HYPO
TIROL
Unsere Landesbank

Annual Report 2019

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To make contents better readable and understandable, any gender specific phrasing was waived.
The gender used in the text applies to all genders equally.

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

Distinguished readers,

The year 2019 was a turbulent one, and this year seems to be even more difficult. From today's point of view we cannot tell how the Corona (COVID 19) crisis will affect us and what kind of challenges and turning points it will bring. Nevertheless, we can guarantee that we have taken all necessary and possible measures in order to cope with this unusual situation. The Tyrol is a strong country and Hypo Tirol is a strong partner, especially in these times. The success we have achieved over the past years, in particular in the 2019 business year, serves as the basis for our strength.

We will again follow our successful strategy: In October, after Moody's, also Standard & Poor's upgraded the rating of Hypo Tirol by one notch to the best category, specifically category A. According to the rating agency, the reason for the upgrade was the strict focus on our core market, that is North, East and South Tyrol as well as Vienna. A second reason was our strong owner, the Province of the Tyrol. Due to our risk profile and the reliable capital base, the future prospects were considered as constantly stable. This success is also reflected by economic figures: income before tax in 2019 amounted to € 29.7 million, the balance sheet total increased slightly as expected by 1.6% and thus, amounted to € 7.45 billion. Equity could be increased by 2.6% , while the core capital rate (14.3%) and the equity rate (16.6%) remained on the same high level.

A powerful financial partner for all Tyrolean people: Over the past years, the number of clients has steadily been increasing, which proofs that our service and our performances have sustainable and positive influence on the success of Hypo Tirol. In the Forbes ranking of "The World's Best Banks in 2019" we took place number 5, which is a top position in comparison with other Austrian credit institutions. The evaluation criteria were financial service, customer confidence, charges and fees, as well as digital services. In the field of digital banking, we were able to define new priorities by emphasising on investment and housing finance. In addition, we were the only Tyrolean bank that was adopted into the elite report of the best investment consultants in the German speaking area. This shows that Hypo Tirol is a modern, high-performance financial service provider.

Our responsibility as a state bank: In 2019, Hypo Tirol could further strengthen its client business. Moreover, the credit risk development was very pleasing, and the reduction of administrative expenses was implemented according to plan. A constant number of 516 employees shows that the Tyrolean state bank is a powerful company and a sustainable employer. Since we have received the quality seal "Ausgezeichneter Lehrbetrieb" (award winning training company), top priority is given to highly qualitative in-house training in order to pave the way for the next generation. Furthermore, we sponsor many events in the field of education, social affairs, culture and sports, and this additionally reflects our commitment to Tyrolean society as a whole.

We look forward into the future with confidence: The success that we have achieved over the past years allows us the be self-confident and strong. Even if times are difficult, our capacity allows us to support our clients in the best possible way. In this connection, we would like to thank all our employees for their commitment, and our clients for their loyalty. Together – with the approved consistency of the Tyrolean state bank – we will master this crisis successfully.

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 2019

Management Report for the fiscal year ended December 31, 2019 prepared by the Management Board of Hypo Tirol Bank AG

1. Hypo Tirol Bank. Our federal state bank.

Since Hypo Tirol Bank AG is owned by the Province of the Tyrol, the bank takes care of all Tyrolean people and 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 regular modernisation of existing offices.
The whole branch network in the defined core markets of North, East and South Tyrol as well as Vienna comprises 22 offices. Our teams working in these offices provide service for all strategic target groups, with special attention being given to private clients, corporate clients, 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. In the retail sector, Hypo Tirol Bank comprehensively supports private clients, individual companies and small corporate clients, as well as liberal professionals and thus helps them to manage financial life and strategic capital transactions. The service particularly focuses on the financing of housing, corporate financing and investment strategies. All experts of Hypo Tirol Bank, who work in the private client centres, offer profound expertise for all entrepreneurs. As far as private banking, liberal professions and public institutions are concerned, expert teams combine their proficiency for ambitious investors, self-employed people and local authorities alike. The “WohnVision-Center Tirol” represents the supra-regional point of contact for all Tyrolians who would like to make their dream of home ownership come true. The comprehensive financial service is completed by the holistic knowledge provided by all people working in the “Hypo Tirol Versicherungs Gmbh” insurance company, the “Hypo Immobilien Betriebs GmbH” real estate company and the “Hypo Tirol Leasing Gmbh” leasing company.

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.

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

2. Economic condition and business development in the reporting year

2.1. Economic condition

Economic stabilisation and the enduring low interest environment resulted in higher risk willingness of investors. Consequently, global capital markets recorded a strong increase in prices.
2019 was marked by weak economic growth and regressive inflation worldwide. Apart from that, geopolitical crises such as the trade dispute or the deferral of Brexit substantially influenced the daily life of international money and capital markets. Especially export-oriented countries such as Germany suffered from the deteriorating conditions on the global market. In 2019, economic performance in the Euro area increased by a roughly more than 1%. Fortunately, early indicators improved by the end of the year. In the USA, the economic situation was better. GDP for the third quarter was revised by 1% to 2.1% (annualised). In addition, the real estate market also showed clear increase factors. However, China had to face the consequences due to the trade dispute with the US, and thus, industrial production clearly decreased. As a countermeasure, the base rate was reduced and additional stimulatory steps to boost the economy were taken. Moreover, owing to the partial settlement of the trade dispute, which had been announced in December, the situation for all market participants could be facilitated.

Although, share prices had to be reset in May and August, shares in 2019 still achieved an impressive appreciation of 25.20%. Raw materials increased mainly in the first quarter. The total increase in 2019 amounted to 10.13%, which was partly based on the appreciation of the USD. Defensive forms of investment such as government bonds from the Euro area increased by 3.16%, despite temporary decline in prices and historically low return rates. Due to the expansive monetary policy followed by of the ECB, cash holding was considered unattractive and available cash once again recorded a negative annual result in the amount of -0,35%.

Strong growth on international stock markets
2019 was an extraordinary year for shares. After the drastic decline in the end of 2018, prices rose sharply in January 2019. Most stock markets were able to generate an increase in every single month of the year. In this context, the expansive monetary policy implemented by the most important central banks as well as the progress that had been made in relation to the trade dispute between USA and China were the most important triggers. Only in May and in August the prices had to be reset on a temporary basis. US shares generated the highest annual growth in the amount of 30%. Shares in Europe were behind for a very long time, but at the end of the year they could catch up. In addition, Asian shares and shares from threshold countries also generated a pleasing result.

On the capital market return rates had to face a historic low in August. In the second half of 2019, bond segments with low risks were demanded by investors.
Even though the return rates on the money and capital market had to face a historic low, bonds generated a pleasing result in the past year. In the course of a cooling economy and a weak inflation, a clear decline in capital market returns was recorded in the first half of the year. The risk willingness of investors in spring was clearly influenced by the never-ending debate in the British Parliament regarding Brexit. In Summer, ECB President Draghi announced that the central bank would take further measures to reach a geopolitical relaxation, which additionally boosted the demand for Euro government bonds. Until August 2019, government bonds with high credit rating and longer maturity generated respectable increases in prices. On 28 August 2019, German government bonds (maturity of 10 years) reached a low

in the amount of 0.71%. When a new government was formed in Italy, and a no-deal Brexit seemed to be less probable, the risk willingness of investors started to rise again. Government bonds were under pressure and bond segments such as company, high-yield and threshold bonds recorded clear increases. This trend remained until the end of 2019. On one hand, US government bonds benefited from the expected reduction of base rates and on the other hand from the appreciation of the USD.

2.2. Economic development in the market area

Based on the international trade dispute between the USA, the EU and China, the situation for the Austrian export industry deteriorated in the course of the year. In 2019, merchandise exports significantly declined (from 6.4.% to 2.3%) in comparison to the previous year. According to the Austrian Arbeitsmarkservice (employment office), in November 2019, the number of unemployed people or people being in training amounted to 365,926. In comparison to last year the number of unemployed decreased by 10,710 persons, respectively 2.8 %. By the end of 2019, the unemployment rate in Austria accounted for 4.6 % (according to Eurostat). The economic performance in 2019 amounted to 1.7%, a rate that was clearly above the EU average of 1.2%.

In the Tyrol, high private consumption boosted the economy. Industry, trade and the service sector developed quite well, although the industrial sector showed some tendencies of weakness during the year. The lack of skilled works was one of the major topics in the past year.

2.3. Company development

Hypo Tirol Bank is right on course – especially with regard to the strengthening of our business in the target market, the reduction of cost and credit risk development. The bank grows in a controlled and consistent manner. Stability combined with targeted emphasis, mainly contributed to this success we achieved in the reporting year.

The defined company strategy including all partial strategies, which are continuously monitored in terms of compliance, and which are adapted to internal and external developments, serve as the supporting structure in this respect. A regular evaluation of the defined strategy and the economic development confirms the efficiency of the strategic alignment and enables Hypo Tirol Bank to withstand the pressure based on the ongoing low interest level, competitive constraints and regulatory guidelines.
In spring 2019, the supervisory board set an important signal of stability. All members of the managing board were elected for a further four-year period. The emphasis during this term shall be to improve the key figures of the bank by creating sustainable growth, to strengthen customer relations and to focus on digitalisation.

The key figures demonstrate the positive development of the bank and are also reflected in the credit ratings respectively the rating category. Therefore, the independent analysists of Moody’s contributed to the improved profitability, which had resulted from controlled growth combined with cost reducing measures, when they upgraded the rating level and classified the bank as Baa1. The solid forecast reflects the expectation of a further pleasing company development for Hypo Tirol Bank.

In October, Standard & Poor’s also upgraded the rating category to “A” – the best category. The reason for the upgrade was the rooted focus on the defined core market of North, East, South Tyrol and Vienna and the fact that the bank has a strong owner, namely the Province of the Tyrol. Based on the risk profile and the appropriate capital base, Standard & Poor’s also described the future prospect as constantly stable.

The number of clients still shows a continuous upwards trend; therefore the number is an important indicator for sustainable customer satisfaction as far as the products and services offered by Hypo Tirol Bank are concerned. According to the Forbes ranking, Hypo Tirol Bank is one of “The World’s Best Banks in 2019”. It reached one of the top positions (5th place). The evaluation criteria comprised the quality of financial consulting service, confidence, charges and fees and digital services. Especially, digital service is a subject that is given special attention on a regular basis. The expansion of the digital product range primarily aims at strengthening the strategic business sectors including investment and the financing of housing, at using resources efficiently and at meeting the customer requirements as a modern financial service provider. And all this is implemented successfully. The demand for company financing in the SME sector and the demand for private housing has remained on the same level. As far as the private client sector and private banking are concerned, the bank recorded a significant increase. The clients put confidence in our investment experts. Furthermore, a top position in the Austrian “Dachfonds“ Award demonstrates how efficient Hypo Tirol Bank acts in this area, particularly in comparison to its competitors, mainly with regard to fund management and investment services. Hypo Tirol Bank was also listed in the Elite-Report of the best financial consultants in German-speaking countries. In a field of 350 contestants, Hypo Tirol Bank was the only Tyrolean credit institution that earned a top rank. In the welcome speech, the following words were said: “A traditional regional bank transformed into a powerhouse, which has become well established even beyond Tyrolean borders. Especially in the field of asset management, Hypo Tirol Bank scores due to a carefully managed consultant service that is based on responsibility for humans and capital alike. Another important factor is that the same diligent and committed service is also provided for people with smaller assets. Best service is offered for ever sector – from large-scale projects to sophisticated family businesses”.

Business development

Company key figures

Company key figures	2019	2018	Change in %
Balance sheet total in kEUR	7,446,925	7,327,147	1.63
Receivables from clients in kEUR	5,724,740	5,642,043	1.47
Liabilities to clients in kEUR	3,593,688	3,363,732	6.84
Liabilities evidenced by certificate in kEUR	2,523,022	2,297,963	9.79
Equity according to CRR in kEUR	618,550	603,723	2.46
of which Tier 1 in kEUR	534,261	529,876	0.83
Net interest income after risk provision in kEUR	67,318	85,486	-21.25
Net commission income in kEUR	26,296	26,641	-1.29
Administrative expenses in kEUR	71,142	71,506	-0.51
Operative result in kEUR	27,907	41,458	-32.69
Core capital ratio in %	14.34	14.67	N/A
Equity ratio in %	16.60	16.71	N/A
Return on Equity (IFRS) in %	5.02	7.69	N/A
Return on equity (IFRS) in % (without stability fee, deposit insurance and resolution funds)	5.97	8.86	N/A
Cost-income-ratio (IFRS) in %	61.73	60.49	N/A
Cost-income-ratio (IFRS) in % (without stability fee, deposit insurance and resolution funds)	59.01	57.42	N/A
Number of employees according to capacities	516	516	0.00

Balance sheet development

As of 31 December 2019, the balance sheet total amounted to EUR 7,446.9 million: it was 1.63 % higher than the balance sheet total of the previous year (31 December 2018: EUR 7,327.1 million). The increase was as expected. The essential single balance sheet items illustrate the following situation:

Receivables from credit institutions
On 31 December 2019, receivables from credit institutions after risk provision amounted to EUR 101.7 million (31 December 2018: EUR 95.4 million). Thus, they increased by EUR 6.3 million.

Receivables from clients
As of 31 December 2019, receivables from clients after risk provision accounted for EUR 5,724.7 million (31 December 2018: EUR 5,642.0 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 82.7 million respectively 1.47 %.

Other financial assets
On 31 December 2019, other financial assets accounted for EUR 1,225.3 million. In comparison to 31 December 2018 (EUR 1,223.7 million) the amount remained nearly unchanged. The included amount of EUR 635.7 million (31 December 2018: EUR 556.7 million) was evaluated on the basis of amortised costs.

Liabilities to credit institutions
As of 31 December 2019, liabilities to credit institutions decreased by EUR 368.2 million to EUR 549.8 million (31 December 2018: EUR 918.0 million). In this context, most liabilities refer to liabilities to the National Bank of Austria.

Liabilities to clients
As of 31 December 2019, liabilities to clients increased by EUR 230.0 million to EUR 3,593.7 million (previous year: EUR 3,363.7 million). In this context, as of 31 December 2019, time deposits increased by EUR 8.8 million, and savings deposits by EUR 68.0 million, whereas current account increased by EUR 200.8 million.

Liabilities evidenced by certificate
64.12 % of liabilities evidenced by certificate refer to debenture bonds (Pfandbriefe). In comparison31 December 2018, liabilities evidenced by certificate increased slightly and on 31 December 2019, they accounted for EUR 2,523.0 million (31 December 2018: EUR 2,298.0 million).

Capital resources

Based on regulation (EU) No. 575/2013 (Capital Requirements Regulations – CRR) and the directive regarding the access to operations of financial institutions (Capital Requirements Directive 4 – CRD IV), consolidated capital resources and consolidated prudential capital requirements shall be determined in accordance with the IFRS but according to prudential consolidation circles. The Hypo Tirol Bank supervisory consolidation circle corresponds to the basis of consolidataion according to IFRS.
In the year ended 31 December 2019, eligible equity in accordance with CRR/CRD IV increased by EUR 14.9 million in comparison to 31 December 2018;, It accounted for EUR 618.6 million (31 December 2018: EUR 603.7 million) in consideration of all deduction items. Within 2019, required equity increased by EUR 9.0 million. As of 31 December 2019, the equity ratio amounted to 16.60 % (31 December 2018: 16.71 %) and thus, declined by 0.11 percentage points. Consequently, as of 31 December 2019, Hypo Tirol Bank fulfils all corporate group requirements regarding equity as stated in CRR/CRD IV. Equity surplus accounted for EUR 320.5 million (previous year: EUR 314.7 million).
As of 31 December 2019, core capital (Tier I) accounted for EUR 534.3 million (31 December 2018,: EUR 529.9 million). As of 31 December 2019, supplementary equity (Tier II) in consideration of deduction items according to section 66 (own interest supplementary capital) amounted to EUR 84.3 million (31 December 2018: EUR 73.8 million). As of 31 December 2019, the core capital ratio accounted for 14.34 % (31 December 2018: 14.67 %).

Achievements

In the 2019 business year, Hypo Tyrol Bank once again pursued the determined strategy of the previous years and focused on the Tyrolean core market (North-, East and South Tyrol) and Vienna. Apart from that, it continued to cut risk positions.

Net interest income after risk provision
In 2019, net interest income after risk provision decreased by EUR 18.2 million compared to 2018. This decline was primarily based on one-time effects. Net interest income, which was evaluated on

the basis of the effective interest method, accounted in 2019 for EUR 109.4 million (previous year: EUR 112.9 million) and showed a nearly constant value.

Net commission income
In comparison to the previous year, net commission income remained in 2019 nearly unchanged and accounted for EUR 26.3 million (2018: EUR 26.6 million). In this context, the decline in commission income, primarily in connection with the transaction of securities, was compensated by the reduction of commission expenses.

Administrative expenses
This profit and loss account item shows a very pleasing picture. In comparison to the previous year, administrative expenses in 2019 once again were reduced and accounted for EUR 71.1 million (2018: EUR 71.5 million.). This decline meets the expectations of the management and complies with the determined professional goals and the strategy to optimise the utilisation of personnel capacities.

Result before tax
In 2019, result before tax accounted for EUR 27.9 million (previous year: EUR 41.5 million). After the deduction of tax on income and profit in the amount of EUR 3.7 million (previous year: EUR 9.4 million) in 2019 the result after tax amounted to EUR 24.2 million (previous year: EUR 32.0 million).

3. Report on anticipated corporate development

Hypo Tirol Bank expects that the Corona virus (COVID 19) outbreak and the related containment measures will have negative impact on the global economic development. In this respect, we anticipate the situation on financial and commodity markets to be regressive and volatile, which will have associated effects on the economy. The markets of Hypo Tirol Bank are basically located in the Republic of Austria. On March 15, 2020, the Austrian government announced to take measures in these markets on the basis of the "Sars/Cov VO" regulation. When these financial statements were executed, it was not possible to assess the impact of these measures reliably. For that reason, the presumably negative development has not been considered in the following estimates regarding future development and major risks and uncertainties. Hypo Tirol Bank has established business continuity management processes, which will safeguard the operation of the financial institution in case of crisis.

3.1. Economic development

Basic economic scenario: after the weak situation of the past years, global economic growth will stabilise, however, industry and inflation will remain subdued.

The development of the trade dispute is an important figure regarding the economic forecast for 2020. Already in December 2019, there were signs for a trade agreement between the USA and China. On 15 January 2020 the time had finally come: the so-called Phase 1 agreement was sealed. Especially the Euro area and China will probably benefit from the easing of global trade. However, at this moment, the situation for the manufacturing industry seems to be more difficult. This basically applies to Germany. In the USA, President Donald Trump has to prepare the presidential election in November. In order to minimise the risk of a strong US mitigation, he will have to focus on de-escalation in the forthcoming months. It is also possible that a new tax reduction package to support the economy will be presented. This must be considered positively because it might strengthen the mood of investors and global growth alike. In China, the structural economic slowdown might continue, whereas a clear decline in GDP is not estimated. In total, Hypo Bank Tirol expects an economic growth of 3.2%, which would be a small increase in comparison to the previous year.

In the Euro area the annual increase of consumer prices in December 2019 accelerated by 0.3% to 1.3%. Despite the high liquidity on the markets, Hypo Tirol Bank anticipates little danger of inflation. A possible risk factor could be increasing energy prices resulting from a supply crisis in the Middle East. Nevertheless, Hypo Tirol Bank thinks that it is not likely that such a situation will occur in this context Is rather low, notwithstanding the latest military confrontation between the USA and Iran. Consequently, the estimated basic economic scenario for the Euro area is that inflation will swing around 1.5% in the forthcoming months.

3.2. Economic development in the market area

In 2020, gross domestic product in Austria is anticipated to grow by only 1.2%. In comparison to 2019, this rate represents a decline of roughly 0.5%. The results of the latest WIFO economic test (December 2019) show a further deterioration for Austrian entrepreneurs. Especially, the future of manufacturers in the field of material goods does not seem to be bright. The main reasons in this context will be the uncertainties in global trade due to the trade dispute between the USA, the EU and China. Another aspect is the problematic situation in the German automobile sector (Diesel emissions scandal), which will also affect Austria in a negative way. On the other hand, the forecast for companies working in the service sector or in the construction industry is rather different, because strong domestic consumption will have supporting effects.

In the Tyrol, the economic barometer of the Chamber of Commerce, published in January 2020, also shows a clear decline. Due to the low unemployment rate and the positive effects of the "family bonus payment" that had been implemented by the previous government, private consumption is one of the major pillars for trade and tourism. Even though, the economy will slow down, the lack of specialists will still be the predominant matter in many Tyrolean companies.

3.3. Anticipated corporate development

In compliance with the corporate strategy and the 2020 planning projects, Hypo Tirol Bank aims at achieving controlled growth including the following key tasks.

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

A moderate increase in the balance sheet total is predicted. While the volume of receivables in the private client sector shall be further extended, a sound balance of risk and return is given special attention in the corporate client segment. For that reason, the volume of receivables is predicted to show a sideward movement. According to our plan, risk provision will show a downward trend. Based on the current events in connection with the Corona virus outbreak, the degree of deviation in relation to risk provision cannot be assessed.
The volume of deposits (checking and savings products) will slightly decrease due to the enduring low interest level, while the trend to invest in securities will have positive impact on the

volume of deposits. In 2020, net commission income will also rise on a moderate basis – due to the planned increase in securities income and a slight reduction of commission expenses.
An increase in other operative income is also predicted for the forthcoming year. This can be attributed to the depreciation of investment properties.
In comparison to 2019, income before tax will show a sideward movement. Additional expenses are anticipated in connection with IT services and computer centre services regarding the implementation of legal and supervisory requirements and digitalisation projects. Personnel expenses are also predicted to rise in 2020.

3.4. Major risks and uncertainties

Risk management
Risk management is implemented and regularly improved by Hypo Tirol Bank and aims at safeguarding long-term success for Hypo Tirol Bank. 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 risk appetite framework are defined by the managing board. Among others, the risk management process applied by Hypo Tirol Bank 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
Market risk Interest rate risk, Price risk, Foreign currency risk, Alternative investments, Credit value adjustment, Credit spread risk
Liquidity risk
Macroeconomic risk from credit risk incl. risk reducing measures, from market risk, from liquidity risk
Operational risk
Risk from other assets
Risk capital from participating interest relevant to the group strategy
Concentration risk
Risk buffer Model risk & quality of data

Subsequently, these risks are aggregated (total risk) and compared with the risk capacity. 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 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, 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 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) is 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 creditworthiness
The regular evaluation of our debtors' creditworthiness 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 creditworthiness with outstanding creditworthiness and good creditworthiness, further increased compared to the previous years and currently amounts to roughly 74%.
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 2019 business year.

Division of the portfolio by regions
Der Hypo Tirol Bank ist es gelungen, das Forderungsvolumen in den definierten Kernmärkten im Geschäftsjahr 2019 weiter auszubauen und jenes außerhalb der definierten Kernmärkte weiter zu reduzieren.
In the 2019 business year, Hypo Tirol Bank 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 2019; 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 and with corporate clients only to a very restricted extent are intended. 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 (43).

Development of repayment vehicle loans
The strategy of Hypo Tirol Bank to continuously reduce the portfolio of repayment vehicle loans was further pursued in 2019. 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 portfolio
In 2019, Nostro securities nearly maintained on the same level. Nostro securities, which are highly qualitative, are used by Hypo Tirol Bank 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 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 Tyrol Bank 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, non-performing loans include loans in default in the supervisory category of receivables and restructuring and operating cases.

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 notes (18), (19) and (21). Furthermore, contract adaptations, which are considered as forbearance measure (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 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
- Security price risk
- Foreign currency risk
- Credit spread risk
- Credit valuation adjustment (CVA)
- Alternative investment risk
- Risk arising out of termination rights

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 is evaluated beyond the cash value perspective.
In order to reduce interest rate risk, Hypo Tirol Bank 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 plus 200 base points interest shock
Interest rate risk is divided in interest curve risk, interest rate re-fixing risk, base risk and interest option risk. Since Hypo Tirol Bank currently does not operate a trading book, interest risk does not separate positions recorded in the trading book from positions not recorded in the trading book.
As far as fluctuation in profit or economical values as stipulated in section 448 b, CRR, are concerned, a change concerning the cash value of Hypo Tirol Bank is evaluated on the basis of a plus 200 base points upwards trend of the interest curve.

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 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 data board. 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). On 31 December 2019, the LCR key figure accounted for averagely 179%. The Hypo Tirol Bank treasury department manages liquidity risk control.

Operational risk

Definition
Hypo Tirol Bank 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 use of these tools ensures a comprehensive control of operational risks within Hypo Tirol Bank. 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

Real estate and participation risk

Definition
Hypo Tirol Bank defines Real estate risk as the risk that prices of real estate change and that the result in the profit and loss from real estate transactions has negative effects (risk of vacancies, loss of rent, and deterioration of profit/cost relation). The risk in relation to property participation is added to real estate risk. Participation risk within Hypo Tirol Bank is the risk of loss resulting from financing by mans of equity capital (private equity) and/or borrowed capital (in connection with credit risk). In addition, Hypo Tirol Bank also includes the risk of loss resulting from market-evaluated participations (listed shares) and their price changes (in connection with market risk).

Excessive debt risk

Definition
Hypo Tirol Bank 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.

Macro-economic risk

Definition
Macro-economic 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 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 macro-economic risks, these parameters are stressed, and additional unexpected losses are calculated in the context of this scenario.

Risk from other assets

Definition
Risks from other assets are values that do not have substantial influence on the amount of the assets in the balance sheet and that cannot be assigned to any other balance sheet item. Any change or default imposes a risk for Hypo Tirol Bank. Risks include accruals and deferrals of derivatives pre-paid liability fees, deposits for leasing objects.

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, 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.
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.

Quantifying 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
Market risk: **Interest rate risk** **Price risk** **Foreign currency risk** **Alternative risk**	Monte Carlo value at risk with reference to historical data	Monte Carlo value at risk with reference to historical data
Market risk: **Credit spread risk**	Historical value at risk by using indices	Historical value at risk by using indices
Market risk	Historical low	Historical low
Market risk: **CVA**	Risk value scaled to confidence level	Risk value scaled to confidence level
Liquidity risk	Increased refinancing under spread shock	Increased refinancing under spread shock
Macroeconomic risk	Stress tests on components of credit, market and liquidity risk	Stress tests on components of credit, market and liquidity risk
Operational risk	Liquidation view values are scaled to confidence level	Risk values from pillar I (base indicator approach)
Risk from other assets	Liquidation view values are scaled to confidence level	Risk values from pillar I (risk weight approach))
Risk capital from corporate participation	Mixed approaches: IRB approach, risk weight approach	Mixed approaches: IRB approach, risk weight approach
Concentration risk: **Concentration of names** **Concentration of sectors**	Granularity adjustment for concentration of names Liquidation view values are scaled to confidence level for branch concentrations	Granularity adjustment for concentration of names Risk value for branch concentration evaluated by means of the Herfindahl-Hirschmann-Index.
Risk buffer **Unknown risks and model risks**	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 bank-wide management meeting and by the defined reporting system.

Going concern view

Economic capital	ø 2019	ø 2018
Credit risk	27.5 %	23.2 %
Market risk	20.6 %	12.8 %
Liquidity risk	0.7 %	3.4 %
Macro-economic risk	3.9 %	6.9 %
Operational risk	8.3 %	7.7 %
Risk from other assets	4.8 %	5.5 %
Real estate and corporate participation risk	1.2 %	1.6 %
Concentration risk	0.8 %	0.7 %
Risk buffer	2.3 %	2.0 %
Economic risk total	**70.1 %**	**63.8 %**
Risk cover potential	100.0 %	100.0 %
Available cover assets	**29.9 %**	**36.2 %**

Liquidation view

Economic capital	ø 2019	ø 2018
Credit risk	25.1 %	24.2 %
Market risk	6.8 %	5.3 %
Liquidity risk	0.4 %	1.4 %
Macro-economic risk	3.3 %	4.9 %
Operational risk	2.8 %	3.1 %
Risk from other assets	1.6 %	2.2 %
Real estate and corporate participation risk	1.7 %	2.0 %
Concentration risk	0.4 %	0.4 %
Risk buffer	1.8 %	1.3 %
Economic risk total	**43.9 %**	**44.8 %**
Risk cover potential	100.0 %	100.0 %
Available cover assets	**56.1 %**	**55.2 %**

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.

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 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.

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 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 an annual financial statement 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 statement
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 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.
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, 18 March2020

HYPO TIROL BANK AG – Managing Board

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

Contents

I. Profit and Loss Account

in k €	Notes	2019	2018	in kEUR	Change in %
Interest and similar income		117,836	129,151	-11,315	-8.8
calculated according to the effective interest method		*109,388*	*112,936*	*-3,548*	*-3.1*
Interest and similar expenses		-34,316	-38,424	4,108	-10.7
NET INTEREST INCOME		**83,520**	**90,727**	**-7,207**	**-7.9**
Credit risk provision		-16,202	-5,241	-10,961	>100
NET INTEREST INCOME AFTER RISK PROVISION		**67,318**	**85,486**	**-18,168**	**-21.3**
Commission income		30,087	30,290	-203	-0.7
Commission expenses		-3,791	-3,649	-142	3.9
Net commission income		**26,296**	**26,641**	**-345**	**-1.3**
Result from financial assets and liabilities		4,864	-1,639	6,503	>100
Result from the retirement of financial assets - at cost		-1	-12	11	-91.7
Result from hedge accounting		6,098	7,254	-1,156	-15.9
Result from associated companies		-22	364	-386	>100
Administrative expenses		-71,142	-71,506	364	-0.5
Other income		15,556	20,312	-4,756	-23.4
Other expenses		-21,060	-25,442	4,382	-17.2
Result before tax		**27,907**	**41,458**	**-13,551**	**-32.7**
Tax on income and profit		-3,687	-9,433	5,746	-60.9
Result after tax		**24,220**	**32,025**	**-7,805**	**-24.4**
These numbers include:					
Owner of the parent company		*23,404*	*32,025*	*-8,621*	*-26.9*
Participating interest without significant influence		*816*	*0*	*816*	*>100*

II. Statement of Comprehensive Income

in k €	2019	2018	in kEUR	Change in %
Result after tax	**24,220**	**32,025**	**-7,805**	**-24.4**
Data which can be reclassified into the profit and loss account				
Evaluation of debt instruments at fair value not recognised through profit or loss		-12,104	2,908	-24.0
Profit affecting reclassification of evaluation results into the profit and loss account of debt instruments at fair value not recognised through profit or loss		-507	358	-70.6
Deferred tax from evaluation of financial assets included in other income		3,153	-817	-25.9
		-9,458	**2,449**	**-25.9**
Data which cannot be reclassified into the profit and loss account				
Actuarial profit/loss		573	-2,021	>100
Deferred tax from evaluation of actuarial profit/loss included in other income		-143	505	>-100
Credit rating induced fair value change - own liabilities		918	-4,912	>-100
Deferred tax not recognised through profit or loss from credit rating induced fair value change - own liabilities		-229	1,228	>-100
	-4,081	**1,119**	**-5,200**	**>-100**
Other income after tax on income and profit	**-11,090**	**-8,339**	**-2,751**	**33.0**
Total result	**13,130**	**23,686**	**-10,556**	**-44.6**
These numbers include:				
Owner of the parent company	*12,314*	*23,686*		
Participating interest without substantial influence	*816*	*0*		

III. Balance sheet

Assets

in k €	Notes	2019	2018	in kEUR	Change in %
Cash assets reserve	(17)	**153,538**	**128,552**	**24,986**	**19.4**
Receivables from credit institutions		*101,699*	*95,402*	*6,297*	*6.6*
Risk provision		*-47*	*-27*	*-20*	*74.1*
Receivables from credit institutions after risk provision	(18)	**101,652**	**95,375**	**6,277**	**6.6**
Receivables from clients		*5,807,864*	*5,734,515*	*73,349*	*1.3*
Risk provision		*-83,124*	*-92,472*	*9,348*	*-10.1*
Receivables from clients after risk provision	(19)	**5,724,740**	**5,642,043**	**82,697**	**1.5**
Trading assets and derivtives	(20)	**67,832**	**56,944**	**10,888**	**19.1**
Other financial assets		*1,225,252*	*1,223,697*	*1,555*	*0.1*
Risk provision		*-22*	*-20*	*-2*	*10.0*
Other financial assets after risk provision	(21)	**1,225,230**	**1,223,677**	**1,553**	**0.1**
Interests in associated companies	(22)	**7,580**	**7,576**	**4**	**0.1**
Investment properties	(23)	**79,840**	**82,409**	**-2,569**	**-3.1**
Intangible assets	(24)	**2,520**	**2,227**	**293**	**13.2**
Tangible assets	(25)	**50,874**	**53,059**	**-2,185**	**-4.1**
Other assets	(26)	**14,601**	**18,147**	**-3,546**	**-19.5**
Non-current assets and disposal groups held for sale	(27)	**10,265**	**9,396**	**869**	**9.2**
Deferred tax assets	(28)	**8,253**	**7,742**	**511**	**6.6**
TOTAL ASSETS		**7,446,925**	**7,327,147**	**119,778**	**1.6**

Liabilities and Equity

in k €	Notes	2019	2018	in kEUR	Change in %
Liabilities to credit institutions	(29)	**549,811**	**918,005**	**-368,194**	**-40.1**
Liabilities to clients	(30)	**3,593,688**	**3,363,732**	**229,956**	**6.8**
Liabilities evidenced by certificate	(31)	**2,523,022**	**2,297,963**	**225,059**	**9.8**
Derivatives	(32)	**96,603**	**79,623**	**16,980**	**21.3**
Provisions	(33)	**42,520**	**33,860**	**8,660**	**25.6**
Other liabilities	(34)	**66,624**	**62,139**	**4,485**	**7.2**
Current tax liabilities	(35)	**4,389**	**5,016**	**-627**	**-12.5**
Deferred tax liabilities	(28)	**1,740**	**2,761**	**-1,021**	**-37.0**
Equity	(IV), (36)	**568,528**	**564,048**	**4,480**	**0.8**
These numbers include:					
Owner of the parent company		*564,074*	*560,505*	*3,569*	*0.6*
Participating interest without substantial influence		*4,454*	*3,543*	*911*	*25.7*
TOTAL LIABILITIES AND TOTAL EQUITY		**7,446,925**	**7,327,147**	**119,778**	**1.6**

IV. Equity Changes

in k €	As of 2019-01-01	Income after tax	Other income after tax	Change in scope of consolidation	Dividends paid	As of 2019-12-31
Subscribed capital	50,000	0	0	0	0	50,000
Capital reserves	311,233	0	0	0	0	311,233
AFS reserves after tax	163,860	23,404	0	-745	-8,000	178,519
FVOCI reserves from fair value changes	25,125	0	-7,004	0	0	18,121
FVOCI reserves from risk provision	50	0	-4	0	0	46
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 owner 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**

in k €	As of 2018-01-01	Income after tax	Other income after tax	Change in scope of consolidation	Dividends paid	As of 2018-12-31
Subscribed capital	50,000	0	0	0	0	50,000
Capital reserves	311,233	0	0	0	0	311,233
Cumulative income	134,336	32,025	0	2,499	-5,000	163,860
AFS reserves after tax	0	0	0	0	0	0
FVOCI reserves from fair value changes	34,581	0	-9,456	0	0	25,125
FVOCI reserves from risk provision	53	0	-3	0	0	50
Actuarial profit/loss after tax	-4,432	0	430	24	0	-3,978
Credit rating induced fair value change - own liabilities	13,526	0	689	0	0	14,215
Total owner of the parent company	**539,297**	**32,025**	**-8,340**	**2,523**	**-5,000**	**560,505**
Participating interest without substantial influence	0	0	0	3,543	0	3,543
Total equity	**539,297**	**32,025**	**-8,340**	**6,066**	**-5,000**	**564,048**

For further details regarding equity please see note (36).

V. Cash Flow Statement

in k €	2019	2018
Income after tax (before non-controlling interest)	**24,220**	**32,025**
Non-affecting cash flow items and transfer to cash flow from operating business activities included in the result		
Depreciation and appreciation to assets	-2,872	20,053
Allocation and dissolution of reserves and risk provisions	-1,752	-48,773
Income from the sale of assets	396	-2,797
Tax on income and profit	3,687	9,433
Correction net interest income	-80,461	-86,840
Profits from associated companies	22	-364
Unrealised foreign currency profits and losses	-978	600
Change of assets and liabilities from current business activities after correction of non-affecting cash flow items		
Receivables from credit institutions	-7,579	13,610
Receivables from clients	-84,399	-273,799
Trading assets and derivatives	-1,706	16,922
Other assets	-5,781	8,623
Liabilities to credit institutions	-368,041	-13,291
Liabilities to clients	229,916	177,008
Liabilities evidenced by certificate	231,917	116,498
Derivate	20,850	5,526
Other liabilities	5,662	-3,509
Interest received	120,573	135,167
Interest paid	-36,808	-44,686
Net total from payments of tax on income and profit and tax refunds	-1,909	-68
Cash flow from current business activities	**44,957**	**61,338**
Cash inflow from sale/liquidation of		
Other financial assets	174,098	168,980
Subsidiaries	2,292	0
Tangible assets, intangible assets and investment properties	1,308	14,432
Cash outflow due to investments in		
Other financial assets	-178,996	-138,768
Tangible assets, intangible assets and investment properties	-2,877	-12,013
Cash flow from investment activities	**-4,175**	**32,631**
Cash flow-affecting changes subordinated and supplementary capital	-7,140	-3,076
Dividends paid	-8,000	-5,000
Liquidation of leasing liabilities	-656	N/A
Cash flow from financing activities	**-15,796**	**-8,076**
Payment instruments at the end of the previous period	**128,552**	**42,659**
Cash flow from current business activities	44,957	61,338
Cash flow from investment activities	-4,175	32,631
Cash flow from financing activities	-15,796	-8,076
Payment instruments at the end of the period	**153,538**	**128,552**

Payment instruments correspond to cash reserves according to note (17).

Development of liabilities from financing activities

in k €	As of 2019-01-01	non-affecting change	non-affecting change	As of 2019-12-31
Subordinated and supplementary capital	93,240	-7,140	179	86,279
Liabilities from financing activities	**93,240**	**-7,140**	**179**	**86,279**

in k €	As of 2018-01-01	non-affecting change	non-affecting change	As of 2018-12-31
Subordinated and supplementary capital	96,002	-3,076	314	93,240
Liabilities from financing activities	**96,002**	**-3,076**	**314**	**93,240**

VI. Notes

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 (43).

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.

(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 are applied. Standards and interpretations which will become effective on 1 January 2020 or later, as well as standards and interpretations that are currently not mandatory in the EU have not been applied.

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

The IASB published **IFRS 16 "Leases"**. The basic idea behind the new standard is that all leases and the corresponding contractual rights and obligations shall be recognised in the balance sheet of the leasee. The former distinction between operating leases and finance leases required by IAS 17 will no longer be needed. As far as the lessor is concerned, the provisions of the new standard are similar to the previous IAS 17 requirements. Accordingly, a lessor continues to classify its leases as operating leases or finance leases. For classifications according to IFRS 16, the criteria of IAS 17 were adopted. In addition, IFRS 16 includes a number of further regulations regarding illustration and notes as well as sale-and-leaseback transactions. The new provisions shall be applicable to fiscal years beginning on or after 1 January 2019 and have already been adopted by EU law. Generally, Hypo Tirol Bank AG acts as a lessor. Therefore, the corresponding effects of the amendments regarding illustration and notes are currently being analysed. The material effect in relation to the core capital ratio accounts for less than 10 base points.

Other standards, which have been published and adopted by the EU, have no substantial influence on income, assets or the financial situation of Hypo Tirol Bank AG.

For example, in June 2017, the IASB published the IFRIC Interpretation 23 – Uncertainty over Income Tax Treatment. In this context, no uncertainties for Hypo Tirol Bank AG regarding income tax treatment can be verified.

IFRS 9 "Financial Instruments"
In October 2017, the IASB published amendments to IFRS 9 "financial instruments". These amendments allow companies to measure prepayable financial assets with so-called negative compensation (two-way break clauses) at amortised cost or at fair value through other comprehensive income if a such compensations represent material interest payments and debts in an appropriate amount. At the present time, such financial instruments do not pass the payment flow test and thus, are evaluated at fair value. These amendments will become effective for business years beginning on or after 1 January 2019.
The reform of IBOR amendments and their impact on the corporate group of Hypo Tirol Bank AG are examined by a working group that was especially established for this purpose. Regular meetings are organised to evaluate the legal situation, to analyse possible effects and to take appropriate measures.
These standards and the remaining standards, which have not been adopted by the EU, are already applied by Hypo Tirol Bank AG. However according to our actual estimation, they have no substantial influence on the profit situation and the financial position of Hypo Tirol Bank AG.

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

Hypo Tirol Bank AG is regularly informed about IASB publications and continuously reviews their possible effect on the consolidate financial statements. Up to date, no statements that were published by the IASB but have not been adapted by the EU. have substantial influence on the profit situation and the financial position of Hypo Tirol Bank AG.

Accounting policy

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.

(3) Accounting policy related changes

IFRS 16 was published by IASB in January 2016 and adopted into European legislation on 9 November 2017. Its mandatory first-time application refers to business years starting on or after 01 January 2019 IFRS 16 replaces all directives regarding leasing such as IAS 17 “leases”, IFRIC 4 “determining whether an arrangement contains a lease”, SIC 48 “operating leases – incentives” and SIC 27 “ evaluating the substance of transactions involving the legal form of a lease”
As far as the lessee is concerned, the standard defines that a single accounting model for all leases shall be employed.   Consequently, the model requires, that the lessee’s right of use, the asset and all leasing payment obligations are to be illustrated in the balance sheet as liabilities. Pursuant to IFRS 16, short term leases or leases (less than 12 months) and leases for smaller assets are exempt from that rule,

At the beginning of the term it shall be determined whether an agreement transfers control over the identified asset for a certain period against payment. Thus, the leasee shall recognise the right of use at cost at the time of provision and depreciate it over the remaining term. A leasing obligation is evaluated at cost on the basis of the book value of outstanding payments. Hypo Tirol Bank discounts outstanding payments by using the limited borrowed capital approach. Outstanding leasing payments consist of fix leasing payments, variable leasing payments, mounts payable in the context of the residual value guarantee, the preferential price of a buyer’s option and possible compensation payments regarding the termination of the lease.

Subsequently, the accounting value of lease obligations is accumulated by using the Incremental borrowing rate of interest. Hence, it is reduced by leasing payments and newly evaluated in order to consider adaptations and modifications. In order to determine the incremental borrowing rate, Hypo Tirol Bank uses Euribor as the base interest rate. The rate is adapted by using own credit spreads. Finally, the employed interest rate accounts for 0.34%. In comparison to IAS 17, the balance sheet of the lessor does not change with regard to Hypo Tirol Bank’s recognised items.

As far as the changeover to IFRS 16 is concerned, Hypo Tirol Bank decided to use the retrospective approach pursuant to IFRS 16.C5(b), Therefore, data of the previous year are not adapted. In compliance with IFRS 16C8(b)(ii) the right to use was recognised in the same amount as the lease obligation (first-time application). In doing so, the first-time application did not result in any changes in equity. Hypo Tirol Bank does not apply IFRS 16 concerning intangible assets. Furthermore, it makes use of the expectations regarding short term leases and leases for smaller amounts. Thus, no rights to use are recognised in such cases. Any rights to use resulting from IFRS 16 are recognised in the balance sheet as tangible assets. The first-time application of IFRS 16 does not have substantial influence on the core capital rate. In the context of the first-time application of IFRS 16, rights to use in the amount of KEUR 1,235 were recognised on 1 January 2019.

in k €	
Operating lease obligations on 31 December 2018	11,391
Less short-term leases - recognised as expense on a straight-line basis	-182
Less rights of termination	-9,974
Recognised lease liabilities on 1 January 2019	**1,235**

In the context of the first-time application of IFRS16, existing leases for buildings were newly evaluated. Thus, termination possibilities concerning the term were newly assessed and legally reviewed. In comparison to the previous year they were evaluated differently. This procedure leads to a major change in the new evaluation of termination rights, which has a major decreasing effect on lease liabilities

(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”.

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. In addition to the provisions stipulated in IAS 39, scenarios concerning the estimation of the expected cash flow shall now be created. The amount and the development of risk provision are illustrated in note (18, 19 and 21.

The new regulations regarding the accounting of impairment fundamentally changes their recognition. According to this, 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 loss) – (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 (lifetime expected credit loss criteria). In order to determine the extent of default risks several indicates 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. In order to measure 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
- Negative “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 statistical methods.

The following chart illustrates the comparison of expected credit loss for financial assets in stage 1 and stage 2 on the basis of the respective scenario. On the basis of the calculation regarding stage 3, no significant sensitivities were determined.

in k €	Optimistic scenario	Basic scenario	Pessimistic scenario
Stage 1	2,352	3,367	4,536
Stage 2	6,687	7,693	9,013
Total	**9,039**	**11,060**	**13,549**

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.

The determination of fair value of investment properties is based on annually updated evaluations made by an internal judicially appointed expert in the field of real estate valuation. With regard to properties, fair value is determined by means of the comparative value method on the bases of actual sales prices in temporal and spatial proximity. If such comparative values are not available, the land value is determined by using land vale charts in the context of residual value methods.

Developed properties are rental properties. The value is determined in the context of the discounted cash flow method based on actual rental revenues received, provided they are market conform and sustainable. In case of vacancies, fictional revenue data collected on the market are used. Fair value is determined on the basis of the results generated by the discounted cash flow method and monitored in view of respective market situations and adapted accordingly. Land register records, regular market observations and steady communication with brokers, property developers and facility managers as well as available market data and our own experience in the field of real estate management serve as tools to choose the suitable approach. The corresponding capitalised interest rate is determined on the basis of the spectrum of rules that is published in relevant specialised literature (e. g. ÖVI Immobilienbewertung in Austria, Association of Judicially Appointed experts) in consideration of the respective applicable market situation, the essential standards and properties in relation to the object to be evaluated.

With regard to the determination of fair value in the context of tangible assets, we refer to the methods described above (investment properties). As far as other tangible assets – office equipment or IT hardware – fair value is determined on the basis of market transactions of equivalent equipment or IT hardware solutions in consideration of technological aging.

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 (37) "fair value".

Provisions
Provisions are employed 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 please 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 profit-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 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, which shall be effective within a hedge in order to illustrate it in the balance sheet, 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 does apply 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 cycle of consolidation in the course of the business year

A) 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 even 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 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, whether the voting rights are adequate with regard to the respective subsidiary, Hypo Tirol Bank 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 a profit 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 income 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 income 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 income 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 2019 fiscal year

Associated companies:

- Currently, there are no changes.

Fully consolidated subsidiaries:

- **Dienstleistungszentrum Kramsach Betriebsgesellschaft mbH, Innsbruck,** was sold in the 2019 fiscal year and thus, deconsolidated accordingly.

(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 standards of their 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 contest, income which mainly represents payment for the use of capital (interest-similar income) is assigned to net interest income. In addition, income from participations 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 illustrated allowances in compliance with IFRS 9 and the changes regarding provisions. For further information see note (8).

C) Net commission income

Net commission income comprises the balance from income and expenses regarding the service business. 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 cos

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) Income and expenses

This item shows effects from leasing transactions and rental agreements from investment property. 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 re-serves" 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 National 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 2019 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. 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.

With regard to insignificant receivables up to a value of kEUR 200, an individual allowance on the basis of default probabilities, obtained from historical time series, is calculated. In this context, the stage to which the financial instrument is assigned to, is considered together with term, collateral, credit rating and segment.

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) Trading assets and derivatives

Securities acquired for trading purposes and all derivatives, unless they are used for hedge accounting, are illustrated in this item. Trading assets and derivatives are evaluated at fair value. Evaluation and disposal results regarding trading assets are illustrated in the profit and loss account in trading result. Income from interest and dividends are presented 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”. An additional portfolio is kept for trading purposes. Financial instruments of the category “held” 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 included 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
Clients 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 limitations.

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 market value of the financial instrument and the market value based on current interest forward curves without risk surcharge is calculated.

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 1.00% (2018: 1.95%)
- Annual valorisations, collective agreement and career-based salary 2.5% (2018: 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% (2018: 1.5%) regarding provisions for pensions.
- Table values AVÖ 2008-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 liability 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 closely 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 continuous acquisition 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.

The above-mentioned assets are 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).
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 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 inputs: 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 value 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, whereas on the assets side of the balance sheet only fixed-rate assets - evaluation category AFS can be considered as basic transaction, and on the liabilities side of the balance sheet only fixed-rate engagements can be considered as basic transaction. The in-tersest risk is the risk hedged. 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 (12). 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.

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 €	2019	2018
Interests and similar income from receivables from credit institutions	1,338	4,999
Interests and similar income from receivables from clients	84,722	82,120
Interests and similar income from bonds	14,227	16,801
Interests and similar income from leasing receivables	7,649	6,260
Interest income from derivatives	216	331
Interest income from stage 3	1,236	2,424
Evaluation according to effective interest method	**109,388**	**112,935**
Income from cash value changes - modifications	29	10
Income from shares and other non-fixed securities	316	371
Income from participating interest in associated non-consolidated companies	724	603
Other income from participating interest	3,654	11,774
Other income	3,725	3,458
Other interest-like income	**8,448**	**16,215**
Interests and similar income	**117,836**	**129,151**
Interests and similar expenses for liabilities to credit institutions	-290	-856
Interests and similar expenses for liabilities to clients	-4,522	-5,188
Interest expenses for derivatives	-1,849	-3,433
Interests and similar expenses for liabilities evidenced by certificate	-21,656	-23,052
Interests and similar expenses for supplementary/subordinate capital	-2,728	-2,659
Interests and similar expenses	-3,271	-3,236
Interest and similar expenses	**-34,316**	**-38,424**
Net interest income	**83,520**	**90,727**

The entire amount of interest for leasing receivables and derivatives are evaluated on the basis of the effective interest method. Negative interest is illustrated in other income in the amount of kEUR 3,725 as well as in other expenses in the amount of kEUR 3,271. 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 €	2019	2018
Trading assets	2,533	3,363
Financial assets - trade-related - at fair value - income affecting	9,207	19,422
Financial assets at cost	94,653	94,104
Financial assets at fair value - not income affecting	11,443	12,262
Interest income	**117,836**	**129,151**
Trading assets	-4,643	-6,530
Liabilities at fair value income affecting	-10,809	-12,573
Liabilities at cost	-18,864	-19,321
Interest expenses	**-34,316**	**-38,424**
Net interest income	**83,520**	**90,727**

Interest income from financial assets not evaluated on a fair value basis amounted to kEUR 94,653 (2018: kEUR 94,104). The corresponding interest expenses for financial liabilities amounted to kEUR 18,864 (2018: kEUR 19,321).

Interest from impaired assets amounted to kEUR 1,236 (2018: kEUR 2,424).

(8) Credit risk provision

in k €	2019	2018
Changes in allowances - loans	-4,492	-3,397
Changes in allowances - securities	3	-14
Direct depreciation of receivables	-2,465	-1,462
Income from inflow of depreciated receivabless	994	588
Provision changes	-10,242	-956
Credit risk provision	**-16,202**	**-5,241**

The changes in provisions include changes in provisions for negative interest in the amount of kEUR 10,179 (2018: kEUR 1,452), 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 receiva-bles, in-come from depreciated receivables and the use of generated provisions. In 2019, the loss amounted to kEUR 15,290 (2018: kEUR 49,893).

(9) Net commission income

in k €	2019	2018
Commission income from credit/leasing businesses	5,338	6,034
Commission income from securities businesses	8,497	8,797
Commission income from giro business and money transactions	12,796	12,134
Commission income from other service businesses	3,456	3,325
Commission income	**30,087**	**30,290**
Commission expenses for credit/leasing businesses	-682	-583
Commission expenses for securities businesses	-964	-1,101
Commission expenses from giro business and money transactions	-2,007	-1,766
Commission expenses for other service businesses	-138	-199
Commission expenses	**-3,791**	**-3,649**
Net commission income	**26,296**	**26,641**

Net commission income included income from trust transactions in the amount of kEUR 140 (2018: kEUR 99). Commission expenses included expenses from trust transactions in the amount of kEUR 128 (2018: kEUR 91).

(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 €	2019	2018
Disposal and evaluation result from price changes	978	469
Disposal and evaluation result from financial assets and liabilities at fair value affecting income	3,733	-1,410
Disposal and evaluation result from financial assets and liabilities at fair value not-affecting income	512	914
Profits/losses from derecognition of liabilities at cost	-359	-1,612
Income from financial assets and liabilities	4,864	-1,639

The disposal and evaluation result from financial assets and liabi-lities evaluated at fair value on an income affect-ing basis derives from effects concerning the following balance sheet items.

in k €	2019	2018
Receivables from clients	-1,257	-377
Designated at fair value	*-2,851*	*-4,354*
Mandatory at fair value	*1,594*	*3,977*
Derivatives	249	-704
Financial assets	2,914	-5,615
Designated at fair value	*-268*	*-2,132*
Mandatory at fair value	*3,181*	*-3,483*
Receivables from clients	-629	837
Liabilities evidenced by certificate	2,456	4,449
Evaluation result from financial instruments designated at fair value	**3,733**	**-1,410**

The income from a contingent purchase price component is recorded in the evaluation result from receivables from clients – mandatory at fair value.

The result from the repurchase of own issues amounted to kEUR -29 (2018: kEUR -100).

(11) Income from hedge accounting

Income from hedge accounting shows evaluation results from effective hedge accounting.

The result is structured as follows:

in k €	2019	2018
Income from secured basic businesses	14,219	-1,880
Income from derivatives used as hedging instruments	-8,121	9,134
Income from hedge accounting	**6,098**	**7,254**

(12) Income from associated companies

in k €	2019	2018
Income from associated companies	-22	364

(13) Administrative expenses

in k €	2019	2018
Personnel expenses	-44,572	-45,412
Material expenses	-22,330	-22,092
Depreciation on tangible and intangible assets	-4,240	-4,002
Administrative expenses	**-71,142**	**-71,506**

Personnel expenses

in k €	2019	2018
Salaries and wages	-32,772	-33,507
Legal social expenses	-8,876	-8,796
Voluntary social expenses	-641	-637
Pension scheme expenses	-1,486	-1,465
Expenses for severance payments and pensions	-797	-1,007
Personnel expenses	**-44,572**	**-45,412**

Expenses for severance payments and pensions include payments to the corporate staff and self-employment provision fund in the amount of kEUR 237 (2018: kEUR 204).

Material expenses

in k €	2019	2018
Building expenses	-3,247	-3,192
IT expenses	-7,867	-7,515
Communication expenses	-1,144	-1,179
Expenses for human resource development	-319	-578
Advertising and representation expenses	-3,555	-3,223
Legal and consulting expenses	-2,170	-1,953
Costs for legal structure	-1,591	-1,665
Other material expenses	-2,437	-2,787
Material expenses	**-22,330**	**-22,092**

Legal and consulting expenses and/or costs for legal structures include expenses for auditors (Ernst & Young chartered accountants Wirtschaftsprungsgesellschaftmbh, Wien) in the amount of kEUR 294 (2018: kEUR 311). 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 240 (2018:kEUR 277) and into ex-penses for other confirmation services amounting to kEUR 54 (2018: TEUR 34).

Depreciation on tangible and intangible assets

in k €	2019	2018
Factory and office equipment	-1,276	-1,218
Real estate	-1,600	-1,611
Intangible assets	-1,364	-1,173
Depreciation on tangible and intangible assets	**-4,240**	**-4,002**

Depreciation of leases in accordance with IFRS 16 are illustrated separately in note (41).

(14) Other income

Other income comprises the following items:

in k €	2019	2018
Income from leasing business	4,126	5,720
Income from real estate sales	56	2,270
Rental income from investment properties	6,411	6,904
Income from assets received as collateral	403	503
Other income	4,560	4,915
Other income	**15,556**	**20,312**

(15) Other expenses

Other expenses comprise the following items:

in k €	2019	2018
Leasing business expenses	-7,165	-5,398
Loss from real estate sales	-663	-50
Depreciation on investment properties	-2,427	-4,631
Expenses in connection with investment properties	-2,795	-2,963
in connection with real estate rented out	-2,790	-2,957
in connection with real estate not rented out	-5	-6
Expenses in connection with assets received as collaterals	-298	-1,499
Operational damages	-77	-66
Other expenses	-7,635	-10,835
Other expenses	**-21,060**	**-25,442**

Other expenses include stability fees in the amount of kEUR 1,172 (2018: kEUR 1,296). In addition, other ex-penses include expenses for deposit insurance in the amount of kEUR 1,315 (2018: kEUR 1,768) and expenses in relation to the resolution fund in the amount of kEUR 2,814 (2018: kEUR 3,273).

(16) Tax on income and profit

in k €	2019	2018
Current tax claims	-1,649	-1,915
Deferred tax	-2,038	-7,518
Tax on income and profit	**-3,687**	**-9,433**

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 per-cent. This tax rate serves as the basis for the following offsetting and reconciliation. The offsetting and reconcilia-tion illustrates the connection between the calculated and the recorded income taxes.

in k €	2019	2018
Income before tax	27,907	41,458
Applicable tax rate	25 %	25 %
Mathematical income tax	**-6,977**	**-10,365**
Tax effects		
from tax free income from participating interest	602	2,596
from investment benefits	-1	0
from other tax-free income	506	896
from previous years	1,897	369
from goodwill depreciation	147	287
from pre-payments	0	0
from deviating tax rates abroad	107	89
from other non-deductible expenses	288	-364
from other differences	1,968	-366
from non-active losses brought forward	-2,224	-2,575
Designated income tax	**-3,687**	**-9,433**

Deferred tax expenses in the fiscal year amounting to kEUR 2,038 and deferred tax expenses of the previous year amounting to kEUR 7,518 entirely resulted from creating or dissolving temporary differences and the ac-counting of deferred tax in relation to losses brought forward.

Notes on the Balance Sheet

(17) Cash reserve

in k €	2019	2018
Cash in hand	26,041	26,829
Deposits at central banks	127,497	101,723
Cash reserve	**153,538**	**128,552**

Pursuant to ECB directives, kEUR 121,237 (2018: kEUR 93,327) 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 assigned to the category „loans and receivables“ and are evaluated on the basis of continuous acquisition costs.

Receivables from credit institutions by region

in k €	2019	2018
Austria	**43,896**	**44,099**
Foreign countries	**57,803**	**51,303**
Germany	47,912	42,209
Italy	7,000	7,156
Other foreign countries (incl. CEE)	2,891	1,938
Receivables from credit institutions before risk provision	**101,699**	**95,402**
Risk provision	-47	-27
Receivables from credit institutions after risk provision	**101,652**	**95,375**

Receivables from credit institutions by maturity

in k €	2019	2018
Maturity: daily	61,520	50,607
Up to 3 months	24,795	34,730
3 months to 1 year	11,423	2,298
1 year to 5 years	3,961	3,886
More than 5 years	0	3,881
Receivables from credit institutions before risk prosivison	**101,699**	**95,402**
Risk provision	-47	-27
Receivables from credit institutions after risk provision	**101,652**	**95,375**

Receivables from credit institutions by stages

in k €	Stage 1	Stage 2	Total
2019			
Receivables from credit institutions	33,971	67,728	101,699
Receivables from credit institutions	**33,971**	**67,728**	**101,699**
2018			
Receivables from credit institutions	48,654	46,748	95,402
Receivables from credit institutions	**48,654**	**46,748**	**95,402**

Credit quality of receivables from credit institutions was divided by the internal rating classes defined by the cor-porate group. The illust-ration also shows the division of gross value by stages.

2019

in k €	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**
Very weak credit rating (rating classes 4C–4E)		0	0	**0**
In default		0	0	**0**
Receivables from credit institutions	**33,971**	**67,728**	**0**	**101,699**

2018

in k €	Stage 1	Stage 2	Stage 3	Total
Outstanding credit rating (rating classes 1A–2B)	5,196	12,561	0	**17,757**
Very good credit rating (rating classes 2C–2E)	19,241	34,187	0	**53,428**
Good credit rating (rating classes 3A–3B)	20,588	0	0	**20,588**
Medium credit rating (rating classes 3C–3E)	3,629		0	**3,629**
Weak credit rating (rating classes 4A–4B)		0	0	**0**
Very weak credit rating (rating classes 4C–4E)		0	0	**0**
In default		0	0	**0**
Receivables from credit institutions	**48,654**	**46,748**	**0**	**95,402**

Stage transfer in relation to receivables from credit institutions

Gross accounting value in k €	Transfer between stage 1 and stage 2		Transfer between sttage 2 and stage 3		Transfer between stage 1 and stage 3	
	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
2019						
Credit institutions	0	0	0	0	0	0
Receivables from credit institutions	**0**	**0**	**0**	**0**	**0**	**0**
2018						
Credit institutions	0	3,720	0	0	0	0
Receivables from credit institutions	**0**	**3,720**	**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 €	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
2019									
Risk provision stage 1	**-25**	**-55**	**0**	**38**	**0**	**0**	**-42**	**0**	**0**
Thereof: collectively 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: collectively 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: collectively 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**
2018									
Risk provision stage 1	**-10**	**-79**	**2**	**63**	**0**	**-1**	**-25**	**0**	**0**
Thereof: collectively evaluated allowances	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Risk provision stage 2	**-16**	**-1**	**34**	**-19**	**0**	**0**	**-2**	**0**	**0**
Thereof: collectively 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: collectively evaluated allowances	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Risk provision for receivables from credit institutions	**-26**	**-80**	**36**	**44**	**0**	**-1**	**-27**	**0**	**0**

(19) Receivables from clients after risk provision

A) Receivables from clients

Receivables from clients by evaluation category

in k €	2019	2018
evaluated at cost	5,712,485	5,612,348
designated at fair value - income affecting	69,596	81,915
mandatory designated at fair value - income affecting	25,783	40,252
Receivables from clients before risk provision	**5,807,864**	**5,734,515**
Risk provision	-83,124	-92,472
Receivables from clients after risk provision	**5,724,740**	**5,642,043**

Receivables from clients at cost include receivables from leases in the amount of kEUR 494,382 (previous year: kEUR 530,323) and other receivables from clients accounting for kEUR 8,739 (previous year: kEUR 8,926).

Receivables from clients by business type

in k €	2019	2018
Current account	476,252	498,741
Cash	61,556	95,540
Credits	4,766,935	4,600,985
Leasing receivables	494,382	530,323
Other receivables	8,739	8,926
Receivables from clients before risk provision	**5,807,864**	**5,734,515**
Risk provision	-83,124	-92,472
Receivables from clients after risk provision	**5,724,740**	**5,642,043**

Receivables from clients by region

in k €	2019	2018
Austria	**5,219,688**	**5,068,323**
Foreign countries	**588,176**	**666,192**
Germany	108,130	118,867
Italy	448,674	517,850
Other foreign countries (incl. CEE)	31,372	29,475
Receivables from clients before risk provision	**5,807,864**	**5,734,515**
Risk provision	-83,124	-92,472
Receivables from clients after risk provision	**5,724,740**	**5,642,043**

Receivables from clients by maturity

in k €	2019	2018
Maturity: daily	114,243	153,281
Up to 3 months	370,586	305,379
3 months to 1 year	715,751	737,601
1 year to 5 years	1,825,796	1,777,025
More than 5 years	2,781,488	2,761,229
Receivables from clients before risk provision	**5,807,864**	**5,734,515**
Risk provision	-83,124	-92,472
Receivables from clients after risk provision	**5,724,740**	**5,642,043**

Receivables from clients by client sector

in k €	2019	2018
Central states and public sector	600,731	600,824
Corporate clients	3,903,598	3,882,207
Private households	1,303,535	1,251,484
Receivables from clients before risk provision	**5,807,864**	**5,734,515**
Risk provision	-83,124	-92,472
Receivables from clients after risk provision	**5,724,740**	**5,642,043**

Receivables from clients by stages

in k €	Stage 1	Stage 2	Stage 3	Total
2019				
Public sector including central states	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**
2018				
Public sector including central states	579,480	21,344	0	600,824
Corporate clients	3,288,461	390,843	202,903	3,882,207
Private Households	1,183,737	44,395	23,352	1,251,484
Receivables from clients	**5,051,678**	**456,582**	**226,255**	**5,734,515**

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.

2019

in k €	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**

2018

in k €	Stage 1	Stage 2	Stage 3	Total
Outstanding credit rating (rating classes 1A–2B)	1,538,567	125,311	0	**1,663,878**
Very good credit rating (rating classes 2C–2E)	1,369,970	15,262	0	**1,385,232**
Good credit rating (rating classes 3A–3B)	1,160,783	43,165	0	**1,203,948**
Medium credit rating (rating classes 3C–3E)	982,358	157,961	0	**1,140,319**
Weak credit rating (rating classes 4A–4B)	0	84,837	0	**84,837**
Very weak credit rating (rating classes 4C–4E)	0	30,046	0	**30,046**
In default	0	0	226,255	**226,255**
Receivables from clients	**5,051,678**	**456,582**	**226,255**	**5,734,515**

Stage transfer in relation to receivables from clients

	Transfer between stage 1 and stage 2		Transfer between sttage 2 and stage 3		Transfer between stage 1 and stage 3	
Gross accounting value in k €	**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**
2019						
Public sector including central states	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**
2018						
Public sector including central states	6,256	522	0	0	0	0
Corporate clients	66,358	73,996	9,040	15,080	4,901	748
Private Households	39,923	32,146	2,073	5,478	1,391	1
Receivables from clients	**112,537**	**106,664**	**11,113**	**20,558**	**6,292**	**749**

Receivables in leasing business by maturity

in k €	2019	2018
Up to 3 months	17,411	16,501
3 months to 1 year	69,022	38,954
1 year to 5 years	258,508	187,412
More than 5 years	149,441	287,456
Receivables in leasing business	**494,382**	**530,323**

Gross investment values in leasing business by maturity

in k €	2019	2018
Up to 3 months	19,242	18,329
3 months to 1 year	73,998	43,948
1 year to 5 years	277,487	206,323
More than 5 years	158,356	303,720
Gross investment value	**529,083**	**572,320**

Accumulated allowances in leasing business 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 2019 business year, risk provision for receivables from clients in the amount of kEUR 83,124 (2018: kEUR 92,472) was established. The development of risk provision can be illustrated as follows

Risk provision by branches:

in k €	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
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**
2018									
Public sector	-11	-1	1	1	0	0	-10	0	0
Other financial corporations	-20,002	-15	4	195	18,419	-1	-1,400	0	-666
Non-financial corporations	-104,282	-2,651	2,213	628	26,905	-83	-77,270	400	-2,170
Households	-16,744	-879	683	1,347	1,809	-8	-13,792	133	-457
Risk provision by branches	**-141,039**	**-3,546**	**2,901**	**2,171**	**47,133**	**-92**	**-92,472**	**533**	**-3,293**

Risk provision by stages:

in k €	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
2019									
Risk provision stage 1	**-3,050**	**-746**	**420**	**78**	**0**	**57**	**-3,241**	**0**	**0**
Thereof: collectively 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: collectively 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: collectively 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**
2018									
Risk provision stage 1	**-2,874**	**-802**	**280**	**411**	**0**	**-65**	**-3,050**	**0**	**0**
Thereof: collectively evaluated allowances	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Risk provision stage 2	**-8,731**	**-628**	**1,040**	**2,447**	**0**	**-8**	**-5,880**	**0**	**0**
Thereof: collectively evaluated allowances	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Risk provision stage 3	**-129,434**	**-2,116**	**1,581**	**-687**	**47,133**	**-19**	**-83,542**	**533**	**-3,293**
Thereof: collectively evaluated allowances	*-121,492*	*-1*	*0*	*-3,106*	*47,133*	*-18*	*-77,484*	*0*	*0*
Risk provision for receivables from clients	**-141,039**	**-3,546**	**2,901**	**2,171**	**47,133**	**-92**	**-92,472**	**533**	**-3,293**

The change, based on the increased default risk, included unwnding in the amount of kEUR 544 (2018: kEUR 516). It was reclassified in the profit and loss account (risk costs) to interest income.

(20) Trading assets and derivatives

Trading assets by business type

in k €	2019	2018
Positive market values from derivatives	27,216	30,158
Positive market values from derivative hedging instruments	40,616	26,786
Trading assets	**67,832**	**56,944**

Trading assets by maturity

in k €	2019	2018
Up to 3 months	621	729
3 months to 1 year	2,688	3,140
1 year to 5 years	29,749	32,037
More than 5 years	34,774	21,038
Trading assets	**67,832**	**56,944**

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

Derivatives without accrued interest

	Nominal value		Positive market values		Negative market values	
in k €	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Derivatives "held for trading"						
FX-future transactions	225,825	294,406	303	150	2,664	4,257
FX-swaps	0	0	0	0	0	0
FX-options	0	0	0	0	0	0
Currency derivatives	**225,825**	**294,406**	**303**	**150**	**2,664**	**4,257**
Interest swaps	4,489,058	3,688,413	55,495	43,230	78,571	60,054
Cross-Currency-Swaps	52,356	52,356	0	0	6,065	3,747
Interest options	0	0	0	0	0	0
Future transactions	425,510	441,127	585	1,476	1,497	1,923
Futures	0	0	0	0	0	0
Interest derivatives	**4,966,924**	**4,181,896**	**56,081**	**44,706**	**86,133**	**65,724**
Futures	0	0	0	0	0	0
Credit default swaps	0	0	0	0	0	0
Options	0	0	7	0	0	0
Asset value dependent derivatives	**0**	**0**	**7**	**0**	**0**	**0**
Trading assets	**5,192,749**	**4,476,302**	**56,391**	**44,856**	**88,797**	**69,981**

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 € 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 a hedging instrument	0	656	0	0	0

In k € 2018-12-31	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	553,623	597,625	343,881	20,458	1,386,978
Accumulated amount of hedging adjustments, which is included in the balanced basic transaction	2,594	4,517	881	458	9,331
Value change of hedging adjustments regarding the basic transaction for the reporting period	2,677	3,598	856	458	6,840
Accumulated amount of hedging adjustments for basic transactions, which are no longer part of a hedging instrument	0	1,444	0	0	0

(21) Other financial assets after risk provision

A) Other financial assets

Other financial assets by business type and by evaluation category

in k €	2019	2018
Bonds at cost	635,653	556,665
Bonds at fair value - not income affecting	532,155	571,863
Bonds at fair value - income affecting	0	42,551
Bonds mandatory at fair value - income affecting	3,224	3,342
Shares at fair value - income affecting	1,089	892
Funds at fair value - income affecting	25,944	22,033
Participating interest at fair value - income affecting	27,187	26,351
Other financial assets before risk provision	**1,225,252**	**1,223,697**
Risk provision for bonds at cost	-22	-20
Other financial assets after risk provision	**1,225,230**	**1,223,677**

Other financial assets by maturity

in k €	2019	2018
Maturity: daily	0	0
Up to 3 months	47,227	105,374
3 months to 1 year	153,210	89,113
1 year to 5 years	654,227	656,433
More than 5 years	316,368	323,401
Without maturity	54,220	49,376
Other financial assets	**1,225,252**	**1,223,697**
Risk provision for bonds at cost	-22	-20
Other financial assets before risk provision	**1,225,230**	**1,223,677**

Bonds at cost by branches and stages

in k €	Stage 1	Stage 2	Stage 3	POCI	Total
2019					
Public sector including central states	196,715	0	0	0	196,715
Corporate clients	393,337	0	0	0	393,337
Private Households	45,601	0	0	0	45,601
Financial assets at cost	**635,653**	**0**	**0**	**0**	**635,653**
2018					
Public sector including central states	182,129	0	0	0	182,129
Corporate clients	335,901	0	0	0	335,901
Private Households	38,635	0	0	0	38,635
Financial assets at cost	**556,665**	**0**	**0**	**0**	**556,665**

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

in k €	Stage 1	Stage 2	Stage 3	POCI	Total
2019					
Public sector including central states	278,401	0	0	0	278,401
Credit institutions	187,800	0	0	0	187,800
Corporate clients	65,954	0	0	0	65,954
Financial assets FV OCI	**532,155**	**0**	**0**	**0**	**532,155**
2018					
Public sector including central states	299,722	0	0	0	299,722
Credit institutions	199,412	0	0	0	199,412
Corporate clients	72,729	0	0	0	72,729
Financial assets FV OCI	**571,863**	**0**	**0**	**0**	**571,863**

Pursuant to IFRS 9.5.5.10 it is estimated that the default risk of 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 affect-ing is illustrated in the following chart by internal rating classes and stages.

2019

Other financial assets at cost and at fair value not income affecting

in k €	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**

2018

Other financial assets at cost and at fair value not income affecting

in k €	Stage 1	Stage 2	Stage 3	Total
Outstanding credit rating (rating classes 1A–2B)	1,106,244	0	0	**1,106,244**
Very good credit rating (rating classes 2C–2E)	22,284	0	0	**22,284**
Total receivables	**1,128,528**	**0**	**0**	**1,128,528**

With regard to financial assets no transfers between risk provision stage 1 and 3 were recorded in 2019 and 2018.

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 €	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
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 branch	**-87**	**-87**	**4**	**85**	**0**	**1**	**-84**	**0**	**0**
2018									
Central banks	-1	0	0	1	0	0	0	0	0
Credit institutions	-33	-9	4	8	0	0	-30	0	0
Public sector	-29	-2	2	2	0	0	-27	0	0
Other financial corporations	-13	-3	1	-2	0	0	-17	0	0
Non-financial corporations	-14	-3	1	3	0	0	-13	0	0
Risk provision by branch	**-90**	**-17**	**8**	**12**	**0**	**0**	**-87**	**0**	**0**

Risk provision by stages

in k €	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
2019									
Risk provision stage 1	**-87**	**-87**	**4**	**85**	**0**	**1**	**-84**	**0**	**0**
Thereof: collectively 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: collectively 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: collectively evaluated allowances	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Risk provision	**-87**	**-87**	**4**	**85**	**0**	**1**	**-84**	**0**	**0**
2018									
Risk provision stage 1	**-90**	**-17**	**8**	**12**	**0**	**0**	**-87**	**0**	**0**
Thereof: collectively 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: collectively 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: collectively evaluated allowances	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Risk provision	**-90**	**-17**	**8**	**12**	**0**	**0**	**-87**	**0**	**0**

(22) Shares in associated companies

in k €	2019	2018
Shares in associated companies	**7,580**	**7,576**

Associated companies are accounted in accordance with the "at equity method". For details regarding the provi-sions for associa-ted 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 €	Acquisition value 01-01	Currency translation	Inflows in business year	Transfers consolid.	Outflows and recategoris. assets AFS in business year	Acquisition value 12-31	Accounting value 12-31	Accounting value 01-01
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**
2018								
Undeveloped real estate	4,678	0	7	0	-4,104	581	503	3,600
Real estate/buildings rented out - land share	17,777	0	1,801	2,456	-2,655	19,379	16,526	16,096
Real estate/buildings rented out - building share	115,961	0	2,428	8,194	-10,333	116,250	64,897	67,854
Factory and office equipment rented out	776	0	270	103	-12	1,137	481	209
Facilities under construction	60	0	52	0	-110	2	2	60
Investment properties	**139,252**	**0**	**4,558**	**10,753**	**-17,214**	**137,349**	**82,409**	**87,819**

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

Development of accumulated depreciation

in k €	Accumu-lated depreciation 01-01	Currency translation	Inflows in business year	Transfers consolid.	Outflows in business year	Accumulated depreciation 12-31
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**
2018						
Undeveloped real estate	-1,078	0	0	0	1,000	**-78**
Real estate/buildings rented out - land share	-1,681	0	-530	-643	1	**-2,853**
Real estate/buildings rented out - building share	-48,107	0	-4,006	-3,089	3,849	**-51,353**
Factory and office equipment rented out	-567	0	-95	-6	12	**-656**
Facilities under construction	0	0	0	0	0	**0**
Investment properties	**-51,433**	**0**	**-4,631**	**-3,738**	**4,862**	**-54,940**

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 2019, fair value of investment properties ac-counted for kEUR 102,419 (2018: kEUR 102,832). 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 possi-ble 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, howe-ver, in case no impairment is required, fair value does not have any effect on the consolidated balance sheet or on the consolida-ted 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 €	Acquisition value 01-01	Currency translation	Inflows in business year	Transfers consolid.	outflows in business year	Acquisition value 12-31	Accounting value 12-31	Accounting value 01-01
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
Others	36	0	0	0	0	36	0	0
Intangible assets	**6,580**	**0**	**1,634**	**23**	**0**	**8,237**	**2,520**	**2,227**
2018								
Client base	1,557	0	0	0	0	1,557	1	6
Software	17,599	0	1,545	0	-14,157	4,987	2,226	1,887
Others	0	0	0	36	0	36	0	0
Intangible assets	**19,156**	**0**	**1,545**	**36**	**-14,157**	**6,580**	**2,227**	**1,893**

Software inflows in the amount of kEUR 1,634 refer to various software solutions that were acquired in the expired business year – in particular by Hypo Tirol Bank AG.

Development of accumulated depreciation

in k €	Accumulated depreciation 01-01	Currency translation	Inflows in business year	Transfers consolid.	Outflows in business year	Accumulated depreciation 12-31
2019						
Client base	-1,556	0	0	0	0	**-1,556**
Software	-2,761	0	-1,364	0	0	**-4,125**
Others	-36	0	0	0	0	**-36**
Intangible assets	**-4,353**	**0**	**-1,364**	**0**	**0**	**-5,717**
2018						
Client base	-1,551	0	-5	0	0	**-1,556**
Software	-15,712	0	-1,168	0	14,119	**-2,761**
Others	0	0	0	-36	0	**-36**
Intangible assets	**-17,263**	**0**	**-1,173**	**-36**	**14,119**	**-4,353**

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 €	Acquisition value 01-01	Currency translation	Inflows in business year	Transfers consolid.	Outflows in business year	Acquisition value 12-31	Accounting value 12-31	Accounting value 01-01
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**
2018								
Undeveloped real estate	483	0	0	0	0	483	483	483
Developed real estate owner-occupied – land value	10,540	0	337	-2,357	-78	8,442	8,443	9,864
Developed real estate owner-occupied - building value	74,703	0	2,812	-7,809	-324	69,382	36,641	40,151
Factory and office equipment	38,389	0	2,748	0	-6,300	34,837	7,480	6,227
Facilities under construction	0	0	12	0	0	12	12	0
Tangible assets	**124,115**	**0**	**5,909**	**-10,166**	**-6,702**	**113,156**	**53,059**	**56,725**

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 1,213 on 31 December 2019. 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 €	Accumulated depreciation 01-01	Currency translation	Inflows in business year	Transfers consolid.	Outflows in business year	Accumulated depreciation 12-31
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**
2018						
Developed real estate owner-occupied - land value	-676	0	0	677	0	**1**
Developed real estate owner-occupied - building value	-34,552	0	-1,611	3,310	112	**-32,741**
Factory and office equipment	-32,162	0	-1,218	0	6,023	**-27,357**
Facilities under construction	0	0	0	0	0	**0**
Tangible assets	**-67,390**	**0**	**-2,829**	**3,987**	**6,135**	**-60,097**

(26) Other assets

in k €	2019	2018
Tax receivables	589	829
Accruals and deferrals	197	117
Other	13,815	17,201
Other assets	**14,601**	**18,147**

Tax receivables basically comprised current consumer taxes and activated corporate tax pre-payments of Hypo Tirol Bank AG in the amount of kEUR 297. for fiscal years that have not yet been assessed

In 2019, other assets included kEUR 6,592 (2018: kEUR 6,950) from offset accounts.

(27) Non-current assets held for sale

In 2019, assets and disposal groups held for sale accounted for a total of kEUR 10,265 (2018: kEUR 9,396).

Nun-current assets:

Non-current assets amounting to kEUR 10,265 comprised properties which will be sold in the 2020 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 2019). 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 €	2019	2018
Evaluation of receivables and liabilities clients covered by security at fair value and evaluation of risk provision	5,337	6,195
Evaluation of derivatives at fair value	29,636	26,064
Evaluation of financial assets	5,134	5,445
Application of evaluation method at first consolidation and application of different depreciation approaches for investment properties and tangible assets	864	1,093
Deferred tax assets concerning losses brought forward	6,258	7,703
Deferred tax assets	**47,229**	**46,500**
Evaluation of receivables and liabilities covered by securities clients at fair value and evaluation of risk provision	9,057	9,800
Evaluation of derivatives at fair value	20,866	18,103
Evaluation of financial assets	885	413
Application of evaluation method at first consolidation and application of different depreciation approaches for investment properties and tangible assets	150	75
Evaluation of liabilities evidenced by certificate and financial liabilities - designated at fair value	7,049	10,685
Evaluation of provisions	2,709	2,443
Deferred tax liabilities	**40,716**	**41,519**
Deferred tax assets and liabilities per balance	**6,513**	**4,981**

Subsequent to balancing, the results were entered into the balance sheet as follows:

in k €	2019	2018
Deferred tax liabilities	47,229	46,500
Balancing	-38,976	-38,758
Deferred tax assets per balance	**8,253**	**7,742**

in k €	2019	2018
Deferred tax liabilities	40,716	41,519
Balancing	-38,976	-38,758
Deferred tax liabilities per balance	**1,740**	**2,761**

in k €	2019	2018
Deferred tax assets	8,253	7,742
Deferred tax liabilities	1,740	2,761
Deferred tax assets and liabilities per balance	**6,513**	**4,981**

Deferred tax assets in the amount of kEUR 52,547 (2018: kEUR 50,072) 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 €	2019	2018
Austria	**532,622**	**843,585**
Foreign countries	**17,189**	**74,420**
Germany	14,388	70,928
Italy	0	0
Other foreign countries (incl. CEE)	2,801	3,492
Liabilities to credit institutions	**549,811**	**918,005**

The decline in comparison to the previous year was based on the issue of liabilities evidenced by certificate, which reduced liabilities to credit institutions.

Liabilities to credit institutions by maturity

in k €	2019	2018
Maturity: daily	98,411	83,000
Up to 3 months	2,699	150,699
3 months to 1 year	334,979	10,589
1 year to 5 years	111,860	673,717
More than 5 years	1,862	0
Liabilities to credit institutions	**549,811**	**918,005**

(30) Liabilities to clients

Liabilities to clients by evaluation category

in k €	2019	2018
at cost	3,539,582	3,313,626
at fair value - income affecting	54,106	50,106
Liabilities to clients	**3,593,688**	**3,363,732**

Liabilities to clients by business type

in k €	2019	2018
Current account	2,287,164	2,086,319
Time deposits	261,639	252,826
Other deposits	102,301	103,380
Savings deposits	812,878	744,864
Fixed-term savings pass books	129,706	176,343
Liabilities to clients	**3,593,688**	**3,363,732**

Liabilities to clients by region

in k €	2019	2018
Austria	**3,362,467**	**3,177,751**
Foreign countries	**231,221**	**185,981**
Germany	119,418	90,559
Italy	37,430	44,698
Other foreign countries (incl. CEE)	74,373	50,724
Liabilities to clients	**3,593,688**	**3,363,732**

Liabilities to clients by maturity

in k €	2019	2018
Maturity: daily	2,594,108	2,266,599
Up to 3 months	370,588	435,210
3 months to 1 year	391,004	439,372
1 year to 5 years	154,343	75,873
More than 5 years	83,645	146,678
Liabilities to clients	**3,593,688**	**3,363,732**

Liabilities to clients by branches

in k €	2019	2018
Public sector	686,703	661,087
Corporate clients	1,419,273	1,349,740
Private households	1,487,712	1,352,905
Liabilities to clients	**3,593,688**	**3,363,732**

(31) Liabilities evidenced by certificate

Liabilities evidenced by certificate by evaluation category

in k €	2019	2018
Evaluated at cost	2,008,498	1,744,689
Evaluated at fair value - income affecting	514,524	553,274
Liabilities evidenced by certificate	**2,523,022**	**2,297,963**

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.

The repayable amount of liabilities at fair value – income affecting amounted to amounted to kEUR 499,924 (2018: kEUR 538,867), Thus, the difference between booking value and repayable amount accounts for kEUR 14,600 (2018: kEUR 14,407).

Liabilities evidenced by certificate by business type

in k €	2019	2018
Debentures	1,617,694	1,062,165
Communal debentures	68,466	367,559
Bonds	575,412	595,576
Housing bonds	175,171	179,423
Subordinate capital	85,434	92,236
Supplementary capital	845	1,004
Liabilities evidenced by certificate	**2,523,022**	**2,297,963**

Development of liabilities evidenced by certificate

in k €	2019	2018
As at 01-01	2,297,963	2,184,414
New assumption	720,911	319,174
Redemption	-504,951	-213,215
Changes accrued interest	-435	-187
Changes according to evaluation regulations	9,534	7,777
Liabilities evidenced by certificate	**2,523,022**	**2,297,963**

Liabilities evidenced by certificate by maturity

in k €	2019	2018
Maturity: daily	286	313
Up to 3 months	71,561	161,685
3 months to 1 year	71,620	373,256
1 year to 5 years	1,348,392	1,059,502
More than 5 years	1,031,163	703,207
Liabilities evidenced by certificate	**2,523,022**	**2,297,963**

(32) Derivatives

in k €	2019	2018
Negative market values from derivative financial instruments	25,671	32,133
Negative market values from derivative hedging instruments	70,932	47,490
Derivatives	**96,603**	**79,623**

Derivatives by maturity

in k €	2019	2018
Up to 3 months	2,177	3,356
3 months to 1 year	4,058	3,584
1 year to 5 years	26,964	34,194
More than 5 years	63,404	38,489
Derivatives	**96,603**	**79,623**

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

(33) Provisions

in k €	2019	2018
Provision for severance payments	13,136	12,537
Pension provision	5,172	5,200
Length of service provision	2,531	2,130
Other credit risk provision	14,488	4,231
Credit risk provision in compliance with IFRS 9	1,307	1,291
Other provisions	5,886	8,471
Provisions	**42,520**	**33,860**

Credit risk provision includes provisions such as provisions for negative interest in the amount of kEUR 12,872 (previous year: kEUR 2,694) 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 €	Severance provision	Pension provision	Length-of-service provision
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 profit/loss	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**
2018			
As at 01-01	13,768	5,090	2,014
Service costs	488	0	118
Interest expenses	243	87	36
Transfers	0	0	0
Payments	-957	-409	-82
Actuarial profit/loss	-1,005	432	44
Actuarial profits and losses from changed demographic assumptions	-147	507	99
Actuarial profits and losses from changed financial assumptions	-858	-75	-54
As at 12-31	**12,537**	**5,200**	**2,130**

Development of changed demographic and financial assumptions included in actuarial profits and losses:

in k €	2019	2018	2017	2016	2015	2014
Severance provision	**13,136**	**12,537**	**13,768**	**13,796**	**12,776**	**13,625**
Actuarial profits/losses	1,119	-1,005	-97	1,078	-70	1,902
Actuarial profits and losses from changed demographic assumptions	*0*	*-147*	*0*	*0*	*0*	*0*
Actuarial profits and losses from changed financial assumptions	*1,119*	*-858*	*-97*	*1,078*	*-70*	*1,902*
Pension provision	**5,172**	**5,200**	**5,090**	**5,619**	**6,185**	**6,913**
Actuarial profits/losses	329	432	-90	-78	-141	1,315
Actuarial profits and losses from changed demographic assumptions	*0*	*507*	*0*	*0*	*0*	*0*
Actuarial profits and losses from changed financial assumptions	*329*	*-75*	*-90*	*-78*	*-141*	*1,315*
Length-of-service provision	**2,531**	**2,130**	**2,014**	**2,086**	**2,028**	**2,019**
Actuarial profits/losses	305	44	-107	32	-162	306
Actuarial profits and losses from changed demographic assumptions	*0*	*99*	*0*	*0*	*0*	*0*
Actuarial profits and losses from changed financial assumptions	*305*	*-55*	*-107*	*32*	*-162*	*306*

Sensitivity analysis of severance provision

Sensitivity discount rate

2019	ACTUAL	+1 %	-1 %
Discount rate	1.00 %	2.00 %	0.00 %
Severance provision in k €	13,136	11,764	14,749
2018	**ACTUAL**	**+1 %**	**-1 %**
Discount rate	1.95 %	2.95 %	0.95 %
Severance provision in k €	12,537	11,286	14,009

Sensitivity salary valorisation

2019	ACTUAL	+1 %	-1 %
Salary valorisation	2.50 %	3.50 %	1.50 %
Severance provision in k €	13,136	14,707	11,771
2018	**ACTUAL**	**+1 %**	**-1 %**
Salary valorisation	2.50 %	3.50 %	1.50 %
Severance provision in k €	12,537	13,985	11,281

Sensitivity analysis of pension provision

Sensitivity discount rate

2019	ACTUAL	+1 %	-1 %
Discount rate	1.00 %	2.00 %	0.00 %
Pension provision in k €	5,172	4,771	5,643
2018	**ACTUAL**	**+1 %**	**-1 %**
Discount rate	1.95 %	2.95 %	0.95 %
Pension provision in k €	5,200	4,789	5,686

Sensitivity pension valorisation

2019	ACTUAL	+1 %	-1 %
Pension valorisation	1.50 %	2.50 %	0.50 %
Pension provision in k €	5,172	5,636	4,769
2018	**ACTUAL**	**+1 %**	**-1 %**
Pension valorisation	1.50 %	2.50 %	0.50 %
Pension provision in k €	5,200	5,683	4,784

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 €	2019	2018
Other personnel provisions	1,325	3,071
Provisions for legal costs	541	1,239
Remaining other provisions	4,020	4,161
Other provisions	**5,886**	**8,471**

Development of provisions

in k €	As at 01-01	Currency translation	Inflows	Deployment	Outflows	Other changes	As at 31-12
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**
2018							
Severance provision	13,768	0	731	-957	0	-1,005	12,537
Pension provision	5,090	0	87	-409	0	432	5,200
Length-of-service provision	2,014	0	154	-82	0	44	2,130
Other credit risk provisions	3,718	0	1,776	-284	0	-979	4,231
Credit risk provision in compliance with IFRS 9	621	0	670	0	0	0	1,291
Other provisions	8,855	0	745	-1,418	-742	1,031	8,471
Provisions	**34,066**	**0**	**4,163**	**-3,150**	**-742**	**-477**	**33,860**

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 €	Up to 1 year	More than 1 year
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**
2018		
Severance provision	0	12,537
Pension provision	0	5,200
Length-of-service provision	0	2,130
Other credit risk provisions	1,130	3,101
Credit risk provision in compliance with IFRS 9	0	1,291
Other provisions	7,388	1,083
Provisions	**8,518**	**25,342**

(34) Other liabilities

in k €	2019	2018
Associated non-consolidated companies	10	2
Deliveries and services	64,653	60,294
Other liabilities	1,252	1,252
Accruals and deferrals	709	591
Other liabilities	**66,624**	**62,139**

The amount of kEUR 763 included in “other liabilities” refers to liabilities against employees of Hypo Tirol Bank AG.

(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 €	2019	2018
Subscribed capital	50,000	50,000
Capital reserves	311,233	311,233
Tied up capital reserved thereof	150,033	150,033
Capital reserves not tied-up	161,200	161,200
FVOCI-reserves from fair value changes after tax	18,167	25,176
Actuarial proits/losses after tax	-5,064	-3,978
Credit risk induced fair value change own liabilities	11,219	14,215
Revenue reserves, corporate group profit/loss	182,973	167,402
Equity	**568,528**	**564,048**
This amount includes:		
Owner of the parent company	564,074	560,505
Participating interest without substantial influence	4,454	3,543

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 re-serves

Additional IFRS Information

(37) Fair value

Fair Value of selected balance sheet items

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

ASSETS in k €	Accounting value 2019-12-31	Fair Value 2019-12-31	Accounting value 2018-12-31	Fair Value 2018-12-31
Cash reserves	153,538	153,538	128,552	128,552
Receivables from credit institutions after risk provision	101,652	97,774	95,375	92,437
Receivables from clients after risk provision				
at fair value	95,379	95,379	122,167	122,167
at cost	5,629,361	5,727,090	5,519,876	5,549,890
Trading assets and derivatives	67,832	67,832	56,944	56,944
Other financial assets after risk provision				
at fair value	589,599	589,599	667,032	667,032
at cost	635,631	642,583	556,645	560,450
Investment properties	79,840	102,419	82,409	102,832

LIABILITIES in k €	Accounting value 2019-12-31	Fair Value 2019-12-31	Accounting value 2018-12-31	Fair Value 2018-12-31
Liabilities to credit institutions				
at cost	549,811	538,286	918,005	898,573
Liabilities to clients				
at fair value	54,106	54,106	50,106	50,106
at cost	3,539,582	3,581,588	3,313,626	3,337,528
Liabilities evidenced by certificate				
at fair value	514,524	514,524	553,274	553,274
at cost	2,008,498	2,036,488	1,744,689	1,751,560
Derivatives	96,603	96,603	79,623	79,623

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 note (6). 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 categories pursuant to IRFS fair value hierarchy.

2019

in k €	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
ASSETS 2019 **Financial assets designated at fair value**				
Receivables from clients - designated at fair value	0	0	95,379	95,379
Trading assets and derivatives	7	67,825	0	67,832
Other financial assets	557,365	5,047	27,187	589,599
Total financial assets designated at fair value	**557,372**	**72,872**	**122,566**	**752,810**
LIABILITIES 2019 **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**

2018

in k €	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
ASSETS 2018 **Financial assets designated at fair value**				
Receivables from clients - designated at fair value	0	0	122,167	122,167
Trading assets and derivatives	0	56,944	0	56,944
Other financial assets	635,630	5,051	26,351	667,032
Total financial assets designated at fair value	**635,630**	**61,995**	**148,518**	**846,143**
LIABILITIES 2018 **Financial liabilities designated at fair value**				
Liabilities to clients - designated at fair value	0	50,106	0	50,106
Derivatives	0	79,623	0	79,623
Financial liabilities - designated at fair value	0	553,274	0	553,274
Total financial liabilities designated at fair value	**0**	**683,003**	**0**	**683,003**

Transfer of financial instruments to level 3

2019	Receivables from clients - designated at fair value	Other financial assets	Total
in k €			
Opening balance	**122,167**	**26,351**	**148,518**
Total profits/losses	-1,257	1,056	-201
– recorded in the profit and loss account	-1,257	1,056	-201
– 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**	**27,187**	**122,566**

2018	Receivables from clients - designated at fair value	Financial assets – AFS	Total
in k €			
Opening balance	**148,264**	**41,278**	**189,542**
Total profits/losses	-377	-1,879	-2,256
– recorded in the profit and loss account	-377	-1,879	-2,256
– recorded in other income	0	0	0
Purchases	12,801	0	12,801
Sales	-38,521	-13,048	-51,569
Issues	0	0	0
Compensations	0	0	0
Reclassification to level 3	0	0	0
Reclassification from level 3	0	0	0
Closing balance	**122,167**	**26,351**	**148,518**

At the balance sheet date, the column "profits/losses" included unrealised results in the amount of kEUR -2,057. The result is composed of unrealised profits in the amount of kEUR 1,939 and unrealised losses in the amount of kEUR -3,996.

Sensitivity analysis of non-observable parameters

In the event that the value of a financial asset 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.

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 possibility defaults regarding rating adjustment by one rating level.

in k €	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
Receivables from clients designated at fair value	25	-9
Total	**25**	**-9**

Credit risk induced changes of fair value

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 risk induced fair value change of financial assets for the period amounted to kEUR 171 (2018: kEUR 469). The amount is illustrated in "income from financial assets and liabilities. The accumulated credit risk induced change accounted for kEUR 602 (2018: kEUR 773).).

Credit risk induced change is determined by using the differential calculation procedure. In this context, fair value change caused by market risk is deducted from the total fair value change on the basis of model calculations.

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.

2019

in k €	Buchwert	Fair value: Prices quoted in active markets (level 1)	Fair value: Evaluation method based on market data (level 2)	Fair value: Evaluation method not based on market data (level 3)	Total
ASSETS 2019 **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 2019 **Financial assets not designated at fair value**					
Liabilities to credit institutions	549,811	0	538,286	0	538,286
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

2018

in k €	Buchwert	Fair value: Prices quoted in active markets (level 1)	Fair value: Evaluation method based on market data (level 2)	Fair value: Evaluation method not based on market data (level 3)	Total
ASSETS 2018 **Financial assets not designated at fair value**					
Cash reserves	128,552	128,552	0	0	128,552
Receivables from credit institutions after risk provision	95,375	0	0	92,437	92,437
Receivables from clients after risk provision	5,519,876	0	0	5,549,890	5,549,890
Other financial assets after risk provision	556,665	531,818	28,632	0	560,450
LIABILITIES 2018 **Financial assets not designated at fair value**					
Liabilities to credit institutions	918,005	0	898,573	0	898,573
Liabilities to clients	3,313,626	0	3,239,593	97,935	3,337,528
Liabilities evidenced by certificate	1,744,689	1,058,334	693,226	0	1,751,560

(38) Maximum default risk

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

2019

in k €	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
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
Trading assets	**0**	**67,832**	**67,832**	**0**	**67,832**
– Derivatives	0	67,832	67,832	0	67,832
Other financial assets	**0**	**1,171,010**	**1,171,010**	**54,220**	**1,225,230**
– at cost	0	635,631	635,631	0	635,631
– at fair value - income affecting	0	3,224	3,224	54,220	57,444
– at fair value - not income affecting	0	532,155	532,155	0	532,155

2018

in k €	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
Receivables from credit institutions	**95,375**	**0**	**95,375**	**0**	**95,375**
Receivables from clients	**5,642,043**	**0**	**5,642,043**	**0**	**5,642,043**
– at cost	5,519,876	0	5,519,876	0	5,519,876
– at fair value - income affecting	122,167	0	122,167	0	122,167
Trading assets	**0**	**56,944**	**56,944**	**0**	**56,944**
– Derivatives	0	56,944	56,944	0	56,945
Other financial assets	**0**	**1,174,401**	**1,174,401**	**49,276**	**1,223,677**
– at cost	0	556,645	556,645	0	556,645
– at fair value - income affecting	0	45,893	45,893	49,276	95,169
– at fair value - not income affecting	0	571,863	571,863	0	571,863

At the balance sheet date, the maximum default risk from loan commitments and financial guarantees amounted to kEUR 995,403 (2018: kEUR 1,040,614).

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 extent:

in k €	2019	2018
Receivables from clients	**3,345,792**	**3,432,413**
– at cost	3,345,792	3,432,413
Derivatives	**58,300**	**14,300**

(39) 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 15,142 (2018: kEUR 17,155),), the remaining liabilities after balancing amounted to kEUR 47,640 (2018: kEUR 42,643).

Balancing derivative financial instruments - assets/liabilities

2019	Financial assets (gross)	Added balanced amounts (gross)	Balanced financial assets (net)	Effects from netting agreements	Collateral in form of financial instruments	Net amount
in k €				**not balanced**		
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**
2018						
Assets						
Derivative financial instruments	44,065	0	44,065	-26,910	-14,770	**2,385**
Liabilities						
Derivative financial instruments	69,553	0	69,553	-26,910	-39,041	**3,602**

(40) 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 AG acts as a service provider on behalf of the Province of the Tyrol and manages the residential construction support loans. In addition, the company provides financial services 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 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 587 (2018: kEUR 611) 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 1,159 (2018: kEUR 865). Severance payments for active managing board members amounted to 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 380 (2018: kEUR 479).
The remunerations for Supervisory Board members in the 2019 fiscal year amounted to kEUR 92 (2018: kEUR 90).
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 €	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
As at 01-01	1,337	1,388	7,944	30,078	165,033	205,927
Credits granted during the year	0	0	0	279	47,000	0
Redemptions regarding receivables from credit transactions	0	-51	-1,073	-1,606	-33,056	-40,894
Change regarding the scope of consolidation	0	0	0	-21,107	0	0
Balance: redemptions, interest charges and exchange rate fluctuations of current credits	4	0	0	300	452	0
As at 12-31	**1,341**	**1,337**	**6,871**	**7,944**	**179,429**	**165,033**
Other credit risk transactions						
Assumptions of liability	0	0	0	0	0	0

For outstanding balances with associated individuals as at 31 December 2019, collateral in the amount of kEUR 179,315 (2018: kEUR 160,896) was available. Advances were not granted.

Financial assets – designated at Fair Value

	Related Parties	
in k €	**2019**	**2018**
As at 01-01	0	1,239
Redemptions	0	-1,239
As at 12-31	**0**	**0**

Liabilities to clients

in k €	Associated companies 2019	Associated companies 2018	Participating interest 2019	Participating interest 2018	Related Parties 2019	Related Parties 2018
As at 01-01	855	770	1,022	3,616	336,416	265,068
New credits	0	0	0	0	82	10
Redemptions	-492	-34	-475	-323	-16,009	-9,726
Disposal - scope of consolidation	0	0	0	-2,633	0	0
Balance: redemptions, interest charges and exchange rate fluctuations of current liabilities	0	119	400	362	70,460	81,064
As at 12-31	**363**	**855**	**947**	**1,022**	**390,949**	**336,416**

On 31 December 2019, allowances in compliance with IFRS 9 for receivables from associated companies and individuals were amounted to kEUR 0 (2018: kEUR 22). Furthermore, in the fiscal year no expenses for doubtful or non-performing receivables from associated companies or individuals were recorded.

(41) Information regarding leasing agreements

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

in k €	2019	2018
Expenses for real estate leasing	614	NA
Expenses for assets with lower value	42	NA
Total	**656**	**NA**

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

in k €	Acct. value 2019-01-01	Inflow	Depreciation	Acct. value 2019-12-31
Properties and buildings	1,235	592	-614	1,213
Total	**1,235**	**592**	**-614**	**1,213**

The following chart illustrates the maturity of leasing liabilities:

in k €	2019	2018
Up to 1 year	628	NA
1 to 2 years	209	NA
2 to 3 years	195	NA
3 to 4 years	184	NA
Total	**1,216**	**NA**

(42) Assets received as collateral

in k €	2019	2018
Actuarial reserve funds for debentures and communal debt securities	3,086,715	2,894,506
Financial assets	107,187	258,350
Assets received as collateral	**3,193,902**	**3,152,856**

Assets received as collateral are actuarial reserve funds for debentures and communal debt securities and ward money. 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).

(43) Segmental report

In the 2019 fiscal year, internal reports to the managing board of the Hypo Tirol Bank AG corporate group were adapted to management requirements and decision-making obligations. Therefore, the segmental report was also adapted to the new structure.

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 in the Tyrol
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 10,265 (2018: 9,.396) 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

2019	**Private clients Tyrol**	**Corporate clients**	**Treasury**	**Real estate and part. interest**	**Corporate Centre**	**Total Segments**
in k €						
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	2,862	602	6,831	**10,961**
Income from associated companies	0	-22	0	0	0	**-22**
Administration 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**	**3,375**	**6,151**	**-4,245**	**27,907**
Segmental assets	1,595,756	3,988,675	1,527,748	107,024	227,722	**7,446,925**
Segmental debts and segmental equity	1,859,483	1,205,550	3,591,453	6,362	215,549	**6,878,397**
Equity						**568,528**
Risk adjusted assets	789,231	2,593,554	172,808	116,785	53,312	**3,725,692**

In order to guarantee a comparison of last year's financial statements, the data of 2018 are illustrated in accordance with the new and the former structure.

2018 new structure

in k €	Private clients Tyrol	Corporate clients	Treasury	Real estate and part. interest	Corporate Centre	Total Segments
Net interest income	22,561	48,672	6,674	11,909	911	**90,727**
Credit risk provision	738	-5,967	-12	0	0	**-5,241**
Net commission income	16,447	10,176	-235	105	148	**26,641**
Income from financial assets and liabilities incl. Income from hedge accounting	0	108	7,427	-1,818	-114	**5,603**
Income from associated companies	0	364	0	0	0	**364**
Administration expenses	-38,455	-28,245	-6,588	-1,545	3,327	**-71,506**
Other operative income	2,077	7,052	0	10,846	337	**20,312**
Other operative expenses	-184	-11,226	0	-6,919	-7,113	**-25,442**
Income before tax	**3,184**	**20,934**	**7,266**	**12,578**	**-2,504**	**41,458**
Segmental assets	1,530,437	4,070,651	1,483,089	109,105	133,865	**7,327,147**
Segmental debts and segmental equity	1,693,955	1,218,843	3,730,728	14,872	104,701	**6,763,099**
Equity						**564,048**
Risk adjusted assets	769,019	2,476,490	172,713	128,424	66,093	**3,612,739**

2018 former structure

in k €	Private clients Tyrol	Corporate key account Tyrol	Vienna	Italy	Treasury	Leasing and real estate	Corporate Centre	Total Segments
Net interest income	22,561	29,788	7,692	5,939	6,674	17,162	911	**90,727**
Credit risk provision	738	-901	-22	-5,109	-12	65	0	**-5,241**
Net commission income	16,447	7,985	2,037	838	-235	-579	148	**26,641**
Income from financial assets and liabilities incl. Income from hedge accounting	0	0	0	169	7,427	-1,879	-114	**5,603**
Income from associated companies	0	0	0	0	0	364	0	**364**
Administration expenses	-38,455	-14,747	-4,120	-7,091	-6,588	-3,832	3,327	**-71,506**
Other operative income	2,077	0	0	2,734	0	15,164	337	**20,312**
Other operative expenses	-184	-51	0	-5,710	0	-12,384	-7,113	**-25,442**
Income before tax	**3,184**	**22,074**	**5,587**	**-8,230**	**7,266**	**14,081**	**-2,504**	**41,458**
Segmental assets	1,530,437	2,760,410	471,735	438,545	1,483,089	509,066	133,865	**7,327,147**
Segmental debts and segmental equity	1,693,955	952,475	146,347	24,320	3,730,728	110,573	104,701	**6,763,099**
Equity								**564,048**
Risk adjusted assets	769,019	1,672,536	262,195	374,464	172,713	295,719	66,093	**3,612,739**

Report by region

The regional report represents voluntarily provided additional information; it does not refer to operating segments in accordance with IFRS 8.

2019

in k €	Austria	Italy	Corporate Centre	Total Segments
Net interest income	78,595	4,487	438	**83,520**
Credit risk provision	-9,492	-6,710	0	**-16,202**
Net commission income	25,939	389	-32	**26,296**
Income from financial assets and liabilities incl. Income from hedge accounting	4,026	104	6,831	**10,961**
Income from associated companies	-22	0	0	**-22**
Administrative expenses	-60,016	-5,177	-5,949	**-71,142**
Other operative income	12,183	1,877	1,496	**15,556**
Other operative expenses	-11,249	-2,782	-7,029	**-21,060**
Income before tax	**39,964**	**-7,812**	**-4,245**	**27,907**

2018

in k €	Austria	Italy	Corporate Centre	Total Segments
Net interest income	83,877	5,939	911	**90,727**
Credit risk provision	-132	-5,109	0	**-5,241**
Net commission income	25,655	838	148	**26,641**
Income from financial assets and liabilities incl. Income from hedge accounting	5,548	169	-114	**5,603**
Income from associated companies	364	0	0	**364**
Administrative expenses	-67,742	-7,091	3,327	**-71,506**
Other operative income	17,241	2,734	337	**20,312**
Other operative expenses	-12,619	-5,710	-7,113	**-25,442**
Income before tax	**52,192**	**-8,230**	**-2,504**	**41,458**

(44) Foreign currency volume and foreign countries involved

in k €	EUR	USD	CHF	JPY	Other	Total
Assets 2019						
Cash reserve	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
Trading assets and derivatives	67,562	3	26	241	0	67,832
Other financial assets	1,224,375	514	187	0	176	1,225,252
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
Other financial 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	**7,141,299**	**17,803**	**254,352**	**27,574**	**5,897**	**7,446,925**
Liabilities and equity 2019						
Liabilities to credit institutions	545,877	2,095	172	815	852	549,811
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	568,528	0	0	0	0	568,528
Total liabilities and equity	**7,410,137**	**17,479**	**13,011**	**823**	**5,475**	**7,446,925**

in k €	EUR	USD	CHF	JPY	Other	Total
Assets 2018						
Cash reserve	118,845	355	9,006	16	330	128,552
Receivables from credit institutions	55,090	14,131	17,142	3,948	5,091	95,402
Risk provision for receivables from credit institutions	-27	0	0	0	0	-27
Receivables from clients	5,437,446	338	273,098	23,633	0	5,734,515
Risk provision for receivables from clients	-91,775	-1	-680	-16	0	-92,472
Trading assets and derivatives	56,939	0	5	0	0	56,944
Other financial assets	1,222,929	473	156	0	139	1,223,697
Risk provision for other financial assets	-20	0	0	0	0	-20
Shares in associated companies	7,576	0	0	0	0	7,576
Investment properties	82,409	0	0	0	0	82,409
Intangible assets	2,227	0	0	0	0	2,227
Tangible assets	53,059	0	0	0	0	53,059
Other financial assets	18,147	0	0	0	0	18,147
Non-current assets held for sale	9,396	0	0	0	0	9,396
Deferred tax assets	7,742	0	0	0	0	7,742
Total assets	**6,979,983**	**15,296**	**298,727**	**27,581**	**5,560**	**7,327,147**
Liabilities and equity 2018						
Liabilities to credit institutions	914,211	2,257	445	155	937	918,005
Liabilities to clients	3,342,730	11,733	4,932	13	4,324	3,363,732
Liabilities evidenced by certificate	2,297,963	0	0	0	0	2,297,963
Derivatives	71,586	162	7,373	502	0	79,623
Provisions	33,860	0	0	0	0	33,860
Other liabilities	62,139	0	0	0	0	62,139
Current income tax liabilities	5,016	0	0	0	0	5,016
Deferred tax liabilities	2,761	0	0	0	0	2,761
Equity	564,048	0	0	0	0	564,048
Total liabilities and equity	**7,294,314**	**14,152**	**12,750**	**670**	**5,261**	**7,327,147**

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 978 (2018: kEUR 469). In the profit or loss for the period kEUR 978 (2018: kEUR 469) were recorded and kEUR 0 (2018: kEUR 0) in other income. The accumulative balance in equity capital accounted for kEUR 0 (2018: kEUR 0).

On 31 December 2019, the total of open foreign currency positions amounted to kEUR 793 (2018: kEUR 448).

in k €	2019	2018
Foreign assets	1,449,235	1,449,511
Foreign liabilities	260,577	280,385

(45) Subordinate assets

On 31 December 2019, Hypo Tirol Bank did not invest in subordinate assets. This also applies to the balance sheet date.

(46) Trust transactions

Trust assets

in k €	2019	2018
Receivables from credit institutions	0	0
Receivables from clients	61,193	40,875
Trust assets	**61,193**	**40,875**

Trust liabilities

in k €	2019	2018
Liabilities to credit institutions	61,193	40,875
Liabilities to clients	0	0
Trust liabilities	**61,193**	**40,875**

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.

(47) Contingent liabilities and credit risks

Contingent liabilities

in k €	2019	2018
Liabilities from debt guarantees	97,697	74,091
Other contingent liabilities	50,263	46,466
Contingent liabilities	**147,960**	**120,557**

Contingent liabilities by maturity

in k €	2019	2018
Up to 3 months	1,182	4,215
3 months to 1 year	12,749	8,310
1 year to 5 years	28,130	25,758
More than 5 years	105,899	82,274
Contingent liabilities	**147,960**	**120,557**

Credit risks pursuant to Banking Act article 51 section 14

in k €	2019	2018
Other credit risks	995,403	1,040,614
Credit risks	**995,403**	**1,040,614**

Credit risk by maturity

in k €	2019	2018
3 months to 1 year	522,252	673,477
1 year to 5 years	473,151	367,137
Credit risks	**995,403**	**1,040,614**

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 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 2019 fiscal year is concerned, the contribution paid to Einlagensicherung Austria GmbH by Hypo Tirol Bank amounted to EUR 1,314,641 (previous year KEUR 1,768), 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.

(48) Repos

The accounting value of retired securities designated in the balance sheet item “other financial assets” amounted to kEUR 0 (2018: kEUR 50,562). The inflow of liquidity from such repos is shown in “liabilities to credit institutions” and amounted to kEUR 0 (2018: kEUR 50,000).

(49) Personnel

Full-time equivalent

in k €	2019	2018
Full-time employees	410	403
Part-time employees	95	101
Apprentices	11	12
Employees	**516**	**516**

(50) Events that occurred after the balance sheet date

Hypo Tirol Bank expects that the Corona virus outbreak (Covid 19) and the corresponding measures will have negative impact on the global economy. It is estimated that financial and goods markets will be regressive and
volatile and thus have negative effects on the economy. With regard to the markets of Hypo Tirol Bank, which are primarily located in the Republic of Austria, measures have been taken in accordance with the Sars/Cov regulation published by the Austrian government on 15 March 2020. When these financial statements were signed, it was not possible to predict the consequences of these measures. An addition, Hypo Tirol Bank has established business continuity management processes which shall guarantee operations in case of crisis.

(51) Consolidated equity and supervisory requirements in relation equityis

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 consolidation circle corresponds to the consolidation circle in compliance with IFRS.

Consolidated equity pursuant to CRR/CRD IV

in k €	2019 CRR/CRD IV	2018 CRR/CRD IV
Subscribed capital	50,000	50,000
Reserves, differences, minority interests	499,427	497,858
Supervisory adjustments items acc. to art. 32 et seqq (prudential filter)	-12,646	-15,755
Intangible assets	-2,520	-2,227
Common equity	534,261	529,876
Additional capital	0	0
Core capital (Tier I)	**534,261**	**529,876**
Deductions due to interests acc. to art. 36 and art. 89 CRR	0	0
Accountable core capital	**534,261**	**529,876**
Capital instruments paid and subordinate loans	84,289	73,847
Supplementary equity, subordinate capital (Tier II)	**84,289**	**73,847**
Deductions due to interests acc. to art. 66 CRR (own interests supplementary capital)	0	0
Accountable supplementary equity (less deductions)	**84,289**	**73,847**
Total accountable equity	**618,550**	**603,723**
Required equity	**298,055**	**289,019**
Equity surplus	**320,495**	**314,704**
Core capital rate in % acc. to CRR/CRD IV on the basis of total equity capital requirements	14.34%	14.67%
Equity rate in % acc. to CRR/CRD IV on the basis of total equity capital requirements	16.60%	16.71%

Required equity according to CRR/CRD IV

Categories of receivables	Risk adjusted assets	Required equity CRR/ CRD IV	Required equity CRR/CRD IV
in k €		**2019**	**2018**
Receivables from central states	15,475	1,238	1,206
Receivables from regional administrative bodies	359	29	100
Receivables from public institutions	1,204	96	1,171
High risk receivables	224,395	17,952	135
Receivables from institutions	56,157	4,493	4,490
Receivables from companies	1,249,522	99,962	104,190
Retail-receivables	349,905	27,992	29,263
Receivables secured by real estate	1,187,286	94,982	92,959
Overdue receivables	107,110	8,569	12,178
Receivables in terms of covered debt securities	42,740	3,419	3,144
Securitisation items	0	0	0
Receivables in terms of investment fund shares	17,776	1,422	1,086
Participating interest items	21,175	1,694	1,842
Other items	231,096	18,488	19,410
Risk adjusted assets	**3,504,200**	**280,336**	**271,174**
Required equity for operational risk		17,375	17,384
CVA-Charge		344	461
Total required equity		**298,055**	**289,019**

Financial risks and risk management

Risk management

The risk management that is implemented and regularly developed by Hypo Tirol Bank AG aims at corresponding to the requirements of ICAAP (Internal Capital Adequacy Assessment Process) as well as ILAAP (Internal Liquidity Adequacy Assessment Process).

In this respect, the conditions for efficient risk management are defined by the total risk strategy, whereas risk culture and risk appetite framework are defined by the Managing Board. Among others, this includes the risk management process, which comprises the following elements.

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

The objective of this systematic risk management process is to safeguard a capital- and liquidity adequacy which corresponds to the risk appetite.

In this context, the following major risks are quantified and actively controlled in order to guarantee such capital adequacy:

Risks
Credit risk incl. CCR
Market risk Interest rate risk, Price risk, Foreign currency risk, Alternative investments, Credit value adjustment, Credit spread risk
Liquidity risk
Macroeconomic risk from credit risk incl. risk reducing measures, from market risk, from liquidity risk
Operational risk
Risk from other assets
Risk capital from participating interest relevant to the group strategy
Concentration risk
Risk buffer Model risk & quality of data

Subsequently, these risks are aggregated (total risk) and compared with the risk capacity. The limits for single risks and risk capacity are determined by the Managing Board and monitored on a monthly basis. 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 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, 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 Tirol Bank 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) is considered within the quantification credit risk.

Credit risk (default risk) is controlled by credit risk management, which assesses the financial recovery and operation of the non-performing loans portfolio. The operating portfolio is manged by the department of law & compliance.

Division of the portfolio by credit rating

The regular evaluation of our debtors' creditworthiness is a systematic process and essential for controlling credit risk. The composition of the portfolio is evaluated on a quarterly basis and presented to the decision makers.

The proportion of the volume of receivables can be assigned to the above-mentioned creditworthiness segment with outstanding creditworthiness and good creditworthiness further increased in comparison to the previous years and currently amounts to 74.6% previous year: 71.3%).
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 2019 business year.

Division of the portfolio by market regions

In the 2018 business year, Hypo Tirol Bank succeeded in further expanding the volume of receivables in the defined core market and in reducing the volume outside the defined core market. This is particularly illustrated in note (19) receivables from clients by region.

Foreign currency proportion – receivables from clients

In 2019, The positive development of the previous years was achieved again, and thus foreign currency volume was further reduced. Due to the specifications defined in our foreign currency strategies, no new transactions in foreign currency with private clients and only to a very restricted extent with corporate clients is intended. Top priority is given to the further and consistent reduction of foreign currency volume. Foreign currency volumes divided by balance sheet items are illustrated in note (44).

Development of repayment vehicle loans

The strategy to continuously reduce the portfolio of repayment vehicle loans was further pursued in 2019. The reduction was positively influenced by defined restriction in relation to the granting of new loans and the management of the existing portfolio.

Development of the Nostro securities portfolio

In 2019, Nostro securities constantly remained on the same level. This high-quality portfolio is primarily employed by Hypo Tirol Back AG for controlling liquidity. The development of Nostro securities is illustrated in note (21).

Reducing credit risk – collateral

In order to minimise the risk of loss, Hypo Tirol Bank 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 Tyrol 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 Hypo Tirol Bank, non-performing loans include loans in default in the supervisory category of receivables and restructuring and operating cases.

Risk provision policy

Regulations regarding Hypo Tirol Bank's risk provision policy are documented in a separate set of rules. It describes the obligations and in particular the process to determine the required amount of single allowances. For further information please see note (3) and note (4). Furthermore, contractual adaptations, which are considered as forbearance measures (concessions regarding credit conditions in order to avoid impairment) are also part of the applied risk provision policy.

Market risk and interest rate risk

Definition
Hypo Tirol Bank 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
- Security price risk
- Foreign currency risk
- Credit spread risk
- Credit valuation adjustment (CVA)
- Alternative investment risk
- Risk arising out of termination rights

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 in connection with the bank's net interest income (NII) is evaluated beyond the cash value perspective

In order to reduce interest rate risk, Hypo Tirol Bank carries out hedge accounting, which allows to secure fixed interest loans, emissions and securities of the bank's own portfolio as well 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 plus 200 base points interest shock

Interest rate risk is divided in interest curve risk, interest rate re-fixing risk, base risk and interest option risk. Since Hypo Tirol Bank does not keep a trading book at the moment, interest risk does not distinguish between positions included in the trading book and positions not included in the trading book.

As far as fluctuation in profit or economical values as stipulated in section 448 b, CRR, are concerned, a change concerning the cash value of Hypo Tirol Bank is evaluated on the basis of a plus 200 base points upwards trend of the interest curve.

Liquidity risk

Definition
Liquidity risk is the risk 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

Within Hypo Tirol Bank short-term liquidity risk is quantified and monitored 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 data board. 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 2019, the LCR key figure accounted for averagely 179%.

Liquidity risk control is managed by the treasury department of Hypo Tirol Bank.

Macro-economic risk

Definition
Macro-economic 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 from 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 macro-economic risks, these parameters are stressed, and additional unexpected losses are calculated in the context of this scenario.

Operational risk

Definition
Hypo Tirol Bank defines operational risk as the danger of loss caused by the inappropriateness or failure of internal procedures, individuals, systems or external events. Apart from that, risks arising out of information and or communication technologies (ICT) are also considered in relation to operational risk. 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 programme

The use of these tools ensures a comprehensive control of operational risks within Hypo Tirol Bank. In addition, the following 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 quality assurance and improvement of employee’s skills in the context of vocational education and training (human resource development)
- Employment of modern technologies
- Risk insurance

Real estate and participation risk

Definition
Real estate risk, as defined by Hypo Tirol Tank, is the risk that prices of real estate may change and consequently lead to a negative result in the profit and loss account (risk of vacancies, loss of rent, and deterioration of profit/cost relation). The risk in relation to property participation is added to real estate risk (“at equity”). Participation risk within Hypo Tirol Bank is the risk of loss resulting from financing by mans of equity capital (private equity) and/or borrowed capital. In addition, Hypo Tirol Bank also includes the risk of loss resulting from market-evaluated participations (listed shares) and their price changes (in connection with market risk).

Excessive Debt Risk

Definition
Hypo Tirol Bank defines the debt quota as the quotient from the measured quantity of core capital and the overall risk position quantity.
The control of the key figure is safeguarded by the integration into the planning process and by the limitation of the same.

Risks from other assets

Definition
Risks from other assets are values that do not have substantial influence on the amount of the assets in the balance sheet and that cannot be assigned to any other balance sheet item. Any change or default imposes a risk for Hypo Tirol Bank. They include accruals and deferrals of derivatives pre-paid liability fees, deposits for leasing objects.

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, which documents on the risk management process. Hence, the strategy is reported 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. Risk controlling shall report to the general managing board.
The supervisory board, respectively its subcommittee (risk committee) is responsible for the regular monitoring of the corporate management and the continuous evaluation of the risk management system operated by Hypo Tirol Bank.

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 safeguard 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 for quantifying risks and risk cover potentials

Typo of 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
Market risk: **Interest rate risk** **Price risk** **Foreign currency risk** **Alternative risk**	Monte Carlo value at risk with reference to historical data	Monte Carlo value at risk with reference to historical data
Market risk: **Credit spread risk**	Historical value at risk by using indices	Historical value at risk by using indices
Market risk	Historical low	Historical low
Market risk: **CVA**	Risk value scaled to confidence level	Risk value scaled to confidence level
Liquidity risk	Increased refinancing under spread shock	Increased refinancing under spread shock
Macroeconomic risk	Stress tests on components of credit, market and liquidity risk	Stress tests on components of credit, market and liquidity risk
Operational risk	Liquidation view values are scaled to confidence level	Risk values from pillar I (base indicator approach)
Risk from other assets	Liquidation view values are scaled to confidence level	Risk values from pillar I (risk weight approach))
Risk capital from corporate participation	Mixed approaches: IRB approach, risk weight approach	Mixed approaches: IRB approach, risk weight approach
Concentration risk: **Concentration of names** **Concentration of sectors**	Granularity adjustment for concentration of names Liquidation view values are scaled to confidence level for branch concentrations	Granularity adjustment for concentration of names Risk value for branch concentration evaluated by means of the Herfindahl-Hirschmann-Index.
Risk buffer **Unknown risks and model risks**	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 bank-wide control meeting and by the defined reporting system.

Going-concern view

Economic capital	ø 2019	ø 2018
Credit risk	27.5 %	23.2 %
Market risk	20.6 %	12.8 %
Liquidity risk	0.7 %	3.4 %
Macro-economic risk	3.9 %	6.9 %
Operational risk	8.3 %	7.7 %
Risk from other assets	4.8 %	5.5 %
Real estate and corporate participation risk	1.2 %	1.6 %
Concentration risk	0.8 %	0.7 %
Risk buffer	2.3 %	2.0 %
Economic risk total	**70.1 %**	**63.8 %**
Risk cover potential	100.0 %	100.0 %
Available cover assets	**29.9 %**	**36.2 %**

Liquidation view

Economic capital	ø 2019	ø 2018
Credit risk	25.1 %	24.2 %
Market risk	6.8 %	5.3 %
Liquidity risk	0.4 %	1.4 %
Macro-economic risk	3.3 %	4.9 %
Operational risk	2.8 %	3.1 %
Risk from other assets	1.6 %	2.2 %
Real estate and corporate participation risk	1.7 %	2.0 %
Concentration risk	0.4 %	0.4 %
Risk buffer	1.8 %	1.3 %
Economic risk total	**43.9 %**	**44.8 %**
Risk cover potential	100.0 %	100.0 %
Available cover assets	**56.1 %**	**55.2 %**

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 an extended list of recipients

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 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, the reports are established by the risk controlling department and thus made available for decision-makers.

Information based on Austrian law

(52) 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).

(53) Dividends and retrospective amendments

Hypo Tirol Bank is entitled to pay dividends not exceeding the profit as reported in the (individual) financial statements according to the Austrian Banking Act or Austrian Commercial Code in the amount of von kEUR 10,134 (2018: kEUR 8,065) In the expired fiscal year dividends in the amount of kEUR 8,000 were paid.
The annual net income generated in the 2019 fiscal year accounted for kEUR 11,719 (2018: kEUR 16,605). After endowment of reserves amounting to kEUR 1,650 (2018: kEUR 8,700) and after addition of profit brought forward in the amount of kEUR 65 (2018: kEUR 160) the usable net profit amounted to kEUR 10,134 (2018: kEUR 8,065).
The managing board of Hypo Tirol Bank gave its consent to publish the consolidated financial statement on 18 March 2020.

(54) 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 31 December 2019:

	not quoted		quoted		Total	
in k €	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Debt securities and other fixed-interest securities	27,999	34,475	164,385	171,119	192,384	205,594
Shares and other non-fixed interest securities	19,086	17,685	5,662	4,511	24,748	22,196
Participating interest	5,365	6,120	0	0	5,365	6,120
Shares in associated companies	29,446	35,661	0	0	29,446	35,661
Financial assets	19,730	23,259	978,883	963,036	998,613	986,295
Total securities according to Banking Act	**101,626**	**117,200**	**1,148,930**	**1,138,666**	**1,250,556**	**1,255,866**

In compliance with Banking Act article 56, sec. 2, the difference of securities having properties of financial instruments amounted to kEUR 1,395 (2018: kEUR 1,338) and in compliance with Banking Act article 56 sec. 3 it amounted to kEUR 273 (2018: kEUR 306). The predicted amortization for 2020 accounted for kEUR 212,436 (2019: kEUR 391,859). Subordinate and supplementary capital amounted to kEUR 0 (2018: kEUR 1,416).

In the forthcoming year, liabilities evidenced by certificate with a nominal value in the amount of kEUR 179,012 (2019: kEUR 703,780) will mature and fall due.

(55) 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 AG 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 €	2019	2018
Net interest income	4,479	5,826
Operating income	5,989	8,610
Annual result before tax	-10,446	-5,056
Tax on income and profit	-465	-388
Public aid received	-	-
	2019	**2018**
Number of employees	21	27

(56) 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	
2nd Vice chairman	Mag. Franz MAIR	Münster	
Other members			
	Mag. Manuela GROSS	Graz	since 2019-04-25
	Dr. Ida HINTERMÜLLER	Innsbruck	
	MMag. Daniel MATHOI	Munich	
	Mag. Beate OPPERER-PFLEIDERER	Telfs	
	Ao. Univ.-Prof. Dr. Erich PUMMERER	Axams	
Delegated by the works council	Mag. Gabriele HILBER, Betriebsratsvorsitzende	Innsbruck	
	Stefan KNOFLACH	Hall in Tirol	
	Andreas PEINTNER	Ellbögen	
	Peter PICHLER	Innsbruck	

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

Representatives of the Supervisory Authority			
State Commissioner	MMag. Paul SCHIEDER	Vienna	until 2019-11-30
State Commissioner	Hofrat Mag. Siegfried MANHAL	Vienna	since 2019-12-01
Deputy State Commissioner	Amtsdirektor Josef DORFINGER	Vienna	until 2019-12-31
Deputy State Commissioner	Amtsdirektorin Regierungsrätin Christine STICH	Vienna	since 2020-01-01

Trustees			
Trustee according to Pfandbrief Act	Dr. Klaus-Dieter GOSCH	Innsbruck	
Deputy 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 % 2019	Voting rights in % 2019	Capital share in % 2018	Voting rights in % 2018	Date of financial statements	Change in comp. to 2018
HYPO TIROL LEASING GMBH, Innsbruck	Leasing Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.19	
Hypo-Rent Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.19	
Hypo-Rent Gebäudeleasing 1987 Gesellschaft m.b.H., Innsbruck	Leasing Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.19	
Hypo-Rent Immobilienverwaltungs-Gesellschaft m.b.H., Innsbruck	Leasing Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.19	
Hypo-Tirol Mobilienleasing II Gesellschaft m.b.H., Innbruck	Leasing Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.19	
Hypo-Rent Liegenschaftsanlage-Gesellschaft m.b.H., Innsbruck	Leasing Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.19	
Hypo-Rent II Grundverwertung GmbH, Innsbruck	Leasing Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.19	
Hypo-Tirol Mobilienleasing Gesellschaft m.b.H., Innbruck	Leasing Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.19	
Beteiligungs-und Finanzierungsgesellschaft m.b.H., Innsbruck	Associated Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.19	
Hypo Tirol Versicherungsmakler GmbH, Innsbruck	Insurance Broker	100.00 %	100.00 %	100.00 %	100.00 %	31.12.19	
HYPO TIROL INVEST GmbH, Innsbruck	Associated Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.19	
Hypo Tirol Leasing Wiener Betriebsansiedlungen GmbH, Innsbruck	Leasing Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.19	
Liegenschaftstreuhand GmbH, Innsbruck	Leasing Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.19	
L2 Errichtungs- und Vermietungsgesellschaft mbH, Innsbruck	Leasing Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.19	
Autopark Grundverwertungs GmbH, Innsbruck	Realities Management	100.00 %	100.00 %	100.00 %	100.00 %	31.12.19	
Alpen Immobilieninvest GmbH, Innsbruck	Real Estate Rental	100.00 %	100.00 %	100.00 %	100.00 %	31.12.19	
HTL Deutschland GmbH, Kulmbach	Leasing Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.19	
ERFOLG Liegenschaftsvermietungs GmbH, Innsbruck	Leasing Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.19	
VBC 3 Errichtungs GmbH, Wien	Leasing Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.19	
Dienstleistungszentrum Kramsach Betriebsgesellschaft mbH, Innsbruck	Leasing Company	0.00 %	0.00 %	100.00 %	100.00 %	31.12.19	Company sold
Tirol Immobilien und Beteiligungs GmbH (IBG), Bozen	Associated Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.19	
Hebbel Projektentwicklung Gesellschaft mbH, Innsbruck	Leassing Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.19	
Hypo-Rent Betriebsansiedlungsgesellschaft m.b.H., Innsbruck	Leassing Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.19	
Berger Truck Service Verwaltungs GmbH, Innsbruck	Leasing Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.19	
HTI Immobilienverwaltungs-GmbH, Innsbruck	Real Estate Rental	100.00 %	100.00 %	100.00 %	100.00 %	31.12.19	
Hypo Immobilien Betriebs GmbH, Innsbruck	Realities Management	100.00 %	100.00 %	100.00 %	100.00 %	31.12.19	
Landhausparkgaragen GmbH, Innsbruck	Real Estate Rental	100.00 %	100.00 %	100.00 %	100.00 %	31.12.19	
Landhausparkgaragen GmbH & Co.KG, Innsbruck	Real Estate Rental	100.00 %	100.00 %	100.00 %	100.00 %	31.12.19	
TKL VIII Grundverwertungsgesellschaft m.b.H., Innsbruck*	Leasing Company	51.02 %	51.02 %	51.02 %	51.02 %	31.12.19	
Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H., Innsbruck**	Leasing Company	51.00 %	51.00 %	51.00 %	51.00 %	31.12.19	

*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 Grundverwertungsgesellscahft 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".

In 2019, "Tiroler Kommunalgebäudeleasing Gesellschaft m.b.H." was renamed and is now called "Lorit Kommunalgebäudeleasing Gesellschaft m.b.H.. The "Tiroler Landesprojekte Grundverwertungs GmbH" company was liquidated.

Company name, location	Core business	Capital share in % 2019	Equity in k €	Date of financial statements
Lorit Kommunalgebäudeleasing Gesellschaft m.b.H., Innsbruck	Leasing Company	33.33 %	30	31.12.19
TKL II Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing Company	33.33 %	-46	31.12.19
TKL V Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing Company	33.33 %	441	31.12.19
TKL VI Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing Company	33.33 %	33	31.12.19
TKL VII Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing Company	33.33 %	94	31.12.19
Tiroler Landesprojekte Grundverwertungs GmbH, Innsbruck	Leasing Company	0.00 %	0	
Seilbahnleasing GmbH, Innsbruck	Leasing Company	33.33 %	153	31.12.19

Company name, location	Core business	Capital share in % 2018	Equity in k €	Date of financial statements
Tiroler Kommunalgebäudeleasing Gesellschaft m.b.H., Innsbruck	Leasing Company	33.33 %	35	31.12.18
TKL II Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing Company	33.33 %	-37	31.12.18
TKL V Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing Company	33.33 %	457	31.12.18
TKL VI Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing Company	33.33 %	129	31.12.18
TKL VII Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing Company	33.33 %	53	31.12.18
Tiroler Landesprojekte Grundverwertungs GmbH, Innsbruck	Leasing Company	33.33 %	33	31.12.18
Seilbahnleasing GmbH, Innsbruck	Leasing Company	33.33 %	-31	31.12.18

Data in accordance with IFRS 12.B10

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

2019

in k €	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
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

2018

in k €	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
Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H., Innsbruck	284	16,626	618	15,229	2,205	295	0	265	0	265	0
TKL VIII Grundverwertungsgesellschaft m.b.H., Innsbruck	214	56,324	44,751	11,632	2,766	175	0	183	0	183	0

Data in accordance with IFRS 12.B12

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

2019

in k €	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
Tiroler 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
Tiroler Landesprojekte Grundverwertungs GmbH, Innsbruck	0	0	0	0	0	0	0	0	0	0	0
Seilbahnleasing GmbH, Innsbruck	6	3,233	1,018	2,089	1,285	184	0	184	0	184	0

2018

in k €	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
Tiroler Kommunalgebäudeleasing Gesellschaft m.b.H., Innsbruck	0	3,627	244	3,348	164	14	0	14	0	0	0
TKL II Grundverwertungsgesellschaft m.b.H., Innsbruck	0	1,481	983	269	53	-3	0	-5	0	-5	0
TKL V Grundverwertungsgesellschaft m.b.H., Innsbruck	1,029	7,821	63	8,511	552	-58	0	-60	0	-60	0
TKL VI Grundverwertungsgesellschaft m.b.H., Innsbruck	52	15,487	9,277	6,133	584	-106	0	-108	0	-108	0
TKL VII Grundverwertungsgesellschaft m.b.H., Innsbruck	280	3,469	1,126	2,579	361	37	0	36	0	36	0
Tiroler Landesprojekte Grundverwertungs GmbH, Innsbruck	33	0	0	0	0	0	0	-6	0	-6	0
Seilbahnleasing GmbH, Innsbruck	258	4,298	944	3,643	1,315	303	0	285	0	285	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.

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

Company name, location	Capital share in % in 2019	Note
HTW Holding GmbH, Innsbruck	0.00 %	Company was liquidated in 2019
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 %	No substantial influence
„Wohnungseigentum“, Tiroler gemeinnützige Wohnbaugesellschaft m.b.H., Innsbruck	24.33 %	No substantial influence

Data concerning companies with a capital share more than 20% (2018 financial year)

Company name, location	Capital share in % in 2018	Note
HTW Holding GmbH, Innsbruck	100.00 %	Company of minor importance
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 %	Compnay of minor importance
ARZ Allgemeines Rechenzentrum GmbH, Innsbruck	32.75 %	No substantial influence
„Wohnungseigentum“, Tiroler gemeinnützige Wohnbaugesellschaft m.b.H., Innsbruck	24.33 %	No substantial influence

Data concerning companies with a capital share less than 20 % (2019/2018 fiscal years)

Company name, location	Capital share in % 2019	Capital share in % 2018
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	13.00 %	0.00 %
Masterinvest Kapitalanlage-Gesellschaft m.b.H., Vienna	12.50 %	12.50 %
Hypo-Wohnbaubank Aktiengesellschaft, Vienna	12.50 %	12.50 %
Hypo-Banken-Holding Gesellschaft m.b.H., Vienna	12.50 %	12.50 %
Hypo-Haftungs-Gesellschaft m.b.H., Vienna	12.50 %	12.50 %
Rathaus Passage GmbH, Innsbruck	11.23 %	11.23 %
Global Private Equity IV Holding AG, Vienna	8.97 %	8.97 %
HP IT-Solutions Gesellschaft m.b.H., Innsbruck	7.69 %	8.33 %
Logistikzentrum Forchheim GmbH, München	6.00 %	6.00 %
Bergbahnen Rosshütte Seefeld Tirol Reith AG, Seefeld	1.62 %	1.62 %
Lienzer-Bergbahnen-Aktiengesellschaft, Lienz	1.32 %	1.32 %
VBV-Betriebliche Altersvorsorge Aktiengesellschaft, Vienna	1.28 %	1.28 %
Austrian Reporting Services GmbH, Vienna	1.15 %	1.25 %
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	0.19 %	0.19 %
GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination GmbH, Vienna	0.01 %	0.01 %
S.W.I.F.T. SCRL, Belgium	0.01 %	0.01 %

Data in compliance with IFRS 12.24 et seqq concerning participating interest in non-consolidated structured companies

Hypo Tirol Bank is a member of the Mortgage Bond Division (Pfandbriefstelle) of the Austrian Landes- und Hypothekenbank (regional mortgage bank) – now “Anteilsverwaltung der Pfandbriefstelle der Österreichischen Landes Hypothekenbanken i.A.”. The Mortgage Bond Division, more precisely, its legal successor, the Pfandbriefbank Österreich AG (Austrian mortgage lending bank) - since 31 May 2018 “Pfandbriefstelle-Verwertungsgesellschaft AG i.A.” - represents the joint issuing institution of the Landes- und Hypothekenbank, whereas its main task is to lend mortgage bonds, public bonds and debenture bonds, and provide the member institutions with the financial means resulting thereof.

Anteilsverwaltung der Pfandbriefstelle der österreichischen Landes-Hypothekenbanken i.A. was liquidated on 6 November 2019. Therefore, nor further disclosures are provided.

HYPO TIROL BANK AG MANAGING BOARD

Innsbruck, 18 March 2020

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 of its subsidiaries (the Group) comprising the consolidated balance sheet as of December 31, 2019, the consolidated profit and loss account, the consolidated statement of other comprehensive income, the consolidated statement of equity changes and the consolidated cash flow statement for the fiscal year then ended and the notes to the consolidated financial statements.

Based on our audit the accompanying consolidated financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Group as of December 31, 2019 and cashflows and its financial performance for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by EU, and the additional requirements under Section 245a Austrian Company Code UGB and Section 59a Austrian Banking Act BWG.

Basis for Opinion

We conducted our audit in accordance with the regulation (EU) no. 537/2014 (in the following "EU regulation") and in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISA). Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the Austrian General Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 of the fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We consider the following matters as key audit matters for our audit:

1. Credit risk provisions and provisions for lending business with clients
2. Valuation of securities, own issues and derivatives, that are categorized in fair value Level 2 and Level 3 of the fair value hierarchy

1. Credit risk provisions and provisions for lending business with clients

Description:
HYPO TIROL BANK AG records significant risk provisions in its consolidated financial statements as of December 31, 2019, in the form of impairments (MEUR 83) and provisions (MEUR 1) for loss risks from lending business with customers (loans and advances to customers after risk provisions: MEUR 5,725). These represent the Management Board's best estimate of expected credit losses in the loan portfolio as of the balance sheet date.

In accordance with the regulations of IFRS 9, loans and advances to customers are measured depended on the classification of loans, which is based on the business model and the characteristics of the contractual cash flows. In addition, the staging concept designed by the Company and its key assumptions for assessing a significant increase in the credit risk (stage 2) or default events (existence of objective evidence of impairment - stage 3) are significant for determining the amount of impairments or provisions for the lending business.

Impairments are calculated using the discounted cash flow method. The expected cash flows and the expected proceeds from the realization of collateral are estimated. Estimates are made on an individual basis (significant credit exposures in stage 3) or based on a collective estimate (rule-based approach for credit exposures in stage 1 and 2 and non-significant credit exposures in stage 3).

In this regard, we refer to the information provided by the Company's Management Board in the notes to the consolidated financial statements in Notes (4) "Essential decisions, assumptions and estimates", "Notes on the statement of comprehensive income", "Assets - (C) Credit risk provision" (8) "Credit risk provision", (19) "Receivables from clients after risk provision", and (33) "Provisions".

The determination of the amount of the impairments and provisions for the lending business is subject to considerable scope for measurement based on the assumptions and estimates used. Therefore, we have identified this area as a key audit matter.

How we addressed the matter during the audit:

In order to evaluate the appropriateness of the valuation allowance and provisions recognized, we have identified the significant processes and models used in credit risk management, paying particular attention to the regulations of IFRS 9. In particular, we have surveyed the processes and models used to classify loans on the basis of the business model and determining the characteristics of the contractual cash flows. In addition, we have examined the staging concept designed by the Company and its key assumptions for evaluation the assessment of a significant increase in the credit risk or default events in order to determine whether these processes and models are suitable for detecting a significant increase in the credit risk or default events and for determining the need for impairment or provisions.

We have identified and partly tested the internal control system, in particular the key controls for granting of credits, ongoing monitoring and the early detection process. We have reviewed the internal control system in the area of credit management, in particular with regard to the correct handling of rating models and collateral valuation.

Based on a selection of loans that have already defaulted, we checked whether sufficient impairments have been made. For these loans, we critically assessed management's assessments of future cash flows expected from repayments and collateral.

In addition to complying with internal rules regarding rating and collateral allocation, we have examined a sample of loans that were not identified as defaulted to verify whether significant increases in credit risk or loss events have been fully identified.

When examining the valuation allowance at portfolio level, we evaluated the valuation models used and the parameters applied to determine whether they were suitable for determining appropriate provisions. We also examined the quality of the underlying data basis and reconstructed the arithmetical accuracy of the value adjustment or provision.

In addition, we have checked whether the information provided by the Company's Management Board in the notes to the financial statements (Notes) on the allowances for loans to customers and provisions for the credit business is complete and the valuation procedure has been reproduced correctly.

2. *Valuation of securities, own issues and derivatives, that are categorized in fair value Level 2 and Level 3 of the fair value hierarchy*

Description:

HYPO TIROL BANK AG records securities, own issues and derivatives assigned to fair value level 2 or 3 of the fair value hierarchy, in its consolidated financial statements as of 31 December 2019.

The valuation of these securities, own issues and derivatives requires the determination of the fair value using accepted valuation models and methods, as no current market or stock exchange prices are available in an active market.

In this regard, we refer to the information provided by the Company's Management Board in the Notes of the consolidated financial statements in the section "Notes on the statement of comprehensive income", "Other specifications - (C) Fair Value" (4) "Essential decisions, Assumptions and Estimates", and to the "Additional IFRS information", (37) "Fair Value".

In the case of valuation using recognized valuation models, the selection of these valuation models and methods, the selection of the input parameters used and the discretionary decisions associated with the selection of the input parameters, which are subject to estimation uncertainties, are of decisive importance for determining the fair value. For this reason, we have identified this area as a key audit matter.

How we addressed the matter during the audit:

We have examined the valuation processes and the design and effectiveness of the Group's significant controls with respect to the input parameters for the valuation of securities, own issues and derivatives that are assigned to fair value level 2 or 3 in the fair value hierarchy. In measuring these securities, own issues and derivatives, we have evaluated the assumptions and methods used by the Management Board for their appropriateness. On a sample basis, we assessed the valuation of these securities, own issues and derivatives and their carrying amounts in accordance with the IFRS 9 category.

In addition, we have evaluated whether the disclosures on the measurement of securities, own issues and derivatives assigned to fair value level 2 or 3 of the fair value hierarchy are complete in the notes and whether the content of the measurement procedure has been presented correctly.

Responsibilities of Management and of the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements in accordance with IFRS as adopted by the EU, and the additional requirements under Section 245a Austrian Company Code UGB and Section 59a Austrian Banking Act BWG for them to present a true and fair view of the assets, the financial position and the financial performance of the Group 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.

In preparing the consolidated financial statements, management is 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 intends 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 for the Audit of the Consolidated Financial Statements

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 opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the 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 the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement 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.
- 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 Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evi-

dence 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our 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.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or 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, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Comments on the Management Report for the Group

Pursuant to Austrian Generally Accepted Accounting Principles, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the management report for the Group was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the management report for the Group in accordance with Austrian Generally Accepted Accounting Principles and banking regulatory requirements.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report for the Group.

Opinion
In our opinion, the management report for the Group was prepared in accordance with the valid legal requirements and is consistent with the consolidated financial statements.

Statement

Based on the findings during the audit of the consolidated financial statements and due to the thus obtained understanding concerning the Group and its circumstances no material misstatements in the management report for the Group came to our attention.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the management report for the Group and the auditor's report thereon. The annual report is estimated to be provided to us after the date of the auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, as soon as it is available, and, in doing so, to consider whether - based on our knowledge obtained in the audit - the other information is materially inconsistent with the consolidated financial statements or otherwise appears to be materially misstated.

Additional information in accordance with article 10 EU regulation

We were elected as auditor by the ordinary general meeting at April 17, 2018. We were appointed by the Supervisory Board on May 16, 2018. We are auditors without cease since 2010.

We confirm that the audit opinion in the Section „Report on the consolidated financial statements" is consistent with the additional report to the audit committee referred to in article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 par. 1 of the EU regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

Responsible Austrian Certified Public Accountant

The engagement partner is Mag. Ernst Schönhuber, Certified Public Accountant.

Vienna, March 18, 2020

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Wolfgang Tobisch mp
Wirtschaftsprüfer / Certified Public Accountant

Mag. Ernst Schönhuber mp
Wirtschaftsprüfer / Certified Public 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.

We confirm to the best of our knowledge that the financial statements of the parent company, 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 company; that the 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, and that the financial report describes all risks and uncertainties the company is confronted with.

Innsbruck, 18 March 2020

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 2019 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 2019 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 2019 fiscal year.

In the 2019 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 one meeting in the 2019 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 2019 fiscal year, one meeting was held.

In the 2019 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 2019 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 2019 were audited by the chartered accountants Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna. As no objections were proposed, the auditor's 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 2019, were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna.

Subsequent to the final audit of the 2019 financial statements and the financial report as well as the 2019 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, 18 March 2020

Supervisory Board

Mag. Wilfried Stauder

SUSTAIN-
ABILITY
REPORT
2019

Content

I. Introduction

From the economic point of view, Hypo Tirol Bank 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.

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 therefore, we also acknowledge our ecological and social responsibility!

According to the Austrian Company Code, articles 243b and 267a, Hypo Bank Tirol AG fulfils all legal requirements defined for a large corporation of public interest with approximately 500 employees. This serves as the basis for the preparation of the present special and non-financial report, which comprises the scope of consolidation of Hypo Tirol Bank. For further information regarding the scope of consolidation please see the specifications as stipulated in the 2019 financial statements. If a separate illustration of the parent company and the subsidiaries of the group is considered appropriate or required for the better understanding of the report, it shall be performed for the respective case.

The report was prepared on the basis of GRI standards, published by the Global Reporting Initiative. In this context, selected standards are used in reference to GRI.
The present report describes the contribution of the federal state bank regarding environmental and social aspects as well as matters concerning employees, the promotion of human rights and the combatting of corruption and bribery. Many things have already been achieved in this respect and things are optimised on a regular basis. It is our objective to continuously improve our standards.
A group-wide strategy was established to permanently embed sustainability in the strategic thinking and acting process, and to enable us to evaluate ourselves according to our defined actions and goals. Because: being a responsible financial partner does not only mean to act "here and now" and to handle both, humans and the environment with care, but also to take responsibility for the future.

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, because gender equality is important to us.

II. Hypo Tirol Bank introduces itself

Organisation profile

Hypo Tirol Bank AG 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 idea 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 Bank 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, all business transactions carried out by Hypo Tirol Bank comply with high social and ecological standards as stipulated in this report; by doing so, it fosters a sustainable market economy.

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 2019, the Hypo Tyrol corporate group comprised 19 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 Bank is to achieve controlled growth in the above-mentioned core markets. In doing so, 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 Bank offers these clients a comprehensive portfolio, including savings and investment products, account systems, different card solutions and insurance and finance products.

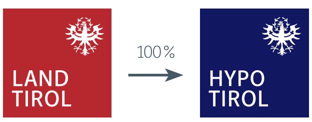
In k €	2019	2018
Central states and public sector	600.731	600.824
Corporate clients	3.903.598	3.882.207
Private households	1.303.535	1.251.484
Receivables from clients before risk provision	**5.807.864**	**5.734.515**
Risk provision	- 83.124	- 92.472
Receivables from clients after risk provision	**5.724.740**	**5.642.043**

In all segments, Hypo Tirol Bank 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 Bank 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.

Shareholder structure

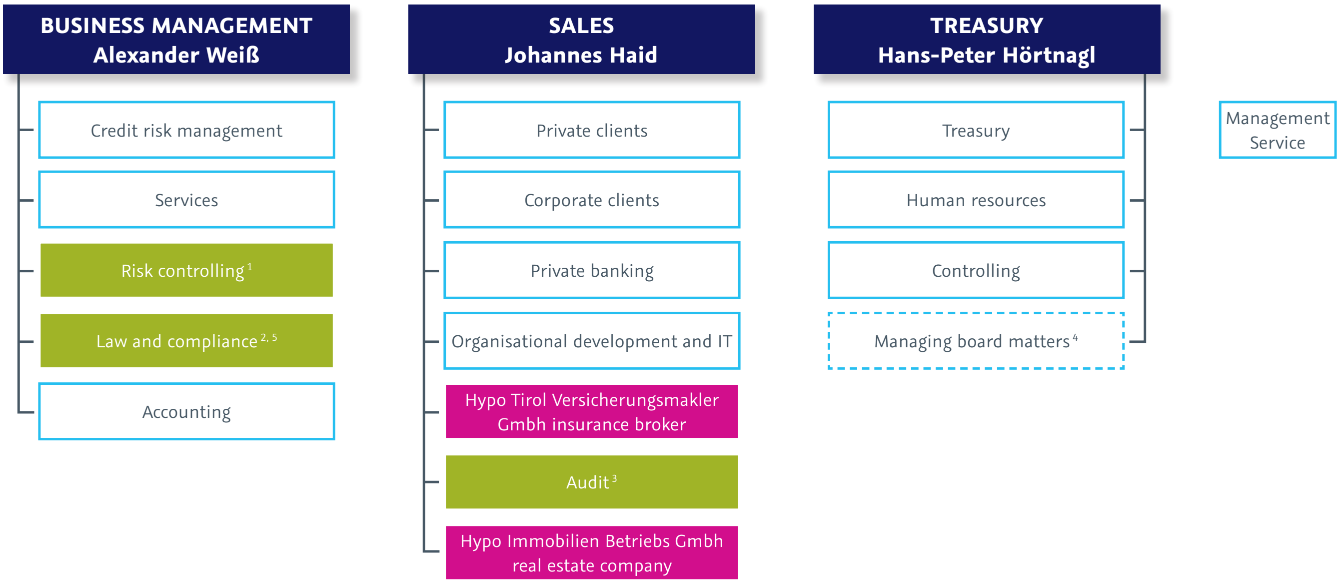
Since Hypo Tirol Bank is a company that is owned by the government, that is to say the Province of the Tyrol, it is aware of its responsibility to take care of both, the country and its people. Sustainable growth serves as the foundation for all business processes. These processes, which form part of the business strategy, are implemented by the managing board. The following illustration shows the shareholder structure of Hypo Tirol Bank AG on 31 December 2019:



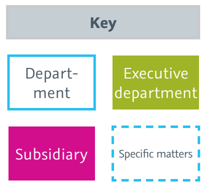
Committee structure

The committees established within the structure of Hypo Tirol Bank ensure that all obligations reporting informing and 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



Assignment:
1 … obliged to report to group-wide managing board
2 … Securities Act compliance-officer reports directly to the group-wide managing board
3 … assigned to the group-wide managing board including internal audit function
4 … Hypo managing board/rating agencies/banking relations
5 … regulatory compliance function directly reports to the group-wide managing board



III. Partners and common values

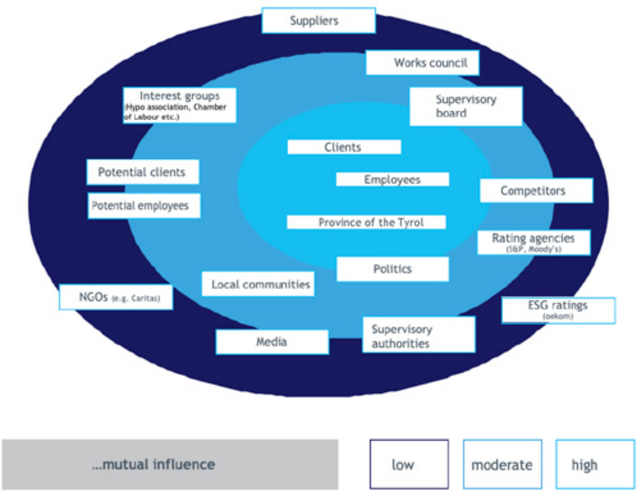
Each entrepreneurship and all associated activities and relationships have impact on the environment of a company. Business activities and business relations bear risks and opportunities alike.

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. In the context of preparing the first sustainability report for the 2017 fiscal year, specific processes were implemented to determine the most essential stakeholders and the major fields of activities of the company. These processes were established by a group of experts coming from various sectors of the company, such as organisational development, treasury, marketing, law & compliance, real estate, human resources and risk control. In this connection, support was also provided by external experts.

The process results are illustrated hereinafter. With regard to the preparation of the report on the expired business year, the processes were evaluated by the internal team of experts. Hence, the results were analysed and compared with data gained in the previous year and adjusted, if appropriate.

3.1. Partners

The processes described above served as the basis for determining the stakeholders shown in the following chart. They are listed in order of mutual influence. Hypo Tirol Bank considers the following stakeholders as crucial. The illustration describes their mutual influence.



As far as the most important stakeholders are concerned, it was analysed how their inclusion into the reporting process can be guaranteed. In addition, their primary objectives and key issues for the 2019 reporting year were evaluated. A wide range of information systems is employed to include the stakeholders. These systems involve discussions with customers and experts, events, internal and external surveys, staff interviews, our internal platform called "IDEENREICH", social media, public relations work, press releases, reports and so on. To this date, no separate stakeholder surveys regarding the following issues have been conducted. The estimations provided by our experts result from the numerous measures as stared above, which are part of our daily business operation.

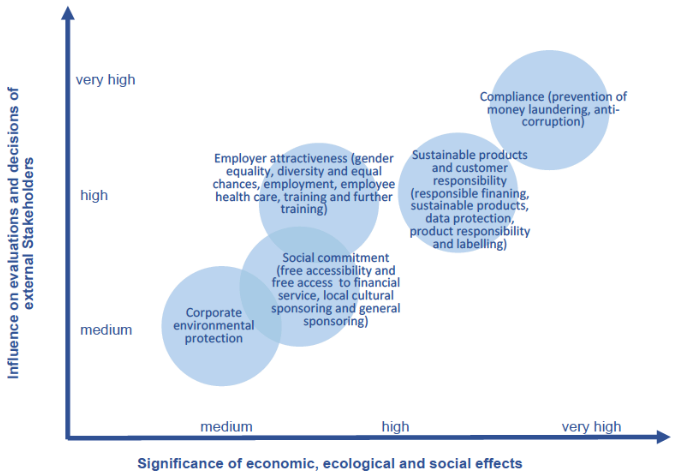
3.2. Major fields of action

Hypo Tirol Bank has a well-defined mission: to use its resources in the best possible way in order to contribute to the personal and economic success of all the people living in the Tyrol – on professional and private level. Because it is the people, who have made the Tyrol, what it is today.

In order to fulfil this task, it is important that Hypo Tirol Bank 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.

In the context of a well-established sustainability process, a group of experts identifies the major fields of action for Hypo Tirol Bank regarding environmental and social aspects, employee related matters, the protection of human rights the combatting of corruption and bribery. Consequently, the identified fields of action are prioritised according to their economic and ecological effects and according to their impact on the evaluation and the decision-making process of external stakeholders. Thus, they are bundled into five essential clusters.

The following illustration shows the result of the internal analysis.



For Hypo Tirol Bank and its stakeholders each field of action bears both, risks and opportunities. These risks and opportunities might result from business activities and from business relations alike.

Hypo Tirol Bank has established a risk management process which comprises financial and non-financial risks. For each risk type a corresponding risk appetite was defined. In the context of an internal project, which will be launched in 2020, risks are incorporated into the Hypo Tirol Bank risk map in accordance with ESG criteria. Subsequently, appropriate key performance indicators will be defined. This especially applies to the following risk types (list is not complete).

- Sustainability risk
  Different characteristics: (i) physical risks; (ii) transition risks. In 2020, these risk types will be considered in the bank-wide strass tests of Hypo Tirol Bank. It will be determined, to what extent financing in the tourism industry in connection with

climate change (especially winter tourism) will bear a risk for Hypo Tirol Bank.

- Personnel (default)risk
  An increasing number of personnel shortfalls (due to illness) potentially jeopardises the continuation of business activities. That's why measures were defined to minimise this risk.

In the context of the report on risk strategy respectively risk appetite, the supervisory board is informed about the current development by the risk committee and directly in the advisory board meeting.

On the following pages, the subjects that were considered material, will be explained in detail.

IV. Environmental policy

In comparison to manufacturing companies, a financial institution has only few opportunities to improve environmental protection. Nevertheless, it is crucial for Hypo Tirol Bank to contribute in this respect. Therefore, all employees endeavour to keep the environmental impact of their actions on a low level by managing all their tasks in a sustainable manner. As far as corporate environmental protection is concerned, no significant environmental risks can be detected at the moment.

The efficient use of energy and resources is accompanied by long-term cost-cuttings.

Even though, investing into the environment means to spend money on the short run, we are absolutely convinced that such investment will create additional social and financial value on the long run. This kind of additional value is particularly reflected in the field of material expenses.

One of the possibilities to improve corporate environmental protection is to consistently save energy and materials and to reduce emissions. The digitalisation strategy, which was established in 2017 and which has been improved steadily ever since, aims at supporting the company and its employees to reach the defined savings goals.

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 also be considered. Regional small- and medium-sized enterprises shall be employed to implement 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.

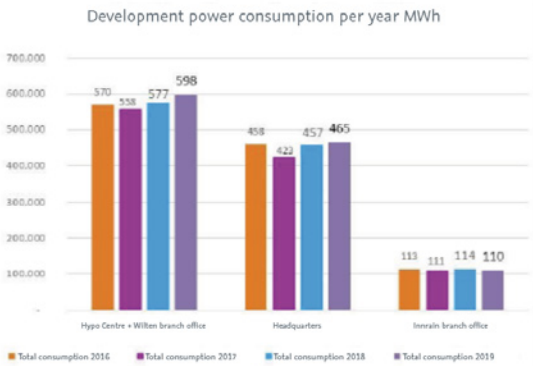
Energy consumption:

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, energy consumption slightly increased, which basically resulted from the high temperatures during summer and the use of air controlling units. In addition, in autumn, refurbishment measured also resulted in higher energy 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 is intended. 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.

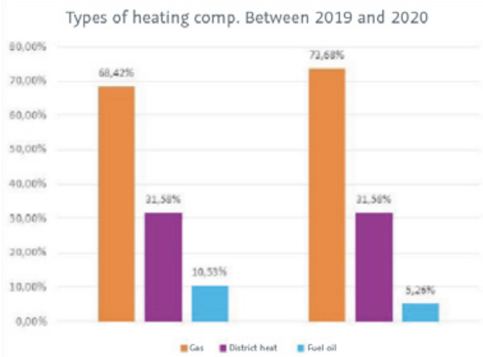
In 2020, the objective is to reduce energy consumption and again reach the 2017 values.



Heating:

Hypo Tirol Bank AG 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 Bank AG operates 21 buildings, Including the two headquarters. 13 buildings are provided with gas and 6 buildings with district heat.

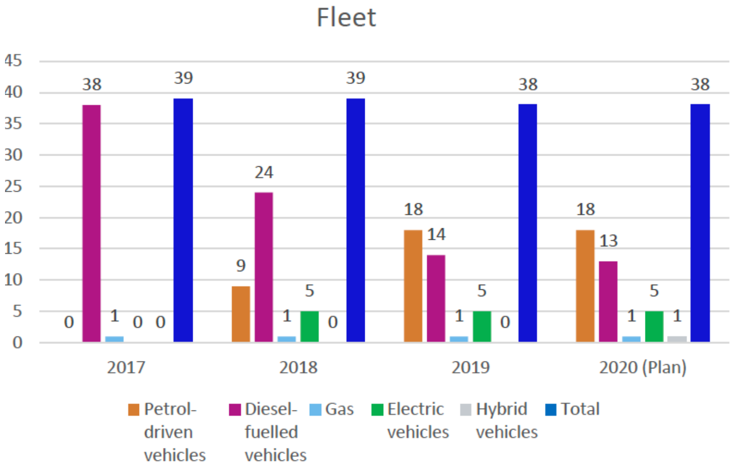
In 2020, the Schwaz branch office will be moved. The new premise will be provided with gas.



Mobility:

The mobility concept defined by Hypo Tirol Bank 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, 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 CO2 emissions in the context of long-distance journeys Due to the fact that in the past year most business trips were taken by train, CO2 emissions amounting to 83.4 tons could already be saved. This corresponds to a 21 % reduction of CO2 emissions (previous year: 42.6 tons)! In the context of the “Green Event” the Austrian Railway Systems expressed their gratitude and awarded Hypo Tirol Bank AG an environmental prize for its eco-friendly commitment



Another measure to reduce the use of resources was the replacement of 10 diesel vehicles by 9 petrol-driven cars. In doing so, we achieved the goal that had been set in 2018. Nor further changes are planned for the forthcoming year. The goal for 2020 is to keep the Hypo Tirol Bank AG CO2 footprint as low as possible.

By sensitising our employees, introducing a consistent digitalisation strategy and by changing the printer settings in 2017, Hypo Tirol Bank AG was able to keep the number of printed documents on a low level in 2019 as well. In order to further reduce these figures, a follow your print system was established. It shall help all employees to observe their paper consumption and to check the respective printing costs.

All these measures shall enable Hypo Tirol Bank AG to reduce costs and, what is even more important, to mitigate climate change and leave a positive footprint.
The goal for 2020 is to guarantee further compliance with this standard and to further reduce the consumption of resources.

V. Social commitment

As a company that is owned by the Province of the Tyrol, Hypo Tirol Bank is aware of its responsibility for the country and its people. The objective is to contribute to society by using the bank's strength. This can be achieved by supporting people – specifically, precisely and on a daily basis. Consequently, their visions can be turned into chances, chances can be implemented and finally goals can be reached. Because it is the people that have made the country what it is today. Indeed, all of them.

5.1. Sustainability in the core business

Hypo Tirol Bank does not tolerate any kind of discrimination. For that reason, sustainability in the core business focuses on the protection of human rights and a particular kind of product design that emphasises on creating additional social value.

The provision of unrestricted access to all services for all clients plays a decisive role. Especially in terms of accessibility, many actions have already been taken and will be taken to reach the standards that are beyond legal conformity. In this connection, we cooperate with several disabled people's organisations to benefit from their expertise in the best possible way.

5.1.1. Sustainable products

If disabled people were not able to access Hypo Tirol Bank, they would not have the opportunity to freely choose from the financial services, let alone make use of them. This might jeopardise their economic development and consequently affect the social balance in a negative way. If Hypo Tyrol Bank did not offer products with social additional value, certain groups of people could hardly or not at all take part in the process of increasing the economic power of our country. In summary, the result would be a weakened business location.
Hypo Tirol Bank tries to fulfil its ethical and social responsibility by offering specified products, which have a clear social or ecological purpose or reference. In this respect, the product management of Hypo Tirol Bank focuses on the expansion of such sustainable products.

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 implement 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 Bank 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.
Due to the barrier free internet banking of Hypo Tirol Bank, 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 Jungendhilfe 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 Bank has been providing free giro accounts for the Tyrolean your 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 Bank 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 Bank 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 Bank 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 very 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 subsidise →

- 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.

Financial support provided for specific groups of persons

Number of accounts	2017	2018	2019	Change in comparison to the previous year
Account for asylum seekers	4.246	2.420	2.340	-80
Account for children and youth care organisations	1.095	1.099	1.078	-21
Basic account	44	77	110	33
U25 account	3.801	4.206	4.365	159
Account for doctors in training	17	27	41	14
Account for new entrepreneurs	25	107	194	87
Housing free private total	8.257	8.584	8.973	389
Thereof stage-of-life credit	654	523	667	144
Housing total (= free and subsidised) private	11.731	12.045	12.337	292
Housing subsidised	3.474	3.461	3.364	-97
Investment credit total (entrepreneurs)	3.261	3.303	3.452	149
Thereof subsidised loans	24	24	24	0

5.2. Sponsoring

Hypo Tirol Bank acts as a committed sponsor for institutions and initiatives in the field of sports, education and cultural and social affairs. Not only the sponsoring partners benefit from the financial support but all those 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 Bank in this sector, 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 enthusiast, Hypo Tirol Bank 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 Bank 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.

In the field of education, 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 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.”

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 Tirol Bank dedicated the 2019 Austrian National Day to a social purpose for the second time. The Tyrolean government had organised an open house, and in front of the government building people were asked to participate in a join-in activity and to place together a 4,000-piece jigsaw puzzle. The motto was: “if the puzzle is put together by the end of the event, the federal state bank will donate a considerable amount as urgent assistance for families in need.” Mission accomplished! This particular activity aims at creating awareness for social need in our country. It shall demonstrate that every single person can contribute.

VI. Employees

Hypo Tirol Bank is an important regional employer and is aware of the associated responsibility. The bank assumes social obligation for 588 employees (547 people working for the parent company, 27 people are employed with Hypo Immobilien Betriebs GmbH and 14 people are employed with Hypo Tirol Versicherungsmakler GmbH (2017: 587 employees in total – 544 employed with the parent company, 30 people employed with Hypo Immobilien Betriebs GmbH and 13 people 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 a regional bank.

Partner-oriented cooperation helps Hypo Tirol Bank 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 but also human resources.

The following statistics and evaluations include data collected from Hypo Tirol Immobilien Betriebs Gmbh and Hypo Tirol Versicherungsmakler GmbH.

6.1. 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 Bank 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 Bank 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.

Vocational training and further education

As an employer, Hypo Tirol Bank emphasises on the strategic 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. 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 Bank 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, another career model has been applied for internal units. The model was designed to strengthen the professional skills of our employees by offering smaller 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 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.

In addition to the “investment college”, the “financing academy” was also established on a modular structure (two stages: advanced and expert). The purpose of the academy is to deepen the knowledge in the field of financing. Additional single interviews shall also support the transfer of knowledge.

In 2020, based on the subjects of self-management and social and communicative skills, which are anchored in the career model, special attention will be given to the “soft skills” development.

Investing into the future – vocational training and further education

Average number of hours – vocational training and further education per male employee	2016	2017	2018[1]	2019
Total number of hours – vocational training and further education for male employees	5.811	9.125	11.623	10.470
Total number of male employees	315	314	308	312
Average	**18**	**29**	**37**	**34**

Average number of hours – vocational training and further education per female employee	2016	2017	2018[1]	2019
Total number of hours – vocational training and further education for female employees	4.331	6.188	6.832	7.760
Total number of female employees	306	288	279	262
Average	**14**	**21**	**24**	**30**

Average number of hours – vocational training and further education per employee category	2016	2017	2018[1]	2019
Total number of hours – vocational training and further education: category “management”[2]	1.527	2.138	1.883	2.577
Total number of employees in this category	55	53	50	52
Average	**28**	**40**	**39**	**50**

Average number of hours – vocational training and further education per employee category	2016	2017	2018[1]	2019
Total number of hours – vocational training and further education: category “sales”[3]	5.133	7.556	11.123	10.432
Total number of employees in this category	270	272	282	269
Average	**19**	**28**	**40**	**39**

Average number of hours – vocational training and further education per employee category	2016	2017	2018[1]	2019
Total number of hours – vocational training and further education: category “internal department”[4]	3.483	5.619	5.447	5.222
Total number of employees in this category	296	277	255	253
Average	**12**	**20**	**21**	**21**

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 Bank 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 Bank 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.

The objective of Hypo Tirol Bank is to regularly increase the development of managers and to extend the offer for both, young managers and experienced ones. In 2020, further trainings are planned and external experts, who will provide their input regarding diverse subjects, will be invited for a management event.

Create an environment that allows sustainable performance

A major concern for Hypo Tirol Bank 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 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 (3.1 %, 2018: 3.41 %) were either in maternity leave, on long-term sick leave or were about to go on pension. The figures illustrated below do not include apprentices and managing board members.

Promotion of junior employees

Each year, Hypo Tirol Bank 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

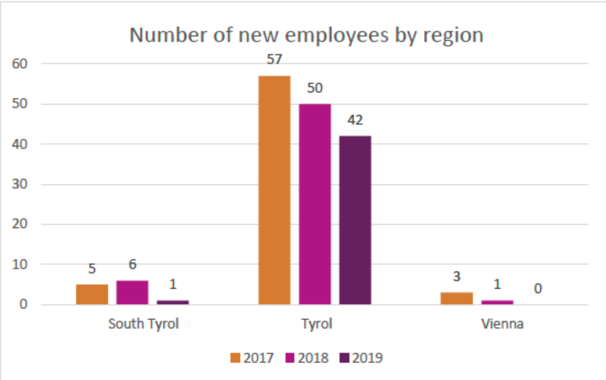
In 2019, the employee turnover rate accounted for 9.99 %

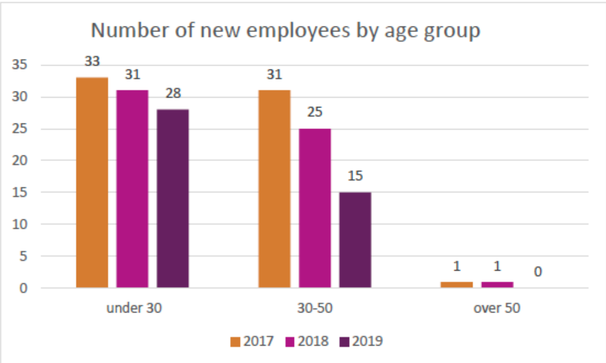
The goal is to reduce the employee turnover rate to 8.5 % until 2023.

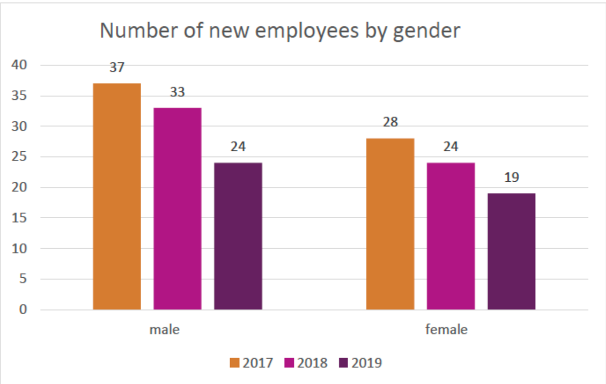
2017	2018	2019
10,55%	9,29%	9,99%

The figures illustrated below do not include apprentices and skilled employees

6.2. Recruiting und Employer Branding







A changing environment and the diversification of employee needs requires the modification of external communication. Due to the increasing flood of information, people start ignoring contents that are not considered relevant. For that reason, employer branding is essential to present Hypo Tirol as an authentic and target group-relevant employer. This kind of presentation is managed on a digital basis but also by means of personal dialogues with interested people. 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 pupils 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 Bank is committed to expand the cooperation with universities of applied sciences, universities and schools in order to attract future talents at an early stage.

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 Bank. 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 Bank. 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.

6.3. Equal opportunities and diversity

Hypo Tirol Bank 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 Bank acknowledges the European Convention on Human Rights and the Universal Declaration of Human Rights published by the United Nations.

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 Bank underscores that no charges were pressed in connection with any kind of discrimination, neither via the whistle-blower system (see section 7) nor via the complaints office established by the law & compliance department. In 2019, there were also no reports on any kind of discrimination submitted by the works council.

6.4. Reconciliation 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 Bank helps its employees to find a well-adjusted work-life balance. 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 2018, 38 men and 29 women were entitled to maternity leave, whereas 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 %. The rate for 2019 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, more and more 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", and in 2019, four men made use of their dad's month. We expect this special offer to become increasingly popular in the future. It is of utmost importance for Hypo Tirol Bank 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 %.

6.5. Health care and work

Hypo Tirol Bank 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 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 very 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 very 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. The implementation of the measures is planned for next year.

The long-term health care programme includes a company doctor, who provides help concerning medical questions for all employees during their working hours, vaccination campaigns, birthmark check-ups 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 order to support physical activities and encourage people to exercise, Hypo Tirol Bank 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 and the participation is also planned foe 2020. In addition, dancing lessons were organised in cooperation with the Polai dance school.

In 2020, annual vaccination programmes will be initiated and further participations in sports events are also planned. In addition to employee surveys, corresponding working teams will be formed to collaborate challenges for employees, so that appropriate measures can be taken.

Moreover, employees are informed about speeches or classes in the region on a regular basis.

Company restaurant

In the premise of the two headquarters, Hypo Tirol Bank 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.

VII. Principles of ethics and integrity

For a company it is a challenge to directly influence the respect for Human Rights. Nevertheless, with regard to both, its employees and its clients, the bank always acts in accordance with European and national regulations.

For that reason, particular economic sectors are completely excluded, 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 Bank, 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 Bank in a fair manner that is transparent for other market participants. The success primarily results from Hypo Tirol Bank's solid and faithful relationship with its clients and employees. For that reason, Hypo Tirol Bank 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 funding of terrorism or corruption in the context of the business activities carried out by Hypo Tirol Bank. 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.

7.1. Compliance organisation

In order to meet all above-mentioned legal requirements, Hypo Tirol Bank established a 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 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.

7.2. Prevention of money laundering and the funding of terrorism

In order to avoid any kind of money laundering or funding of terrorism, Hypo Tirol Bank 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 accordance with all legal requirements.

7.3. Combatting corruption

Hypo Tirol Bank 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 Bank are regularly informed about any update of these strict regulations via trainings and tests.
This process 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.

7.4. The respect for Human Rights

The respect for human rights represents an essential part of Hypo Tirol Bank's identity.
Therefore, Hypo Tirol Bank 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 Bank assesses its business activities and thus guarantees compliance with all applicable laws, regulations and external and internal directives.
Hypo Tirol Bank 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.

7.5. Whistle-blower system

Besides the compliance facility, where perceptions can be reported, the web-based whistle-blower system created by Hypo Tirol Bank serves as an essential internal tool to detect possible misconduct.
Hypo Tirol Bank 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 Bank 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.

7.6. Complaint management

The purpose of complaint management is to solve disputes or to act as a mediator between the complainant (client) and Hypo Tirol Bank 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 Bank, 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 Bank 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.

7.7. 7.7 Data protection

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.

Hypo Tirol Bank AG is well aware of its responsibility regarding any kind of personal data it has in its possession. In this context, data will be used with the utmost care and privacy is respected by taken all appropriate measures to guarantee the safety of all processed personal 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 6 of the EU Data Protection Regulation, Hypo Tirol Bank AG only processes data, if:

- the person involved has given his/her consent to process personal data for one or several defined purposes,
- the fulfilment of a contract or the implementation of pre-contractual measures require the processing of data,
- the fulfilment of a legal obligation requires the processing of data,
- the protection of the legitimate interests of Hypo Tirol Bank AG or any third party requires the processing of data.

Further information in relation to data protection in accordance with the EU Data Protection Regulation section 13 et seq. Are provided by Hypo Tirol Bank AG in paper form and online. Please see: https://www.hypotirol.com/oesterreich/sicherheit-recht/datenschutzerklaerung/.

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 a timely manner. In the context of the data protection management, a data protection representative, a data protection manger and data protection officer were assigned as internal contact persons. The data protection organisation chart was anchored in the Hypo Tirol Bank AG data protection policy.

In order to guarantee the implementation in compliance with all legal requirements of the EU-DPR, Hypo Tirol Bank AG established a data protection management system (EU-DPR sec. 24 et seq.), a concept to be used in the event of data protection violations (EU-DPR sec. 33 et seq.) and a data protection impact assessment (EU-DPR sec. 35).

In addition, a paper with the title "Technical and organisational measures for the protection and maintenance of data protection and data security by Hypo Tirol Bank AG" was elaborated.

In the context of trainings, awareness for this delicate subject of data protection was raised and Hypo Tirol Bank AG employees were informed appropriately. Up to 31 December 2019, no procedure against Hypo Tirol Bank was initiated by the data protection authority and no violations of data protection were known.

VIII. GRI content index

Based on the guidelines published by the Global Reporting Initiative (GRI standards: report on selected standards in accordance with the GRI referenced application option) the present report describes general information as well as economic, ecological and social aspects regarding all subjects that are considered to be relevant in accordance with the materiality analysis. The reporting period refers to the 2019 business year (1 January to 31 December 2019).

GRI content index

GRI standard	GRI specifications	Page(s) and / or URL(s)	Omission / note
GRI 101: Basic principles 2016 General information			
Organisational profile			
GRI 102: General information 2016	102-1 Name of organisation	Legal notice	
	102-2 Activities, brands, products and services	3 et seq.	
	102-3 Headquarters	Legal notice	
	102-4 Branch offices	3	
	102-5 Ownership and legal structure	3	
	102-6 Markets served	3	
Ethics and integrity			
GRI 102: General information 2016	102-17 Procedures regarding ethics consultations and concerns	14 et seq.	
Management			
GRI 102: General information 2016	102-18 Management structure	4	
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GRI 102: General information 2016	102-40 List of stakeholder groups	5	
	102-42 Determination and selection of stakeholders	5	
Reporting procedure			
GRI 102: General information 2016	102-46 Determination of content and subjects	5 et seq.	
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GRI 103: Management approach 2016	103-1 Explanation of fundamental subjects and their differentiation	14	
GRI 103: Management approach 2016	103-2 The management approach and its components	14	
GRI 103: Management approach 2016	103-3 Assessment of the management approach	14	
GRI 205: Combatting corruption 2016	205-3 Confirmed cases of corruption and measures taken	14	
Energy			
GRI 103: Management approach 2016	101-1 Explanation of fundamental subjects and their differentiation	6	
GRI 103: Management approach 2016	103-2 The management approach and its components	6	
GRI 103: Management approach 2016	103-3 Assessment of the management approach	6	

GRI standard	GRI specifications	Page(s) and / or URL(s)	Omission / note
Energy			
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	6	
GRI 302: Energy 2016	302-4 Reduction of energy consumption	6	
Vocational training and further education			
GRI 103: Management approach 2016	103-1 Explanation of fundamental subjects and their differentiation	10 et seq.	
GRI 103: Management approach 2016	103-2 The management approach and its components	10 et seq.	
GRI 103: Management approach 2016	103-3 Assessment of the management approach	10 et seq.	
GRI 404: Vocational training and further education 2016	404-1 Average hours – vocational training and further education per year and employee	11	
Equal opportunities			
GRI 103: Management approach 2016	101-1 Explanation of fundamental subjects and their differentiation	12 et seq.	
GRI 103: Management approach 2016	103-2 The management approach and its components	12 et seq.	
GRI 103: Management approach 2016	103-3 Assessment of the management approach	12 et seq.	
GR 406: Equal opportunities 2016	406-1 Cases of discrimination and measures taken	12 et seq.	
Branch related specifications			
GRI 103: Management approach 2016	101-1 Explanation of fundamental subjects and their differentiation	8 et seq.	
GRI 103: Management approach 2016	103-2 The management approach and its components	8 et seq.	
GRI 103: Management approach 2016	103-3 Assessment of the management approach	8 et seq.	
G4: Branch related specifications (Financial services) 2013	FS14 Initiatives to improve the access to financial service providers for disadvantaged people	8 et seq.	

IX. Legal Notice

Hypo Tirol Bank AG, Meraner Straße 8, 6020 Innsbruck
Contact: Mag. Johannes Haid
The report is updated on an annual basis.

CORPORATE GOVERNANCE REPORT 2019

(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 2019 business year, they have acted in compliance with the Corporate Governance Guidelines for Associated Companies of the Province of the Tyrol.

Solely, 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

Due to 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

As a public limited company, Hypo Tirol Bank AG provides an internal audit in compliance with all legal provisions (i.e. Banking Act, Financial Markets Minimum Standards on Internal Auditing).

The internal audit directly reports to the group-wide managing board. With regard to the execution of organisational and operational processes it is independent.

Accounting and final audit

As a public limited company, Hypo Tirol Bank AG 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 will be appointed.

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