Period of observation	1 year	1 year
Credit risk: classic credit risk	Modell strongly complies with IRB approach of CRR	Modell strongly complies with IRB approach of CRR
Credit risk: counter party credit risk	Liquidation view values are scaled to confidence level	Risk value from pillar I for CCR
Credit risk: risk capital from participating interest relevant to the group's strategy	Mixed approaches: IRB approach, risk weight approach	Mixed approaches: IRB approach, risk weight approach
Credit risk: concentration risk, concentration of names, concentration of sectors	Granularity adjustment for concentration of names. Liquidation view values are scaled to confidence level for concentration of sectors.	Granularity adjustment for concentration of names. Risk value for concentration of sectors evaluated by means of the Herfindahl-Hirschmann-Index.
Credit risk: macroeconomic credit risk	Stress tests on components of credit risk	Stress tests on components of credit risk
Credit risk: risk from other assets	Liquidation view values are scaled to confidence level	Risk values from pillar I (risk weight approach)
Market risk: interest rate risk	Monte Carlo simulation of interest rate curve, scenario cash flows or cash values or cash flows of the 95% quantile of the main direction of interest rate curve movements.	Monte Carlo simulation of interest rate curve, scenario cash values of the 99.9% quantile of the main direction of interest rate curve movements.
Market risk: risk from equity instruments	Monte Carlo simulation (GARCH) of future prices, 95% quantile of potential losses	Monte Carlo simulation (GARCH) of future prices, 99.9% quantile of potential losses
Market risk: credit spread risk	Monte Carlo simulation (exponentially Vasicek) of future spreads losses in 95% quantile of simulated spreads	Monte Carlo simulation (exponentially Vasicek) of future spreads losses in 99.9% quantile of simulated spreads
Market risk: CVA	According to CRR, risk value scaled to confidence level 95%	According to CRR, risk value scaled to confidence level 99.9 %
Market risk: risk arising out of termination rights	Cash value losses, in case termination rights are exercised for securities and their hedges	Cash value losses, in case termination rights are exercised for securities and their hedges
Liquidity risk	Increased refinancing under spread shock	Increased refinancing under spread shock
Liquidity risk: macroeconomic liquidity risk	Stress tests on components of liquidity risk	Stress tests on components of liquidity risk
Operational risk	Liquidation view values are scaled to confidence level	Risk values from pillar I (base indicator approach)
Risk buffer **Unknown risks and model risk**	Percentage of other risks, minimum value	Percentage of other risks, minimum value

Risk report

Risk capacity
The quantification of risks and risk cover potentials is carried out on the basis of the going concern view and the liquidation view on a monthly basis. Internal monthly reports are presented in the management meeting.

Going concern view

New structure risks	Incl. restatement	New structure	Incl. restatement
Economic capital	**Ø 2020**	**Ø 2019**	**Ø 2019**
Credit risk	40.4%	36.4%	27.3%
Market risk	12.2%	22.1%	20.5%
Liquidity risk	1.2%	0.7%	0.7%
	NA	NA	3.9%
Operational risk	8.4%	8.3%	8.3%
	NA	NA	4.7%
	NA	NA	0.8%
Risk buffer	2.4%	2.3%	2.3%
Risk capital from participating interest relevant to the group’s strategy	NA	NA	1.2%
Total economic risk	**64.6%**	**69.8%**	**69.7%**
Risk cover potential	100.0%	100.0%	100.0%
Available cover assets	**35.4%**	**30.2%**	**30.3%**

Liquidation view

New structure risks	Incl. restatement	New structure	Incl. restatement
Economic capital	**Ø 2020**	**Ø 2019**	**Ø 2019**
Credit risk	32.9%	31.4%	25.1%
Market risk	4.5%	7.4%	6.8%
Liquidity risk	0.6%	0.4%	0.4%
Macroeconomic risk	NA	NA	3.3%
Operational risk	2.7%	2.8%	2.8%
Risk from other assets	NA	NA	1.6%
Concentration risk	NA	NA	0.4%
Risk buffer	5.3%	1.8%	1.8%
Risk capital from participating interest relevant to the group’s strategy	NA	NA	1.6%
Total economic risk	**46.0%**	**43.8%**	**43.8%**
Risk cover potential	100.0%	100.0%	100.0%
Available cover assets	**54.0%**	**56.2%**	**56.2%**

Short-term liquidity risk
Short-term liquidity risk is quantified and monitored within one day (intraday liquidity) but also via the daily liquidity dashboard. In this respect, liquidity sensitive products, intraday liquidity, daily LCR as well as conditioning on the liabilities side are monitored and reported to the managing board and further recipients. In connection with the COVID-19 pandemic, the daily reporting system was adjusted and the monitoring of bank withdrawals from Hypo Tirol Bank AG automatic tellers was added.

Stress test results
Stress tests represent one of the key elements to identify and quantify imminent risks. Stress tests for single risk types – bank wide stress tests and reverse stress tests – were established by Hypo Tirol Bank AG and serve as essential controlling tools. Stress test results are discussed in the internal committees, in the supervisory board and in the risk committee and corresponding measures are taken, if applicable.

Ad-hoc report
As far as special issues are concerned or in case separate reports are required for particular developments to guarantee regular information exchange, the reports are established by the risk controlling department and provided for decision-makers.

COVID-19 information

Measures taken within Hypo Tirol
Immediately after the outbreak of the COVID-19 pandemic, the resources of Hypo Tirol Bank AG’s risk monitored units were pooled into a work group in a target-oriented manner.
In a first step, all legal and supervisory requirements in connection with the COVID-19 pandemic were structured and the, respective measures were taken in order to guarantee a smooth implementation of legal financial assistance for the clients of Hypo Tirol Bank AG.
In a second step, an initial risk assessment was carried out, and credit risk, market risk and liquidity risk were monitored in an even stricter way.

- In relation to credit risk, the risk monitoring units identified branches/sectors and clients that were jeopardised due to COVID-19. Subsequently, these sectors and clients were thoroughly analysed in the context of COVID-19 stress tests. The estimates for the sectors and clients and the corresponding stress tests were repeated and respective measures were initiated.
- In relation to market risk, the monitoring frequency of the early warning indicator for credit spreads was adjusted to daily.
- In relation to liquidity risk, doubt on the part of the clients regarding the cash supply of the Austrian banking industry was identified in the context of the first lockdown. For that reason, the existing daily liquidity risk report system (daily liquidity risk

dashboard) was extended by a monitoring process regarding cash withdrawals in the branch offices and at the automatic tellers of Hypo Tirol bank AG. Furthermore, liquidity risk was thoroughly analysed in the context of stress tests, and it was ensured that the branch offices and the automatic tellers would provide sufficient cash at any time. Due to the comfortable liquidity resources of Hypo Tirol Bank AG, no additional measures were required which have affected the assets, the financial and earnings position of Hypo Tirol Bank AG.

Effects of the COVID-19 pandemic
The first reaction to the outbreak of the COVID-19 pandemic was that the PiT was adjusted in such a manner, that the PiT-PDs collided with the TTC-PDs. In light of the uncertainty regarding the further course of the crisis, this was justified. At the same time, a review of the model was initiated. The review has shown that the methods and assumptions of the PiT adjustments were correct. Nevertheless, during the 2020 business year, it was identified that the inflation rate and GDP would also have effects on the losses in the portfolio of Hypo Tirol Bank AG. For that reason, the number of relevant macroeconomic indicators was increased. The forecast of these new models on the basis of forecasts carried out by the OeNB (Austrian central bank) showed a clearly higher risk provision (for transactions on- and off-balance sheet).

Key date	RP Stage 1&2 (excl. post-model-adjustment)	Note
December 2019	11.4 million	Prior to the pandemic
June 2020	14.4 million	Increase of PiT-adjustments
December 2020	21.1 million	New models & forecasts

Methods and assumptions regarding the evaluation of fair value
The fair value evaluation of level 3 assets contains the same characteristics and limits like the above-mentioned evaluation of risk provision. Fair value and risk provision are both evaluated by means of the same predicted defaults (PDs) and LGDs. The adjustments mentioned above were made in relation to the COVID-19 pandemic and thus, also apply to the evaluation of fair value. A sensitivity analysis for fair value evaluation is presented in the annex. In this context, effects of rating downgrades or upgrades by one level are quantified. For further specified information and quantitative effects caused by the COVID-19 pandemic please see the notes.

Report on the major characteristics of the internal control and risk management system, in particular with regard to the preparation of the financial statements

Definitions
The risk management system administered within the corporate group comprises all activities which help to identify, analyse, and evaluate business risks and to take appropriate measures accordingly to prevent such risks from affecting the company in a negative way. The internal control system (ICS) represents all principles, procedures and measures which contribute to protect the assets of the company, to guarantee proper preparation of the financial statement and to ensure compliance with all legal provisions. Hypo Tirol Bank describes the internal control and risk management system concerning the preparation of financial statements as a system that was designed to guarantee the proper, reliable and timely preparation of internal and external financial statements in accordance with all legal provisions. In this context, the process of preparing financial statements is not limited to regular reporting of interim and end-of-year financial statements, it also comprises orderly bookkeeping records of all relevant data regarding their origin, their processing and their adopting into the internal company reports and external financial statement.

Objectives
The managing board of Hypo Tirol Bank AG is responsible for the establishment and the maintenance of an appropriately equipped internal control and risk management system (ICS).
In order to exercise this responsibility properly, an ICS coordinator has been appointed. The area of responsibilities of this function comprises the standardisation and systematisation of all existing internal control systems and the summary of individual measures and the subsequent transfer to an overall and unified internal control system. The evaluation of the effectiveness of the internal control system is based on the criteria specified in the working paper "Internal Control - Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO I).
The purpose of the ICS in relation to the preparation of financial statements is to recognise risks inherent to the process and to properly prepare annual financial statements in compliance with all regulations by employing a control system.
The ICS manual serves as the basis regarding these regulations, guidelines and directives and provides the systematic structure to implement a cross-departmental coherent control system.

ICS components in the context of the preparation of the financial statements
The control environment serves as the structure in which the ICS can be operated. The major instruments of the control environment are regulations of structural and operational processes which adhere to the separation-of-functions principle and the four-eye principle.
Furthermore, standardised qualification and training programmes held for staff members guarantee that the qualification level which is required for the respective position is guaranteed. Besides that, a number of instruments also guarantee the integrity and ethical conduct of single employees. Responsibilities and competences are regulated by the organisation manual, the process map and job descriptions.
Effective risk assessment is built on corporate objectives. Risk assessment in compliance with the strategic dimensions of the COSO model is conducted by the risk controlling department on an annual basis. According to such risk assessment, ICS-relevant processes within Hypo Tirol Bank AG are defined and reviewed on an annual basis.
With regard to efficient risk assessment in the context of preparing the financial statements, our corporate objectives in relation to financial reporting serve as the foundation. The foremost goal of financial reporting is the process of preserving and informing. The legally fixed principle of communicating a true and fair view of the assets, the financial position and the profit situation is given top priority in this respect.
In order to minimize the risk of substantial misstatements in describing transactions in the process of preparing financial statements risks have been identified and ICS controls have been outlined in the context of process evaluations. The ICS monitoring guarantees the correctness, the transparency and the efficiency of controls and the proper operation of the total process.
Special attention is given to the loan business and the bank's own transactions in the field of investment.
Regarding the computerised processing of our business activities we are supported by the General Computing Centre (ARZ - Allgemeines Rechenzentrum). ARCTIS software solution is the central HOST system, which is used for the daily banking business. Standard solutions such as GEOS, SAP, etc. serve as sub-systems. Cognos Consolidator (consolidation software) supports the preparation of the consolidated financial statements. In addition, access regulations, strict data security specifications and automatic adjustment controls are just a few examples for control measures which are applied in the entire IT landscape of Hypo Tirol Bank AG.

Information channels have been designed in such a way that all relevant information can be distributed in reliable, timely and objective manner. They include tools such as portal news, intranet, managing board e-mails, document distribution via Intranet platforms, control calendars as well as internal seminars and training workshops.
Moreover, institutional information channels in the context of management reports help to make business activities and their corresponding inherent risks transparent and demonstrate the development of earnings. The managing board has the obligation to submit quarterly prepared reports on the profit and risk situation to the supervisory board and the auditing committee as well as to provide the financial statements according to the provisions stipulated in the Austrian Company Code and the consolidated financial statements according to IFRS.
The ICS of the corporate group is regularly monitored in accordance with the “3 lines of defence” model. The ICS coordinator establishes an annual report for the managing board. This particular report includes information on ICS relevant processes, the results, the reviews and the intended measures regarding the further development of the ICS. During their rotational meetings with the managing board, the supervisory board and the audit committee are also provided with the respective information regarding the status of the ICS in the context of their supervisory function.

4. Sustainability report

Due to the establishment of a separate report in accordance with the Sustainability and Diversity Improvement ACT (NaDiVeG), the sustainability report hereunder is obsolete.

5. Report on research and development

As far as research and development are concerned, no branch specific statements were made.

Innsbruck, 12 March 2021

Managing Board

Johann Peter Hörtnagl | Mag. Johannes Haid | Mag. Alexander Weiß

Content

I. Profit and Loss Account

In k €	Notes	2020	2019 adjusted	in kEUR	Change in %
Interest and similar income		112 350	117 836	-5 486	-4.7
calculated according to the effective interest method		*102 178*	*109 388*	*-7 210*	*-6.6*
Interest and similar expenses		-34 158	-34 316	158	-0.5
Net interest income	(7)	**78 192**	**83 520**	**-5 328**	**-6.4**
Credit risk provision	(8)	-23 021	-16 202	-6 819	42.1
Net interest income after risk provision		**55 171**	**67 318**	**-12 147**	**-18.0**
Commission income		32 187	30 087	2 100	7.0
Commission expenses		-3 584	-3 791	207	-5.5
Net commission income	(9)	**28 603**	**26 296**	**2 307**	**8.8**
Result from financial assets and liabilities	(10)	-1 692	3 634	-5 326	>100
Result from the retirement of financial assets - at cost		0	-1	1	-100.0
Result from hedge accounting	(11)	4 094	6 098	-2 004	-32.9
Result from associated companies	(12)	62	-22	84	>100
Administrative expenses	(13)	-71 042	-71 142	100	-0.1
Other income	(14)	17 088	15 556	1 532	9.8
Other expenses	(15)	-20 192	-21 060	868	-4.1
Result before tax		**12 092**	**26 677**	**-14 585**	**-54.7**
Tax on income and profit	(16)	-4 257	-3 356	-901	26.8
Result after tax		**7 835**	**23 321**	**-15 486**	**-66.4**
These numbers include:					
Owner of the parent company		*7 675*	*22 505*	*-14 830*	*-65.9*
Participating interest without substantial influence		*160*	*816*	*-656*	*>100*

II. Statement of Comprehensive Income

in k €	2020	2019 adjusted	in kEUR	Change in %
Result after tax	**7 835**	**23 321**	**-15 486**	**-66.4**
Data which can be reclassified into the profit and loss account				
Evaluation of debt instruments at fair value not recognised through profit or loss	-6 962	-9 196	2 234	-24.3
Profit affecting reclassification of evaluation results into the profit and loss account of debt instruments at fair value not recognised through profit or loss	-410	-149	-261	>100
Deferred tax from evaluation of financial assets included in other income	1 843	2 336	-493	-21.1
	-5 529	**-7 009**	**1 480**	**-21.1**
Data which cannot be reclassified into the profit and loss account				
Actuarial profit/loss	-578	-1 448	870	-60.1
Deferred tax from evaluation of actuarial profit/loss included in other income	145	362	-217	-59.9
Credit rating induced fair value change - own liabilities	3 905	-2 669	6 574	>-100
Deferred tax not recognised through profit or loss from credit rating induced fair value change - own liabilities	-976	668	-1 644	>-100
	2 496	**-3 087**	**5 583**	**>-100**
Other income after tax on income and profit	**-3 033**	**-10 096**	**7 063**	**-70.0**
Total result	**4 802**	**13 225**	**-8 423**	**-63.7**
These numbers include:				
Owner of the parent company	4 642	12 409		
Participating interest without substantial influence	160	816		

III. Balance Sheet

Assets

in k €	Notes	2020-12-31	2019-12-31 adjusted	2019-01-01 adjusted	in kEUR	Change in %
Cash reserve	(17)	**1 251 910**	**153 538**	**128 552**	**1 098 372**	**>100**
Receivables from credit institutions after risk provision	(18)	**63 761**	**101 652**	**95 375**	**-37 891**	**-37.3**
Receivables from clients after risk provision	(19)	**6 019 586**	**5 724 740**	**5 642 043**	**294 846**	**5.2**
Derivatives	(20)	**76 728**	**67 832**	**56 944**	**8 896**	**13.1**
Other financial assets after risk provision	(21)	**1 173 508**	**1 226 969**	**1 225 321**	**-53 461**	**-4.4**
Participating interest in associated companies	(22)	**10 632**	**7 580**	**7 576**	**3 052**	**40.3**
Investment properties	(23)	**88 127**	**79 840**	**82 409**	**8 287**	**10.4**
Intangible assets	(24)	**1 796**	**2 520**	**2 227**	**-724**	**-28.7**
Tangible assets	(25)	**57 499**	**50 874**	**53 059**	**6 625**	**13.0**
Other assets	(26)	**13 197**	**14 601**	**18 147**	**-1 404**	**-9.6**
Non-current assets and disposal groups held for sale	(27)	**8 536**	**10 265**	**9 396**	**-1 729**	**-16.8**
Deferred tax assets	(28)	**5 834**	**8 253**	**7 742**	**-2 419**	**-29.3**
TOTAL ASSETS		**8 771 114**	**7 448 664**	**7 328 791**	**1 322 450**	**17.8**

Liabilities and equity

in k €	Notes	2020-12-31	2019-12-31 adjusted	2019-01-01 adjusted	in kEUR	Change in %
Liabilities to credit institutions	(29)	**1 709 950**	**553 692**	**921 886**	**1 156 258**	**>100**
Liabilities to clients	(30)	**3 727 381**	**3 593 688**	**3 363 732**	**133 693**	**3.7**
Liabilities evidenced by certificate	(31)	**2 560 674**	**2 523 022**	**2 297 963**	**37 652**	**1.5**
Derivatives	(32)	**87 507**	**96 603**	**79 623**	**-9 096**	**-9.4**
Provisions	(33)	**47 541**	**42 520**	**33 860**	**5 021**	**11.8**
Other liabilities	(34)	**59 936**	**66 624**	**62 139**	**-6 688**	**-10.0**
Current tax liabilities	(35)	**6 142**	**4 389**	**5 016**	**1 753**	**39.9**
Deferred tax liabilities	(28)	**1 120**	**1 740**	**2 761**	**-620**	**-35.6**
Equity	(IV), (36)	**570 863**	**566 386**	**561 811**	**4 477**	**0.8**
These numbers include:						
Owner of the parent company		*567 038*	*561 932*	*558 268*	*5 106*	*0.9*
Participating interest without substantial influence		*3 825*	*4 454*	*3 543*	*-629*	*-14.1*
TOTAL LIABILITIES AND TOTAL EQUITY		**8 771 114**	**7 448 664**	**7 328 791**	**1 322 450**	**17.8**

IV. Equity Changes

in k €	2020-01-01 adjusted	Result after tax	Other result after tax	Change in the scope of consolidation / other adjustments	Payouts	2020-12-31
Subscribed capital	50 000	0	0	0	0	50 000
Capital reserves	300 332	0	0	0	0	300 332
Cumulative results	199 946	7 675	0	464	0	208 085
FVOCI-reserves from fair value changes	18 167	0	-5 529	0	0	12 638
Actuarial profit/loss after tax	-5 064	0	-433	0	0	-5 497
Credit rating induced fair value change - own liabilities	-1 449	0	2 929	0	0	1 480
Total owners of the parent company	**561 932**	**7 675**	**-3 033**	**464**	**0**	**567 038**
Participating interest without substantial influence	4 454	160	0	-789	0	3 825
Total equity	**566 386**	**7 835**	**-3 033**	**-325**	**0**	**570 863**

in k €	2019-01-01 adjusted	Result after tax	Other result after tax	Change in the scope of consolidation / other adjustments	Payouts	2019-12-31 adjusted
Subscribed capital	50 000	0	0	0	0	50 000
Capital reserves	300 332	0	0	0	0	300 332
Cumulative results	186 186	22 505	0	-745	-8 000	199 946
FVOCI-reserves from fair value changes	25 175	0	-7 008	0	0	18 167
Actuarial profit/loss after tax	-3 978	0	-1 086	0	0	-5 064
Credit rating induced fair value change - own liabilities	553	0	-2 002	0	0	-1 449
Total owners of the parent company	**558 268**	**22 505**	**-10 096**	**-745**	**-8 000**	**561 932**
Participating interest without substantial influence	3 543	816	0	95	0	4 454
Total equity	**561 811**	**23 321**	**-10 096**	**-650**	**-8 000**	**566 386**

For further details see note (36).

in k €	2019-01-01 before adjustment	Result after tax	Other result after tax	Change in the scope of consolidation / other adjustments	Payouts	2019-12-31 before adjustment
Subscribed capital	50 000	0	0	0	0	50 000
Capital reserves	311 233	0	0	0	0	311 233
Cumulative results	163 860	23 404	0	-745	-8 000	178 519
FVOCI-reserves from fair value changes	25 175	0	-7 008	0	0	18 167
Actuarial profit/loss after tax	-3 978	0	-1 086	0	0	-5 064
Credit rating induced fair value change - own liabilities	14 215	0	-2 996	0	0	11 219
Total owners of the parent company	**560 505**	**23 404**	**-11 090**	**-745**	**-8 000**	**564 074**
Participating interest without substantial influence	3 543	816	0	95	0	4 454
Total equity	**564 048**	**24 220**	**-11 090**	**-650**	**-8 000**	**568 528**

V. Cash Flow Statement

in k €	2020	2019 adjusted	2019 before adjustment
Income after tax (before non-controlling interest)	**7 835**	**23 321**	**24 220**
Non-affecting cash flow items and transfer to cash flow from operative business activities			
Depreciation and appreciation to assets	7 023	-2 872	-2 872
Allocation and dissolution of provisions and risk provision	17 667	-1 752	-1 752
Income from the sale of assets	63	396	396
Tax on income and profit	4 256	3 356	3 687
Correction net interest income	-75 369	-80 461	-80 461
Profits from associated companies	-62	22	22
Unrealised foreign currency profits and losses	-1 028	-978	-978
Change of assets and liabilities from current business activities after correction of non-affecting items			
Receivables from credit institutions	34 960	-7 579	-7 579
Receivables from clients	-308 012	-84 399	-84 399
Derivatives (assets)	-7 413	-1 706	-1 706
Other assets	-165	-4 551	-5 781
Liabilities to credit institutions	1 160 172	-368 041	-368 041
Liabilities to clients	135 423	229 916	229 916
Liabilities evidenced by certificate	39 016	231 917	231 917
Derivatives (liabilities)	-7 681	20 850	20 850
Other liabilities	-5 747	5 662	5 662
Interest received	135 964	120 573	120 573
Interest paid	-58 539	-36 808	-36 808
Tax payments	-2 851	-1 909	-1 909
Cash flow from current business activities	**1 075 512**	**44 957**	**44 957**
Cash inflow from the sale/liquidation of			
Other financial assets	215 351	174 098	174 098
Subsidiaries	0	2 292	2 292
Tangible assets, intangible assets and investment properties	4 275	1 308	1 308
Cash outflow due to investments in			
Other financial assets	-173 086	-178 996	-178 996
Tangible assets, intangible assets	-25 485	-2 877	-2 877
Cash flow from investment activities	**21 055**	**-4 175**	
New subscription of subordinated and supplementary capital	3 323	13 342	13 342
Repayments of subordinated and supplementary capital	-912	-20 482	-20 482
Dividends paid	0	-8 000	-8 000
Liquidation of leasing liabilities	-606	-656	-656
Cash from financing activities	**1 805**	**-15 796**	**-15 796**
Payment instruments at the end of the previous period	**153 538**	**128 552**	**128 552**
Cash flow from current business activities	1 075 512	44 957	44 957
Cash flow from investment activities	21 055	-4 175	-4 175
Cash flow from financing activities	1 805	-15 796	-15 796
Payment instruments at the end of the period	**1 251 910**	**153 538**	**153 538**

Payment instruments correspond to cash reserves according to note (7).

VI. Notes

Consolidated Financial Statements – Essential Standards

(1) Accounting principles

Hypo Tirol Bank AG is a public limited company seated in Innsbruck; it is listed in the companies register Innsbruck, Austria with the number FBN 171611w. The bank's address is Meraner Strasse 8, 6020 Innsbruck. The present consolidated financial statements were prepared in accordance with the Austrian Banking Act article 59a, in combination with the Austrian Commercial Code article 245a and according to International Financial Reporting Standards as applicable in EU countries. Apart from the consolidated balance sheet and the consolidated profit and loss account and the comprehensive income statement, these financial statements also include equity changes, the cash flow statement, and the notes. Segmental reports are included in the notes and illustrated in note (44).

The reporting currency is Euro (EUR). Unless specifically indicated otherwise, all amounts are shown in thousands of Euro (kEUR). This might lead to marginal discrepancies in the illustration of percentages. The preparation of the consolidated financial statements was based on the going-concern assumption. Income and expenses are deferred pro rata over time and listed in the net profit or loss for the period to which they are attributable on an economic basis.

The transfer of the result from the consolidated profit and loss account to total results with detailed illustration of other income was prepared in a separate statement (see section II, "Statement of Comprehensive Income"). Cash flow from operating business activities is determined by using the indirect method. More precisely, the consolidated result is first adjusted by non-cash items, in particular evaluation results and provisions. The item "other adjustments" largely contains interest and income tax payments in the business year, which are illustrated in the section cash flow from current business activities. The section cash flow from investment activities illustrates payments into and out of the account regarding items which are basically used for long term investment or utilisation. Financing activities comprise equity and cash flows from subordinate and supplementary capital. Hypo Tirol Bank AG considers the significance of the cash flow statement as rather limited. Neither does the cash flow statement replace planning in relation to liquidity or financing nor is it used as a steering tool.

The fundamental accounting policy and evaluation methods, which have been used for preparing the present consolidated financial statements, are described in the following. Unless stated otherwise, the methods are consistently and continuously employed across the group. In this connection, assets and liabilities, contingent assets and liabilities at the balance sheet date, as well as income and expenses in the reporting period are evaluated and recognised in compliance with IFRS requirements.

(2) New and revised standards and standards that are applicable for the first time

In the course of accounting and evaluating, all International Financial Reporting Standards required by the EU and applicable at the key date and during the reporting period were applied. Standards and interpretations which will become effective on 1 January 2021 or later, as well as standards and interpretations that are currently not mandatory in the EU have not been applied.

New standards and clarifications that have already been published and adopted by the EU and are to be applied in the fiscal year for the first time:

The following new or amended IFRS became mandatory for the first time on January 1, 2020:

- Amendments to the references to the conceptual framework in IFRS standards (rev. 03/2018)
- Amendments to IFRS 3 (rev. 10/2018), definition of a business
- Amendments to IAS 1 and IAS 8 (rev. 10/2018), definition of material
- Amendments to IFRS 9, IAS 39 and IFRS 7 (rev. 09/2019) regarding the effects of the IBOR reform (phase 1)

The **Interbank Offered Rates Reform (IBOR Reform)** causes the replacement of the IBOR reference interest rates as well as the EONIA by the Euro short term rate (€STR), which will probably be effective by the end of 2021. It will depend, how these new reference interest rates will be accepted and established on the market. Hypo Tirol Bank has implemented an IBOR reform programme, in order to recognise all publications regarding this subject at an early stage and to guarantee a smooth transition to all alternative reference interest rates. According to the estimation of Hypo Tirol Bank, the material impact in relation to the core capital rate will be below 10 base points.

Other amendments have no substantial influence on Hypo Tirol Bank AG.

Since there is no case of application in connection with the amendments to IFRS 16 (rev. 05/2020), leases – regarding rent concessions in connection with the Coronavirus pandemic - , this standard shall not have any effects for Hypo Tirol Bank.

The following new and amended standards have already been published; nonetheless, their application has not yet become mandatory:

Hypo Tirol Bank regularly follows the publications of IASB and assesses, which effects these standards may have on the consolidated financial statements. At the moment, the following publications of IASB, which have not yet been adopted by the EU, will have substantial influence on the earning, financial and asset situation.

- Amendments to FRS 9, IAS 39 and IFRS 7 regarding the effects of the IBOR reform (phase 2)
- Amendment to IAS 16 „Proceeds Before Intended Use"
- "Annual Improvements 2018 – 2020 Cycle"
- Amendment to IAS 37 "Onerous Contracts"
- Amendments to IFRS 3 "References to the Conceptual Framework"
- IFRS 17 "Insurance Contracts"
- Amendment to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"

(3) Accounting policy: error correction, changes:

In compliance with IAS 8.41, Hypo Tirol Bank retrospectively makes the following corrections with regard to the consolidated financial statements for the year ended on 31 December 2019:

a. Correction regarding the calculation of own credit rating for liabilities at fair value:
In the course of a review of the model to evaluate credit rating induced fair value changes, it was determined that the model that had been used so far does not illustrate the situation appropriately. The new model is used on a retrospective basis from 01 January 2019 onwards. This results in a change in equity between retained income and credit rating induced fair value change on 31 December 2019 in the amount of kEUR 13,662 and in a P&L effect in 2019 in the amount of kEUR -994.

b. First time application of IFRS 9 – ARZ general computer centre participating interests:
For several years, Hypo Tirol Bank has held 33% of the shares of the ARZ computer centre. There was no substantial influence in this respect, and consequently, the participating interest was evaluated profit-affecting at fair value. In the past years, Hypo Tirol Bank evaluated fair value at amortised costs. In fact, a valuation in the amount of the attributable equity would be required. This results in an increase in fair value by kEUR 1,664, on 01 January 2019. Due to the new valuation, an income in the amount of kEUR 95 was generated. In addition, after the enactment of the new governance regulation (2020), Hypo Tirol Bank now has substantial influence.

c. Correction of defective intercompany consolidation regarding the branch office in Italy:
In the elimination of the refinancing in connection with endowment capital, the increase in risk provision resulting from the first-time application of IFRS 9 was not illustrated correctly. The corrections result in a decline in equity and to an increase in liabilities to credit institutions in the amount of kEUR 3,881.

d. Accounting of subsidies of Anteilsverwaltung Hypo (AVH):
The Anteilsverwaltung Hypo (AVH) was an intermediate holding company of the Province of the Tyrol, which held participating interest of Hypo Tirol Bank until June 2019. The company was liquidated. Subsidies paid by AVH to the leasing companies were eliminated incorrectly in the course of the consolidation. The correction in the amount of kEUR 10,901 was carried out between retained income and capital reserves.

Effects on the balance sheet on 01 January 2019

in k EUR	2019-01-01 Before adjustment	Adjustment a)	Adjustment b)	Adjustment c)	Adjustment d)	2019-01-01 Adjusted
Other financial assets	1 223 677	0	1 644	0	0	1 225 321
TOTAL ASSETS	**7 327 147**	**0**	**1 644**	**0**	**0**	**7 328 791**
Liabilities to credit institutions	918 005	0	0	3 881	0	921 886
Equity	**564 048**	**0**	**1 644**	**-3 881**	**0**	**561 811**
Capital reserves	311 233	0	0	0	0	311 233
Cumulative results (excl. OCI components)	163 860	13 662	1 644	-3 881	0	175 285
Credit rating induced fair value change – own liabilities	14 215	-13 662	0	0	0	553
TOTAL LIABILITIES AND EQUITY	**7 327 147**	**0**	**1 644**	**0**	**0**	**7 328 791**

Effects on the balance sheet on 31 December 2019

in k EUR	2019-12-31 Before adjustment	Adjustment a)	Adjustment b)	Adjustment c)	Adjustment d)	2019-12-31 Adjusted
Other financial assets	1 225 230	0	1 739	0	0	1 226 969
TOTAL ASSETS	**7 446 925**	**0**	**1 739**	**0**	**0**	**7 448 664**
Liabilities to credit institutions	549 811	0		3 881		553 692
Equity	**568 528**	**0**	**1 739**	**-3 881**	**0**	**566 386**
Capital reserves	311 233	0	0	0	-10 901	300 332
Cumulative results (excl. OCI components)	178 519	12 668	1 739	-3 881	10 901	199 946
Credit rating induced fair value change – own liabilities	11 219	-12 668	0	0	0	-1 449
TOTAL LIABILITIES AND EQUITY	**7 446 925**	**0**	**1 739**	**0**	**0**	**7 448 664**

Effects on the 2019 statement of comprehensive income

in k EUR	2019 Before adjustment	Adjustment a)	Adjustment b)	Adjustment c)	Adjustment d)	2019 Adjusted
Result from financial assets and liabilities	4 864	-1 325	95	0	0	3 634
Result before tax	**27 907**	**-1 325**	**95**	**0**	**0**	**26 677**
Tax on income and profit	-3 687	331	0	0	0	-3 356
Result after tax	**24 220**	**-994**	**95**	**0**	**0**	**23 321**
Credit rating induced fair value change – own liabilities	-3 994	1 325	0	0	0	-2 669
Deferred tax not recognised through profit or loss from credit rating induced fair value change - own liabilities	999	-331	0	0	0	668
Total result	**13 130**	**0**	**95**	**0**	**0**	**13 225**

(4) Essential decisions, assumptions, and estimates

In the context of preparing the consolidated financial statements, the management has the obligation to make estimates and assumptions which influence the balance sheet approach for the reporting period, the disclosure of profits and expenses and the information contained in the appendix. Changes regarding essential estimates and assumptions concerning the future developments that result from inherent uncertainties, might lead to substantial changes concerning the balance sheet approaches for the following business years; such estimates and assumptions involve assessing the sustainability of financial assets, determining fair value, evaluating provisions and approaches, and assessing deferred income taxes. The methods regarding such estimates and the subjective evaluation of assumptions are illustrated herein. The illustration of the parameters and detailed uncertainties will be explained in the notes referring to the respective balance sheet item.

All assumptions were based on propositions, which are founded on the latest available state of knowledge. The expected future business developments were based on the respective circumstances at the time of preparing the financial statements and on realistic prospects regarding the future developments of the global and branch-specific environment. Some amounts may deviate from original estimates due to deviating development assumptions and developments that are beyond the control of the management. For further details regarding stress tests see sections: “financial risks and risk management”.

The consequences of the COVID-19 pandemic are described in the risk report, the impacts on essential decisions and assumptions are explained in the following. Further quantitative specifications are defined in the respective notes.

Credit risk provision

Since IFRS 9 came into force, allowances have generally been calculated and accounted on the level of financial instruments. In order to carry out such calculations, statistical procedures were implemented. In this respect, each financial instrument is evaluated on a monthly basis according to its respective classification. Besides macroeconomic factors, the essential relevant values include:

- contractual parameters (such as term, interest rate, type of business),
- current credit rating (and credit rating at the time the contract was concluded),
- and the segment.

These assumptions, together with estimations and evaluations of indicators which lead to credit risk provision, are based on past experiences gained in the loan business and are regularly controlled and amended, if necessary, in order to diminish any possible differences between risk provision and actual credit loss. The introduction of IFRS 9 requires that in case objective evidence exists, receivables shall still be evaluated on the basis of the cash value of the expected future cashflow. Therefore, scenarios concerning the estimation of the expected cash flow shall be created. The amount and the development of risk provision are illustrated in notes (18), (19) and (21).

Staging
At every balance sheet date, companies shall measure risk provision by evaluating impairment or by creating provisions in the amount of the credit loss that is expected within the following 12 months (12 month expected credit losses) – (based on the probability of loss within the following 12 months). In the course of the subsequent measuring, credit loss, which is expected to occur within the following 12 months, shall be replaced by the credit loss expected for the entire term, provided that the default risk has increased substantially, since the first-time approach (lifetime expected credit loss criteria). In order to determine the extent of such a substantial increase in default risks several indicators are considered. These include:

- The significant increase in the PD change rate, which is determined by means of comparing the lifetime PD of the financial instrument in the current credit rating category with the credit rating category at the time the financial instrument was added.
- The forbearance measure that was implemented in relation to the financial instrument.
- 30 days delay.

Risk provision for credit loss is again measured on the basis of credit loss, which is expected to occur within the following 12 months, if credit quality has improved sustainably and lifetime expected loss criteria are no longer fulfilled.

Calculation of risk provision
In order to calculate credit loss, the following input parameters are employed.

- Exposure at Default (EAD): The EAD is determined on the basis of the contractual conditions of the financial instrument. With regard to products for which no repayment schedule was established, the EAD profile is determined on the basis of previous experience gained in connection with such products.
- Probability of Default (PD): The PD depends on the credit rating category of the financial instrument.
- Loss Given Default (LGD): Depending on the collateral, different types of LGD are used for calculating risk provisions.
- Credit Conversion Factor (CCF) for off-balance sheet exposures: The CCF defines the extent to which an off-balance sheet exposure is used and converted into a balance-sheet exposure. The evaluation by Hypo Tirol Bank AG is based on past transactions.

The amount of risk provision is calculated by multiplying the above-mentioned parameters. In stage 1 the period under review amounts to 1 year, whereas, in stage 2 or 3 the period under review refers to the whole remining term of the financial instrument. As far as non-performing loans over statistical significance limit (kEUR 200) are concerned, the adjustment is measured according to the scenario on the basis of expected future payments. In this respect, expected repayments and possible collateral are considered. If one of the following criteria are met, the loan is classified as non-performing loan.

- 90 days delay
- Positive “unlikely to pay” test in the context of forbearance measures
- Repayment
- Application for the opening of insolvency proceedings
- Other risk indicators casting doubt on the repayment

After a good conduct period of 90 days, non-performing loans can be retired from the evaluation on the basis of expected future payment. Thus, the evaluation is again based on statistic methods.

Forbearance
Compliant with CRR section 47b in connection with EBA/GL/2018/06, Hypo Tirol Bank uses the classification "forbearance" in case of economic difficulties or if economic difficulties are expected without any concessions on the part of the bank. A forbearance classification for a risk position initiates a warning signal in the rating systems and leads to a downgrading by 2 rating classes and to an automatic transfer to stage 2 in accordance with IFRS 9. The forbearance period will individually be adapted to the needs of the customer. Nevertheless, in most cases it is limited to 6 months.

Consideration of future-targeted information in the expected credit loss model (ECL model)
The most important element regarding the consideration of future-targeted information in the ECL model is the point-in-time-adjustment (PiT) of through-the-cycle-PD (TTC PD). Through-the-cycle PDs describe probabilities of default, which are expected by the customer in a generic macroeconomic environment. The PiT adjustment of PDs depends on the predicted macroeconomic environment. Thus, in an adverse macroeconomic environment, probabilities of default are shifted upwards, and correspondingly, in an affine macroeconomic environment they are shifted downwards. In this context, appropriate macroeconomic indicators, which are related to the observed defaults in an economic plausible manner, must be identified. Prior to the outbreak of the COVID-19 pandemic

- 3M-EURIBOR and
- the growth of the unemployment rate in Austria

were defined as the macroeconomic indicators that are related to the observed defaults of Hypo Tirol Bank AG. In the second half of 2020, the PiT adjustment of Hypo Tirol Bank was revised, and special consideration was given to defaults that had been observed since the beginning of the COVID-19 pandemic. The result was that besides the above-mentioned macroeconomic indicators, the following indicators also influence the observed defaults of Hypo Tirol Bank:

- GDP growth rate in Austria,
- Inflation rate (HICP),
- 3M-EURIBOR with 1 year time lag and
- The growth of the unemployment rate in Austria with 1 year time lag.

When the 2020 balance sheet was prepared, active forecasts for macroeconomic parameters, especially with regard to the change of the unemployment rate and the change of the GDP rate, were present. From the medium-term perspective, they turn into affine forecasts. The PiT adjustment of Hypo Tirol Bank therefore presents PD curves, which show a strong upward movement on the short end (in comparison to through-the-cycle curves of PD). This implies a strong increase in risk provision from stage 1 and 2 in compliance with the current economic expectation. From today’s point of view, an increased number of defaults in the year 2021 and in the forthcoming years could result in higher individual allowances. The macroeconomic view into the future will gradually improve, which will result in the decline in risk provision from stage 1 and 2. To sum up: while risk provision from stage 3 will grow, risk provision from stage 1 and 2 will decrease. This will allow the early mitigation of possible “cliff effects” resulting from an increased number of defaults by means of increased risk provision from stage 1 and 2.

In connection with future-targeted information, macroeconomic forecasts are used, which - due to the heterogeneity of the COVID-19 pandemic and the associated governmental measures - might neglect adverse effects on specific sectors. Consequently, in the context of COVID-19 stress tests, branches/sectors were identified, which are particularly exposed and affected by the pandemic, and additional risk provision, in terms of a post model adjustment, was created for these specific branches.

Selection of macroeconomic parameters
With regard to the selection of macroeconomic parameters, all economic indicators according to the OeNB and the harmonised consumer price index according the OeNB were examined in order to identify possible dependency between these indicators and the defaults of Hypo Tirol Bank. In addition to historical data, forecasts are also available for these indicators. The availability of forecasts was of special importance in relation to the selection of indicators because a reasonable PiT adjustment can only be created on the basis of predicted values (and not on the basis of static values). The following identified indicators are related to default Hypo Tirol Bank AG (divided by segments):

Segments	SME	Private clients AT	Corporate clients AT	Corporate clients IT	Private clients IT
Macroeconomic indicator					
GDP growth rate (Austria)	relevant	relevant	relevant	-	-
Unemployment growth rate (Austria)	relevant	relevant	relevant	relevant	relevant
3M-EURIBOR (previous year)	-	relevant	-	-	-
3M-EURIBOR	relevant	relevant	relevant	relevant	relevant
Inflation rate (HICP)	relevant	relevant	relevant	-	-
GDP growth rate (previous year)	relevant	relevant	relevant	-	-

Considered time horizon
Macro-economic forecasts made by the OeNB refer to a time horizon of 2 years into the future. Thus, PiT is adjusted to the PD curve in relation to this period. Beginning with the 4th year (into the future), through-the-cycle curves are applied. During the 3rd year (into the future) the values between PiT-PD-curves and through-the-cycle curves are interpolated. In this respect, the procedure was not changed in comparison to the previous year.

Information regarding scenarios
The PiT-adjustment – like the classic Vasicek model – assumes the existence of a standard normally distributed macroeconomic variable X, which is linked to real economic macroeconomic indicators and defaults of Hypo Tirol Bank. This link is evaluated on an empirical basis.

The PiT- adjustment of possibilities of default is evaluated by using a closed formula, which connects the above-mentioned factors and the behaviour of standard normally distributed macroeconomic variables X. In particular, PiT adjustment is a weighted sum, which considers every scenario of the standard normally distributed macroeconomic variable X with its possible weight. Due to the Monte-Carlo simulation for PDs, no discrete number of scenarios is employed.

Evaluation on a collective basis
Hypo Tirol Bank evaluates expected credit losses on the basis of single accounts, and not on a collective basis. In this connection, client ratings represent the essential component in terms of evaluating expected credit losses. These ratings are established for single clients and not on a collective basis. The use of different rating systems for different groups of clients and the regular validations of the rating systems ensure a correct estimation of the creditworthiness of the respective client. Client ratings determine the through-the-cycle-PD curves. In a second step, the PiT adjustment is applied to these curves in order to identify possible increases or decreases in expected credit losses, which might result from the current macroeconomic environment. The increase in probabilities of default, which derive from the macroeconomic environment, is determined for the proportional portfolio of private clients and for the proportional portfolio of non-private clients on a collective basis.

Sensitivity analysis related information
The ratings of single clients correspond to possibilities of default - TTC (through the cycle). In order to illustrate macroeconomic conditions, possibilities of default – TTC are multiplied by factors, which are described as PiT-PD adjustments (point in time). These factors are ≥ 1 in adverse macroeconomic situations and ≤ 1 in affine macroeconomic situations. The PiT adjustment that is required for a specific type of client is a random variable, because actual economic conditions are uncertain. The probability distribution of the random variable on one hand depends on forecast values of macroeconomic indicators and on the other hand on historical forecast errors.

Risk provision in the balance sheet is based on estimated values of PiT adjustments. Therefore, it fulfils the IFRS requirement of an unbiased estimation.

In order to examine the sensitivity of recorded risk provision, additional scenario calculations are carried out. In this context, certain quantiles of the probability distribution are used instead of estimated values.

- With regard to the affine scenario, a 5% quantile is observed. It is the highest among the 5% of PiT adjustments, which would result in the lowest risk provision. Consequently, in 95% of all cases, possibilities of default are higher than estimated in the affine scenario.
- With regard to the adverse scenario, a 95% quantile is observed. It is the lowest among the 5% PiT adjustments, which would result in the highest risk provision. Consequently, in 95% of all cases, the probabilities of default are lower than in the estimated adverse scenario.

In the affine scenario, risk provision is not higher than it was prior to the outbreak of the COVID-19 pandemic. In the adverse scenario it is three-times the value illustrated in the affine scenario. The following chart illustrates the effects of the respective scenario calculations:

in k €	Affine scenario	Basic scenario	Adverse scenario
Stage 1	4 099	10 518	14 203
Stage 2	6 035	10 736	18 368
Total	**10 134**	**21 254**	**32 571**

Post-model adjustment

The evaluation of expected credit losses (ECLs) in accordance with IFRS 9 is based on future- oriented estimates, models, and data. In this respect, it may happen that the mere model-based determination does not lead to a proper result, because specific developments have not (yet) been reflected or data are not available. Therefore, the model-based evaluation was adapted by a “post-model adjustment”. In the course of the past year, the used models to calculate credit risk were adapted to the current macroeconomic situation, and thus, the effects for Hypo Tirol Bank, particularly in relation the aid-measures granted by the government, cannot be illustrated by the models completely. In addition, the used PD curves refer to the segments but not to the branches. Hypo Tirol Bank has defined branches, which are particularly affected by the COVID-19 pandemic. By using a post-model adjustment, an additional scenario-weighted allowance has been established for these identified branches. The scenarios are used to assess supplementary rating-induced deteriorations in different ways. Currently, Hypo Tirol Bank does not consider the sector of private clients to be a critical “branch”. Nevertheless, a strict monitoring system paired with the analysis of possible early warning indicators is also applied for private clients. Up to now, no additional risks have been detected, which could not be covered by Hypo Tirol Bank by adjusting the macroeconomic factors to evaluate possibilities of default. The rating of private clients is evaluated and analysed on a monthly basis. The monthly routines are analysed in relation to changes and at the end of the quarter they are recorded automatically. Apart from that, a regular process is carried out that determines clients with possible difficulties. In this context, no problems have been determined up to now. Moreover, the Tyrolean real estate market has remained rather stabile during the crisis, and consequently no additional measures had to be taken in this respect.

Impairment of non-financial assets

If impairment indicators are determined, the recoverable amount is evaluated and compared with the accounting value. The recoverable amount is the higher one of both amounts from fair value less disposal costs and value in use.

Determining fair value by using evaluation methods

Financial instruments that are not quoted in an active market are evaluated in accordance with recognized and customary mathematical methods, such as the cash value method or other suitable evaluation methods (option price models). Such evaluation models are substantially influenced by underlying assumptions. Therefore, fair value shall be understood as a key-date related estimate. In case, the transaction price deviates from another observed market price at the time when the financial instrument is added, a "day-one profit" or day-one loss" (consistent with the following evaluation of the financial instrument) shall be illustrated. However, profit or loss after addition can only be recorded if it is based on the change of a factor which would be recognised by market participants in terms of pricing. Market values and accounting values of financial instruments are illustrated in note (38) "fair value".

The fair value evaluation of level 3 assets contains the same characteristics and limits like the above-mentioned evaluation of risk provision. Fair value and risk provision are both evaluated by means of the same predicted defaults (PDs) and LGDs. The adjustments mentioned above were made in relation to the COVID-19 pandemic and thus, also apply to the evaluation of fair value. A sensitivity analysis for fair value evaluation is presented in the annex. In this context, effects of rating downgrades or upgrades by one level are quantified.

Provisions

Provisions are created for uncertain liabilities against third parties in the amount of the expected claim. The provided amount represents the best possible estimate of the costs that are required to fulfil such an obligation. For detailed information regarding accounting values of provisions and their development see note (33).

Deferred income tax

The evaluation of deferred tax liabilities and deferred tax assets considers the tax consequences resulting from the fact how the group expects to realise its assets at the balance sheet date or to fulfil its obligations. Such expectations represent the best possible estimates. The use of active deferred taxes depends on the possibility to earn enough taxable income within the context of the respective tax law. In order to evaluate, how likely the future availability of active deferred taxes is, certain aspects such as past earnings and tax strategies should be considered. In case the actual results deviate from these estimates or if these estimates have to be adjusted to future periods, the active deferred taxes must be devalued in income-affecting manner. Currently, the corporate group's tax planning period amounts to five years. Quantitative details regarding deferred income tax are described in note (28): "deferred tax assets and liabilities".

Hedge Accounting

Hypo Tirol Bank AG illustrates hedge accounting pursuant to IFRS 9 because it emphasises on corporate risk management. For that reason, the strict limits that were defined by IAS 39 have been removed. Instead of that, there are new cumulative requirements in relation to efficiency, as it forms part of qualitative prerequisites for hedge accounting. This means that an economic link between basic transaction and hedge shall exist, default risk shall not be dominating, and the hedging rate shall be selected accordingly.

Transitional provisions und reporting

Hypo Tirol Bank AG applies the regulations as stipulated in CRR section 473a. Therefore, the consequences from financial risk provision according to IFRS 9 have direct and full effect on regulatory capital.

(5) Principles of consolidation

The principles of consolidation basically comprise the following methods to illustrate participating interest:
1. Control: full consolidation (IFRS 10, IFRS 3)
2. Associated companies and joint ventures: equity method (IFRS 10, IFRS 11, IAS 28, IFRS 3)

In compliance with IFRS 10.6 an investor has **control** over an associated company, if he or she is subject to fluctuating yields within the associated company or is entitled to own them, and if he or she has the ability to include such yields by power of deposition over the associated company.

Substantial influence represents the possibility to take part in the financial and business-related decision-making process of the associated company without having control or joint control over the company (IAS 28.3, 28.5. et seq.).

Joint control is an agreement according to which two or more parties have joint control. Joint control in this context is understood as the contractually agreed share of control of an agreement and is given only, if decisions regarding substantial activities require the unanimous approval by the parties having such control (IFRS 11.4, 7., et seq.). In order to limit the complexity of the principles of consolidation, the following subjects are explained in detail:

- Control – subsidiaries (IFRS 10),
- Joint agreement (IFRS 11) and
- Associated companies (IAS 28) as well as
- Changes in the scope of consolidation in the course of the business year.

Subsidiaries

The consolidated financial statements include the financial statements of the parent company, and the financial statements of those companies influenced by the parent company, including structured companies (see subsidiaries). Hypo Tirol Bank gains control in the event that:

- It can exercise a dominating influence on subsidiaries,
- It is subject to fluctuating yields from interests and
- It can influence the amount of yields due to its exercising power.

If there are any indicators that one or more of the above-mentioned control criteria have changed, Hypo Tirol Bank shall re-evaluate, whether it has dominating influence on a subsidiary or not.

In the event that Hypo Tirol Bank AG has no majority voting right, it still controls the subsidiary, if it has the practical option to determine the significant activities of the subsidiary on a unilateral basis. In the course of the evaluation process, it is determined whether the voting rights are adequate with regard to the respective subsidiary. Hypo Tirol Bank AG shall consider all facts and conditions. These include:

- the extent of the voting rights of Hypo Tirol Bank AG in relation to the extent and the distribution of the voting rights of other proxy holders,
- potential voting rights of Hypo Tirol Bank of proxy holders of other parties,
- rights resulting from other contractual agreements and
- other facts and conditions which indicate that Hypo Tirol Bank AG has the practical option or does not have the option to determine significant activities at the point of time, when specific decisions must be made in consideration of the voting behaviours of earlier general assemblies.

A subsidiary is included in the consolidated financial statements for a period starting from the point of time, at which Hypo Tirol Bank AG controls the subsidiary to the point of time at which the control exercised by Hypo Tirol Bank AG ends. In this context, the results of the subsidiary, which was acquired or sold in the course of the year, are recorded in the group's profit and loss account and in other income for the period from the actual date of acquisition to the actual date of sale. The profit or loss and any component of other income shall be assigned to the shareholder of the parent company and to the shareholders not exercising control. This shall also apply, if it results in a negative balance for the shareholders not exercising control.

If required, the financial statements of the subsidiary are modified in order to adjust the accounting and evaluation methods to the methods applied by the corporate group. All intragroup financial assets, debts, equity capital, income, expenses, and cash flows in connection with business truncation between companies of the group are completely eliminated in the context of the consolidation process. The balance sheet date (key date) of the bank's consolidated financial statements corresponds to the balance sheet date of all companies included in the consolidated financial statements.

Changes regarding the participation rate in relation to subsidiaries

Changes concerning the participation rate within the corporate group in relation to subsidiaries which do not result in the loss of control over the respective subsidiary are balanced in compliance with IFRS 10:23 as equity capital trans-action resulting in neither profit nor loss. The difference between the amount, by which die shares (not controlled) are adjusted and the fair value of the disbursed or received services is immodesty recorded in equity capital and assigned to the partners of the parent company. There were no effects on the net profit or loss for the period or on balanced assets or liabilities or the company value which had been estimated in the course of the first consolidation.

In case Hypo Tirol Bank loses control over a subsidiary, the profit or loss from deconsolidation is recorded on an income-affecting basis. It is calculated from the difference between the total amount of fair value of received services and fair value of retained shares, and the accounting value of assets (including business value and company value), the debts of the subsidiary and all shares which are not controlled.

All amounts in connection with the respective subsidiary are illustrated in the item "other income" and are balanced like the sale of assets, that is to say by reclassification in the profit and loss account or by direct transfer to revenue reserves.

Acquisition of subsidiaries

The acquisition of businesses is accounted on the basis of the purchase method. The compensation transferred in the course of a corporate merger is evaluated on a fair value basis. Fair value results from the total of fair value applicable at the time of acquisition, transferred assets, liabilities of former owners of the acquired company and from equity capital instruments determined by the corporate group in exchange for the control over the acquired company. All transaction expenses in relation to the company merger are reported on an profit affecting basis at the time of occurrence.

The business and company value results from the surplus from the total of the transferred compensation, the amount of all non-controlled shares in the acquired company and the fair value of equity capital share of the acquirer in the acquired company (if issued) via the balance, fair values determined at the time of acquisition concerning the acquired identifiable assets and liabilities assumed. In case of a negative difference – even after re-evaluation – the amount is accounted immediately as profit affecting revenue.

Company values are reviewed with regard to recoverability at least once a year and in case indicators for impairment are existent. In case of determination of such impairment, it is depreciated subsequently.

Shares of non-controlling shareholders, who currently own property rights and grant the owner the right to obtain a proportion of the net assets of the company in case of liquidation, are either evaluated on a fair value basis at the time of inflow or on the basis of the respective proportion of identifiable net assets. This voting right can be exercised in the course of every company merger. Other components of shares of non-controlling shareholders are evaluated on a fair value basis or on the basis of measure of value resulting from other standards.

In case the first balance of the company merger has not been completed at the end of the fiscal year, provisional amounts are reported for such items.

If new data become available within the evaluation period that clarifies the situation at the time of acquisition, the revisionary amounts will be corrected, or additional assets or liabilities will be calculated, where applicable.

B) Joint arrangement

A joint arrangement is as an arrangement under which two or more contracting parties exercise joint control. IFRS 11 distinguishes between two types of joint arrangements (joint activities and joint ventures) and defines the different rights and obligations of the respective arrangements. In this context, the structure, the legal form of the arrangement, the terms of contract defined by the involved parties and other relevant facts and conditions, if appropriate shall be determined. If two or more companies find an arrangement under which they have immediate rights from assets and obligations from liabilities, we talk about joint activities. A joint venture is defined as joint agreement, under which the parties have joint control and have rights from net income of the company in which they hold a share. Balance sheets for joint activities differ from those of joint ventures. Holdings in joint ventures shall be reported by using the equity method. The balance sheet regarding joint activities is established in such a manner that each joint partner reports his or her financial assets (including the share in jointly held assets), liabilities (including the share in loss of liabilities) as well as income (including the share in income from sale of products or services offered by the joint arrangement) and expenses (including the share in jointly created expenses). In this respect, financial assets, liabilities, income and expenses shall be reported in accordance with the relevant International Financial Reporting Standards.

IFRS 11 shall be considered in a dynamic manner, and it significantly depends on the possibility of control. For that reason, Hypo Tirol Bank assesses, whether there are any facts for joint arrangements, whenever a subsidiary is acquired or a change affects the corporate group's share in existing subsidiaries,

C) Shares in associated companies

An associated company is a company over which the group exerts a substantial influence; substantial influence is the opportunity to make financial and business-related decisions of the company, in which the interest is held. In this context, neither controlling nor joint management regarding the decision-making processes exists.

In order to illustrate results, assets, and liabilities of associated companies the equity method is applied, except shares are classified "available for sale". In such cases IFRS 5 "non-current assets held for sale and discontinued operations" shall be applied and they are accounted as such.

Pursuant to the equity method, shares in associated companies are included in the balance sheet at acquisition costs, which are adjusted by changes concerning the corporate group's share in the profit and loss and in other results from associated companied subsequent to the time of acquisition. Losses of associated companies that exceed the corporate group's share in the respective associated company are not recorded. Such recording is only carried out if the corporate group has entered into legal or factual commitments or settles payments instead of the associated company.

As soon as an associated company fulfils all requirements accordingly, the share in the respective associated company is balanced in compliance with the equity method. Any acquisition cost surplus concerning the purchase of shares higher than the acquired share of identifiable assets, liabilities and contingent liabilities at fair value is recorded as business or company value. The business or company value is part of the accounting value and is not assessed separately in order to verify impairment.

Subsequent to re-evaluation, any surplus of the group's share of identifiable assets, liabilities and contingent liabilities at fair value that is higher than the acquisition cost of the purchased share is recorded as profit immediately.

In order to verify, whether there are indicators that shares in associated are impaired, the IFRS regulations applicable in the respective year shall be applied. If impairment tests must be carried out, the investment book value (including business and company value) is assessed for recoverability in accordance with IAS 28. Therefore, the recoverable amount of the share, more precisely the higher amount resulting from value of use and fair value less sales costs, is compared with the investment book value. The calculated impairment requirement is offset against the investment book value. Impairment losses regarding the assets contained in the investment book value including business and company value are not listed. If the recoverable amount increases in the forthcoming years, value recovery is carried out in compliance with IAS 28.

The corporate group will discontinue the equity method as soon as the group's share is no longer considered an associated company or if the share pursuant to IFRS 5 is classified as "held for sale". If the corporate group keeps a share in the formerly associated company and if this share represents a financial asset in compliance with the regulations according to the IFRS, it is evaluated at the time of its first recording on a fair value basis. The difference between the previous accounting value of the associated company (at the time when the equity method was discontinued) and the fair value of the retained shares, and other income from the sale of a part of shares in associated companies, shall be considered in the course of determining capital gains/losses. In addition, within the corporate group all amounts concerning the respective associated company included in other income will be accounted in the same manner that would be required, if the associated company directly sold its assets or liabilities. Consequently, when the equity method is discontinued, a profit or loss, which is recorded by the associated company in other income, and which is reclassified in the profit and loss account in case of sale of assets or liabilities, shall be reclassified by the corporate group form equity capital to the profit and loss account.

If the corporate group's participation rate in an associated company changes, and the group still applies the equity method, the proportion of the profit or loss previously recorded in other result, which is allotted to the participation rate, is reclassified on a cost or profit affecting basis. This reclassification shall be applied if such profits or losses must be reclassified on a cost and profit affecting basis when the corresponding assets and liabilities are sold.

In the event that an associated company employs alternating accounting and evaluation methods, appropriate adaptions to IFRS requirements are made in the context of ancillary accounts. The balance sheet date of all associated companies corresponds to the balance sheet date of the parent company.

D) Changes in the scope of consolidation in the 2020 fiscal year

Associated companies
The ARZ Allgemeines Rechenzentrum GmbH is a company in which Hypo Tirol Bank AG holds participating interest in the amount of 32.7%. In 2018, a new cooperation model was elaborated with other shareholders and clients of the ARZ. Pursuant to these new governance regulations the assumed substantial influence that was based on the ownership interests can now be confirmed.

Fully consolidated subsidiaries
With regard to the current fiscal year, no changes in relation to fully consolidates subsidiaries were made.

(6) Currency translation

The consolidated financial statements are prepared in Euro (EUR), which is the functional currency of all companies of the corporate group. All financial statements of the companies that are included in the consolidated financial statements re also prepared in Euro (EUR). Monetary assets and liabilities denominated in foreign currencies are converted at the European Central Bank's rate at the balance sheet date. Non-monetary items are converted in accordance with the evaluation standard of the respective category.

Non-monetary items which are recorded at their historic acquisition costs are converted at the rate on the day of acquisition. Non-monetary items at fair value are converted on an analogue basis to monetary items at the current rate at the balance sheet date. Income and expenses are converted at the rate on that date which they are recorded in the result for the period.

Notes on the Statement of Comprehensive Income

Profits and the associated expenses are recorded whenever it is likely that the economic benefit will accrue to the corporate group, and if the amount of the profits can be determined on a reliable basis. This concept is applied to the major profit-generating activities of the corporate group as follows:

A) Net interest income

Net Interest income is depreciated in accordance with the effective interest method and is only recorded if there is sufficient probability that the amounts will accrue to the company and if the amount can be determined on a reliable basis. In this context, income which mainly represents payment for the use of capital (interest-similar income) is assigned to net interest income. In addition, income from participating interest is included in this item as well. Dividends are also illustrated in net interest income as soon as legal entitlement arises. Interest expenses are shown in line with interest income.

B) Credit risk provision

This item illustrates changes regarding allowances and provisions, as well as income subsequently received for receivables that have been depreciated in connection with loan business transactions.
Credit risk provision illustrates allowances in compliance with IFRS 9 and the changes regarding provisions.

Additional information concerning the COVID-19 pandemic and its influence on risk provisions is specified in the section essential decisions, assumptions, and estimates. For quantitative information please see note (8).

C) Net commission income

Net commission income comprises the balance from income and expenses regarding service transactions. Above all, this includes profit and expenses regarding services from payment transactions, from share business, from loan and leasing businesses and from currency, foreign currency and precious metals business, as well as other service businesses. Net commission income and expenses are recorded in the appropriate period.

D) Income from financial assets and liabilities, retirement of financial assets at cost

Income from financial assets and liabilities shows effects from the disposal and the evaluation of financial assets and liabilities. The disposal result from the retirement of financial instruments at cost is illustrated separately.

E) Income from hedge accounting

Income from hedge accounting illustrates the evaluation result of hedges. The evaluation result comprises fair value changes of hedged basic transactions resulting from the hedged risk and fair value changes of hedges.

F) Income from associated companies

Income from associated companies is illustrated in note (12).

G) Administrative expenses

Administrative expenses comprise personnel expenses and material expenses from depreciation on tangible assets or intangible assets.

H) Other income and expenses

This item shows effects from leasing transactions and rental agreements from investment properties. For further details see note (14) or note (15).

Assets

A) Cash and cash equivalents

Cash and cash equivalents designated in the cash flow statement correspond to the balance sheet item "'cash reserves" and consist of cash balances and credit balances with central banks. The assets at central banks are dedicated to the minimum reserve which must be held as assets at the Austrian Central Bank in accordance with ECB directives. The minimum reserves are part of the stock of payment instruments, which in the interpretation of the Austrian National Bank, can be considered as the basis for current payment transactions. For that reason, the minimum reserve fulfils the definition "cash and cash equivalents" and is therefore presented in the cash reserve. Cash reserves are classified as "held" and examined in terms of SPPI. Hypo Tirol does not hold cash and cash equivalents which have harmful effects according to SPPI.

B) Receivables from credit institutions and clients

In this balance sheet item, issued credits are assigned in accordance with the respective business partner as receivables from clients. At the time they are added, receivables are classified as loans and receivables or as receivables evaluated voluntarily at fair value. Impairments are illustrated as risk provisions. Negative interest is recorded as other interest income respectively other interest expenses. The entire number of receivables from credit institutions and clients are classified as "held". They are examined in terms of SPPI. In case the SPPI test shows a harmful effect, they are recognised at fair value.

C) Credit risk provision

Substantial risks in relation to the banking business are considered to an appropriate extent by means of allowances. In the 2020 fiscal year, all allowances were evaluated and recorded on an individual basis. The determination of allowances is carried out on the basis of a 3-stage model according to IFRS 9. With regard to credit risk in relation to receivables from clients and included leasing receivables, receivables from credit institutions and other financial assets, individual allowances were made in accordance with consistent standards within the group. In relation to stage 1, 2 and stage 3, which is not significant, risk provision is evaluated as a product of EAD, PD and LGD. Significant receivables amounting to more than kEUR 200 are reviewed in compliance with IFRS 9 on a quarterly basis to verify impairment by using the expected cash flow procedure. Individual loans must be adjusted if observable events have occurred which suggest that not all interest and capital redemption liabilities can be met on time.

Such events include:

- Deferment of payment or waiver of payment obligations of the debtor
- Initiation of sanctions
- Delayed payment
- Impending insolvency or over-indebtedness
- Application to open insolvency procedures
- Failure of rescue measures

The degree of allowance depends on the difference between the accounting value and the cash value of the payments that are expected to be received for the respective receivable, in consideration of valuable collateral. This is calculated on the basis of the original interest rate. In general, the evaluation is based on three probability weighted cash-flow-scenarios. Unwinding (cash value effect) is shown in the profit and loss account - not as allowance but as interest income.

Details on default probabilities according to rating classes and regarding stress tests can be found in the notes on financial risks and on risk management.

In case further payments cannot be expected with the utmost probability, a receivable is classified as irrecoverable. An irrecoverable, already adjusted receivable is retired by using risk provision. If no individual allowance exists for such a receivable, it is directly depreciated with direct effect on income. Payments for depreciated receivables are recorded in the net profit or loss for the period.

D) Derivatives

All derivatives with a positive fair value are illustrated in this item. Derivatives are evaluated at fair value. Evaluation and disposal results regarding trading assets are illustrated in the profit and loss account in income from financial assets and liabilities. Interests are illustrated in net interest income.

E) Other financial assets

The item other financial assets illustrates the securities portfolio and participations of Hypo Tirol Bank. The portfolio is classified as "held" or "held for sale". The classification is based on the portfolio of financial instruments, which was defined by the treasury department. Hence, financial instruments from the "sates" portfolio and "covered bonds" are classified as "held", while financial instruments from the "financials" or "corporates" portfolio are classified "held for sale". Financial instruments of the category "held" and "held for sale" are examined at the point of acquisition in terms of SPPI.

F) Investment properties

Investment property, more precisely, real estate which is held in the long term to obtain rental income and/or to in-crease its value is shown in this balance sheet item. It is evaluated at continuous acquisition costs. Rental income is included under other income. In case real estate is used for a different purpose, I. e. the property is no longer used for the bank's own business activities but rented out; such real estate is reclassified from tangible assets to investment properties.

Investment properties are depreciated on a straight-line basis over its expected working life. This depreciation is in-clouded in other expenses. The asset depreciation range in the current business year - like in the past business year – can be illustrated as follows:

Asset depreciation range	years
Buildings	25-50

At every balance sheet date, the existence of possible impairment indicators is investigated. In the event that such impairment indicators are identified, impairment is determined according to the impairment model for non-financial assets.

G) Intangible assets

The item "intangible assets" comprises purchased software as well as licensing rights and an acquired client stock. All intangible assets have a limited operating life.

These assets are evaluated at acquisition cost less scheduled depreciation and impairment. Assets are depreciated on a straight-line basis over their expected operating life.

The asset depreciation range in the current business year - like in the past business year – can be illustrated as follows:

Asset depreciation range	years
Large scale projects (e.g. GCC-Software, GEOS, SAP)	8
Other software and licensing rights	4
Client base	7

At every balance sheet date, the existence of possible impairment indicators is investigated. For the fiscal year, no such indicators were identified. In case such impairment indictors are identified, impairment is determined according to the impairment model for non-financial assets.

H) Tangible assets

Tangible assets are evaluated at acquisition or production costs less scheduled depreciation and impairment. Scheduled depreciation is applied on a straight-line basis over the asset's estimated operating life. In this context, operating life is determined in consideration of the estimated physical depreciation, technical aging and legal and contractual restrictions.

The asset depreciation range in the current business year - like in the past business year – can be illustrated as follows:

Asset depreciation range	years
Buildings	25-50
Factory and office equipment	5-10
Construction work in leased business premises	15
IT hardware	3-5

At every balance sheet date, the existence of possible impairment indicators is investigated. For the fiscal year, no such indicators were identified. In case such impairment indictors are identified, impairment is determined according to the impairment model for non-financial assets.

Tangible assets also include rights to use according to IFRS 16. The depreciation range corresponds to the term of the lease. In case no term was defined for a particular rental contract, it is depreciated on the basis of the expected depreciation range (currently: between 1 to 4 years).

I) Other assets

The item "other assets" primarily includes receivables other than from banking transactions. Moreover, other assets also include property and buildings which primarily were used as collateral by borrowers and which are now to be realised in disposing of impaired commitments (rescue acquisitions). These assets are shown as "assets held as collateral" and are evaluated as reserves in accordance with IFRS 5. In this context, expenses and income are presented in other expenses and income as "income or expenses concerning assets received as collateral".

J) Non-current assets, disposal groups and liabilities in disposal groups held for sale

Non-current assets or disposal groups, which comprise assets and liabilities, are classified as held for sale if the corresponding accounting value is primarily realised through sale and not through continued use. The managing board must have agreed the obligation to sell the asset. In this context it is anticipated that the sales process will be completed within one year subsequent to classification.

Generally, such assets or disposal groups are scheduled on the basis of the lower value resulting from their accounting value and fair value less sales costs. Possible impairment costs of a specific disposal group are first assigned to the business or company value and subsequently to remaining assets and liabilities on a pro rata basis – with the exception that no loss is assigned to stock, financial assets, deferred tax, assets in connection with employee benefits or financial properties which are still evaluated in accordance with the general financial reporting standards. Impairment costs in connection with the first classification "held for sale" as well as profits and losses that might occur later in the course of new evaluation are illustrated in profit and loss.

Intangible assets and tangible assets are no longer depreciated as scheduled. As soon as an associated company is classified "held for sale" it is also no longer balanced in accordance with the equity method.

In the event that a disposal group is realised, the main groups of assets and liabilities held for sale are illustrated in the notes. In the reporting year, no disposal group existed.

K) Current and deferred tax

Current income tax assets and liabilities are evaluated at current tax rates at which payments to or refunds by tax authorities are expected. Receivables from current income tax are illustrated, due to their insignificance in the corporate group, under the item "other assets". To a large extent, tax receivables assigned in other assets are consumer taxes. Current income tax liabilities are illustrated separately on the liabilities' side.

Deferred income tax assets and liabilities are based on temporary differences between value approaches of assets and liabilities in the balance sheet in compliance with IFRS and value approaches which apply for taxation purposes. They are evaluated on the basis of the tax rate that is expected to be applied at the time they are dissolved. For further details please see note (28).

Active deferred taxes are scheduled if there are sufficient passive deferred taxes within the same tax unit or it is likely that taxable profits will arise within the same tax unit in the future. This also applies to scheduling active deferred taxes to fiscal losses brought forward.

Active and passive deferred taxes are charged against each other if it is permissible to offset actual tax refund claims against actual tax debts and the deferred taxes refer to the same tax authority.

Actual income-based tax expenses are shown in the consolidated profit and loss account under "Income tax". The effects of creating or dissolving deferred taxes are also included in this item, except they refer to items included in other income.

Liabilities

A) Liabilities to credit institutions and clients and liabilities evidenced by certificate

All liabilities to credit institutions or clients as well as liabilities evidenced by certificate are either evaluated at acquisition cost or assigned to the category "designated at fair value".
As far as liabilities designated at fair value are concerned, the market value change resulting from own credit risk is illustrated in other income in compliance IFRS 9.7.1.2. in this context, the difference between the historic (time of issuance) and the actual credit spread.

Liabilities to credit institutions includes TLTRO III, used by Hypo Tirol Bank, which was applied by the ECB as spread-based tender operation. TLTRO III is indexed on the basis of the average main financing rate during the term. Interests are paid at the time of final maturity or earlier (early repayment). An additional interest rebate of 50 basepoints for the average main financing rate is granted for TLTRO III. Furthermore, an additional interest premium is promised, provided that the increase in the granting of net loans of creditable loans exceeds a defined reference value.
Since the definition of financial instruments pursuant to IAS 32 is fulfilled, Hypo Tirol Bank evaluates TLTRO III in compliance with IFRS 9. The effective interest rate that was used for the evaluation in the current business year amounted to -0.50%. Due to the uncertainties in relation to the increase in the granting of net loans, the additional interest premium was not considered.

B) Provisions

Provisions for social capital comprise reserves for pensions, severance payments, and length of service awards. These provisions are evaluated by the collective expectation method based on actuarial certificates. The liabilities resulting from a performance-oriented pension scheme correspond to the cash value of the obligation less fair value of the plan assets available. Because the corporate group does not stipulate plan assets, the cash value of the obligation exceeds the fair value of the plan assets in all cases. The resulting liability is included in the balance sheet 8n the item "provisions".

The evaluation of social capital cash values is based on several actuarial assumptions, such as:

- Domestic actuarial interest rate flow 0.90% (2019: 1.00%).
- Annual valorisations, collective agreements, and career-based salary 2.5% (2019: 2.5%) regarding provisions for severance payments, length-of-service awards and occupational disability and invalidity risks.
- Fluctuation rate according to separate chart, whereas length of service-related fluctuation probabilities of 13% in the first service year to up to 0% in the 15th service year have been considered.
- Annual valorisations 1.5% (2019: 1.5%) regarding provisions for pensions.
- Table values AVOE 2018-P (generation related tables for employees in consideration of a surcharge due to out-dated values).

Actuarial assumptions are unprejudiced, coordinated with each other and represent the best possible estimation of the corporate group. Nevertheless, each assumption bears a risk in which changes of inflowing parameters would lead to a deviating balanced provision. In particular, in the context of calculating social capital, the corporate group points out the sensitivity of severance payment and pension provision parameters. For that reason, distortions of substantial influencing variables (discount interest rate and salary and pension valorisation) are illustrated by way of a sensitivity analysis in note (33). Based on experience and observations, the remaining variables (fluctuation rate or death probability) can be weighted as valid parameters with low distortion potential. In addition, length of service provision can also be regarded riskless as it is projectable and provides reliable actuarial parameters.

As far as contribution-based pension schemes are concerned, provisions are not required. The payments regarding a contribution-based scheme are paid to a pension fund and are evaluated as expenses on a current basis. Apart from that, there are no other obligations involved.

Pensions
Several Hypo Tyrol Bank pensioners and survivors are entitled to a performance-oriented bank pension. The pension scheme is based on the final salary defined in a company agreement. All entitled pensioners have already retired and thus do not pay any further contributions. It is not intended to end this agreement. Active staff members are not entitled to bank pensions.

Severance payment
Staff members, who joined the company before 31 December 2002, are entitled to severance payments under certain conditions, especially if they retire. Severance payment is regulated in article 23 of the Austrian Salaried Employees Act. The amount depends on the employee's number of years in service up to a maximum of an annual salary, whereas the amount is calculated on the basis of the final salary. This system is a performance-oriented pension plan. Severance payment provisions are made to cover these claims. This regulation shall not apply to staff member who joined the company after 31 December 2002. With regard to such staff members, monthly contributions are made to a staff pension fund. Apart from that employees are not entitled to any further payments.

Length-of-service award
After 25 years respectively 35 years of service, employees shall receive one respectively two month's salary as a length-of-service award. Length-of service payments are based on the collective agreement, which specifies the requirements for length-of service payments and the respective amount.

Other provisions for contingent liabilities to third parties are made if there is a reliably assessable, legal or de facto obligation to third parties. Provisions are made in the amount which would have to be paid on a reasonable consideration to meet the obligation on the balance sheet date.

Credit risk provision includes e.g. provisions for negative interest and for other liabilities resulting from the granting of loans, which are contingent regarding maturity or amount. Other risk provision includes provisions for pensions, legal costs and all remaining other provisions. Other credit risk provision also includes provision for negative interest. Due to the negative interest judicature in connection with consumer and business law proceedings, which may result in payment obligations, provisions for negative interest were set up by Hypo Tirol Bank. One of the drivers of expected repayments is the verdict of the Supreme Court. The amount of the provision is connected with uncertainties. In order to recognise them, they are evaluated on the base of a weighted 3 scenario model.

Credit risk provision pursuant to IFRS 9 include provisions for credit risk from warranties, liabilities, and open limits.

C) Other liabilities

The item "other liabilities" basically presents liabilities which to a large extent do not result from banking businesses (basically, liabilities from delivery of goods and services to clients).

D) Subordinate and supplementary capital

This item shows subordinate capital (Tier II) in accordance with CRR/CRD IV. Capital is evaluated at amortised costs.

E) Equity

Equity comprises capital provided to the bank (subscribed capital plus capital reserves) and earned capital (profit reserves, reserves from other income based on evaluations pursuant to IFRS 9 and consolidated profits and earnings brought forward). FVOCI reserves comprise evaluation changes of "held for sale" portfolio, which are not income affecting. Actuarial gains and losses include evaluation effects in compliance with IAS 19 "employee benefits" after consideration of deferred tax. The item "credit rating induced fair value changes – own liabilities" illustrates evaluation results (not income affecting) of liabilities at fair value, which result from changes in own credit risk less deferred tax.

The share capital of Hypo Tirol Bank amounts to EUR 50,000,000. It comprises 2,400,000 shares registered in the names of the holders, each with an equal participation in the share capital. Due to the liquidation of Hypo Tirol Anteilsverwaltung, the original share certificate was collected, and a new certificate was distributed. This process had no effects on the share capital.

F) Financial guarantees

A financial guarantee is a contract under which the guarantor is obliged to make certain payments in order to compensate the beneficiary for losses incurred because a debtor fails to meet his or her payment obligations under the original or amended terms of a debt instrument in time.

Obligations under financial guarantees are recorded as soon as the guarantor becomes a contracting party, that is, the time of accepting the guarantee offer. The firs evaluation is on a fair value basis at the time they are recorded.

After that, the bank's obligations are evaluated on the basis of the higher value of the initial evaluation less straight-line dissolution, which is used to allocate the guarantee provisions over the term of the financial guarantee and which is shown in the profit or loss for the period and in the risk provision for possible use.

Other Specifications

A) Offsetting financial assets and liabilities

Financial assets and liabilities are offset and designated in the balance sheet if there is an enforceable right to offset the amounts against a business partner and if transactions are settled on a net basis or if liabilities are settled at the same time as assets are realised.

According to IFRS 7, the corporate group is obliged to prepare statements concerning the netting out of financial instruments under Master Netting Agreement or similar agreements, even though the underlying instruments are not offset in the balance. Regarding instruments for which offsetting agreements have been made, but which are not offset in the balance, balancing effects are presented accordingly in note (39).

B) Derecognising financial assets and liabilities

During an engagement several adaptations may be required. According to IFRS 9 is shall be determined whether cash flows were modified in such a way that they created a (de facto) new agreement. In this context, the assessment is based on both, quantitative and qualitative factors. Material amendments of contractually agreed cash flows are considered quantitative criteria. They are determined, if the modified cash flow structure, discounted on the basis of the effective interest method of the original cash flow, deviates from the original structure by mor than 10%. Qualitative criteria are contractual changes regarding currency, the change of debtors, or amendments of contractual clauses which result in a change of SPPI conformity. If a substantial modification is identified, the existing financial instrument shall be derecognised and the new, modified financial instrument shall be recognised. However, if no substantial adaptation is determined, the difference between the financial instruments, which are evaluated at cost, is recognised as modification result.

The derecognition of a financial asset is considered when the contractually agreed claims relating to cash flows from the financial asset have been eliminated or transferred.

Furthermore, the derecognition of a financial asset is considered when certain events occur, under which the corporate group has assumed the obligation to pay the cash flows from the asset to a third party.
Such an asset is derecognised when all major risks and opportunities, which are associated with the ownership of such assets, have been transferred.

In case of transactions for which all major risks and opportunities associated with the ownership of the financial asset have neither been retained nor transferred, the corporate group derecognises the transferred asset value, once the power of disposition has been transferred. A financial liability is derecognised at the time of maturity and if the associated obligation has been paid or suspended.

The corporate group enters transactions in which it transfers assets that are recorded in balance sheet, but retains all major risks and opportunities associated with these assets. In the corporate group, such transactions are only repos. For further details please see note {48}

C) Fair Value

Pursuant to IFRS 13, fair value is the price received for the sale of an asset, or the price paid for the transfer of a liability in an orderly transaction between market participants in common market conditions at the measurement date in the main market or in the most favourable market. In this context, fair value is either directly observed or estimated by using evaluation techniques. The evaluation technique that is considered most appropriate for the respective circumstances and that provides sufficient evaluation data shall be applied. The overall objective is to keep the employment of significant observable inputs relatively high, which leads to the evaluation hierarchy (fair value hierarchy). It divides inputs, used to measure fair value, into three levels. In the context of the fair value hierarchy, quoted prices (unadjusted) in active markets for identical assets or liabilities are given top priority (level 1 inputs), while inputs for assets or liabilities that are not based on observable market data (unobservable inputs) are given lowest priority (level 3 inputs).

In connection with the evaluation of financial assets and liabilities at fair value, the PD curves (based on PiT adjustments), which have been described before, were employed.

Level 1: Level 1 inputs are prices quoted for identical assets or liabilities in active markets that are accessible for an entity at the measurement date, Basically, the markets with the largest trading volumes are considered in his respect (main market). In case stock market prices are not available in the main market, the most favourable market can be considered in order to measure fair value.

Financial instruments with a fair value that is evaluated on the basis of level 1 inputs are liquid equity instruments and liquid government and company bonds.

Level 2: Level 2 inputs are market prices (other than those described as level 1 inputs) quoted for assets or liabilities that are to be observed either directly or indirectly. In case prices of active markets are not available, fair value is measured on the basis of evaluation techniques. If a single financial instrument shows real-time, actual transactions, such transaction prices serve as fair value indicators. In case no transactions of identical financial instruments are available, transaction prices of basically identical financial instruments are used. With regard to complex and individual product design, such deviation of transaction prices of comparable financial instruments shall not be possible. For that reason, evaluation models based on observable market data shall be used. Within the group, fair value for financial instruments with fixed payments is evaluated on the basis of the discounted cash flow method or for financial instrument with optional components evaluated on the basis of optional price models.

If fair value is evaluated by means of the discounted cash flow method, the payment flows are discounted at the applicable market interest rate (actual swap curve) for the remaining time. In the corporate group, cash values are de-ermined by discounting the cash flows for linear derivatives, e.g. interest rate swaps, cross currency swaps, forward rate agreement). With regard to financial instrument with optional components, the Black/Scholes Model (Plain Vanilla OTC Options to interest and currency) is used to evaluate fair value. Complex financial instruments are evaluated by using the Hull-White Model.

In case evaluations are based on real-time, actual transactions or on basically identical financial instruments, financial instruments are divided into segments and a term-related spread is evaluated via the credit curve applicable to the particular segment. Such a segmentation or evaluation of corresponding spreads has substantial influence on the discount interest rate and consequently on fair value.

Financial instruments with a fair value evaluated on the basis of level 2 inputs are hedging instruments with a positive respectively negative market value, derivatives, liabilities to clients, liabilities evidenced by certificate as well as subordinate and supplementary equity capital each designated at fair value.

Level 3: In some cases, the fair value of financial instruments cannot be calculated. Neither via market prices nor on the basis of valuation models which are completely based on observable market data. For such financial instruments, initial parameters are based on other relevant sources of information or must be estimated according to appropriate assumptions. In this category, the corporate group primarily evaluates receivables from clients, which are designated at fair value due to contractual terms that are harmful according to SSPI. A significant and non-observable input factor in this context is an internal rating. The worse the creditworthiness of the client, the higher the corresponding interest rate is which influences the discount rate that is necessary to evaluate fair value.

The classification of financial instruments is regularly assessed by people in charge, who will carry out reclassifications, if appropriate.

If requirements regarding classifications within the hierarchy of evaluation are not fulfilled anymore, the group will publish the number of sub-classifications between level 1 and 2, the number of sub-classifications regarding level 3, the reasons for the sub-classifications as well as the method to evaluation such sub-classifications. Sub-classifications regarding single levels are illustrated and discussed separately (for level 1 and 2 and level 3).

For further details regarding the fair value of financial instruments (fair value statements, level categorisation, transfer calculation of financial instruments in level 3 category, sensitivity analysis of non-observable parameters, and re-classifications) see note (37).

D) Fair value derivatives

In the context of fair value measurement for derivatives, the counterparty default risk and the risk of the reporting company have to be considered. Therefore, the adjustment deriving from credit risk (CVA – credit value adjustment) has to be subtracted from the fair value of the derivative. In order to consider counterparty default risk, the expected exposure for future periods must be evaluated. According to the expected exposure the credit valuation adjustment (CVA) and debt valuation adjustment (DVA) for each contracting party can be calculated using the respective probability of default and the loss in case of default (depending on the respective counterparty). The expected exposure is evaluated in the corporate group by way of market risk adjustment factors in consideration of collateral agreements made with the counterparty. The probability of default is evaluated on the basis of credit spreads. If such spreads for the counterparty are observed in the market, they are taken into consideration; in any other case bond spreads are used. In a few cases, in which spreads regarding the counterparty are not definable, peer-group spreads are used. The amount of the loss in case of default is evaluated on the basis of empirical studies conducted by Moody's.

E) Repos and securities transactions

Repos are combinations of cash purchases or sales of securities with simultaneous forward sale or repurchase with the same contracting party. Securities held on a repurchase basis in repo transactions (cash sales) continue to be reported and evaluated as securities stocks in the consolidated financial statement. The inflow of liquidity from repo business is illustrated as liability to credit institutions or clients in the balance sheet, depending on the counterparty. Agreed interest payments are recorded as interest expenses on maturity.

F) Hedge Accounting

With regard to the fair value hedge of specified financial assets and liabilities, the corporate group employs derivatives. Hedging instruments may face one or more similar basic transactions. Hedge accounting relations may include basic transactions on both, the assets side and the liabilities side of the balance sheet. The interest risk is the risk that is hedged. This strategy is part of the interest strategy. It safeguards that the strategy complies with the risk management strategy followed by Hypo Tirol Bank. Only rate swaps are designated as hedges.
Hedges are documented at the time they are established. The documentation mainly covers the identification of the basic business and the hedging instrument and the nature of the risk being hedged. In addition, the method which is used to determine the effectiveness of hedging transactions is documented.

Hedges are reviewed at the time of establishment to see how effective they are and subsequently, they are reviewed on a monthly basis. In this context, effectiveness is the relationship between the fair value change arising out of the basic business being hedged and the change of fair value of the hedging derivative itself (regarding the risk hedged). The corporate Group only reports hedges, if they are expected to be highly efficient over their entire term. Hedging is deemed to be highly efficient, if for the entire term, the ratio of the changes in value of the basic business and the hedge is between 0.8 and 1.25. If hedges are no longer considered to be highly effective, the hedge ratio is assessed and adjusted, if appropriate. After the introduction of hedge accounting in accordance with IFRS 9, these limits still serve as control instruments.

Derivatives used for hedging purposes are shown at their fair value as prevailing market values from derivative hedges and documented in note (32). The evaluation changes of hedges together with market changes of the basic business, which shall be added to the hedged risk, are included in profit or loss for the period as results from hedge accounting. The non-effective component of the evaluation change is shown in results from hedge accounting – see note (11). This is calculated on the basis of the net total, the changes in market value of the hedging instruments, which are underlying the risk hedged, and the basic business transaction.

Hypo Tirol Bank bears interest risk caused by the holding of fixed-rate financial instruments. This interest risk influences the fair value of fixed-rate assets and liabilities. In this context, interest swaps are used as hedging instruments. Consequently, fixed rates from basic business transactions are converted into variable interest rates. In this respect, the treasury department is responsible for selecting the appropriate hedge accounting strategy. Thus, a specific volume is determined for product groups and terms, which is hedged to a maximum extent until the end of the year or it may be left open. Subsequently, risk controlling is responsible for the quarterly monitoring regarding the compliance with this strategy and the corresponding regular reporting. The effectiveness of hedges is verified by means of retrospective and prospective effectiveness tests. In the course of such tests, interest-induced value changes of basic and hedging transactions are interrelated, with value fluctuations resulting from credit rating changes or actuarial effects (such as the pull-to-par effect) not being considered. The treasury department identifies the respective basic transactions which indicate interest risk that was caused by the agreed interest rate conditions. Consequently, these determined basic transactions are to be hedged in compliance with the respective current hedge accounting strategy. Hedging instruments, which become ineffective during their term, are analysed and documented by the risk controlling department. Thus, the hedge ratio will be adjusted accordingly.

Hedge relations are only ended prematurely if the following applies:

- The hedge relation does not longer fulfil the objective of the risk management strategy, because Hypo Tirol Bank ceases to follow that strategy.
- The hedging instrument(s) are sold or ended.
- The effects of default risk dominate the value change of the hedge relation.

Hypo Tirol Bank only uses fair value hedges.

G) Classification and evaluation

Pursuant to IFRS 9, financial assets are classified on the basis of the company's business model, which is used to control its financial assets, and on the basis of the characteristics of payment flows regarding the respective financial asset. The business model "held" includes financial assets evaluated at cost. This applies, if the purpose of the business model is to hold financial assets to manage contractually agreed payment flows and to agree on the contractual terms regarding the payment flows of the financial instrument (solely payments of principal and interest – SPPI). The business model "held for sale" includes assets which are held to collect contractually agreed payment flows and for disposal purposes. If the contractually agreed payment flows of the financial assets are solely payments of principal and interest, they are evaluated at fair value via other income. All instruments, which cannot be classified are recognised at fair value on an income affecting basis. Moreover, instruments which are economically connected with other financial instruments can also be recognised at fair value on an income affecting basis (fair value option) if this results in an inconsistent evaluation (accounting mismatch). Hypo Tirol Bank does not make use of its right to evaluate equity at fair value on an income affecting basis.

Notes on the Profit and Loss Account

(7) Net interest income

in k EUR	2020	2019
Interest and similar income from receivables from credit institutions	724	1 338
Interest and similar income from receivables from clients	84 045	84 722
Interest and similar income from bonds	11 523	14 227
Interest and similar income from leasing receivables	4 634	7 649
Interest income from derivatives	705	216
Interest income from stage 3	547	1 236
Evaluation according to effective interest method	**102 178**	**109 388**
Income from cash value changes - modifications	0	29
Income from shares and other non-fixed securities	301	316
Income from participating interest in associated non-consolidated companies	0	724
Other income from participating interest	2 363	3 654
Income from negative interest	7 508	3 725
Other interest-like income	**10 172**	**8 448**
Interest and similar income	**112 350**	**117 836**
Interest and similar expenses for liabilities to credit institutions	-458	-290
Interest and similar expenses for liabilities to clients	-3 769	-4 522
Interest expenses for derivatives	-1 487	-1 849
Interest and similar expenses for liabilities evidenced by certificate	-17 621	-21 656
Interest and similar expenses for supplementary/subordinate capital	-2 801	-2 728
Expenses for negative interest	-8 022	-3 271
Interest and similar expenses	**-34 158**	**-34 316**
Net interest income	**78 192**	**83 520**

The entire amount of interest for leasing receivables and derivatives are evaluated on the basis of the effective interest method. Negative interest effects for Hypo Tirol Bank resulted from receivables from/liabilities to credit institutions, derivatives, and repos.

Net interest income classified by evaluation categories of financial assets and liabilities can be illustrated as follows:

in k EUR	2020	2019
Derivatives	705	2 533
Trade related financial assets at fair value – income affecting	6 470	9 207
Financial assets at cost	95 663	94 653
Financial assets at fair value – not income affecting	9 512	11 443
Interest income	**112 350**	**117 836**
Derivatives	-1 487	-4 643
Liabilities at fair value – income affecting	-8 626	-10 809
Liabilities at cost	-24 045	-18 864
Interest expenses	**-34 158**	**-34 316**
Net interest income	**78 192**	**83 520**

Interest income from financial assets not evaluated on a fair value basis amounted to kEUR 95,663 (2019: kEUR 94,653). The corresponding interest expenses for financial liabilities amounted to kEUR 24,045 (2019: kEUR 18,864). Interest from impaired assets amounted to kEUR 547 (2019: kEUR 1,236).

(8) Credit risk provision

in k EUR	2020	2019
Allowance changes - loans	-18 899	-4 492
Allowance changes - securities	8	3
Direct depreciation of receivables	-1 426	-2 465
Income from the inflow of depreciated receivables	1 645	994
Provision changes	-4 349	-10 242
Credit risk provision	**-23 021**	**-16 202**

Provision changes include provision changes for negative interest in the amount of kEUR 88 (2019: kEUR 10,179), provisions for liabilities and open credit lines in compliance with IFRS 9 as well as credit risk provision. All income affecting items of risk provision refer to allowances for receivables from credit institutions or clients., other financial assets as well as credit risk provisions. For further information please see notes (18), (19) and (21). With regard to the changes in provisions we refer to note (33). The loss from credit business results from direct depreciation of receivables, income from depreciated receivables, in-come from depreciated receivables and the use of generated provisions. In 2020, the loss amounted to kEUR 5,629 (2019: kEUR 15,290).

(9) Net commission income

in k EUR	2020	2019
Commission income from credit/leasing transactions	5 074	5 338
Commission income from securities transactions	10 843	8 497
Commission income from giro and money transactions	13 370	12 796
Commission income from other services	2 900	3 456
Commission income	**32 187**	**30 087**
Commission expenses from credit/leasing transactions	-272	-682
Commission expenses from securities transactions	-1 051	-964
Commission expenses from giro and money transactions	-2 128	-2 007
Commission income from other services	-133	-138
Commission expenses	**-3 584**	**-3 791**
Net commission income	**28 603**	**26 296**

Net commission income included income from trust transactions in the amount of kEUR 155 (2019: 140). Commission expenses included expenses from trust transactions in the amount of kEUR 169 (2019: kEUR 128).

(10) Income from financial assets and liabilities

Income from financial assets and liabilities illustrates all disposal and evaluation results from financial assets and liabilities. This does not include disposal and evaluation result of financial assets evaluated at cost. They are illustrated in a separate profit and loss item.
The profit and loss account item “income from financial assets” illustrates the following situation:

in k EUR	2020	2019 adjusted
Disposal and evaluation result from price changes	1 278	978
Disposal and evaluation result from financial assets and liabilities at fair value - income affecting	-3 324	2 503
Disposal result from financial assets at fair value – not affecting income	361	512
Profits/losses from derecognition of liabilities at cost	-7	-359
Income from financial assets and liabilities	**-1 692**	**3 634**

The disposal and evaluation result from financial assets and liabilities evaluated at fair value on an income affecting basis derives from effects concerning the following balance sheet items.

in k EUR	2020	2019
Receivables from clients	-2 996	-1 257
Designated at fair value on an optional basis (fair value option)	*-2 652*	*-2 851*
Designated at fair value on a mandatory basis	*-344*	*1 594*
Derivatives	2 652	249
Other financial assets	-2 747	2 914
Designated at fair value on an optional basis (fair value option)	*0*	*-268*
Designated at fair value on a mandatory basis	*-2 747*	*3 181*
Receivables from clients	1 937	-629
Liabilities evidenced by certificate	-2 170	1 226
Disposal and evaluation result from financial assets and liabilities at fair value – income affecting	**-3 324**	**2 503**

The result from the repurchase of own issues amounted to kEUR -87 (2019: kEUR -29).

(11) Income from hedge accounting

Income from hedge accounting includes the evaluation results from hedge accounting. In the context of the first-time application of IFRS 9, secured fixed-interest Nostro positions from the fair value option were reclassified to the FVOCI category and consequently, hedge accounting was applied. The pull-to-par-effect, caused by negative market values of the involved hedging instruments (when IFRS 9 was applied for the first time), provokes the respective effects. The result is mainly formed by the first-time application of IFRS 9 and not by the ineffectiveness of hedge accounting. The result can be illustrated as follows:

in k EUR	2020	2019
Income from secured basic businesses	-7 085	14 219
Income from derivatives used as hedging instruments	11 179	-8 121
Income from hedge accounting	**4 094**	**6 098**

(12) Income from associated companies

in k EUR	2020	2019
Income from associated companies	**62**	**-22**

(13) Administrative expenses

in k EUR	2020	2019
Personnel expenses	-44 677	-44 572
Material expenses	-21 927	-22 329
Depreciation on tangible and intangible assets	-4 438	-4 240
Administrative expenses	**-71 042**	**-71 141**

Personnel expenses

in k EUR	2020	2019
Salaries and wages	-33 335	-32 772
Legally required social expenses	-8 808	-8 876
Voluntary social expenses	-610	-641
Pension scheme expenses	-1 561	-1 486
Expenses for severance payments and pensions	-363	-797
Personnel expenses	**-44 677**	**-44 572**

Expenses for severance payments and pensions include payments to the corporate staff and self-employment provision fund in the amount of kEUR 241 (2019: kEUR 237).

Material expenses

in k EUR	2020	2019
Building expenses	-3 431	-3 247
IT expenses	-8 277	-7 867
Communication expenses	-1 188	-1 144
Expenses for human resource development	-226	-319
Advertising and representation expenses	-3 359	-3 555
Legal and consulting expenses	-2 015	-2 170
Costs for legal structure	-1 537	-1 591
Other material expenses	-1 894	-2 437
Material expenses	**-21 927**	**-22 330**

Legal and consulting expenses and/or costs for legal structures include expenses for auditors (KPMG) in the amount of kEUR 311 (2019: kEUR 294.) Expenses for auditors were divided into expenses (costs for legal structures) for auditing the individual financial statements and the consolidated financial statements amounting to kEUR 301 (2019: kEUR 240) and into expenses for other confirmation services amounting to kEUR 10 (2019: kEUR 54).

Depreciation on tangible and intangible assets

in k EUR	2020	2019
Factory and office equipment	-1 564	-1 276
Real estate	-1 588	-1 600
Intangible assets	-1 286	-1 364
Depreciation on tangible and intangible assets	**-4 438**	**-4 240**

Depreciation of leases in accordance with IFRS 16 are illustrated separately in note (42),

(14) Other income

Other income comprises the following items:

in k EUR	2020	2019
Income from leasing business	4 184	4 126
Income from real estate sales	31	56
Rental income from investment properties	5 867	6 411
Income from assets received as collateral	116	403
Other income	6 890	4 560
Other income	**17 088**	**15 556**

(15) Other expenses

Other expenses comprise the following items:

in k EUR	2020	2019
Leasing business expenses	-3 982	-7 165
Loss from real estate sales	-50	-663
Depreciation on investment properties	-2 585	-2 427
Expenses in connection with investment properties	-2 973	-2 795
in connection with real estate rented out	-2 966	-2 790
in connection with real estate not rented out	-7	-5
Expenses in connection with assets received as collateral	-879	-298
Operational damages	-479	-77
Other expenses	-9 244	-7 635
Other expenses	**-20 192**	**-21 060**

Other expenses include stability fees in the amount of kEUR 1,192 (2019: kEUR 1172). In addition, other expenses include expenses for deposit insurance in the amount of kEUR 2,564 (2019: kEUR 1,315) and expenses in relation to the resolution fund in the amount of kEUR 3,111 (2019: kEUR 2,814).

(16) Tax on income and profit

in k EUR	2020	2019 adjusted
Current tax claims	-1 457	-1 649
Deferred tax	-2 800	-1 707
Tax on income and profit	**-4 257**	**-3 356**

Current taxes are based on the taxable results regarding this fiscal year in accordance with the local tax rates applicable to each company of the corporate group. Corporate tax for Austrian companies amounts to 25 percent. This tax rate serves as the basis for the following offsetting and reconciliation. The offsetting and reconciliation illustrates the connection between the calculated and the recorded income taxes.

in k EUR	2020	2019 adjusted
Income before tax	12 092	26 677
Applicable tax rate	25%	25%
Mathematical income tax	**-3 023**	**-6 669**
Tax effects		
from tax free income from participating interest	609	625
from investment benefits	0	-1
from other tax-free income	129	506
from previous years	-359	1 897
from goodwill depreciation	0	147
from pre-payments	14	0
from deviating tax rates abroad	-9	107
from other non-deductible expenses	-1 117	288
from other differences	111	1 968
from non-active losses brought forward	-612	-2 224
Designated income tax	**-4 257**	**-3 356**

Deferred tax expenses in the fiscal year amounting to kEUR 2,780 and deferred tax expenses of the previous year amounting to kEUR 2,038 entirely resulted from creating or dissolving temporary differences and the accounting of deferred tax in relation to losses brought forward.

Notes on the Balance Sheet

(17) Cash reserve

in k EUR	2020	2019
Cash in hand	25 691	26 041
Deposits at central banks	1 226 219	127 497
Cash reserve	**1 251 910**	**153 538**

Pursuant to ECB directives, kEUR 1,197,310 (2019: kEUR 121,237) of the deposits at central banks are dedicated to the minimum reserve.

(18) Receivables from credit institutions after risk provision

A) Receivables from credit institutions

Receivables from credit institutions are evaluated at amortised cost.

Receivables from credit institutions by region

in k EUR	2020	2019
Austria	**30 173**	**43 896**
Foreign countries	**33 630**	**57 803**
Germany	30 464	47 912
Italy	2 263	7 000
Other foreign countries (incl. CEE)	903	2 891
Receivables from credit institutions before risk provision	**63 803**	**101 699**
Risk provision	-42	-47
Receivables from credit institutions after risk provision	**63 761**	**101 652**

Receivables from credit institutions by maturity

in k EUR	2020	2019
Maturity: daily	56 685	61 520
Up to 3 months	3 491	24 795
3 months to 1 year	0	11 423
1 year to 5 years	3 627	3 961
More than 5 years	0	0
Receivables from credit institutions before risk provision	**63 803**	**101 699**
Risk provision	-42	-47
Receivables from credit institutions after risk provision	**63 761**	**101 652**

Receivables from credit institutions by stages

in k EUR	Stage 1	Stage 2	Total
2020			
Receivables credit institutions	30 015	33 788	63 803
Receivables from credit institutions	**30 015**	**33 788**	**63 803**
2019			
Receivables credit institutions	33 971	67 728	101 699
Receivables from credit institutions	**33 971**	**67 728**	**101 699**

Credit quality of receivables from credit institutions was divided by the internal rating classes defined by the corporate group. The illustration also shows the division of gross value by stages.

2020

in k EUR	Stage 1	Stage 2	Stage 3	Total
Outstanding credit rating (rating classes 1A–2B)	3 627	9 591	0	13 218
Very good credit rating (rating classes 2C–2E)	11 027	2 705	0	13 732
Good credit rating (rating classes 3A–3B)	13 869	21 492	0	35 361
Medium credit rating (rating classes 3C–3E)	1 492	0	0	1 492
Weak credit rating (rating classes 4A–4B)	0	0	0	0
Very weak credit rating (rating classes 4C–4E)	0	0	0	0
In default	0	0	0	0
Receivables from credit institutions	**30 015**	**33 788**	**0**	**63 803**

2019

in k EUR	Stage 1	Stage 2	Stage 3	Total
Outstanding credit rating (rating classes 1A–2B)	3 961	17 622	0	21 583
Very good credit rating (rating classes 2C–2E)	14 816	2 333	0	17 149
Good credit rating (rating classes 3A–3B)	12 085	47 763	0	59 848
Medium credit rating (rating classes 3C–3E)	3 109	10	0	3 119
Weak credit rating (rating classes 4A–4B)	0	0	0	0
Very weak credit rating (rating classes 4C–4E)	0	0	0	0
In default	0	0	0	0
Receivables from credit institutions	**33 971**	**67 728**	**0**	**101 699**

Stage transfer in relation to receivables from credit institutions

	Transfer between stage 1 and stage 2		Transfer between stage 2 and stage 3		Transfer between stage 1 and stage 3	
Gross accounting value in k EUR	**To stage 2 from stage 1**	**To stage 1 from stage 2**	**To stage 3 from stage 2**	**To stage 2 from stage 3**	**To stage 3 from stage 1**	**To stage 1 from stage 3**
2020						
Credit institutions	1 583	0	0	0	0	0
Receivables from credit institutions	**1 583**	**0**	**0**	**0**	**0**	**0**
2019						
Credit institutions	0	0	0	0	0	0
Receivables from credit institutions	**0**	**0**	**0**	**0**	**0**	**0**

B) Risk provision for receivables from credit institutions

The development of risk provision for receivables from credit institutions can be illustrated as follows

in k EUR	**Opening balance**	**Increases due to origination and acquisition**	**Decreases due to derecognition**	**Changes due to changed default risk (net)**	**Use/depreciations**	**Other adjustments**	**Final balance**	**Backflows of formerly depreciated amounts directly recorded in the profit and loss account**	**Amounts directly depreciated in the profit and loss account**
2020									
Risk provision stage 1	**-42**	**-60**	**40**	**20**	**0**	**0**	**-42**	**0**	**0**
Thereof: individually evaluated allowances	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Risk provision stage 2	**-6**	**0**	**0**	**6**	**0**	**0**	**0**	**0**	**0**
Thereof: individually evaluated allowances	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Risk provision stage 3	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Thereof: individually evaluated allowances	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Risk provision for receivables from credit institutions	**-48**	**-60**	**40**	**26**	**0**	**0**	**-42**	**0**	**0**
2019									
Risk provision stage 1	**-25**	**-55**	**0**	**39**	**0**	**0**	**-41**	**0**	**0**
Thereof: individually evaluated allowances	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Risk provision stage 2	**-2**	**0**	**25**	**-29**	**0**	**0**	**-6**	**0**	**0**
Thereof: individually evaluated allowances	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Risk provision stage 3	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Thereof: individually evaluated allowances	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Risk provision for receivables from credit institutions	**-27**	**-55**	**25**	**10**	**0**	**0**	**-47**	**0**	**0**

(19) Receivables from clients after risk provision

A) Receivables from clients

Receivables from clients by evaluation category

in k EUR	2020	2019
Evaluated at cost	6 038 546	5 712 485
Designated at fair value - income affecting	56 829	69 596
Designated at fair value on a mandatory basis - income affecting	20 414	25 783
Receivables from clients before risk provision	**6 115 789**	**5 807 864**
Risk provision	-96 203	-83 124
Receivables from clients after risk provision	**6 019 586**	**5 724 740**

Receivables from clients at cost include receivables from leases in the amount of kEUR 429,111 (previous year: kEUR 494,382) and other receivables from client transactions accounting for kEUR 8,714 (previous year: kEUR 8,739).

As a result from the COVID-19 pandemic, Hypo Tirol Bank also had to cope with an increased number of deferrals, respectively applications for deferrals. In accordance with the existing regulations, redemptions were granted on a non-interest fee basis. Consequently, there were no material modification effects for Hypo Tirol Bank.

Receivables from clients by business type

in k EUR	2020	2019
Giro	447 354	476 252
Cash	50 021	61 556
Loans	5 180 589	4 766 935
Leasing receivables	429 111	494 382
Other receivables	8 714	8 739
Receivables from clients before risk provision	**6 115 789**	**5 807 864**
Risk provision	-96 203	-83 124
Receivables from clients after risk provision	**6 019 586**	**5 724 740**

Leasing transactions comprise different risk-reducing methods. In relation to a volume of kEUR 72,343, there are rights of subsequent purchase for the lease do exist; with regard to kEUR 1,630 a residual value guarantees are available.

Receivables from clients by region

in k EUR	2020	2019
Austria	5 583 141	5 219 688
Foreign countries	**532 648**	**588 176**
Germany	96 365	108 130
Italy	404 935	448 674
Other foreign countries (incl. CEE)	31 348	31 372
Receivables from clients before risk provision	**6 115 789**	**5 807 864**
Risk provision	-96 203	-83 124
Receivables from clients after risk provision	**6 019 586**	**5 724 740**

Receivables from clients by maturity

in k EUR	2020	2019
Maturity: daily	158 160	114 243
Up to 3 months	320 015	370 586
3 months to 1 year	704 112	715 751
1 year to 5 years	1 919 507	1 825 796
More than 5 years	3 013 995	2 781 488
Receivables from clients before risk provision	**6 115 789**	**5 807 864**
Risk provision	-96 203	-83 124
Receivables from clients after risk provision	**6 019 586**	**5 724 740**

Receivables from clients by client sector

in k EUR	2020	2019
Central states and public sector	770 840	600 731
Corporate clients	3 949 663	3 903 598
Private households	1 395 286	1 303 535
Receivables from clients before risk provision	**6 115 789**	**5 807 864**
Risk provision	-96 203	-83 124
Receivables from clients after risk provision	**6 019 586**	**5 724 740**

Receivables from clients by stages

in k EUR	Stage 1	Stage 2	Stage 3	Total
2020				
Central states and public sector	718 253	52 587	0	770 840
Corporate clients	3 163 810	609 727	176 126	3 949 663
Private households	1 302 671	77 951	14 664	1 395 286
Receivables from clients	**5 184 734**	**740 265**	**190 790**	**6 115 789**
2019				
Central states and public sector	570 156	30 575	0	600 731
Corporate clients	3 318 904	424 473	160 221	3 903 598
Private households	1 241 970	44 058	17 507	1 303 535
Receivables from clients	**5 131 030**	**499 106**	**177 728**	**5 807 864**

Credit quality of receivables from clients was divided by the internal rating classes defined by the corporate group. The illustration also shows the division of gross value by stages.

2020

in k EUR	Stage 1	Stage 2	Stage 3	Total
Outstanding credit rating (rating classes 1A–2B)	1 782 995	252 770	0	2 035 765
Very good credit rating (rating classes 2C–2E)	1 407 507	75 740	0	1 483 247
Good credit rating (rating classes 3A–3B)	1 023 231	120 513	0	1 143 744
Medium credit rating (rating classes 3C–3E)	918 121	158 065	0	1 076 186
Weak credit rating (rating classes 4A–4B)	44 922	84 618	0	129 540
Very weak credit rating (rating classes 4C–4E)	7 958	48 559	0	56 517
In default	0	0	190 790	190 790
Receivables from clients	**5 184 734**	**740 265**	**190 790**	**6 115 789**

2019

in k EUR	Stage 1	Stage 2	Stage 3	Total
Outstanding credit rating (rating classes 1A–2B)	1 621 892	131 398	0	1 753 290
Very good credit rating (rating classes 2C–2E)	1 453 787	18 334	0	1 472 121
Good credit rating (rating classes 3A–3B)	1 057 340	51 172	0	1 108 512
Medium credit rating (rating classes 3C–3E)	990 538	121 559	0	1 112 097
Weak credit rating (rating classes 4A–4B)	7 290	133 839	0	141 129
Very weak credit rating (rating classes 4C–4E)	183	42 804	0	42 987
In default	0	0	177 728	177 728
Receivables from clients	**5 131 030**	**499 106**	**177 728**	**5 807 864**

Stage transfer in relation to receivables from clients

The following chart illustrates that the amount of stage transfers from stage 1 to stage 2 increased by kEUR 142,125 in comparison to the previous year. In addition, the volume that was transferred from stage 2 to stage 1 declined by kEUR 7,889. This effect was caused by the COVID-19 pandemic.

	Transfer between stage 1 and stage 2		Transfer between stage 2 and stage 3		Transfer between stage 1 and stage 3	
Gross accounting value in k EUR	**To stage 2 from stage 1**	**To stage 1 from stage 2**	**To stage 3 from stage 2**	**To stage 2 from stage 3**	**To stage 3 from stage 1**	**To stage 1 from stage 3**
2020						
Central states and public sector	19 678	7 505	0	0	0	0
Corporate clients	284 923	80 770	7 535	2 767	11 765	367
Private households	402	9	0	0	0	0
Receivables from clients	**305 003**	**88 284**	**7 535**	**2 767**	**11 765**	**367**
2019						
Central states and public sector	6 451	1 522	0	0	0	0
Corporate clients	111 941	69 971	6 483	4 970	1 314	843
Private households	44 486	24 680	2 481	491	3 136	127
Receivables from clients	**162 878**	**96 173**	**8 965**	**5 461**	**4 450**	**971**

Receivables in relation to leasing transactions by maturity

in k EUR	2020	2019
Up to 3 months	19 158	17 411
3 months to 1 year	41 218	69 022
1 year to 5 years	245 781	258 508
More than 5 years	122 954	149 441
Leasing receivables	**429 111**	**494 382**

Gross investment values in relation to leasing transactions by maturity

in k EUR	2020	2019
Up to 3 months	20 227	19 242
3 months to 1 year	45 997	73 998
1 year to 5 years	262 542	277 487
More than 5 years	127 726	158 356
Gross investment values	**456 492**	**529 083**

Accumulated allowances in relation to leasing transactions are illustrated in the item “risk provisions for receivables from clients”.

B) Risk provision for receivables from clients pursuant to IFRS 9

Development of risk provisions for receivables from clients.

At the end of the 2020 business year, risk provision for receivables from clients in the amount kEUR 96,203 (2019: kEUR 83,124) was created. The development of risk provision can be illustrated as follows:

Risk provision by branches:

in k EUR	Opening balance	Increases due to origination and acquisition	Decreases due to derecognitions	Changes due to changed default risk (net)	Use/depreciations	Other adjustments	Final balance	Backflows of formerly depreciated amounts directly recorded in the profit and loss account	Amounts directly depreciated in the profit and loss account
2020									
Public sector	-29	-1	5	4	0	-3	-24	0	0
Other financial corporations	-557	-13	13	9	0	-16	-564	0	0
Non-financial corporations	-69 357	-3 256	1 086	-10 527	4 517	-3 632	-81 169	1 234	-1 070
Households	-13 181	-360	599	-2 034	1 309	-779	-14 446	411	-356
Risk provision by branches	**-83 124**	**-3 630**	**1 703**	**-12 548**	**5 826**	**-4 430**	**-96 203**	**1 645**	**-1 426**
2019									
Public sector	-10	-1	4	-22	0	0	-29	0	0
Other financial corporations	-1 400	0	7	-300	1 136	0	-557	0	-17
Non-financial corporations	-77 270	-780	1 150	-4 155	11 665	33	-69 357	746	-1 326
Households	-13 792	-307	737	-837	1 018	0	-13 181	249	-1 122
Risk provision by branches	**-92 472**	**-1 088**	**1 898**	**-5 314**	**13 819**	**33**	**-83 124**	**994**	**-2 465**

Risk provision by stages:

in k EUR	Opening balance	Increases due to origination and acquisition	Decreases due to derecognitions	Changes due to changed default risk (net)	Use/depreciations	Other adjustments	Final balance	Backflows of formerly depreciated amounts directly recorded in the profit and loss account	Amounts directly depreciated in the profit and loss account
2020									
Risk provision stage 1	**-3 241**	**-1 188**	**566**	**-5 820**	**0**	**-1 737**	**-11 420**	**0**	**0**
Thereof: individually evaluated allowances	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Risk provision stage 2	**-7 687**	**-133**	**516**	**-3 055**	**0**	**-2 679**	**-13 038**	**0**	**0**
Thereof: individually evaluated allowances	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Risk provision stage 3	**-72 196**	**-2 309**	**621**	**-3 673**	**5 826**	**-14**	**-71 745**	**1 645**	**-1 426**
Thereof: individually evaluated allowances	*-66 227*	*0*	*0*	*-6 946*	*5 848*	*-1*	*-67 326*	*1 645*	*-1 426*
Risk provision for receivables from clients	**-83 124**	**-3 630**	**1 703**	**-12 548**	**5 826**	**-4 430**	**-96 203**	**1 645**	**-1 426**
2019									
Risk provision stage 1	**-3 050**	**-746**	**420**	**78**	**0**	**57**	**-3 241**	**0**	**0**
Thereof: individually evaluated allowances	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Risk provision stage 2	**-5 880**	**-342**	**1 148**	**-2 895**	**0**	**282**	**-7 687**	**0**	**0**
Thereof: individually evaluated allowances	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Risk provision stage 3	**-83 542**	**0**	**330**	**-2 497**	**13 819**	**-306**	**-72 196**	**994**	**-2 465**
Thereof: individually evaluated allowances	*-77 484*	*0*	*0*	*-737*	*13 509*	*-1 515*	*-66 227*	*994*	*-2 465*
Risk provision for receivables from clients	**-92 472**	**-1 088**	**1 898**	**-5 314**	**13 819**	**33**	**-83 124**	**994**	**-2 465**

The change, based on the increased default risk, included unwinding in the amount of kEUR 604 (2019: kEUR 544). It was reclassified in the profit and loss account (risk costs) to interest income.
With regard to both, the employed statistical methods and the individual evaluation of receivables, financial instruments (for which no allowance was evaluated due to collaterals) only exist to an irrelevant extent. This results from the fact that the statistical methods applies a loss-given-default for ever collateral. The individual evaluation of the allowance considers a gone-concern scenario with respective deduction regarding the value of the collateral.

Risk provision for COVID-19 changes

The COVID-19 pandemic required several adjustments. Consequently the following increase in allowances on stage 1 and stage 2 can be illustrated:

in k €	Opening balance	Increase Accumulated in 2020	Post model adjustment	Final balance
Risk provision stage 1	**-3 284**	**-6 403**	**-1 733**	**-11 420**
PD segment private clients Austria	-494	-555	-56	-1 105
PD segment corporate clients Austria	-1 628	-5 489	-1 408	-8 525
PD segment SME Austria	-214	-221	-106	-541
PD segment private clients Italy	-34	-21	-3	-58
PD segment corporate clients Italy	-914	-117	-160	-1 191
Risk provision stage 2	**-7 693**	**-2 636**	**-2 709**	**-13 038**
PD segment private clients Austria	-872	-991	-197	-2 060
PD segment corporate clients Austria	-3 385	-1 848	-2 010	-7 243
PD segment SME Austria	-517	-254	-252	-1 023
PD segment private clients Italy	-140	105	0	-35
PD segment corporate clients Italy	-2 779	352	-250	-2 677
Risk provision	**-10 977**	**-9 039**	**-4 442**	**-24 458**

Since the composition of the portfolio in 2020 does not differ from the composition in 2019, the accumulated increase in the 2020 busines year can also be attributed to the COVID-19 pandemic. Based on the fact that no PD curves with reliable macroeconomic and COVID-19 adjusted factors were available, a further differentiation was not possible. The assignment to the PD segments was basically carried out via the regulatory client segment and the used rating system. Based on this assignment, effects from the post-model adjustment in the PD segment “private clients” are also illustrated. These effects are related to freelancers, who are assigned to different segments, because they are viewed from various perspectives. In the 2020 fiscal year, 20 clients with a total liability in the amount of kEUR 28,903 dropped out due to the COVID-19 pandemic.

(20) Derivatives

Derivatives by business type

in k EUR	2020	2019
Positive market values from derivatives	26 080	27 216
Positive market values from derivative hedging instruments	50 648	40 616
Derivatives	**76 728**	**67 832**

Derivatives by maturity

in k EUR	2020	2019
Up to 3 months	4 110	621
3 months to 1 year	1 832	2 688
1 year to 5 years	25 149	29 749
More than 5 years	45 637	34 774
Derivatives	**76 728**	**67 832**

Both charts above illustrate positive market values including accrued interest, whereas in the following chart market values are illustrated without accrued interest.

Derivatives without accrued interest

	Nominal value		Positive market values		negative market values	
in k EUR	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Derivatives “held for trading”						
FX-future transactions	169 942	225 825	1 608	303	79	2 664
FX-swaps	0	0	0	0	0	0
FX-options	0	0	0	0	0	0
Currency derivatives	**169 942**	**225 825**	**1 608**	**303**	**79**	**2 664**
Interest swaps	3 698 728	4 489 058	64 615	55 495	79 938	78 571
Cross-currency-swaps	0	52 356	0	0	0	6 065
Interest options	0	0	0	0	0	0
Future transactions	296 667	425 510	195	585	1 098	1 497
Futures	0	0	0	0	0	0
Interest derivatives	**3 995 395**	**4 966 924**	**64 810**	**56 081**	**81 036**	**86 133**
Futures	0	0	0	0	0	0
Credit default swaps	0	0	0	0	0	0
Options (nominal value in contracts)	28	28	37	7	0	0
Asset value dependent derivatives	**28**	**28**	**37**	**7**	**0**	**0**
Derivatives	**4 165 365**	**5 192 777**	**66 455**	**56 391**	**81 115**	**88 797**

Interest swaps are the only hedging instruments employed.
Fixed rate assets and liabilities of the balance sheet serve as basic transactions.

Basic transactions - fair value hedge accounting in relation to interest risk

in k EUR 2020-12-31	Receivables from clients	Other financial assets	Liabilities to credit institutions	Liabilities to clients	Liabilities evidenced by certificate
Accounting value of the hedged basic transaction included in the balance sheet	830 652	574 229	0	76 214	1 571 738
Accumulated amount of hedging adjustments, which is included in the balanced basic transaction	29 258	19 306	0	1 103	36 923
Value change of hedging adjustments regarding the basic transaction for the reporting period	11 383	8 962	-642	710	20 399
Accumulated amount of hedging adjustments for basic transactions, which are no longer part of hedge accounting	0	171	0	0	0

in k EUR 2019-12-31	Receivables from clients	Other financial assets	Liabilities to credit institutions	Liabilities to clients	Liabilities evidenced by certificate
Accounting value of the hedged basic transaction included in the balance sheet	570 094	601 132	438 663	69 936	1 541 830
Accumulated amount of hedging adjustments, which is included in the balanced basic transaction	17 875	10 344	642	394	16 523
Value change of hedging adjustments regarding the basic transaction for the reporting period	15 281	5 827	-239	-64	7 192
Accumulated amount of hedging adjustments for basic transactions, which are no longer part of hedge accounting	0	656	0	0	0

(21) Other financial assets after risk provision

Other financial assets by business type and by evaluation category

in k EUR	2020	2019 adjusted
Bonds at cost	726 499	635 653
Bonds at fair value - not income affecting	402 671	532 155
Bonds at fair value - income affecting	0	0
Bonds mandatory at fair value - income affecting	80	3 224
Shares at fair value - income affecting	0	1 089
Funds at fair value - income affecting	24 765	25 944
Other financial assets at fair value - income affecting	3 413	0
Participating interest at fair value - income affecting	16 107	28 926
Other financial assets before risk provision	**1 173 535**	**1 226 991**
Risk provision for bonds at cost	-27	-22
Other financial assets after risk provision	**1 173 508**	**1 226 969**

Other financial assets by maturity

in k EUR	2020	2019 adjusted
Maturity: daily	0	0
Up to 3 months	81 207	47 227
3 months to 1 year	132 771	153 210
1 year to 5 years	574 329	654 227
More than 5 years	340 943	316 368
Without maturity	44 285	55 959
Other financial assets	**1 173 535**	**1 226 991**
Risk provision for bonds at cost	-27	-22
Other financial assets before risk provision	**1 173 508**	**1 226 969**

Bonds at cost by branches and stages

in k EUR	Stage 1	Stage 2	Stage 3	Total
2020				
Public sector incl. central states	281 833	0	0	281 833
Credit institutions	425 315	0	0	425 315
Corporate clients	19 351	0	0	19 351
Financial assets at Cost	**726 499**	**0**	**0**	**726 499**
2019				
Public sector incl. central states	196 715	0	0	196 715
Credit institutions	393 337	0	0	393 337
Corporate clients	45 601	0	0	45 601
Financial assets at Cost	**635 653**	**0**	**0**	**635 653**

Bonds at fair value – not income affecting by branches and stages

in k EUR	Stage 1	Stage 2	Stage 3	Total
2020				
Public sector incl. central states	232 180	0	0	232 180
Credit institutions	127 528	0	0	127 528
Corporate clients	42 553	410	0	42 963
Financial assets FV OCI	**402 261**	**410**	**0**	**402 671**
2019				
Public sector incl. central states	278 401	0	0	278 401
Credit institutions	187 800	0	0	187 800
Corporate clients	65 954	0	0	65 954
Financial assets FV OCI	**532 155**	**0**	**0**	**532 155**

Pursuant to IFRS 9.5.5.10 it is estimated that the default risk of financial assets with outstanding credit rating (rating class 1A-2B) has not increased significantly. The credit quality of bonds at cost respectively bonds at cost respectively bonds at fair value – not income affecting is illustrated in the following chart by internal rating classes and stages.

2020	Other financial assets at cost and at fair value - not income affecting			
in k EUR	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Outstanding credit rating (rating classes 1A–2B)	1 113 020	0	0	1 113 020
Very good credit rating (rating classes 2C–2E)	15 740	410	0	16 150
Total receivables	**1 128 760**	**410**	**0**	**1 129 170**

2019	Other financial assets at cost and at fair value - not income affecting			
in k EUR	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Outstanding credit rating (rating classes 1A–2B)	1 144 826	0	0	1 144 826
Very good credit rating (rating classes 2C–2E)	22 982	0	0	22 982
Total receivables	**1 167 808**	**0**	**0**	**1 167 808**

Stage transfer bonds

	Transfer between stage 1 and stage 2		Transfer between stage 2 and stage 3		Transfer between stage 1 and stage 3	
Gross accounting value in k EUR	**To stage 2 von Stage 1**	**To stage 1 from stage 2**	**To stage 3 from stage 2**	**To stage 2 from stage 3**	**To stage 3 from stage 1**	**To stage 1 from stage 3**
2020						
Corporate clients	400	0	0	0	0	0
Bonds	**400**	**0**	**0**	**0**	**0**	**0**
2019						
Corporate clients	0	0	0	0	0	0
Bonds	**0**	**0**	**0**	**0**	**0**	**0**

Risk provision pursuant to IFRS 9

The following chart illustrates the development of risk provision before possible deferred tax.

Risk provision by branches

in k EUR	Opening balance	Increases due to origination and acquisition	Decreases due to derecognitions	Changes due to changed default risk (net)	Use/depreciations	Other adjustments	Final balance	Backflows of formerly depreciated amounts directly recorded in the profit and loss account	Amounts directly depreciated in the profit and loss account
2020									
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-26	-2	25	-12	0	-4	-19	0	0
Public sector	-29	-15	4	8	0	4	-28	0	0
Other financial corporations	-15	-1	14	-10	0	0	-12	0	0
Non-financial corporations	-14	-2	15	-17	0	1	-17	0	0
Risk provision by branches	**-84**	**-20**	**58**	**-31**	**0**	**1**	**-76**	**0**	**0**
2019									
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-30	-73	0	76	0	1	-26	0	0
Public sector	-27	-8	1	5	0	0	-29	0	0
Other financial corporations	-17	-2	2	2	0	0	-15	0	0
Non-financial corporations	-13	-4	1	2	0	0	-14	0	0
Risk provision by branches	**-87**	**-87**	**4**	**85**	**0**	**1**	**-84**	**0**	**0**

Risk provision by stages

in k EUR	Opening balance	Increases due to origination and acquisition	Decreases due to derecognitions	Changes due to changed default risk (net)	Use/depreciations	Other adjustments	Final balance	Backflows of formerly depreciated amounts directly recorded in the profit and loss account	Amounts directly depreciated in the profit and loss account
2020									
Risk provision stage 1	-84	-20	58	-24	0	1	-69	0	0
Thereof: individually evaluated allowances	0	0	0	0	0	0	0	0	0
Risk provision stage 2	0	0	0	-7	0	0	-7	0	0
Thereof: individually evaluated allowances	0	0	0	0	0	0	0	0	0
Risk provision stage 3	0	0	0	0	0	0	0	0	0
Thereof: individually evaluated allowances	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Risk provision for bonds	**-84**	**-20**	**58**	**-31**	**0**	**1**	**-76**	**0**	**0**
2019									
Risk provision stage 1	-87	-87	4	85	0	1	-84	0	0
Thereof: individually evaluated allowances	0	0	0	0	0	0	0	0	0
Risk provision stage 2	0	0	0	0	0	0	0	0	0
Thereof: individually evaluated allowances	0	0	0	0	0	0	0	0	0
Risk provision stage 3	0	0	0	0	0	0	0	0	0
Thereof: individually evaluated allowances	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Risk provision for bonds	**-87**	**-87**	**4**	**85**	**0**	**1**	**-84**	**0**	**0**

(22) Shares in associated companies

in k EUR	2020	2019
Shares in associated companies	10 632	7 580

Associated companies are accounted in accordance with the "at equity method". For details regarding the provisions for associated companies pursuant to IFRS 12.21 please see section VII.

(23) Investment properties

Development of historical acquisition costs and comparison of accounting values

in k EUR	Acquisition value 01-01	Currency translation	Inflows in business year	Transfers /consolidation	Outflows and recategoris assets AFS in business year	Acquisition value 12-31	Carrying Amount 12-31	Carrying Amount 01-01
2020								
Undeveloped real estate	480	0	0	-6	-381	93	93	480
Real estate/buildings rented out - land share	22 495	0	6 427	-74	-1 019	27 829	24 506	19 629
Real estate/buildings rented out - building share	109 558	0	5 099	9 392	-2 685	121 364	62 744	59 127
Factory and office equipment rented out	1 281	0	255	0	-271	1 265	503	592
Facilities under construction	12	0	271	-2	0	281	281	12
Investment properties	**133 826**	**0**	**12 052**	**9 310**	**-4 356**	**150 832**	**88 127**	**79 840**
2019								
Undeveloped real estate	581	0	0	381	-482	480	480	503
Real estate/buildings rented out - land share	19 379	0	0	3 563	-447	22 495	19 629	16 526
Real estate/buildings rented out - building share	116 250	0	131	-73	-6 750	109 558	59 127	64 897
Factory and office equipment rented out	1 137	0	46	225	-127	1 281	592	481
Facilities under construction	2	0	10	0	0	12	12	2
Investment properties	**137 349**	**0**	**187**	**4 096**	**-7 806**	**133 826**	**79 840**	**82 409**

The illustrated Inflows in the fiscal year resulted from investments in parts of buildings rented out.

Development of accumulated depreciation

in k EUR	Accumulated depreciation 01-01	Currency translation	Inflows in business year	Transfers/consolidation	Outflows in business year	Accumulated depreciation 12-31
2020						
Undeveloped real estate	0	0	0	0	0	0
Real estate/buildings rented out - land share	-2 866	0	0	-458	1	-3 323
Real estate/buildings rented out - building share	-50 431	0	-2 398	-6 121	330	-58 620
Factory and office equipment rented out	-689	0	-187	0	114	-762
Facilities under construction	0	0	0	0	0	0
Investment properties	**-53 986**	**0**	**-2 585**	**-6 579**	**445**	**-62 705**
2019						
Undeveloped real estate	-78	0	0	0	78	0
Real estate/buildings rented out - land share	-2 853	0	0	-14	1	-2 866
Real estate/buildings rented out - building share	-51 353	0	-2 317	-114	3 353	-50 431
Factory and office equipment rented out	-656	0	-110	-5	82	-689
Facilities under construction	0	0	0	0	0	0
Investment properties	**-54 940**	**0**	**-2 427**	**-133**	**3 514**	**-53 986**

It was decided to provide factory and office equipment as ancillary service regarding investment properties. For that reason, these assets were also recorded hereunder.

No contractual obligations to purchase or establish investment properties and no fundamental obligations regarding repairing, maintenance and improvements were existent at the balance sheet date.

On 31 December 2020, fair value of investment properties accounted for kEUR 121,597 (2019: kEUR 102,419). Fair value was measured on the basis of internal fair market value assessments at the balance sheet date. In the context of evaluating fair value of real estate, the current utilisation represents the most efficient and best possible use. Within the corporate group, investment properties are evaluated at cost. Fair value is calculated for the purpose of impairment tests and for preparing the notes, however, in case no impairment is required, fair value does not have any effect on the consolidated balance sheet or on the consolidated profit and loss account. Fair value of investment properties was classified as fair value level 3, based on inputs of the used evaluation method.

(24) Intangible assets

Development of historical acquisition costs and comparison of accounting values

in k EUR	Acquisition value 01-01	Currency translation	Inflows in business year	Transfers/consolidation	Outflows and recategoris. assets AFS in business year	Acquisition value 12-31	Carrying Amount 12-31	Carrying Amount 01-01
2020								
Client base	1 557	0	0	0	0	1 557	1	1
Software	6 644	0	1 046	-404	-1 169	6 117	1 795	2 519
Other	36	0	0	0	0	36	0	0
Intangible assets	**8 237**	**0**	**1 046**	**-404**	**-1 169**	**7 710**	**1 796**	**2 520**
2019								
Client base	1 557	0	0	0	0	1 557	1	1
Software	4 987	0	1 634	23	0	6 644	2 519	2 226
Other	36	0	0	0	0	36	0	0
Intangible assets	**6 580**	**0**	**1 634**	**23**	**0**	**8 237**	**2 520**	**2 227**

Software inflows in the amount of kEUR 1,046 refer to various software solutions that were acquired in the expired business year – in particular by Hypo Tirol Bank.

Development of accumulated depreciation

in k EUR	Accumulated depreciation 01-01	Currency translation	Inflows in business year	Transfers/ consolidation	Outflows in business year	Accumulated depreciation 12-31
2020						
Client base	-1 556	0	0	0	0	-1 556
Software	-4 125	0	-1 286	101	988	-4 322
Other	-36	0	0	0	0	-36
Intangible assets	**-5 717**	**0**	**-1 286**	**101**	**988**	**-5 914**
2019						
Client base	-1 556	0	0	0	0	-1 556
Software	-2 761	0	-1 364	0	0	-4 125
Other	-36	0	0	0	0	-36
Intangible assets	**-4 353**	**0**	**-1 364**	**0**	**0**	**-5 717**

No contractual obligations to purchase or establish intangible assets and no fundamental obligations regarding repairing, maintenance and improvements were existent at the balance sheet date.

(25) Tangible assets

Development of historical acquisition costs and comparison of accounting values

in k EUR	Acquisition value 01-01	Currency translation	Inflows in business year	Transfers/ consolidation	Outflows and recategoris. assets AFS in business year	Carrying Amount 12-31	Carrying Amount 12-31	Carrying Amount 01-01
2020								
Undeveloped real estate	483	0	0	0	0	483	483	483
Developed real estate owner-occupied – land value	8 725	0	0	680	0	9 405	9 405	8 725
Developed real estate owner-occupied – building value	68 842	0	4 154	2 460	0	75 456	38 872	34 479
Factory and office equipment	35 799	0	2 691	403	-2 951	35 942	8 427	7 176
Facilities under construction	11	0	301	0	0	312	312	11
Tangible assets	**113 860**	**0**	**7 146**	**3 543**	**-2 951**	**121 598**	**57 499**	**50 874**
2019								
Undeveloped real estate	483	0	0	0	0	483	483	483
Developed real estate owner-occupied – land value	8 442	0	0	283	0	8 725	8 725	8 443
Developed real estate owner-occupied – building value	69 382	0	1 235	-1 494	-281	68 842	34 479	36 641
Factory and office equipment	34 837	0	1 032	0	-70	35 799	7 176	7 480
Facilities under construction	12	0	23	-24	0	11	11	12
Tangible assets	**113 156**	**0**	**2 290**	**-1 235**	**-351**	**113 860**	**50 874**	**53 059**

Factory and office equipment inflows basically referred to current replacement capital investments of Hypo Tirol Bank AG.

No contractual obligations to purchase or establish tangible assets or fundamental obligations regarding repairing, maintenance and improvements were existent at the balance sheet date.
Data regarding building values include user rights from leasing agreements with an accounting value of kEUR 4,618 (31 December 2020). The provisions in accordance with IFRS 16 were applied for the first time on 1 January 2019 on a retrospective basis.

Development of accumulated depreciation

in k EUR	Accumulated depreciation 01-01	Currency translation	Inflows in business year	Transfers/ consolidation	Outflows in business year	Accumulated depreciation 12-31
2020						
Developed real estate owner-occupied - land value	0	0	0	0	0	0
Developed real estate owner-occupied – building value	-34 363	0	-1 588	-633	0	-36 584
Factory and office equipment	-28 623	0	-1 564	-101	2 773	-27 515
Facilities under construction	0	0	0	0	0	0
Tangible assets	**-62 986**	**0**	**-3 152**	**-734**	**2 773**	**-64 099**
2019						
Developed real estate owner-occupied - land value	1	0	0	-1	0	0
Developed real estate owner-occupied – building value	-32 741	0	-1 622	0	0	-34 363
Factory and office equipment	-27 357	0	-1 276	0	10	-28 623
Facilities under construction	0	0	0	0	0	0
Tangible assets	**-60 097**	**0**	**-2 898**	**-1**	**10**	**-62 986**

(26) Other assets

in k EUR	2020	2019
Tax receivables	3 746	589
Accruals and deferrals	180	197
Other	9 271	13 815
Other assets	**13 197**	**14 601**

Tax receivables include corporate tax credit of Hypo Tirol Invest GmbH in the amount of kEUR 3,535. This corporate tax credit results from capital gains tax from capital gains tax in connection with participating interest yields.
Tax receivables basically comprised current consumer taxes and activated corporate tax. In 2020, other assets included real estate from former leasing agreements (branch offices) in the amount of kEUR 2,287. Furthermore, the item includes kEUR 1,872 for other deferrals and kEUR 689 resulting from a claim in connection with the COVID-19 investment premium.

(27) Non-current assets held for sale

In 2019, assets and disposal groups held for sale accounted for a total of kEUR 8,536 (2019: kEUR 10,265).

Nun-current assets:

Non-current assets amounting to kEUR 8,536 comprise properties which will be sold in the 2021 fiscal year. The corporate group has already started looking for purchasers. Impairment was not determined, neither at the time of reclassification to "held for Sale" nor at the balance sheet date (31 December 2020). This is based on the management's assumption that fair value – based on latest market prices of similar properties in similar locations and current purchasing offers – less sales costs will be higher than the accounting value. The change in comparison to the previous year resulted from a portfolio change. Fair value is classified level 3 on the basis of inputs.

(28) Deferred tax assets and liabilities

The following chart shows temporary differences between the portfolio in the consolidated financial statements and the tax balance sheet, which result in deferred tax assets respectively deferred tax liabilities.

in k EUR	2020	2019
Evaluation of receivables and liabilities clients covered by security at fair value and evaluation of risk provision	10 134	5 337
Evaluation of derivatives at fair value	24 250	29 636
Evaluation of financial assets	3 867	5 134
Application of evaluation method at first consolidation and application of different depreciation approaches for investment properties and tangible assets	672	864
Evaluation of liabilities evidenced by certificate and financial liabilities – designated at fair value	1 289	0
Deferred tax assets concerning losses brought forward	4 695	6 258
Deferred tax assets before balancing	**44 907**	**47 229**
Balancing	-39 073	-38 976
Deferred tax assets after balancing	**5 834**	**8 253**
Evaluation of secured receivables and liabilities clients at fair value and evaluation of risk provision	15 738	9 057
Evaluation of derivatives at fair value	20 340	20 866
Evaluation of financial assets	794	885
Application of evaluation method at first consolidation and application of different depreciation approaches for investment properties and tangible assets	1 286	150
Evaluation of liabilities evidenced by certificate and financial liabilities - designated at fair value	0	7 049
Evaluation of provisions	2 035	2 709
Deferred tax liabilities before balancing	**40 193**	**40 716**
Balancing	-39 073	-38 976
Deferred tax liabilities after balancing	**1 120**	**1 740**
Deferred tax assets and liabilities per balance	**4 714**	**6 513**

Deferred tax assets for losses brought forward in the amount of kEUR 53,304 (2019: kEUR 52,547) were not activated. They can be brought forward for an indefinite period of time.

(29) Liabilities to credit institutions

Liabilities to credit institutions are evaluated at cost.

Liabilities to credit institutions by region

in k EUR	2020	2019 adjusted
Austria	**1 672 529**	**536 503**
Foreign countries	**37 421**	**17 189**
Germany	12 415	14 388
Italy	0	0
Other foreign counties (incl. CEE)	25 006	2 801
Liabilities to credit institutions	**1 709 950**	**553 692**

The increase in comparison to the previous year primarily resulted from the utilisation of TLTRO III.

Liabilities to credit institutions by maturity

in k EUR	2020	2019 Adjusted
Maturity: daily	122 539	102 292
Up to 3 months	0	2 699
3 months to 1 year	607	334 979
1 year to 5 years	1 585 129	111 860
More than 5 years	1 675	1 862
Liabilities to credit institutions	**1 709 950**	**553 692**

(30) Liabilities to clients

Liabilities to clients by evaluation category

in k EUR	2020	2019
Evaluated at cost	3 672 962	3 539 582
Evaluated at fair value - income affecting	54 419	54 106
Liabilities to clients	**3 727 381**	**3 593 688**

Liabilities to clients by business type

in k EUR	2020	2019
Giro transactions	2 486 293	2 287 164
Time deposits	253 912	261 639
Other deposits	81 812	102 301
Savings deposits	865 576	812 878
Fixed-term savings pass books	39 788	129 706
Liabilities to clients	**3 727 381**	**3 593 688**

Liabilities to clients by region

in k EUR	2020	2019
Austria	3 547 833	3 362 467
Foreign countries	179 548	231 221
Germany	105 391	119 418
Italy	40 406	37 430
Other foreign countries (incl. CEE)	33 751	74 373
Liabilities to clients	**3 727 381**	**3 593 688**

Liabilities to clients by maturity

in k EUR	2020	2019
Maturity: daily	3 142 281	2 594 108
Up to 3 months	49 450	370 588
3 months to 1 year	288 295	391 004
1 year to 5 years	136 204	154 343
More than 5 years	111 151	83 645
Liabilities to clients	**3 727 381**	**3 593 688**

Liabilities to clients by branches

in k EUR	2020	2019
Public sector	581 683	686 703
Corporate clients	1 597 138	1 419 273
Private households	1 548 560	1 487 712
Liabilities to clients	**3 727 381**	**3 593 688**

(31) Liabilities evidenced by certificate

Liabilities evidenced by certificate by evaluation category

in k EUR	2020	2019
Evaluated at cost	2 084 300	2 008 498
Evaluated at fair value – income affecting	476 374	514 524
Liabilities evidenced by certificate	**2 560 674**	**2 523 022**

Liabilities evidenced by certificate are evaluated at fair value on an income affecting basis, to compensate the accounting mismatch of the mandatory income-affecting evaluation of derivatives, which serve to hedge interest risks. In this context, the fair value option was applied. In addition, hedge accounting is applied in order to avoid accounting mismatch in relation to of liabilities hedged with derivatives. Liabilities, which are part of hedge accounting, are evaluated at cost, whereas hedge adjustments provide a change of the accounting value. In this context, hedge accounting is also applied for Plain-Vanilla issues. The fair vale option is particularly used for issues, which are given to retail clients.

The repayable amount of liabilities evidenced by certificate at fair value – income affecting amounted to kEUR 465,035 (2019: kEUR 499,924), Thus, the difference between booking value and repayable amount accounted for kEUR 8,891 (2019: kEUR 14,600).
In the past fiscal year, there were no modifications regarding liabilities evidenced by certificate.

Liabilities evidenced by certificate by business type

in k EUR	2020	2019
Debentures	1 669 479	1 617 694
Communal debentures	44 473	68 466
Bonds	593 709	575 412
Housing bonds	163 960	175 171
Subordinate capital	89 053	85 434
Supplementary capital	0	845
Liabilities evidenced by certificate	**2 560 674**	**2 523 022**

Development of liabilities evidenced by certificate

in k EUR	2020	2019
As at 01-01	2 523 022	2 297 963
New assumption	159 402	720 911
Redemption	-141 365	-504 951
Changes accrued interest	-953	-435
Changes according to evaluation regulations	20 568	9 534
Liabilities evidenced by certificate	**2 560 674**	**2 523 022**

Liabilities evidenced by certificate by maturity

in k EUR	2020	2019
Maturity: daily	275	286
Up to 3 months	542 169	71 561
3 months to 1 year	77 391	71 620
1 year to 5 years	838 621	1 348 392
More than 5 years	1 102 218	1 031 163
Liabilities evidenced by certificate	**2 560 674**	**2 523 022**

(32) Derivatives

in k EUR	2020	2019
Negative market values from derivative financial instruments	18 942	25 671
Negative market values from derivative hedging instruments	68 565	70 932
Derivatives	**87 507**	**96 603**

Derivatives by maturity

in k EUR	2020	2019
Up to 3 months	879	2 177
3 months to 1 year	2 867	4 058
1 year to 5 years	25 568	26 964
More than 5 years	58 193	63 404
Derivatives	**87 507**	**96 603**

Interest swaps are employed as hedging instruments.
For further details regarding basic transactions please see note (20).

(33) Provisions

in k EUR	2020	2019
Provision for severance payments	13 456	13 136
Pension provision	5 073	5 172
Length of service provision	2 591	2 531
Other credit risk provision	14 621	14 488
Credit risk provision in compliance with IFRS 9	5 513	1 307
Other provisions	6 287	5 886
Provisions	**47 541**	**42 520**

Credit risk provision includes provisions such as provisions for negative interest in the amount of kEUR 12,961 (previous year: kEUR 12,872) as well as other obligations resulting from the granting of credits which are uncertain in terms of maturity and amount. Credit risk provisions in compliance with IFRS 9 represent provisions for credit risk and liabilities and open credits, which are evaluated on the basis of the 3-stage model according to IFRS 9. Other provisions include other personnel provisions, legal costs, liabilities as well as other provisions (for detailed information see "other provisions")

Development of provisions for pensions, severance and length-of-service

in k EUR	Severance provision	Pension provision	Length-of-service provision
2020			
As at 01-01	13 136	5 172	2 531
Service costs	451	0	152
Interest expenses	131	49	25
Transfers	0	0	0
Payments	-522	-466	-90
Actuarial profits/losses	260	318	-27
Actuarial profits and losses from changed demographic assumptions	0	0	0
Actuarial profits and losses from changed financial assumptions	260	318	-27
As at 12- 31	**13 456**	**5 073**	**2 591**
2019			
As at 01-01	12 537	5 200	2 130
Service costs	429	0	127
Interest expenses	236	97	41
Transfers	0	0	0
Payments	-1 185	-454	-72
Actuarial profits/losses	1 119	329	305
Actuarial profits and losses from changed demographic assumptions	0	0	0
Actuarial profits and losses from changed financial assumptions	1 119	329	305
As at 12-31	**13 136**	**5 172**	**2 531**

Development of actuarial evaluation change resulting from demographic and financial assumptions

While actuarial evaluation effects in relation to severance provisions and pension provisions are recorded in “other income” (statement of comprehensive income), length-of-service provisions are recorded in the profit and loss account.

in k EUR	2020	2019	2018	2017	2016	2015
Provision for severance payments	**13 456**	**13 136**	**12 537**	**13 768**	**13 796**	**12 776**
Actuarial profits/losses	260	1 119	-1 005	-97	1 078	-70
Actuarial profits and losses from changed demographic assumptions	*0*	*0*	*-147*	*0*	*0*	*0*
Actuarial profits and losses from changed financial assumptions	*260*	*1 119*	*-858*	*-97*	*1 078*	*-70*
Pension provision	**5 073**	**5 172**	**5 200**	**5 090**	**5 619**	**6 185**
Actuarial profits/losses	318	329	432	-90	-78	-141
Actuarial profits and losses from changed demographic assumptions	*0*	*0*	*507*	*0*	*0*	*0*
Actuarial profits and losses from changed financial assumptions	*318*	*329*	*-75*	*-90*	*-78*	*-141*
Length of service provision	**2 591**	**2 531**	**2 130**	**2 014**	**2 086**	**2 028**
Actuarial profits/losses	-27	305	44	-107	32	-162
Actuarial profits and losses from changed demographic assumptions	*0*	*0*	*99*	*0*	*0*	*0*
Actuarial profits and losses from changed financial assumptions	*-27*	*305*	*-55*	*-107*	*32*	*-162*

Sensitivity analysis of severance provision

Sensitivity discount rate

2020	ACTUAL	+ 1 %	-1 %
Discount rate	0.90%	1.90%	-0.10%
Severance provision in k EUR	13 456	12 133	15 004
2019	**ACTUAL**	**+ 1 %**	**-1 %**
Discount rate	1.00%	2.00%	0.00%
Severance provision in k EUR	13 136	11 764	14 749

Sensitivity salary valorisation

2020	ACTUAL	+ 1 %	-1 %
Salary valorisation	2.50%	3.50%	1.50%
Severance provision in k €	13 456	14 962	12 140
2019	**ACTUAL**	**+ 1 %**	**-1 %**
Salary valorisation	2.50%	3.50%	1.50%
Severance provision in k €	13 136	14 707	11 771

Sensitivity analysis of pension provision

Sensitivity discount rate

2020	ACTUAL	+ 1 %	-1 %
Discount rate	0.90%	1.90%	-0.10%
Pension provision in k €	5 073	4 689	5 522
2019	**ACTUAL**	**+ 1 %**	**-1 %**
Discount rate	1.00%	2.00%	0.00%
Pension provision in k €	5 172	4 771	5 643

Sensitivity pension valorisation

2020	ACTUAL	+ 1 %	-1 %
Pension valorisation	1.50%	2.50%	0.50%
Pension provision in k €	5 073	5 514	4 688
2019	**ACTUAL**	**+ 1 %**	**-1 %**
Pension valorisation	1.50%	2.50%	0.50%
Pension provision in k €	5 172	5 636	4 769

The sensitivity analysis illustrates – in case the actuarial assumptions of the discount rate and the salary and pension valorisations are subject to distortions (+/- 1.0%) – that the assignment of the balanced personnel and severance provisions was either too high or too low.

Other provisions

in k EUR	2020	2019
Other personnel provisions	3 950	1 325
Provisions for legal costs	711	541
Remaining other provisions	1 626	4 020
Other provisions	**6 287**	**5 886**

Development of provisions

in k EUR	As at 01-01	Currency translation	Inflows	Deployment	Outflows	Other changes	As at 31-12
2020							
Severance provision	13 136	0	664	-589	0	245	13 456
Pension provision	5 172	0	49	-466	0	318	5 073
Length-of-service provision	2 531	0	176	-89	0	-27	2 591
Other credit risk provisions	14 488	0	1 163	-65	0	-965	14 621
Credit risk provision in compliance with IFRS 9	1 307	0	4 206	0	0	0	5 513
Other provisions	5 886	0	4 997	-3 486	-2 102	992	6 287
Provisions	**42 520**	**0**	**11 255**	**-4 695**	**-2 102**	**563**	**47 541**
2019							
Severance provision	12 537	0	667	-1 186	-1	1 119	13 136
Pension provision	5 200	0	97	-454	0	329	5 172
Length-of-service provision	2 130	0	168	-72	0	305	2 531
Other credit risk provisions	4 231	0	10 692	-96	0	-339	14 488
Credit risk provision in compliance with IFRS 9	1 291	0	16	0	0	0	1 307
Other provisions	8 471	0	553	-2 531	-642	35	5 886
Provisions	**33 860**	**0**	**12 193**	**-4 339**	**-643**	**1 449**	**42 520**

The amounts illustrated in "other changes" primarily resulted from actuarial profits/losses as they are disclosed in the table “development of provisions for pensions, severance payments and length of service payments”.

Maturity-structure of provisions

in k EUR	Up to 1 year	More than 1 year
2020		
Severance provision	0	13 456
Pension provision	0	5 073
Length-of-service provision	0	2 591
Other credit risk provisions	390	14 231
Credit risk provision in compliance with IFRS 9	0	5 513
Other provisions	2 877	3 410
Provisions	**3 267**	**44 274**
2019		
Severance provision	0	13 136
Pension provision	0	5 172
Length-of-service provision	165	2 366
Other credit risk provisions	130	14 358
Credit risk provision in compliance with IFRS 9	0	1 307
Other provisions	5 886	0
Provisions	**6 181**	**36 339**

(34) Other liabilities

in k EUR	2020	2019
Associated non-consolidated companies	0	10
Deliveries and services	57 614	64 653
Other liabilities	1 027	1 252
Accruals and deferrals	1 295	709
Other liabilities	**59 936**	**66 624**

Other liabilities include liabilities against employees of Hypo Tirol Bank AG in the amount of kEUR 516 (2019: kEUR 763).

(35) Current income tax liabilities

Current income tax liabilities basically refer to liabilities resulting from corporate taxes which have not yet been paid.

(36) Equity

in k EUR	2020	2019 Adjusted
Subscribed capital	50 000	50 000
Capital reserves	300 332	300 332
Tied up capital reserved thereof	139 132	139 132
Capital reserves not tied-up	161 200	161 200
FVOCI-reserves from fair value changes after tax	12 638	18 167
Actuarial profits/losses after tax	-5 497	-5 064
Credit rating induced fair value change – own liabilities	1 480	-1 449
Revenue reserves, corporate group profit	211 910	204 400
Equity	**570 863**	**566 386**
The amount includes:		
Owner of the parent company	567 038	561 932
Participating interest without substantial influence	3 825	4 454

The total return on investment for the 2020 fiscal year amounted to 0.09 % (2019: 0.31 %)

Capital reserves:
The designated capital reserves resulted from the transformation of Hypo Bank Tirol into a public limited company and from a subsidy made by the owner, the Province of the Tyrol, in the amount of EUR 220 million.

Revenue reserves
Revenue reserves are divided into legal reserves (KEUR 5,000) and other reserves deriving from the consolidated net profit. Furthermore, the difference from capital consolidation and effects of the first application of IFRS 9 is recorded in revenue reserves.

Additional IFRS Information

(37) Cash flow specifications

Development of liabilities in relation to financing activities

in k €	As at 2020-01-01	Change affecting cash flow	Change non-affecting cash flow	As at 2020-12-31
Subordinate and supplementary capital	86 279	2 411	363	89 053
Leasing liabilities	1 216	-606	4 110	4 720
Liabilities from financing activities	**87 495**	**1 805**	**4 473**	**93 773**

in k €	As at 2019-01-01	Change affecting cash flow	Change non-affecting cash flow	As at 2019-12-31
Subordinate and supplementary capital	93 240	-7 140	179	86 279
Leasing liabilities	1 160	-656	712	1 216
Liabilities from financing activities	**94 400**	**-7 796**	**891**	**87 495**

(38) Fair Value

Fair Value of selected balance sheet items.

The following chart compares accounting value and fair value of single balance sheet items:

ASSETS	Carrying Amount	Fair Value	Carrying Amount	Fair Value
in k EUR	**2020-12-31**	**2020-12-31**	**2019-12-31 adjusted**	**2019-12-31 adjusted**
Cash reserves	1 251 910	1 251 910	153 538	153 538
Receivables from credit institutions after risk provision	63 761	63 347	101 652	97 774
Receivables from clients after risk provision				
at fair value	77 243	77 243	95 379	95 379
at cost	5 942 343	6 084 507	5 629 361	5 727 090
Derivatives	76 728	76 728	67 832	67 832
Other financial assets after risk provision				
at fair value	447 036	447 036	591 338	591 338
at cost	726 472	739 003	635 631	642 583
Investment properties	88 127	121 597	79 840	102 419

LIABILITIES	Carrying Amount	Fair Value	Carrying Amount	Fair Value
in k EUR	2020-12-31	2020-12-31	2019-12-31 adjusted	2019-12-31 adjusted
Liabilities to credit institutions				
at cost	1 709 950	1 700 778	553 692	542 167
Liabilities to clients				
at fair value	54 419	54 419	54 106	54 106
at cost	3 672 962	3 581 588	3 539 582	3 581 588
Liabilities evidenced by certificate				
at fair value	476 374	476 374	514 524	514 524
at cost	2 084 300	2 113 743	2 008 498	2 036 488
Derivatives	87 507	87 507	96 603	96 603

Fair value of investment properties is based on annually adapted evaluations carried out by an internal and legally certified real estate expert. With regard to other assets and liabilities, the accounting value represents an appropriate approximation for fair value. Therefore, fair value was not explained in detail.

As far as financial assets and liabilities are concerned, fair value has been measured in accordance with the requirements as described in “Other specifications”. In summary it can be stated that that with regard to evaluation methods based on market data (level 2) fair value is evaluated by using the discounted-cash flow method, and as far as financial instrument with optional components are concerned, the Black/Scholes model is applied, with inputs being based on market data. In the reporting year, evaluation methods not based on market data (level 3) were employed to evaluate receivables – designated at fair value by using the discounted-cash flow method. Future payments, deriving from the underlying nominal value, were based on the current market interest curve and were discounted by means of a risk adequate interest rate. Risk adequate interest charges derived from the corporate group’s internal risk assessment and were assigned to different rating classes. Thus, the internal rating in terms of creditworthiness can be described as a significant, non-observable initial parameter. The better the rating, the lower the corresponding discount rate and the higher fair value is. This effect is illustrated in the sensitivity analysis.

Fair Value of financial instruments

The fair value of financial assets and financial liabilities is illustrated in the following chart and assigned to the three levels pursuant to IFRS fair value hierarchy.

2020	Prices quoted in active markets (level 1)	Evaluation method based on market data (level 2)	Evaluation method not based on market data (level 3)	Total
in k EUR				
ASSETS **Financial assets designated at fair value**				
Receivables from clients - designated at fair value	0	0	77 243	77 243
Derivatives	37	76 691	0	76 728
Other financial assets	422 591	4 925	19 520	447 036
Total financial assets designated at fair value	**422 628**	**81 616**	**96 763**	**601 007**
LIABILITIES **Financial liabilities designated at fair value**				
Liabilities to clients - designated at fair value	0	54 419	0	54 419
Derivatives	0	87 507	0	87 507
Financial liabilities - designated at fair value	0	476 374	0	476 374
Total financial liabilities designated at fair value	**0**	**618 300**	**0**	**618 300**

2019 adjusted	Prices quoted in active markets (level 1)	Evaluation method based on market data (level 2)	Evaluation method not based on market data (level 3)	Total
in k EUR				
ASSETS **Financial assets designated at fair value**				
Receivables from clients - designated at fair value	0	0	95 379	95 379
Derivatives	7	67 825	0	67 832
Other financial assets	557 365	5 047	28 926	591 338
Total financial assets designated at fair value	**557 372**	**72 872**	**124 305**	**754 549**
LIABILITIES **Financial liabilities designated at fair value**				
Liabilities to clients - designated at fair value	0	54 106	0	54 106
Derivatives	0	96 603	0	96 603
Financial liabilities - designated at fair value	0	514 524	0	514 524
Total financial liabilities designated at fair value	**0**	**665 233**	**0**	**665 233**

Transfer of financial instruments level 3

2020	Receivables from clients - designated at fair value	Other financial assets	Total
in k EUR			
Opening balance	**95 379**	**28 926**	**124 305**
Total profits/losses	-3 050	-2 604	-5 654
– recorded in the profit and loss account	-3 050	-2 604	-5 654
– recorded in other income	0	0	0
Purchases	3 816	0	3 816
Sales	-18 902	-6 802	-25 704
Issues	0	0	0
Compensations	0	0	0
Reclassification to level 3	0	0	0
Reclassification from level 3	0	0	0
Closing balance	**77 243**	**19 520**	**96 763**

2019 adjusted	Receivables from clients - designated at fair value	Other financial assets	Total
in k EUR			
Opening balance	**122 167**	**26 351**	**148 518**
Total profits/losses	-1 257	2 795	1 538
– recorded in the profit and loss account	-1 257	2 795	1 538
– recorded in other income	0	0	0
Purchases	964	9	973
Sales	-26 495	-229	-26 724
Issues	0	0	0
Compensations	0	0	0
Reclassification to level 3	0	0	0
Reclassification from level 3	0	0	0
Closing balance	**95 379**	**28 926**	**124 305**

At the balance sheet date, the column “profits/losses” included unrealised results in the amount of kEUR -5,750. The result is composed of unrealised profits in the amount of kEUR 1,358 and unrealised losses in the amount of kEUR -7,108.

Sensitivity analysis of non-observable parameters

In the event that the value of a financial instrument is based on non-observable initial parameters, the value of these parameters at the balance sheet date can be chosen from a wide range of appropriate possible alternatives. In the context of preparing the consolidated financial statement, appropriate values were chosen for such non-observable parameters, which correspond to the current market conditions and the corporate group's internal risk assessment.

The present data should illustrate possible effects, which result from relative uncertainties in the context of determining fair value of financial instruments, which are evaluated on the basis of non-observable parameters. Nevertheless, it is unlikely that all non-observable parameters are at the extreme end of their range of appropriate possible alternatives at the same time. Moreover, the present data shall not be regarded as a forecast or as indicators for future changes of fair value.

Since the rating process is founded on subjective estimations, the corporate group points out the sensitivity of such evaluation parameters. Modifying the rating degree leads to adjustments of risk adequate interest charges and consequently to a changed discount rate, which has substantial influence on the evaluation of fair value. Sensitivity is illustrated within a positive and negative range by reclassification of rating upwards and downwards. Reclassification of rating is simulated by positive or negative adjustment of the factors regarding the valid risk adequate interest sur by charge. Hypo Tirol Bank AG classifies all receivables from clients into rating levels ranging from 1A to 5E. All rating level 5 receivables from clients are defaulted receivables. In the context of calculating fair values, the possibilities of default, which affect the risk surcharge of the discount rate, range from 0.01% of level 1A to 20.50% of level 4E. Beginning with level 5A a 100% possibility of default is considered. This effect is also considered in the connection with PD curves that were adjusted due to the COVID-19 pandemic.

The following chart illustrates the sensitivity of receivables from clients designated at fair value in relation to rating. Reclassification of ratings is simulated by adjusting the risk adequate interest surcharge by factor 1.5 upwards and downwards. The factor corresponds to the adjustment of possible defaults regarding rating adjustment by one rating level.

2020	Positive change of fair value in relation to rating change by one rating level	Negative change of fair value in relation to rating change by one rating level
in k EUR		
Receivables from clients designated at fair value	3	-23
Total	3	-23

Credit rating induces fair value changes

With regard to financial assets and liabilities designated at fair value (in order to avoid inconsistent evaluation due to accounting mismatch), the credit rating change resulted in the following profits and losses.

Credit rating induced fair value change of financial assets for the period amounted to kEUR -244 (2019: kEUR 171). The amount is illustrated in "income from financial assets and liabilities. The accumulated credit rating induced change accounted for kEUR 846 (2019: kEUR 602).

Credit rating induced change is determined by using the differential calculation procedure. In this context, an expected credit loss calculation is based on the respective PDs, LGDs and RDs.

Fair value of financial instruments not designated at fair value

The evaluation criteria in order to measure the fair value of the corporate group's financial instruments not designated at fair value correspond to those described in note (4) "fair value".

Financial instruments not designated at fair value are not controlled on a fair value basis. This applies to receivables from or liabilities to credit institution as well as to receivables. Fair value for such instruments is only calculated for the purpose of preparing the notes and has no influence on the corporate group's balance sheet or on the corporate group's profit and loss account. In addition, substantial estimates made by the management are required to determine fair value, because such instruments are not traded.

2020	Accounting value	Fair value			
		Prices quoted in active markets (level 1)	Evaluation method based on market data (level 2)	Evaluation method not based on market data (level 3)	Total
in k EUR					
ASSETS **Financial assets not designated at fair value**					
Cash reserves	1 251 910	1 251 910	0	0	1 251 910
Receivables from credit institutions after risk provision	63 761	0	0	63 347	63 347
Receivables from clients after risk provision	5 942 343	0	0	6 084 507	6 084 507
Other financial assets after risk provision	726 472	725 075	13 928	0	739 003
LIABILITIES **Financial assets not designated at fair value**					
Liabilities to credit institutions	1 709 950	0	1 700 778	0	1 700 778
Liabilities to clients	3 672 962	0	3 659 449	0	3 659 449
Liabilities evidenced by certificate	2 084 300	1 294 781	818 961	0	2 113 742

2019 adjusted					
in k EUR					
ASSETS **Financial assets not designated at fair value**					
Cash reserves	153 538	153 538	0	0	153 538
Receivables from credit institutions after risk provision	101 652	0	0	97 774	97 774
Receivables from clients after risk provision	5 629 361	0	0	5 727 090	5 727 090
Other financial assets after risk provision	635 631	618 791	23 792	0	642 583
LIABILITIES **Financial assets not designated at fair value**					
Liabilities to credit institutions	553 692	0	542 167	0	542 167
Liabilities to clients	3 539 582	0	3 581 588	0	3 581 588
Liabilities evidenced by certificate	2 008 498	1 257 402	779 086	0	2 036 488

(39) Maximum default risk

Maximum default risk is illustrated by specifying the accounting value of financial assets after consideration of allowance:

2020	Loans and receivables	Debt capital instruments of the category trading assets, financial assets and derivatives	Maximum default risk	Equity capital instruments of the category trading assets and financial assets	Accounting value
in k EUR					
Receivables from credit institutions	**63 761**	**0**	**63 761**	**0**	**63 761**
Receivables from clients	**6 019 586**	**0**	**6 019 586**	**0**	**6 019 586**
– at cost	5 942 343	0	5 942 343	0	5 942 343
– at fair value - income affecting	77 243	0	77 243	0	77 243
Derivatives	**0**	**76 728**	**76 728**	**0**	**76 728**
Other financial assets	**0**	**1 129 223**	**1 129 223**	**44 285**	**1 173 508**
– at cost	0	726 472	726 472	0	726 472
– at fair value - income affecting	0	80	80	44 285	44 365
– at fair value - not income affecting	0	402 671	402 671	0	402 671

2019 adjusted					
in k EUR					
Receivables from credit institutions	**101 652**	**0**	**101 652**	**0**	**101 652**
Receivables from clients	**5 724 740**	**0**	**5 724 740**	**0**	**5 724 740**
– at cost	5 629 361	0	5 629 361	0	5 629 361
– at fair value - income affecting	95 379	0	95 379	0	95 379
Derivatives	**0**	**67 832**	**67 832**	**0**	**67 832**
Other financial assets	**0**	**1 171 010**	**1 171 010**	**55 959**	**1 226 969**
– at cost	0	635 631	635 631	0	635 631
– at fair value - income affecting	0	3 224	3 224	55 959	59 183
– at fair value - not income affecting	0	532 155	532 155	0	532 155

At the balance sheet date, the maximum default risk from loan commitments and financial guarantees amounted to kEUR 916,878 (2019: kEUR 995,403). Risk-reducing measures are taken by demanding collateral, mainly by way of mortgages, guarantees and other assets.

Creditable collateral – evaluated in accordance with supervisory standards - reduce default risk to the following ex-tent:

in k EUR	2020	2019
Receivables from clients	**3 271 376**	**3 345 792**
– at cost	3 271 376	3 345 792
Mortgages thereof	2 831 390	2 980 399
Derivatives	**15 390**	**58 300**

Collaterals mainly include mortgages in Austria. Since they have a stable market value, no material deterioration regarding the evaluation of single collaterals was recorded in the past business year.

(40) Specifications regarding the balancing of derivative financial instruments

According to IFRS 7 the effects of balancing derivative financial instruments with netting agreements are illustrated as follows. The corporate group points out that agreements were established with all contracting parties with whom derivative financial instruments were concluded and that no balancing prohibition was agreed. At the evaluation date, balanced assets amounted to kEUR 25,733 (2019: kEUR 15,142), the remaining liabilities after balancing amounted to kEUR 40,393 (2019: kEUR 47,640).

Balancing derivative financial instruments - assets/liabilities

2020 in k EUR	Financial assets (gross)	Added balanced amounts (gross)	Balanced financial assets (net)	Effects from netting agreements	Collateral in form of financial instruments	Net amount
			not balanced			
Assets						
Derivative financial instruments	60 092	0	60 092	-40 723	-18 710	659
Liabilities						
Derivative financial instruments	81 019	0	81 019	-40 723	-23 361	16 935
2019						
Assets						
Derivative financial instruments	55 782	0	55 782	-40 640	-14 240	902
Liabilities						
Derivative financial instruments	88 572	0	88 572	-40 640	-44 507	3 425

(41) Specifications regarding associated individuals and companies

Associated individuals and companies include the following categories of individuals and companies:

- The managing board and the supervisory board of Hypo Tirol Bank AG and their immediate families
- Directors of consolidated subsidiaries and their immediate families
- Legal representatives and members of the supervisory boards of the main shareholders
- Subsidiaries and other companies, in which Hypo Tirol Bank AG holds participating interest
- The Province of the Tyrol.

In the context of ordinary business activities, transactions with associated companies and individuals are carried out on the basis of the same terms and conditions in line with the market requirements that apply to transactions in relation to third parties. The scope of such transactions is illustrated in detail in the following section.

Hypo Tirol Bank acts as a service provider on behalf of the Province of the Tyrol and manages the residential construction support loans. The counterparties of these loans are private applicants. Therefore, no further information in published in this relation. In addition, the company provides financial services (amounting to MEUR 341.7) for the Province of the Tyrol at terms customary in the market. Due to technical reasons, the amounts resulting from such transactions cannot be recorded separately, and it is impossible to obtain the respective information within reasonable time or at reasonable expense. For that reason, the separate illustration of the respective amounts is omitted. Advances and loans to directors, managers of companies included in the scope of consolidation and supervisory boards amounted to kEUR 551 (2019: kEUR 587) at the balance sheet date. This change entirely refers to additional payments in connection with a new credit, redemptions, interest charges and exchange rate fluctuations of existing credits.

Within the corporate group, the managing board members of the parent company are defined as management members with key positions. The active remuneration of the managing board of the parent company amounted to kEUR 947 (2019: kEUR 1,159). Severance payments for active managing board members amounted to kEUR 302 (previous year: kEUR 292). The active remunerations entirely refer to the current remunerations and thus, are classified as short-term due service expenses. Managing board members are not entitled to other categories of remuneration in accordance with IAS 24.17.

In the reporting year, the bank's pension-scheme expenses for former managing board members and their survivors, less payments in accordance with the General Social Insurance Act amounted to kEUR 197 (2019: kEUR 380).

The remunerations for Supervisory Board members in the 2020 fiscal year amounted to kEUR 86 (2019: kEUR 92).

Business relations with fully consolidated companies have been eliminated in the course of debt consolidation, and thus have not been disclosed under "transactions with associated companies". The amounts illustrated in "participating interest" refer to business relations with associated companies. Information contained in the table regarding "related parties" entirely refers to the owner, the Province of the Tyrol. Customary bank transactions concluded with companies being influenced by the Province are only contained in "receivables from clients" to an insubstantial extent.
Outstanding balances and the volume of business relations with associated companies in the past fiscal year are illustrated in the following charts.

Receivables from clients	**Associated companies**		**Participating interest**		**Related parties**	
in k EUR	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
As at 01-01	1 341	1 337	6 871	7 944	179 429	165 033
Credits granted during the year	0	0	0	0	210 000	47 000
Redemptions regarding receivables from credit transactions	0	0	-630	-1 073	-47 751	-33 056
Change regarding the scope of consolidation	0	0	0	0	0	0
Balance: redemptions, interest charges and exchange rate fluctuations of current credits	9	4	0	0	0	452
As at 12-31	**1 350**	**1 341**	**6 241**	**6 871**	**341 678**	**179 429**
Other credit risk transactions						
Assumption of liability	0	0	0	0	0	0

For outstanding balances with associated individuals as at 31 December 2020, collateral in the amount of kEUR 341,678 (2019: kEUR 179,315). Advances were not granted.

Liabilities to clients	Associated companies		Participating interest		Related parties	
In k EUR	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
As at 01-01	363	855	947	1 022	390 949	336 416
New credits	0	0	0	0	2	82
Redemptions	0	-492	-131	-475	-124 136	-16 009
Change regarding the scope of consolidation	0	0	0	0	0	0
Balance: redemptions, interest charges and exchange rate fluctuations of current liabilities	119	0	921	400	15 937	70 460
As at 12-31	**482**	**363**	**1 737**	**947**	**282 752**	**390 949**

On 31 December 2020, allowances in compliance with IFRS 9 referring to receivables from associated companies and individuals amounted to kEUR 0 (2019: kEUR 0). Furthermore, in the fiscal year no expenses for doubtful or non-performing receivables from associated companies or individuals were recorded.

(42) Information regarding leasing agreements

The following chart illustrates payment outflows in relation to the respective leases:

in k EUR	2020	2019
Expenses for real estate leasing	625	614
Expenses for assets with lower value	42	42
Total	**667**	**656**

The development of user rights in relation to leasing transactions in which Hypo Tirol Bank acts as lessee can be illustrated as follows:

2020	**Accounting value 01-01**	**Inflows**	**Depreciations**	**Accounting value 12-31**
Properties and buildings	1 213	4 030	-625	4 618
2019	**Accounting value 01-01**	**Inflows**	**Depreciations**	**Accounting value 12-31**
Properties and buildings	1 235	592	-614	1 213

User rights are illustrated as tangible assets. The following chart illustrates the maturity of leasing liabilities:

in k EUR	2020	2019
Up to 1 year	610	628
1 to 3 years	1 764	404
More than 3 years	2 346	184
Total	**4 720**	**1 216**

(43) Assets received as collateral

in k EUR	2020	2019
Actuarial reserve funds for debentures and communal debt securities	3 453 304	3 086 715
Financial assets	663 059	107 187
Assets received as collateral	**4 116 363**	**3 193 902**

Assets received as collateral are actuarial reserve funds for debentures and communal debt securities and ward money, pension provisions, central bank refinancing and repos. The requirements regarding these assets as collateral must be defined in a manner which complies with the legal regulations regarding the Banking Act and the Debenture Act (Pfandbriefgesetz).

(44) Segmental report

The corporate group's segmental report established by Hypo Tirol Bank AG is composed of the following criteria:

Private clients
This segment comprises the results from transactions in the sectors private clients and private banking and liberal professions in the Tyrolean core market. In addition, it includes results from customer relations with corporate and public-sector clients, provided that the service is performed by the branch office staff.

Corporate clients
This segment illustrates the results from business relations with corporate clients in the Tyrolean core market as well as the results from transactions in the markets of Vienna and Italy, with emphasis being put on transactions with corporate clients. Furthermore, this segment includes business relations with public clients and transactions in relation to insurance and leasing, with special focus on corporate clients. Since the associated companies are leasing companies, the results are assigned to the segment of corporate clients.

Treasury
This segment includes financial assets, trading assets and liabilities, derivatives, and issue businesses. In addition, it covers business relations with institutional clients and fund management operations.

Real estate and participating interest
In this segment, activities in the field of real estate and participating interest management are presented. The balance sheet items "non-current assets held for sale" accounting for kEUR 8,536 (2019: 10,265) is entirely recorded in the segment of real estate and participating interest.

Corporate centre
This segment illustrates income and expenses that cannot be classified elsewhere as well as consolidation items for eliminating the corporate group's internal profits and expenses. Internal support unit expenses are assigned to the profit generating segments via appropriate distribution keys.
In compliance with the management approach, the disclosed segments correspond to the business sectors in accordance with the internal profit and loss account.

Report by business type

2020	Private Customers	Corporate Customers	Treasury	Real estate and participating interest	Corporate centre	Total segments
in k EUR						
Net interest income	24 898	49 809	-387	2 645	1 227	**78 192**
Credit risk provision	-984	-22 044	7	0	0	**-23 021**
Net commission income	17 814	10 037	473	79	200	**28 603**
Income from financial assets and liabilities incl. Income from hedge accounting	0	94	-838	-2 358	5 504	**2 402**
Income from associated companies	0	-45	0	107	0	**62**
Administrative expenses	-35 689	-24 075	-6 295	-7 051	2 068	**-71 042**
Other operative income	1 943	5 767	3 381	11 513	-5 516	**17 088**
Other operative expenses	-168	-6 643	0	-5 466	-7 915	**-20 192**
Income before tax	**7 814**	**12 900**	**-3 659**	**-531**	**-4 432**	12 092
Tax on income and profit	-2 751	-4 541	1 288	187	1 560	**-4 257**
Segmental assets	1 677 726	4 223 696	2 525 761	177 206	166 725	**8 771 114**
Segmental liabilities	1 995 744	1 279 812	4 728 781	4 101	191 813	**8 200 251**
Equity						**570 863**
Risk adjusted assets	814 746	2 710 860	149 470	161 926	5 784	**3 842 786**

2019 adjusted	Private Customers	Corporate Customers	Treasury	Real estate and participating interest	Corporate Centre	Total segments
in k EUR						
Net interest income	22 563	50 193	5 831	4 495	438	**83 520**
Credit risk provision	-2 008	-14 237	11	32	0	**-16 202**
Net commission income	16 682	9 553	-14	107	-32	**26 296**
Income from financial assets and liabilities incl. Income from hedge accounting	0	666	1 632	602	6 831	**9 731**
Income from associated companies	0	-22	0	0	0	**-22**
Administrative expenses	-36 884	-21 968	-5 315	-1 026	-5 949	**-71 142**
Other operative income	2 039	5 778	0	6 243	1 496	**15 556**
Other operative expenses	-224	-9 505	0	-4 302	-7 029	**-21 060**
Income before tax	**2 168**	**20 458**	**2 145**	**6 151**	**-4 245**	26 677
Tax on income and profit	-273	-2 573	-270	-774	534	**-3 356**
Segmental assets	1 595 756	3 992 556	1 527 748	104 882	227 722	**7 448 664**
Segmental liabilities	1 859 483	1 209 431	3 591 453	6 362	215 549	**6 882 278**
Equity						**566 386**
Risk adjusted assets	789 231	2 593 554	172 808	116 785	53 312	**3 725 690**

Report by region

In the current fiscal year, Hypo Tirol Bank generated net interest income in Austria in the amount of kEUR 73,732 (2019: kEUR 79,033). As far as Italy is concerned, net interest income for 2020 amounted to kEUR 4,460 (2019: kEUR 4,487).

(45) Foreign currency volume and foreign countries involved

in k EUR	EUR	USD	CHF	JPY	Other	Total
Assets 2020						
Cash reserves	1 221 392	241	28 373	27	1 877	1 251 910
Receivables from credit institutions	30 580	12 612	12 979	2 284	5 348	63 803
Risk provision for receivables from credit institutions	-21	-3	-15	-2	-1	-42
Receivables from clients	5 912 479	182	184 147	18 977	4	6 115 789
Risk provision for receivables from clients	-94 941	0	-706	-556	0	-96 203
Derivatives	74 797	27	1 644	260	0	76 728
Other financial assets	1 172 273	1 050	131	0	81	1 173 535
Risk provision for other financial assets	-27	0	0	0	0	-27
Shares in associated companies	10 632	0	0	0	0	10 632
Investment properties	88 127	0	0	0	0	88 127
Intangible assets	1 796	0	0	0	0	1 796
Tangible assets	57 499	0	0	0	0	57 499
Other assets	13 197	0	0	0	0	13 197
Non-current assets held for sale	8 536	0	0	0	0	8 536
Deferred tax assets	5 834	0	0	0	0	5 834
Total assets	**8 502 153**	**14 109**	**226 553**	**20 990**	**7 309**	**8 771 114**
Liabilities and equity 2020						
Liabilities to credit institutions	1 706 947	1 892	229	186	696	1 709 950
Liabilities to clients	3 705 546	12 235	4 804	10	4 786	3 727 381
Liabilities evidenced by certificate	2 560 674	0	0	0	0	2 560 674
Derivatives	81 000	0	6 492	15	0	87 507
Provisions	47 541	0	0	0	0	47 541
Other liabilities	59 936	0	0	0	0	59 936
Current income tax liabilities	6 142	0	0	0	0	6 142
Deferred tax liabilities	1 120	0	0	0	0	1 120
Equity	570 863	0	0	0	0	570 863
Total liabilities and equity	**8 739 769**	**14 127**	**11 525**	**211**	**5 482**	**8 771 114**

in k EUR	EUR	USD	CHF	JPY	Other	Total
Assets 2019 adjusted						
Cash reserves	145 723	454	6 763	12	586	153 538
Receivables from credit institutions	63 817	16 489	12 005	4 253	5 135	101 699
Risk provision for receivables from credit institutions	-38	-1	-7	-1	0	-47
Receivables from clients	5 547 654	344	236 250	23 616	0	5 807 864
Risk provision for receivables from clients	-81 705	0	-872	-547	0	-83 124
Derivatives	67 562	3	26	241	0	67 832
Other financial assets	1 226 114	514	187	0	176	1 226 991
Risk provision for other financial assets	-22	0	0	0	0	-22
Shares in associated companies	7 580	0	0	0	0	7 580
Investment properties	79 840	0	0	0	0	79 840
Intangible assets	2 520	0	0	0	0	2 520
Tangible assets	50 874	0	0	0	0	50 874
Total assets	14 601	0	0	0	0	14 601
Non-current assets held for sale	10 265	0	0	0	0	10 265
Deferred tax assets	8 253	0	0	0	0	8 253
Total assets	**7 143 038**	**17 803**	**254 352**	**27 574**	**5 897**	**7 448 664**
Liabilities and equity 2019 adjusted						
Liabilities to credit institutions	549 758	2 095	172	815	852	553 692
Liabilities to clients	3 569 597	15 384	4 076	8	4 623	3 593 688
Liabilities evidenced by certificate	2 523 022	0	0	0	0	2 523 022
Derivatives	87 840	0	8 763	0	0	96 603
Provisions	42 520	0	0	0	0	42 520
Other liabilities	66 624	0	0	0	0	66 624
Current income tax liabilities	4 389	0	0	0	0	4 389
Deferred tax liabilities	1 740	0	0	0	0	1 740
Equity	566 386	0	0	0	0	566 386
Total liabilities and equity	**7 411 876**	**17 479**	**13 011**	**823**	**5 475**	**7 448 664**

The difference between assets and liabilities in the single currencies does not reflect the open foreign currency position of the banking group. Open foreign currency positions are hedged on the basis of derivative financial instruments such as currency swaps or cross currency swaps. Such hedges are shown In the IFRS balance, but not with the nominal value but with the market value.

The result from currency translation amounted to a total of kEUR 1,278 (2019: kEUR 978). In the profit or loss for the period kEUR 1,278 (2019: kEUR 978) and in other income kEUR 0 (2019: kEUR 0) were recorded. The accumulative balance in equity capital accounted for kEUR 0 (2019: kEUR 0). On 31 December 2020, the total of open foreign currency positions amounted to kEUR 1,057 (2019: kEUR 793).

in k EUR	2020	2019
Foreign assets	1 450 000	1 449 235
Foreign liabilities	257 269	260 577

(46) Subordinate assets

On 31 December 2020, Hypo Tirol Bank did not invest in subordinate assets. This also applies to the balance sheet date.

(47) Trust transactions

Trust assets

in k EUR	2020	2019
Receivables from credit institutions	0	0
Receivables from clients	80 852	61 193
Trust assets	**80 852**	**61 193**

Trust liabilities

in k EUR	2020	2019
Liabilities to credit institutions	80 852	61 193
Liabilities to clients	0	0
Trust liabilities	**80 852**	**61 193**

The designated trust transactions are export funds or ERP funds for which Hypo Tirol Bank has taken contingent liability against these institutions and has therefore included the respective assets and liabilities in its accounts in accordance with economical perspectives.

(48) Contingent liabilities and credit risks

Contingent liabilities

in k EUR	2020	2019
Liabilities from debt guarantees	105 481	97 697
Other contingent liabilities	55 999	50 263
Contingent liabilities	**161 480**	**147 960**

Contingent liabilities by maturity

in k EUR	2020	2019
Up to 3 months	3 156	1 182
3 months to 1 year	5 657	12 749
1 year to 5 years	46 677	28 130
More than 5 years	105 990	105 899
Contingent liabilities	**161 480**	**147 960**

Credit risks pursuant to Banking Act article 51 section 14

in k EUR	2020	2019
Other credit risks	973 432	995 403
Credit risks	**973 432**	**995 403**

Credit risk by maturity

in k EUR	2020	2019
3 months to 1 year	445 907	522 252
1 year to 5 years	527 525	473 151
Credit risks	**973 432**	**995 403**

These credit risks include loans which have been granted but not yet been used by clients; this primarily includes promissory notes in loan business, but also unused credit lines.

In addition to contingent liabilities described above, the following contingent liabilities exist:

- Liabilities resulting from the mandatory membership of the deposit protection company "Einlagensicherungsgesellschaft Einlagensicherung Austria GmbH " according to Deposit Insurance Act, article 8.

Pursuant to the Deposit Insurance Act article 8, section 1, Hypo Tirol Bank AG as a deposit accepting CRR institution headquartered in Austria belongs to the insurance institution in compliance with Deposit Insurance Act article 1, no 1t. Each insurance institution shall establish a deposit insurance fund comprising available financial means in the amount of at least 0.8% of the total of all covered deposits made by the member institutions. The membership contribution corresponds to the amount of all covered deposits based on pre-arranged risk factors (risk-based contribution calculation).

As far as the 2020 fiscal year is concerned, the contribution paid to Einlagensicherung Austria GmbH by Hypo Tirol Bank amounted to kEUR 2,564 (2019: kEUR 1,315). In 2020, Einlagensicherung Austria GmbH had to provide financial means for aggrieved investors. In order to fill the funds of Einlagensicherung Gmbh with the required amount of money within the statutory limitation period, all member institutions had to pay a higher contribution. Furthermore, Einlagensicherung Austria GmbH shall be liable - if financial means are not sufficiently available in order to cover claims - to levy special contributions from its member institutions. In compliance with Deposit Insurance Act article 22 (1), such special contributions may amount to an annual maximum of 0.50% of all covered deposits.

(49) Repos

The accounting value of retired securities designated in the balance sheet item “other financial assets” amounted to kEUR 0 (2019: kEUR 50.562). The inflow of liquidity from such repos is shown in “liabilities to credit institutions” and amounted to kEUR 0 (2019: kEUR 0).

(50) Personnel

Full-time equivalent

in k EUR	2020	2019
Full-time employees	386	410
Part-time employees	98	95
Apprentices	15	11
Employees	**499**	**516**

In 2020, the average number of employees accounted for 565 (2019: 585). Pursuant to the Austrian Enterprise Code article 245a (1) in connection with article 237 (1) no. 6 and article 266 no. 4 employees on maternity leave and managing board members are not considered in this context.

Advances, loans for board members and supervisory board members

At the balance sheet date, advances and loans for board members amounted to kEUR 42 (previous year: kEUR 45), while advances and loans for supervisory board members accounted for kEUR 510 (previous year: kEUR 542).

Expenses for remunerations, severance payments and pensions

Active remunerations for board members accounted for kEUR 947 (previous year: kEUR 1,159). In the reporting year, expenses for pensions and related benefits for former board members and their surviving dependants less ASVG (General Social Security) refunds amounted to kEUR 197 (previous year: (income) kEUR 380). Remuneration for supervisory board members amounted to kEUR 86 (previous year: kEUR 92). In the reporting year, actual expenses for severance payments and pensions for all remaining employees accounted for kEUR 1,275 (previous year: kEUR 2,212). Contributions paid to the pension fund accounted for kEUR 241 (previous year: kEUR 225).

(51) Events that occurred after the balance sheet date

From the end of the fiscal year to the preparation of the consolidated financial statements there were no events which would have influenced the asset, financial and profit situation of the group.

(52) Consolidated equity and supervisory requirements in relation to equity

Details regarding capital control are specified in the chapter financial risks and risk management. (Please see financial report chapter 3.4. "major risks and uncertainties".

Based on regulation (EU) No. 575/2013 (Capital Requirements Regulations – CRR) and the directive regarding the access to activities of credit institutions (Capital Requirements Directive 4 – CRD IV) consolidated equity capital and consolidates supervisory equity capital requirements shall be determined pursuant to IFRS but based on the consolidation circle. Within Hypo Tirol Bank AG, the supervisory scope of consolidation corresponds to the scope of consolidation in compliance with IFRS.

Consolidated equity pursuant to CRR/CRD IV

in k EUR	2020 CRR/CRD	2019 adjusted CRR/CRD
Subscribed capital	50 000	50 000
Reserves, differences	512 391	497 285
Prudential filter – value adjustments according to the requirements of a prudent valuation	-2 710	-1 427
Intangible assets	-1 797	-2 520
Common equity	557 884	543 338
Additional capital	0	0
Core capital (Tier I)	**557 884**	**543 338**
Deductions due to interests acc. to CRR art. 36 and art. 89	0	0
Accountable core capital	**557 884**	**543 338**
Capital instruments paid and subordinate loans	87 335	84 289
Supplementary equity, subordinate capital (Tier II)	**87 335**	**84 289**
Deductions due to interests acc. to CRR art. 66 (own interests supplementary capital	0	0
Accountable supplementary equity (less deductions)	**87 335**	**84 289**
Total accountable equity	**645 219**	**627 627**
Required equity	**307 423**	**298 217**
Equity surplus	**337 796**	**329 410**
Core capital rate in % acc. to CRR/CRD on the basis of total equity capital requirements	*14.52%*	*14.58%*
Equity rate in % acc. to CRR/CRD on the basis of total equity capital requirements	*16.79%*	*16.84%*

Required equity according to CRR/CRD IV

Categories of receivables	Risk-adjusted assets	Required equity CRR/CRD 2020	Required equity CRR/CRD 2019 adjusted
in k EUR			
Receivables from central states	14 585	1 167	1 238
Receivables from regional administrative bodies	1 330	106	29
Receivables from public institutions	11 170	894	96
High risk receivables	639 334	51 147	17 952
Receivables from institutions	37 307	2 985	4 493
Receivables from companies	1 053 079	84 246	99 961
Retail-receivables	334 441	26 755	27 992
Receivables secured by real estate	1 119 602	89 568	94 983
Overdue receivables	106 525	8 522	8 569
Receivables in the form of covered debt securities	43 263	3 461	3 419
Securitisation items	0	0	0
Receivables in form of investment fund shares	19 564	1 565	1 422
Participating interest items	14 938	1 195	1 856
Other items	233 409	18 673	18 488
Risk-adjusted assets	**3 628 547**	**290 284**	**280 498**
Required equity for operational risk		16 684	17 375
Required equity - CVA charge		455	344
Total required equity		**307 423**	**298 217**

Tabular list of subordinate liabilities on 31 December 2020:

ISIN-No.	Currency	Amount in EUR	Interest rate	Maturity	Constant issue
AT0000339684	ATS	5 087 098.39	6.00	2028-07-24	NO
AT0000A25KU9	EUR	10 000 000.00	growing	2029-01-21	YES
AT0000A2C0K9	EUR	3 000 000.00	2.80	2029-12-27	YES
AT0000A1GTJ6	EUR	10 000 000.00	Variable	2025-10-22	YES
AT0000A1NA80	EUR	10 000 000.00	Growing	2026-09-01	YES
AT0000A1U818	EUR	7 300 000.00	5.60	2029-03-10	NO
AT0000A1XA54	EUR	5 544 000.00	Growing	2027-08-03	YES
XS0132424028	EUR	20 000 000.00	Variable	2026-07-23	YES
AT0000A20260	EUR	10 034 000.00	Growing	2028-02-15	YES
AT0000A22EZ8	EUR	3 000 000.00	3.50	2029-08-08	YES
AT0000A2CFY1	EUR	3 213 000.00	Growing	2030-01-31	YES

Financial Risks and Risk Management

Risk management

Risk management is implemented and continuously improved by Hypo Tirol Bank AG and aims at safeguarding long-term success for Hypo Tirol Bank AG. Therefore, the requirements of ICAAP (Internal Capital Adequacy Assessment Process) as well as ILAAP (Internal Liquidity Adequacy Assessment Process) shall be fulfilled.

In this respect, the conditions for efficient risk management are defined by the total risk strategy, whereas risk culture and the risk appetite framework are defined by the managing board. Among others, the risk management process applied by Hypo Tirol Bank AG comprises the following elements.

- Risk identification
- Risk quantification
- Risk aggregation
- Risk monitoring and controlling

By employing this systematic risk management process, capital adequacy and liquidity adequacy, which correspond to the risk appetite are safeguarded.
In this context, the following major risks are quantified and actively controlled in order to guarantee such capital adequacy:

Risks
Credit risk incl. CCR Classic credit risk Macroeconomic credit risk incl. credit risk reducing measures CCR Risks from other assets Risk capital from participating interest relevant to the group's strategy Concentration risk
Market risk Interest risk Risk from equity instruments Credit spread risk Credit valuation adjustment (CVA) Risk arising out of termination rights of own issues
Liquidity risk incl. macroeconomic liquidity risk
Operational risk
Risk buffer Model risk and data quality risk

Subsequently, these risks are aggregated (total risk) and compared with the risk capacity. Concentration risks are controlled and limited in all risk types. Due to the local business model of Hypo Tirol Bank, a concentration of countries mainly exists in Austria. The proportion of foreign currencies in the volume of receivables amounts to < 5%. In connection with liquidity risk, the top 20 deposits are limited to 23%. We foster well established relations with clients who provide a high volume of deposits. The limits for single risks and risk capacity are determined by the managing board, monitored on a monthly basis and disclosed in the context of the overall bank management meetings. In case current developments or predictions require the implementation of measures, such measures are defined and implemented in terms of active risk control in a timely manner.

Credit risk and counter party credit risk

Definition
Hypo Tirol Bank AG defines credit risks as default risks arising out of non-securitized receivables and securitised receivables from third parties. The risks comprise receivables for Hypo Tirol Bank AG, which will not be paid as stated in the terms of the contract (i.e. amount, time). Credit risks may also result from specific forms of product design or from the application of measures to minimize credit risks.
Credit risk within Hypo Bank Tirol AG is evaluated on the basis of the going concern view and the liquidity view in compliance with the same method. Counter party credit risk (CCR), real-estate participation risk, risk from other assets, and macroeconomic credit risk and risk from credit risk concentrations are considered within the quantification of credit risk.
Credit risk (default risk) is controlled by credit risk management, which assesses the financial recovery and operation of non-performing loans. The operational portfolio is managed by the department of Law & Compliance.

Division of the portfolio by credit rating
The regular evaluation of our clients' credit rating is a systematic process and essential for controlling credit risk. The composition of the portfolio is evaluated on a quarterly basis and reported to the decision makers.
The proportion of the volume of receivables, which can be assigned to the segment of high-quality credit rating, ranging from outstanding credit rating and good credit rating, was further increased compared to the previous years and currently amounts to roughly 76%.
The proportion of the default segment could be further decreased by managing the portfolio in consistent, sustainable, and active manner; therefore, the non-performing loans rate developed positively and could be further reduced in the 2020 business year.

Division of the portfolio by regions
In the 2020 fiscal year, Hypo Tirol Bank AG succeeded in further expanding the volume of receivables in the defined core markets and in reducing the volume outside the defined core markets.
This is illustrated in note (19) receivables from clients by region.

Foreign currency proportion – receivables from clients
The positive development of the previous years could also be seen in the year 2020; thus, foreign currency volume was further reduced. Due to the specifications defined in our foreign currency policy, no new transactions in foreign currency with private clients are intended and with corporate clients only to a very restricted extent. Top priority is given to the further and consistent reduction of foreign currency volume.
The illustration of foreign currency volumes divided by balance sheet items can be found in note (45).

Development of repayment vehicle loans
The strategy to continuously reduce the portfolio of repayment vehicle loans was further pursued in 2020. The reduction was positively influenced by defined restrictions in relation to the granting of new loans and the management of the existing portfolio.

Development of the Nostro securities portfolios
In 2020, Nostro securities nearly maintained on the same level. Nostro securities, which are highly qualitative, are used by Hypo Tirol Bank AG to control liquidity.
The development of Nostro securities (by evaluation categories) is illustrated in note (21).

Reducing credit risk - collateral
In order to minimise the risk of loss, Hypo Tirol Bank AG aims at securing the volume of receivables in adequate manner. In this context, real estate collateral is the most important type of collateral. It is evaluated in compliance with the defined corporate standards and used in accordance with the existing catalogue in order to secure credit exposures.
A respective monitoring process, which is carried out by an independent institution, was established to ensure recoverability. The high quality of mortgage cover funds is also reflected by the external rating (Aa1 according to Moody's).

Risk provision policy

Early Warning System
In order to identify credit risk potentials as soon as possible, Hypo Tirol Bank AG established an early warning procedure, which is based on qualitative and quantitative risk criteria. The system allows to identify risks at an early stage and thus, appropriate measures can be taken in timely manner.

Non-Performing Loans (NPL)
According to the definition established by Hypo Tirol Bank AG and the definition in compliance with EBA key risk indicators, non-performing loans include loans in default in the supervisory category of receivables and restructuring and operating cases. Due to the further operation of the Italian portfolio it was possible to reach the positive development of the previous years and to further reduce the NPL rate essentially. On 31 December 2020 it accounted for 3.0% (previous year 2.9%).

Risk provision policy
Risk provision requirements are documented in a separate system. The system describes the responsibilities and particularly the process how to evaluate the required amount of the respective special allowance. For further information please see note (4). Additionally, contract adaptations, which are considered as forbearance measures (concessions concerning loan conditions to avoid value loss) are also a part of risk provision policy.

Market risk and interest rate risk

Definition
Hypo Tirol Bank AG describes market risk as the danger of losses, which result from changes in market prices. The term market risk refers to the following risk categories:

- Interest rate risk
- Risk from equity instruments
- Credit spread risk
- Credit valuation adjustment (CVA)
- Risk arising out of termination rights of own issues

Market risk control
Market risk control is managed by the treasury department. In this context, special attention is given to a balanced asset/liability management process in consideration of the resulting impact on the financial statement in accordance with the Austrian Commercial Code and IFRS. As far as interest rate risk is concerned, a risk report regarding the bank's net interest income (NII) is evaluated beyond the cash value perspective.

In order to reduce interest rate risk, Hypo Tirol Bank AG carries out hedge accounting, which allows to secure fixed interest loans, emissions, and securities of the bank's own portfolio as fair value hedges. The foundation for market risk control is formed by the Interest rate positioning and the interest rate risk which are evaluated on a monthly basis.

Interest rate risk and interest scenarios
Interest rate risk is divided in interest curve risk, interest rate re-fixing risk, base risk, and interest option risk.
As far as fluctuations in profit or economic values as stipulated in section 448 b, CRR, are concerned, a change concerning the cash value of the Hypo Tirol Bank AG portfolio (assets and liabilities) is evaluated by using shift scenarios of the interest curve. These scenarios include six scenarios, defined by the EBA guidelines for the management of interest rate risk arising out of non-trading book activities. Furthermore, additional control-relevant scenarios are observed.

Effects of market risk
The market risk of Hypo Tirol Bank AG comprises

- Interest risk
- Credit spread risk, and
- Risk from equity instruments

The P&L account of Hypo Tirol Bank AG shows a certain dependency of external market conditions, i. e. changes of the interest curve, changes regarding credit spreads and changes regarding the valuation of shares, alternative investment types and equity options.

With regard to interest risk, Hypo Tirol Bank AG examines the P&L-effects of the six scenarios according to the EBA guidelines for the management of interest rate risk arising out of non-trading book activities (EBA/GL/2018/02). In this context, there are two types of activities: activities that are evaluated at cost and hedge accounting derivatives, where cashflows are examined by using the six EBA scenarios. As far as activities at fair value are concerned, the cash values ae evaluated on the basis of the six scenarios. The following chart shows the impact of the 6 EBA scenarios on the P&L account of Hypo Tirol Bank AG on 31 December 2020.

Scenario (in EUR)	P&L cashflow effect	P&L cash value effect
EBA parallel up	8 351 112	-641 483
EBA parallel down	11 465 190	162 316
EBA steepener	1 371 333	773 052
EBA flattener	10 385 514	-338 435
EBA short rates up	11 794 504	-1 058 387
EBA short rates down	10 702 781	177 076

The credit spread extension of risk premiums resulted in price losses of held shares. Credit spread risk measures potential P&L-loses, which would be the result of such extensions of risk premiums and the consequent sale of bonds. If bonds are held to maturity, credit spread risk does not apply. Since the sale of the majority of the Hypo Tirol Bank AG portfolio was restricted for sale and will therefore be held to maturity, credit spread risk only play a subordinate role for Hypo Tirol Bank AG.

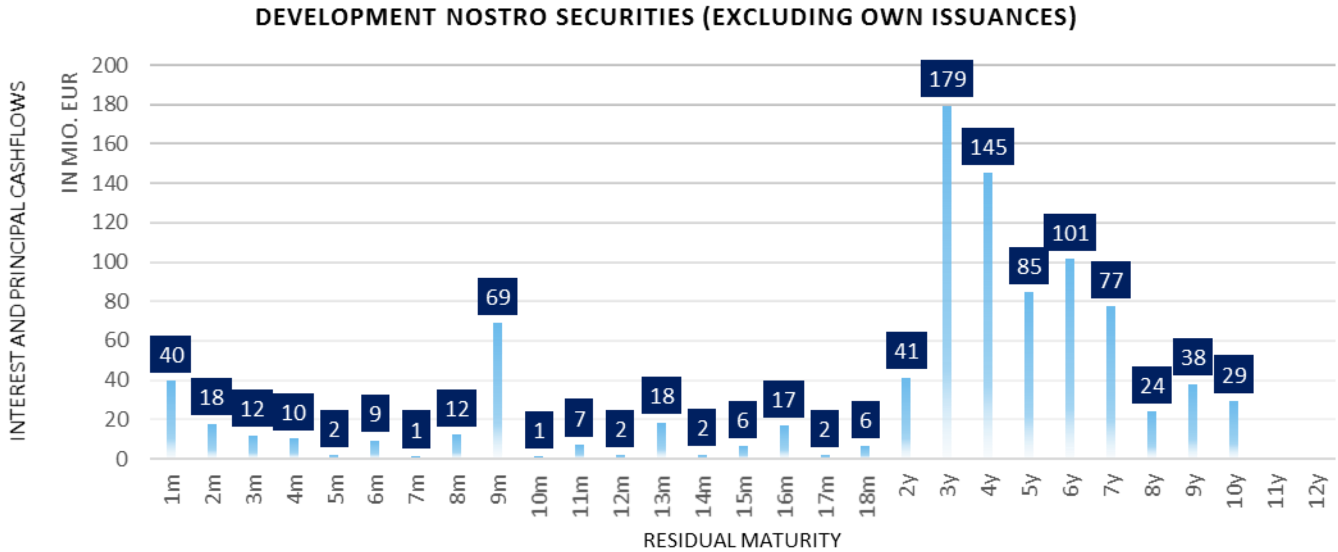
Risk from equity instruments: The portfolio of shares and alternative investment types and their collaterals, the equity options, are subject to price fluctuations. Regarding the quantification of the risk from equity instruments a probability distribution of possible price losses is observed. On 31. December 2020 the 95%-quantile of this distribution amounted to kEUR 1,609, respectively the 99,9% quantile to kEUR 5,356.

Liquidity risk

Definition
Liquidity risk is defined as the danger that current or future payments cannot be made or made in full, or in a timely manner or cannot be made without having to suffer unacceptably high losses. Liquidity risk distinguishes between short-term liquidity risk (up to one year) and long-term refinancing risk (more than one year).

Liquidity risk control
Hypo Tirol Bank AG quantifies and monitors short-term liquidity risk on the basis of the key figures of liquidity coverage potential (A'LCP) and the supervisory key figures of liquidity coverage ratio (LCR). The LCR forecast is integrated into liquidity risk management as an early warning instrument. In addition, LCR, liquidity buffer and liquidity sensitive products are monitored on a daily basis by means of the liquidity risk dashboard. Refinancing risk is quantified via structural liquidity risk and the supervisory key figure of NSFR (Net Stable Funding Ratio) and monitored via a refinancing monitoring system (comparison of planned/actual data). In 2020, the LCR key figure accounted for averagely 205%.

In 2020, in terms of a balanced risk-/income control, liquidity risk was declined via the inclusion of several TLTRO III tranches. As far as refinancing is concerned, Hypo Tirol Bank AG resorts to highly liquid collateral and available cover potentials in mortgage pools and local cover pools.



The maturity analysis of liabilities can be illustrated as follows:

Liabilities in MEUR	0-1 months	1-3 months	3-12 months	1-5 years
Customer deposits	3 385	30	67	96
Austrian National Bank tender	0	0	0	1 565
Repo	0	0	0	0
Secured issues	1	504	23	423
Unsecured issues	30	29	68	537

The Hypo Tirol Bank AG treasury department manages liquidity risk control.

Operational risk

Definition
Hypo Tirol Bank AG defines operational risk as the danger of loss caused by the inappropriateness or failure of internal procedures, individuals, systems, or external events. Moreover risks arising out of information and communication technologies (ICT) are also defined as operational risks. Strategic risks and reputation risks are excluded whereas legal risks are included.
The following instruments are employed to control operational risks:
- Damage date base
- Risk inventories (self-assessment)
- Communication and training programmes

The employment of these tools ensures a comprehensive control of operational risks within Hypo Tirol Bank AG. In addition, the following tools and methods are applied to minimise operational risks:
- Internal control systems
- Clearly documented internal guidelines (“instructions”)
- Allocation and limitation of decision-making competences
- Separation of functions (“four eyes principle”) and avoiding of interest conflicts regarding essential risk-relevant processes
- Continuous assurance and improvement of employee’s skills in the context of vocational education and training (human resource development)
- Employment of modern technologies
- Risk insurance

Excessive debt risk

Definition
Hypo Tirol Bank AG defines the debt quota as the quotient from the measured quantity of core capital and the overall risk position quantity. The control of this key figure is ensured by integrating it into the planning process. Consequently it can be limited.

Macroeconomic risk

Definition
Macroeconomic risks are loss potentials resulting from exposure against macro-economic risk factors. Risk factors are i.e. unemployment rate, GDP development, etc., and their respective impact on different business sectors of the bank. Hypo Tirol Bank AG assumes that risks resulting from a macro-economic environment are substantially reflected in the following factors:
- Currency risk
- Possibility of default on the part of the clients
- Recoverability of credit collateral
- Market volatilities

In order to determine risk values for macroeconomic risks, these parameters are stressed, and additional unexpected losses are calculated in the context of this scenario.

Risk management organisation

The managing board determines the overall risk strategy, the specified risk appetite framework, the risk limits, and the risk manual of Hypo Tirol Bank AG, which documents on the risk management process. Hence, the strategy is presented to and concluded by the supervisory board.
Within the corporate group’s managing board, the determined manager, who is responsible for business transactions, takes the responsibility for the further development of risk management and takes the leading position in the context of strategic risk management and in risk controlling. Hence, risk control shall report to the managing board.
The supervisory board, respectively its subcommittee (risk committee) is responsible for the regular monitoring of the corporate group’s management and the continuous evaluation of the risk management system operated by Hypo Tirol Bank AG.
In this respect, the managing board informs the supervisory board respectively the risk committee in pre-defined intervals about the risk situation of the corporate group and the risk management analysis. By doing so, the monitoring function administered by the supervisory board/risk committee is safeguarded.
The risk controlling executive department is responsible for the development and the continuous improvement process of risk management systems. It identifies, qualifies, monitors and controls major risks and risk covering potentials as well as short term liquidity to ensure capital- and liquidity adequacy. In this context, proposals regarding risk and portfolio control are made and monitoring is conducted on the basis of defined internal reports. While risk management in production units is basically performed on the single item level risk controlling deals with risk management on portfolio level.
The central internal committee, which is responsible for active bank-wide control, organises the bank-wide control meeting on a monthly basis. The members of this committee are the general managing board, the head of the treasury department, the head of the accounting department, the head of the controlling department, the head of the audit executive department as well as the head of the risk controlling executive department.
The work of the committee is complemented by a comprehensive reporting system; in this context, reports are forwarded to the decision makers at least once a month.

Procedure to Quantify Risks and Risk Cover Potentials

Types of risk/risk parameter	Going concern view	Liquidation view
Confidence level	95%	99.9%
Period of observation	1 year	1 year
Credit risk: classic credit risk	Modell strongly complies with IRB approach of CRR	Modell strongly complies with IRB approach of CRR
Credit risk: counter party credit risk	Liquidation view values are scaled to confidence level	Risk value from pillar I for CCR
Credit risk: risk capital from participating interest relevant to the group's strategy	Mixed approaches: IRB approach, risk weight approach	Mixed approaches: IRB approach, risk weight approach
Credit risk: concentration risk, concentration of names, concentration of sectors	Granularity adjustment for concentration of names. Liquidation view values are scaled to confidence level for concentration of sectors.	Granularity adjustment for concentration of names. Risk value for concentration of sectors evaluated by means of the Herfindahl-Hirschmann-Index.
Credit risk: macroeconomic credit risk	Stress tests on components of credit risk	Stress tests on components of credit risk
Credit risk: risk from other assets	Liquidation view values are scaled to confidence level	Risk values from pillar I (risk weight approach)
Market risk: interest rate risk	Monte Carlo simulation of interest rate curve, scenario cash flows or cash values or cash flows of the 95% quantile of the main direction of interest rate curve movements.	Monte Carlo simulation of interest rate curve, scenario cash values of the 99.9% quantile of the main direction of interest rate curve movements.
Market risk: risk from equity instruments	Monte Carlo simulation (GARCH) of future prices, 95% quantile of potential losses	Monte Carlo simulation (GARCH) of future prices, 99.9% quantile of potential losses
Market risk: credit spread risk	Monte Carlo simulation (exponentially Vasicek) of future spreads losses in 95% quantile of simulated spreads	Monte Carlo simulation (exponentially Vasicek) of future spreads losses in 99.9% quantile of simulated spreads
Market risk: CVA	According to CRR, risk value scaled to confidence level 95%	According to CRR, risk value scaled to confidence level 99.9 %
Market risk: risk arising out of termination rights	Cash value losses, in case termination rights are exercised for securities and their hedges	Cash value losses, in case termination rights are exercised for securities and their hedges
Liquidity risk	Increased refinancing under spread shock	Increased refinancing under spread shock
Liquidity risk: macroeconomic liquidity risk	Stress tests on components of liquidity risk	Stress tests on components of liquidity risk
Operational risk	Liquidation view values are scaled to confidence level	Risk values from pillar I (base indicator approach)
Risk buffer **Unknown risks and model risk**	Percentage of other risks, minimum value	Percentage of other risks, minimum value

Risk report

Risk capacity
The quantification of risks and risk cover potentials is carried out on the basis of the going concern view and the liquidation view on a monthly basis. Internal monthly reports are presented in the management meeting.

Going concern view

New structure risks	Incl. restatement	New structure	Incl. restatement
Economic capital	**Ø 2020**	**Ø 2019**	**Ø 2019**
Credit risk	40.4%	36.4%	27.3%
Market risk	12.2%	22.1%	20.5%
Liquidity risk	1.2%	0.7%	0.7%
	NA	NA	3.9%
Operational risk	8.4%	8.3%	8.3%
	NA	NA	4.7%
	NA	NA	0.8%
Risk buffer	2.4%	2.3%	2.3%
Risk capital from participating interest relevant to the group's strategy	NA	NA	1.2%
Total economic risk	**64.6%**	**69.8%**	**69.7%**
Risk cover potential	100.0%	100.0%	100.0%
Available cover assets	**35.4%**	**30.2%**	**30.3%**

Liquidation view

New structure risks	Incl. restatement	New structure	Incl. restatement
Economic capital	**Ø 2020**	**Ø 2019**	**Ø 2019**
Credit risk	32.9%	31.4%	25.1%
Market risk	4.5%	7.4%	6.8%
Liquidity risk	0.6%	0.4%	0.4%
Macroeconomic risk	NA	NA	3.3%
Operational risk	2.7%	2.8%	2.8%
Risk from other assets	NA	NA	1.6%
Concentration risk	NA	NA	0.4%
Risk buffer	5.3%	1.8%	1.8%
Risk capital from participating interest relevant to the group's strategy	NA	NA	1.6%
Total economic risk	**46.0%**	**43.8%**	**43.8%**
Risk cover potential	100.0%	100.0%	100.0%
Available cover assets	**54.0%**	**56.2%**	**56.2%**

Short-term liquidity risk
Short-term liquidity risk is quantified and monitored within one day (intraday liquidity) but also via the daily liquidity dashboard. In this respect, liquidity sensitive products, intraday liquidity, daily LCR as well as conditioning on the liabilities side are monitored and reported to the managing board and further recipients. In connection with the COVID-19 pandemic, the daily reporting system was adjusted and the monitoring of bank withdrawals from Hypo Tirol Bank AG automatic tellers was added.

Stress test results
Stress tests represent one of the key elements to identify and quantify imminent risks. Stress tests for single risk types – bank wide stress tests and reverse stress tests – were established by Hypo Tirol Bank AG and serve as essential controlling tools. Stress test results are discussed in the internal committees, in the supervisory board and in the risk committee and corresponding measures are taken, if applicable.

Ad-hoc report
As far as special issues are concerned or in case separate reports are required for particular developments to guarantee regular information exchange, the reports are established by the risk controlling department and provided for decision-makers.

COVID-19 information

Measures taken within Hypo Tirol
Immediately after the outbreak of the COVID-19 pandemic, the resources of Hypo Tirol Bank AG's risk monitored units were pooled into a work group in a target-oriented manner.
In a first step, all legal and supervisory requirements in connection with the COVID-19 pandemic were structured and the, respective measures were taken in order to guarantee a smooth implementation of legal financial assistance for the clients of Hypo Tirol Bank AG.
In a second step, an initial risk assessment was carried out, and credit risk, market risk and liquidity risk were monitored in an even stricter way.

- In relation to credit risk, the risk monitoring units identified branches/sectors and clients that were jeopardised due to COVID-19. Subsequently, these sectors and clients were thoroughly analysed in the context of COVID-19 stress tests. The estimates for the sectors and clients and the corresponding stress tests were repeated and respective measures were initiated.
- In relation to market risk, the monitoring frequency of the early warning indicator for credit spreads was adjusted to daily.
- In relation to liquidity risk, doubt on the part of the clients regarding the cash supply of the Austrian banking industry was identified in the context of the first lockdown. For that reason, the existing daily liquidity risk report system (daily liquidity risk

dashboard) was extended by a monitoring process regarding cash withdrawals in the branch offices and at the automatic tellers of Hypo Tirol bank AG. Furthermore, liquidity risk was thoroughly analysed in the context of stress tests, and it was ensured that the branch offices and the automatic tellers would provide sufficient cash at any time. Due to the comfortable liquidity resources of Hypo Tirol Bank AG, no additional measures were required which have affected the assets, the financial and earnings position of Hypo Tirol Bank AG.

Effects of the COVID-19 pandemic
The first reaction to the outbreak of the COVID-19 pandemic was that the PiT was adjusted in such a manner, that the PiT-PDs collided with the TTC-PDs. In light of the uncertainty regarding the further course of the crisis, this was justified. At the same time, a review of the model was initiated. The review has shown that the methods and assumptions of the PiT adjustments were correct. Nevertheless, during the 2020 business year, it was identified that the inflation rate and GDP would also have effects on the losses in the portfolio of Hypo Tirol Bank AG. For that reason, the number of relevant macroeconomic indicators was increased. The forecast of these new models on the basis of forecasts carried out by the OeNB (Austrian central bank) showed a clearly higher risk provision (for transactions on- and off-balance sheet).

Key date	RP Stage 1&2 (excl. post-model-adjustment)	Note
December 2019	11.4 million	Prior to the pandemic
June 2020	14.4 million	Increase of PiT-adjustments
December 2020	21.1 million	New models & forecasts

Methods and assumptions regarding the evaluation of fair value
The fair value evaluation of level 3 assets contains the same characteristics and limits like the above-mentioned evaluation of risk provision. Fair value and risk provision are both evaluated by means of the same predicted defaults (PDs) and LGDs. The adjustments mentioned above were made in relation to the COVID-19 pandemic and thus, also apply to the evaluation of fair value. A sensitivity analysis for fair value evaluation is presented in the annex. In this context, effects of rating downgrades or upgrades by one level are quantified. For further specified information and quantitative effects caused by the COVID-19 pandemic please see the notes.

Report on the major characteristics of the internal control and risk management system, in particular with regard to the preparation of the financial statements

Definitions
The risk management system administered within the corporate group comprises all activities which help to identify, analyse, and evaluate business risks and to take appropriate measures accordingly to prevent such risks from affecting the company in a negative way. The internal control system (ICS) represents all principles, procedures and measures which contribute to protect the assets of the company, to guarantee proper preparation of the financial statement and to ensure compliance with all legal provisions. Hypo Tirol Bank describes the internal control and risk management system concerning the preparation of financial statements as a system that was designed to guarantee the proper, reliable and timely preparation of internal and external financial statements in accordance with all legal provisions. In this context, the process of preparing financial statements is not limited to regular reporting of interim and end-of-year financial statements, it also comprises orderly bookkeeping records of all relevant data regarding their origin, their processing and their adopting into the internal company reports and external financial statement.

Objectives
The managing board of Hypo Tirol Bank AG is responsible for the establishment and the maintenance of an appropriately equipped internal control and risk management system (ICS).
In order to exercise this responsibility properly, an ICS coordinator has been appointed. The area of responsibilities of this function comprises the standardisation and systematisation of all existing internal control systems and the summary of individual measures and the subsequent transfer to an overall and unified internal control system. The evaluation of the effectiveness of the internal control system is based on the criteria specified in the working paper "Internal Control - Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO I).
The purpose of the ICS in relation to the preparation of financial statements is to recognise risks inherent to the process and to properly prepare annual financial statements in compliance with all regulations by employing a control system.
The ICS manual serves as the basis regarding these regulations, guidelines and directives and provides the systematic structure to implement a cross-departmental coherent control system.

ICS components in the context of the preparation of the financial statements
The control environment serves as the structure in which the ICS can be operated. The major instruments of the control environment are regulations of structural and operational processes which adhere to the separation-of-functions principle and the four-eye principle. Furthermore, standardised qualification and training programmes held for staff members guarantee that the qualification level which is required for the respective position is guaranteed. Besides that, a number of instruments also guarantee the integrity and ethical conduct of single employees. Responsibilities and competences are regulated by the organisation manual, the process map and job descriptions.
Effective risk assessment is built on corporate objectives. Risk assessment in compliance with the strategic dimensions of the COSO model is conducted by the risk controlling department on an annual basis. According to such risk assessment, ICS-relevant processes within Hypo Tirol Bank AG are defined and reviewed on an annual basis.
With regard to efficient risk assessment in the context of preparing the financial statements, our corporate objectives in relation to financial reporting serve as the foundation. The foremost goal of financial reporting is the process of preserving and informing. The legally fixed principle of communicating a true and fair view of the assets, the financial position and the profit situation is given top priority in this respect.
In order to minimize the risk of substantial misstatements in describing transactions in the process of preparing financial statements risks have been identified and ICS controls have been outlined in the context of process evaluations. The ICS monitoring guarantees the correctness, the transparency and the efficiency of controls and the proper operation of the total process.
Special attention is given to the loan business and the bank’s own transactions in the field of investment.
Regarding the computerised processing of our business activities we are supported by the General Computing Centre (ARZ - Allgemeines Rechenzentrum). ARCTIS software solution is the central HOST system, which is used for the daily banking business. Standard solutions such as GEOS, SAP, etc. serve as sub-systems. Cognos Consolidator (consolidation software) supports the preparation of the consolidated financial statements. In addition, access regulations, strict data security specifications and automatic adjustment controls are just a few examples for control measures which are applied in the entire IT landscape of Hypo Tirol Bank AG.

Information channels have been designed in such a way that all relevant information can be distributed in reliable, timely and objective manner. They include tools such as portal news, intranet, managing board e-mails, document distribution via Intranet platforms, control calendars as well as internal seminars and training workshops.
Moreover, institutional information channels in the context of management reports help to make business activities and their corresponding inherent risks transparent and demonstrate the development of earnings. The managing board has the obligation to submit quarterly prepared reports on the profit and risk situation to the supervisory board and the auditing committee as well as to provide the financial statements according to the provisions stipulated in the Austrian Company Code and the consolidated financial statements according to IFRS.
The ICS of the corporate group is regularly monitored in accordance with the "3 lines of defence" model. The ICS coordinator establishes an annual report for the managing board. This particular report includes information on ICS relevant processes, the results, the reviews and the intended measures regarding the further development of the ICS. During their rotational meetings with the managing board, the supervisory board and the audit committee are also provided with the respective information regarding the status of the ICS in the context of their supervisory function.

Information based on Austrian Law

(53) Legal basis in Austria

In accordance with Banking Act, article 59a in conjunction with Austrian Commercial Code article 245a, sec. 1 compulsory consolidated financial statements shall be prepared in compliance with IFRS standards, as applicable in EU countries. On a supplementary basis, pursuant to Banking Act article 59a, the details according to Banking Act, article 64, sect. 1, lines 1-15 and sect. 2 as well as Austrian Commercial Code article 245a, sect. 1 and 3 must be included in the consolidated financial statements.

A full list of the corporate group's participating interest is illustrated in section VII (participating interest).

(54) Dividends

In the 2020 fiscal year, dividends in the amount of kEUR 0 were paid. The annual net income generated in the 2020 fiscal year accounted for kEUR 3,003 (2019: kEUR 11,719). After endowment of reserves amounting to kEUR 3,000 (2019: kEUR 1,650) and after addition of profit brought forward in the amount of kEUR 10,134 (2019: kEUR 65) the usable net profit amounted to kEUR 10,137 (2019: kEUR 10,134).

The managing board of Hypo Tirol Bank gave its consent to publish the consolidated financial statement on 12 March 2021.

(55) Classification of securities in compliance with the Austrian Banking Act

The following chart illustrates the classification of securities according to Banking Act article 64 sect. 1 no. 10 and no. 11, on the respective balance sheet date:

	Not quoted		Quoted		Total	
in k EUR	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Debt securities and other fixed-interest securities	18 453	27 999	123 086	164 385	141 539	192 384
Shares and other non-fixed interest securities	16 856	19 086	5 499	5 662	22 355	24 748
Participating interest	5 172	5 365	0	0	5 172	5 365
Shares in associated companies	29 493	29 446	0	0	29 493	29 446
Financial assets	6 790	19 730	996 740	978 883	1 003 530	998 613
Total securities according to Banking Act	**76 764**	**101 626**	**1 125 325**	**1 148 930**	**1 202 089**	**1 250 556**

In compliance with Banking Act article 56, sec. 2, the difference of securities with properties of financial instruments amounted to kEUR 1,349 (2019: kEUR 1,395) and in compliance with Banking Act article 56 sec. 3 it amounted to kEUR 275 (2019: kEUR 273). The predicted amortization for 2021 accounted for kEUR 199,767 (2020: kEUR 212,436). Subordinate and supplementary capital amounted to kEUR 0 (2019: kEUR 0).
In the forthcoming year, liabilities evidenced by certificate with a nominal value in the amount of kEUR 625,871 (2020: kEUR 179,012) will mature and fall due.

(56) Country by country report

In compliance with Banking Act article 64, section 1 no 18 the following Country by Country Report regarding the branch office in Italy is illustrated. The branch office is operated as an EU-branch office without legal entity and its offices are located in Bolzano, Bressanone and Merano. In Italy, Hypo Tirol Bank works in the field of investment and property financing for private clients as well as in the field of real estate financing and leasing for companies.

Net interest income corresponds to net interest income prior to risk provision. Operating income includes net commission income, trading result and other operating income. The number of employees refers to the full-time equivalent.

in k EUR	2020	2019
Net interest income	4 548	4 479
Operating income	5 957	5 989
Annual result before tax	-2 033	-10 446
Tax on income and profit	-465	-465
Public aid received	-	-
	2020	**2019**
Number of employees	19	21

(57) Disclosure

Comprehensive information regarding organisational structure, risk management, risk capital situation, corporate governance and remuneration policy in accordance with CRR part 8 no. 431–455 in connection with Banking Act article 65a are published on the website of Hypo Tirol Bank.

For detailed information please see:
www.hypotirol.com/Unternehmen/Recht&Sicherheit - Offenlegung CRR Teil 8 Artikel 431–455“ (download).

Executives

Supervisory board members			
Chairman	Mag. Wilfried STAUDER	Volders	
1st Vice chairman	Dr. Jürgen BODENSEER	Innsbruck	until 2020-06-09
1st Vice chairman	Mag. Franz MAIR	Münster	since 2020-06-09
2nd Vice chairman	Mag. Franz MAIR	Münster	until 2020-06-09
2nd Vice chairman	Ao. Univ.-Prof. Dr. Erich PUMMERER	Axams	since 2020-06-09
Further members	Mag. Manuela GROß	Graz	
	Dr. Ida HINTERMÜLLER	Innsbruck	until 2020-06-09
	MMag. Daniel MATHOI	Munich	
	Mag. Beate OPPERER-PFLEIDERER	Telfs	
	Ao. Univ.-Prof. Dr. Erich PUMMERER	Axams	until 2020-06-09
	Mag. Manfred TSCHOPFER	Natters	since 2020-06-09
Delegated by the works council	Mag. Gabriele HILBER, works council chairwoman	Innsbruck	
	Stefan KNOFLACH	Hall in Tirol	
	Andreas PEINTNER	Ellbögen	
	Peter PICHLER	Zirl	

Managing board members		
Chairman	Johann Peter HÖRTNAGL	Trins
Managing board member	Mag. Johannes HAID	Absam
Managing board member	Mag. Alexander WEISS	Axams

Representatives of the Supervisory Authority		
State Commissioner	Hofrat Mag. Siegfried MANHAL	Vienna
Deputy State Commissioner	Amtsdirektorin Regierungsrätin Christine STICH	Vienna

Trustees		
Trustee according to Pfandbrief Act	Dr. Klaus-Dieter GOSCH	Innsbruck
Trustee according to Pfandbrief Act	AD RR Erwin GRUBER	Vienna

VII. Participating Interest

Companies that are fully consolidated in the financial statements:

Company name, location	Core business	Capital share in % 2020	Voting rights in % 2020	Capital share in % 2019	Voting rights in % 2019	Date of financial statements	Change in comparison to 2019
HYPO TIROL LEASING GMBH, Innsbruck	Leasing company	100.00%	100.00%	100.00%	100.00%	2020-12-31	
Hypo-Rent Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	100.00%	100.00%	100.00%	100.00%	2020-12-31	
Hypo-Rent Gebäudeleasing 1987 Gesellschaft m.b.H., Innsbruck	Leasing company	100.00%	100.00%	100.00%	100.00%	2020-12-31	
Hypo-Rent Immobilienverwaltungs-Gesellschaft m.b.H., Innsbruck	Leasing company	100.00%	100.00%	100.00%	100.00%	2020-12-31	
Hypo-Tirol Mobilienleasing Gesellschaft m.b.H., Innsbruck	Leasing company	100.00%	100.00%	100.00%	100.00%	2020-12-31	
Hypo-Tirol Mobilienleasing II Gesellschaft m.b.H., Innsbruck	Leasing company	100.00%	100.00%	100.00%	100.00%	2020-12-31	
Hypo-Rent Liegenschaftsanlage-Gesellschaft m.b.H., Innsbruck	Leasing company	100.00%	100.00%	100.00%	100.00%	2020-12-31	
Hypo-Rent II Grundverwertung GmbH, Innsbruck	Leasing company	100,00%	100,00%	100,00%	100,00%	2020-12-31	
Beteiligungs- und Finanzierungsgesellschaft m.b.H., Innsbruck	Associated company	100.00%	100.00%	100.00%	100.00%	2020-12-31	
Hypo Tirol Versicherungsmakler GmbH, Innsbruck	Insurance broker	100.00%	100.00%	100.00%	100.00%	2020-12-31	
HYPO TIROL INVEST GmbH, Innsbruck	Associated company	100.00%	100.00%	100.00%	100.00%	2020-12-31	
Hypo Tirol Leasing Wiener Betriebsansiedlungen GmbH, Innsbruck	Leasing company	100.00%	100.00%	100.00%	100.00%	2020-12-31	
Liegenschaftstreuhand GmbH, Innsbruck	Leasing company	100.00%	100.00%	100.00%	100.00%	2020-12-31	
L2 Errichtungs- und Vermietungsgesellschaft mbH, Innsbruck	Leasing company	100.00%	100.00%	100.00%	100.00%	2020-12-31	
Autopark Grundverwertungs GmbH, Innsbruck	Realities management	100.00%	100.00%	100.00%	100.00%	2020-12-31	
Alpen Immobilieninvest GmbH, Innsbruck	Real estate rental	100.00%	100.00%	100.00%	100.00%	2020-12-31	
HTL Deutschland GmbH, Kulmbach	Leasing company	100.00%	100.00%	100.00%	100.00%	2020-12-31	
ERFOLG Liegenschaftsvermietungs GmbH, Innsbruck	Leasing company	100.00%	100.00%	100.00%	100.00%	2020-12-31	
VBC 3 Errichtungs GmbH, Wien	Leasing company	100.00%	100.00%	100.00%	100.00%	2020-12-31	
Tirol Immobilien und Beteiligungs GmbH (IBG), Bozen	Associated company	100.00%	100.00%	100.00%	100.00%	2020-12-31	
Hebbel Projektentwicklung Gesellschaft mbH, Innsbruck	Leasing company	100.00%	100.00%	100.00%	100.00%	2020-12-31	
Hypo-Rent Betriebsansiedlungsgesellschaft m.b.H., Innsbruck	Leasing company	100.00%	100.00%	100.00%	100.00%	2020-12-31	
Berger Truck Service Verwaltungs GmbH, Innsbruck	Leasing company	100.00%	100.00%	100.00%	100.00%	2020-12-31	
HTI Immobilienverwaltungs-GmbH, Innsbruck	Real estate rental	100.00%	100.00%	100.00%	100.00%	2020-12-31	
Hypo Immobilien Betriebs GmbH, Innsbruck	Realities management	100.00%	100.00%	100.00%	100.00%	2020-12-31	
Landhaus-Parkgaragen GmbH, Innsbruck	Real estate rental	100.00%	100.00%	100.00%	100.00%	2020-12-31	
Landhaus-Parkgaragen GmbH & Co. KG, Innsbruck	Real estate rental	100.00%	100.00%	100.00%	100.00%	2020-12-31	
Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H., Innsbruck **	Leasing company	51.00%	51.00%	51.00%	51.00%	2020-12-31	
TKL VIII Grundverwertungsgesellschaft m.b.H., Innsbruck *	Leasing company	51.02%	51.02%	51.02%	51.02%	2020-12-31	

* According to a syndicate agreement the proportion of the profit of TKL VIII amounts to 33.3%
**According to a syndicate agreement the proportion of the profit of Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H. amounts to 50.0%

Companies that are included in the consolidated financial statements in accordance with the equity method:

No quoted market price was available for any of the companies included in the consolidated financial statements in accordance with the equity method.

As far as the below listed companies are concerned, Hypo Tirol Bank AG owns 33.33% of the voting rights, thus the counter parties can overrule Hypo Tirol Bank at any time. Hypo Tirol Bank has substantial influence in terms of financial and geopolitical decisions. All mentioned indicators, according to IAS 28.6 (sections a and b) confirm the classification "associated company".

Company name, location	Core business	Capital share in % 2020	Equity in k EUR	Date of financial statements
Lorit Kommunalgebäudeleasing Gesellschaft m.b.H., Innsbruck	Leasing company	46.60%	43	2020-12-31
TKL II Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	46.60%	-54	2020-12-31
TKL V Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	33.33%	1 182	2020-12-31
TKL VI Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	33.33%	-62	2020-12-31
TKL VII Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	33.33%	134	2020-12-31
Seilbahnleasing GmbH, Innsbruck	Leasing company	33.33%	285	2020-12-31
ARZ Allgemeines Rechenzentrum GmbH, Innsbruck	IT-Services	32.70%	9 000	2010-12-31

Company name, location	Core business	Capital share in % 2019	Equity in k EUR	Date of financial statements
Lorit Kommunalgebäudeleasing Gesellschaft m.b.H., Innsbruck	Leasing company	46.60%	30	2019-12-31
TKL II Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	46.60%	-46	2019-12-31
TKL V Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	33.33%	441	2019-12-31
TKL VI Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	33.33%	33	2019-12-31
TKL VII Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	33.33%	94	2019-12-31
Tiroler Landesprojekte Grundverwertungs GmbH, Innsbruck	Leasing company	33.33%	0	2019-12-31
Seilbahnleasing GmbH, Innsbruck	Leasing company	33.33%	153	2019-12-31

Date regarding companies with non-controlling interest

The following chart illustrates financial data of the companies with non-controlling interest.
All amounts are illustrated in kEUR.

2020	Future assets	Non-current assets	Current liabilities	Non-current liabilities	Turnover	Net income from continued business operations	Income from discontinued business operations after tax	Net income	Other income	Total income	Dividends received
in k EUR											
Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H., Innsbruck	444	6 159	520	4 468	2 820	925	0	925	0	925	0
TKL VIII Grundverwertungsgesellschaft m.b.H., Innsbruck	459	45 557	1 502	43 718	2 558	133	0	133	8	141	0

2019	Future assets	Non-current assets	Current liabilities	Non-current liabilities	Turnover	Net income from continued business operations	Income from discontinued business operations after tax	Net income	Other income	Total income	Dividends received
in k EUR											
Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H., Innsbruck	8	15 378	616	13 430	2 218	277	0	277	0	277	0
TKL VIII Grundverwertungsgesellschaft m.b.H., Innsbruck	106	49 352	1 494	47 302	2 846	231	0	231	0	239	0

Data regarding associated companies

The following chart illustrates financial date of associated companies.
All amounts are illustrated in kEUR.

2020 in k EUR	Future assets	Non-current assets	Current liabilities	Non-current liabilities	Turnover	Net income from continued business operations	Income from discontinued business operations after tax	Net income	Other income	Total income	Dividends received
Lorit Kommunalgebäudeleasing Gesellschaft m.b.H., Innsbruck	16	3 370	255	3 087	197	13	0	13	0	13	0
TKL II Grundverwertungsgesellschaft m.b.H., Innsbruck	0	1 404	1 237	5	47	-8	0	-8	0	-8	0
TKL V Grundverwertungsgesellschaft m.b.H., Innsbruck	1 488	1 260	15	1 551	1 603	1 132	0	1 132	0	1 132	0
TKL VI Grundverwertungsgesellschaft m.b.H., Innsbruck	148	14 439	163	9 403	586	-95	0	-95	0	-95	0
TKL VII Grundverwertungsgesellschaft m.b.H., Innsbruck	353	2 932	1 157	1 994	285	39	0	39	0	39	0
Seilbahnleasing GmbH, Innsbruck	527	2 169	841	1 183	1 285	132	0	132	0	132	0
ARZ Allgemeines Rechenzentrum GmbH, Innsbruck	31 509	41 441	29 204	16 388	70 532	327	0	327	0	35	0

2019 in k EUR	Future assets	Non-current assets	Current liabilities	Non-current liabilities	Turnover	Net income from continued business operations	Income from discontinued business operations after tax	Net income	Other income	Total income	Dividends received
Lorit Kommunalgebäudeleasing Gesellschaft m.b.H., Innsbruck	0	3 498	397	3 072	197	9	0	9	0	9	0
TKL II Grundverwertungsgesellschaft m.b.H., Innsbruck	0	1 442	321	926	46	-9	0	-9	0	-9	0
TKL V Grundverwertungsgesellschaft m.b.H., Innsbruck	1 588	5 649	6 066	731	584	-16	0	-16	0	-16	0
TKL VI Grundverwertungsgesellschaft m.b.H., Innsbruck	39	14 967	611	14 362	585	-95	0	-95	0	-95	0
TKL VII Grundverwertungsgesellschaft m.b.H., Innsbruck	77	3 211	1 204	1 990	361	42	0	42	0	42	0
Seilbahnleasing GmbH, Innsbruck	6	3 233	1 018	2 089	1 285	184	0	184	0	184	0

Companies that are not included in the consolidated financial statements:

The following companies have not been integrated into the consolidated financial statements, as they are of minor importance, regarding both, the separate financial statements, and the consolidated financial statements. None of the following non-consolidated companies is a structured company pursuant to IFRS 12.B21-B24. Due to essential considerations made by non-consolidated companies, net income amounted to kEUR 78, and the balance sheet total was aggregated to kEUR 2,950.

Data concerning companies with a capital share more than 20% (2020 financial year)

Company name, location	**Capital share in % 2020**	**Information**
HYPO Gastro GmbH, Innsbruck	100.00%	Company of minor importance
HT Immobilien Investment GmbH, Innsbruck	100.00%	Company of minor importance
ARZ Hypo-Holding GmbH, Innsbruck	99.09%	Company of minor importance
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	33.30%	Company of minor importance
„Wohnungseigentum“, Tiroler gemeinnützige Wohnbaugesellschaft m.b.H., Innsbruck	24.34%	Company of minor importance

Data concerning companies with a capital share more than 20% (2019 financial year)

Company name, location	**Capital share in % 2019**	**Information**
HYPO Gastro GmbH, Innsbruck	100.00%	Company of minor importance
HT Immobilien Investment GmbH, Innsbruck	100.00%	Company of minor importance
ARZ Hypo-Holding GmbH, Innsbruck	99.24%	Company of minor importance
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	33.30%	Company of minor importance
ARZ Allgemeines Rechenzentrum GmbH, Innsbruck	32.75%	Company of minor importance
„Wohnungseigentum“, Tiroler gemeinnützige Wohnbaugesellschaft m.b.H., Innsbruck	24.34%	Company of minor importance

Data concerning companies with a capital share less than 20% (2020/2019 fiscal years)

Company name, location	Capital share in % 2020	Capital share in % 2019
GHS Immobilien AG, Wien	19.57%	19.57%
Tiroler gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H. (TIGEWOSI), Innsbruck	17.45%	17.45%
Lantech Innovationszentrum GesmbH, Landeck	16.36%	16.36%
Hypo Bildung GmbH	14.00%	13.00%
Masterinvest Kapitalanlage-Gesellschaft m.b.H., Wien	12.50%	12.50%
Hypo-Wohnbaubank Aktiengesellschaft, Wien	12.50%	12.50%
Hypo-Banken-Holding Gesellschaft m.b.H., Wien	12.50%	12.50%
Rathaus Passage GmbH, Innsbruck	11.23%	11.23%
Global Private Equity IV Holding AG, Wien	8.97%	8.97%
HP IT-Solutions Gesellschaft m.b.H., Innsbruck	7.14%	7.69%
Logistikzentrum Forchheim GmbH in Liqu., München	6.00%	6.00%
Bergbahnen Rosshütte Seefeld Tirol Reith AG, Seefeld	1.62%	1.62%
Lienzer-Bergbahnen-Aktiengesellschaft, Gaimberg	1.32%	1.32%
VBV–Betriebliche Altersvorsorge Aktiengesellschaft, Wien	1.28%	1.28%
Bergbahnen Kappl AG, Kappl	0.81%	0.81%
AAA Air Alps Aviation Alpenländisches Flugunternehmen Ges.m.b.H. in Liqu., Innsbruck	0.28%	0.28%
Einlagensicherung AUSTRIA GmbH, Wien	0.19%	0.19%
S.W.I.F.T. SCRL, Belgien	0.01%	0.01%
GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination GmbH, Wien	0.00%	0.01%

HYPO TIROL
BANK AG
MANAGING
BOARD

Innsbruck, 12 March 2021

Johann Peter Hörtnagl	Mag. Johannes Haid	Mag. Alexander Weiß

Auditor´s report

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of

HYPO TIROL BANK AG,
Innsbruck,

and its subsidiaries ("the Group"), which comprise the consolidated Statement of Financial Position as at 31 December 2020, and the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended, and the Notes to the Consolidated Financial Statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with the Austrian commercial and banking law as well as the International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Section 245a UGB and Section 59a BWG.

Basis for our Opinion

We conducted our audit in accordance with Regulation (EU) 537/2014 ("AP Regulation") and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor’s Responsibilities" section of our report. We are independent of the audited Group, in accordance with Austrian company law and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained up to the date of the auditor’s report is sufficient and appropriate to provide a basis for our audit opinion on this date.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, however, we do not provide a separate opinion thereon.

Valuation of loans and advances to customers

The Management Board explains the procedure for recognizing loan loss provisions in the notes to the financial statements section “Accounting policy”

Risk to the Consolidated Financial Statements
The loans and advances to customers valued at amortized cost amount to EUR 6 bn and are mainly comprised of the segments "Corporate", "Retail” and "Public Finance".

The Group evaluates in the context of credit risk management whether default events exist, and specific loan loss provisions (Stage 3) need to be recognized. This includes an assessment whether customers are able to fully meet their contractual liabilities.

The calculation of the loan loss provisions for defaulted individually significant customers is based on an analysis of the estimated scenario-weighted future recoveries. This analysis reflects the assessment of the economic situation and development of the individual customer, the valuation of collateral and the estimation of the amount and timing of future cashflows derived thereof.

For loan loss provision for defaulted individually not significant customers the Group performs a risk provision based on statistical derived common risk characteristics. The parameters used in the valuation model are based on statistical experience.

For all non-defaulted loans and advances to customers a loan loss provision for expected credit losses ("ECL") is recognized. The loan loss provision is generally based on the 12-month-ECL (Stage 1). In case of a significant increase in the credit risk (Stage 2), the ECL is calculated on a lifetime basis. The calculation of ECLs is highly dependent on assumptions and estimates, which include rating-based probabilities of default and loss given default that are derived from current and forward-looking information. In response to the COVID-19 crisis regarding the calculation of loan loss provisions, the Group has recognized a management overlay in addition to the model results.

Considering the above-mentioned factors, the risk to the financial statements arises from the fact that the stage transfers and the determination of the loan loss provisions taking into account the management overlay are based on assumptions and estimates. This may lead to a significant margin of discretion and estimation uncertainties regarding to the amount of the loan loss provisions.

Our Audit Approach
We have performed the following audit procedures in respect to the valuation of loans and advances to customers:

- We have analyzed the existing documentation of the processes of monitoring and risk provisioning for loans and advances to customers and assessed whether these processes are suitable to identify impairment triggers and to adequately reflect the valuation of loans and advances to customers. Moreover, we have ascertained the process flows, identified the relevant key controls, assessed their design and implementation and tested their effectiveness in samples.
- We have examined whether there were any indicators of default on a sample basis of different loan portfolios. The selection of the sample was performed risk-oriented with special regard to ratings and economic sectors with higher probabilities of default taking into account the impact of the COVID-19 crisis.
- For defaults of individually significant loans we assessed the Group’s assumptions with respect to conclusiveness and consistency of the timing and amount of the assumed recoveries on a sample basis.
- For all other loans, for which the loan loss provision was calculated based on ECL, we analyzed the Group’s documentation of methodology for consistency with the requirements of IFRS 9. Furthermore, based on the Group´s model validations, we have checked the models and the parameters used to determine whether they are suitable for calculating the loan loss provisions in an appropriate amount. We have assessed the adequacy of probability of defaults based on 12-month and lifetime models as well as loss given defaults. In particular, we assessed the suitability of the statistical models and parameters used as well as the mathematical functionality. Further, we focused on the assessment of the impact of the COVID-19 pandemic on the method of determining probability of defaults. In addition, we analyzed the selection and assessment of forward-looking information and scenarios and their consideration in the used parameters. We evaluated the reasoning and the justification of

the management overlay with regard to their appropriateness. We reperformed the mathematical accuracy and the completeness of the provisions by means of an approximate calculation on a sample basis. For these audit procedures we have involved our financial risk management specialists. Moreover, we have involved our internal IT-specialists to assess the effectiveness of automated controls of the underlying IT-systems of the calculation model.

Other Information

Management is responsible for other information. Other information is all information provided in the annual report, other than the consolidated financial statements, the group management report and the auditor's report.

Our opinion on the consolidated financial statements does not cover other information and we do not provide any kind of assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the consolidated financial statements or any apparent material misstatement of fact.

If we conclude that there is a material misstatement of fact in other information, we must report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional requirements pursuant to Section 245a UGB and Section 59a BWG and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intents to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement – whether due to fraud or error – and to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with AP Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with AP Regulation and Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatements in the financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.
- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

Report on Other Legal Requirements

Group Management Report

In accordance with Austrian company law, the management report is to be audited as to whether it is consistent with the consolidated financial statements and prepared in accordance with legal requirements.

Management is responsible for the preparation of the management report in accordance with Austrian company law.

We have conducted our audit in accordance with generally accepted standards on the audit of group management reports as applied in Austria.

Opinion

In our opinion, the group management report is consistent with the consolidated financial statements and has been prepared in accordance with legal requirements. The disclosures pursuant to Section 243a UGB are appropriate.

Statement

Based on our knowledge gained in the course of the audit of the consolidated financial statements and our understanding of the Company and its environment, we did not note any material misstatements in the group management report.

Additional Information in accordance with Article 10 AP Regulation

We were elected as auditors at the General Meeting on 10 December 2019 and were appointed by the supervisory board on 17 December 2019 to audit the financial statements of Company for the financial year ending 31 December 2020.

In addition, during the Annual General Meeting on 15 April 2020, we have been elected as auditors for the financial year ending 31 December 2021 and appointed by the supervisory board on 22 April 2020.

We have been auditors of the Company since the consolidated financial statements at 31 December 2020.

We declare that our opinion expressed in the "Report on the Financial Statements" section of our report is consistent with our additional report to the audit committee, in accordance with Article 11 AP Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 AP Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Company.

Engagement Partner

The engagement partner is Mr Bernhard Mechtler.

Vienna, 15 March 2021

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Bernhard Mechtler
Wirtschaftsprüfer
(Austrian Chartered Accountant)

Statement of the legal representatives

We confirm to the best of our knowledge that the consolidated financial statements, which were established in accordance with all relevant reporting standards, give a true and fair view of the assets, the financial position and the profit situation of the corporate group; that the consolidated financial report describes the business development, the company result and the company situation in such a manner that gives a true and fair view of the assets, the financial position and the profit situation of the corporate group, and that the consolidated financial report describes the essential risks and uncertainties the corporate group is confronted with.

Innsbruck, 12 March 2021

Managing Board

Johann Peter Hörtnagl	Mag. Johannes Haid	Mag. Alexander Weiß

Report of the supervisory board of Hypo Tirol Bank AG

In the course of the 2020 fiscal year, all business activities carried out by the managing board were monitored by the supervisory board. In the context of rotational meetings and other reports, the supervisory board gained detailed information about the development of the company and all essential business cases. In addition, the chairman of the supervisory board regularly received information provided by the managing board and the head of the internal auditor's department.

Supervisory board meetings

In the 2020 fiscal year, five supervisory board meetings were held, at which fundamental issues of business policy, current profit development, compliance with budgetary targets and single business cases, which required the approval of the supervisory board due to legal or statutory provisions, were discussed with the managing board. The supervisory board particularly focused on the measures regarding the implementation of the bank's strategic realignment programme.

Supervisory board committees

The supervisory board appointed six committees.

The **credit committee** manages mortgages, loans, and large-scale investments. Four meetings were held by the credit committee in the 2020 fiscal year.

In the 2020 fiscal year, the **audit committee**, which is responsible for all matters pursuant to the Austrian Banking Act, article 63a, sec. 4, held five meetings.

The **committee on handling managing board issues** held two meetings in the 2020 fiscal year. The committee regulates the relations between the company and the members of the managing board.

The **remuneration committee** is responsible for all remuneration issues described in the Austrian Banking Act, articles 39 b and c with the exception of managing board remuneration. In the 2020 fiscal year, one meeting was held.

In the 2020 fiscal year, three meetings were held by the **nomination committee**, which is responsible for all matters in relation to the Austrian Banking Act, article 29.

In the 2020 fiscal year, the **risk committee**, which manages all matters regarding the Austrian Banking Act, article 39 d, held two meetings.

Financial Statements

The financial statements and the financial report as at 31 December 2020 were audited by the chartered accountants KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna. As no objections were proposed, the auditors' opinion was granted without any limitations or reservations.

The consolidated financial statements, which were prepared in compliance with the International Financial Reporting Standards (IFRS), as well as the consolidated financial report as at 31 December 2020, were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna.

Subsequent to the final audit of the 2020 financial statements and the financial report as well as the 2020 consolidated financial statements and the consolidated financial report, no objections were raised. The supervisory board approves the present profit allocation proposal and the financial statements, submitted by the managing board, which have been prepared in accordance with the Companies Act, article 96, section 4, and it acknowledges the consolidated financial statements.

Innsbruck, 12 March 2021

Supervisory Board

Mag. Wilfried Stauder

SUSTAINA-
BILITY
REPORT
2020

Content

1 Preface and introduction

Distinguished readers!

The purchase of seasonal food and products from local farmers, the use of public transport facilities, sustainable investment, and the implementation of energy-efficient construction and refurbishment processes. Wherever we go, sustainability plays a crucial role in almost every aspect of life. For so many people it has become a matter of course. This also applies to our financial institution – the regional financial partner of the Tyrolean people.

For our state bank the application of environmental protection, social fairness, and sustainable company management in every company sector is of the utmost importance. This attitude is supported by both, our employees, and our decision makers.

A privilege in this respect is that we were honoured by the internationally acknowledged rating agency for sustainability with the “Prime Status” award.

We actively engage ourselves with potentials and consider further development opportunities as a chance and impetus alike. Therefore, sustainable thinking and acting are gradually integrated into our processes, planning procedures and decision-making boards and embodied in our company goals and our company-wide sustainability policy.

In order to boost this sustainability concept, we are linked with like-minded people, experts, and institutions, as they strengthen and promote our efforts. For example, since autumn 2020, we have been cooperating with the “Klimabündnis Tirol” (Tyrolean climate protection association), whose experts assist us in a very competent and efficient way, especially in terms of evaluating and implementing ecological and social objectives. Thus, our activities are consistent with available possibilities and with the strategic alignment of our state bank

Since we are also a sponsor in the field of education - we support many young people living in our country – we teamed up with Innsbruck University to further reinforce our pioneering role in the field of sustainability. We asked students to conduct a large-scale, scientifically sound stakeholder survey to obtain feedback from our reference group. Consequently, the survey now serves as the basis for further measures.

From the economic point of view, Hypo Tirol Bank AG (short: Hypo Tirol) is built on a solid foundation. Both, our clients, and the whole Tyrolean population benefit from the associated financial power – on economic and social level and in private and professional life.
And yes; it goes without saying that this kind of economic strength is of great importance to us. Nevertheless, it is not the only criterion by which our success is defined and measured. We are absolutely aware of that and as the bank for all Tyrolean people we are guided by their demands, expectations, and values alike. And so our clear mission is that being a responsible financial partner does not only mean to act “here and now”. We must also take care about humans and the environment and above all, take responsibility for the future.

In this spirit, the following pages of our 2020 sustainability report will inform you how sustainability is defined and implemented by the federal state bank. We will address environmental and social aspects as well as matters concerning employees, the promotion of human rights and the combatting of corruption and bribery.

Gender equality is one of Hypo Tirol’s major concerns. Whenever in this report words are used in the masculine gender, the purpose is to make contents better readable. Any of these words shall be read and construed as in the masculine, feminine or neuter gender, whenever they should so apply.

Thank you for your interest. We hope you will enjoy reading this report.

Johann Peter Hörtnagl	Mag. Johannes Haid	Mag. Alexander Weiß
Chairman Managing Board	Managing Board Member	Managing Board Member

2 Hypo Tirol introduces itself

Hypo Tirol Bank (short: Hypo Tirol) is operated as a regional universal bank. The financial institution was founded in 1901. The purpose of the regional mortgage bank was to help all farmers, who had to cope with challenging economic situations, to get back on their feet. The tasks have considerably developed over time and have become multifaceted. Nevertheless, the social concept and the commitment to the country and its people have remained the same.

According to the motto: "we are the Tyrolean state bank and by providing the best service, we act as a modern bank for both, the people and the economy", it is our top priority to be economically successful and competitive in order to generate additional value for our clients, the Province of the Tyrol, our employees, and the Tyrolean population. Supported by a strengthened capital base, Hypo Tirol is a highly professional, effective, lean, customer-oriented company. Hence, it is a profitable financial service institution, which safeguards its independence on the long run. In addition, Hypo Tirol fosters a sustainable market economy, because all business transactions comply with high social and ecological standards as stipulated in this report.

2.1 Strategic alignment

The strategic commitment of a universal bank is to focus on the core market, in other words on North, East and South Tyrol and Vienna. On 31 December 2020, the Hypo Tyrol corporate group comprised 22 branch offices located in North Tyrol, one branch office located in East Tyrol, one in South Tyrol and another branch office located in Vienna.

The objective of Hypo Tirol is to achieve controlled growth in the above-mentioned core markets. In this respect, special attention is given to private clients, corporate clients, public institutions such as non-profit residential building providers or local authorities. As a regional universal bank, Hypo Tirol offers these clients a comprehensive portfolio, including savings and investment products, account systems, different card solutions and insurance and finance products.

Receivables from clients by business type in k EUR	2020	2019
Central states and public sector	770 840	600 731
Corporate clients	3 949 663	3 903 598
Private households	1 395 286	1 303 535
Receivables from clients before risk provision	**6 115 789**	**5 807 864**
Risk provision	-96 203	-83 124
Receivables from clients after risk provision	**6 019 586**	**5 724 740**

In all segments, Hypo Tirol fulfils its social responsibility by offering a product range that is tailored to nearly every situation in life. It goes without saying that Hypo Tirol will never establish business relationships that are morally or ethically unacceptable, such as the financing of brothels, or business transactions in connection with the gaming and arms trafficking industry. Among other aspects, this strategy is rooted in the determined credit risk policy.

As far as the product range of sustainable investment products is concerned, Hypo Tirol also focuses on complying with the ESG criteria, which are rooted in the profile for sustainable investment and the ESG investment policy.

A special incident in the year 2020 resulted in the COVID-19 pandemic, which has confronted us with major challenges ever since.

Since March 2020, weekly meetings to exchange information on the current development of the pandemic – either in connection with the business activities of Hypo Tirol or governmental measures - have been held. The meeting reports are sent to the managing board and the supervisory board.

Every month, Hypo Tirol shares its information with the supervisory authorities.

The services offered by Hypo Tirol are subject to a regular monitoring process. In this context, special attention has been and will be given to risk management.

Branches, which are particularly affected by the pandemic, such as tourism and trade, are emphasised.

The granting of credits is suspended, where applicable. Apart from that forbearance instruments and bridge financing tools (provided by AWS, COFAG, OEHT, etc.) have been used increasingly. In summary, it can be stated that the outbreak of the pandemic has not resulted in essential changes regarding the Hypo Tirol business model.

In some areas, such as remote working, the organisation of online meetings or the expansion of digital offers and products, the development was even boosted by the pandemic.

The positive consequences are that both, resources and time could be saved and the CO_2 footprint of Hypo Tirol was reduced.

The challenges comprised the establishment of appropriate internal guidelines, mandatory company agreements and work instructions, where applicable, as well as training programmes to impart knowledge and security to our employees and to avoid any kind of reservation in relation to such developments.

It goes without saying, that it is our objective to present these new possibilities of communication to our clients and to show them how to use our digital products.

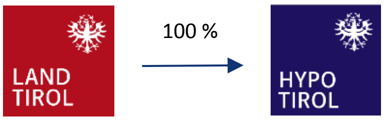
Pursuant to the recommendations published by the FMSG (Financial Market Stability Board) we have been applying stricter standards regarding the provision of private capital resources in the field of private housing and the debt service ratio since 2019.

Due to financial supporting measures, distributed by the government, negative effects of the crises were cushioned.

In summary, it can be said that the outbreak of the pandemic did not result in material changes regarding he Hypo Tirol business model.

2.2 Shareholder structure

Since Hypo Tirol is a company that is owned by the government, that is to say the Province of the Tyrol, it is aware of its responsibility to take care of both, the country and its people. Sustainable growth serves as the foundation for all business processes. These processes, which form part of the business strategy, are implemented by the managing board. The following illustration shows the shareholder structure of Hypo Tirol on 31 December 2020:



2.3 Committee structure

The committees established within the structure of Hypo Tirol ensure that all obligations in terms of reporting to the supervisory board are fulfilled.

- Supervisory board meeting
- Risk committee
- Audit committee
- Nomination committee
- Remuneration committee
- Committee on handling managing board issues
- Credit committee

2.4 Group structure/management structure

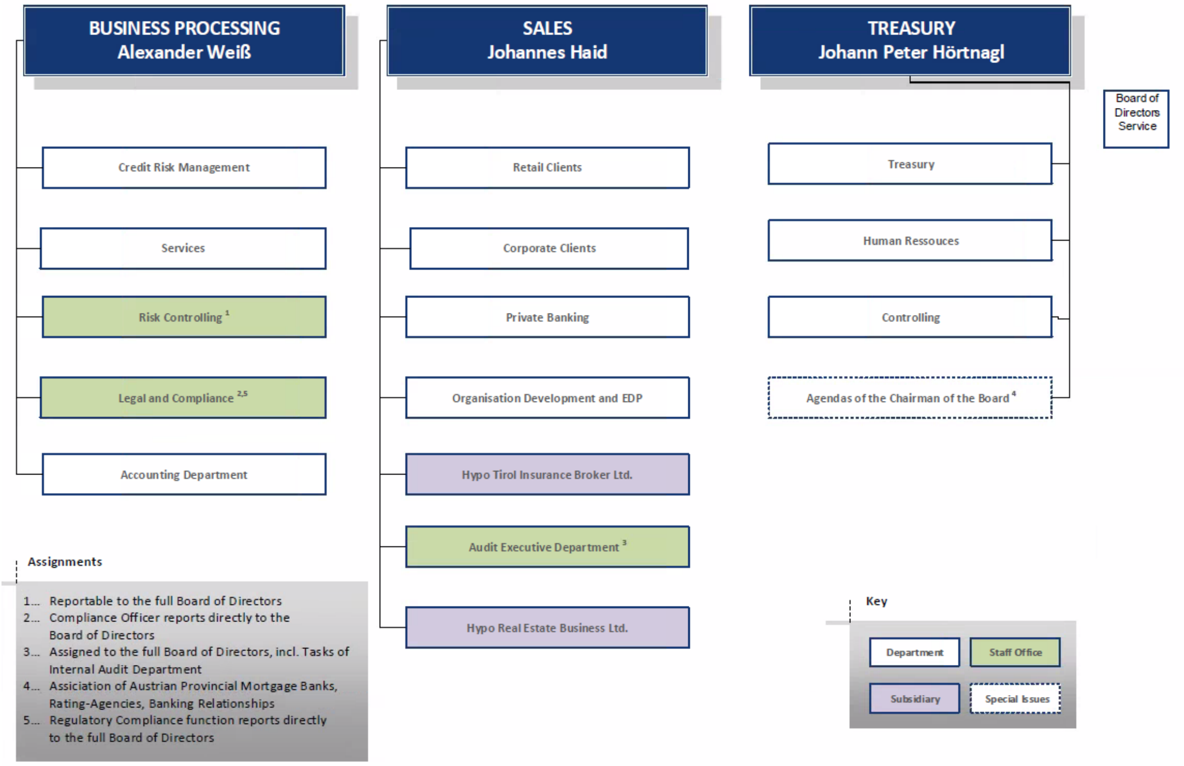
Managing board
In 2020, the Hypo Tirol managing board was composed of the following three persons:

	Date of Initial appointment	End of term of office
Johann Peter Hörtnagl (Chairman)	2010-11-26	2023-05-30
Mag. Johannes Haid (Managing board member)	2015-05-16	2023-05-15
Mag. Alexander Weiß (Managing board member)	2015-05-15	2023-05-14

The managing board shall manage the company's business in accordance with the business strategy. All decisions are made on the basis of sound foundations. In the context of regular supervisory board meetings, the managing board presents relevant information and a comprehensive report to the supervisory board in order to build a professional basis for the decision-making process.

Supervisory board
The supervisory board is composed of the following persons:

	Function	Term of office
Mag. Wilfried Stauder	Supervisory board chairman	Until general assembly in 2025
Mag. Franz Mair	1st Deputy chairman	Until general assembly in 2025
Dr. Erich Pummerer	2nd Deputy chairman	Until general assembly in 2025
Mag. Manfred Tschopfer	Supervisory board member	Until general assembly in 2025
MMag. Daniel Mathoi	Supervisory board member	Until general assembly in 2025
Mag. Beate Opperer-Pfleiderer	Supervisory board member	Until general assembly in 2025
Mag. Manuela Gross	Supervisory board member	Until general assembly in 2025
Chairwoman of the works council: Mag. Gabriele Hilber	Supervisory board member	Until general assembly in 2025
Peter Pichler – member of the works council	Supervisory board member	Until general assembly in 2025
Stefan Knoflach – member of the works council	Supervisory board member	Until general assembly in 2025
Andreas Peintner – member of the works council	Supervisory board member	Until general assembly in 2025



2.5 Sustainability committee including the social bond committee, sustainability officer

The sustainability committee including the social bond committee serves as an additional platform to manage all matters in relation to sustainability.

The committee is convened by the sustainability officer, who also manages the consolidation of inter-divisional subjects regarding sustainability, the monitoring and coordination of sustainability matters and the further development of the sustainability policy.

The core team of the committee is constructed as follows:

- Group managing board
- Sustainability officer
- Regulatory officer
- Treasury executive
- FGL banking book executive
- Organisational development & IT executive
- Human Resource executive
- Risk controlling executive

In addition – for the social bond committee:

- Public institutions executive
- Credit risk management executive

If applicable, further members may be invited.

The purpose of the committee is to exchange information regarding the elaboration of sustainability-related matters and their implementation, and to exchange information regarding regulatory requirements and their implementation in the respective departments.

2.6 Ratings and sustainable quality seals

2.6.1 Bank rating, Pfandbrief rating

According to the well-establish rating agencies Standard & Poor's and Moody's, Hypo Tirol enjoys an outstanding rating (bank rating and Pfandbrief rating).

S&P	Moody's
Long term bank deposits: A	Public Pfandbriefe: Aa1
	Mortgage Pfandbriefe: Aa1

2.6.2 ISS ESG corporate rating

In addition, the international acknowledged rating agency for sustainability ISS ESG Corporate Rating) honoured Hypo Tirol with the "C-Prime-Status" award. The award reflects our continuous sustainable development in the fields of social matters, environmental aspects, and company management.

Sustainability has become as subject that refers to almost every sector in a company. It is demanded by both, regulatory authorities and clients. Not only does the quality seals contribute to the positive positioning of Hypo Tirol and its sustainable product selection, it also supports the implementation of social and environmental components.

ESG Corporate Rating
Sustainability: C-Prime-Status
(As at: 8 July 2020)

2.6.3 Certification sustainable umbrella fund by the "Forum für nachhaltige Geldanlagen" (Sustainable Investment Forum - SIF)

The first sustainable umbrella funds by Hypo Tirol ("sustainable strategy – shares" and "sustainable strategy - bonds") were certified by the Sustainable Investment Forum (SIF) with the SIF quality seal.

In doing so, the independent forum confirmed that both umbrella funds comply with the strict quality criteria for sustainable investment.

In the course of a holistic assessment, the institutional credibility of the respective issuer, product standards and the selection procedure in the context of fund management are evaluated.

Only if all three stages of the ecological and ethical requirements are met, the forum awards the SIF seal as a quality symbol and thus, ensures more transparency and comparability for clients.

3 Regulatory environment

3.1 NFI Directive - Sustainability and Diversity Improvement Act

The Non-financial information (NFI) directive was transposed into national law by means of the Sustainability and Diversity Improvement Act (directive 2014/95/EU).

The Austrian Commercial Code, the Companies Act and the Austrian Act on Limited Liability Companies are also affected by the Sustainability and Diversity Improvement Act. Companies, which are affected by this law, have the obligation to provide information regarding non-financial matters.

Since the number of employees amounts to an average of 500 per year, Hypo Tirol fulfils all requirements of a capital company of public interest, as stipulated in the Austrian Commercial code section 243b and section 267a. For that reason, the financial report of the consolidated financial statements or the separate sustainability report shall contain non-financial information (NFI). Such information shall disclose data in relation to respecting human rights, combatting corruption, protecting the environment, and managing social issues and employee matters.

Consequently, the present non-financial report was established on the basis of the above-mentioned requirements. The report comprises Hypo Tirol's scope of consolidation. For further information regarding the scope of consolidation, please see the 2020 financial statements. In the event that a separate illustration of the parent company or the subsidiaries is required for the better understanding of the report or whenever it seems appropriate, it shall be provided accordingly.

In comparison to the previous year, the present report was modified in terms of length and detail.

3.2 Global reporting initiative

The 2020 NFI report was established in compliance with the guidelines as stipulated in the international framework for sustainability reports published by the Global Reporting Initiative. It was established in accordance with the core option of the GRI standards (incl. branch-related indicator sets for financial service). For further information please see the attached GRI index.

3.3 Sustainable Development Goals (SDG)

Sustainable Development Goals are 17 goals for sustainable development, which were defined by the United Nations. They comprise social, ecological, and economic aspects. Based on these goals, all countries worldwide have been invited to find solutions to combat poverty and imbalances while simultaneously preserving the basis of life.

Illustration: UN-SDG, source: UN, Agenda 2030

In order to actively implement development, even small changes in one's behaviour may have a huge impact.
Hypo Tirol has elaborated guidelines for sustainable behaviour, in which all 17 goals for sustainable development as defined by the United nations are embodied. Based on the branch, the market area, and the clearly defined business model, those new sustainable development goals are underscored, where Hypo Tirol can increase its contribution

In addition to the detailed description of the goals, helpful hints, and tricks to implement sustainable behaviour are offered. In this way, every single person is given the opportunity to integrate sustainability in his or her daily life.

SDG 1 – No poverty
SDG 3 – Good health and well-being
SDG 5 – Gender equality
SDG 7 – Affordable and clean energy
SDG 8 – Decent work and economic growth
SDG 9 – Industry; innovation and infrastructure
SDG 11 – Sustainable cities and communities
SDG 12 – Responsible consumption and production
SDG 13 – Climate action

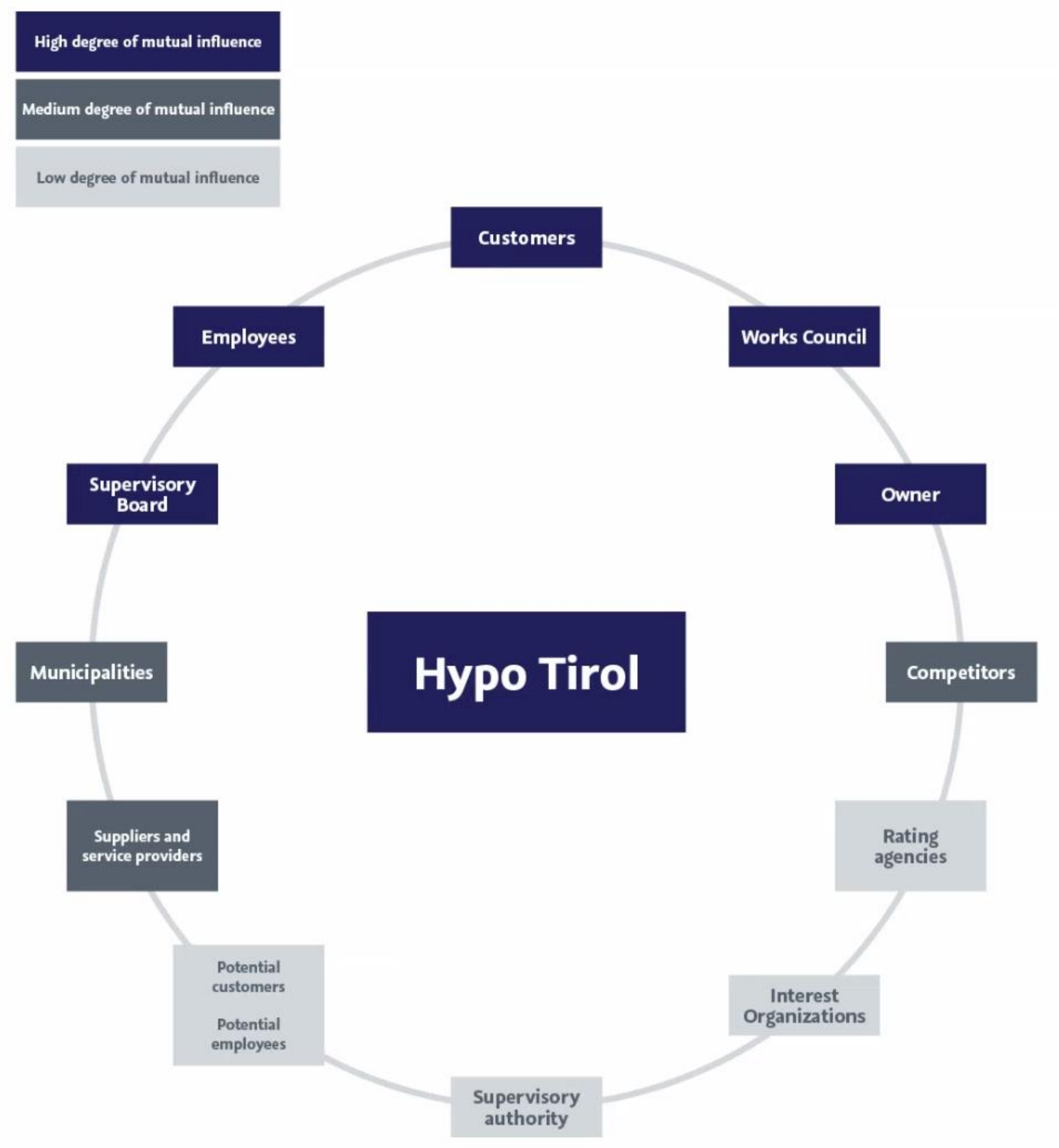
4 Partners and common values

Each entrepreneurship and all associated activities and relationships have impact on the environment of a company. Business activities and business relations bear risks and opportunities alike.

The partner-like cooperation with the regional population and numerous business partners combined with the well-known values of Hypo Tirol Bank form the perfect base for sustainable success.

Over the past years, internal and external evaluation processes were carried out to determine our most essential stakeholders.

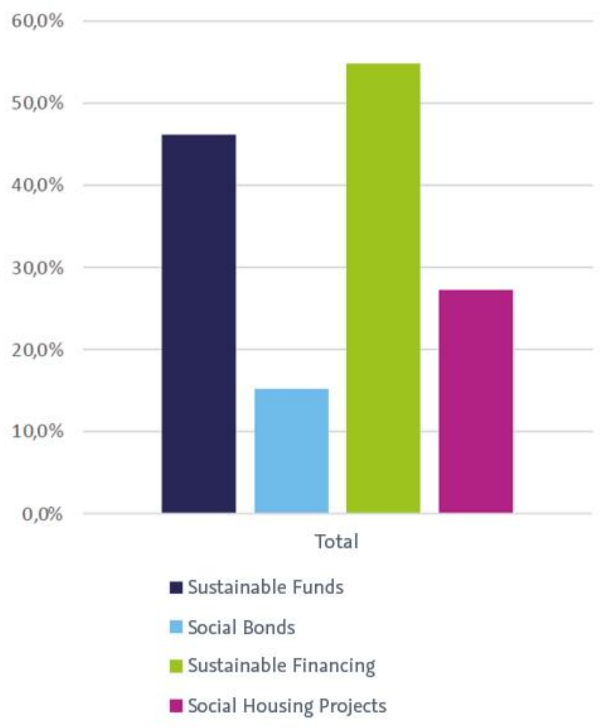
4.1 Stakeholders of Hypo Tirol



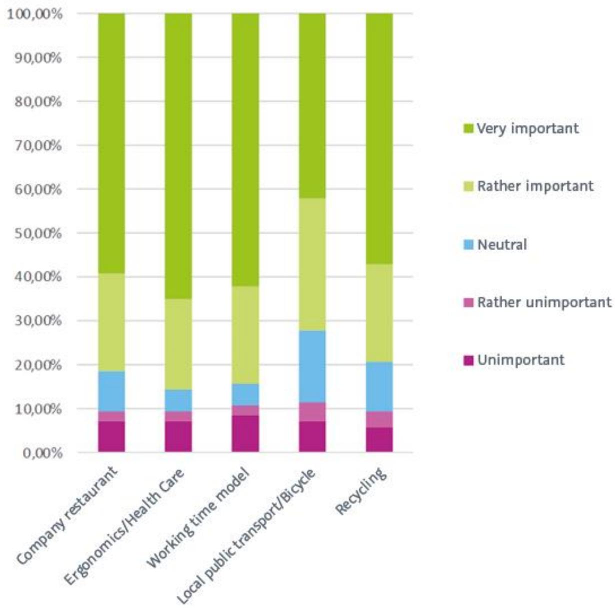
4.2 Stakeholder survey

In cooperation with Innsbruck university, a survey of our clients and employees was conducted in autumn 2020.
Among other aspects, it was evaluated how Hypo Tirol is perceived as a sustainable company or employer. The result levelled off at “neutral” and “very sustainable“. The survey also revealed that there is a connection between basic knowledge regarding sustainability and sustainable products. Apart from that, the result showed a prioritisation of environmental and social matters.

Remarkable was the fact that our clients are extremely interested in sustainable products, especially in the field of financing.



As far as the employee survey is concerned, it confirmed a particularly good positioning of Hypo Tirol. Our employees specifically appreciate the measures that are taken to foster their wellbeing to protect the environment.



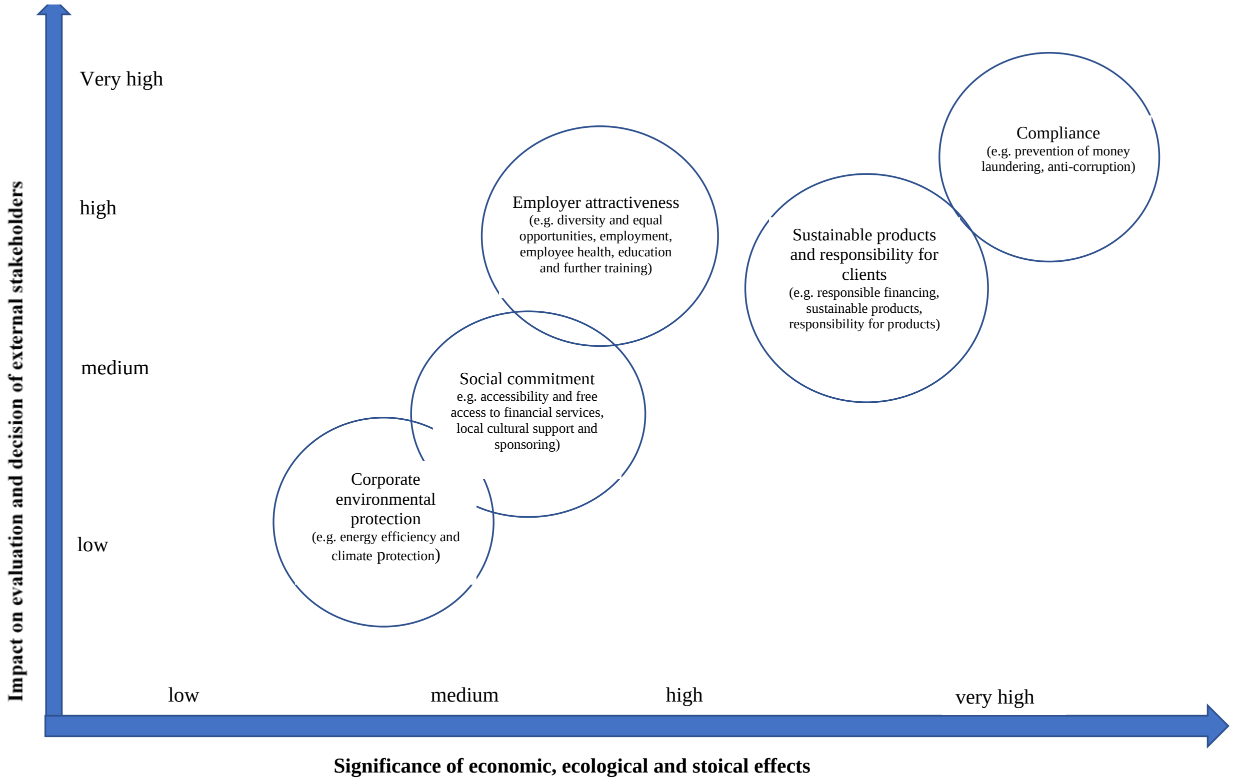
The lesson is clear: the following subjects call for action:

- Further development and extension of sustainable products
- Arousing interest among young people, particularly regarding investing and sustainability
- Improved communication with our clients and employees, especially with regard to sustainability matters

It is intended to conduct stakeholder surveys every three to five years.

4.3 Major fields of action

The survey confirmed that all actions in the field of environmental protection, social affairs and employee matters, which are taken by Hypo Tirol, are recognised.
In order to fulfil this task, it is important that Hypo Tirol understands that the performed business activities might lead to certain effects, and that these effects could have additional consequences on the behaviour of its stakeholders.



5 Compliance, principles of ethics and integrity

For a company it is a challenge to directly influence the respect for human rights. Nevertheless, Hyo Tirol always acts in accordance with all European and national regulations, with regard to both, its employees, and its clients.

For that reason, particular economic sectors are completely excluded from business transactions, because they do not comply with our directives (e.g. gaming and prostitution). Apart from that, the bank avoids any transactions with clients who work in these sectors.

According to Hypo Tirol, financial markets and financial services in particular are based on the confidence of market participants and clients. All services and business transactions are provided or carried out by Hypo Tirol in a fair manner that is transparent for other market participants. The success primarily results from Hypo Tirol's solid and faithful relationship with its clients and employees.

Therefore, Hypo Tirol has been doing business in accordance with comprehensive compliance directives for decades. By doing so, the bank demonstrates and guarantees that the bank itself, its organisations and employees act in consistence with all legal provisions and prohibitions.

The compliance directives are based on the regulations as stipulated in the European Market Abuse Directive, the EU provisions concerning the regulation of financial markets MiFID II/MiFIR, the Austrian Securities Supervision Act (WAG 2018), the Prevention of Money Laundering and Funding of Terrorism Regulations as well as the International Law Against Corruption.

The purpose of these provisions is to prevent insider dealing, market manipulation or market abuse, or to avoid conflicts of interest and any form of money laundering and the funding of terrorism or corruption in the context of the business activities carried out by Hypo Tirol. In addition, all compliance-related risks resulting from any failure to act in accordance with laws, regulatory provisions, any other recommendations, or internal guidelines shall be reduced.

5.1 Compliance organisation

In order to meet all above-mentioned legal requirements, Hypo Tirol established a Securities Supervision Act compliance facility with qualified employees and a supportive IT assessment system.

Since the re-integration of the former fully licensed bank of Italy on 1 October 2013, all Supervision securities Act compliance functions have been managed by the law & compliance department. The compliance representatives directly report to the managing board division for business transactions. The report is submitted to the managing board of the corporate group and to the supervisory board.

5.2 Prevention of money laundering and the funding of terrorism

In order to avoid any kind of money laundering or funding of terrorism, Hypo Tirol established different processes and systems which detect suspicious transactions. In case money laundering is suspected, a report shall be submitted to the respective reporting office (Austrian Ministry for the Interior). At the same time, a daily embargo and sanction assessment of existing and newly acquired business relations with politically exposed persons (PEP) is carried out in compliance with all legal provisions.

5.3 Combatting corruption

Hypo Tirol prevents and combats corruption on the basis of separate work instructions.

In order to facilitate the application of rules, and for the purpose of better understanding, both scenarios regarding "giving non-cash benefits – gift giving" and "accepting non-cash benefits – gift accepting" are explained in detail on the basis of a traffic-light system via specific examples. All employees of Hypo Tirol are regularly informed about any update of these strict regulations via trainings and tests.

Data from 1 January 2020 to 31 December 2020:

Training	Number of employees
Code of conduct/conflict of interest	611
Hypo Welcome	16
Internal introduction: compliance and money laundering	14
Investment in practice - Update/part 6: compliance	163
Total	804

In following this strategy, Hypo Tirol prevents any kind of failure and reduces the risk of unfair and unjustified enrichment via corruption and acts of bribery, and all corresponding legal uncertainties and increased expenses.

In the reporting period, no case of corruption was identified.

5.4 Respect for human rights

The respect for human rights represents an essential part of Hypo Tirol's identity.

Therefore, Hypo Tirol is obliged to respect human rights within its scope of influence and to treat all employees with dignity.

To avoid possible infringement of human rights, Hypo Tirol assesses its business activities and thus guarantees compliance with all applicable laws, regulations, and external and internal directives.

Hypo Tirol will never carry out transactions or implement projects, if recognisable forced labour (including human trafficking and prostitution) or child labour is involved or, if actions violate

- the European Convention on Human Rights,
- employment rights or social rights and obligations applicable in the respective country,
- applicable regulations of international organisations, in particular all corresponding UN conventions,
- the rights of the local population or minority rights.

In this context, no cases of discrimination have been identified. In addition, the works council did not record cases regarding discrimination of any kind in 2020.

5.5 Whistle-blower system

Besides the compliance facility, where perceptions can be reported, the web-based whistle-blower system created by Hypo Tirol serves as an essential internal tool to detect possible misconduct.

Hypo Tirol established a modern, web-based and - if the informant desires – absolutely anonymous internal whistle-blower system.

The structure of the whistle-blower system complies with the Austrian Banking Act section 99a and comprises three explicitly required features.

- The whistle-blower is granted anonymity
- Any communication between whistle-blower and recipient remains strictly confidential
- The prevention of abuse is guaranteed

In the context of quarterly reports, the audit division regularly informs the managing board about the number and the content of possible reports and about the current state of prosecution of notifications. The managing board informs the works council about the current situation in the context of its quarterly meetings.

The internal guidelines designed for the whistle-blower system were integrated into the work instructions of Hypo Tirol and ensure the following applications:

- Specified procedures regarding the receipt of reports on violations and their prosecution.
- Provision of appropriate protection for the employees who report violations within the bank, at least protection against retaliation, discrimination, or other types of mobbing.
- Personal data are protected in accordance with the principles stipulated in the Data Protection Directive 95/46/EC concerning the person who reports the violation, as well as the natural person who is responsible for the violation.
- Clearly defined rules, which guarantee the non-disclosure of the identity of the person who reports the violation, unless such disclosure of the identity is compulsory in the context of preliminary investigations by public prosecution, legal proceedings or any other proceedings concerning administrative law.

5.6 Complaint management

The purpose of the complaint management system is to solve disputes or to act as a mediator between the complainant (client) and Hypo Tirol concerning cases where no direct settlement with the consulting agent or the branch office or the respective department was reached.

A complaint is any kind of expressed discontent, raised by an entity or a natural person regarding a specified request in connection with a specified business matter, and addressed to Hypo Tirol, provided that no other dispute is already pending before court or another arbitral tribunal or that a judgement has already been delivered in relation to the same matter.

Pursuant to the ESMA and EBA guidelines for handling consumer complaints in the securities and banking sector, a complaint is an expressed discontent in connection with:

- the provision of services in the securities sector in connection with MiFID, the UCITS directive or AIFMD;
- banking services as stated in annex I of CRD;
- a service provided in relation to the common portfolio management in the context of the UCITS directive.

Any express of discontent is handled in the context of the complaint management process by Hypo Tirol in a transparent manner. The tasks of the complaint office in the law & compliance executive department are:

- to accept the complaint submitted by the client,
- to classify the complaint,
- to evaluate the processes and the responsible units affected by the complaint,
- to ensure that the normative and operative conformity of the affected processes is assessed, and
- to inform the responsible units of the processes in order to obtain clarifying explanations that are required by the complaint office.

5.7 Data protection, information security and bank secrecy

The provisions as stipulated in the General Data Protection Regulation (GDPR) and the provisions as stipulated in the Austrian Data Protection Act as amended in accordance with the 2018 Data Protection Adjustment Act and the 2018 Data Protection Deregulation Act have been applicable since 25 May 2018.

In the context of the data protection management system, a data protection representative, a data protection manager, and a data protection officer, were appointed as intra-departmental contact persons. The data protection organisation chart was incorporated into the Hypo Tirol data protection policy and a data protection management system was established.

In addition, specific documents regarding the management of the following subjects were elaborated: data protection impact assessment, technical and organisational measures to protect and maintain data security of Hypo Tirol, data deletion rules and violation of data protection.

Information (data) and resources of the Hypo Tirol corporate group are protected by technical and organisational processes which comply with IT security standards and directives that are generally valid on both, national and European level. The security measures thar are required to protect information and resources are worked out, implemented, and adapted, where applicable. The implementation of these measures ensures that appropriate protection regarding confidentiality, integrity, authenticity, and the liability in connection with information and resources is provided. It also guarantees a flawless and correct operation of all business processes.

In the context of the business continuity management (BCM) system, training events are organised - if necessary with external support – to learn how to tackle data protection and information security matters adequately in case of emergency.

The privacy of our clients and the respect and protection of their personal data is of utmost importance. Therefore, appropriate technical and organisational processes have been implemented to guarantee the security of processed data.

For the purpose of protecting the privacy of our clients, the collection of personal data is only carried out to a limited extent. Data are processed in compliance with all legal provisions and the collection, use and protection of data will be disclosed. Personal data are processed for a specific purpose only.

Pursuant to section 13 of the EU Data Protection Regulation, Hypo Tirol provides data protection related information in paper form and on the homepage: https://www.hypotirol.com/sicherheit-und-recht/datenschutzerklärung

If a party concerned asserts the right to obtain information, the claim shall be handled in compliance with the EU Data Protection Regulation section 15 and the respective information will be provided in due time.

On entering the company, all new colleagues are informed about data protection.

Regular trainings are held for the employees of Hypo Tirol to create awareness for the delicate subject of data protection.

The managing board is annually informed about data protection related matters that occurred in the past business year and about possible inquires.

Up to 31 December 2020, no procedure against Hypo Tirol was initiated by the data protection authority and no violations of the EU Data Protection Regulation were known.

Beside data protection, bank secrecy is another tool to protect the disclosure or use of confidential data and information of our clients.

5.8 Sustainability risk management

The interaction between risk management and sustainability:
The risk management method employed by Hypo Tirol is based on two pillars:

- Financial risk management
- Non-financial risk management

Financial risk management particularly considers the supervisory requirements of quantifiable risks from ICAAP and ILAAP. Non-financial risk management is illustrated and reported on a quarterly basis by means of an enterprise risk assessment.

The fundamental method can be divided into the following categories:

I. Risk identification
II. Risk assessment
III. Risk control
IV. Risk aggregation
V. Monitoring
VI. Reporting
VII. Validation

As a bank that is owned by the Province of the Tyrol, Hypo Tirol acts as a role model, especially in the field of environmental protection, social fairness, and sustainable company management. If sustainability risks are not considered and if there is a lack of sustainable financial products, the standing of Hypo Tirol might suffer. A deterioration of the bank's reputation is not the only consequence: provided that sustainability aspects are disregarded and the bank refrains from offering sustainable products, it will bring about competitive disadvantages.

Furthermore, the exclusion of sustainable aspects bears supervisory risks, because pursuant to the Sustainability and Diversity Improvement Act (directive 2014/95/EU), which was adopted by Austrian law on 17 January 2017, the consideration and disclosure of sustainability aspects has become mandatory.
In addition to that, on European level the objective is to strengthen sustainable financing respectively a sustainable financial industry.

In the context of risk identification, risks (or their sub-risk types) are integrated into the risk map. Risk identification is managed on different levels: the product level in connection with product-related risk types (credit risk, market risk, liquidity risk), the company level (risks in connection with the business model or the strategic alignment), and the supervisory level (regulatorily required risk types).

Besides financial risks, non-financial risks shall also be considered. Consequently, the enterprise risk assessment employed by Hypo Tirol encompasses e.g. sustainability risk, which is illustrated in the risk map as cross-sectional risk. The following risks are considered in this context: physical risks, which directly result from the climate change, and transitional risks, which may result from the transition to a climate-neutral and resilient economy and society and finally lead to a deviation of assets.

Risk assessment is carried out on a quarterly basis. Both, the assessment of the (potential) amount of loss and the assessment of the probability of occurrence are based on a five-part scoring model. Both components of assessment are evaluated by the experts (risk officers) of the respective department. Thus, plausibility checks in terms of quality assurance are verified by the risk controlling department. In order to assess the potential amount of loss, a score is determined on the basis of selected criteria (financial impact, impairment of task completion, violation of laws/regulations, reputational damage).

Sustainability risk control is managed via defined early warning indicators and via the defined risk appetite for non-financial risks. In case early warning indicators exceed, an early warning signal (EWS) is set off, and finally predefined measures are initiated. The "number of sick leaves" and the "number of data protection violations" have already been defined as early warning indicators in connection with sustainability risk.

Early warning indicators are monitored in accordance with the defined frequencies per key figure. The associated regular report is established on a quarterly basis.

The objective for 2021 is to further develop the (already applied) ESG stress tests and to consolidate the data base for sustainability factors respectively sustainability indicators.

The effects of the COVID-19 pandemic on sustainability:
As far as the sustainability aspects established by Hypo Tirol are concerned, the COVID-19 pandemic has caused both, negative and positive effects. During the COVID-19 crisis, the opening hours or our branch offices "Innrain" and "Zentrale" were adapted, and so they were closed in the afternoon. In doing so, the CO^2 emissions of these offices were reduced. Other positive effects resulted from the expansion of remote workplaces. Employees had the possibility to work from home and hence, additional CO^2 emissions were diminished, because people did not have to travel to work. First, the adaption of the opening hours was considered to be rather critical because it caused local and temporal restriction for business activities. However, this impact was compensated by the application of additional communication possibilities, such as the provision of client-support by telephone or by digital means.
A limited provision of services and products would have had negative impact on the competitiveness and the business development, in particular with regard to sales. In general, the lack of services and products in addition to the fact, that there is no possibility to talk to our employees directly, would cause negative impact on our reputation as well. Consequently, customer satisfaction would suffer, and the standing of Hypo Tirol would be damaged. We would lose clients to other financial institutions, which would result in a tremendous loss.

6 Sustainable products and customer responsibility

Hypo Tirol is aware of its responsibility for the Tyrolean people and their country. The goal is to use one's own strengths to contribute.

For a reliable financial partner, the promotion of sustainable development and the introduction of sustainable products that can be offered to clients, play an essential role. Apart from that, the EU has specified intersectoral standards and regulations for the implementation of sustainability. These standards also apply to financial service providers.

Supervisory authorities increasingly concentrate on the subject of sustainability and its regulations. Every bank is audited in terms of sustainability, and therefore we are obligated to comply with the respective regulations.

If we ignore the positive trend of sustainability and the change of values in our society, it will have damaging effects on our reputation and business activities.

Hypo Tirol aims at expanding the range of products in the field of sustainable investment and sustainable lending.

In the field of investment, this task shall be fulfilled by providing sustainable product solutions that are combined with selected products offered by third parties.

At the same time, green washing shall be avoided by specifying quality standards for selection criteria and accuracy. Customer and investor information concerning sustainable products shall be comprehensive, understandable, and transparent. Clients should understand and recognise the best possible "impact" of their investments.

In order to assess the sustainability of financial products, a specific process was designed, which is built on ESG criteria. All products, which are classified as "sustainable" or "ESG-compliant", shall at least comply with the ESG criteria, which are defined in the Hypo Tirol investment policy, and which are applied by Hypo Tirol. Hypo Tirol's own sustainable investment funds shall fulfil the even stricter regulations as stipulated by the Sustainable Investment Forum (SIF). In order to guarantee the compliance with this policy, Hypo Tirol has established a screening process which is composed of a negative and a positive screening.

Negative screening is based on different predefined exclusion criteria, which are subject to a periodic evaluation process and comply with the criteria specified by "Eurosif" (European Sustainable Investment Forum"). Hypo Tirol's own investment funds shall additionally comply with the minimum criteria according to SIF.
Positive screening is illustrated as "best in class"-approach. This process shall be evaluated at least once a year.

All financial products developed by Hypo Tirol shall undergo this process before they can be used as sustainable investment products.

Other sustainable products are also subject to a periodic evaluation. They may be classified sustainable.

This strategy guarantees that investment products that are offered to our clients have been assessed and can clearly be recognised as sustainable.

In the end of 2020, the rate of sustainable funds (from the master list) invested in client volumes amounted to 6.3 % (2019: 4.00 %; 2018: 2.00 %).

As far as the investment product selection is concerned, the proportion of sustainable products that comply with the specified indicators or the target market definition of third parties (basic and core products) shall amount to 50% by 2023.

The assortment of internal products shall be further expanded by the end of 2023. A sustainable asset management (from 50,000 EUR up) as well as green bonds and social bonds shall be included.
The volume of client deposits (as of 31 December 2019) regarding products with the "sustainable" seal shall be doubled in accordance with the specified target market definition.

Risks that might occur due to these processes and measures are mainly based on incorrect evaluations concerning the sustainability of financial products. This might lead to unintentional investment opportunities, which have both, potential and real negative effects on the environment, e.g. via the processing of petroleum, or via investments in coal-fired power stations or by neglecting social aspects such as the prohibition of child labour or the infringement of working conditions.

An error in the screening process leads to an incorrect evaluation and indication of these products. Consequently, the client gets false advice and makes the wrong investment decision. In addition, the lack of highly qualitative sustainable products can lead to a reputational damage. The result is that clients are lost to competitors, which has negative consequences regarding the profitability and the reputation of the bank.

In order to counteract as soon as possible, the processes are evaluated on an annual basis. In addition, the sustainability committee organises an annual meeting in which the achievement of goals and the implementation of measures in connection with the creation and the sale of financial products and the associated evaluation processes are presented.

This also ensures that the management is informed and can react accordingly, by taking appropriate measures if negative effects occur.

6.1 Sustainable investment

6.1.1 Sustainable asset management

Since 2016, the asset management department of Hypo Tirol has been offering sustainably managed products. In doing so, it had enabled clients to make a positive contribution to the field of investment. In the beginning, the asset management comprised products (added by our experts), which fulfilled the requirements of diverse ESG (Environment Social Governance) criteria.

Introduction of sustainably managed fund products
On 31 December 2020, the volume regarding sustainable funds amounted to 76.5 million. Per Ultimo 2020, round 11% of the managed assets were invested in sustainable funds or sustainable asset management lines of Hypo Tirol. Apart from that, in the end of 2020, assets included sustainable funds of our mister list in the amount of 6.3% (2019: 4.00 %, 2018: 2.00 %), in relation to the total volume of investment funds. This corresponds to an increase from 2019 to 2020 accounting for more than 60%.

This year, Hypo Tirol has gone one step further: it has introduced two self-managed sustainable fund products. Hence, the existing assortment of sustainable products was extended by a sustainably invested pension and equity fund. In this context, the strict ESG criteria of the SIF seal have been applied.
SIF is a trade association for sustainable investment, which is represented in Germany, Austria, Liechtenstein, and Switzerland. It is composed of more than 170 members. They include financial

institutions, corporations, insurance companies, rating agencies, Investment companies, asset management companies, financial consulting companies, and NGOs. Our criteria for sustainable products offered by third parties have been adapted and tightened as well, and so, our clients can be sure that possible green washing of third parties is not tolerated.

6.1.2 Social bond

Hypo Tirol has elaborated a social bond framework, which serves as the structure for future social bond issues.

The adjustment process with the sustainability rating agency to establish the sound party option (SPO) has been completed. In the first half of 2021, Hypo Tirol intends to issue a social bond.

- Finalisation and publication of the social bond framework
- Completion of the SPO process
- Identification and creation of social pool assets and indication in the core system of the bank
- Incorporation of the framework and the SPO into the investment presentation
- Enhancement of investor relations
- Elaboration of marketing strategies

Hypo Tirol will also boost its commitment as far as ecological aspects are concerned. In 2021, a process to establish a green pool shall be implemented.

6.1.3 Own investment

Hypo Tirol invests in sustainable bonds, which are issued in accordance with the Green Bond Principles and classified as ESG investment.

Apart from that, investments are made in sustainable funds (environmental focus & ESG focus).
Own investments concentrate on sustainable investments. Sustainable investments are classified as bonds, which are issued in accordance with the green, social or sustainability bond principles. If a positive sound party option is available, they are classified by an acknowledged rating agency as ESG investment. All products that fulfil the requirements as stipulated by the ESG investment policy, are also considered sustainable investments.
On 31 December 2020, the proportion of sustainable investments regarding the total securities nostro (excluding note loans) accounted for 3.02% (2019: 1.27%). According to the medium-term planning, the rate of sustainable investments in the volume of new investments p.a. shall amount to 5%.

6.2 Sustainable financing products

Due to its alignment, the focus on regionality, and the attachment between the bank, the country and its people, Hypo Tirol has already embarked on the path of sustainability. The operation of financing transactions outside of our country is definitely not part of the lending strategy.

As far as our core market in Vienna is concerned, we concentrate on the sector of real estate financing. Thus, we almost exclusively finance residential properties which have at least been refurbished and therefore, comply with the latest energy standards.

Our ethical position, which is defined by the credit policy, prohibits the financing of weapons, gambling, and brothels. The equality of all human beings is also actively applied in relation to the granting of loans. The decision, whether a loan is granted, does not depend on the gender of the borrower. In order to avoid poverty traps caused by over indebtedness, we have established a concept that requires the compiling of a household expenditure list. In this respect, minimum approaches regarding the expenses of a household and the sustainable calculation concerning the repayment play a decisive role.
The sustainability criteria, as defined by the credit policy (excluding branches) apply to all types of financing and are systematically assessed in connection with every credit application. The principles are based on legal minimum standards and, if applicable and feasible, on the principles of the UN Global Compact.

All sustainability criteria defined in the credit policy are business-strategic provisions and shall be mandatory.

We will further strengthen sustainable lending.
Besides focusing on exclusion criteria – such as the financing of nuclear or coal-fired power stations or the production of weapons – further financial products are being developed that comply with sustainable criteria.
Apart from the technical implementation of required provisions in the systems, respective guidelines and work instructions will also be established. They will be combined with employee trainings that deal with sustainable aspects of financing in connection with sales and risk management.
If requirements are not specified clearly, risks may occur, because it could lead to the unintentional financing of companies, whose production negatively affects the environment in terms of greenhouse gas emission or waste and water management.
If appropriate processes and controls to guarantee the fulfilment of the criteria are established, and if this subject is brought up for discussion in the managing board meetings, it can be reacted appropriately in case of anomalies.

In 2021, Hyo Tirol will dedicate itself to the further development of the variety of sustainable financing products.

6.3 Effects of the pandemic on products and services

As mentioned before, the extraordinary situation caused by COVID-19 had global consequences on the supply chains. Moreover, it resulted in restrictions regarding the worldwide traffic of people and goods, the interruption of industrial production, it brought about restrictions in the service sector, in tourism and public transport. It also caused the shutdown of companies and the associated loss of jobs and resulted in restrictions regarding private consumption.

During the COVID-19 pandemic and during all lockdowns, basically all services offered by Hypo Tirol could be provided as usual – always in accordance with the determined security measures. The situation required the implementation of specific measures, also with regard to customer relations. Consequently, the opening hours of the branch offices were adapted in relation to the current circumstances.

Due to these measures it was not possible to visit clients or to do business trips. However, we quickly adapted to these changes and wherever it was possible, telephone or video conferences were organised.
A limited provision of services or products would have had negative effects on our competitiveness and the business development, particularly in the field of sales.
The lack of direct communication with our employees or limited access to our services respectively the reduced provision of services would have resulted in a reputational damage as well.
As a result, customer satisfaction and the perfect standing of Hypo Tirol would have suffered. We would have lost clients to other banks and business activities would have been affected severely.

Still, positive effects should be mentioned as well, e.g. the reduction of CO^2 emissions and the diminished use of resources, which was the consequence of the decreased use of aircraft or cars.

6.4 Sustainably produced and recyclable debit cards

The new Debit-Mastercard (DMC) shows that Hypo Tirol embarks on a new and innovative path to protect resources and the environment. Hypo Tirol is he first bank in Austria that offers debit cards that are made from recycled rPETG (made from 100% recycled plastic).

The card is shipped together with a letter printed on ECO Paper, in an ECO paper envelope, made from grass (40%).

Hypo Tirol has commissioned a card producer, to develop a 1/3-NFC-antenna for the debit card which was to be certified by Mastercard. The 1/3-NFC-antenna only covers 1/3 of the card and thus allows that 2/3 of the card – which is free from any metal - can be recycled.

In 2021, Hypo Tirol will participate in an international project to develop what is called “instant issuing”. Together with the payment service provider PSA, a digital debit card for Android smartphones and iPhones without physical debit card shall be developed.

7 Social commitment

Social balance goes hand in hand with barrier-free access to financial services. Therefore, a continuous development is one of the major concerns of Hypo Tirol.

In addition, the state bank is a committed partner in the field of mass sports – on local, regional, and supra-regional level, because all Tyrolean people are sports enthusiasts - regardless of their age and social status.

7.1 Freedom from barriers and access to financial services

If impaired people were not able to access Hypo Tirol, they would be robbed of their opportunity to freely choose from the financial services, let alone make use of them.

This might jeopardise the social balance and the economic development.

Hypo Tirol aims at impeding such imbalances, by offering a variety of products that have a clear social or ecological reference or purpose. In doing so, the ethical and social responsibility is underscored and barrier free and physical access for all impaired people is guaranteed.

Our 22 branch offices are alle freely accessible, with the exception of one branch office, which is being refurbished and adapted accordingly.

Our branch offices are equipped with cash dispensers that were built deliberately low, which allows easy access and easy use for all people. For hearing impaired people, the cash dispensers are equipped with a headphone jack. Apart from that we provide any kind of information in Braille, and so people with visual impairment can easily manage their banking transactions as well.

The product management of Hypo Tirol emphasises on the further development and extension of these sustainable products.

7.2 Marketing, communication, products

The pricing of our products is monitored at least once a year. The argumentation is objective and based on facts. The illustration in the list of prices and services is transparent and available to everybody. The process of pricing is documented through wok instructions ad by means of the annual internal review in terms of profitability and relevance to the current situation.

In the reporting period, no incidents due to anticompetitive behaviour, cartel building, or monopolisation occurred.

Any kind of product information is delivered in an understandable and clearly defined manner.
All product brochures, investment information pamphlets and advertising materials are subject to a strict four-eye control and are legally evaluated in the context of a specified workflow.
The design of the above-mentioned documents is based on readability and understandability in terms of language.
The illustration of products emphasises on a balanced presentation of chances and risks.

In the reporting year, no violations of the provisions regarding product and service information, indication, or marketing and communication occurred.

Barrier-free internet banking: hypo@home
When the evaluation process for internet banking was launched, our computer centre was told to consider the W3C standards published by the World Wide Web Consortium.

In addition, we also wanted to apply the EAA (European Accessibility Act) requirements, published by the EU Commission in 2015, in the best possibly way.

In cooperation with USECON – Experience Design & Consulting, the internet banking project was implemented by focusing on the "3Us" usability – user experience – user interface design. Thus, our internet banking was subject to an assessment of the high concentration mode.

Thanks to the close cooperation with Hypo Tirol clients who suffer from visual impairment, our internet banking can regularly be adapted to specific needs and therefore, it also supports the JAWS screen reader - the leading audio output programme (Eloquence) worldwide.
Links, headlines, and frames in or internet banking are managed by way of lists and the fast navigation menu allows excellent navigation.

Every six months, a meeting is organised with the federation of the blind, where specific subjects are discussed and improved.

Due to the barrier free internet banking of Hypo Tirol, elderly, temporary impaired or visually handicapped people have the opportunity to manage their banking business online in a simple and save way twenty-four-seven. The login and the whole internet banking process complies with the specific requirements regarding this group of people.

Ward accounts for the "Kinder und Jugendhilfe Tirol" youth care organisation
The Tyrolean youth care organisation (Kinder und Jugendhilfe Tirol) provides comprehensive support for parents. The offer ranges from ambulant family support, inpatient care, foster child programmes, educational guidance, child protection, night-shelter for teenagers to the Z6 street work organisation. If the vulnerability of children and young people is threatened, the youth care organisation also plays a protective role.

Since 1985, Hypo Tirol has been providing free giro accounts for the Tyrolean youth care organisation to manage all financial tasks in connection with youth care.

New start account, basic account
Sometimes, people find themselves in a difficult social or economic situation due to unemployment or illness, and consequently, they do not have a bank account anymore. However, in these days a bank account is mandatory to manage things of daily life, such as rent, or electricity fees on a cashless basis.

For that reason Hypo Tirol established the "new start account". The purpose of the account, which could be obtained via Caritas Tirol, the Tyrolean debt counselling organisation, or the association for the homeless (BARWO),was to give these people the opportunity to gain control of their economic problems again and soon become holder of a "regular" bank account.

For more than ten years, Hypo Tirol had been offering the new start count as free lump-sum account to support cashless payment worldwide and numerous additional free payment services.

Since September 2016, the Payment Accounts Act (Verbraucherzahlungskontogesetz VZKG) including the legally regulated "base account" (account with basic function) has been effective. The fees are legally capped and shall not exceed the amount of EUR 80 per year. For vulnerable people in a disadvantaged position (recipients of a minimum pension, etc.), the fees shall not exceed EUR 40 per year.

By offering this account, Hypo Tirol meets the requirements according to the payment accounts act (VZKG) and offers all clients with regular residence in an EU country access to basic bank services.

U25 account
The U25 account is a unique product in the core market of Hypo Tirol Bank. It is a free account for all citizens who are between 12 and 25 years old. Regardless of their profession, the account enables young such as students or apprentices to manage their financial issues independently. So a twenty-two-year-old employee with low income also benefits from the free account.

Account for doctors in training
The account for doctors in training is a full-service account designed for this particular group of clients. Moreover, liability insurance (EUR 2 million) is taken by Hypo Tirol for the first three years, which makes the beginning of a doctor's career a little bit easier and free from any worries. Apart from that, support is also provided in relation to the first tax declaration. This service allows young doctors to fully concentrate on their core business.

Account for new entrepreneurs
Besides specifically tailored consulting services, the account for new entrepreneurs is offered for the business sector of free professions.

The monthly charges for this "all-inclusive-account" are extremely low (flat-rate) and thus, the new entrepreneur is protected from unexpected expenses for three years. Usually, when this period expires, the payment behaviour has become stable and an appropriate solution can be found in collaboration with the consultant.

Apart from that, Hypo Tirol also offers support regarding the transaction of subsidised credits granted by the regional and national government. In doing so, it helps smaller companies to establish themselves on the international market.

Hypo WohnVision stage-of-life-credit
The Hypo-WohnVision stage-of-life credit helps young people whose living situations might change during the credit period. The payment of instalments can be adapted to the respective living situation without any additional charges. Consequently, the founding of a family or finding a new job can easily be handled from the financial point of view. The product includes an initial phase of 2 years that is interest-free, the possibility to defer credit-rate payment for 2 years during the term and the possibility to reduce the rate (50%) for 2 years.

Hypo WohnVision housing refurbishment
As a holder of private rights, the province of the Tyrol grants subsidies for the refurbishing of housing in accordance with available financial means and the urgency of the project to be subsidised.

The following projects are subsidised:

- Conservation and improvement measures of eligible residential houses, residential apartments, and homes
- Measures to preserve acoustic and heat protection and moisture proofing
- Installation of a solar system and district heating system
- In this context, Hypo Tirol Bank supports the province of the Tyrol by acting as the bank in charge of account.

7.2.1 Financial support provided for specific groups of persons

Number On 31 December	2017	2018	2019	2020	Diff. prev. year
Sustainable Debit-Mastercard				55 531	55 531
Barrier-free internet banking - user	36 868	41 768	44 932	47 587	2 655
Ward accounts for the "Kinder und Jungendhilfe Tirol" youth care organisation	1 095	1 099	1 078	1 037	-41
New start account, basic account	44	77	110	136	26
U25 account	3 801	4 206	4 365	4 593	228
Account for doctors in training	17	27	41	52	11
Account for new entrepreneurs	25	107	194	279	85

Volume in kEUR On 31 December	2017	2018	2019	2020	Diff. prev. year
Hypo WohnVision stage-of-life-credit	147 922	184 308	205 953	215 604	9 651
Hypo WohnVision housing refurbishment	30 896	26 178	21 087	17 225	-3 862

7.2.2 Local cultural promotion and sponsoring

The state bank acts as a committed sponsor for institutions and initiatives in the field of sports, education, and cultural and social events. Not only do the sponsoring partners benefit from the financial support, also the people who make use of their programmes. Therefore, Hypo Tirol Bank considers classic sponsoring as an effective instrument to bring the financial power of the state bank to all Tyrolean people. Without the effort of Hypo Tirol, the activities offered by several initiatives and institutions in this sector would significantly be affected in a negative way.

Since all Tyrolean people – regardless of age – are known to be sports enthusiasts, Hypo Tirol is also a committed partner in the field of mass sports, on local, regional and supra-regional level. It goes without saying that Hypo Tyrol acts out of conviction in this respect, because physical exercise has a positive effect on health-related and interpersonal matters. It is fun, it supports personal fitness, social contacts and consequently fosters social cohesion. Sponsoring helps local clubs and associations to extend their programmes and to focus on the work with young talents. Hence, as many Tyrolean people as possible can discover their passion for sports activities and finally do the preferred kind of sport.

As a sponsor and cooperation partner in the field of culture it is our goal to grant all Tyrolean people and all age groups access to the various cultural events that are organised throughout the Tyrol. Not only does culture represent a part of our common understanding, it also expresses our personality and it helps to cross social and ideological borders. This is the reason, why the state bank supports any kind of artistic and creative potential. It is a partner for both, people who simply like to enjoy arts and culture and people who play an active role in arts and culture.

Artistic and cultural projects are primarily supported on the local level and comprise genres such as dance, theatre, and music. In this context, not only well-established institutions are included - young people also play a major role in this respect. By promoting the regional youth theatre, Hypo Tirol Bank clearly acknowledges the “next generation.” Another pillar of sponsor activities are science and research, as they form the basis for a flourishing future in our country. The federal state bank cooperates with various university institutions and universities of applied sciences. In doing so, it supports science and education at the same time. Besides sponsoring the medical university, their alumni institution – which promotes the scientific Tyrolean network - is also supported. The dissertation prize, which was established by the federal state bank, is annually awarded to students for special innovative approaches in the context of their doctoral thesis.
In the social sector the provision of support mainly refers to institutions operating throughout the Tyrol, such as the Tyrolean network, the partnership of volunteers, the “Vinzenz” community or emergency service providers. In addition, local initiatives are also sponsoring partners. Apart from that, Hypo Bank always dedicates the Austrian National Day to a social purpose and organises various join-in activities, e.g. in front of the government building or a special social event where people could donate money as urgent assistance for families in need. his particular activity aims at creating awareness for social need in our country. It shall demonstrate that every single person can contribute.

In 2020, the annual open house was cancelled because of the COVID-19 restrictions. However, this did not prevent Hypo Tirol from doing good as usual, and so three artists sold their pieces of art on the “market square” in the Hypo headquarters. The artists comprised Alois Schild - the internationally acknowledged and Hypo-affine artist, who was one of the most favourite students of “past master” Bruno Gironcoli -, Dominik Schubert - an emerging young talent in the field of pop art who was born in Innsbruck but is now a Berlin-resident-by-choice - and finally Herbert Walt - Hypo-neo-pensioner and founder of the “Festival der Träume” who presented his “Kirzzel-Skizzen” sketches. The amount realised and other donations were directly forwarded to the Netzwerk Tirol, because especially in these times, the organisation can use every Cent.

8 Employer attractiveness

8.1 Employment

Hypo Tirol is an important regional employer and is aware of the associated duty. The bank assumes social obligation for 568 employees (525 people working for the parent company, 31 people are employed with Hypo Immobilien Betriebs GmbH and 12 people are employed with Hypo Tirol Versicherungsmakler GmbH (2019: 588 employees, 547 people were working for the parent company, 27 people were employed with Hypo Immobilien Betriebs GmbH and 14 people were employed with Hypo Tirol Versicherungsmakler GmbH). It offers interesting jobs with different perspectives and consequently contributes to the future success of the company by concentrating on human resource relations. Only if we work together, we can reach the company goals and provide the defined service – aspects that play a crucial role in relation to the success and competitiveness of the state bank.

Partner-oriented cooperation helps Hypo Tirol to generate an environment in which all employees can use their potential in an optimum way and therefore, they can create sustainable performance for the company. This cooperative philosophy also shapes the relationship with the representatives of the employees and the social partners who are actively integrated to handle all employee-related subjects and activities.

The ongoing changes regarding digitalisation also affect our work in relation to human resources. In order to be successful on a sustainable level, it is vital to focus on the requirements of internal clients. Not only does this apply to the company as whole, but also to human resources.

The following statistics and evaluations also include data collected from Hypo Tirol Immobilien Betriebs Gmbh and Hypo Tirol Versicherungsmakler GmbH.

8.2 Impact of the pandemic on the health care and security of our employees

Since the second lockdown, 50% of the employees, who work in the critical business processes, have been taking the opportunity to work from home.
As far as the remaining employees are concerned, the proportion of people who use remote working amounts to 40%/45%.
The conditions for remote working were specified in a company agreement and anchored in the Hypo handbook of manners.
The increased awareness regarding the hygienic measures had positive consequences on the sick leave. There was no wave of a flu epidemic and in general, the number of sick leaves was considerably low. These effects can be ascribed to the strict hygienic measures that were taken to make the workplaces COVID-secure.
Among other things, the measures included the increase of the number of disinfectant dispensers, the distribution of additional sanitisers and masks, the provision of information regarding correct hand washing, the introduction of distancing regulations and other legally specified procedures. When the wearing of masks became mandatory, our employees received an additional starter kit with 20 masks that could also be used for private purposes. When the FFP2 masks became obligatory, our employees were also provided with a free contingent.

Other measure, such as short time work was not applied by Hypo Tirol. In this connection, and there were no personnel layoffs either.

Hypo Tirol aims at fostering sustainable and long-term relations with future employees.
In this respect, software solutions to support the efficient digital and data-compliant assistance of applicants are employed. In 2020, a talent pool was created to maintain contact with potential and interested candidates. The candidates, who have made a positive impression, but cannot be offered a job at the moment, can register in the talent pool, and receive information about future employment ads. The use of this pools allows to draw on appropriate applicants, which shortens the "time-to-hire" period.

A future goal is to gradually shorten the period between the publication of the employment ad and the signing of the contract.

Outdated recruiting procedures and an antiquated image do not correspond to the modern perception and do not attract experts and managers. Such a standing bears the risk to be perceived as an obsolete company that upholds old-fashioned structures and consequently, employer attractiveness decreases. Usually, young people stick with their expertise and not with their employer. In comparison to the past, today's experts and managers are open minded and much mor flexible when it comes to changing the job.
If a bank is not willing to deal with current topics, such as digitalisation, further education, environmental protection, and social aspects, it will be observed clinically. This may be accompanied by reputational damages. The danger that young talents do not apply for a job or quit their job relatively soon shall not be ignored.
Communication guidelines help to identify the reasons why an employee is not satisfied or quits the job. Based on these guidelines, appropriate measures were defined to create the optimum staff loyalty for the future. By including managers, the human resource department and the managing board, if appropriate, the flow of information is ensured, and it can be reacted appropriately.

8.3 Employee key figures

Employee data of Hypo Tirol (per capita):

Bank AT, Bank ITA, HIB, Versicherung: Overview	2018	2019	2020
Managing board	**3**	**3**	**3**
Male	3	3	3
Female	-	-	-
Full-time	**409**	**411**	**385**
Male	282	283	266
Female	127	128	119
Part-time	**177**	**166**	**168**
Male	40	32	32
Female	137	134	136
Apprentices	**12**	**11**	**15**
Male	3	5	6
Female	9	6	9
Total excl. parental leave, maternity protection, incl. apprentices, managing board	**598**	**588**	**568**
Male	325	320	304
Female	273	268	264
Employees in parental leave, maternity leave, military service/alternative service	**24**	**20**	**21**
Male	1	2	2
Female	23	18	19
Total incl. parental leave, maternity leave, apprentices, managing board	**622**	**608**	**589**
Male	326	322	306
Female	296	286	283

Bank AT, Bank ITA, HIB, Versicherung: Altersverteilung	2018	2019	2020
Total incl. parental leave, maternity leave, apprentices, managing board under 30 years of age	**104**	**113**	**101**
Male	45	52	41
Female	59	61	60
Total incl. parental leave, maternity leave, apprentices, managing board 30-50 years of age	**366**	**336**	**322**
Male	178	167	162
Female	188	169	160
Total incl. parental leave, maternity leave, apprentices, managing board over 50 years of age	**152**	**159**	**166**
Male	103	103	103
Female	49	56	63

8.4 Human resource development

In order to guarantee that employees can use their full potential and to grant them the opportunity to create their careers in the best possible way, Hypo Tirol promotes the continuous personal development of its employees. This is the only way to help them to meet the requirements of their clients, the market and to respond to the steadily changing conditions. In addition, the attractiveness of Hypo Tirol as an employer is increased.

In order to better respond to the needs of each singe employee, regular jour fixe meetings with the managers are organised. During these meetings, singe instruments of human resource development are discussed, and novelties are presented. Specific development opportunities of single employees can also be discussed in this context. Depending on the sector, these meetings are held on a monthly or quarterly basis.

8.5 Vocational training and further education

As an employer, Hypo Tirol emphasises on the continuous development of professional skills and social competences and offers interesting and versatile trainings and further education programmes. In this context, special attention is given to regulation and compliance.

In the field of education and vocational training, Hypo Tirol closely cooperates with Hypo Bildung GmbH, a subsidiary of the Hypo group. It offers basic trainings ("Hypo 1" and "Hypo 2") and specific trainings in the field of sales ("Hypo 3") for all Hypo employees across Austria. All training contents are continuously adapted to the respective requirements. In autumn 2020, the newly revised "Hypo 3" training programme was initiated. It represents a training series that is based on a modular structure, whereas special attention is given to different key positions: investment manager, financial consultant, corporate client manager, loan officer.

Besides the above-mentioned classic bank trainings, the training catalogue of Hypo Bildung also offers sales training programmes (fundamentals and deepening) and trainings for personal development (e.g. service and service orientation, personality & communication). Apart from that, trainer education seminars for employees who work as trainers in the context of the Hypo 1 – 3 programmes are offered.

Due to the COVID situation, all trainings that were planned by Hypo Bildung for April/May/June 2020 had to be postponed to autumn 2020, or they had to be carried out online via an online forum or via Webex units that had to be combined with guided self-study.

A career model, which was especially designed for sales employees, opens a wide range of career chances and further education opportunities. An essential part of this career model is the enhancement of the Hypo Tirol sales expertise, which serves as the foundation for training and development in the sales department. In addition to improving professional skills, special emphasis is also given to personal development, analytical capability, or performance motivation. This guarantees that all employees can develop flexibly in the various sales units, and it enables them to switch between different careers.

Since 2019, the career model for internal units has been applied. The model was designed to strengthen the professional skills of our employees by offering transparent and clear career channels and to foster the development of each single employee. The purpose of this career model is to accompany employees during their career process by means of vocational trainings and education programmes. Similar to the sales career model, professional and social competences serve as the foundation for education and development in the company.

In order to survey the training needs, an annual “competence-check” was established. In the context of appraisal interviews, the level of knowledge and the associated obligatory training for each employee are verified and evaluated. The results are discussed with the responsible managers and the focus (professional focus or personality building focus) for the upcoming year is determined.

In compliance with the strategic emphasis on investment and the regulatory requirements regarding MiFID II, the “investment college” (Veranlagungskolleg) was established and launched in 2018. Thus, the training level and the associated customer expertise is increased by intensifying important skills. The training series is based on a modular structure. Special attention is given to the best possible implementation of thermotical aspects in a practice-oriented manner, and consequently, everything that has been learned can be applied immediately. The college is composed of three stages (advanced, expert, professional, which are based on each other. After the conclusion of each stage, a certificate, which provides information on the degree of education and the knowledge gained, is issued.

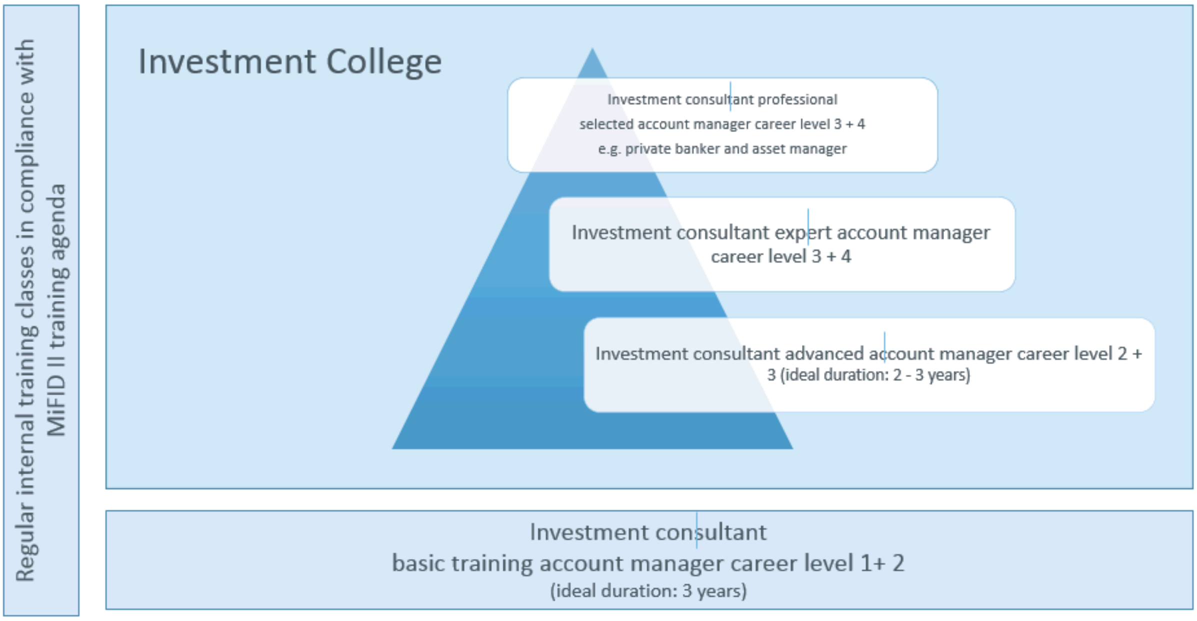


Illustration 1: schematic structure of investment college

All employees, who work in the private client sector, have to attend the investment college (Veranlagungskolleg) and complete the level “advanced”. The attendance ensures that the employees gain a certain basic knowledge of investment. The prerequisite for attending the investment college is the completion of a basic investment training. It includes the following seminars: Hypo 1 and Hypo 2, investment training - fundamentals and deepening, and sales training. Usually it takes about 3 years to complete the basic training and another three years to complete the advanced level. The total number of employees, who attend the investment college on the advanced level, amounts to 121. It is the objective, that the majority of our employees will have completed the advanced level by 2022. Up to now, eight employees have successfully completed the advanced level of the investment college.

In 2020, as a result of the Corona situation, all classes that had been planned to take place in the first half-year, had to be postponed to autumn. Later they were held online via Webex. For the first half of 2021, it is planed that all seminars of the advanced level will be held via Webex. In this respect, all trainers will be trained in the first quarter of 2021 to successfully impart their knowledge via Webex. This guarantees that the online training meets the same high standards and quality criteria as in-class lectures.

In 2019, in addition to the investment college, the financing academy was established; it is also based on a modular structure (two levels: advanced and expert). The purpose of the academy is to deepen the knowledge in the field of financing. Additional single interviews shall support the transfer of knowledge. Basically, the advanced level was designed for employees with a banking experience of at least six months. The expert level was designed for employees in the career stage 2 to 4. In order to register for the expert course, the advanced level must be completed. In 2020, nine employees completed the advanced level and eleven employees the expert level of the financing academy. Due to the COVID-19 pandemic, the courses in autumn 2020 were held in small groups to guarantee the compliance with the minimum distance requirements. At the moment, 137 employees have to complete the last level of the financing academy. These employees shall finish their training in the following years.

Based on the subjects of self-management and the improvement of social and communicative skills, which are anchored in the career model, special attention is given to the “soft skills” development. Since our employees requested in-class lectures for this subject matter, which was not possible in 2020, the training will be postponed to 2021.

In consequence of the increasing digitalisation, the digital knowledge of Hypo Tirol employees and managers will be bettered in 2021. Thus, they will be prepared for digital process changes, and they will receive the required tools in this context. It shall enable our employees to think beyond the boundaries of the company and to reflect possible future scenarios. In doing so, the development of expertise shall be safeguarded for the future. Moreover, it ensures that our clients are offered the best service and the associated required proficiency in the digital sector as well.

This aspect is of special importance, and if it is ignored or neglected it might end up in the risk of not acting in a modern and adequate manner. The lack of qualification could provoke insecurity among the clients, and they might be tempted to move to competitors.

Reputational damage and business losses would be the consequence, and this would have negative effects on the profitability of the bank.

As mentioned at the beginning, some training sessions had to be held online. Thanks to the positive feedback in this regard, we will continue to offer e-learning modules and online trainings for our employees. In this way we can support lifelong learning which is independent of time and place. The implementation of such measures additionally reduces CO^2 emissions, because long journeys to in-class lectures are avoided.

The following table illustrates how many training hours our employees completed in one year. They are divided by gender or employer category. The figures listed below do not include apprentices and managing board members.

Average number of hours – vocational training and further education per male employee	2017	2018[1]	2019	2020
Total number of hours - vocational training and further education for male employees	9 125	11 623	10 470	7 945
Total number of male employees	314	308	312	295
Average	**29**	**37**	**34**	**27**

Average number of hours – vocational training and further education per female employee	2017	2018[1]	2019	2020
Total number of hours - vocational training and further education for female employees	6 188	6 832	7 760	3 955
Total number of female employees	288	279	262	255
Average	**21**	**24**	**30**	**16**

Average number of hours - vocational training and further education: category “management”[2]	2017	2018[1]	2019	2020
Total number of hours - vocational training and further education: category “management”[2]	2 138	1 883	2 577	1 972
Total number of employees in this category	53	50	52	51
Average	**40**	**39**	**50**	**39**

Average number of hours - vocational training and further education: category “sales”[3]	2017	2018[1]	2019	2020
Total number of hours - vocational training and further education: category “sales”[3]	7 556	11 123	10 432	6 584
Total number of employees in this category	272	282	269	251
Average	**28**	**40**	**39**	**26**

Average number of hours - vocational training and further education: category “internal department”[4]	2017	2018[1]	2019	2020
Total number of hours - vocational training and further education: category “internal department”[4]	5 619	5 447	5 222	3 343
Total number of employees in this category	277	255	253	248
Average	**20**	**21**	**21**	**13**

[1] Since 2018, e-learning data have been included and illustrated

[2] Management: employees in management positions (excl. managing board)

[3] Sales: employees in sales units (excl. apprentices)

[4] Internal department: employees in internal organisational units (excl. apprentices))

Further strengthening of managing skills

As far as the development of managers is concerned, Hypo Tirol follows a holistic approach, including the following elements: improvement of individual managing skills in line with the defined managing competences, personal development and life-long learning as a fundamental attitude and regular feedback interviews to identify development areas.

Hypo Tirol divides the development of mangers into the following stages.

- Management - onboarding
- Management - training
- Management - further training

During the onboarding stage, managers are accompanied by a mentor. In addition, they have the opportunity to make use of an external coach as well.

In 2019, a training series was launched especially for new managers. The training is composed of six modules. Young managers learn how to identify with their new role as a manger, to management communication effectively, to handle self-management and personal development and how to tackle conflicts, and so on.

After the training series was completed, participants started to organise cooperative meetings, which are held every eight weeks, to discuss specific cases among colleagues. The meetings represent a magnificent tool to talk about professional questions and key subjects and to develop joint solutions. Useful questions, practical cases and current problems are discussed in a familiar and honest environment and appropriate solution approaches are examined. The goal of the cooperative meetings is to support young managers in coping with the challenges and to build a platform to continuously exchange information among colleagues. Due to the enduring pandemic, the meetings were held online via video conferences.

The objective of Hypo Tirol is to regularly increase the development of managers and to extend the offer for both, young managers, and experienced ones. In 2021, further trainings are planned and external experts, who will provide their input regarding diverse subjects, will be invited for a management event. Due to the pandemic in 2020, no external experts were invited. This will be organised at a later date in 2021.

Create an environment that allows sustainable performance
A major concern for Hypo Tirol is to acknowledge the development of each individual employee and to value the personal contribution to the success of the company. The management performance process comprises an interview at the beginning of the year, in which goals are set, an interview, in which the development of the employee is discussed in the middle of the year, and a comprehensive evaluation of the performance at the end of the year, with the self-evaluation of the employee playing an important role.

In 2020, 98.23% (2019: 96.19%, 2018: 97.44%) of all employees received regular appraisal reports on their performance and career development. Those employees, who did not receive an appraisal report (2020: 1.77%, 2019: 3.81%, 2018: 3.41%) were either in educational or maternity leave, on long-term sick leave or were about to retire.

Promotion of junior employees
Each year, Hypo Tirol offers young people the opportunity to take up a profession in the banking industry, either via apprenticeships or the internal trainee programme. In this way, young talents are attracted and educated, and jobs in the banking sector are made more appealing. The programmes are composed of practical training modules that are to be completed in the company and learning units that have to be attended in vocational schools for apprentices or in external educational institutions. Since 2013, the regional bank has held the prestigious title "Awarded Tyrolean Training Employer", which is awarded by the Province of the Tyrol, the Chamber of Commerce and the Chamber of Labour. This award shall be understood as recognition and confirmation for the numerous activities that are offered in the context of apprenticeship

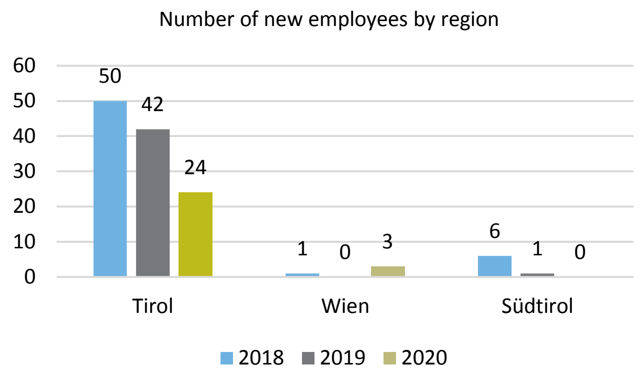
In 2020, three apprentices successfully passed their final apprenticeship exams for bankers. One apprentice even passed the test with "excellent" and another one with "good". On 14 September 2020, 15 apprentices were employed. Currently, 13 apprentices work in our branch offices, whereas two of them work as insurance apprentice in our subsidiary Hypo Tirol Versicherungsmakler GmbH.

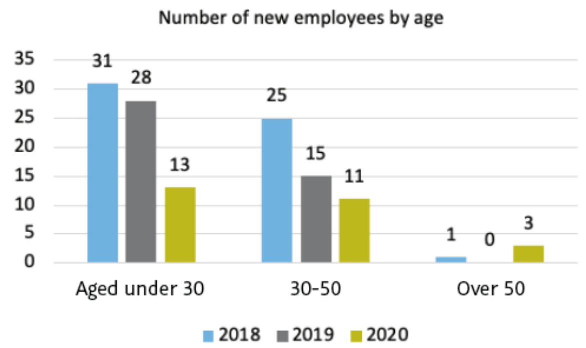
Employee turnover
In 2020, the employee turnover rate accounted for 8.09 %

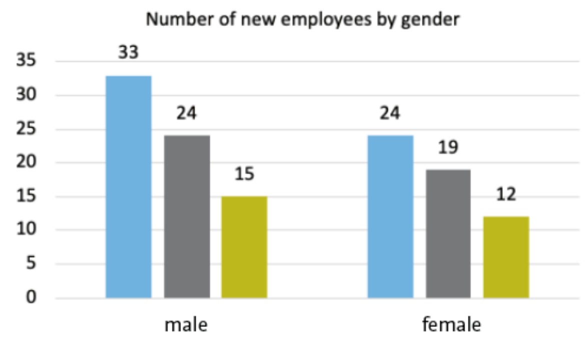
2017	2018	2019	2020
10.55%	9.29%	9.99%	8.09%

The goal is to reduce the employee turnover rate to 8.5% until 2023. An Internal analysis revealed that the turnover rate in the first years was higher. In this respect, the following measures were taken to counteract: the introduction of a more efficient recruiting process, the drawing up of conversation guidelines and active sourcing via talent pools and social networks. Moreover, the extension of the initial training period by means of a three-day welcome event and the provision of onboarding guidelines for managers shall strengthen the relationship with the employer.

The figures illustrated below do not include apprentices and skilled employees.







8.6 Recruiting and employer branding

Recruiting and employer branding are essential for the company success of Hypo Tirol. Therefore, Hypo Tirol offers various benefits, challenging positions, and a partner-oriented company culture to be an attractive employer.

Due to a changing environment and alternating needs of employees, external communication must be adapted as well. Because of the increasing flood of information, many people ignore irrelevant contents. For that reason it is important to use employer branding to present Hypo Tirol as a relevant and authentic employer. We use the platform of job fairs and events to directly communicate with students, pupils and interested people. Apart from that, we also cooperate with the Austrian Chamber of Commerce and the Commercial College for Finance and Risk management. Interested students can listen to practice-oriented speeches or get an internship and thus, gain relevant and practice-oriented information about e.g. job entry opportunities. Moreover, Hypo Tirol is committed to expand the cooperation with universities of applied sciences, universities, and schools in order to attract future talents at an early stage. In cooperation with Innsbruck University and the Management Center Innsbruck (MCI) several projects regarding sustainability and the creation of a sustainable image will be launched in autumn 2020/spring 2021. Innsbruck University also provided its support in the context of a Hypo Tirol client and employee survey concerning sustainability. The results were used to draw up a profound stakeholder analyses and to define the scope of possible future activities in the field of sustainability. In the context of the MCI project, students are currently elaborating a quantitative questionnaire, which will be sent to the future target group in the context of the recruiting process (young professionals). The objective is, to analyse the wishes of future employees, to adapt the existing additional services of Hypo Tirol accordingly, and to analyse the attractiveness of the banking industry, in particular of Hypo Tirol. The results shall help to adapt the future positioning of the Hypo Tirol employer brand.

For spring 2021, a trial apprenticeship afternoon for future apprentices and trainees is planned. This allows interested people to get an impression, how the daily working life of a banker looks like. They receive information regarding the respective training possibilities and about Hypo Tirol as an employer.

As far as future job fairs are concerned, only sustainable freebies shall be distributed. In this case the freebie comprises a cotton bag and a wooden pen. When the pen is used, it can be planted into a pot and a flower will grow out of it.
This initiative decreases waste and creates additional value because the freebies are recyclable. Unfortunately, in 2020 some of the job fairs had to be cancelled. Since one job fair was organised on a digital basis, Hypo Tirol immediately seized the opportunity to present itself as an attractive employer by digital means. Interested people were invited to contact relevant employers via chat or video conference. Vice versa, Hypo Tirol answered many questions in relation to “starting to work for Hypo”. Despite all circumstances, many applications and registrations in the talent pool were submitted. For 2021, two more online job fairs are planned.

Digital communication with interested people also happens via media such as karriere.at, XING and LinkedIn, where Hypo Tirol presents itself as an attractive employer and provides an insight into the company.

Owing to the new recruiting software, which was established in 2018, evaluations can be handled faster, more efficiently and, regarding the Data Protection Act, in a save manner. In addition, a talent pool was integrated into the new job portal on the homepage of Hypo Tirol. If no suitable job is advertised at the moment, future applicants or interested people can use the talent pool to register. In doing so it can be ensured that each interested person can reach Hypo Tirol. Consequently, the recruiting process is also used to contact applicants from the talent pool for jobs advertised. This system allows the building of sustainable talent pipelines.

Hypo Tirol would like to offer its new employees a perfect start into their working life. Hence, an onboarding checklist for managers was elaborated. It ensures that the start of work for every employee is always organised in the same manner. It also safeguards that a new employee is trained on the basis of a systematic approach. The Checklist serves as a tool for managers to verify, which tasks are to be accomplished in the first week, in the first two to four weeks and in the first six months.

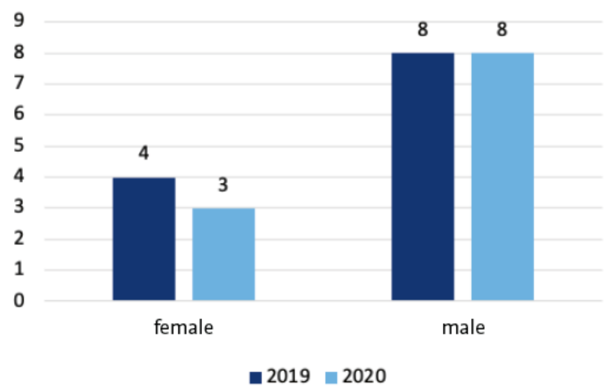
In the first three months, a three-day welcome event called “Hypo welcome“ is arranged. In the course of this event, new employees gain insight into different departments and they are trained in relation to important subject matters such as data protection and ergonomics. Another positive aspect is that they get to know other employees, managers, and board members, which allows them to establish a network.

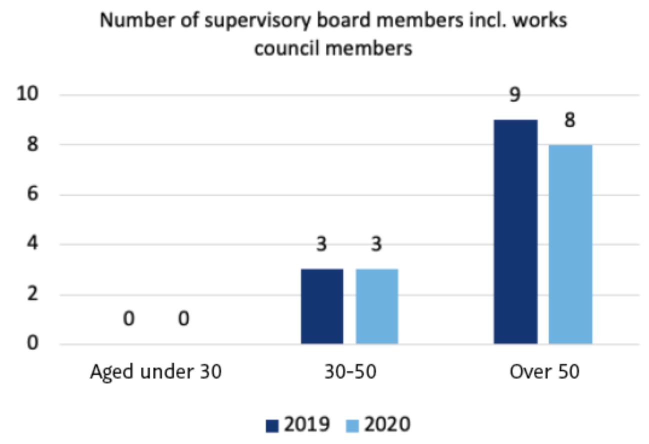
The application of all these measures ensures sustainable employee training and it facilitates the start of work for employees, especially in the first weeks and months.

8.7 Equal opportunities and diversity

Hypo Tirol fosters a company structure which is characterised by mutual respect and appreciation. It is based on equal opportunities, social fairness, open communication and conflict ability. The defined goal is to attract the most suitable employees, to support and retain them on the long run – regardless of their cultural background, nationality, gender, religion and other diversity aspects. This is a major contribution regarding the respect for human rights. Hypo Tirol acknowledges the European Convention on Human Rights and the Universal Declaration of Human Rights published by the United Nations.

The supervisory board of Hypo Tirol is structured as follows:





As far as gender equality in the managing board and supervisory board is concerned, a women's quota of 25% was determined; in addition, a strategy to increase the proportion of women was established. Consequently, in case of new employment or replacement in the managing board or supervisory board not only personal and professional aspects are considered, but also a balanced composition of the board in terms of diversity. In April 1019, one position in the supervisory board was filled with a woman.

With regard to vacancies, special attention is given to a balanced gender distribution regarding female and male candidates. Moreover, a balanced relationship is also ensured in relation to the female and male employees who are already employed. The same applies to new experts, who contribute to the sustainable performance of the company due to their knowledge and expertise.

In this connection, Hypo Tirol underscores that no charges were pressed in connection with any kind of discrimination, neither via the whistle-blower system (see section 5.5: whistle blower system), nor via the complaints office established by the law & compliance department. In 2020, there were also no reports on any kind of discrimination submitted by the works council.

8.8 Compatibility of professional and private life

Due to a flexible working time model, which does not include core working hours, and numerous part-time models, Hypo Tirol helps its employees to find a well-adjusted work-life balance. Moreover, mobile working is offered in order to work from other places than the office. In addition to our female employees, who return to the company after maternity or parental leave, an increasing number of male employees make use of this system as well.

In 2020, 32 men and 29 women were entitled to maternity leave, whereas 3 men and 27 women made use of their right.

In 2016, the return rate after maternity leave accounted for 58.33%, in 2017 it accounted for 50%, and in 2018 the rate accounted for 66.67%. In 2019 the rate accounted for 51.58% and in 2020 to 35.48%.
In 2018, The rate of employees who stray after maternity amounted to 5.33%, in 2019 to 33.33%. The rate for 2020 will be announced next year, because the evaluation of the key figure requires that employees, who return after maternity leave, have to stay in the company for a minimum duration 12 months.

In addition, an increasing number of men also make use of what is called "Papamonat" (dad's month). In 2017, only one employee made use of this special type of parental leave, in 2018 already three men "took a month off", in 2019, four men made use of their dad's month, and in 2020 the number of men accounted for two. We expect this special offer to become increasingly popular in the future.

It is of utmost importance for Hypo Tirol that its employees have the possibility to create their individual work-life balance. Regular adaptions of existing working hour models shall guarantee this in the future as well.

The objective that the rate of employees who return to the company after parental leave shall account for 50% to 55%.

8.9 Health care and work

Hypo Tirol is perfectly aware that a health promoting working environment is the basic requirement to make sure that all employees are able to work and to do their job efficiently. This concept includes measures to guarantee occupational health and safety and to reduce physical and mental strains caused by work.

In order to continuously develop this area and to adapt the offer to the needs of the employees, a health care survey was conducted in September 2019. The survey aimed at evaluating the mental and physical well-being of our employees. The result was quite positive in two ways: on the one hand it certified a particularly good general contentment, and on the other hand, based on the feedback of our employees, important actions that will have to be taken in the future, have emerged. 90% of the employees were very pleased with their work. 95% of the employees considered the flexible working hours model incredibly positive, 92% considered the chemistry between employees positive and, and 83% were pleased with the management. In addition, the subjective physical condition was considered as good or very good.

After the evaluation, workshops with the title "physical health circle" were organised. All employees were able to actively contribute to the subject of health. The purpose of the workshops was to evaluate health damaging work requirements and to commonly find solutions.

Both, the "physical health cycle" and the in-house health care survey, which had been conducted in autumn 2019, demonstrated that in many cases neck pain, shoulder pain and back pain were caused by work. Possible relief measures in this respect were taken. And so we concentrated on ergonomic workplaces and instructed people to make breaks from on-screen work. After a testing period, an ErgoPhysion tension terminator was acquired for every branch office and for every floor in the headquarter in December 2020. The tension terminator is a certified medical product that was developed by a physiotherapist. All employees of Hypo Tirol can make use of the tension terminator independently to ease neck, shoulder, and back pain. The tension terminator is an investment into the health of our employees which allows to reduce absence from work.

Basically, all employees of Hypo Tirol have access to the sustained health-related service programme, whereas the majority of the services is offered in the North Tyrolean region.

The health-related service programme includes a company doctor, who provides help concerning medical questions for all employees during their working hours, vaccination campaigns, birthmark check-ups, eyesight tests and specialist lectures, which are held in the context of the internal training and further education programmes. Moreover, it is possible to arrange a free coaching session with an external coach to tackle individual problems. This completes the activities to promote the physical and mental wellbeing of our employees. In 2020, a pneumococcal vaccination was offered in addition to the regular vaccination service. In 2021 is shall also be possible to get a COVID-19 vaccine via our company doctor.

In order to support physical activities and encourage people to exercise, Hypo Tirol promotes regional and cross-regional events, organised by employees. Every year, various sports events such as tennis, football or skiing championships are held. In 2019, 36 employees participated in the “Tiroler Firmenlauf“ company running event. In 2020, the event had to be cancelled because of the COVID-19 pandemic. Part two of the dancing lessons, which had been organised in cooperation with the Polai dance school, was also completed. Owing to the pandemic, no further lessens could be offered until today.

Moreover, employees are informed about speeches or classes (e.g. meditation classes in a museum) in the region on a regular basis.

The duty of the safety officer is to advise and support the employer, the employees, the safety representative, and other employee representatives in connection with occupational safety and human engineering. The safety officer provides advice and support with regard to occupational safety and accident prevention, occupational physiology and psychology, industrial hygiene, and other ergonomics-related matters. In this respect, special attention is given to human engineering, the organisation of fire prevention and all associated evacuation measures, the determination and evaluation of hazards, the specification of measures to prevent hazards, and the organisation, instruction, and preparation of company instructions. Apart from that, the safety officer shall be involved in any inspections of workplaces, construction sites, and external workplaces, and inspections by the Health and Safety Executive.

Each employee is told how to adjust working equipment for individual purposes in terms of ergonomics and how to arrange the personal workplace. As employees are mostly engaged in sedentary work, the ergonomic arrangement of a workplace is crucial. The subject of occupational ergonomics represents a major aspect of prevention; it allows sustainable work, and it protects humans from sickness caused by work. This means that office chair, office desk, keyboard, computer mouses etc. shall be adjusted to the personal needs of the employee and in accordance with specified ergonomic standards.

The safety officer is part of the business continuity management (BCM). As a result of the pandemic, the role of the safety officer increasingly gained in importance. For example, the purchase of sanitisers, disinfectant dispensers, masks, gloves, mechanic protection devices such as Plexiglas lies within the authority of the safety officer. As far as hygienic products and other protective products are concerned, we focus on the purchase of sustainable and local products.

Company restaurant
In the premise of the two headquarters, Hypo Tirol operates s company restaurant, where employees can enjoy a time-saving and healthy lunch made from regional food for little money. Those employees, who do not have the opportunity to make use of the company restaurant, receive coupons or financial aid.

The management of Hypo Gastro is always in search for suppliers who share the idea of sustainability. There are already many suppliers who offer regional and seasonal products with short delivery channels. In future, we will continue to work with suppliers who offer 100% regional products. It is our goal to use these products and to offer fresh and diverse meals made from regional products.

Due to the COVID-19 pandemic, our company restaurant had to be closed for nine weeks during the first lockdown. The employees, who were working in their offices, received an appropriate substitute provision (packed lunch).

9 Environmental protection

In comparison to manufacturing companies, a financial institution has to fulfil completely different requirements in relation to environmental protection.

Even though, the environmental impact of a bank as a service company is rather low, Hypo Tirol also leaves a CO^2 footprint, uses energy, generates waste and wastewater, and thus also influences the environment and climate.

Considering the dramatic progress of climate change, alternative procedures must be contemplated and implemented. It is important for Hypo Tirol to contribute to environmental protection in the context of available potentials.
The perception of environmental protection is rather high at the moment, and all employees are aware of their responsibility to be considerate and to protect our environment and ecosystem.

Even though, investing into the environment means to spend money on the short run, it will create additional social and financial value on the long run.

The efficient use of energy and resources is accompanied by the long-term saving of costs. This is particularly reflected in the field of material expenses.

One of the possibilities to improve environmental protection is to consistently save energy and materials and to reduce emissions.

In order to take on ecological responsibility, Hypo Tirol supports different initiatives such as the “Jobticket”, which was introduced for employees who use public transport facilities in the context of their job. The increased employment of telephone or video conferences reduces the number of business trips. However, if it is necessary to go on a business trip, the cost-effective Austrian Railway Systems ticket shall be used. Besides company bicycles, e-cars are offered. The application of monitoring and control systems in connection with modern building engineering guarantees that special attention is given to energy efficiency.
As far as suppliers and service providers are concerned, Hypo Tirol also concentrates on regionality.
By means of the project “beekeeping on rooftops” Hypo Tirol also contributes to the field of biodiversity.

The digitalisation strategy, which was established in 2017, and which has regularly been developed aims at supporting the company and its employees to achieve the defined saving goals.

The sustainable strategy followed by Hypo Immobilien und Betriebs GmbH covers the further development of a target-oriented energy policy, energy efficient investments in buildings, the use of renewable energies and the introduction of a software-based energy management.

Moreover, the number of driven kilometres with vehicles not using renewable energies shall be reduced by 10%, with the use of such vehicles being diminished in general.

Data and processes
Data quality represents in increasingly important key factor in relation to the sustainable operation of buildings. By reducing administrative expenses, higher productivity can be generated. Improved data quality serves as the basis for an improved decision-making process and the minimisation of the risk arising out of wrong decisions.

9.1 Energy efficiency and climate protection

Energy efficiency and climate protection can only be guaranteed by the application of a holistic approach. Besides energy and resource management, mobility management, floor-space management, procurement management, and waste management, the involvement of suppliers and service providers is also essential. Hypo Tirol manages this involvement on the basis of a binding code of conduct.

9.1.1 Support of energy efficiency

Investing in the bank's own properties guarantees the support of energy efficiency. As far as the enlargement, refurbishment or new establishment of branch offices are concerned, ecological aspects shall increasingly be considered, especially in the planning process and in relation to the selection of building materials. In this connection, the needs of both, clients and employees shall be considered. Regional small- and medium-sized enterprises shall be employed to carry out these projects. Moreover, we will use our available resources to realise climate innovations and to use renewable energies. Access to affordable, reliable, sustainable, and modern energy sources shall be available for everyone. Whenever a project is launched, it is not enough to think about resistant infrastructure; the incorporation of diverse innovations in relation to energy efficiency and climate protection is of utmost importance as well.

9.1.2 Preservation of value

Maintenance processes enhance the life cycle of an object and of single components of machines. Maintenance agreements with local companies guarantee the functionality and flawless use of different technical devices.

9.2 Energy and resource management

The efficient use of energy and resources in accompanied by the long-term saving of costs. Hypo Tirol executes a target-oriented energy policy and a professional energy management. Sustainable investment in the bank's own properties increases energy efficiency.

In this context, special attention is given to:

Data collection
The collection of consumption data is currently carried out on a manual basis. An automatic digital data collection system to manage a monthly consumption analysis will be installed in 2021.

Regional energy suppliers
Wherever possible, our facilities are operated via regional providers (TIWAG, TIGAS, IKB, EWR, and different district heat suppliers, etc.).

The use of renewable energies for Hypo Tirol facilities is limited to electricity which is based on hydro or solar power. From the technical point of view, a subsequent installation of a solar system is not appropriate and from the economic point of view it is not acceptable. If new buildings are planned, new energy sources are considered and installed, wherever possible.

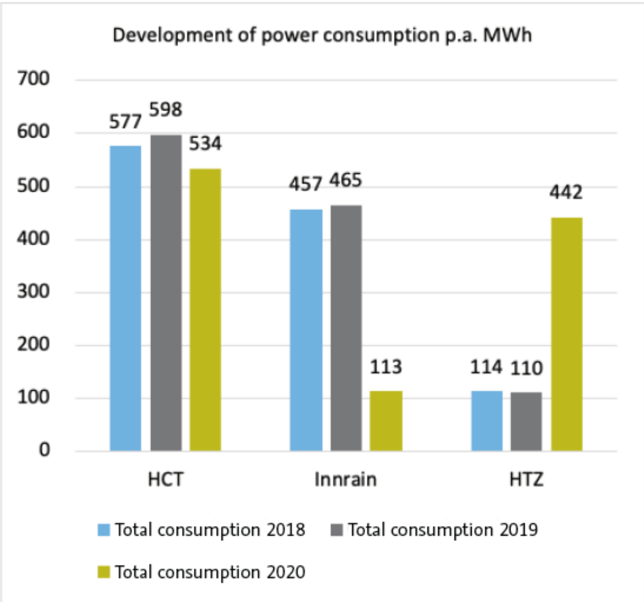
Installation of new monitoring and control systems
Hypo Tirol has been using a modern building control system for the past couple of years. It helps to indicate and regulate essential information concerning the various systems (heating, cooling, ventilation). The control of single parameters (e. g. room temperature) can be managed from a distance, which contributes to the reduction of energy.

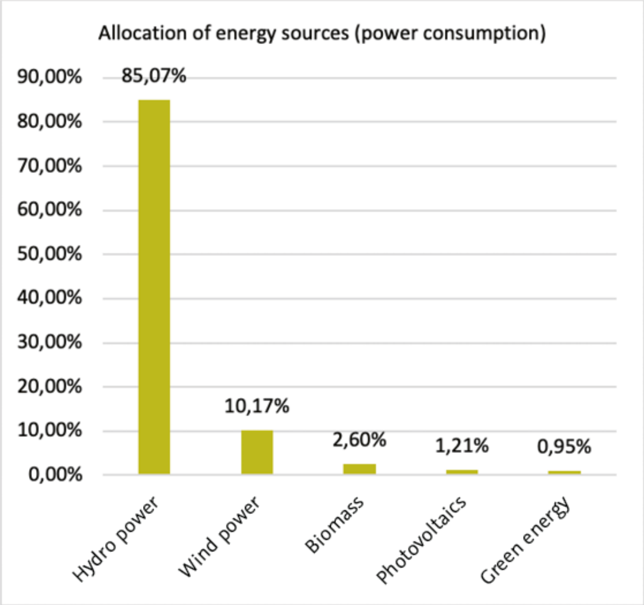
In 2020, the use of app-based monitoring systems was initiated. These systems serve as a useful tool in addition to the modern building control system. In this way, some systems, which cannot be monitored via the building control system (emergency lighting, fire detectors), can be monitored and (to some extent) controlled by means of a mobile-phone app. This leads to increased energy efficiency (reduction of travel routes and working hours) in the whole process.

Power consumption
65% of all employees work in the largest buildings such as the Hypo Center Tirol including the Wilten branch office, the Hypo Tirol headquarters and the Innrain branch office. In comparison to 2017, power consumption slightly increased, which basically resulted from the high temperatures during summer and the use of air controlling units. In addition, in autumn, refurbishment measures also resulted in higher power consumption.

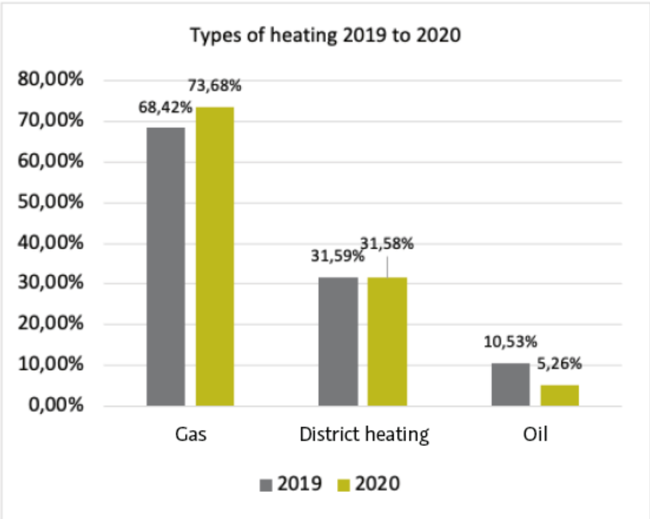
Due to current construction works and refurbishment, a comparison of all branch offices is not informative, as the values differ a lot, and thus. they can hardly be compared (different floor areas, different values regarding the power consumption on construction sites, relocations, etc.).

In 2020, the installation of the “Smart-Meter” system was initiated. Some of our branch offices have already been equipped with this system. According to the plans of IKB, further systems will be installed. This system will facilitate the collection of data from the electric meter on December 31 and in addition, it will allow the fast analyses of energy peaks.





Heating
Hypo Tirol attaches great importance to the installation of new heating systems for new constructions or refurbished buildings. Currently, there are only two branch offices, which still use fuel oil. Hypo Tirol operates 21 buildings, Including the two headquarters. 13 buildings are provided with gas and 6 buildings with district heat. The Schwaz branch office was moved and consequently, the premise is now provided with gas.



9.3 Code of conduct for suppliers

Hypo Immobilien und Betriebs GmbH has elaborated a code of conduct for suppliers.

As a bank that is owned by the Province of the Tyrol, Hypo Tirol is well aware of its social responsibility and expects the same responsibility from its suppliers and service providers.

We also expect our employees to act in compliance with ecological, social, and ethical principles, and we expect that these principles are integrated into the company culture. Furthermore, we are committed to continuously optimise our corporate actions, products, and our services in terms of sustainability. We ask our suppliers to contribute to this strategy by adopting a holistic approach.

The purpose of the code of conduct for suppliers and service providers is to stipulate binding standards and requirements regarding social, ethical, and ecological aspects, which shall be applied in the context of business relations with Hypo Tirol and its subsidiaries.
Based on national laws and provisions as well as on international agreements such as the UN Universal Declaration of Human Rights and the UN Principles on Business and Human Rights, Hypo Tirol assumes that its suppliers and service providers guarantee the provision of a safe and healthy working environment for their employees. This particularly includes that employees are always treated with respect and in a fair manner – regardless of gender, religion and, origin - and that all legal provisions and labour-law related regulations regarding working times, reporting obligations and payment are compiled with. Child labour is unacceptable and all protective measures for employees under the age of 18 shall be implemented. As far as integrity is concerned, ethical behaviour shall be given special attention. A zero-tolerance policy shall be pursued in relation to the prohibition of any kind of bribery, corruption, blackmailing, embezzlement and money laundering and associated measures shall be taken in compliance with national and international laws. Upon signature of the agreement, the respective supplier or service provider undertakes to engage in a fair competition, to disclose conflicts of interests and to process personal and confidential data in an appropriate manner and in compliance with the Data Protection Act. With regard to environmental protection, the supplier or service provider undertakes to actively protect the environment and to implement all measures to ensure ecological, energy efficient, and resource-saving economic activities on the basis of applicable regulations concerning the protection of the environment and animals. Waste and emissions shall be disposed of properly. Any violation of this agreement shall immediately be reported to Hypo Tirol and may result in the termination or the suspension of the business relations. Hypo Tirol reserves the right to regularly check the compliance with the code of conduct. This may be administered via self-assessment or in the context of a jointly agreed on-site inspection.

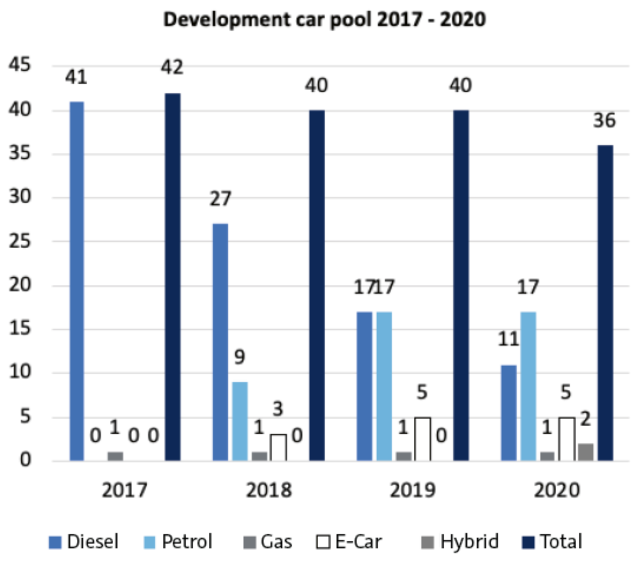
9.4 Mobility

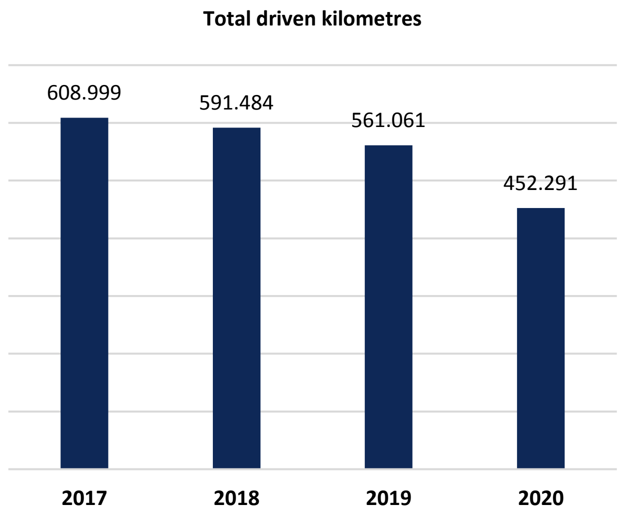
The mobility concept defined by Hypo Tirol suggests the use of efficient and resource-saving means of transport.

The short distances between the main buildings in Innsbruck shall be travelled by foot or bicycle. Not only does this concept have positive ecological effects, but it is also for the benefit of our employees and their physical health.

Moreover, all employees are offered an attractive Austrian Railway Systems ticket, which also helps to reduce CO^2 emissions in the context of long-distance journeys. In 2020, CO^2 emissions in the amount of 25.5 tons could be saved. In comparison to 2019, the number is lower, but due to the COVID-19 pandemic the number of business journey was also relatively low.

Modification of the carpool
Another measure to cut the use of resources was the replacement of 10 diesel vehicles by 9 petrol-driven cars in 2019. In doing so, we achieved the goal that had been set. The goal of Hypo Tirol is to keep the CO^2 footprint as low as possible.
The driven kilometres also reflect the efficient planning of required business journeys. It is rather pleasing to see that the trend is declining.





9.5 Floor space management

The floor space management established by Hypo Tirol ensures that available floor spaces are used economically and in a resource saving manner. A perfect and innovative interior design shall reduce the use of space required for offices and branch offices and shall improve the quality of the working environment.

9.6 Sustainable procurement and waste management

Hypo Tirol requests that products and services are delivered by local companies. Our partners are small and medium sized enterprises. In this context it goes without saying that the compliance with ethical, social, and ecological standards is self-evident. Therefore, each supplier and service provider is obligated to act in accordance with our "code of conduct for suppliers and service providers". Whenever a branch office is newly built or refurbished, special attention is given to sustainability, particularly in the context of the planning process and the procurement of building material. Wherever possible, energetic, or climatic renovations are made, and renewable energies are employed.

9.6.1 Paper consumption

By sensitising our employees and by introducing a consistent digitalisation strategy, general paper consumption was diminished. In the past, several steps were taken to reduce paper consumption.

Due to the introduction of a consistent digitalisation strategy the general consumption of paper could be reduced. In 2019, a system called "follow-me-print" was established. The system allows that each employee can select the prints directly on the printer which avoids misprints. On the basis of In-house information, provided via the InfoCenter, and personal support provided by our IT colleagues, all employees were made aware of the subject and sensitised accordingly.

Digitalisation strategy
Owing to the already implemented and continuously developed digitalisation strategy – e.g. digital shipping or the introduction of the "follow-your-print" system for all printers – paper consumption and all associated expenses were successfully reduced.

2018 Consumption sheets	2019 Consumption sheets	2020 Consumption sheets
4,294,059	3,859,478	2,993,405

9.6.2 Waste management

Hypo Tirol waste management is subject to a holistic approach. Thus, waste management includes all areas of Hypo Tirol.

Waste management related data are forwarded to Hypo Immobilien Betriebs GmbH where they are collected and filed by the waste management officer. All records shall be separated from other documents and shall be held in safekeeping for a minimum of seven years. Each workplace is equipped with a waste container (15 to 18 litres) for paper waste. An additional container (3 to 4 litres) for residual waste is affixed to the paper container. The containers are emptied by the cleaning staff on a daily basis. Residual waste is transported to the large containers in the waste room. Paper waste is temporally stored in the shredder-container. In every hallway there are cardboard containers, which are emptied by the cleaning staff and stored in the Energie AG collection container in the waste room. On every floor additional collection containers for metal, plastic, organic waste, and problematic material can be found. They are clearly positioned so that they can be seen easily. They are emptied by the cleaning staff (external company) in the course of the office cleaning and taken to the waste material container or to the problematic material collection centre (of the facility manager).

Residual waste, waste material and organic waste are taken to the collection container in the waste room by the kitchen staff. Wooden boxes for the transport of food are collected by the responsible staff-member of the cleaning company and transported to the municipal waste collecting centre. Leftovers are collected in a container in the kitchen area. The content is emptied into the organic waste containers. They are positioned in the general waste room, where they are cooled at a temperature of 6 to 8°C. Finally organic waste is disposed of by the public waste management provider. The content of the grease separator system in the Hypo Center Tirol and in the Hypo headquarter is emptied by an authorised disposal manager (currently Daka, located in Schwaz). The cleansing of the grease separator system is carried out three times a year. In the company restaurant, Hypo Tirol operates a beverage vending machine with deposit bottles. Next to the vending machines empty beverage cates are arranged and empty bottles can be returned. The plastic cups of the coffee vending machine are collected in cardboard boxes and returned to the manufacturer. In order to avoid waste, employees can use their own cups. Another positive aspect is that in doing so they save EUR 0.05 for each cup of coffee.

Heating, colling and ventilation systems are annually maintained by a specialised enterprise, and all filters are exchanged in the course of maintenance. The representative of the company is obligated to take old filters, used wear parts or defective devices, etc. with him or her and is responsible for the proper disposal. All lamps are exchanged by the facility manager. Any kind of electrical waste is collected in a container and sent to the Freudenthaler company together with an accompanying letter. Broken electrical devices are usually taken back by the manufacturer or supplier. In any other case they are delivered to the Freudenthaler company.

An external cleaning service provider (Simacek) is responsible for the cleansing in the building of Hypo Center Tirol. Any used or empty detergents are collected by the Simacek company and disposed of properly.

The mobility concept of Hypo Triol was established to reduce the number of driven kilometres by car and to use resource saving means of transport. People shall either walk or go by bicycle to cover the short distances between the main buildings located in Innsbruck. Car maintenance and repair works are carried out by authorised companies (Autopark and Denzel-Unterberger). The authorised companies are responsible for the proper disposal of supplements and wear parts.

Company restaurant
A large number of suppliers already offers regional and seasonal products with short delivery channels. However, the regional market is still not capable of covering the high demand. The management of Hypo Gastro is always in search for suppliers who share the idea of sustainability. In future, we will continue to work with suppliers who offer 100% regional products. It is our goal to use these products and to offer fresh and diverse meals made from regional products.

IT waste
With regard to IT waste, Hypo Tirol tries to give hardware that has been taken out of service a "second life". The majority of IT devices that can still be used is delivered to schools and social institutions, or the devices are given to employees. If the hardware can definitely not be used anymore it will be scrapped.

In 2020, PCs, network computers, other electrical waste, old printers, and statement printers were disposed of. The effects on weight can be illustrated as follows.

IT waste			
Year	2018	2019	2020
Weight	714 kg	344 kg	1.75 t

10 Sustainability programme

SUSTAINABILITY PROCESS TARGET	MEASURES	TEMPORAL HORIZON
SUSTAINABILITY MANAGEMENT		
	Integration of sustainability into the core business	Continuously
	Integration of sustainability into the business strategy (by means of sustainability strategy)	Since 2018/2019 and Continuously
	Monitoring of new EU standards in connection with sustainability, taking appropriate measures, if applicable	Continuously
	Rating by ISS ESG	Every two years
COMMUNICATION AND STAKEHOLDER		
Stakeholder inclusion	Stakeholder survey concerning Hypo Tirol and sustainability	Kick-off: 2020, end: 2021-01
Internal communication	Staff newsletter	Continuously
	Hypo Wissen	
	Homepage	
	Trainings (MiFID)	
	Sustainability committee	Annually
	Rating ISS ESG	
External communication	Homepage	Continuously
	Newsletter	
	Hypo Tirol membership of the Sustainable Investment Forum membership (Forum Nachhaltige Geldanlagen e. V.)	Since 2020-10
Reporting	Sustainability report In consideration of GRI-Standards, Sustainability and Diversity Improvement Act	Annually
PRODUCTS AND SUSTAINABILITY		
Own Investments	Owen investments in sustainable bonds, issued in accordance with the criteria as stipulated in the Green Bond Principles and classified as ESG investment	Continuously
	Investitionen in nachhaltige Fonds (Environmental Focus &ESG Focus)	
Sustainability in relation to investments	Definition of sustainability criteria	2020: Launch of sustainable funds Expansion in the field of asset management and VVC
Sustainable financing products	Framework social bond and mandating SPO Issuing of social bond Hypo Tirol membership of sustainable Investment Forum (Forum Nachhaltige Geldanlagen e. V.)	2020 Spring 2021 November 2020
Green pool	Development of green pool	Start: 2021
Sustainable Hypo asset management	Implementation of sustainable fund of HVM	2021
Implementation of sustainability criteria	Erfassung von Nachhaltigkeitskriterien, um in weiterer Folge das Produktmanagement entsprechend zu gestalten	Current project In the computer centre
Sustainability in relation to financing	Definition of criteria for sustainable financing	Under development
Social housing projects	Hypo Tirol supports builders who received the “climate active” quality seal.	Continuously
ENFIRONMENT		
Energy and climate protection		
Climate neutrality	Definition and implementation of measures in cooperation with the partner “Klimabündnis Tirol”	Kick-off: 2020-10, then continuously
CO_2-reduction/mobility	Austrian Railways Systems ticket for business journeys, company bicycle for short distances E-car for short distances	Continuously

Energy efficiency	Optimisation in the context of building adaptations in consideration of ecological aspects (regional partners, climatic and energetic Refurbishment, renewable energies) Installation of Smart Meter system to analyse Power consumption and energy peaks	Continuously 2020
Reduction of floor space	Qualitative and quantitative use of already existing Floor space, resource saving and in consideration of ecological and economic aspects in the context of adaptations	Continuously
Biodiversity	Rooftop beekeeping	Start: spring 2021
MOBILITY		
Reduction of emissions	Avoidance of business journeys through video conferences respectively Webex Short distances via e-car or bicycle Avoidance of air travel, use of trains (savings: 50.2 tons of CO^2)	Continuously and further development
MATERIAL		
Reduction of paper consumptions	Due to the continuously developed digitalisation strategy (follow me print) reduction of misprints Wherever possible, digital shipping of all documents	Since 2017, continuously
Waste separation and recycling	Target oriented waste management for correct waste separation, disposal and recycling Monitoring by waste management officer	Continuously and further development
PROCUREMENT		
Christmas cards	Wherever possible and feasible, digital shipping	Since 2019
Code of conduct for suppliers and service providers	Continuous quality improvement of our operational actions our products am services in terms of sustainability, requesting suppliers to contribute by using a holistic Commissioning of regional partners Focus on climatic and energetic refurbishment, renewable resources	Established in2020
EMPLOYEES		
Creation of awareness	Sustainability section in staff-newsletter Trainings Sustainable fabric shopping bags for all employees Sustainable giveaways Precise Information via e-mail	Since 2020, continuously and further development
Integration of employees	In the context of the stakeholder analysis: Employee survey on sustainability (perception, requests)	2020/2021
Compatibility of career and family	Continuous adaption of existing working hours models Mobile working	Continuously
Health care and work	Health care management in form of: Employee surveys Integration of employees, survey on the healthy back initiative and health care Consultation of company doctor once a week Eyesight test, vaccinations, birth mark examinations General preventive medical check-up	Continuously
Company restaurant	Wide ranging offer of healthy meals made from regional and seasonal products delivered by regional suppliers	Continuously
SOCIAL COMMITMENT		
Support of projects (social affairs, education, culture, and science)	Sponsoring of different projects (“Tirol hilft“) Society of St Vincent Tirol emergency medical service Meisterkonzerte (master concerts) Symphoniekonzerte (symphonic concert) Tiroler Landestheater (regional theatre) Universität Innsbruck	Continuously Start spring 2021

11 GRI content index

GRI standard	GRI specifications	Page(s) and /or URL(s)	Omission / note
101: **102:**	**Basic principles 2016** **General specifications 2016**		
Organisational profile			
102-1	Name of organisation	141	
102-2	Activities, brands, products, and services	106	
102-3	Headquarters	141	
102-4	Branch offices	106	
102-5	Ownership and legal structure	141	
102-6	Markets served	106	
102-7	Size of organisation	https://www.hypotirol.com/investorrelations/geschaeftsberichte	
102-8	Information regarding employees and other staff member	125	
102-12	External initiatives	110	
102-13	Membership of associations and interest groups	136	
Strategy			
102-14	Statements made by the managing board	105	
102-15	Major impacts, risks, and chances	112	
Ethics and integrity			
102-16	Values, regulations, standards, and codes of conduct	111	Stakeholder (Innsbruck University)
Company management			
102-18	Management structure	108	
Integration of stakeholders			
102-40	List of stakeholder groups	111	
102-41	Collective bargaining		In Austria regulated by law
102-42	Determination and selection of stakeholders	111	
102-43	Category of integrating stakeholder groups	112	
102-44	Subjects and concerns of stakeholder groups	112	
Reporting procedure			
102-45	Entities mentioned in the consolidated financial statements	124, 130, 133, 131	
102-46	Determination of content and subjects	109	
102-47	List of fundamental subjects	113	
102-48	New wording of information from previous reports		No mergers or acquisitions took place. Furthermore, no adjustments in relation to the basic years or reporting periods were made. The business type and the methods of evaluation were not changed either.
102-49	Changes concerning reporting	109	
102-50	Reporting period	141	
102-51	Date of current report	141	
102-52	Reporting cycle	141	Annually
102-53	Contact information in case of questions on the report	141	

102-54	Statement on the reporting in compliance with GRI standards	109	This report was established in compliance with the GRI standards: core option.
102-55	GRI content index	140	
102-56	External review		Not applicable
Fundamental subjects			
Compliance			
103	Management approach 2016		
103-1	Statement on the fundamental subjects and their differentiations	113	
103-2	The management approach and its components	114	
103-3	Assessment of the management approach	114	
205	Combatting corruption 2016		
205-1	Business locations which are assessed in terms of corruption risks	114	
205-2	Information and trainings regarding strategies and measures to combat corruption	114	
205-3	Confirmed cases of corruption and measures taken	114	No incidents identified in the reporting period
206	Anti-competitive behaviour		
206-1	Legal proceedings due to anti-competitive behaviour or cartelisation, or monopolisation	121	No incidents identified in the reporting period
418	Protection of client data 2016		
418-1	Justified complaints in connection with the infringement of the protection or loss of client data	115	No incidents identified in the reporting period
419	Socioeconomical compliance		
419-1	Non-compliance with laws and provisions in the social and economic area		Not applicable
Sustainable products			
103	Management approach 2016		
103-1	Statement on fundamental subjects and their differentiations	113	
103-2	The management approach and its components	114	
103-3	Assessment of the management approach	114	
FS7 Branch-specific information	Money value of products and services, which were developed for a specific social use, for each business section, broken down by purpose	121	
FS11 Branch-specific information	Proportion of assets with a positive or negative result, which were assessed on the basis of economic or social aspects	121	
Employer attractiveness			
103:	Management approach 2016		
103-1	Statement on fundamental subjects and their differentiation	113	
103-2	The management approach and its components	114	
103-3	Assessment of the management approach	114	
401	Employment		
401-1	New employees and employee turnover	125	
401-2	Services for full-time employees	125	
401-3	Parental leave	130	
404	Training and further education 2016		
404-1	Average number of hours for training and further education per year and employee	125	

404-2	Programmes to improve skills of employees and for temporary support	125	
404-3	Rate employees, who are continuously evaluated in terms of performance and carrier development	125	
405	Diversity and equal opportunities 2016		
405-1	Diversity regarding managers and employees	129	
406	Gender equality 2016		
406-1	Cases of discrimination and measures taken	129	No cases of discrimination
Social commitment			
103	Management approach 2016		
103-1	Statement on fundamental subjects and their differentiations	113	
103-2	The management approach and its components	114	
103-3	Assessment of the management approach	114	
FS14G4: Branch-specific information (financial services) 2013	FS14- Initiatives to improve the access to financial service providers for impaired people	121	
417	Marketing and indication		
417-2	Violations in connection with product and service information and indication	121	None known
417-3	Violations in connection with marketing and communication	121	None known
Corporate environmental protection			
103	Management approach 2016		
103-1	Statement on fundamental subjects and their differentiations	113	
103-2	The management approach and its components	114	
103-3	Assessment of the management approach	114	
G4-EN23	Total weight of waste by type and disposal method	135	
302	Energy 2016		
302-1	Power consumption within the organisation	132	
302-4	Reduction of power consumption	132	

Sustainable Development Goals (SDG) applied by Hypo Tirol		
	Specification	**Application by Hypo Tirol**
SDG 1	No poverty	New start account, basic account
SDG 2	Zero hunger	Company restaurant
SDG 3	Good health and well-being	Ward accounts for children and adolescents and for the Jugendhilfe Tirol youth organisation, account for doctors in training, account for new entrepreneurs, health care and work
SDG 4	Quality education	Training and further education
SDG 5	Gender equality	Equal opportunities and diversity
SDG 7	Affordable and clean energy	Energy efficiency and climate protection, support of energy efficiency
SDG 8	Decent work and economic growth	Employment
SDG 9	Industry, innovation and Infrastructure	Digitalisation, carpool, mobility
SDG 10	Reducing inequality	Barrier free internet banking hypo@home, barrier free branch offices, low cash dispensers, new-start account, basic account, U25 account, equal opportunities and diversity, Social Bond
SDG 11	Sustainable cities and communities	Social Bond
SDG 12	Responsible consumption and production	Sustainably manufactured and recyclable debit card, Hypo-WohnVision stage-of-life credit, Hypo-WohnVision refurbishment financing
SDG 13	Climate action	Sustainably manufactured and recyclable debit card, Hypo-WohnVision refurbishment financing, energy efficiency and climate protection, support of energy efficiency, carpool, mobility
SDG 17	Partnerships for the goals	Klimabündnis Tirol

Legal notice

Hypo Tirol
Meraner Straße 8
6020 Innsbruck
T +43 50700 – 0
service@hypotirol.com
www.hypotirol.com
BLZ: 57000
FN: 171611w
UID: ATU45014005

Hypo Tirol sustainability officer
Mag. Rafaela Hosp
T +43 50700 – 0
rafaela.hosp@hypotirol.com

Support
Thomas Plangger
T +43 50700 – 0
thomas.plangger@hypotirol.com

Tanja Steiner, B.Sc..
T +43 50700 – 0
tanja.steiner@hypotirol.com

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CORPORATE GOVERNANCE REPORT 2020

(Based on the Corporate Governance Guidelines for Associated Companies of the Province of the Tyrol)

Acknowledgement of the "Corporate Governance Code for Associated Companies of the Province of the Tyrol"

The managing board and the supervisory board of Hypo Tirol Bank AG as statutory bodies of Hypo Tirol Bank AG ("management and supervisory body") acknowledge the principles of the Corporate Governance Guidelines for Associated Companies of the Province of the Tyrol (decision of the Tyrolean government from 2 April 2019).

The present Corporate Governance report of Hypo Tirol Bank AG was established by the managing board and the supervisory board of Hypo Tirol Bank AG and presented together with the financial statements in the context of the general assembly.

The managing board and the supervisory board of Hypo Tirol Bank AG declare that in the 2020 business year, they have acted in compliance with the Corporate Governance Guidelines for Associated Companies of the Province of the Tyrol.

One subarea of section 9.6 of the Corporate Governance Guidelines for Associated Companies of the Province of the Tyrol deviates from the rules. This deviation refers to activities, which to some extent, had already been agreed a long time before the Corporate Governance Guidelines for Associated Companies of the Province of the Tyrol came into force.

In the following, the facts are described in detail:

Interaction of management and supervisory body

The cooperation between management and supervisory board is subject to comprehensive legal regulations (i.e. Austrian Banking Act, Companies Act).

Furthermore, Hypo Tirol Bank AG established articles of association as well as rules of procedure for the managing board and the supervisory board. In addition to the legal provisions, these regulations are used to determine and to substantiate the cooperation of the bodies.

Hypo Tirol Bank AG has also taken out a directors & officers (D&O) insurance, which covers all bodies (management board, supervisory board) as well as key employees and employees who exercise directorship for Hypo Tirol Bank AG.

The wide range of matters in relation to conflicts of interest within Hypo Tirol Bank AG is regulated by law (Banking Act, Companies Act) and by internal work instructions and guidelines.

Management

The tasks and responsibilities of the managing board are comprehensively regulated by law (i.e. Banking Act, Companies Act).

Apart from that, tasks and responsibilities are also specified in the wide-ranging rules as stipulated in the articles of association and in the rules of procedure for the managing board of Hypo Tirol Bank AG.

In addition, Hypo Tirol Bank AG provides an internal governance policy, which has been agreed by the managing board and the supervisory board. It ensures that the organisational and operational structure, the risk management system and the internal control system are equipped in accordance with these principles.

All reporting obligations of the managing board defined by law or by the articles of association or the rules of procedure are adhered to.

The appointment of board members is carried out in compliance with the regulations as stipulated in the respective staffing law. With regard to management agreements, the "Guidelines for Employment Contracts for Managers", which were set up by the Tyrolean government are also complied with.

Executives

All matters regarding Hypo Tirol Bank AG executives are particularly regulated by the "Fit & Proper Policy" established by Hypo Tirol Bank AG.

The "Fit & Proper Policy" is part of Hypo Tirol Bank`s governance structure. Together with the business strategy, the risk strategy and the rules of procedure, the policy aims at safeguarding the prudent management of the institution and at strengthening risk management.

The processes defined therein (evaluation of suitability, required documents and the process to guarantee suitability as well as occasion-related re-evaluation) guarantee that all relevant legal provisions (i.e. Banking Act, Financial Markets Money Laundering Act) as well as the related newsletters published by the FMA and the relevant guidelines published by the European Banking Authority are complied with.

Supervisory body

Based on its corporate structure as a public limited company, Hypo Tirol Bank AG provides a supervisory board (including 6 sub-committees).

The tasks and responsibilities of the supervisory board are comprehensively regulated by law (i.e. Banking Act, Companies Act).

Apart from that, tasks and responsibilities are also specified in the wide-ranging rules as stipulated in the

- Articles of association,
- Rule of procedure for the supervisory board,
- Fit & Proper Policy,
- Remuneration policy,
- Conflict of interest guidelines

established by Hypo Tirol Bank AG.

In order to meet the gender equality requirements in the managing board and supervisory board, a 25% women's quota was defined together with a strategy to increase the rate of female employees. The defined quota has currently been achieved. If managing board members or supervisory board members are newly hired or replaced, the aspect of diversity is also considered in addition to personal and professional expertise and a balanced composition of the board.

Transparency

All relevant documents and information are available on the website of Hypo Tirol Bank AG: www.hypotirol.com.

Internal audit

Since Hypo Tirol Bank AG is a public limited company, it provides an internal audit in compliance with all legal provisions (i.e. Banking Act, Financial Markets Minimum Standards on Internal Auditing).

Accounting and final audit

Since Hypo Tirol Bank AG is a public limited company, it provides an appropriate accounting system in compliance with all legal provisions (i.e. Banking Act).

The annual financial statements and the consolidated financial statements are established and concluded in accordance with all legal provisions. The final auditor is also selected and appointed in accordance with all legal provisions.

With regard to the 2020 fiscal year, a new auditor was appointed.

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