HYPO TIROL BANK

111 PICTURES

THE HISTORY OF HYPO TIROL BANK

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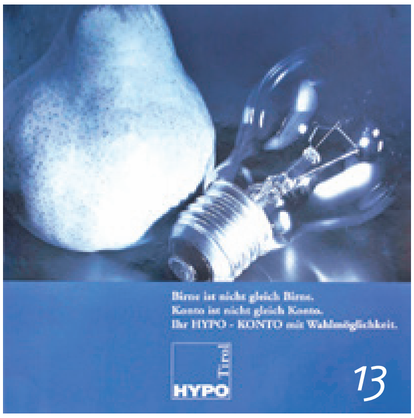

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HYPO TIROL BANK


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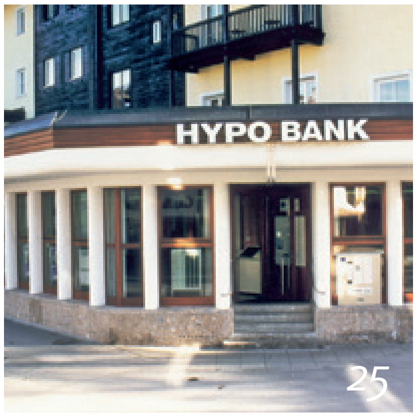

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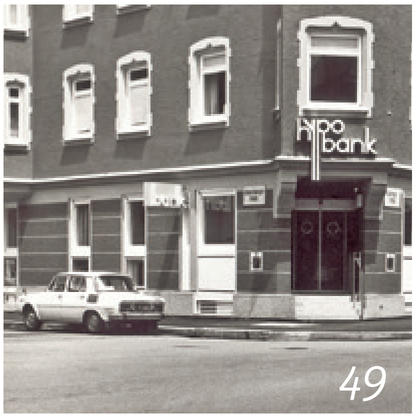

HYPO BANK
Die Bank des Landes Tirol
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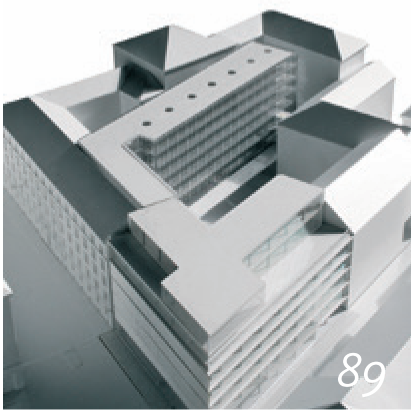

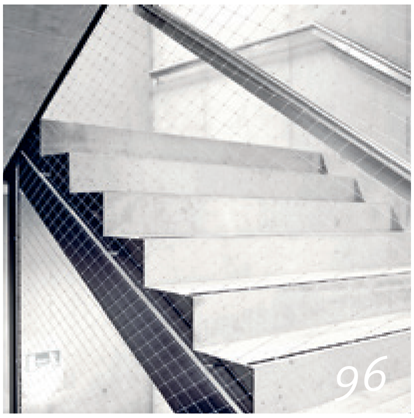

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THE HISTORY OF
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INTRO DUCTION

Dear Tyroleans!
Dear clients of Hypo Tirol Bank!

2012 was a decisive year in the history of Hypo Tirol Bank. Decisive - because the Province of the Tyrol in its position as the owner of the bank realised the approved equity capital contribution; decisive - because the European Commission approved and supported this capital contribution; and above all decisive - because we have already achieved some success regarding the new alignment of the bank.

The result we achieved in 2012 is satisfying. Needless to say, this result was influenced by substantial restructuring expenses. With regard to 2013, we expect that the measures that have been taken will soon lead to higher results. Due to the fact that we have succeeded in reducing the balance sheet total and the risk-adjusted assets considerably, the owner, the Province of the Tyrol, has received dividends in the amount of 12 million Euros. Subsequent to the deduction of dividends, the bank's core capital rate has amounted to 9.5 %. Therefore, I would like to thank all our employees for their commitment in the course of these challenging months and for their support to implement the strategies which are required to bring about a change.

Moreover, the report written by the European Commission has confirmed, that the owner and the Supervisory Board have chosen the right way; and we will all consequently pursue that way in the forthcoming years. In this context, main emphasis is put on the needs of our clients in the core market of the Tyrol, and we want to convince our clients by offering them up-to-date products, fair conditions and the highest level of service quality.

The Province of the Tyrol is not the only institution that benefits from a successfully operating Hypo Tirol Bank, because the Federal State Bank also makes a major contribution to the economic development by granting loans. 99 % of all Tyrolean companies are small and medium-sized enterprises. Investments that are made by the local tourism enterprises and by more than 35,000 small and medium sized enterprises have to be supported. Therefore, money at reasonable conditions is needed – and it is provided by the Federal State Bank.

In addition, a successful Federal State Bank safeguards assets for future generations on the long run. Going private would be like flogging the family silver. To run a regional company means to establish and to safeguard values for generations to come.

A challenging year is behind us. The prospects for 2013 and the upcoming years are good; however, greatest efforts that must be made by the entire company will still be required combined with the consequent and unconditional implementation of the initiated measures. The foundation for the positive development was laid by the Province of the Tyrol in December 2011, when it clearly acknowledged the Federal State Bank. Once again, I would like to express my gratitude to the Tyrolean Diet, the Tyrolean Government and in particular to Governor Günther Platter for making fast decisions that have been so favourable for the bank.

Yours,
Mag. Wilfried Stauder
Supervisory Board Chairman of Hypo Tirol Bank

Dr. Markus Jochum
Chairman of the Managing Board of Hypo Tirol Bank

If you review the year 2012 and the 111th anniversary of Hypo Tirol Bank, what have been the most pleasant and the most challenging events for you?

Well, definitely 2012 was both, a very active and a very emotional year.
The European Commission approved of a capital increase provided by the owner, the Province of the Tyrol. The negotiations in this respect were constructive and we were all on an equal footing. The positive conclusion was the confirmation on the part of the EU that we had chosen the right way. Brussels has also conformed to the realignment plan submitted by the bank, because it guarantees that Hypo Tirol Bank can engage in profit-making economic activities on the long run. The European Commission's requirements correspond to the strategic alignment indicated by the owner and the Supervisory Board.

The primarily agreed capital contribution in the amount of EUR 230 million could be reduced to EUR 220 million. The difference of EUR 10 million was generated by ourselves, because, earlier than expected, we have successfully reduced the bank's equity capital demand by means of volume reduction. Thus, for instance, the credit volume in Italy has already been reduced by EUR 120 million.

Press reports and public discussions regarding the downrating by Moody's belonged to the incidents in 2012 that were rather unpleasant. On the one hand, Moody's generally does not consider the ownership of Provinces in federal state banks as good as they used to do, and on the other hand it regards the focus on the core market as a risk for strong competition on the own narrow market. However, even though we have expected the rating change,

we definitely do not agree with the degree of downrating. In this context, it is very important to point out once again that we have already initiated all necessary measures and strategic modifications to achieve an improved rating evaluation as soon as possible.

What I experienced as most delightful were the numerous activities relating to the anniversary year. An overwhelming number of 133 running teams participated in the corporate challenge which signalized the lasting unbowed loyalty of employees, clients and partners of Hypo Tirol Bank. For us this was a sign of common will to move together, also in terms of further developing ourselves. And in this respect we clearly succeeded in achieving this goal because in 2012, once again a two-figure million result before taxation was generated.

Therefore, I would like to express my gratitude to all people who support us with their positive power: my fellow colleagues of the Supervisory Board, the management executives and the numerous employees. Not to forget the works council and the Supervisory board, because without their commitment it would not have been possible to achieve the progress.

The confidence that has been shown by the owner, the Province of the Tyrol by providing the capital contribution represents an additional stimulus for us to consequently pursue the way to consolidation in order to return to the road to success.

Johann Peter Hörtnagl
Member of the Managing Board of Hypo Tirol Bank

In 2012, Italy represented a central subject – both, in the media and on an internal basis. What kind of progress has been achieved?

As a result of the extraordinary commitment provided by the expert team, which had been established to manage Italian business matters, we could achieve first partial success in 2012. For that reason, I would like to thank all committed team members from Austria and Italy for their cooperation. Even though we are currently facing a challenging economic situation in Italy, we have been able to return granted loans ahead of schedule.

In accordance with our strategy, the Italian branch office network was tightened up and the preparation works regarding the closing of the branch offices in Trento and Verona were initiated. Therefore, in future, business activities in Italy will concentrate on South Tyrol with a branch office in Bolzano and two consulting centres in Bressanone and Merano.
In this context the focus is put on SME-business, private residential building and sophisticated investment.

Hypo Tirol Bank still stands by its Italian subsidiary; nevertheless, Hypo Tirol Bank Italy will return to the parent company and will be operated as an EU-branch office. The implementation of this measure required formal and above all structural and process related preparations, which kept us very busy in 2012.

Mag. Johann Kollreider
Member of the Managing Board of Hypo Tirol Bank

Can you describe the conditions relating to the sales department in 2012?
What where the challenges, the sales team was confronted with; how did the management provide support and what kind of success was achieved?

As far as the sales department is concerned, the conditions in 2012 were definitely not optimal. The reasons were permanent low interest levels in the market and critical media reports. According to schedule, we were able to implement our strategic decision to focus on the core market. In this context, we concentrate on financing small and medium-sized enterprises, the public sector as well as private and public housing. It goes without saying that offering secure saving and investment products, providing qualified advice as well as service orientated customer support are still our core competences.

Even though we had to face challenging prerequisites, we took combined efforts and consequently we were able to achieve positive success. In this respect, I refer to the development and establishment of our innovative payment solution via Smartphone – the Hypo Secure Shopping app. This product makes us a pioneer in the field of cashless payment, which is why we enjoy a lot of popularity. Together with our partners we have succeeded in placing a modern, demand-orientated product solution on the market. Feedback from experts throughout Austria proves this fact.

In the field of financing, 2012 can also be considered a very successful year. As an important partner for the local tourism companies and the numerous small and medium-sized enterprises, we safeguard competitiveness by granting loans, and we support reasonable investments in order to strengthen the earning power of a company. We also provide additional value for our customers due to the professional knowledge in the field of subsidies. As a federal state bank, the segment of private housing is of special importance. Therefore, it is particularly encoura-

ging that the product and service range of Hypo “WohnVision” is convincing. The WohnVision centres serve as the headquarters from where our housing experts take care of clients throughout the Tyrol. Thanks to their expertise they have gained in the course of many years they are skilled to support their clients on their way to their own home. The clients truly appreciate that they are offered all under one roof – attractive financing products, reasonable insurance solutions and helpful contact due to our broad network of branches.

From the position of the sales department, our product called “Dispoversicherung” (life insurance to cover overdraft) was also very successful in 2012. It represents the ultimate survivors’ pension scheme. In case of death of the insured person, the existing debt is covered by the amount insured and therefore survivors are protected and financial problems are avoided. This product is offered in cooperation with the “Tiroler Versicherung” insurance company. The sales figures reflect the high risk awareness of our clients.

In addition, sales trainings were organized with the objective to support our sales team members in connection with the realignment. In 2012, strategic considerations, concept-related work regarding target group orientated customer retention and customer acquisition were also central issues. The results we have elaborated serve as a good basis for strengthening our sales force.

CONSOLIDATED FINANCIAL REPORT 2012

I. REPORT ON BUSINESS DEVELOPMENTS AND ECONOMIC SITUATION

I. 1. HYPO TIROL BANK – OUR FEDERAL STATE BANK

HYPO TIROL BANK AG launched its business 111 years ago, on 1 January 1901. Back then, the concern for the farming community was a crucial factor for establishing a federal state bank. Failed harvests, outdated agricultural policies, increasing competition from abroad and falling prices, together with outstanding mortgage payments, led to the problem that at the end of the 19th century Tyrolean farmers found themselves teetering on the brink of financial ruin. Dr. Carl von Grabmayr, a land lawyer from Merano, knew how to overcome the dilemma and therefore, he is considered to be the spiritual founding father of the Hypo idea. He successfully supported the establishment of a state-wide mortgage bank, which was to be founded by the Province of the Tyrol.

I. 2. REPORT ON THE BRANCH OFFICES

A lot of things have changed since the bank was originally founded; changes regarding both, the product and service range and the market presence. Today, HYPO TIROL BANK AG is a universal bank acting in the core market of the Tyrol, and it is still wholly owned (100%) by the Province of the Tyrol. Hence, the preeminent mission is obvious: HYPO TIROL BANK AG is the bank for all Tyrolean people. On these grounds, top priority is given to the needs and expectations of highly varied groups of customers – ranging from private households to corporate clients, from homebuilders to entrepreneurs.

In addition to the Tyrolean core market, several other economic areas are served with a sophisticated range of products and services, such as South Tyrol, Trentino and Verona (Italy) as well as Greater Vienna. The Hypo Group comprises 20 branch offices located in the Tyrol, two branch offices and 2 consulting centres in South Tyrol/Trentino and Verona and one branch office in Vienna.

I. 3. ECONOMIC CONDITIONS IN 2012 – RECESSION AND EFFORTS TO SAVE THE EUR

Market review 2012

2012 was marked by two major topics: the European debt crisis and global economic slowdown. Economic figures in the Eurozone deteriorated continuously in the course of the year, because the recessive tendencies in the periphery, which resulted from savings efforts in these countries, increasingly, started to affect the core countries as well.

In comparison to the previous quarter, economic growth decreased in both, the second and the third quarter of 2012. Many threshold countries faced significant growth slowdown, which resulted from restrictive monetary policies and declining exports to Europe. The absolute level is still significantly higher than in the developed states. Due to stabilisation measures in the real estate market and free-spending customers, the US economy proved to be surprisingly robust and the growth rate amounted to 2.0 %. The most important central banks reacted to the weak economic growth by taking new liquidity measures and maintaining very low key interest rates.

Despite this difficult economic environment, many investment tools registered a very pleasing increased value. Shares and bond issues developed very well, even though there were some strong fluctuations from time to time. Due to the highly expansive monetary policy followed by the most important central banks, Interests on the monetary market remained on a very low level, and raw materials suffered from the weak economy.

In the past year, the most important stock markets registered double-digit positive growth except Japan. In the third quarter, the US market was clearly ahead of the European stock markets. When Barack Obama was re-elected in November, the difference became smaller, because due to a high national debt and political deadlocks people have become much more sceptical about the USA. However, in the Eurozone, progress was made regarding the defusing of the debt crisis. The strong European Stability Mechanism is starting to show some results, and even tough had have been prophecies of doom, the Euro did not crash at all, and at the end of the year a new bailout package for Greece was approved.

The measures taken by the European Central Bank (ECB) were decisive regarding the development in the segment of bond issues. The provision of practically unlimited liquidity and the mission to defend the Euro at any cost by means of buying bonds from countries facing difficulties, finally showed some results. On the grounds of newly growing confidence and the investor's search for higher interest-paying alternatives for money market investments, high-yield bonds, corporate bonds and debt certificates from emerging markets strongly benefited. The ECB also took measures to adjust income return between core countries and countries in the periphery, which explains the extraordinary positive development of Euro-state bonds.

Despite the wide fluctuation ranging from round 1.20 to more than 1.34, the US Dollar barely changed in comparison to the Euro, which underscores the strength of the European Single Currency. However, the Yen was under pressure, and its state as "save haven" increasingly disappeared as a result of Japan's relapse into recession and the increasing expansive monetary policy of the Japanese Central bank.

Impact on business success

Low interests had a negative impact on the margins in the deposit business segment; however, they positively affected the structural earnings from securities ownership. The development in the field of securities ownership was especially satisfying, because the national debt crisis could be stemmed, due to the undertaking of the ECB to by government bonds from crisis countries. As a result of the ECB's excessive liquidity provision, the pressure on the exchange rates of bank loans fell and finally led to a relieved internal banking market. Simultaneously, the costs to maintain liquidity rose, as no interest return could be generated from short-term liquidity.

Regarding the loan business, there were also some positive impacts as the default rate declined thanks to the regained confidence in the Euro on the part of consumers and entrepreneurs.

Economic development in our market areas

As far as our markets in 2012 are concerned, the confidence crisis and the national debt crisis in the Eurozone left clear marks on the economic development. While 2011 was a year that was characterized by economic recovery in Austria and Italy alike, in 2012, both countries had to face a deterioration of the economic performance indicators. Such deterioration was connected to weak dynamics in the international environment; however, the degree of deterioration differed according to the respective situation in the regions of our market area.

Austria – moderate economic growth and a slightly increasing rate of unemployment

Even though the development of the Austrian economy in 2012 was above average in the Eurozone, it had to face a noticeable decline in economic growth: The increase in real gross domestic product only amounted to 0.7 %. The economic slowdown had negative impacts on the labour market and consequently the rate of unemployment increased to 4.3 % (according to EU evaluation criteria). The inflation rate, which had increased to more than 3.0 % in the previous year, significantly declined and finally amounted to 2.5 %.

The Province of the Tyrol – development above Austrian average

Despite challenging economic conditions, the Tyrolean economy achieved economic performance above Austrian average, with a growth amounting to 1.0 %. Nevertheless, economic dynamics were too weak in order to prevent a rise in unemployment. However, the increase was quite moderate, and thus, the unemployment rate in the Tyrol amounted 2.7 % (according to EU evaluation criteria). Consequently the Tyrol could still assert its exceptional position in comparison with other Austrian provinces. This economic scenario was complemented by a decrease in the rate of inflation, which accounted for less than 3.0 %.

Italy – fall into recession complemented by a strong increase in unemployment

In 2012, Italy had to cope with a massive drop in economic performance. The recession led to a 2.3 % decline in gross domestic product; on the one hand, recession resulted from an increasing number of cost cutting measures for strengthening the national budget, on the other hand it led to a strong increase in the rate of unemployment amounting to 10.6 % (according to EU evaluation criteria), which consequently had negative effects on private consumption and additionally on economic development as a whole. At the same time, pricing pressure increased: the inflation rate rose to 3.3 % which was mainly due to tax increases during the last months as well as to Italy's strong dependence on raw material imports.

South Tyrol – compared with Italy - the crisis year was well mastered with zero growth

The assessment of the entire Italian economy illustrates that South Tyrol was not spared from the Italian economic crises in 2012, but the consequences were considerably moderate. Economic performance in South Tyrol remained static; the rate of unemployment climbed to 4.1 % (according to EU evaluation criteria) and thus accounted for lass than half of national average. However, the upward price movement was rather strong – the rate of inflation amounted to 3.0 %

I. 4. BUSINESS DEVELOPMENT

Balance Sheet Development

As expected, the balance sheet total in the last business year amounted to 9.9 billion EUR, and thus was 11.1 % below the balance sheet total of the previous year (2011: 11.2 billion EUR). This development reflects the bank's newly taken approach.

In detail, the essential single balance sheet items illustrate the following situation:

- **Receivables from credit institutions after risk provisions**

On 31 December 2012, receivables from credit institutions accounted for 251.2 million EUR (previous year: 278.5 million EUR), thus they have decreased by 27.3 million EUR compared with the previous year. The decline mainly results from a decline in interbank accounts.

- **Receivables from clients after risk management**

On the balance sheet date, receivables from clients after risk provision amounted to 6,135.8 million EUR (previous year: 6,732.1 million EUR). Therefore, the decline accounts for 596.3 million EUR and mainly refers to the corporate client business.

- **Financial assets – AFS**

The balance sheet item decreased by 186.9 million EUR to 1,075.4 million EUR (previous year: 1,262.3 million EUR), the decline mainly refers to bonds of other issuers.

- **Financial assets – HTM**

The decline in financial assets – HTM accounts for 236.3 million EUR and mainly refers to bullet bonds of other issuers. On 31 December 2012 financial assets – HTM in the amount of 391.6 million EUR (previous year: 627.9 million EUR) are shown.

- **Liabilities to credit institutions**

The decline in the interbank accounts led to a decline in this item amounting to 76.3 million EUR. On the balance sheet date liabilities to credit institutions amounted to 527.9 million EUR (previous year: 604.2 million EUR).

- **Liabilities to clients**

The sum of savings deposits was nearly the same as in the previous year. The largest decline was determined in the field of time deposits which amounted to 70.6 million EUR. The entire item decreased by 29.3 million EUR to 2,908.3 million EUR (previous year: 2,937.6 million EUR).

- **Liabilities evidenced by certificate**

Issues in the amount of 53.3 million EUR and liquidations in the amount of 411.7 million EUR led to a decline in this item. Consequently, liabilities evidenced by certificate amounted to 1,411.2 million EUR (previous years: 1,773.5 million EUR).

- **Liabilities evidenced by certificate – designated at Fair Value**

The item liabilities evidenced by certificate – designated at fair value shows issues in the amount of 146.0 million EUR and liquidations in the amount of 969.3 million EUR. In addition, changes in value accounting for -117.3 million EUR lead resulted in amount of 4,019.6 million EUR shown in the balance sheet (previous year: 4,973.2 million EUR).

Capital resources

In October 2012, based on the decision by the European Commission, the owner, the Province of the Tyrol, provided a capital contribution in the amount of 220.0 million EUR.
The participation certificates in the amount of 58.8 million EUR were called-in on 21 November 2012 in accordance with the Banking Act, article 102a.

Admissible equity capital as stated in the Banking Act increased by 109.6 million EUR in comparison to the previous year and after consideration of all deduction items amounted to 633.0 million EUR on 31 December 2012 (previous year: 523.4 million EUR). Required equity capital decreased by 19.2 million EUR within this period. On the balance sheet date, the equity capital ratio therefore amounted to 13.03% (previous year: 10.27 %) and thus increased by 2.76 % in comparison to the previous year. Consequently, HYPO TIROL BANK AG has fulfilled all corporate group requirements regarding equity capital as stated in the Banking Act. The Equity capital surplus accounts for 244.3 million

EUR (previous year: 115.6 million EUR).

On the balance sheet date, core capital accounted for 461.4 million EUR (previous year: 309.5 million EUR). Supplementary equity capital in consideration of deduction items according to the Banking Act amounted to 171.6 million EUR (previous year: 213.9 million EUR). This amount contains supplementary capital with a nominal value of 59.7 million EUR and subordinated capital with an allowable value of 143.5 million EUR. On the balance sheet date, the core capital ratio amounted to 9.50 % (previous year: 6.07 %).

Achievements

In 2011, which was a challenging business year, the further development regarding the HYPO TIROL BANK AG group as the Tyrolean federal state bank was initiated in three different ways, whereas the focus was put on the core market of the Tyrol. 12 months later, at the end of the business year, the Tyrolean federal state bank can look back at a satisfying year regarding the achievement within the corporate group.

The market environment in the past business year was still determined by the European debt crisis and an increasing confidence crisis in the banking sector. In this respect, two aspects proved to be very challenging for business control: first, the low interest level of the previous year continued to show a downward trend and second, clients were increasingly reluctant in terms of business activities.

Even though negative effects on earnings, especially on net interest income could not be prevented, due to unchanged difficult market conditions, the realignment within the HYPO TIROL BANK AG group already showed some clear positive effects on earnings in the business year 2012 with a result of 12.2 million EUR before taxation.

The following explanations illustrate the essential changes in the profit and loss account:
In the past business year net interest income decreased by 13.7 % respectively 16.7 million EUR to 104.8 million EUR (previous year: 121.5 million EUR).

In the business year 2012, risk provision in the loan business again reached the usual dimension with 30.4 million EUR (previous year: 155.3 million EUR) which corresponds to 0.47 % of receivables from clients before risk provision (previous year: 2.21 %).

The trading profit showed some very positive developments in the business year with 15.1 million EUR (previous year: -0.4 million EUR). Amongst others, this result was achieved via redemptions of our own issues ahead of schedule together with the included liquidation of the related derivatives.

In 2012, administration costs amounted to 90.5 million EUR (previous year: 86.5 million EUR). The increase, which amounted to 4.0 million EUR, on the one hand resulted from high personnel expenses due to the reduction of the interest rate for provisions of social capital to 3.75 %, and on the other hand from extraordinary depreciation of owner-occupied real estate in Bolzano.

Personnel expenses increased by 2.7 million EUR to 55.1 million EUR (previous year: 52.4 million EUR). In the field of non-personnel expenses, costs decreased by 0.8 million EUR to 26.0 million EUR (previous year: 26.8 million EUR). Depreciation of tangible and intangible assets increased by 2.1 million EUR to 9.4 million EUR (previous year: 7.3 million EUR).

Hence, the business year 2012 showed a result in the amount of 12.2 million EUR before taxation (previous year: -107.3 million EUR). Subsequent to the deduction of deferred tax expenses, which amounted to 1.5 million EUR and after booking deferred tax income amounting to a total of 7.5 million EUR the result after taxation amounted to 18.2 million EUR (previous year: -91.6 million EUR).

I. 5. BUSINESS DEVELOPMENT IN SINGLE BUSINESS SECTORS

Private clients

To be the bank for all Tyrolean people - this is the goal pursued by HYPO TIROL BANK AG. In accordance with that objective, the focus is put on providing best and personal services and on offering a wide range of products and services. In this context, the sectors “homebuilding”, “financial security” and “asset management” are decisive key factors, which are also reflected in the campaign planning. Increased emphasis is also put on the target group consisting of physicians and freelancers. The recourses in these popular client groups are further concentrated which results in a stronger market position and in closer customer relation.

In 2012, specific temporary actions were taken in all relevant product sectors, mainly in the segments asset management and financial security. The “Dispoversicherung” (life insurance to cover overdraft) was successfully placed on the market; it represents a simple but highly demanded product to cover the risks of overdraft. On the occasion of the 111th anniversary of HYPRO TIROL BANK AG a special anniversary bond was issued in order to link the subject of secure asset management to the historical development of the bank institution.
Throughout the country, HYPO TIROL BANK AG has always been the expert in the field of homebuilding. In its role as public trustee of the Province of the Tyrol, the bank manages its own business, and also handles the loans of public homebuilding. Financing private residential homebuilding becomes increasingly important. In order to offer our clients a comprehensive range of services, special emphasis was put on the ABV-building society loan at the end of the year.
The internet presence of HYPO TIROL BANK AG was revised and some parts were newly designed. The Homepage now concentrates on the product and service needs of our various groups of clients.

The market introduction of the new payment app called “Hypo Secure Shopping” was the highlight in September 2012. The payment solution represents a system that is simple and elegant at the same time – and above all it was the Tyrol where it was developed and for the first time implemented worldwide. In this context, the companies “Secure Payment Technologies” and “MPREIS” have been the project partners of HYPO TIROL BANK AG. The app offers all Tyrolean people a simple, innovative and secure payment system designed for smartphones.

For the branch offices, 2012 was a year of celebration - in more ways than one. HYPO TIROL BANK celebrated its 40th anniversary in the city of Imst, while the branch office in Vienna celebrated its 20th anniversary and the “Technik” branch office, which is located close to the Technical University, was established 25 years ago.

On the occasion of these events, the clients in Imst and Vienna benefited from special anniversary offers in the field of savings and securities; and the team of the “Technik” branch office pampered clients with a birthday party.

Future prospects 2013:
In 2013, the private client sector will put special emphasis on strategic target groups such as freelancers, selected private clients, and adolescents. In this group the acquisition of new clients is a major task. Another important source of income in 2013 will be the risk-free business on commission basis.

Corporate clients

HYPO TIROL BANK AG operates three corporate client centres and therefore is strongly represented in the core market; another corporate client centre is located in Vienna. As a result of the strong regional presence in the core market of the Tyrol, the federal state bank convinces with proximity to clients, market experience, expertise, and personal service.

Since the beginning of the year the "Today.Tomorrow" analysis has completed the consultant service provided for our corporate clients in terms of comprehensiveness. The personal needs of the entrepreneur are given top priority, with all other aspects of life such as family, living, spare time activates as well as financial security being discussed as well. The "Today.Tomorrw" analysis primarily aims at entrepreneurs; however, the concept also provides useful guidelines for managers and executive employees alike.

Another key aspect is the provision of expert advice relating to risk minimization in the field foreign currency financing with special emphasis on Swiss Franc. Clients are sensitized to the subject by their respective key account manager and they are provided with information how to secure such financing systems.

Future prospects 2013:
In 2013, the corporate client business will especially focus on small- and medium-sized enterprises and on the tourism sector (especially catering and accommodation). In addition, the private life of entrepreneurs will represent an essential target market.

Public institutions

HYPO TIROL BANK AG offers a great variety of services ranging from risk and liquidity management to financing and asset management, and thus clients are provided with both support and proficiency.
A team comprising six members is responsible for public institutions and those institutions and communities that closely cooperate with the Province of the Tyrol. The number of clients is manageable, however, the consulting demand is very high, because the above mentioned client groups have individual needs and desires. Therefore, a separate department is required in order deliver expert solutions. Furthermore, the large number of obligations and generated margin contributions justify the provision of targeted service.

Due to the establishment of a separate department, expertise and experience that have been gain in the past decades can be supplied to the strategic target group in a concentrated manner. The experts are well informed about the branches and markets, in which their clients do business and about the respective conditions. Reliability and continuity combined with immediate and uncomplicated transactions are the main characteristics in the field of customer service.

Future prospects 2013:
By strengthening customer relations, comprehensive and highly qualitative on-site customer service shall be guaranteed. The expansion of the networks in the course of cooperation leads to improved customer benefits.

Hypo Tirol Versicherungsmakler GmbH – insurance broking company

The insurance sector in the corporate group is represented by Hypo Tirol Versicherungsmakler Gmbh, which is an independent insurance broking company offering a wide range of services such as broking, consulting and developing new products.

Future prospects 2013:
In 2013, Hypo Tirol Versicherungsmakler GmbH will continue to concentrate on the clients of the freelancers segment and on corporate clients. Hypo Tirol Versicherungsmakler Gmbh is perfectly linked with all Austrian insurance companies and in its position as regional insurance broker it offers appropriate services for local clients.

Italy

HYPO TIROL BANK ITALIA S.p.A. primarily focuses on asset management, financing and real estate leasing. The bank is seated in Bolzano and operates branch offices in Bolzano, Trento and Verona and runs consulting centres in Merano and Bressanone. In addition, a network of freelance investment consultants and eleven partner bank institutions from the Northern Italian region sell investment products provided by HYPO TIROL BANK ITALIA S.p.A.
In this respect main emphasis is put on the core market – the Province of South Tyrol and Trentino. With regard to monetary and financial issues, the bank shall be a regional partner for the population and the economy alike.
Since the beginning of the year, business efforts have been intensified in the investment sector and in context with the acquisition of risk-aware financing-businesses in the core market.

Future prospects 2013:
In accordance with the company's strategy, the company structure in Italy will be further tightened, and the existing network of branches will be newly organised. The branch offices in Trento and Verona will be closed down. Business activities in South Tyrol will be managed by one branch office in Bolzano and by two consulting centres in Bressanone and Merano. Furthermore, in 2013, HYPO TIROL BANK ITALIA S.p.A. will be re-integrated into the parent company and in future it will be operated as an EU-branch office.

Treasury

Treasury Sales

In 2012, the lasting uncertain situation in the Eurozone was very irritating for investors. The wish for security pushed dividend expectations to the back and forced the interest rates of secure investments to lower at an unprecedented low rate. With the "Hypo Tirol Anniversary bond" we were able to offer our clients a good alternative to the savings book. Due to a wide range of attractive new issues, we could reach a high rate of reinvestment regarding our own bonds. Clients with foreign currency obligations in Swiss Francs (CHF) used the exchange rate of more then 1.20 in order to convert into Euro. In order to support our sales departments in providing their services, special trainings on treasury issues were organized.

Turnover register control – an efficient way to combat the debt crisis

The debt crisis in the Eurozone (especially in periphery states) and the associated rescue measures determine the events on the labour markets. The announcement by the European Central Bank (ECB) to buy state bonds of periphery states on an unlimited basis, and the commencement of the ESM combined with convincing saving efforts made by EU Governments resulted in a significant bond market relief. In the filed of investments, top priority was given to reducing credit risks. Excess liquidity in the field of liquidity management was nearly diminished due to the successful redemption of our own issues and a large number of due securities (in November). In addition, a large liquidity buffer connected with the latest liquidity management tools allow a rapid balance of fluctuations, during the day and for longer periods of time.

Asset Management

2012 was a year marked by two major topics: the European debt crisis and global economic slowdown. Regardless of the challenging macroeconomic environment, many investment instruments could generate pleasing growth rates. The market for shares and bonds showed the best development, even tough it had to cope with high fluctuations from time to time. Due to the expansive monetary policy followed by the most important central banks, monetary market interest rates remained rather low and raw materials suffered from the weak economy. Significant growth was also achieved with regard to public funds, such as the "Golden Roof equity fund", mixed funds (Crystal Roofs) and bond funds ("Hypo Corporate", "Hypo Mündel Fonds" and "Hypo Rendite Plus"). The similar situation was reflected in asset management. The implementation of various strategies resulted in substantial profits at low fluctuation range.

Future prospects 2013:
Low dividends on the one hand and earnings pressure on the other hand will result in the fact that investors will be more willing to take risks. In 2013, this might lead to a lasting friendly environment on the investment market. In 2013, we will work intensively in the filed of issuance management in order to expand the refinancing process of the bank in due time, which is also required by Basel III. Our bonds that are secured by extraordinary collateral play a crucial role in this respect.

Leasing and real estate

The leasing and real estate segment provides proficiency and takes responsibility for leasing and real estate businesses as well as for interest management. In detail, the tasks comprise the administration of interests and the management of property ownership of the HYPO TIROL BANK GROUP, which is held by the bank itself and by special purpose entities. This refers to both, our own utilised properties and to properties used by others.

Real estate and Holdings

Despite the challenging conditions in a difficult market environment, the utilisation of properties remained stable. Based on the changed strategy of HYPO TIROL BANK AG, the real estate portfolio for 2012 and the following years had to be reduced.

Future prospects 2013:
In 2013, a stable utilisation of properties is expected. In accordance with the strategic alignment of HYPO TIROL BANK AG, further properties owned by the HYPO TIROL BANK GROUP will be sold.

Leasing

Hypo Tirol Leasing GmbH is a 100 % subsidiary of Hypo Tirol Bank AG and has been contact partner for the purchase of tailored real estate and movable property leasing solutions for more than 20 years. As a legally independent company, Hypo Tirol Leasing is well positioned in Austria's leasing market, with the focus being put on real estate leasing and large volume leasing of movable property units. A small, highly qualified team of experts from our own ranks in the sales department, combined with efficient administration and contract processing, enable us to offer and manage complex financing solutions. Apart from drawing up standard leasing contracts, individual customer needs can be met due to the team's immense expertise in the field of economic and fiscal matters and the high proficiency in the sector of real estate. In this context, we cooperate with the client to provide solutions, which are far beyond regular financing, and which consider possible fiscal and balance sheet related consequences for the client.
We succeeded in completing several large real estate projects in the Tyrol, whereas two companies were established in the course of property sale. In Innsbruck, a large scale project was implemented together with one of our cooperation partners. With regard to movable property leasing, tailored financing solutions were offered together with the bank's clients and subsequent contracts were concluded.

Future prospects 2013:
Our major objectives will still be the focus on the core market of the Tyrol and the expansion of the cooperation with corporate clients. In the field of movable property leasing, the establishment of a ticket-system will allow us to react to individual inquiries much faster and more efficiently. By doing so, an increased use of potentials shall be guaranteed for both, existing clients and newly acquired clients.

I. 6. EVENTS OF SPECIAL IMPORTANCE OCCURRED AFTER THE BALANCE SHEET DATE

At the end of the business year 2012 no event of special importance occurred, which had substantial influence on the financial and profit situation.

II. REPORT ON ANTICIPATED CORPORATE DEVELOPMENTS AND RISKS

II. 1. ECONOMIC PROSPECTS FOR 2013

The business year 2012 revealed the basic difficulties, that is to say debt reduction and economic growth; both had to be reconciled. Especially in European periphery countries, national cost-cutting measures together with a credit crunch caused massive setbacks in growth. After combating the national debt crisis, the main emphasis in 2013 will probably be put on overcoming the weak economy. Therefore, the savings measures taken by the governments might be softer than in 2012, and thus they will not stress the economy. In addition, the conditions for European financial institutions will get better as a result of monetary measures taken by the European Central bank. For that reason, we think that in 2013 the economy in the Eurozone will start to grow again in the middle of the year. However, the level of growth will remain rather low for a foreseeable period of time and will still be marked by huge differences between economic competitive ore countries and countries located in the European periphery. As far as economic growth in the USA is concerned, a stronger growth rate is expected than in Europe; provided that the "fiscal cliff"-situation will be defused (otherwise many tax shields would expire and consequently the economy would be weakened). China will reach an annual growth level of approximately +0.7 %. As far as general global economic growth is concerned, the growth rate is expected to increase from 3.0 % (this year) to 4.0 % (forthcoming year).

Our basic economic scenario: Overcoming recession in Europe, little danger of inflation – probability more than 60 %

As long as the rate of unemployment does not fall under 6.5 %, we expect the US Federal Reserve to pursue its low-interest policy. The European Central bank would also be able to reduce the key interest rate (currently 0.75 %), and also Japan's Central bank under the newly elected government will probably leave no stone unturned to boost the fragile economy. Therefore – and due to the high liquidity in the markets – the monetary market interest rates should remain at a low level. Nevertheless, we do not expect danger of inflation in the first part of 2013, because the degree of capacity in the industry is low and companies refrain from new investments. Considering these facts, it is not very likely that prices will increase. However, price shocks in the raw material industry arising out of geopolitical conflicts remain unpredictable risk-factors

Impacts on money, currency and capital markets

Because of the low interest level, the search for more profitable investment alternatives will probably come to an end. This circumstance should have positive impact on company bonds and bonds from threshold countries. With regard to these two market segments, from the historic point of view, we expect low failure rates and thus a good profit/risk ratio. As far as state bonds with best financial strength and longer retention time are concerned, we really do see some risks, because the real interest rate (income return minus inflation rate), which is often negative, can not be justified and can only be attributed to the extreme risk-aversion of investors. In case of sustainable relief and increased willingness to take risks on the part of investors, income return might increase with corresponding negative consequences for exchange rates.
With regard to diversification, shares will be attractive, because in many markets dividend yield will be above bond yield and companies provide high liquidity buffers. Apart from that, in the past, shares had the highest price rise in economies where growth exceeded its lowest point. However, we expect that the next year will be marked by high price fluctuations.
In the course of the forthcoming year the raw material markets might offer some favourable ground floor opportunities.

Economic development in our market regions in 2013

The prospects that were made for 2013 and refer to the economic development in our market regions all show a slight relief, even though it will not be possible to overcome the crisis permanently. It is estimated that a noticeable recovery will be reached in the second half of the year 2013. In Austria, economic growth will only slightly increase in comparison to 2012 and the growth rate will still be below 1.0 %; in Italy another year of recession is expected, with economic decline amounting to -0.7 % and thus, being significantly lower than in 2012. According to regional economic prospects for the Tyrol and South Tyrol, a beneficial development on general national level is anticipated: interval estimates, which were established to evaluate growth in the Tyrolean economy, range from 0.1 % to 1.8 %; the South Tyrolean economy will possibly have moderate growth in the amount of up to 0.5 %. However, the estimated growth rates will be too low to prevent further increase in unemployment. Regarding the development of the consumer prices, additional relief is expected, just like in 2012; inflation rates should further decline until they reach a level of approximately 2.0 %. In summary, predictions have been made with caution and confidence and look towards a slow stabilization, whereas the confidence and national debt crisis remain to be the top instability factors, which represent the highest risk for downward development in the presented prospect figures.

II. 2. PREDICTED CORPORATE DEVELOPMENT

In 2013, the consequent implementation of the realignment of the Tyrolean federal state bank is the overall objective of HYPO TIROL BANK AG.

In this respect we have already started to focus on the clients in the core market of the Tyrol; the success we already achieved in 2012 was very important, because we succeeded in bringing the company back to a stable path of development: The minimization of outstanding volume in the market regions outside the core market and the reduction of our own investment in the field of treasury and real estate/holdings resulted in a decrease of the balance total by more than 1 billion EUR to less then 10 billion EUR. At the same time, after we had faced a loss in 2011 – caused by allowances, profit was generated again. The owners expressed their confidence by providing capital contributions in the amount of 220 million EUR, for now, it is our turn to achieve economic success in order to prove that they made the right decision.

The EU Commission expressly appreciated our strategy to focus on the core market and clients, and also confirmed that we have made the right decision by approving of a capital increase in autumn 2012. The realignment plan, on which the approval by the EU Commission is based, forms the strategy in terms of precise specifications regarding the single business areas, in order to safeguard profitability of Hypo Tirol Bank on the long run. Apart from that it includes a stress-scenario-assessment, which shows that even in case of negative economic development the bank would still be able to fulfil all legal regulatory requirements.

Based on a reinforced capital basis, in 2013, we will continue to work on implementing the requirements specified in the strategic realignment plan by taking precise measures. Therefore, we will fully concentrate on the core market of the Tyrol, where we have already enlarged our existing sales structure by means of establishing a special department for Private Banking and freelancers. Our goal is to offer high quality service. The major task in this respect is to offer financing service for local companies, the public sector and private and public housing. At the same time we will give special attention to the concerns of our clients in terms of secure savings products.

In Italy we will continue to follow the path of restructuring our business models by reducing the financial assets and by tightening the branch office structure. In the framework of active portfolio management, Austrian team members will collaborate with their Italian colleagues in order to reach sustainable improvement of the risk situation. With regard to the legal form of the company, the branch offices will be transformed into an EU-branch office, whereas with regard to single fields of expertise, operative collaboration with the department of the parent company shall be deepened in order to use synergies in the best possible way.

Furthermore, we will also continue to reduce our own investments, i.e. financing outside the core market so that the balance sheet total significantly decreases again and to further approach to the medium-term value of 8.0 billion EUR in 2015. Another goal is to increase profitability, which shall be reached by taking financial measures – on the one hand in terms of material cost cuttings, on the other hand in the framework of natural fluctuation with simultaneous optimization of the employment of existing human resources.

Altogether, in 2013 we will again be fully committed to sustainably bring the group of HYPO TIROL BANK AG back to the road of success and by doing so we will fulfil our responsibilities as the federal state bank.

First, the responsibility to act as a reliable partner who stands by its clients and who provides support in all financial matters; and second, the responsibility to support the positive economic development of the Province of the Tyrol. In this context we will make major contributions by providing loans in the core market – and in the medium term by making appropriate contributions to the regional budget via dividends. And last but not least, the responsibility to safeguard assets on the long run and to maintain them for young people and for the next generations alike.

II. 3. MAJOR RISKS AND UNCERTAINTIES

With regard to details regarding the goals and methods in risk management and the overall financial risks of the HYPO TIROL BANK AG group, we refer to the financial risks and risk management sections in the Notes.

II. 4. REPORT ON THE MAJOR CHARACTERISTIC OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS, WITH SPECIAL EMPHASIS ON THE PREPARATION OF THE FINANCIAL STATEMENT

Definitions

The risk management system in the group includes all activities which help to identify, analyse and evaluate business risks and consequently take appropriate measures to prevent such risks from affecting the company in a negative way.

With regard to the internal control system (IKS), risk management is mainly supported by the methodical evaluation of risks which forms the basis for the internal control system.

The **internal control system** defines all principles, procedures and measures which help to protect the assets of the company, to guarantee proper preparation of the financial statement and to comply with all legal provisions.

The corporate group describes the **internal control and risk management system with regard to the preparation of financial statements** as a system that is especially designed to guarantee the proper, reliable and timely preparation of internal and external financial statements in accordance with all legal provisions. 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 recording in the internal company reports and in the end-of-year external financial statement.

Objectives

The Managing Board of HYPO TIROL BANK AG is responsible for the establishment and maintenance of an appropriately equipped internal control and risk management system.

With regard to exercising this responsibility, an IKS 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).

With regard to the preparation of financial statements, the objective of the IKS is to recognise risks inherent to the process by employing a control system and to ensure the proper preparation of an annual financial statement in compliance with all regulations.

Thus, the established IKS contains specifications, directives and guidelines which

- regulate the orderly recording of transactions and the keeping of orderly records in order to ensure the correct interpretation of business cases
- ensure sufficient security so that business cases can be recorded as required in order to guarantee the preparation of the financial statement in accordance with the respective legal provisions, and
- ensure adequate security with regard to preventing, reducing and discovering errors and irregularities which might have substantial effect on the financial reports.

The IKS manual, which shall be understood as methodical approach for implementing a cross-department, unified internal control system, serves as the basis for these requirements, directives and guidelines. Our internal control system does not primarily focus on establishing additional controls which aim at the implementation and maintenance of legal or other internal requirements or requirements relating to the supervision of banks. The major issue in this respect is, whether the controls as a whole can build a system. This process model is based on the international example of five components of the COSO Framework: control environment, risk assessment, control activities, information and communication, supervision.

Components of the IKS in the context of preparing the Financial Statements

- The **control field** serves as the framework in which the IKS can be operated. The major instruments of the control field are regulations of organizational and operational structure and processes which adhere to the separation-of-functions principle and the four-eye principle. The separation-of-functions and the four-eye principles represent core elements of the internal control system. Placing several sensitive activities in one hand or depending exclusively on self control may be a stimulus to malversation. The organisational and operational structure helps us to counteract such risks.

  Furthermore, standardised qualification and education programmes for staff members guarantee that the level of professional education which is required for the respective position is reached. The foundations of the control field, however, are laid by integrity and the Code of Ethics and Conduct of each and every employee. In particular, the power of setting the right example on the part of managers and executives of HYPO TIROL BANK AG is of special importance.

- Risk recognition and risk assessment are both built on the environment of the control field, which forms the basis of the other IKS components. The point of origin for effective risk assessment is found in our bank's corporate objectives. Pursuant to the overriding goals, the risks which are part and parcel of the selected business model, the processes are defined and recorded. **Risk assessment** with regard to the strategic dimensions of the COSO model is conducted by the risk management department on an annual basis. According to such risk assessment IKS-relevant processes were defined in HYPO TIROL BANK AG.

  Our corporate objectives relating to financial reporting shall also be understood as the starting point for efficient risk assessment in the process of preparing the Financial Statements. The foremost goal of financial reporting is the 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, the following steps have been taken:
– first of all, the risks which should be minimized are identified,
– control objectives are defined for these risks, which must be covered by the appropriate control activities,
– the results are recorded in an area-orientated risk control matrix.

A detailed and comprehensive understanding of the process of preparing Financial Statements is the foundation of identifying major risks. Thus, process documentation (process flow charts) as a transparent and logical illustration of the various sequences of the preparation of financial statements is of utmost importance. Apart from that, the process documentation clearly regulates the areas of responsibility for each individual step and its interfaces.

The key business processes of HYPO TIROL BANK AG are the loan business and the bank's own financial investments portfolio. Consequently they have been defined as IKS-relevant processes. The process of preparing financial statements, as another IKS-relevant field, is responsible for the numerical illustration of these business processes. In this respect, the presentation of inherent risks in connection with the loan business and the bank's own portfolio is of special importance. In accordance with the comments on financial risks and risk management, we define loan risk and market price risk as prime risks in these business processes.

To identify **loan risk**, quantitative and qualitative risk characteristics already exist and act as indicators for early risk recognition. In the event that impaired receivables are detected due to the early warning system, balance sheet risk provisions are ensured through the coalescing of all IKS components. These include, in terms of structural and process orientated set-up, a strict separation between front-office and back-office, regarding risk assessment, the annual re-definition of risk limits and, ultimately, the ongoing control to maintain defined limits and regulations with regard to decision making. But also the various strategies that have been defined by working directives and refer to cases ranging from downgraded credit ratings to the consideration of risk provision in the accounts corresponding to these working directives, are integral components of our internal control system.

Market risk, to be more precise, the danger of losses caused by market price changes, has gained importance especially in light of the financial market crisis. The development of exchange rates and the corresponding evaluation of securities significantly influenced the development of current earnings in the last years. With regard to the preparation of financial statements, it was of central importance to recognize any need to impairment as soon as possible, which consequently underscored the immense significance of a functioning internal control system. In addition, the evaluation of the impairment amount in connection with the inactive markets represented another great challenge. In this connection, all IKS components strongly contribute to the minimisation of risks of substantial misrepresentation in illustrating these business processes. Finally, balance sheet and evaluation directives regulate the identification and the assessment of reserves.

- The purpose of **Control activities** is to ensure the actual implementation of measures taken by HYPO TIROL AN AG in order to control risks and to reach the business goals. For effectiveness purposes, such control activities are directly integrated into business processes and are illustrated in the respective process documentation and the corresponding risk-control matrix. In addition, the documentation of controls is an essential part of the IKS. Depending on the timing, we distinguish between error avoiding and error detecting control activities. Control activities avoiding errors are e.g. competence defining regulations or limited access to the system in the form of user policies and password policies. Error detecting controls are e.g. compliance and adjustment controls.

Regarding the computerised processing of our business activities we are supported by the General Computing Centre (ARZ - Allgemeines Rechenzentrum). In this connection, we employ our own developments, based on state-of-the-art technology, as well as tried and tested standard products. 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 Financial Statements. In addition, access regulations, strict data security specifications and automatic adjustment controls are just a few examples our control measures which are applied in the entire IT landscape.

- In order to use the IKS efficiently, specific and **wide ranging information and communication channels** have been designed for all important business areas, so that staff members are supplied with adequate information which is necessary to carry out the required controls. In this context and for transparency reasons, the IKS manual is accessible for all employees via Intranet. In particular, the explicit illustrations of controls in the process documentation (process flow charts, working directives, etc), for the preparation of Financial Statements - and also for all other risk-relevant and IKS-relevant processes – and in the risk control matrices creates awareness in the minds of all involved employees. Information channels have been designed in such a way that all relevant information can be distributed in reliable, timely and objective manner. For internal communication, corresponding procedures and tools have been institutionalised, such as Portal News, Intranet, Managing Board e-mails, document distribution via Intranet platforms, as well as internal seminars and training workshops.

Moreover, institutional information channels in the framework of management reports make business activities and their corresponding inherent risks transparent and demonstrate the development of earnings. Members of the Managing and Supervisory Board or shareholders are provided with information in compliance with institutional standards. The Managing Board has the obligation to submit quarterly prepared reports on profit and risk situations to the Supervisory Board and the Auditing Committee.

- An additional prerequisite for the effectiveness of our IKS is the maintenance of functioning control measures on the long run. Thus, the IKS of the corporate group is regularly monitored in order to guarantee the compliance with the defined processes and controls and to make adjustments as applicable, whenever the circumstances or the environment are subject to changes. In this context, executive managers play an important role.

The **monitoring** of the IKS is carried out on various levels. On the process level, the monitoring of the IKS is guaranteed by means of organisational regulations within the company. Managers monitor the actual execution of the controls by making random tests.

The Managing Board ensures a comprehensive company-wide monitoring of the IKS by defining the necessary structural mechanisms (assigning responsibilities, creating suitable information systems, etc.) and reporting processes, e.g. the illustration of control results. In addition, the IKS coordinator prepares an annual report on IKS-relevant processes.

Furthermore, the bank's internal audit controls the IKS in the course of its review. This internal audit has the following responsibilities:

- Independent and objective audits, as well as consulting and supervisory tasks with regard to the quality assurance of the IKS
- Evaluation of the qualification and efficiency of the IKS
- Suggestions for further development

In the course of exercising their own responsibilities, the Supervisory Board and the Audit Committee also regularly inform themselves about the status of IKS, e.g. in the framework of revolving discussions with the Managing Board.

Conclusion

The IKS is not a static system, on the contrary, it has to be altered and adjusted continually to meet the changing requirements. The identification of such necessities, which are caused by new risks and continual supervision and assessment of its efficiency, is considered to be the central task of utmost priority of HYPO TIROL BANK AG.

III. HUMAN RESOURCES

At 31 December 2012 the number of employees of HYPO TIROL BANK AG amounted to 659 (measured by capacity), in comparison to the previous year with 674 employees. 561 employees had a full-time job an 89 worked part-time. In addition, 9 apprentices were employed.

The main tasks of the past business year were company-wide optimized processes. Continuous and sustainable processes of improvement were anchored in all levels of the company and the management.

The prevailing and extraordinary performance of each employee in the HYPO TIROL BANK AG serves as the basis for the new alignment of the company and the business success in the future. A unified understanding of managing responsibilities builds the appropriate framework.

IV. REPORT ON RESEARCH AND DEVELOPMENT

With regard to research and development, no branch specific statements have been made.

Innsbruck, 18 March 2013

HYPO TIROL BANK AG

Managing Board

Johann Peter Hörtnagl | Dr. Markus Jochum | Mag. Johann Kollreider

COMPANY KEY FIGURES 2012

In million Euro	2012	2011	Change	in %
Balance sheet total	9.930	11.170	-1.240	-11,10
Receivables from clients	6.136	6.732	-596	-8,85
Primary capital	2.908	2.938	-30	-1,02
Liabilities evidenced by certificate	5.315	6.597	-1.282	-19,43
Equity capital according.to Banking Act	633	523	110	21,03
Core capital	461	310	151	48,71

In k Euro	2012	2011	Change	in %
Net interest income after risk provision	74.389	-33.826	108.215	>100
Net commission income	27.525	26.307	1.218	4,63
Administrative expenses	-90.504	-86.490	-4.014	4,64
Consolidated result before taxation	12.188	-107.291	119.479	>100

	2012	2011
Equity capital quota	13,03 %	10,27 %
Return on Equity (ROE)	4,00 %	-24,00 %

Human resources	2012	2011
Number of employees – annual average	659	674

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I. PROFIT AND LOSS ACCOUNT

in k €	Notes	2012	2011	Change in K EUR	Change in %
Interest and similar income		327.814	374.085	-46.271	-12,4
Interest and similar expenses		-222.991	-252.572	29.581	-11,7
NET INTEREST INCOME	**(35),(40)**	**104.823**	**121.513**	**-16.690**	**-13,7**
Loan risk provision	(36),(41)	-30.434	-155.339	124.905	-80,4
NET INTEREST IINCOME AFTER RISK PROVISION		**74.389**	**-33.826**	**108.215**	**>100**
Commission income		33.892	32.966	926	2,8
Commission expenses		-6.367	-6.659	292	-4,4
Net commission income	**(37),(42)**	**27.525**	**26.307**	**1.218**	**4,6**
Trading result	(38),(43)	15.071	-419	15.490	>100
Result from hedge accounting	(44)	2.241	2.244	-3	-0,1
Result from financial instruments – at fair value through profit or loss	(39),(45)	-7.114	-3.477	-3.637	>100
Results other financial instruments	(46)	-13.571	-13.158	-413	3,1
Administrative expenses	(47)	-90.504	-86.490	-4.014	4,6
Other income	(48)	26.415	21.966	4.449	20,3
Other expenses	(49)	-24.265	-23.248	-1.017	4,4
Result from associated companies	(50)	2.001	2.810	-809	-28,8
Result before taxation		**12.188**	**-107.291**	**119.479**	**>100**
Tax on income and profit	(51)	5.990	15.690	-9.700	-61,8
Result after taxation		**18.178**	**-91.601**	**109.779**	**>100**

The HYPO TIROL BANK AG group is wholly owned by the Landes-Hypothekenbank Tirol Anteilsverwaltung, Innsbruck, therefore, the financial results are to be entirely assigned to Landes-Hypothekenbank Tirol Anteilsverwaltung, Innsbruck.

II. STATEMENT OF COMPREHENSIVE INCOME

in k €	2012	2011	Change in K EUR	Change in %
Result after taxation	**18.178**	**-91.601**	109.779	>100
Currency translation adjustments	**0**	**0**	**0**	**0,0**
Evaluation of financial assets - AFS - included in other income	26.935	-6.559	33.494	>100
Reclassification of evaluation results from disposed of financial assets - AFS to net income for the period	-9.552	-10.514	962	-9,1
Reclassification of evaluation results from impairment of financial assets - AFS to net income for the period	3.796	5.882	-2.086	-35,5
Deferred tax from evaluation of financial assets - AFS included in other income	-5.295	2.798	-8.093	>100
Evaluation result of financial assets – AFS	**15.884**	**-8.393**	**24.277**	**>100**
Other results	**15.884**	**-8.393**	**24.277**	**>100**
Total result	**34.062**	**-99.994**	**134.056**	**>100**

See also: Statement of changes in equity IV.

The HYPO TIROL BANK AG group is wholly owned by the Landes-Hypothekenbank Tirol Anteilsverwaltung, Innsbruck, therefore, the financial results are to be entirely assigned to Landes-Hypothekenbank Tirol Anteilsverwaltung, Innsbruck.

III. BALANCE SHEET

Assets

in k €	Notes	2012	2011	Change in K EUR	Change in %
Cash assets reserve	(16),(52)	**103.304**	**94.762**	**8.542**	**9,0**
Receivables from credit institutions	(17),(53)	252.461	279.783	-27.322	-9,8
Risk provision	(18),(55)	-1.253	-1.253	0	0,0
Receivables from credit institutions after risk provision		**251.208**	**278.530**	**-27.322**	**-9,8**
Receivables from clients	(17),(54)	6.477.181	7.038.628	-561.447	-8,0
Risk provision	(18),(55)	-341.339	-306.486	-34.853	11,4
Receivables from clients after risk provision		**6.135.842**	**6.732.142**	**-596.300**	**-8,9**
Positive market values from derivative hedging instruments	(11),(56)	**491**	**2.469**	**-1.978**	**-80,1**
Trading assets and derivatives	(8),(57)	**610.502**	**751.654**	**-141.152**	**-18,8**
Financial assets – designated at fair value	(9),(58)	**995.105**	**979.091**	**16.014**	**1,6**
Financial assets – AFS	(12),(59)	**1.075.389**	**1.262.250**	**-186.861**	**-14,8**
Financial assets – HTM	(13),(60)	**391.565**	**627.878**	**-236.313**	**-37,6**
Financial assets – L&R	(14),(61)	**43.221**	**74.368**	**-31.147**	**-41,9**
Interests in associated companies	(5),(62)	**36.705**	**36.788**	**-83**	**-0,2**
Real estate kept as financial investment	(20),(63)	**120.749**	**148.834**	**-28.085**	**-18,9**
Intangible assets	(21),(64)	**1.564**	**1.854**	**-290**	**-15,6**
Tangible assets	(22),(65)	**86.788**	**93.598**	**-6.810**	**-7,3**
Other assets	(24),(66)	**40.274**	**68.517**	**-28.243**	**-41,2**
Assets kept for sale	(66)	**17.121**	**0**	**17.121**	**100,0**
Deferred tax assets	(25),(67)	**19.774**	**17.236**	**2.538**	**14,7**
TOTAL ASSETS		**9.929.602**	**11.169.971**	**-1.240.369**	**-11,1**

Liabilities and equity capital

in k €	Notes	2012	2011	Change in K EUR	Change in %
Liabilities to credit institutions	(26),(68)	**527.867**	**604.221**	**-76.354**	**-12,6**
Liabilities to clients	(26),(69)	**2.908.318**	**2.937.628**	**-29.310**	**-1,0**
Liabilities evidenced by certificate	(26),(70)	**1.411.172**	**1.773.512**	**-362.340**	**-20,4**
Negative market values from derivative hedging instruments	(11),(71)	**51.140**	**46.299**	**4.841**	**10,5**
Derivatives	(8),(72)	**253.401**	**227.385**	**26.016**	**11,4**
Financial liabilities – designated at fair value	(9),(73)	**4.019.624**	**4.973.232**	**-953.608**	**-19,2**
Provisions	(27),(74)	**41.932**	**68.292**	**-26.360**	**-38,6**
Other liabilities	(28),(75)	**64.514**	**59.851**	**4.663**	**7,8**
Current tax liabilities	(25),(76)	**1.763**	**3.432**	**-1.669**	**-48,6**
Deferred tax liabilities	(25),(67)	**1.345**	**995**	**350**	**35,2**
Subordinated and supplementary capital	(29),(77)	**106.184**	**128.044**	**-21.860**	**-17,1**
Equity capital	(IV),(31),(78)	**542.342**	**347.080**	**195.262**	**56,3**
TOTAL LIABILITIES AND TOTAL EQUITY CAPITAL		**9.929.602**	**11.169.971**	**-1.240.369**	**-11,1**

IV. STATEMENT OF CHANGES IN EQUITY

in k €	Subscribed capital	Capital reserves	Available-for-sale-reserves	Currency translation reserves	Cumulative income	Total Equity capital
As at Jan 1st 2011	108.800	91.233	-8.148	160	263.030	**455.075**
Income after taxation	0	0	0	0	-91.601	**-91.601**
Other income	0	0	-8.393	0	0	**-8.393**
Total income 2011	**0**	**0**	**-8.393**	**0**	**-91.601**	**-99.994**
Dividends paid	0	0	0	0	-8.203	**-8.203**
Change in consolidation basis	0	0	0	-160	362	**202**
As at Dec 31st 2011	**108.800**	**91.233**	**-16.541**	**0**	**163.588**	**347.080**
As at Jan 1st 2012	108.800	91.233	-16.541	0	163.588	**347.080**
Income after taxation	0	0	0	0	18.178	**18.178**
Other income	0	0	15.884	0	0	**15.884**
Total income 2012	**0**	**0**	**15.884**	**0**	**18.178**	**34.062**
Collection of participation capital	-58.800	0	0	0	0	**-58.800**
Capital contribution	0	220.000	0	0	0	**220.000**
Stand 31.12.2012	**50.000**	**311.233**	**-657**	**0**	**181.766**	**542.342**

For further details regarding equity please see note (78).

V. CASH FLOW STATEMENT

in k €	2012	2011
Result after taxation	**18.178**	**-91.601**
Cash-affecting items and transfer to cash flow from operating business activities included in the result		
Depreciation and appreciation to assets	20.550	11.266
Allocation and dissolution of reserves and risk provisions	8.492	139.840
Result from sale of assets	935	-728
Tax from income and profit	-8.714	-15.690
Correction interest profit	-96.776	-118.997
Profits from associated companies	-2.001	-2.810
Unrealised foreign currency profits and losses	2.552	-2.570
Change of assets and liabilities from current business activities after cash item correction		
Receivables from credit institutions	27.099	15.141
Receivables from clients	560.024	330.134
Trading assets and derivatives and financial assets at fair value	93.855	-295.887
Other assets	13.206	-11.144
Liabilities to credit institutions	-76.124	-45.561
Liabilities to clients	-34.140	4.474
Liabilities evidenced by certificate and financial liabilities at fair value	-1.270.373	-436.690
Negative market values from derivative hedging instruments	5.246	13.661
Derivatives	44.436	75.153
Other liabilities	-8.182	12.934
Interests received	364.096	370.113
Interests paid	-257.874	-253.030
Net total from income tax payments and tax refunds	12.408	-1.600
Cash flow from current business activities	**-583.107**	**-303.592**
Cash inflow from sale/liquidation of		
Financial assets – HTM, AFS, L&R and interests	527.099	539.033
Tangible assets, intangible assets and investment properties	27.532	6.324
Cash outflow due to investments in		
Financial assets – HTM, AFS, L&R and interests	-70.013	-225.927
Tangible assets and intangible assets	-3.958	-6.823
Cash flow from investment activities	**480.660**	**312.607**
Cash-affecting changes in subordinated and supplementary capital	-50.211	-786
Dividends paid	0	-8.203
Called-in participation capital/capital contribution by the Province of the Tyrol	161.200	0
Cash flow from financing activities	**110.989**	**-8.989**
Cash holdings at the end of the previous period	**94.762**	**94.736**
Cash flow from current business activities	-583.107	-303.592
Cash flow from investment activities	480.660	312.607
Cash flow from financing activities	110.989	-8.989
Cash holdings at the end of the period	103.304	94.762

The cash balance illustrated corresponds to the cash reserve (wee Notes (16) and (52)).

VI. APPENDIX (NOTES)

PRINCIPLES OF THE CONSOLIDATED FINANCIAL STATEMENT

HYPO TIROL BANK AG and its subsidiaries offer their customers a comprehensive range of financial services. Our core business comprises corporate business, private client business as well as leasing business. In addition, our clients are offered a wide range of services in the field of insurance and real estate. The corporate group's core market is the Tyrol, extended by the Province of South Tyrol and Trentino in Northern Italy. In the Eastern part of Austria, the bank is represented by its branch office in Vienna.

The bank is a public limited company seated in Innsbruck and listed in the companies register Innsbruck, Austria (FBN 171611w). The bank's address is Meraner Strasse 8, 6020 Innsbruck.

The HYPO TIROL BANK AG group is part of the scope of consolidation of the Landes-Hypothekenbank Tirol Anteilsverwaltung, seated in Innsbruck. The present Consolidated Financial Statement is integrated in the Consolidated Financial Statements of Landes-Hypothekenbank Tirol Anteilsverwaltung, Innsbruck.

This consolidated financial statement was created in accordance with The Austrian Banking Act article 59a, in combination with The Austrian Company Code of International Financial Reporting Standards article 245a, section 1, as applicable in EU countries.

Apart from the consolidated balance sheet and the consolidated profit and loss account and the comprehensive income statement, the financial statement also includes statement of changes in equity, cash flow statement and notes. Segment reports are included in the notes and illustrated under section (83).

The reporting currency is Euro (€).Unless specifically indicated otherwise, all amounts are shown in thousands of (k) EUR.

BALANCING EVALUATION METHODS

(1) Principles

The consolidated financial statement is based on the principle of evaluation at historical acquisition or production costs, with the exception that financial instruments in the categories "designated at fair value", "available for sale" and all derivative financial instruments are evaluated at the fair value which can be attributed to them.

The preparation of the consolidated financial statement was based on the going-concern assumption. Income and expenses are deferred pro rata over time and listed in the net profit or loss of the period to which they are attributable on a commercial basis.

The fundamental accounting and valuation methods used for preparing the present Consolidated Financial Statement are described in the following. Unless stated otherwise, the methods are consistently and continuously employed across the group.

The transfer of the result from the consolidated profit and loss account to the total result with detailed illustration of other results has peen prepared in a separate statement (see section II, comprehensive income statement).

Cash flow from operating business activities is calculated by using the indirect method. More precisely, the consolidated result is first adjusted for non-cash items, in particular evaluation results and provisions recognized. The item "Other Adjustments" largely contains interest and income tax payments in the business year, which are shown in the cash flow from current business activities.

In cash flow from investment activities, payments into and out of the account are illustrated, whereas the main purpose is the use for long term investment or employment.

Financing activities include equity capital and cash flows from subordinate and supplementary capital.

(2) Changes in Financial Reporting Standards

The balance sheet and all evaluations are prepared in accordance with all International Financial Reporting Standards required by the EU and valid at the key date and during the reporting period.

Standards and interpretations which will become effective on 1 January 2013 or later, or shall be implemented later, as well as standards and interpretations that are not required by the EU have not been applied.

In general, the corporate group shall apply all standards as at the date they become effective or mandatory.

From 2012 on, the following standards or amendments of standards shall be applied for the first time:

The amendments to **IFRS 7 Financial Instruments: Disclosures** together with IFRS 7.42A to 42H, which replace IFRS 7.13, lead to wide ranging expansion of details with regard to depreciations of financial assets in financial reporting.
Details on transferred financial assets which are not depreciated entirety are to be supplemented by an overview of the accompanying fair value of the assets and the liabilities attendant on them, as well as by additional qualitative details regarding the transactions. Furthermore, the changes in IFRS 7 also require qualitative and quantitative details about financial assets which are depreciated entirely, but for which the financial engagement continues. The changes in IFRS 7 are to be applied to business years which begin on or after 1 July 2011. The application of these standards will not lead to any adjustments, but merely to additional informational details in the Notes, insofar as such assets and liabilities are held by the Hypo Group.

The following amended standards have already been published, but their application is not mandatory:

In December 2010, the IASB published two small amendments to **IFRS 1 "First-time Adoption of International Financial Reporting Standards (IFRSs)"**. The first amendment replaces the references to the fixed date of change "1 January 2004" with "date of transition to IFRS". The second change provides application guidelines of how to proceed in reporting statements which conform to IFRS when a company was not able to adhere to IFRS rules for a certain period of time because its business-functional currency had been subject to heavy fluctuation in the exchange rate and/or high inflation. Both changes took effect on 1 July 2011. The amendments were transferred to European law via EU regulation on 11 December 2012. In the course of the transfer the binding date of application of the original standard regarding business years beginning on or after 1 January 2013 was postponed. However, the amendments shall have no effect on the consolidated financial statement.

Another amendment to **IFRS 1 "First-time Adoption of International Financial Reporting Standards (IFRSs)"** was published by IASB in March 2012. The amendment allows new users to enjoy the same facilitations regarding the balancing of loans granted by the state like existing users. According to an exception regulation that was newly integrated to IFRS 1, and in addition to the existing provision regarding the retrospective application of IFRS by new users, new users shall generally and prospectively apply provision IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" regarding loans granted by the state, which already existed at the time of transition to IRFS. The amendments become effective for the business years beginning on or after 1 January 2013. Application ahead of schedule shall be permitted. The amendments were adopted by IASB, however, the still have to be transferred into European Law by the EU. The application of such amendments shall not have any effects on the consolidated financial statement.

In November 2009, the IASB published **IFRS 9 "Financial Instruments"** which provided a first step in the project to replace IAS 39 "Financial Instruments: Recognition and Measurement". With IFRS 9, new rules for classifying and assessing financial assets which fall under the applicability of IAS 39 are introduced. According to this, all financial assets are classified on the basis of the given business model of a company for controlling its financial assets and the characteristics of payment flow of the respective financial assets. In accordance with this, a financial asset shall be evaluated at continuous costs of acquisition, if the goal of the business model of the respective company foresees holding the financial assets, thereby bringing about contracted payment flow and fulfilling the contracted terms of the financial assets which exclusively show redemptions and interest payments. A financial asset which does not fulfil both criteria is subsequently evaluated at fair value. IFRS 9, in the meantime, has been replaced by a revised version IFRS 9 R. The revised version was published in October 2010 by IASB. The revised standard supplements new rules for classifying and assessing financial liabilities. IFRS 9 R takes effect for business years beginning on or after 1 January 2013. IFRS 9 R was passed by the IASB, but has not taken effect in European law. The Hypo Group is currently examining the potential effects of implementing this change on the consolidated financial statement.

In December 2011, the IASB published amendments to **IAS 32 "offsetting financial assets and financial liabilities"**. The rules regarding offsetting financial instruments basically remain unchanged. Only the application guidelines described in IAS 32 "Financial Instruments - Presentation" were completed. Apart from that, additional presentation rules regarding IFRS 7 "Financial Instruments – disclosure" were introduced. For instruments subject to global accounting agreements (Master Netting Arrangements), or similar guidelines, future details will be necessary, even if the underlying instruments are not offset in the balance sheet. The amendments take effect in business years beginning on or after 1 January 2014. The application shall be on a retrospective basis. The changes were integrated in European Law on 13 December 2012 via EU regulation. The Hypo Group is currently examining the potential effects of implementing the amendments on the consolidated financial statement.

In June 2011, the IASB published amendments to **IAS 19 "Employee Benefits" ("IAS 19 R")**. The previously admissible limit of all changes of cash value of pension obligations and fair value of plan assets (including the corridor approach which is not used by the Hypo Group) is no longer possible. Apart from that, IAS 19 R requires a net interest approach, which will replace the anticipated profit from planned assets and enlarges the disclosure obligations for performance-defined plans. The amendments shall apply in business years beginning on or after 1 January 2013. Application ahead of schedule shall be permitted. The amendments have been transferred to European Law via EU regulation. The Hypo Group is currently examining the potential effects of implementing the amendments on the consolidated financial statement.

In June 2011, the IASB published amendments to **IAS 1 "Presentation of Financial Statements"**. The amendments enable that the items under Other Comprehensive Income are categorized in terms of whether or not the respective item will in future be retransferred into the profit and loss account. In addition, it was confirmed that it will still be permitted to present the parts of Other Income in a single or in two separate statements. The amendments take effect in business years beginning on or after 1 July 2012. Application ahead of schedule is permitted. The amendments were transferred to European Law by the IASB via EU regulation on 5 June 2012. The Hypo Group is currently examining the potential effects of implementing the amendments on the consolidated financial statement.

IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28
In May 2011, the IASB published IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint arrangements", IFRS 12 "Disclosure of interests in other entities", as well as a revised version of IAS 27 "Consolidated and Separate Financial Statements", which was adjusted as a result of the publication of IFRS 10 but its provisions regarding the separate statements remain unchanged, as well as a revised version of IAS 28 "Associated Companies", which was adjusted correspondingly, due to the publication of IFRS 10 and IFRS 11.

IFRS 10 "Consolidated Financial Statements" replaces IAS 27 "Consolidated and Single Statements" and SIC-12 "Consolidation - Special Purpose Entities" and creates a standardized definition for the term controlling, which shall apply to all companies, including the previously analysed special purpose entities under SIC-12. An investor controls a share if he or she is subject to varying return flow from the connection with this investment holding; and if the investor has the possibility to influence such return flow through management of the company. The control shall be determined on the basis of all current details and circumstances; moreover it shall be assessed and analysed whenever such details and circumstances change.

IFRS 11 "Joint Arrangements" replaces IAS 31 "Joint Venture" and SIC-13 "Jointly-Controlled Entities - Non-monetary Contributions by Venturers". IFRS 11 now distinguishes between two types of joint arrangements (joint activities and joint ventures) and defines the different rights and obligations of the respective arrangements. The previous right of choice regarding pro rata consolidation for joint ventures, which is not applied by the group, was eliminated; applying the equity method is now mandatory.

IFRS 12 "Disclosure of Interests in Other Entities" defines disclosure regulations for all disclosures regarding the type, the connected risks and the financial effects of interests in subsidiaries, associated companies and joint arrangements, as well as disclosures regarding non-consolidated structural entities. In comparison to IAS 27 and SIC-12, IFRS requires more comprehensive disclosures and defines the minimum information that shall be provided in order to fulfil the objectives.

According to the original standards, all standards take effect in business years beginning on or after 1 January 2013. Application ahead of schedule shall be permitted in case all standards are applied ahead of schedule simultaneously. However, Companies may disclose individual compulsory details in their consolidated financial statement ahead of schedule without the entire application of IFRS 12. All these standards were transferred into European Law via EU regulation of 11 December 2012. In the course the adoption the binding application date regarding the original standards was postponed to business years beginning on or after 1 January 2014. The Hypo Group is currently assessing the potential effects of implementing the amendments on the consolidated financial statement.

In May 2011, the IASB published **IFRS 13 "Fair Value Measurement"**, which merges the rules on measuring fair value within the definitions of the IFRS. IFRS 13 changes the definition of fair value and defines how to measure at fair value if another IFRS requires or permits fair value measurement. In addition fair value measurement requires disclosure of comprehensive information. IFRS 13 takes effect in business years beginning on or after 1 January 2013. Application ahead of schedule is permitted. IFRS 13 was transferred to European Law via EU regulation of 11 December 2012. The Hypo Group is currently assessing the potential effects of implementing the amendments on the consolidated financial statement.

In the framework of the annual improvement report, the IASB published amendments of the existing IFRS in May 2012. This involves amendments to various IFRS affecting approach, measurement and disclosure of business cases and terminological and editorial corrections. The amendments take effect in business years beginning on or after 1 January 2013. Application ahead of schedule is permitted. The amendments have been passed by the IASB but require the transfer to European Law via the EU. Applying these amendments shall have no considerable effects on the Consolidated Financial Statement.

(3) Estimates and evaluations submitted by the Management

In the course of preparing the Consolidated Financial Statement, 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 the approach and assessment of deferred income taxes. The methods regarding such estimates and 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.

The assumptions are due to premises which are based on the latest knowledge. The expected future business developments were based on the respective circumstances at the time of preparing the financial statement 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 o the management.
For further details regarding stress test please see notes on financial risks and risk management (pp. 64).

A) Loan risk management

With regard to individual impairment and in the event that it is objectively indicated, possible impairment is formed on the basis of the cash value of the expected future cash flow {see Notes (18)}. The estimation of expected cash flows requires assumptions considering the amount and the time of future payments. This also applies for impairment on portfolio level. These assumptions, together with estimates and evaluations of indicators which lead to loan risk management, 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 loan risk management and actual loan default.

The amount and the development of loan risk management are described under Note (55).

B) Impairment of financial assets available for sale (AFS)

Impairment shall be estimated if there is a significant and prolonged decline in fair value under acquisition costs. In case of impairment, the AFS stock is adjusted and the AFS reserve is adapted to the amount of impairment, thus the amount is considered in the profit and loss account. Estimates regarding the importance of impairment are based on assumptions. Defined thresholds concerning changes in fair value and timing serve reference in terms of assessing a significant or prolonged impairment (see Notes (12)).

Accounting values of financial assets – AFS as well as impairment are illustrated in Notes (59).

C) Evaluation of fair value by means of evaluation methods

Financial instruments that are not quoted in an active market are evaluated in accordance with recognized and customary methods of financial mathematics, such as the cash value method or other suitable evaluation methods (option price models) {see Notes (7)}. Such evaluation models are substantially influenced by underlying assumptions. Therefore, fair value shall be understood as a key-date related estimate.

Market values and accounting values of financial instruments are illustrated in Note (79) fair value of financial instruments.

D) Provisions

Provisions are employed for uncertain liabilities against third parties in the amount of the expected claim {see Notes (27)}. The provided amount demonstrates 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 developments please see Note (74).

E) Deferred Income Tax

The evaluation of deferred tax obligations and deferred tax assets considers the tax consequences resulting from the fact how the group expects to realize its assets at the balance sheet date or to fulfil its obligations. Such expectations are based on 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 taken into account. 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 group's tax planning period amounts to five years.

Quantitative details regarding deferred income tax are described in Note (65), Deferred Tax Assets and Obligations.

(4) Principles of consolidation

If the group exerts a dominating influence on subsidiaries, such subsidiaries are included in the consolidated financial statement in the process of full consolidation. The group exerts a dominating influence on the subsidiary if it can determine its financial and business policies. In general, this is estimated in cases with direct or indirect capital participation amounting to more than half of the voting rights. The existence of potential voting rights which can currently be exercised or converted is taken into consideration in the course of the examination as to whether the group exerts influence on another company.

In the event that a subsidiary is acquired, the balance sheet is prepared in accordance with the acquisition method. Subsequent to that, subsidiaries' assets and liabilities existing at the time of acquisition, or when controlling influence was achieved are evaluated at their fair value. Any differences arising out of setting the acquisition costs against the assets and liabilities evaluated at their fair value are entered as intangible assets. A negative difference is defined as income following a review of the amount stated.

With regard to sustainability of value, company values are assessed at least once a year, if there are impairment indicators values are asses during the year. In this context, depreciation arises out of the recognition of impairment.

However, within the group subsidiaries are rather newly established than acquired. Regarding the establishment the single assets and liabilities are balanced at acquisition cost.

In the business year the real estate company HTI Immobilienverwaltungs-GmbH was integrated into the consolidation group for the first time. The company was not acquired but newly established and therefore it became part of the consolidated financial statement. In the business year no companies left the consolidation group.

The financial statements prepared by the subsidiaries are established in accordance with balancing and evaluation methods that are standardized within the group. Intra-group receivables and liabilities and expenses, profits and intermediate results arising out of group financial and service business are eliminated as part of the consolidated debts and profits.

The balance sheet date of the consolidated bank accounts corresponds to the key date of all companies included in the consolidated financial statements.

(5) Shares in associated companies

An associated company is a company over which the group exerts a substantial but not a dominating influence on financial and business related decisions. A substantial influence is assumed when the group holds between 20 % and 50 % of the voting rights.

Associated companies are evaluated according to the equity method and are shown separately in the balance sheet and profit and loss account. The evaluation of shares at the time when they were first included in the consolidated financial statements corresponds to the costs of acquisition. In the course of a subsequent evaluation their accounting value is extrapolated by the share of the group in profits or changes in equity capital. In the event that an associated company uses different balancing and/or evaluation methods, suitable adjustments to the IFRS consolidated data is effected through a secondary account. The balance sheet date of all associated companies corresponds to the balance sheet date of the mother company. No other profits resulted from associated companies.

The share of the group in the associated company's success is illustrated and separately described in the profit and loss account.

A full list of the subsidiaries and associated companies which have been included in our Consolidated Financial Statement can be found in the Notes under section VII Shareholdings. The list includes four companies in which the group holds a share of 75 %. As there is no dominating influence due to contractual agreements with these companies, such shares are included in the financial statement according to the equity method.

(6) Currency translation

The Consolidated Financial Statement is prepared in Euro, which is the functional currency of all companies of the corporate group.

Since 2011, all financial statements of the companies included in the Consolidated Financial Statements have been prepared in Euro.

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 affected profits.

Financial instruments

All financial assets and liabilities, including all derivative financial instruments, are entered in the balance sheet at fair value at the time of acquisition; at that particular time they are assigned to one of the following evaluation categories. Basically, the balance sheet items correspond to the evaluation categories of financial instruments. Thus, the explanations of the evaluation categories are found in the corresponding balance sheet items. Receivables from and liabilities to clients are exempt from that rule. Receivables and liabilities which are voluntarily evaluated at fair value are also recorded in these balance sheet items. The inclusion of financial assets and liabilities occurs at their trading date. The subsequent evaluation depends on the classification.

For more detailed information on stress test of financial instruments please see Financial risk and Risk management pp 64.

(7) Fair value

Fair value is the price at which an asset or a liability can be exchanged among experts and other persons who are willing to enter into a contract or at which an obligation could be fulfilled. The fair value of financial instruments traded in active markets is determined on the basis of the price quotation. An active market exists when stock exchanges, brokers and price agencies regularly provide corporate groups with prices for financial instrument, and when continuous transactions take place at these prices and thus, such prices are representative for transactions between third parties unknown to one another. Indicators for an active market can be extrapolated in the corporate group by evaluating the market liquidity and transaction frequency. If such indicators are not evident, the market is considered to be inactive.

The fair value of financial instruments within the corporate group is evaluated on the basis of quoted market prices; such financial instruments are equity securities and liquid government and corporate bonds.

If prices of active markets are not available, the fair value is based on evaluation procedures. If there are real time actual transactions for one and the same financial instrument, these transaction prices serve as indicators for the fair value. If no transactions of identical financial instruments are available, the transaction prices of more or less identical financial instruments are used. With regard to complex and highly individual products, the deviation of transaction prices of comparable financial instruments is not possible, so that evaluation models on the basis of observable market data must be used. The fair value of financial instruments in the corporate group is calculated with fixed determinable payments based on the discounted cash flow method or for financial instruments with optional components, on the basis of option 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 determined by discounting the cash flows for linear derivatives, e.g. interest rate swaps, cross currency swaps, forward rate agreements, and bonds not traded on the stock exchange or bonds with very low liquidity.

For financial instruments with optional components, the Black/Scholes model (plain vanilla OTS options on interest rates and currencies) is used to calculate fair value. Complex financial instruments are evaluated by using the Hull White model.

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. Especially with regard to the financial crisis and the corresponding inactive markets, and due to the partly significant development in spreads, financial assets and liabilities were identified, for which externally available prices were not used as indicative prices for the evaluation of fair value. The fair value of such financial assets and liabilities was determined on the basis of a modified discounted cash flow method. The discount interest rate which underlies this method was ascertained on the basis of current swap curves and historic spreads in consideration of an interim creditworthiness downgrade, based in turn on external rating downgrades. Furthermore, for the evaluation of fair value, recovery rates based on current studies of highly regarded rating agencies were employed. Basically, in the corporate group, this category holds illiquid asset-backed securities.

For further details regarding fair value of financial instruments please see Notes (79).

(8) Trading assets and derivatives

Securities acquired for trading purposes and all derivatives, unless they are used for hedge accounting, are shown in this item. Trading assets and derivatives are evaluated at fair value.

Te results of evaluation and sale regarding the trading assets are shown in the profit and loss account in the trading result.

(9) Financial assets and liabilities – designated at fair value

This balance sheet item illustrates financial assets and liabilities that are evaluated at fair value voluntarily and irrevocably at the time they are acquired (designated at fair value). In the corporate group, these are financial instruments which are related to other financial instruments designated at fair value, and which are controlled as corporate unit, and for which hedge accounting is not applied {see Notes (11)}. In order to avoid accounting mismatch, these financial instruments are voluntarily evaluated at fair value.

Apart from that, all financial assets and liabilities with embedded derivatives are also evaluated voluntarily at fair value.

The results of evaluation and sale are shown in “results from financial instruments – at fair value through profit or loss” in the profit and loss account. Transfer of interest and dividends are illustrated in interest profits.

(10) Embedded derivatives

Embedded derivatives are derivates which are part of an original financial instrument and which are inseparably linked to it. With regard to the corporate group, such derivates are loans at indexed rates and, to a minor degree, stock loans (loans with a right to redemption in shares).

The embedded derivative is separated from its original financial instrument and, like an isolated free derivative, it is separately entered in the balance and evaluated at market value (fair value) if:

- the economic characteristics and risks of the embedded derivative are not closely connected to the economic characteristics and risks of the basic contract, and
- an independent instrument with the sane condition like the embedded derivative would meet the definition of a derivative, and
- the structured financial instrument is not evaluated at fair value.

At the balance sheet date, all financial instruments with embedded derivatives were evaluated at fair value.

(11) 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 businesses. The basic businesses within the corporate group are securities stocks with evaluation category AFS, if these involve fixed-rate assets. The interest 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 hedge and the nature of the risk being hedged. This method is also used to determine how efficient hedging transactions are.

Hedges are reviewed at the time of establishment to see how efficient they are and subsequently, they are reviewed on a monthly basis. In this context, efficiency is the relationship between the change in fair value arising out of the basic business being hedged and the change of fair value of the hedging derivative itself (referring to 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 not considered to be highly efficient anymore, they are dissolved.

Derivatives used for hedging purposes are shown at their fair value as prevailing market values from derivative hedges. The evaluation changes of hedges together with market changes of the basic business, which shall be added to the hedged risk, are included in the period profit as results from hedge accounting. The non-effective component of the evaluation change is shown in results from hedge accounting. 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.

(12) Financial assets – available for sale (AFS)

Financial assets – available for sale contain all non-derivative financial instruments that have not been assigned to categories, such as designated at fair value, HTM, L&R. Debt securities which have not been assigned to another category, are usually assigned to this category within the corporate group as well. To a small extent, equity capital securities and investment fund certificates were also assigned to this category.

Financial instruments available for sale are evaluated at fair value. The evaluation results are recorded in other results from AFS reserves, corrected by deferred tax.

In case of impairment of value, AFS reserves are adjusted by the impaired amount and are recorded in the profit and loss account under earnings from financial assets. The amount of impairment is the difference between acquisition costs and the current fair value.

With regard to foreign capital instruments, the corporate group considers impairment as result affecting, when there is objective evidence which permit the expectation of negative impacts on future payment flows from the financial instrument. Only creditworthiness-induced decrease of fair value can be assigned. Objective evidence for such impairments is, for example, major financial difficulties of the debtor, default or delay of interest or redemption payments, possible insolvency proceedings or other restructuring measures of the debtor. If the market value drops by at least 20 % of the acquisition costs, it is considered to an indicator of creditworthiness-induced decrease of fair value, and objective evidence of impairment in the corporate group shall be analysed.

With regard to equity capital instruments, the assessment of impairment is primarily based on a significant or sustained decrease of market value below acquisition costs. If the market value drops by at least 10% of the acquisition costs, with regard to equity capital instruments, it is considered to be an indicator of impairment and consequently it shall be analysed within the corporate group, whether there is objective evidence indicating that the expenses for the equity capital instrument may not be returned. A significant and sustained decrease is always assumed if the market value in the course of one business years is at least 20 %, or in the course of 2 years at least 10 % below acquisition costs.
An appreciation in value of such income affecting impairments is balanced under foreign capital instruments in income from financial instruments. For equity capital instruments, the appreciation in value is balanced under equity capital in AFS reserves.

If financial assets are sold, cumulative evaluation results as reported under equity capital are dissolved and included in the profit and loss account under results from financial assets.

Interest and dividend income are shown under net interest income.

(13) Financial assets – held to maturity (HTM)

This category contains non-derivative financial assets listed on an active market with fixed or determinable payments and fixed terms that are acquired with the intention and ability to hold them until maturity.

Designated fixed-rate securities are evaluated at continuous acquisition costs. In the event that acquisition costs differ from their redemption value, the difference is dissolved or credited in accordance with the effective interest method via the periodic result. In case an identifiable event occurs, which leads to the fact that expectations of future cash flows from an instrument decrease, impairment in the amount of the difference between its accounting value of the asset and the cash value of the future cash flow expected, discounted at the appropriate rate, is entered.

Impacts on results from evaluation and sale of financial instruments are shown under results from financial assets. Interest is shown under net interest income.

(14) Financial assets – loans and receivables (L&R)

This balance sheet item includes all non-derivative financial instruments with fixed, determinable payments, for which there is no active market; irrespective of whether those financial instruments are original or acquired in the secondary market.

Loans and receivables are evaluated at continuous acquisition costs. If they lose value {see Notes (18) loan risk provisions}, the acquisition costs are adjusted with effect on profits.

Demarcated interests are included in the net profit for the period under interest earnings. Premiums and discounts are spread over their term in accordance with the effective interest method via the net profit for the period and included in results from interest

(15) Other liabilities

This category comprises all financial liabilities which are not evaluated voluntarily via net profit for the period at fair value. They are evaluated at continuous acquisition costs. Premiums or discounts are included in net interest income with effect on profits over their maturity via effective interest method.

(16) Payment instruments stock

The stock of payment instruments designated in the cash flow statement corresponds to the balance sheet item "'cash reserves", and consists 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 Central Bank Directives. The minimum reserves are part of the stock of payment instruments, which in the interpretation of the Austrian National Bank, can be considered to be the basis for current payment transactions. For that reason the minimum reserve fulfils the definition "cash and cash equivalents" and is therefore included in the cash reserve.

(17) Receivables from credit institutions and clients

In this balance sheet item, issued loans are designated in accordance with the respective business partner as receivables from credit institutions or from clients. At the time they are received, receivables are classified as loans and receivables or as receivables evaluated voluntarily at fair value. Impairments are shown on the face of the balance sheet as risk provisions.

(18) Loan risk provision

By means of allowances to an appropriate extent, particular risks involved in the banking business are taken into account. In terms of risk provision, the categories are divided into individual and portfolio evaluation adjustments. Risks resulting from off-balance sheet loans are considered by means of provisions.

Individual allowances were made in accordance with consistent standards within the group to cover the solvency risks involved in receivables from customers and credit institutions. Significant receivables amounting to more than kEUR 100 are reviewed annually to see if they have lost value. 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:

- initiation of sanctions;
- delay of payments;
- impending insolvency or over-indebtedness;
- application to open insolvency procedures
- failure of rescue measures

The extent of the allowance depends on the difference between outstanding receivables, included accrued interest, and cash value of the payments that are expected to be received for the respective receivable, in consideration of valuable collaterals. This is calculated on the basis of the contractually agreed interest rate.

With regard to insignificant receivables up to a value of kEUR 100, an allowance on the basis of default probabilities, obtained from historical time series, is calculated.

The unwinding (cash value effect) is shown in the profit and loss account - not as allowance but as interest income.

In addition, credit risks that have already occurred but not recognized, are considered in form of portfolio allowances, based on default probabilities differentiated by rating classes.

Details on default probabilities according to rating classes and in regarding stress tests can be found in the notes on financial risks and on risk management (see pp 64).

If the payment of receivables is questioned, they are considered by establishing risk provision. In case further payments cannot be expected, a receivable is classified as irrecoverable. An irrecoverable, already adjusted receivable is deleted from the accounts by using risk provision. If no individual allowance exists for such a receivable, it is directly depreciated with direct effect on profits. Payments for depreciated receivables are recorded in the net profit for the period.

(19) Real pension transactions (repos) and securities businesses

Real pension transactions are combinations of cash purchases or sales of securities with simultaneous sale or forward redemption 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 statements. The inflow of liquidity from repo business is shown as liability to financial institutions or clients in the balance sheet, depending on the counterparty. Agreed interest payments are recorded as interest expenses on maturity.

(20) Investment properties

Investment property is real estate which is held in the long term to obtain rental income and/or to increase 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 of a change regarding the use of real estate, i.e. the property is no longer used for the bank's own business activities, but rented out; such real estate is transferred 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 – is described as follows:

Asset depreciation range in	years
Buildings	25 - 50

At every balance sheet date, possible indicators of depreciation are examined. For the current business year, no such indicators were identified.

If there are indicators of depreciation, the realisable amount is determined and compared with the book value. The realisable amount is the higher one of the two amounts designated at fair value less sale expenses and efficiency.

Evaluating fair value for all investment properties is based on annually updated evaluations by an internal general chartered accountant, certified in real estate evaluation.
Evaluating the fair value for pieces of property is carried out via comparable evaluations based on actual sales prices in the same time and geographical vicinity. If such comparative values are not available in sufficient amounts, the land value is derived from the possible uses and burdens of the land in a 'residual value' analytical process.
Real properties are rental objects. Determining the value is accomplished via income-process models based on actual rental income, if they comply with the market customs and are achieved on a sustainable basis. For empty buildings, values are gained from the market through comparable rental income which is then used as a fictitious value.
The fair value is derived from the results of these analytical-comparative processes, assessed with regard to respective market situation, and adjusted appropriately if necessary.
The basis for the chosen value approaches are property register investigations, ongoing market observations, regular arrangements with real estate brokers, property developers, property management officers and experience gained via the company's own real estate management and available market data.
The respective and appropriate capitalisation interest rate is based on the regulation range published in the relevant specialist literature, (e.g. real estate evaluations from the Austrian Association of Real Estate Experts) in consideration of the respectively applicable market situation, the essential property location factors and the characteristics of the property.

(21) Intangible assets

The item "Intangible Assets" comprises software, licensing rights and customer stock acquired. All intangible assets have a limited life expectancy.

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

The asset depreciation range in the current business year - like in the past business year – is described as follows:

Asset depreciation range in	years
Large scale projects (e.g. ARZ software, GEOS, SAP)	8
Other software and licensing rights	4
Client stock	7

At every balance sheet date, possible indicators of depreciation are examined. For the current business year, no such indicators were identified.

In case there are indictors for impairment, it is determined in correspondence to the notes on impairment for investment properties (see Note {20}).

(22) 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 working life. In this context working 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 – is described as follows:

Asset depreciation range in	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, possible indicators of depreciation are examined. For the current business year, no such indicators were identified.

In case there are indictors for impairment, it is determined in correspondence to the notes on impairment for investment properties (see Note {20}).

(23) Leasing

Leasing transactions are evaluated in accordance with the allocation of economic risks and chances of lessor and lessee regarding the leased object.

Leasing transactions are divided into financial and operating leasing. With regard to financial leasing, all the risks and opportunities associated with the property are transferred to the lessee, and thus the object leased is included in the lessee's accounts. Operating leasing exists, if leasing assets are assigned to the lessor.

Currently, the corporate group as lessor offers both, financing leasing with regard to the rental of real estate; and operating leasing for rental real estate held as finance investments.

Leasing relationships, in which the corporate group is the lessee, play a subordinate role in the corporate group.

Sale-and-leaseback transactions were not carried out by the corporate group.

Financial leasing:
Lessor: the lessor designates the leasing receivables under receivables at their net investment (cash) value. Interest income is obtained on the basis of constant return which also includes the outstanding net investment value. Interest income from such transactions is shown under net interest income.

Operating leasing:
Lessor: assets leased which are assigned to the lessor are designated under investment properties and are determined in accordance with the described principles. Leasing profits are recorded on a straight line basis over the contractual maturity.

(24) Other assets

The item "other assets" primarily includes value added tax receivables from the Italian state resulting from the acquisition of leasing properties and receivables other than from banking transactions.
Moreover, other assets also include real property and buildings which borrowers have primarily used as collateral and which are now to be realised in disposing of impaired commitments (rescue acquisitions). These assets are shown as 'assets held as collateral are evaluated as reserves in accordance with IAS 2. In this context, expenses and income are designated as income or expenses referring assets held as collateral under other operating income.

(25) Current and deferred tax

Current income tax claims and obligations are evaluated at the 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 included in other assets are consumer taxes. Current income tax obligations are illustrated separately under liabilities. For details please see Notes (76).

Deferred income tax claims and obligations are based on temporary differences between value approaches of assets and obligations 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 settled. For further details please see Notes (67).

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 same tax authority.

Actual profit-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 which are evaluated on a profit-neutral basis. In such a case they are created or dissolved on a profit-neutral basis against the AFS reserves via evaluation under other profits.

(26) Liabilities

All liabilities to financial institutions are classified as “other liabilities”. Liabilities to clients and liabilities evidenced by certificate are assigned to either “other liabilities” or to “designated at fair value”.

(27) 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 number of pensioners and survivors who are entitled to final salary bank pensions at HYPO TIROL BANK AG amounts to 20. Active staff is not entitled to bank pensions. Staff members who joined the company before 31 Dec. 2002 are entitled to severance payments under certain conditions, especially if they retire. Severance payment provisions are made to cover these claims. For staff that joined the company after 31 Dec. 2002, monthly contributions are made to a staff pension fund.

Employees shall receive one month’s salary as a length-of-service award after 25 years of service and two months salary after 35 years of service.

The evaluation of cash value of social capital is based on a number of actuarial assumptions, such as:

- Domestic actuarial interest rate flow 3.75 % (2011: 4.75 %)
- annual valorisations, collective agreement and career salary increases 2.5 % (2011: 2.5 %) regarding provisions for severance payments, service awards and occupational incapacity for employment 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 year of service have been considered.
- Annual valorisations 1.5 % (2011: 1,5 %) regarding provisions for pensions
- Table values AVÖ 2008-P (generation related tables for employees in consideration of a surcharge due to outdated values)

Changes to provisions for social capital are designated in profits with effects on profits in the profit and loss account.

As far as contribution-based pension schemes are concerned, there are no provisions 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.

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.

(28) Other liabilities

In the item “other liabilities” liabilities are illustrated, which to a large extent do not result from banking businesses (basically, liabilities from delivery of goods and services to clients).

(29) Subordinate and supplementary capital

This item shows subordinate capital in accordance with Banking Act article 23, section 8 and supplementary capital in accordance with article 23, section 7.

(30) Trustee business

Assets and liabilities which the corporate group holds in its own name but for the account of another party are not included in the balance sheet. Incurred obligations based on such transactions are shown as commission income in the profit and loss account.

(31) Equity capital

Equity capital comprises capital provided to the bank (subscribed capital plus capital reserves) plus earned capital (profit reserves, reserves from currency translation and reserves formed on a profit-neutral basis from evaluations pursuant to IAS 39 and consolidated profits and earnings brought forward). Evaluation changes of the AFS stock not affecting profits after consideration of deferred tax is summarized in available for sale reserves.

Subscribed capital comprises 2,400,000 registered shares with restricted transferability of EUR 7.50 each and hence amounts to EUR 18,000,000.00, as well as a capital contribution amounting to EUR 32,000,000.00 from business funds in 2009.

(32) Financial guarantees

A financial guarantee is a contract under which the guarantor is bound to make certain payments compensating 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 at fair value at the time they are recorded.
Subsequent to that, the bank’s liabilities are evaluated at 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 for the period and in the risk provision for possible use.

(33) Accumulation of financial assets and liabilities

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

(34) Retirement of financial assets and liabilities

The retirement 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 retirement of a financial asset is considered when the corporate group has assumed the obligation to pay the cash flows from the asset to a third party, in case of certain conditions.

The above-mentioned assets are deleted from the financial statement if all major risks and opportunities which are associated with the ownership of such asset 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 deletes the transferred asset value from the statement, once the power of disposition has been transferred.

A financial liability is deleted from the financial statement if the associated obligation has been paid or suspended, as in the case of due-date maturity.

The concern enters transactions in which it transfers the assets recorded to the balance sheet, but retains all major risks and opportunities associated with these assets. In the corporate group, such transactions are only stock options (see Notes {19} and Notes {86})

NOTES ON COMPREHENSIVE INCOME STATEMENT

Profits and the associated expenses are recorded whenever it is expected 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:

(35) Net interest income

Interest income is depreciated in accordance with the effective interest method and is only recorded if it is expected that the amounts will accrue to the company and if they can be determined on a reliable basis. In this contest, income which mainly represents payment for the use of capital (interest-similar income) is booked to net interest income. In addition, income from holdings is included in this item as well. Interest expenses are shown on the lines of interest income.

Dividends are recorded in the net interest income when the legal entitlement arises.

(36) Risk provision

In this item, appropriations to allowances and provisions, or profit from dissolving allowances and provisions as well as income subsequently received for receivables that have been depreciated in connection with the loan business are described.

(37) Net commission income

Net commission income comprises the balance from profit 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 profits and expenses are recorded after the specific services have been provided.

(38) Trading assets

Trading assets show the evaluation results of the category “held for trading”. Interest and dividend profit from financial assets and liabilities of these evaluation categories are shown under net interest income. It also includes income from securities trading.

(39) Income from financial instruments – at fair value through profit or loss

Income from Financial Instruments - at fair value through profit or loss shows the evaluated income from categories ‘designated at fair value’ as well as the evaluated income from bank book derivatives. Interest and dividend income from financial assets and obligations of this evaluation category are reported under interest profit. Furthermore, the income from trading with securities is also illustrated.

NOTES ON PROFIT AND LOSS ACCOUNT

(40) Net interest income

in k €	2012	2011
Interests and similar income from receivables from credit institutions	4.539	5.024
Interests and similar income from receivables from clients	139.570	166.986
Interests and similar income from bonds	87.468	97.876
Interests and similar income from leasing receivables	13.993	18.336
Interest gains from derivatives	77.058	82.395
Income from shares and other non-fixed securities	548	786
Income from holdings from associated non-consolidated companies	1.693	565
Other income from holdings	2.945	2.117
Interests and similar income	**327.814**	**374.085**
Interests and similar expenses for liabilities to credit institutions	-3.218	-6.391
Interests and similar expenses for liabilities to clients	-51.808	-52.062
Interests and similar expenses for liabilities evidenced by certificate	-162.733	-186.332
Interests and similar expenses for supplementary/subordinated capital	-5.232	-7.787
Interests and similar expenses	**-222.991**	**-252.572**
Net interest income	**104.823**	**121.513**

Net interest income is classified by evaluation categories of financial assets and liabilities and is described as follows:

in k €	2012	2011
Trading assets and derivatives	240.719	287.462
Financial assets – designated at fair value	33.251	33.697
Financial assets – HTM	13.825	21.431
Financial assets – AFS	31.055	32.376
Credits and receivables	172.623	204.186
Interest income	**491.473**	**579.152**
Derivatives	-163.659	-205.067
Financial liabilities – designated at fair value	-142.695	-155.487
Liabilities evidenced by certificate	-80.296	-97.085
Interest expenses	**-386.650**	**-457.639**
Interest income	**104.823**	**121.513**

Interest income from financial assets not evaluated at fair value amount to kEUR 191.086 (2011: kEUR 228.299). The corresponding interest expenses for financial liabilities amounts to kEUR 80.296 (2011: kEUR 97.085).

Interests from impaired assets amount to kEUR 11.046 (2011: kEUR 9.408).

(41) Loan risk provision

in k €	2012	2011
Allocation to allowances	-60.164	-148.329
Dissolutions of allowances	30.408	23.452
Direct depreciation of receivables	-223	-231
Earnings from income from depreciated receivables	1.229	585
Allocation to provisions	-7.740	-34.610
Dissolution of provisions	6.056	3.794
Loan risk provision	**-30.434**	**-155.339**

All profit-affecting items of loan risk provisions are allowances for receivables from clients {see Notes (54)}

The loss from credit business is the result of direct depreciation receivables, income from depreciated receivables and the use of provisions. In 2012, this loss amounts to kEUR 20,362 (2011: kEUR 22,243).

(42) Net commission income

in k €	2012	2011
Commission income from credit/leasing businesses	6.551	4.231
Commission income from securities businesses	13.633	14.452
Commission income from paperless clearing businesses and money transactions	9.387	10.127
Commission income from other service businesses	4.321	4.156
Commission income	**33.892**	**32.966**
Commission expenses for credit/leasing businesses	-552	-575
Commission expenses for securities businesses	-2.996	-3.334
Commission expenses for paperless clearing businesses and money transactions	-1.634	-1.584
Commission expenses for other service businesses	-1.185	-1.166
Commission expenses	**-6.367**	**-6.659**
Net commission income	**27.525**	**26.307**

Commission income includes earnings from trustee operations amounting to kEUR 243 (2011: kEUR 274). Commission expenses include expenses for trustee operation amounting to kEUR 24 (2011: kEUR 18).

(43) Trading assets

in k €	2012	2011
Share related businesses	-209	-113
Currency related businesses	2.900	3.014
Interest related businesses	12.380	-3.320
Trading assets	**15.071**	**-419**

(44) Result from hedge accounting

The result regarding hedge accounting shows evaluation results from effective hedge accounting in the context of hedge accounting.

The result was achieved as follows:

in k €	2012	2011
Result from secured basic businesses	7.937	11.579
Result from derivatives used as hedge accounting instruments	-5.696	-9.335
Result from hedge accounting	**2.241**	**2.244**

(45) Result form financial instruments – at fair value through profit or loss

in k €	2012	2011
Evaluation result financial instruments "designated at fair value"	149.848	-98.984
Evaluation result derivatives	-156.962	95.507
Result from financial instruments – at fair value through profit or loss	**-7.114**	**-3.477**

Results from financial instruments “designated at fair value” are categorised as follows in correspondence to the balance sheet item, which includes financial assets and liabilities:

in k €	2012	2011
Receivables from clients	14.971	7.943
Financial assets – designated at fair value	25.977	35.109
Liabilities to clients	-8.399	-30.165
Financial liabilities – designated at fair value		-111.871
Evaluation result financial instrument "designated at fair value"	**149.848**	**-98.984**

(46) Result from other financial instruments

in k €	2012	2011
Realised profit from asset sale	11.104	5.257
Realised losses from asset sale	-15.056	-4.919
Attributions	100	226
Allowances for financial instruments and share holdings	-9.719	-13.722
Result from other financial instruments	**-13.571**	**-13.158**

Result from financial instrument divided in evaluation categories:

in k €	2012	2011
Profit/loss on financial assets – AFS	399	-883
Profit affecting changes in value via AFS reserves of financial assets – AFS	2.639	1.065
Allowances from financial assets – AFS	-3.796	-5.881
Profit/loss on shareholdings and other	-3.684	-1.306
Allowances from shareholdings	-1.690	-4.082
Result from financial assets – AFS	**-6.132**	**-11.087**
Profit/loss on financial assets – HTM	-470	2.598
Allowances from financial assets – HTM	-317	-2.501
Result from financial assets – HTM	**-787**	**97**
Profit/loss on financial assets – L&R	-2.736	-911
Allowances from financial assets – L&R	-3.916	-1.257
Result from financial assets – L&R	**-6.652**	**-2.168**
Result from other financial instruments	**-13.571**	**-13.158**

The result from repurchase of our own bank issues kEUR -8.037 (2011: kEUR -1.220).

(47) Administrative expenses

in k €	2012	2011
Personnel expenses	-55.113	-52.424
Material expenses	-25.978	-26.812
Depreciation on material expenses and intangible assets	-9.413	-7.254
Administrative expenses	**-90.504**	**-86.490**

Personnel expenses

in k €	2012	2011
Salaries and wages	-38.094	-38.531
Legal social expenses	-10.096	-10.205
Voluntary social expenses	-954	-1.109
Pension scheme expenses	-1.864	-1.937
Expenses for severance payments and pensions	-4.105	-642
Personnel expenses	**-55.113**	**-52.424**

Severance payments and pension costs also include payments to company staff pension funds amounting to kEUR 175 (2011: kEUR 164).

Material expenses

in k €	2012	2011
Building expenses	-3.799	-4.514
IT expenses	-6.090	-5.876
Communication expenses	-1.420	-1.376
Expenses for human resource development	-863	-863
Advertising and representation expenses	-3.770	-3.923
Legal and consulting expenses	-5.761	-6.785
Costs for legal structure	-1.819	-1.623
Other material expenses	-2.456	-1.852
Material expenses	**-25.978**	**-26.812**

Legal and consulting expenses and/or costs for legal structures include expenses for auditors (Ernst & Young chartered accountants Wirtschaftsprgungsgesellschaftmbh, Wien) in the amount of kEUR 221 (2011: kEUR 202). Expenses for auditors are divided in expenses (costs for legal structures) for the assessment of individual financial statements and the consolidated financial statement in the amount of kEUR 214 (2011: kEUR 193) and expenses for other confirmation expertises in the amount of kEUR 7 (2011: kEUR 9).

Depreciation on tangible and intangible assets

in k €	2012	2011
Factory and office equipment	-2.439	-3.809
Real estate	-6.113	-2.563
Intangible assets	-861	-882
Depreciation on tangible and intangible assets	**-9.413**	**-7.254**

(48) Other income

Other income contains the following items:

in k €	2012	2011
Income from leasing business	4.930	4.790
Profit on real estate sales	3.010	918
Rental income from real estate held for financial investment	11.063	10.883
Income from assets received as collateral		161
Other income	7.187	5.214
Other income	**26.415**	**21.966**

(49) Other expenses

Other expenses are composed of the following items:

in k €	2012	2011
Leasing business expenses	-5.099	-4.954
Loss on real estate sales	-3	-532
Depreciation on real estate held for financial investment		-4.519
Expenses in connection with real estate held for financial investment	-5.108	-4.366
in connection with real estate rented out	-5.053	-4.323
in connection with real estate not rented out	-55	-43
Expenses in connection with assets received as collaterals		-482
Operational cases of loss	-55	-65
Other expenses	-8.657	-8.330
Other expenses	**-24.265**	**-23.248**

Austrian stability tax is included in other expenses.

(50) Result from associated companies

in k €	2012	2011
Result from associated companies	**2.001**	**2.810**

(51) Tax on income and profit

in k €	2012	2011
Current tax claims		-1.272
Deferred tax		16.962
Tex on income and profit	**5.990**	**15.690**

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

in k €	2012	2011
Result before taxation	12.188	-107.291
Applicable tax rate	25 %	25 %
Calculable income tax	**-3.047**	**26.823**
Tax effects		
from tax free income from holdings	1.692	1.347
from investment benefits	-194	-21
from other tax free income	9.596	0
from previous years	-432	842
from goodwill depreciation	-30	43
from pre-payments	11	0
from deviating tax rates abroad	25	1.821
from other non-deductable expenses	-454	-14.862
from other differences	893	-303
from non-active losses brought forward	-2.070	0
Designated income tax	**5.990**	**15.690**

Deferred tax income in the amount of kEUR 7,482 in the current business year, and in the previous year in the amount of kEUR 16,962 entirely result from creating or dissolving temporary differences.

NOTES ON THE BALANCE SHEET

(52) Cash reserves

in k €	2012	2011
Cash balance	26.243	24.765
Deposits at central banks	77.061	69.997
Cash reserves	**103.304**	**94.762**

kEUR 77,061 (2011: kEUR 69,997) of the deposits at central banks are dedicated to the minimum reserves required by ECB directives.

(53) Receivables from credit institutions

Receivables from credit institutions are assigned tot he category „Loans and Receivables“ and are evaluated at continuous acquisition costs.

Receivables from credit institutions by business type

in k €	2012	2011
Interbank accounts	61.283	78.104
Money market business	75.715	79.989
Loans to banks	114.991	121.035
Other receivables	472	655
Receivables from credit institutions	**252.461**	**279.783**

Receivables from credit institutions by region

in k €	2012	2011
Austria	**179.246**	**164.410**
Foreign countries	**73.215**	**115.373**
Germany	25.351	55.405
Italy	27.262	28.877
Other foreign countries (incl. CEE)	20.602	31.091
Receivables from credit institutions	**252.461**	**279.783**

Receivables from credit institutions by maturity

in k €	2012	2011
Maturity: daily	44.730	27.073
Up to 3 months	57.011	31.045
3 months to 1 year	77.097	166.684
1 year to 5 years	56.495	3.932
More than 5 years	17.128	51.049
Receivables from credit institutions	**252.461**	**279.783**

(54) Receivables from clients

Receivables from clients in the amount of kEUR 599,708 (2011: kEUR 652,949) are assigned to the category “financial assets designated at fair value”. The remaining receivables in the amount of kEUR 5,877,473 (2011: kEUR 6,385,679) are recorded in the category: “Loans and Receivables”.

Receivables from clients by business type (prior to risk provision)

in k €	2012	2011
Current account	781.321	953.654
Cash	61.686	146.203
Loans	3.072.840	3.163.699
Credits on bill of exchange	135	56
Covered communal loans	1.015.764	959.691
Covered bond loans	749.987	572.444
Other loans	7.665	395.202
Leasing receivables	739.605	773.366
Other receivables	48.178	74.313
Receivables from clients	**6.477.181**	**7.038.628**

Receivables from clients by region

in k €	2012	2011
Austria	**4.786.823**	**5.139.478**
Foreign countries	**1.690.358**	**1.899.150**
Germany	448.518	522.138
Italy	1.128.173	1.243.475
Other foreign countries (incl. CEE)	113.667	133.537
Receivables from clients	**6.477.181**	**7.038.628**

Receivables from clients by maturity

in k €	2012	2011
Maturity: daily	305.244	451.721
Up to 3 months	436.694	511.212
3 months to 1 year	694.253	337.521
1 year to 5 years	2.070.464	2.203.310
More than 5 years	2.970.526	3.534.864
Receivables from clients	**6.477.181**	**7.038.628**

Receivables from clients by sector

in k €	2012	2011
Central state and public sector	833.527	905.587
Corporate clients	4.576.449	5.039.234
Private households	1.042.872	1.071.791
Other	24.333	22.016
Receivables from clients	**6.477.181**	**7.038.628**

Gross and net investment values in the leasing business

in k €	2012	2011
Gross investment value	856.917	933.847
Financial income not realised	-117.312	-160.481
Net investment value	**739.605**	**773.366**
Non-guaranteed residual values	**146.467**	**158.506**
Accumulated depreciation	**-33.306**	**-31.905**

Accumulated depreciations in the leasing business are designated in the item risk provisions in connection with receivables from clients.

In the expired business year, no contingency payments were recorded as expenses.

Net investment values in leasing business by maturity

in k €	2012	2011
Up to 3 months	11.359	18.026
3 months to 1 year	58.054	42.931
1 year to 5 years	257.855	286.720
More than 5 years	412.337	425.689
Net investment value	**739.605**	**773.366**

Gross investment values in leasing business by maturity

in k €	2012	2011
Up to 3 months	23.483	23.396
3 months to 1 year	61.444	58.388
1 year to 5 years	307.559	359.716
More than 5 years	464.431	492.347
Gross investment value	**856.917**	**933.847**

Minimum leasing payments from noncallable operating leasing contracts as lessor were not collected.

(55) Risk provision in connection with receivables from credit institutions and clients

Development of risk provision in connection with receivables from credit institutions

in k €	2012	2011
As at 01.01.	-1.253	-1.253
Attribution	0	0
Risk provision in connection with receivables from credit institutions	**-1.253**	**-1.253**

Development of risk provision in connection with receivables from clients

in k €	2012	2011
As at 01.01.	-306.486	-204.319
Currency differences	72	113
Consumption	-5.169	22.597
Dissolution	30.408	23.452
Attribution	-60.164	-148.329
Risk provision in connection with receivables from clients	**-341.339**	**-306.486**

Risk provision in connection with receivables from clients by regions

in k €	2012	2011
Austria	**-119.859**	**-120.137**
Foreign countries	**-221.480**	**-186.349**
Germany	-37.536	-37.174
Italy	-182.761	-148.381
Other foreign countries (incl. CEE)	-1.183	-794
Risk provision in connection with receivables from clients	**-341.339**	**-306.486**

Development of risk provision in connection with receivables from clients

in k €	As at 01.01.	Currency translation	Con-sumption	Dissolution	Additions	As at 31.12.
2011						
Reliability risks – receivables > kEUR 100	-184.303	116	19.377	21.189	-134.143	**-277.764**
Reliability risks – receivables < kEUR 100	-11.571	-3	3.220	2.114	-5.196	**-11.436**
Portfolio provision	-8.445	0	0	149	-8.990	**-17.286**
Total	**-204.319**	**113**	**22.597**	**23.452**	**-148.329**	**-306.486**
2012						
Reliability risks – receivables > kEUR 100	-277.764	74	-5.517	24.782	-56.340	-314.765
Reliability risks – receivables < kEUR 100	-11.436	-2	348	1.629	-3.824	-13.285
Portfolio provision	-17.286	0	0	3.997	0	-13.289
Total	**-306.486**	**72**	**-5.169**	**30.408**	**-60.164**	**-341.339**

Development of risk provision in connection with receivables from clients by sector

in k €	As at 01.01.	Currency translation	Con-sumption	Dissolution	Additions	As at 31.12.
2011						
Corporate clients	-182.281	32	19.457	20.997	-141.973	**-283.768**
Private households	-21.561	81	3.027	2.289	-6.328	**-22.492**
Other	-477	0	113	166	-28	**-226**
Total	**-204.319**	**113**	**22.597**	**23.452**	**-148.329**	**-306.486**
2012						
Corporate clients	-283.768	-16	-7.941	25.346	-55.643	-322.022
Private households	-22.492	88	2.772	4.880	-4.512	-19.264
Other	-226	0	0	182	-9	-53
Total	**-306.486**	**72**	**-5.169**	**30.408**	**-60.164**	**-341.339**

Attributions include unwinding in the amount of kEUR 184 (2011: kEUR 228), which was reclassified in the profit and loss account from risk costs to interest income.

In consideration of risk provisions, receivables from credit institutions and clients can be categorised as follows:

	Receivables from clients		Receivables from credit institutions	
in k €	2012	2011	2012	2011
Non-specific allowance for receivables	5.595.906	6.217.930	249.961	277.283
Overdue receivables - no allowance	61.902	69.324	0	0
Specific allowance for receivables	819.373	751.374	2.500	2.500
Risk provision	-341.339	-306.486	-1.253	-1.253
Receivables	**6.135.842**	**6.732.142**	**251.208**	**278.530**

Specific allowance for bad debts includes receivables, for which specific allowances have been created and receivables, for which a lump-sum allowance has been created.

The loan quality of non-specific allowances for receivables from credit institutions and clients is evaluated in accordance with internal rating classifications:

	Receivables from clients		Receivables from credit institutions	
in k €	2012	2011	2012	2011
Outstanding creditworthiness (ratings 1A – 2B)	1.364.511	1.547.240	103.950	140.765
Very good creditworthiness (ratings 2C – 2E)	1.311.300	1.520.987	63.467	60.378
Good creditworthiness (ratings 3A – 3B)	1.436.466	1.301.380	20.624	13.804
Medium creditworthiness (ratings 3C – 3E)	1.090.311	1.381.929	58.393	58.811
Weak creditworthiness (ratings 4A – 4B)	217.373	246.743	27	25
Very weak creditworthiness (ratings 4C – 4E)	175.945	219.651	3.500	3.500
Non-specific allowances for receivables	**5.595.906**	**6.217.930**	**249.961**	**277.283**

In case of default payment of 90 days (Basel II), receivables are assigned to the internal rating category 5A and thus to „overdue receivables – no allowance". If allowances result from default payment, such receivables are re-categorised to specific allowances for receivables.

The analysis of receivables in the category „overdue receivables – no allowance" is illustrated as follows:

	Receivables from clients	
in k €	2012	2011
3 months to 6 months	60.325	20.448
6 months to 1 year	979	20.303
More than 1 year	598	28.573
Overdue receivables - no allowance	**61.902**	**69.324**

In case of default payment less than 90 days, that is 1 day to 3 months, receivables are not assigned to this category and such receivables amount to kEUR 81.309 (2011: kEUR 57,201) in the business year.

Indicators for weak creditworthiness and required allowances in this context are reflected in "default" which is divided into rating classes 5B to 5E. Ratings 5B to 5E show the development of commitments which start off at risk, though deferrals or withholding payments due to impending insolvency or over-indebtedness to potential bad debts because insolvency proceedings have been opened.

The analysis of the business year 2012 specific allowance for receivables is illustrated as follows:

	Receivables from clients		Receivables from credit institutions	
in k €	**2012**	**2011**	**2012**	**2011**
Rating level 5 B	451.937	447.820	0	0
Rating level 5 C	302.008	234.407	0	0
Rating level 5 D	65.298	69.016	2.500	2.500
Rating level 5 E	130	131	0	0
Specific-allowance for receivables	**819.373**	**751.374**	**2.500**	**2.500**
Risk provision	-341.339	-306.486	-1.253	-1.253
Net asset value of specific-allowance for receivables	**478.034**	**444.888**	**1.247**	**1.247**

In order to ensure the adjustment of the risk provisions shown in the tables with the items in the balance sheet, the allowances were illustrated on portfolio level (lump sum provisions) under "risk provisions". Since the allowance is formed on portfolio level for losses which have already occurred but have not yet been recognized, it must be reflected that the corresponding receivables are not contained in the individual receivables. This insularity has been accepted for reasons of simplicity.

In order to reduce risks, specific measures are taken, especially by means of collaterals. The main forms of collateral used are mortgages, guarantees and other assets.

Accountable collateral – evaluated in accordance with regulatory law principles - reduce the default risks of overdue receivables without allowance and specific-allowance receivables as follows:

in k €	2012	2011
Collateral for overdue receivables - no specific allowance		
Collateral for specific-allowance receivables	411.679	403.025

(56) Positive market values from derivative hedging instruments

The only hedging instruments used are interest swaps.

in k €	2012	2011
Positive market values from assigned effective fair value hedges	491	2.469

Basic transactions in the corporate group are only fixed rate securities businesses, category AFS. The accounting value of hedged basic business on 31.12.2012 amounts to kEUR 36,632 (2011: kEUR 28,695).

(57) Trading assets and derivatives

Trading assets by business type

in k €	2012	2011
Investment share certificates	88	160
Positive market values from derivatives	511.050	626.178
Accrued interest to trading assets	99.364	125.316
Trading assets by business type	**610.502**	**751.654**

Trading assets by maturity

in k €	2012	2011
Up to 3 months	11.331	10.732
3 months to 1 year	11.548	92.869
1 year to 5 years	504.758	222.216
More than 5 years	82.778	425.677
Without maturity	87	160
Trading assets	**610.502**	**751.654**

Derivatives

	Nominal value		Positive market values		Negative market values	
in k €	2012	2011	2012	2011	2012	2011
Derivatives "held for trading"						
FX-future transactions	484.592	221.314	923	1.729	1.079	834
FX-options	0	16.694	0	52	0	3
Currency derivatives	**484.592**	**238.008**	**923**	**1.781**	**1.079**	**837**
Interest swaps	8.015.547	10.115.692	502.533	614.467	211.648	167.095
Interest options	0	60.000	0	1	0	0
Future transactions	889.977	1.217.657	7.451	9.350	3.373	2.331
Futures	0	265.000	0	321	0	36
Interest derivatives	**8.905.524**	**11.658.349**	**509.984**	**624.139**	**215.021**	**169.462**
Credit default swaps	7.000	34.000	99	250	43	2.459
Options	0	0	44	8	0	0
Asset value dependant derivatives	**7.000**	**34.000**	**143**	**258**	**43**	**2.459**
Trading assets	**9.397.116**	**11.930.357**	**511.050**	**626.178**	**216.143**	**172.758**

Default risks of trading assets are assessed by using the internal rating system. Trading assets are rated inclusive of their interest demarcation. Internal rating levels correspond to the rating categories as stated in Notes (55) and are used to assess the default risks for all financial assets and liabilities on a standard basis. “Best creditworthiness” is a sub-category of rating class “Outstanding creditworthiness” and corresponds to rating levels 1A to 1E.

2012

in k €	For trading purposes	Derivatives	Trading assets
Top creditworthiness	6	517.087	517.093
Outstanding creditworthiness	0	21.434	21.434
Very good creditworthiness	82	65.292	65.374
Good creditworthiness	0	3.772	3.772
Medium creditworthiness	0	2.554	2.554
Weak creditworthiness	0	176	176
Total	**88**	**610.414**	**610.502**

2011

in k €	For trading purposes	Derivatives	Trading assets
Top creditworthiness	56	657.490	**657.546**
Outstanding creditworthiness	0	61.307	**61.307**
Very good creditworthiness	104	28.316	**28.420**
Good creditworthiness	0	2.607	**2.607**
Medium creditworthiness	0	1.509	**1.509**
Weak creditworthiness	0	255	**255**
Total	**160**	**751.494**	**751.654**

(58) Financial assets – designated at fair value

Financial assets – designated at fair value by business type

in k €	2012	2011
Bonds public issuers	318.033	290.029
Bonds of other issuers	658.490	670.308
Interest accrued	18.582	18.754
Financial assets – designated at fair value	**995.105**	**979.091**

Financial assets – designated at fair value by maturity

in k €	2012	2011
Up to 3 months	15.404	30.852
3 months to 1 year	76.376	15.878
1 year to 5 years	494.563	409.688
More than 5 years	408.762	522.673
Financial assets - designated at fair value	**995.105**	**979.091**

Default risk of financial assets – designated at fair value is evaluated in accordance with internal rating categories as follows:

in k €	2012	2011
Top creditworthiness	900.978	936.393
Outstanding creditworthiness	11.626	0
Very good creditworthiness	55.725	27.938
Good creditworthiness	25.623	14.760
Weak creditworthiness	1.153	0
Total	**995.105**	**979.091**

(59) Financial assets – AFS

Holdings and shares in associated companies are evaluated at continuous acquisition costs.

Financial assets – AFS by business type

in k €	2012	2011
AFS bonds of public issuers	307.228	307.580
AFS bonds of other issuers	646.195	822.115
AFS shares	3.001	3.893
AFS other holding rights	26.945	32.481
Interest accrued regarding AFS – stocks	11.360	14.468
Holdings – other companies	61.997	60.631
Holdings in associated companies	18.663	21.082
Financial assets – AFS	**1.075.389**	**1.262.250**

Financial assets – AFS by maturity

in k €	2012	2011
Up to 3 months	66.059	41.797
3 months to 1 year	105.330	148.250
1 year to 5 years	678.321	643.511
More than 5 years	114.005	309.578
Without maturity	111.674	119.114
Financial assets - AFS	**1.075.389**	**1.262.250**

The changes in AFS reserves, which are recorded in the profit for the period and in other income, are illustrated under II statement of comprehensive income.
In the past business year, impairments for securities "AFS" in the amount of kEUR 3,795 (2011: kEUR 5,881) of AFS reserves were re-categorised to the profit and loss account. The development of impairments for financial assets – AFS, which was considered in the profit and loss account, shows the following results:

in k €	Impairment on 01.01.	Currency translation	Inflows in business year	Transfers Consolida-tion	Outflows in business year	Impairment on 31.12.
2011						
Bonds of other issuers	-1.520	0	-1.070	0	226	**-2.364**
Shares	-2.628	0	-725	0	1.873	**-1.480**
Investment certificates	-4.755	0	-4.086	0	1.067	**-7.774**
Holdings – other companies	-6.177	0	-3.982	0	0	**-10.159**
Shares in associated companies	-2.252	0	-100	0	0	**-2.352**
Financial assets – AFS	**-17.332**	**0**	**-9.963**	**0**	**3.166**	**-24.129**
2012						
Bonds of other issuers	-2.364	0	-3.488	0	70	-5.782
Shares	-1.480	0	-128	0	670	-938
Investment certificates	-7.774	0	-179	0	6.883	-1.070
Holdings – other companies	-10.159	0	-526	0	1.853	-8.832
Shares in associated companies	-2.352	0	-1.164	0	100	-3.416
Financial assets – AFS	**-24.129**	**0**	**-5.485**	**0**	**9.576**	**-20.038**

Default risk of financial assets – AFS is evaluated in accordance with internal rating levels. AFS reserves are categorised as follows:

in k €	2012	2011
Top creditworthiness	923.603	1.073.292
Outstanding creditworthiness	7.891	6.029
Very good creditworthiness	47.957	55.722
Good creditworthiness	10.001	36.472
Medium creditworthiness	3.635	3.704
Weak creditworthiness	1.642	5.318
Holdings – other companies	61.997	60.631
Shares in associated companies	18.663	21.082
Total	**1.075.389**	**1.262.250**

(60) Financial assets – HTM

Financial assets – HTM by business type

in k €	2012	2011
HTM-bonds of public issuers	137.544	139.884
HTM-bonds of other issuers	247.410	477.940
Interest accrued to HTM-stock	6.611	10.054
Financial assets – HTM	**391.565**	**627.878**

Financial assets – HTM by maturity

in k €	2012	2011
Maturity: daily	400	400
Up to 3 months	94.489	78.442
3 months to 1 year	96.133	102.927
1 year to 5 years	178.911	403.771
More than 5 years	21.632	42.338
Financial assets – HTM	**391.565**	**627.878**

In the business year the number of HTM stock sales was insignificant, consequently the regulations with regard to “Tainting Rules” were not applied.

In the past business year impairments for securities “HTM” in the amount of kEUR 317 (2011: kEUR 2,501) were considered on profit affecting basis. The development of impairments can be described as follows:

in k €	Impairment on 01.01.	Currency translation	Inflows in business year	Transfers consolidation	Outflows in business year	Impairment on 31.12.
2011						
Bonds of public issuers	-89	0	-2.008	0	0	**-2.097**
Bonds of other issuers	-14.157	0	-493	0	12.462	**-2.188**
Financial assets – HTM	**-14.246**	**0**	**-2.501**	**0**	**12.462**	**-4.285**
2012						
Bonds of public issuers	-2.097	0	0	0	2.097	0
Bonds of other issuers	-2.188	0	-317	0	493	-2.012
Financial assets – HTM	**-4.285**	**0**	**-317**	**0**	**2.590**	**-2.012**

With regard to impairments, which have been considered on a profit affecting basis in the results of financial investments, financial assets – HTM are categorised as follows:

in k €	2012	2011
Non-impaired financial assets – HTM	385.581	610.355
Impaired financial assets – HTM	7.996	21.808
Impairment	-2.012	-4.285
Financial assets – HTM	**391.565**	**627.878**

Default risk of financial assets – HTM is evaluated in the corporate group in accordance with internal rating levels. HTM reserves are categorised as follows:

in k €	2012	2011
Top creditworthiness	303.892	537.307
Outstanding creditworthiness	7.046	16.435
Very good creditworthiness	69.588	53.352
Good creditworthiness	8.857	11.326
Medium creditworthiness	0	6.789
Very weak creditworthiness	400	400
Total	**391.565**	**627.878**

(61) Financial assets – L&R

Financial assets – L&R by business type

in k €	2012	2011
L&R bonds	43.148	74.106
Interest accrued regarding L&R-stock	73	262
Financial assets – L&R	**43.221**	**74.368**

Financial assets – L&R by maturity

in k €	2012	2011
Up to 3 months	0	0
1 to 5 years	10.565	20.717
More than 5 years	29.617	53.651
Financial assets – L&R	**43.221**	**74.368**

In the past business year impairment for securities "Loans & Receivables" in the amount of kEUR 3,916 (2011: kEUR 1,257) were considered on a profit affecting basis. The development of impairment is described as follows:

in k €	Impairment on 01.01.	Currency translation	Inflows in business year	Transfers con-solidation	Outflows business year	Impairment on 31.12.
2011						
Bonds	-5.762	0	-1.257	0	682	**-6.337**
Financial assets – L&R	**-5.762**	**0**	**-1.257**	**0**	**682**	**-6.337**
2012						
Bonds	-6.337	0	-3.916	0	1.001	-9.252
Financial assets – L&R	**-6.337**	**0**	**-3.916**	**0**	**1.001**	**-9.252**

With regard to impairments, which have been considered on a profit affecting basis in the results of financial investments, financial assets – L&R are categorised as follows:

in k €	2012	2011
Non-impaired L&R	20.715	47.947
Impaired L&R	31.757	32.758
Impairment L&R	-9.252	-6.337
Loans & Receivables	**43.221**	**74.368**

Default risk of financial assets – L&R is evaluated in accordance with internal rating levels. L&R stocks are categorised as follows

in k €	2012	2011
Top creditworthiness	27.101	50.613
Outstanding creditworthiness	2.409	2.242
Very good creditworthiness	3.560	5.591
Good creditworthiness	453	2.176
Medium creditworthiness	4.323	7.944
Weak creditworthiness	5.375	5.802
Total	**43.221**	**74.368**

(62) Shares in associated companies

Shares in associated companies are evaluated in compliance with the equity evaluation method according to IAS 28.

in k €	2012	2011
Shares in associated companies	**36.705**	**36.788**

For details regarding associated companies according IFRS 28.37 please see section VII.

(63) Investment properties

Development of historical acquisition cost and comparison of accounting value

in k €	Acquisition value 01.01.	Currency translation	Inflows in business year	Transfers consolid.	Outflows and re-categoris. assets AFS in business year	Acquisition value 31.12.	Accounting value 31.12.	Accounting value 01.01.
2011								
Undeveloped real estate	13.998	0	0	0	-3.491	**10.507**	10.148	13.518
Real estate/buildings rented out – land share	25.957	0	59	0	-378	**25.638**	25.638	25.943
Real estate/buildings rented out - building share	173.508	0	748	449	-2.553	**172.152**	112.534	116.992
Factory and office equipment rented out	1.181	0	60	42	0	**1.283**	446	446
Facilities under construction	308	0	542	-530	-252	**68**	68	308
Investment properties	**214.952**	**0**	**1.409**	**-39**	**-6.674**	**209.648**	**148.834**	**157.207**
2012								
Undeveloped real estate	10.507	0	0	0	-2.044	8.463	8.463	10.148
Real estate/buildings rented out - land share	25.638	0	0	0	-7.308	18.330	18.330	25.638
Real estate/buildings rented out - building share	172.152	0	300	977	-19.976	153.453	93.590	112.534
Factory and office equipment rented out	1.283	0	53	0	-190	1.146	350	446
Facilities under construction	68	0	925	-977	0	16	16	68
Investment properties	**209.648**	**0**	**1.278**	**0**	**-29.518**	**181.408**	**120.749**	**148.834**

Development of cumulated depreciation

in k €	Cumulated depreciation 01.01.	Currency translation	Inflows in business year	Transfers consolid.	Outflows in business year	Cumulated depreciation 31.12.
2011						
Undeveloped real estate	-480	0	0	0	121	**-359**
Real estate/buildings rented out - land share	-14	0	0	0	14	**0**
Real estate/buildings rented out - building share	-56.516	0	-4.417	39	1.276	**-59.618**
Factory and office equipment rented out	-735	0	-102	0	0	**-837**
Facilities under construction	0	0	0	0	0	**0**
Investment properties	**-57.745**	**0**	**-4.519**	**39**	**1.411**	**-60.814**
2012						
Undeveloped real estate	-359	0	0	0	359	0
Real estate/buildings rented out - land share	0	0	0	0	0	0
Real estate/buildings rented out - building share	-59.618	0	-5.103	0	4.858	-59.863
Factory and office equipment rented out	-837	0	-110	0	151	-796
Facilities under construction	0	0	0	0	0	0
Investment properties	**-60.814**	**0**	**-5.213**	**0**	**5.368**	**-60.659**

Inflows in the business year result from the total from smaller investments in parts of buildings rented out.

In the context of investment properties, it was decided to provide factory and office equipment as ancillary service. For that reason these assets are also recorded hereunder.

At the balance sheet date there are no contractual obligations to purchase or create investment properties, as well as no fundamental obligations regarding repairing, maintenance and improvements.

Fair value of investment properties amounted to kEUR 133,543 on 31.12.2012 (2011: kEUR 158,683). Fair value is evaluated on the basis of internal current market value certificates at the balance sheet date.

(64) Intangible assets

Development of historical acquisition costs and comparison of accounting value

in k €	Acquisi-tion value 01.01.	Currency translation	Inflows in business year	Transfers consolid.	outflows in business year	Acquisi-tion value 31.12.	Account-ing value 31.12.	Account-ing value 01.01.
2011								
Client base	1.101	0	392	28	0	**1.521**	731	528
Software	13.261	0	426	-28	-20	**13.639**	1.123	1.393
Intangible assets	**14.362**	**0**	**818**	**0**	**-20**	**15.160**	**1.854**	**1.921**
2012								
Client base	1.521	0	35	0	0	1.556	544	731
Software	13.639	0	537	0	0	14.176	1.020	1.123
Intangible assets	**15.160**	**0**	**572**	**0**	**0**	**15.732**	**1.564**	**1.854**

Development of cumulative depreciation

in k €	Cumulated depreciation 01.01.	Currency translation	Inflows in business year	Transfers consolid.	Outflows in business year	Cumulated depreciation 31.12.
2011						
Client base	-573	0	-217	0	0	**-790**
Software	-11.868	0	-665	0	17	**-12.516**
Intangible assets	**-12.441**	**0**	**-882**	**0**	**17**	**-13.306**
2012						
Client base	-790	0	-222	0	0	-1.012
Software	-12.516	0	-639	0	-1	-13.156
Intangible assets	**-13.306**	**0**	**-861**	**0**	**-1**	**-14.168**

Software inflows in the amount of kEUR 537 refer to various software solutions that were acquired in the past business year especially in HYPO TIROL BANK AG.

At the balance sheet date there are no contractual obligations to purchase or create investment properties, as well as no fundamental obligations regarding repairing, maintenance and improvements.

(65) Tangible assets

Development of historical acquisition costs and comparison of accounting value

in k €	Acquisition value 01.01.	Currency translation	Inflows in business year	Transfers consolid.	Outflows in business year	Acquisition value 31.12.	Accounting value 31.12.	Accounting value 01.01.
2011								
Undeveloped real estate	98	0	0	0	0	**98**	98	98
Developed real estate-owner occupied–land value	14.701	0	0	0	0	**14.701**	14.701	14.701
Developed real estate-owner occupied-build. value	95.490	0	2.536	235	-3.754	**94.507**	66.923	67.143
Factory and office equipment	44.224	0	2.043	-1.048	-2.234	**42.985**	11.801	13.823
Facilities under construction	277	0	18	-220	0	**75**	75	277
Tangible assets	**154.790**	**0**	**4.597**	**-1.033**	**-5.988**	**152.366**	**93.598**	**96.042**
2012								
Undeveloped real estate	98	0	0	0	0	98	98	98
Developed real estate-owner occupied–land value	14.701	0	170	0	-204	14.667	13.662	14.701
Developed real estate-owner orccupied-build.value	94.507	0	530	0	-488	94.549	62.346	66.923
Factory and office equipment	42.985	0	1.406	0	-2.066	42.325	10.607	11.801
Facilities under construction	75	0	0	0	0	75	75	75
Tangible assets	**152.366**	**0**	**2.106**	**0**	**-2.758**	**151.714**	**86.788**	**93.598**

Factory and office equipment inflows basically refer to current replacement capital investments of HYPO TIROL BANK AG.

At the balance sheet date there are no contractual obligations to purchase or create investment properties, as well as no fundamental obligations regarding repairing, maintenance and improvements.

Development of cumulative depreciation

in k €	Cumulative depreciation 01.01.	Currency translation	Inflows in business year	Transfers consolid.	Outflows in business year	Cumulative depreciation 31.12.
2011						
Developed real estate- owner occupied–building value	-28.347	0	-2.563	-14	3.340	**-27.584**
Factory and office equipment	-30.401	0	-3.809	1.047	1.979	**-31.184**
Facilities under construction	0	0	0	0	0	**0**
Tangible assets	**-58.748**	**0**	**-6.372**	**1.033**	**5.319**	**-58.768**
2012						
Developed real estate-owner occupied–land value	0	0	-1.005	0	0	-1.005
Developed real estate-owner occupied-building value	-27.584	0	-5.108	1	488	-32.203
Factory and office equipment	-31.184	0	-2.439	0	1.905	-31.718
Facilities under construction	0	0	0	0	0	0
Tangible assets	**-58.768**	**0**	**-8.552**	**1**	**2.393**	**-64.926**

(66) Other assets and assets AFS

in k €	2012	2011
Real properties	0	437
Assets held as collaterals for non-performing loans	1.817	2.485
Tax receivables	11.755	24.517
Accruals and deferrals	1.009	886
Other		40.192
Other assets	**40.274**	**68.517**

Assets held as collateral for non-performing loans, are real estates which are to be sold on the basis of private sales. The maturity of assets held as collateral for non-performing loans in the amount of kEUR 1,817 (2011: kEUR 2,485) is more than 12 months.

Tax receivables basically include current accounting of consumption tax and activated corporate tax pre-payments in the amount of kEUR 5,583 (2011: kEUR 21,207) for non-assessed business years.

Other assets in 2012 include kEUR 15,173 from offset accounts (2011: kEUR 31,589).

“Assets available for sale” include real estate which was sold in the first part of the business year 2013.

(67) Deferred income tax assets and obligations

in k €	2012	2011
Evaluation of receivables and liabilities clients covered by security at fair value and evaluation of risk provision	34.381	26.365
Evaluation of derivatives at fair value	108.544	109.962
Evaluation of financial assets – designated at fair value and AFS at fair value	93.133	159.224
Evaluation of financial assets – HTM and L&R according to effective interest method	8	184
Evaluation of shares in associated companies according to equity method	0	0
Application of evaluation method at first consolidation and application of different depreciation approaches for investment properties and tangible assets	931	1.769
Evaluation of liabilities evidenced by certificate and financial liabilities– designated at fair value	14.408	32.068
Evaluation of provisions	27	724
Deferred tax assets		**330.296**
Evaluation of receivables and liabilities covered by securities clients at fair value and evaluation of risk provision	21.100	17.303
Evaluation of derivatives at fair value	168.918	209.311
Evaluation of financial assets – designated at fair value and financial assets – AFS at fair value	24.406	17.353
Evaluation of financial assets – HTM and L&R according to effective interest method	44	49
Evaluation of shares in associated companies according to equity method	0	0
Application of evaluation method at first consolidation and application of different depreciation approaches for investment properties and tangible assets	629	950
Evaluation of liabilities evidenced by certificate and financial liabilities– designated at fair value	16.517	67.259
Evaluation of provisions	1.389	1.830
Deferred tax assets	**233.003**	**314.055**
Deferred tax assets and obligations, per balance	**18.429**	**16.241**

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

in k €	2012	2011
Deferred tax assets	251.432	330.296
Balancing	-231.658	-313.060
Deferred tax assets per balance	**19.774**	**17.236**

in k €	2012	2011
Deferred tax assets	233.003	314.055
Balancing	-231.658	-313.060
Deferred tax assets per balance	**1.345**	**995**

in k €	2012	2011
Deferred tax assets	19.774	17.236
Deferred tax obligations	1.345	995
Deferred tax assets/obligations per balance	**18.429**	**16.241**

The changes regarding balanced deferred income tax assets/obligations are described as follows:

in k €	2012	2011
As at 01.01.	**16.241**	**-2.959**
Deferred tax considered in the profit and loss account	7.482	16.962
Deferred tax from the evaluation of financial assets - AFS considered in the profit for the period:		
Change of evaluation at fair value	-6.733	1.080
Profit affecting re-categorisation to profit and loss account	1.439	1.158
As at 31.12.	**18.429**	**16.241**

In the business year 2012 and 2011, no deferred tax obligations in connection with AFS stocks were designated to deferred tax obligations from financial instruments
In the corporate group there are no active deferred taxes on losses brought forward.
Deferred tax assets in the amount of kEUR 22,188 (2011: kEUR 20,118) have not been activated. They can be brought forward without limitation.

(68) Liabilities to credit institutions

Liabilities to credit institutions by business type

in k €	2012	2011
Interbank accounts	385.537	468.286
Money market businesses	127.301	116.933
Trustee liabilities	14.797	18.540
Other liabilities	232	462
Liabilities to credit institutions	**527.867**	**604.221**

Liabilities to credit institutions by region

in k €	2012	2011
Austria	**92.937**	**98.330**
Foreign countries	**434.930**	**505.891**
Germany	216.835	192.340
Italy	109	142
Other foreign countries (incl. CEE)	217.986	313.409
Liabilities to credit institutions	**527.867**	**604.221**

Liabilities to credit institutions by maturity

in k €	2012	2011
Maturity: daily	368.069	464.529
Up to 3 months	36.871	9.118
3 months to 1 year	227	5.809
1 year to 5 years	95.000	20.000
More than 5 years	27.700	104.765
Liabilities to credit institutions	**527.867**	**604.221**

(69) Liabilities to clients

Liabilities to clients in the amount of kEUR 1,006,187 (2011: kEUR 1,024,161) are assigned to profit affecting financial liabilities at fair value. The remaining liabilities in the amount of kEUR 1,902,131 (2011: kEUR 1,913,467) are dedicated to other liabilities.

Liabilities to clients by business type

in k €	2012	2011
Current account	848.502	817.030
Time deposits	1.011.271	1.081.952
Other deposits	49.857	29.647
Savings deposits	619.242	614.785
Capital savings books	379.446	394.214
Liabilities to clients	**2.908.318**	**2.937.628**

Liabilities to clients by regions

in k €	2012	2011
Austria	**1.970.935**	**1.961.843**
Foreign countries	**937.383**	**975.785**
Germany	809.556	838.292
Italy	54.880	54.307
Other foreign countries (incl. CEE)	72.947	83.186
Liabilities to clients	**2.908.318**	**2.937.628**

Liabilities to clients by maturity

in k €	2012	2011
Maturity: daily	977.106	923.689
Up to 3 months	569.123	632.083
3 months to 1 year	353.137	407.506
1 year to 5 years	874.901	191.544
More than 5 years	134.051	782.806
Liabilities to clients	**2.908.318**	**2.937.628**

Liabilities to clients by sector

in k €	2012	2011
Public sector	178.252	120.851
Corporate clients	1.069.270	1.141.067
Private households	1.396.249	1.412.864
Other	264.547	262.846
Liabilities to clients	**2.908.318**	**2.937.628**

(70) Liabilities evidenced by certificate

Liabilities evidenced by certificate are evaluated at continuous acquisition costs.

Liabilities evidenced by certificate by business type

in k €	2012	2011
Debentures	46.169	45.792
Communal debentures	111	30.114
Cash obligations	15.856	20.107
Bonds	1.207.665	1.427.087
Housing bonds	88.840	144.281
Bonds of debentures section	50.000	100.000
Interest accrued	2.531	6.131
Liabilities evidenced by certificate	**1.411.172**	**1.773.512**

Development of liabilities evidenced by certificate

in k €	2012	2011
As at 01.01	1.773.512	1.790.790
New assumption	53.283	29.284
Redemption	-411.725	-48.400
Currency changes	-299	489
Changes accrued interest	-3.599	1.349
Liabilities evidenced by certificate	**1.411.172**	**1.773.512**

Liabilities evidenced by certificate by maturity

in k €	2012	2011
Maturity: daily	366	384
Up to 3 months	22.652	48.414
3 months to 1 year	14.408	260.479
1 year to 5 years	1.335.361	438.714
More than 5 years	38.385	1.025.521
Liabilities evidenced by certificate	**1.411.172**	**1.773.512**

Resulting from the maturity structure of liabilities, liquidity in the corporate group is secured for the forthcoming years.

(71) Negative market values from derivative hedging instruments

Interest swaps are the only hedging instruments employed.

in k €	2012	2011
Negative market values from assigned effective fair value hedges	51.140	46.299

Basic transactions in the corporate group only comprise fixed rate securities AFS. The accounting value of basic businesses on 31.12.2012 amounted to kEUR 36,632 (2011: kEUR 28,695).

(72) Derivates

in k €	2012	2011
Negative market values from derivative financial instruments	216.143	172.758
Interest accrued	37.258	54.627
Derivatives	**253.401**	**227.385**

Derivatives by maturity

in k €	2012	2011
Up to 3 months	4.127	12.224
3 months to 1 year	17.309	16.662
1 year to 4 years	84.821	60.774
More than 4 years	147.144	137.725
Derivatives	**253.401**	**227.385**

(73) Financial liabilities – designated at fair value

Financial liabilities – designated at fair value by business type

in k €	2012	2011
Debentures	219.547	185.842
Communal debentures	84.604	182.575
Cash obligations	1.690	52.825
Bonds	2.860.224	3.535.322
Housing bonds	247.371	248.831
Bonds in the debentures sector	425.659	541.963
Subordinate liabilities	87.090	120.383
Supplementary capital	26.909	27.237
Interest accrued	66.530	78.254
Financial liabilities – designated at fair value	**4.019.624**	**4.973.232**

The redemption of financial liabilities – designated at fair value amounted to kEUR 3,935,577 (2011: kEUR 4,919,451), The difference between redemption and accounting value amounted to kEUR 84,047 (2011: kEUR 53,781).

Development of financial liabilities – designated at fair value

in k €	2012	2011
As at 01.01	4.973.232	5.446.888
New assumption	146.036	154.488
Redemption	-969.333	-782.542
Currency changes	-1.287	49.068
Changes in interest accrued	-11.725	-6.541
Changes of evaluation at fair value	-117.299	111.871
Financial liabilities – designated at fair value	**4.019.624**	**4.973.232**

Financial liabilities – designated at fair value by maturity

in k €	2012	2011
Up to 3 months	124.883	59.273
3 months to 1 year	41.847	612.903
1 year to 5 years	3.367.647	1.956.959
More than 5 years	485.247	2.344.097
Financial liabilities – designated at fair value	**4.019.624**	**4.973.232**

(74) Provisions

in k €	2012	2011
Provision for severance payments	11.505	9.658
Pension provision	6.643	6.365
Length of service provision		1.406
Loan risk provisions		38.750
Other provisions	8.229	12.113
Provisions	**41.932**	**68.292**

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

in k €	Severance payments provision	Pension provision	Length-of-service provision
2011			
As at 01.01.	9.323	6.860	1.264
Service costs	744	0	78
Interest expenses	411	291	55
Payments	-578	-690	-65
Actuarial profit/loss	-242	-96	74
Harmonisation based on experience	*58*	*22*	*107*
As at 31.12.	**9.658**	**6.365**	**1.406**
2012			
As at 01.01.	9.658	6.365	1.406
Service costs	752	0	84
Interest expenses	449	283	64
Payments	-377	-876	-138
Actuarial profit/loss	1.023	871	198
Harmonisation based on experience	*-495*	*394*	*51*
As at 31.12.	**11.505**	**6.643**	**1.614**

Provision for pensions, severance and length-of-service during the last 5 years

in k €	2012	2011	2010	2009	2008
Severance provision	11.505	9.658	9.323	8.548	8.277
Pension provision	6.643	6.365	6.860	6.691	6.415
Length of service provision	1.614	1.406	1.264	1.103	954

Harmonisation based on experience included in actuarial profit/loss during the last four years is described as follows.

in k €	2012	2011	2010	2009
Severance provision	**11.505**	**9.658**	**9.323**	**8.548**
Actuarial profit/loss	1.023	-242	679	359
Harmonisation based on experience	*-495*	*58*	*-72*	*-393*
Pension provision	**6.643**	**6.365**	**6.860**	**6.691**
Actuarial profit/loss	871	-96	684	686
Harmonisation based on experience	*394*	*22*	*432*	*330*
Length-of-service provision	**1.614**	**1.406**	**1.264**	**1.103**
Actuarial profit/loss	198	74	70	115
Harmonisation based on experience	*51*	*107*	*10*	*36*

The accounting values of the provisions for severance, pensions and length-of-service correspond to the accounting values of long-term personnel obligations. The results from allocation of funds and dissolution of provisions for pensions, severance and length-of-service are illustrated in the item personnel expenses. In addition, the actuarial profit/loss is recorded in the profit for the period.

Other provisions

in k €	2012	2011
Other personnel provisions	2.219	268
Provisions for legal costs	20	103
Liability provisions	3.896	269
Remaining other provisions	2.094	11.473
Other provisions	**8.229**	**12.113**

Other personnel provisions include provisions for occupational disability and the survivors' pension scheme in the amount of kEUR 102 (2011: kEUR 113).

Loan risk provisions include e.g., provisions for guarantees and liabilities as well as other obligations resulting from the granting of loans which are uncertain in respect of maturity or amount. The increase of the previous year results from liabilities for credit default in connection with Hypo Tirol Bank Italia S.p.A., Bolzano.

Other provisions include kEUR 5,060 (2011: kEUR 11,845), which are estimated to fall due in the business year 2012.

Development of provisions

in k €	As at 01.01.	Currency translation	Inflows	Deployment	Outflows	Other changes	As at 31.12.
2011							
Severance provision	9.323	0	843	-437	-67	-4	**9.658**
Pension provision	6.860	0	0	0	-495	0	**6.365**
Length-of-service provision	1.264	0	133	-65	0	74	**1.406**
Loan risk provision	7.910	0	33.458	-91	-2.527	0	**38.750**
Other provisions	5.262	0	11.257	-2.811	-1.521	-74	**12.113**
Provisions	**30.619**	**0**	**45.691**	**-3.404**	**-4.610**	**-4**	**68.292**
2012							
Severance provision	9.658	0	1.077	-377	0	1.147	11.505
Pension provision	6.365	0	283	-876	0	871	6.643
Length-of-service provision	1.406	0	84	-138	0	262	1.614
Loan risk provision	38.750	0	6.394	-25.647	-5.556	0	13.941
Other provisions	12.113	0	6.024	-8.478	-1.170	-260	8.229
Provisions	**68.292**	**0**	**13.862**	**-35.516**	**-6.726**	**2.020**	**41.932**

(75) Other liabilities

in k €	2012	2011
Associated non-consolidated companies	0	9.365
Deliveries and performances	64.336	50.268
Accruals and deferrals	178	218
Other liabilities	**64.514**	**59.851**

All other liabilities have a remaining maturity of less than 12 months.

(76) Current income tax obligations

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

(77) Subordinate and supplementary capital

Subordinate and supplementary capital by business type

in k €	2012	2011
Subordinate capital	71.000	71.000
Supplementary capital	34.752	56.596
Interest accrued	432	448
Subordinate and supplementary capital by business type	**106.184**	**128.044**

Development of subordinate and supplementary capital

in k €	2011	2010
As at 01.01.	128.044	128.466
Redemptions	-21.844	-428
Changes in accrued interest	-16	-164
Subordinate and supplementary capital	**106.184**	**128.044**

Subordinate and supplementary capital by maturity

in k €	2012	2011
1 year to 5 years	61.188	14.328
More than 5 years	43.316	113.716
Subordinate and supplementary capital	**106.184**	**128.044**

(78) Equity capital

in k €	2012	2011
Capital stock	50.000	50.000
Participation capital	0	58.800
Subscribed capital	**50.000**	**108.800**
Tied-up capital reserves	150.033	91.233
Capital reserves	161.200	0
Capital reserves	**311.233**	**91.233**
Legal revenue reserves	5.000	5.000
Liability reserves according to article 23 sec. 6 Banking Act	60.007	60.007
Difference form capital consolidation		6.540
Other revenue reserves	92.706	86.686
Revenue reserves	**164.253**	**158.233**
Available for sale reserves	-657	-16.541
Currency translation reserves	0	0
Effects from initial use	5.251	5.251
Corporate group result	12.262	104
Equity capital	**542.342**	**347.080**

Subscribed capital
Participation certificates in the amount of kEUR 58,800 were collected on 21.11.2012 in accordance with Banking Act article 102a.

Capital reserves
The designated capital reserves result from the transformation of HYPO TIROL BANK AG into a public limited company.
Furthermore, the owner, the Province of the Tyrol, made a capital contribution based on the EC decision in October 2012 in the amount of kEUR 220,000.

Revenue reserves
Revenue reserves are divided into legal reserves, liability reserves according to Banking Act, art. 23, sec. 6, and other reserves resulting from the Consolidated Financial Statement. In compliance with national law, legal and liability reserves shall include compulsory reserves. Furthermore, the difference from capital consolidation is recorded in the revenue reserves.

(79) Fair value of financial instruments

Evaluation in k €	at continuous acquisition costs				at fair value					
Evaluation category	L&R Other Liabilities		HTM		Held for Trading hedging inst.		Fair Value Option		AFS	
	Acc. Value	Fair Value	Acc. Value	Fair Value	Acc. Value	Fair Value	Acc. Value	Fair Value	Acc. Value	Fair Value
ASSETS 2012										
Cash reserves	103.304	103.304	0	0	0	0	0	0	0	0
Receivables from credit inst.	252.461	252.461	0	0	0	0	0	0	0	0
Receivables from clients	5.877.473	5.912.880	0	0	0	0	599.708	599.708	0	0
Risk provision clients and credit institutions	-342.591	-342.591	0	0	0	0	0	0	0	0
Hedging instruments	0	0	0	0	491	491	0	0	0	0
Trading assets	0	0	0	0	610.502	610.502	0	0	0	0
Financial assets										
– designated at fair value	0	0	0	0	0	0	995.105	995.105	0	0
– AFS	0	0	0	0	0	0	0	0	1.075.389	1.075.389
– HTM	0	0	391.565	395.270	0	0	0	0	0	0
– L&R	43.221	40.247	0	0	0	0	0	0	0	0
LIABILITIES 2012										
Liabilities to credit institutions	527.867	527.867	0	0	0	0	0	0	0	0
Liabilities to clients	1.902.131	1.902.131	0	0	0	0	1.006.187	1.006.187	0	0
Liabilities evidenced by certificate	1.411.172	1.436.403	0	0	0	0	0	0	0	0
Hedging instruments	0	0	0	0	51.140	51.140	0	0	0	0
Derivatives	0	0	0	0	253.401	253.401	0	0	0	0
Financial liabilities										
– designated at fair value	0	0	0	0	0	0	4.019.624	4.019.624	0	0
Subordinate and supplementary capital	106.184	93.745	0	0	0	0	0	0	0	0

Evaluation in k €	at continuous acquisition costs				at fair value					
Evaluation category	L&R Other Liabilities		HTM		Held for Trading hedging inst.		Fair Value Option		AFS	
	Acc. Value	Fair Value	Acc. Value	Fair Value	Acc. Value	Fair Value	Acc. Value	Fair Value	Acc. Value	Fair Value
ASSETS 2011										
Cash reserves	94.762	94.762	0	0	0	0	0	0	0	0
Receivables from credit inst.	279.783	279.783	0	0	0	0	0	0	0	0
Receivables from clients	6.385.679	6.410.444	0	0	0	0	652.949	652.948	0	0
Risk provision	-307.739	-307.739	0	0	0	0	0	0	0	0
Hedging instruments	0	0	0	0	2.469	2.469	0	0	0	0
Trading assets	0	0	0	0	751.654	751.654	0	0	0	0
Financial assets										
– designated at fair value	0	0	0	0	0	0	979.091	979.091	0	0
– AFS	0	0	0	0	0	0	0	0	1.262.250	1.262.250
– HTM	0	0	627.878	615.902	0	0	0	0	0	0
– L&R	74.368	59.029	0	0	0	0	0	0	0	0
LIABILITIES 2011										
Liabilities to credit institutions	604.221	604.221	0	0	0	0	0	0	0	0
Liabilities to clients	1.913.467	1.913.467	0	0	0	0	1.024.161	1.024.161	0	0
Liabilities evidenced by certificate	1.773.512	1.946.274	0	0	0	0	0	0	0	0
Hedging instruments	0	0	0	0	46.299	46.299	0	0	0	0
Derivatives	0	0	0	0	227.385	227.385	0	0	0	0
Financial liabilities										
– designated at fair value	0	0	0	0	0	0	4.973.232	4.973.232	0	0
Subordinate and supplementary capital	128.044	138.255	0	0	0	0	0	0	0	0

The fair value of guarantees and irrevocable credits granted corresponds to the respective accounting value. This is shown under (87) Contingent liabilities and credit risks.

The following table shows how fair value of financial instruments which are evaluated at fair value, are evaluated by means of direct reference to noted market prices in active markets or through a certain evaluation procedure.

in k €	Quoted market prices in active markets	Evaluation procedures based on market data	Evaluation procedures not based on market data	Accounting value
ASSETS 2012				
Receivables from clients – designated at fair value	0	599.708	0	**599.708**
Hedging instruments with positive market value	0	491	0	**491**
Trading assets and derivatives	88	610.414	0	**610.502**
Financial assets – designated at fair value	5.807	989.298	0	**995.105**
Financial assets – AFS	952.328	122.061	1.000	**1.075.389**
LIABILITIES 2012				
Liabilities to clients – designated at fair value	0	1.006.187	0	**1.006.187**
Hedging instruments with negative market value	0	51.140	0	**51.140**
Derivatives	0	253.401	0	**253.401**
Financial liabilities – designated at fair value	0	4.019.624	0	**4.019.624**

in k €	Quoted market prices in active markets	Evaluation procedures based on market data	Evaluation procedures not based on market data	Accounting value
ASSETS 2011				
Receivables from clients – designated at fair value	0	652.949	0	**652.949**
Hedging instruments with positive market value	0	2.469	0	**2.469**
Trading assets and derivatives	160	751.494	0	**751.654**
Financial assets – designated at fair value	10.594	968.497	0	**979.091**
Financial assets – AFS	1.262.250	0	0	**1.262.250**
LIABILITIES 2011				
Liabilities to clients – designated at fair value	0	1.024.161	0	**1.024.161**
Hedging instruments with negative market value	0	46.299	0	**46.299**
Derivatives	0	227.385	0	**227.385**
Financial liabilities – designated at fair value	0	4.973.232	0	**4.973.232**

Regarding evaluation procedures based on market data, fair value is evaluated on the basis of discounted cash flow methods; financial instruments with optional components are evaluated by applying the Black/Scholes model.

Regarding evaluation procedures not based on market data, one bond was evaluated in the business year 2012. The evaluation was based on historical default probabilities.

In the business year 2012 there were no basic transfers between "quoted market prices in active markets" and "evaluation procedures based on market data".

Financial instruments with a fair value not based on market data developed as follows:

in k €	Financial assets – AFS Shares
As at 01.01.2011	**11.335**
Sales	-1.915
New-assignment, reclassified to or removed from level 3 of evaluation hierarchy	-9.420
As at 31.12.2011	**0**

in k €	Finanzielle Vermögenswerte – AFS Debt securities
As at 01.01.2012	**0**
New-assignment, reclassified to or removed from level 3 of evaluation hierarchy	1.000
As at 31.12.2012	**1.000**

Financial assets and liabilities which are evaluated voluntarily at fair value result in the following profit or loss caused by changed creditworthiness, which is shown in the trading assets:

The creditworthiness-induced fair value change of financial assets for the period amount to kEUR -8,064 (2011: kEUR -17,666). Since designation, the cumulative creditworthiness-induced change amounted to kEUR -32,605 (2011: kEUR -24,540).

The creditworthiness-induced fair value change of financial liabilities in the business year amounted to kEUR 1,445 (2011: kEUR 16,344). Since designation, the cumulative creditworthiness-induced change has amounted to kEUR 53,189 (2011: kEUR 51,744).

The creditworthiness-induced change is determined by means of difference calculation. A model calculation of market risk induced change of fair value is subtracted of the total change of fair values.

(80) Maximum Default risk

The maximum default risk is illustrated by indicating the accounting value of financial assets after consideration of allowance:

2012

in k €	Loans and receivables	Debt capital instruments of the category trading assets, financial assets and derivatives	Equity capital instruments of the category trading assets and financial assets	Accounting value
Receivables from credit inst.	**251.208**	**0**	**0**	**251.208**
Receivables from clients	**6.135.842**	**0**	**0**	**6.135.842**
– at cost	5.536.134	0	0	5.536.134
– at fair value	599.708	0	0	599.708
Hedging instruments	**0**	**491**	**0**	**491**
Trading assets	**0**	**610.414**	**88**	**610.502**
– for trading purposes	0	0	88	88
– derivatives	0	610.414	0	610.414
Financial assets	**0**	**2.394.674**	**110.606**	**2.505.280**
– designated at fair value	0	995.105	0	995.105
– AFS	0	964.783	110.606	1.075.389
– HTM	0	391.565	0	391.565
– Loans & Receivables	0	43.221	0	43.221

2011

in k €	Loans and receivables	Debt capital instruments of the category trading assets, financial assets and derivatives	Equity capital instruments of the category trading assets and financial assets	Accounting value
Receivables from credit inst.	**278.530**	**0**	**0**	**278.530**
Receivables from clients	**6.732.142**	**0**	**0**	**6.732.142**
– at cost	6.079.194	0	0	6.079.194
– at fair value	652.948	0	0	652.948
Hedging instruments	**0**	**2.469**	**0**	**2.469**
Trading assets	**0**	**751.494**	**160**	**751.654**
– for trading purposes	0	0	160	160
– derivatives	0	751.494	0	751.494
Financial assets	**0**	**2.825.500**	**118.087**	**2.943.587**
– designated at fair value	0	979.091	0	979.091
– AFS	0	1.144.163	118.087	1.262.250
– HTM	0	627.878	0	627.878
– Loans & Receivables	0	74.368	0	74.368

The maximum default risk from loan commitments and financial guarantees amounted to kEUR 901,674 (2011: kEUR 866,237) at the balance sheet date.
Risks are reduced, especially by demanding collateral, mainly by way of mortgages, guarantees and other assets.
Creditable collateral – evaluated in accordance with supervisory standards - reduces the default risk as follows:

in k €	2012	2011
Receivables from clients	**2.875.908**	**2.979.521**
– at cost	2.875.908	2.979.521
Derivates	**276.330**	**422.210**

(81) Information 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 a share,
- The province of the Tyrol or "Landes-Hypothekenbank Tirol Anteilsverwaltung".

In the context of ordinary business activities, transactions with associated companies and individuals are basically concluded in accordance with similar terms and conditions customary in the market, that are applicable to similar transactions concluded with third parties in the same period. The extent of such transactions is shown below.

As the Province of the Tyrol ceases to be bear liability in 2017, it receives an annual liability commission amounting to kEUR 727 which is recorded under commission expenses.

As a service provider for the province of the Tyrol,, HYPO TIROL BANK AG administers the residential construction support loans. In addition, the company provides financial services to the Province of the Tyrol at terms customary in the market. These amounts are not shown separately, as such transactions can not be recorded in the system separately and information in this respect be obtained within a reasonable amount of time or at reasonable expense.

Advances and loans to directors, managers of companies included in the scope of consolidation and supervisory boards amounted to kEUR 567 (2011 kEUR 576) at the balance sheet date. This change entirely refers to redemptions, interest charges and exchange rate fluctuations of existing loans.

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 732 (2011: kEUR 577). Severance payments for active Managing Board members amounted to kEUR 230. Pension costs for active Managing Board members do not exist. The active remunerations entirely refer to the current remunerations and thus, are classified as short term due performance costs. Other categories of compensation in accordance with IAS 24.17 do not apply to Managing Board members.

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 517 (2011: kEUR 521) in the business year.

The remunerations for Supervisory Board members in the business 2012 amounted to kEUR 58 (2011: kEUR 58).

Business relations with fully consolidated companies have been eliminated in the course of debt consolidation, and thus have not been recorded under "transactions with associated companies". The amounts illustrated in 'holdings' 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 Province are only contained in "receivables from clients" to an insubstantial extent.

The outstanding balances and the volume of business relations in the past business year with associated companies are illustrated in the following tables:

Receivables from clients

	Holdings		Related Parties	
in k €	2012	2011	2012	2011
As at 01.01.	144.264	170.098	396.221	426.363
Loans granted during the year	31.632	34.245	0	87.981
Redemptions from receivables from loans	-11.076	-53.421	-23.700	-77.096
Balance: redemptions, interest charges and exchange rate fluctuations of current loans	-12.321	-6.658	-22.995	-41.027
As at 31.12.	**152.499**	**144.264**	**349.526**	**396.221**
Other loan risk transactions				
Assumptions of liability	**7.195**	**7.195**	**0**	**0**

For outstanding balances with associated individuals as at 31.12.2012 hedging instruments have been provided in the amount of kEUR 45,203 (2011: kEUR 47,015). Advances were not granted.

Financial assets – designated at Fair Value

in k €	Related Parties 2012	Related Parties 2011
As at 01.01.	7.654	8.571
Redemptions	-957	-917
As at 31.12.	**6.697**	**7.654**

Liabilities to clients

	Holdings		Related Parties	
in k €	2012	2011	2012	2011
As at 01.01.	6.062	4.154	91.299	62.448
New assumptions	0	66	50	16.636
Redemptions	-697	-1.105	-1.842	-857
Balance: redemptions, interest charges and exchange rate fluctuations of current liabilities	11.980	2.947	53.539	13.072
As at 31.12.	**17.345**	**6.062**	**143.046**	**91.299**

Allowances for doubtful receivables from associated companies and individuals were not recorded. Furthermore, in the business year no expenses for doubtful or non-performing receivables from associated companies or individuals were recorded.

(82) Assets received as collateral

in k €	2012	2011
Actuarial reserve fund for debentures and communal debt securities	2.586.370	1.315.821
Financial assets	130.854	17.164
Assets received as collateral	**2.717.224**	**1.332.985**

Assets received as collateral are actuarial reserve funds for debentures and communal debt securities and ward money. The requirements of using these assets as collateral must be defined in a manner which complies with the legal regulations regarding the Bank Act and the Debenture Act.

(83) Segmental report

The report on the segments of the HYPO TIROL BANK AG group comprises the following categories.

Private clients in the Tyrol
This segment covers the results from the private client and self-employed business in the core market of the Tyrol. In addition, it includes results from customer relations with corporate and public sector clients, if they are serviced in the branch offices.

Corporate and key account clients in the Tyrol
This segment reflects the results from businesses with corporate and key account clients in the core market of the Tyrol and the results from the financing portfolio in Germany, which is to be reduced. Furthermore, this segment includes insurance businesses and business relations with public sector clients, serviced in the business centres.

Vienna
This segment comprises results from business activities in the additional market of Vienna and covers all branch segments.

Italy
This segment illustrates the results from business activities in Italy including leasing transactions.

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. For 2012, the results from financial assets include impairment amounting to kEUR 8,029 (2011: kEUR 9,639). For detailed information regarding the geographical composition of the securities stock pleas see Notes (88).

Leasing and real estate
In this segment, subsidiaries acting in the leasing sector are described. Furthermore, activities in the field of real estate and holding transactions are shown, as well as results from associated companies, which are evaluated on the basis of the equity method.

Corporate Centre
This segment is used for income and expenses that cannot be classified elsewhere. Internal support unit expenses are assigned to the profit generating segments via appropriate distribution keys.

Administration expenses include depreciation on owner-occupied assets in the amount of kEUR 9,413 (2011: kEUR 7.254). Tax on income and profit in 2012 amounted to kEUR 8,714 (2011: kEUR 15,690).

In compliance with the management approach the reported segments of the business sectors correspond to the internal profit and loss accounting.

Report by business type

2012

in k €	Private clients Tyrol	Corporate key account Tyrol	Vienna	Italy	Treasury	Leasing and real estate	Corporate centre	Total segments
Net inters income	29.089	27.642	5.886	17.484	13.869	6.967	3.886	**104.823**
Loan risk provision	-3.424	-10.714	696	-17.372	0	380	0	**-30.434**
Net commission income	15.475	6.293	1.000	4.990	429	13	-675	**27.525**
Trading result	0	0	0	667	9.531	0	0	**10.198**
Result from other financial instruments	0	0	0	3.700	-16.200	-924	-147	**-13.571**
Administration expenses	-37.549	-16.465	-4.406	-21.753	-5.418	-4.784	-129	**-90.504**
Other income	2.234	4	0	2.330	0	19.765	2.082	**26.415**
Other expenses	-315	-71	0	-2.054	0	-14.771	-7.054	**-24.265**
Result from associated companies	0	0	0	0	0	2.001	0	**2.001**
Result before taxation	**5.510**	**6.689**	**3.176**	**-12.008**	**2.211**	**8.647**	**-2.037**	**12.188**
Segmental assets	1.480.020	2.449.669	451.837	927.110	3.478.383	715.709	426.874	**9.929.602**
Segmental debts and equity capital	1.503.548	648.403	120.496	133.751	7.297.529	80.920	144.955	**9.929.602**
Risk-adjusted assets	860.504	1.615.247	252.107	777.283	548.884	532.266	272.034	**4.858.325**

2011

in k €	Private clients Tyrol	Corporate key account Tyrol	Vienna	Italy	Treasury	Leasing and real estate	Corporate centre	Total segments
Net inters income	34.240	32.278	7.026	18.496	22.287	4.799	2.387	**121.513**
Loan risk provision	-5.102	-24.929	-3.471	-120.776	0	-1.064	3	**-155.339**
Net commission income	13.889	5.124	966	4.732	948	33	615	**26.307**
Trading result	0	0	0	167	-1.769	-50	0	**-1.652**
Result from other financial instruments	0	0	0	-3.704	-9.180	-237	-37	**-13.158**
Administration expenses	-36.357	-16.501	-3.623	-18.198	-5.654	-3.878	-2.279	**-86.490**
Other income	2.205	79	0	1.929	0	17.753	0	**21.966**
Other expenses	-249	-151	0	-2.642	0	-14.686	-5.520	**-23.248**
Result from associated companies	0	0	0	0	0	2.810	0	**2.810**
Result before taxation	**8.626**	**-4.100**	**898**	**-119.996**	**6.632**	**5.480**	**-4.831**	**-107.291**
Segmental assets	1.485.373	2.918.769	516.973	1.115.727	4.096.161	733.229	303.739	**11.169.971**
Segmental debts and equity capital	1.429.980	587.394	146.101	113.180	8.659.056	51.980	182.280	**11.169.971**
Risk-adjusted assets	869.207	1.841.783	291.975	808.227	650.275	511.534	125.462	**5.098.463**

Report by region

2012

in k €	Austria	Italy	Corporate Centre	Total Segments
Net interest income	83.453	17.484	3.886	**104.823**
Loan risk provision	-13.062	-17.372	0	**-30.434**
Net commission income	23.210	4.990	-675	**27.525**
Trading result	9.531	667	0	**10.198**
Result from other financial instruments	-17.124	3.700	-147	**-13.571**
Administration expenses	-68.622	-21.753	-129	**-90.504**
Other income	22.003	2.330	2.082	**26.415**
Other expenses	-15.157	-2.054	-7.054	**-24.265**
Result form associated companies	2.001	0	0	**2.001**
Result before taxation	**26.233**	**-12.008**	**-2.037**	**12.188**

2011

in k €	Austria	Italy	Corporate Centre	Total Segments
Net interest income	100.630	18.496	2.387	**121.513**
Loan risk provision	-34.566	-120.776	3	**-155.339**
Net commission income	20.960	4.732	615	**26.307**
Trading result	-1.819	167	0	**-1.652**
Result from other financial instruments	-9.417	-3.704	-37	**-13.158**
Administration expenses	-66.013	-18.198	-2.279	**-86.490**
Other income	20.037	1.929	0	**21.966**
Other expenses	-15.086	-2.642	-5.520	**-23.248**
Result form associated companies	2.810	0	0	**2.810**
Result before taxation	**17.536**	**-119.996**	**-4.831**	**-107.291**

(84) Foreign currency volume and foreign countries involved

in k €	EUR	USD	CHF	JPY	Other	Total
Assets 2012						
Cash reserves	102.557	200	301	14	232	103.304
Receivables from credit institutions	173.444	4.807	65.980	2.806	5.424	252.461
Risk provision for receivables from credit institutions	-1.253	0	0	0	0	-1.253
Receivables from clients	5.482.593	7.275	869.640	97.979	19.694	6.477.181
Risk provision for receivables from clients	-330.354	-2	-10.015	-945	-23	-341.339
Positive market values from derivative hedging instruments	491	0	0	0	0	491
Trading assets and derivatives	463.492	14.009	129.486	3.428	87	610.502
Financial assets						
– designated at fair value	968.596	8.397	18.112	0	0	995.105
– AFS	1.072.227	2.257	296	0	609	1.075.389
– HTM	390.049	1.516	0	0	0	391.565
– L&R	39.980	0	0	0	3.241	43.221
Shares in associated companies	36.705	0	0	0	0	36.705
Investment properties	120.749	0	0	0	0	120.749
Intangible assets	1.564	0	0	0	0	1.564
Tangible assets	86.788	0	0	0	0	86.788
Other assets	40.274	0	0	0	0	40.274
Assets available for sale	17.121	0	0	0	0	17.121
Deferred tax assets	19.774	0	0	0	0	19.774
Total assets	**8.684.797**	**38.459**	**1.073.800**	**103.282**	**29.264**	**9.929.602**
Liabilities and equity capital 2012						
Liabilities to credit institutions	517.661	275	5.855	0	4.076	527.867
Liabilities to clients	2.820.510	12.954	4.031	64.788	6.035	2.908.318
Liabilities evidenced by certificate	1.396.004	15.168	0	0	0	1.411.172
Negative market values from derivative hedging instruments	51.140	0	0	0	0	51.140
Derivatives	235.057	7.469	4.890	5.929	56	253.401
Financial liabilities						
– designated at fair value	2.302.947	75.243	1.371.963	269.471	0	4.019.624
Provisions	41.932	0	0	0	0	41.932
Other liabilities	64.514	0	0	0	0	64.514
Current income tax obligations	1.763	0	0	0	0	1.763
Deferred tax obligations	1.345	0	0	0	0	1.345
Subordinate and supplementary capital	106.184	0	0	0	0	106.184
Equity capital	542.342	0	0	0	0	542.342
Total liabilities and equity capital	**8.081.399**	**111.109**	**1.386.739**	**340.188**	**10.167**	**9.929.602**

in k €	EUR	USD	CHF	JPY	Other	Total
Assets 2011						
Cash reserves	93.853	353	352	8	196	94.762
Receivables from credit institutions	177.652	5.013	90.412	2.553	4.153	279.783
Risk provision for receivables from credit institutions	-1.253	0	0	0	0	-1.253
Receivables from clients	5.687.805	81.416	1.139.431	108.805	21.171	7.038.628
Risk provision fro receivables from clients	-289.359	-14	-15.754	-1.316	-43	-306.486
Positive market values from derivative hedging instruments	2.469	0	0	0	0	2.469
Trading assets and derivatives	586.221	16.652	147.707	923	151	751.654
Financial assets						
– designated at fair value	948.372	8.405	22.314	0	0	979.091
– AFS	1.258.889	1.994	505	0	862	1.262.250
– HTM	619.838	3.853	4.187	0	0	627.878
– L&R	71.069	0	0	0	3.299	74.368
Shares in associated companies	36.788	0	0	0	0	36.788
Investment properties	148.834	0	0	0	0	148.834
Intangible assets	1.854	0	0	0	0	1.854
Tangible assets	93.598	0	0	0	0	93.598
Other assets	68.517	0	0	0	0	68.517
Assets available for sale	0	0	0	0	0	0
Deferred tax assets	17.236	0	0	0	0	17.236
Total assets	**9.522.383**	**117.672**	**1.389.154**	**110.973**	**29.789**	**11.169.971**
Liabilities and Equity capital 2011						
Liabilities to credit institutions	594.410	1.860	375	2.996	4.580	604.221
Liabilities to clients	2.842.508	13.361	4.765	73.451	3.543	2.937.628
Liabilities evidenced by certificate	1.758.043	15.469	0	0	0	1.773.512
Negative market values form derivative hedging instruments	46.299	0	0	0	0	46.299
Derivatives	205.328	7.857	4.390	9.808	2	227.385
Financial liabilities						
– designated at fair value	2.609.628	78.439	1.856.191	428.974	0	4.973.232
Provisions	68.292	0	0	0	0	68.292
Other liabilities	59.851	0	0	0	0	59.851
Deferred income tax obligations	3.432	0	0	0	0	3.432
Deferred tax obligations	995	0	0	0	0	995
Subordinate and supplementary capital	128.044	0	0	0	0	128.044
Equity capital	347.080	0	0	0	0	347.080
Total liabilities	**8.663.910**	**116.986**	**1.865.721**	**515.229**	**8.125**	**11.169.971**

The difference between assets and liabilities in the single currencies does not reflect the open foreign currency position of the banking group according to article 26 of the Banking Act. 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, not with the nominal value but with the market value.

The result from currency translation amounted to a total of kEUR 2,847 (2011: kEUR 3,027). An amount of kEUR 2,900 (2011: kEUR 3,014) were recorded in the profit for the period and kEUR -53 (2011: kEUR 13) in other income. The cumulative balance in equity capital amounted to kEUR 132 (2011: kEUR 370).

On 31.12.2012, the total of open currency positions amounted to kEUR 3,422 (2011: kEUR 1,893).

in k €	2012	2011
Foreign country assets	2.895.868	3.593.661
Foreign country liabilities	5.118.388	6.298.482

(85) Subordinate assets

in k €	2012	2011
Receivables from credit institutions	3.500	3.500
Debt securities	4.123	4.862
Subordinate assets	**7.623**	**8.362**

(86) Trust transactions

Trust assets

in k €	2012	2011
Receivables from clients	14.802	16.677
Trust assets	**14.802**	**16.677**

Trust liabilities

in k €	2012	2011
Liabilities to credit institutions	14.797	18.540
Liabilities to clients	3	3
Trust liabilities	**14.800**	**18.543**

The designated trust actions are export funds or ERP funds for which HYPO TIROL BANK AG has taken contingent liability against these institutions and has therefore included the respective assets and liabilities in its accounts in financial terms.

(87) Contingent liabilities and loan risks

Contingent liabilities

in k €	2012	2011
Liabilities from debt guarantees	71.969	131.873
Other contingent liabilities	41.535	55.875
Contingent liabilities	**113.504**	**187.748**

Contingent liabilities by maturity

in k €	2012	2011
Up to 3 months	4.855	1.446
3 months to 1 year	7.925	12.795
1 year to 5 years	22.297	87.959
More than 5 years	78.427	85.548
Contingent liabilities	**113.504**	**187.748**

Loan risks pursuant to article 51 section 14 Banking Act

in k €	2012	2011
Other loan risks	901.674	866.237
Loan risks	**901.674**	**866.237**

Loan risks by maturity

in k €	2012	2011
3 months to 1 year	521.496	439.729
1 year to 5 years	380.178	426.508
Loan risks	**901.674**	**866.237**

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

(88) Classification of financial instruments by issuing country

The following list of financial instruments by issuing country was established at accounting value:

	Available for Sale		Loans & Receivables		Held to Maturity	
in k €	2012	2011	2012	2011	2012	2011
Austria	520.967	559.621	3.634	3.634	75.987	91.038
Germany	142.886	189.300	3.000	3.000	85.966	123.730
Italy	2.431	12.836	2.019	2.440	18.899	30.424
Spain	15.438	25.911	6.152	6.948	17.885	93.557
Netherlands	35.834	78.326	6.401	12.988	24.992	35.251
Great Britain	12.925	11.192	3.794	5.644	27.967	35.918
France	60.270	81.764	485	2.486	31.486	39.557
Finland	19.060	24.736	0	0	10.000	14.982
Ireland	1.069	1.894	11.383	21.690	12.969	16.544
Portugal	4.143	5.931	0	1.238	0	2.922
Sweden	50.757	46.862	0	0	3.999	3.999
Remaining EU countries	60.966	66.237	840	5.184	33.658	48.402
Remaining European countries	23.019	24.370	5.440	8.855	7.129	18.797
Outside Europe	33.604	37.090	0	0	34.016	62.702
Total of asset values	**983.369**	**1.166.070**	**43.148**	**74.107**	**384.953**	**617.823**

(89) Genuine repurchase transactions

The accounting value of retired securities designated under the balance sheet item “financial assets – Held to Maturity amounted to kEUR 77,693. The inflow of liquidity from such repurchase business is shown under “liabilities to credit institutions”. In the previous year no assets were transferred in the context of repurchase transactions.

(90) Personnel

Full-time equivalent

	2012	2011
Full-time employees	561	587
Part-time employees	89	82
Apprentices	9	5
Employees	**659**	**674**

(91) Results after balance sheet date

Between the end of the business year and the preparation of the Consolidated Financial Statement no specific event occurred, which influenced the situation in terms of assets, the financial position or the profit situation of the corporate group. With regard to other events we refer to the statements made in the Consolidated Financial Report.

(92) Consolidated equity capital and banking supervisory equity requirements

For detailed information regarding capital control please see notes on financial risks and risk management (risk control pp 64).

The following tables demonstrate which equity requirements according to article 30, Banking Act had to be fulfilled by HYPO TIROL BANK AG at the balance sheet date 2012 and 2011, and how equity capital of the corporate group was assembled as at 31.12.2012 and 31.12.2011:

Consolidated equity capital according to Banking Act article 23 in connection with article 24

in k €	2012	2011
Deposited capital	50.000	108.800
Capital reserves	300.332	80.332
Revenue reserves	46.050	44.719
Liability reserves	53.304	60.007
Consolidation according to Banking Act art. 24, sec. 2	13.301	17.507
Intangible assets	-1.564	-1.854
Core capital (Tier 1)	**461.423**	**309.511**
Supplementary capital	57.497	79.743
Subordinate capital	115.059	135.163
Supplementary equity capital (Tier 2)	**172.556**	**214.906**
Deduction	**-973**	**-973**
Accountable equity capital (Tier 1 plus Tier 2 less deduction)	**633.006**	**523.444**
Assessment basis from risk-adjusted assets	**4.573.888**	**4.813.875**
Core capita rate	9,50 %	6,07 %
Equity capital rate	13,03 %	10,27 %
Required equity capital for risk-adjusted assets		385.110
Required equity capital for operational risks	22.755	22.767
Total equity capital requirements	**388.666**	**407.877**

Equity capital requirements according to Banking Act article 22

in k € Categories of receivables	Adjusted values	Equity capital requirements
Receivables from central states	4.237	339
Receivables from regional administrative bodies	9.343	747
Receivables from administrative authorities	6.985	559
High risk receivables	16.020	1.282
Receivables from institutions	172.775	13.822
Receivables from companies	1.932.033	154.563
Retail-receivables	448.786	35.903
Receivables secured by real estate	1.008.542	80.683
Overdue receivables	291.577	23.326
Receivables in terms of covered debt securities	96.789	7.743
Securitisation items	103.453	8.276
Receivables in terms of investment fund shares	18.024	1.442
Other items	465.324	37.226
Risk-adjusted assets	**4.573.888**	**365.911**
Required equity capital for operational risks		22.755
Total equity capital requirements		**388.666**

Risk management

Introduction

The HYPO TIROL BANK AG group defines risk management as a specialised business process of identifying, mentoring and controlling defined risks of the banking sector.
Appropriate quality risk management is seen as an essential success factor for a sustainable and successful development of the company and, thus, it corresponds to the requirements of ICAAP (Internal Capital Adequacy Assessment Process).

The main emphasis in the business year 2012 was put on managing, restructuring and stabilising our Italian subsidiary. Furthermore, reporting systems have been further developed and have become more user-friendly. In addition, we are steadily improving the quality of data. In this context, the company rating tool was calibrated in 2012. Since 2012, interest sensitive components of equity capital have not been considered. Apart from that no methodical changes regarding the calculations in the risk report were made.

Principles and organisation

Active risk management

We operate an active risk management system. Risk management safeguards the identification, evaluation, control and monitoring of risks in the course of a continuous process. Moreover, regular controls support quality assurance.
The strict separation between front-office and back-office forms the basis of risk management in the banking sector. The risk management functions are assigned to the respective Board Member responsible for risk management.
The bank's risk controlling is developed and carried out by the strategic risk management department.
The internal audit supervises all operative processes and business transactions in the bank, the appropriateness and the effectiveness of the measures taken by the strategic risk management department as well as the internal control systems.

Appropriateness

Risk management is carried out in a manner which is appropriate to the size of the bank and the risks taken.

- Regarding all major risk types, we pursue risk management on a level which corresponds to the risk management level used by institutions of comparable size and structure. This means that more complex measuring methods (e.g. value at risk method) are employed to evaluate major risks.
- Risk control and ICAAP are orientated towards an ordinary going-concern.
- Regarding quality and quantity, our staffing, our tangible facilities and our technical-organisational infrastructure are consistent with all internal operative requirements, business activities, and strategies and with the risk situation of the bank.

Current situation

Risk management is understood as a steady process which is continuously adapted to the current situation.

- Risk strategies are revised on an annual basis and are applied for a term of 3 years.
- By providing ongoing training and education programmes, we ensure that a level of quality in our staff is maintained and corresponds to state-of-the art developments.
- Documentation is continuously adapted

Transparency

Risk management within the bank shall be open and comprehensible.

- The overall risk strategy is communicated within the bank and reported to the Supervisory Board and the Auditing Committee and consequently discussed in detail.
- Annually revised risk limits make risks more transparent and comparable. This allows active risk control.
- The Managing Board is continually informed about the development of risks by the strategic risk management department via a systematic report system. This reporting comprises both, a platform for written reports and regular meetings with the Managing Board.

Cost effectiveness

We only enter into business when it is deemed cost-effective.

- Our risk control processes are embedded in an integrated system designed for profit and risk control (overall bank control).
- With regard to the employment of risk instruments, network solutions are pursued and special instruments are only developed if the cost/benefit ratio seems to be reasonable.

Risk willingness

In case of non-transparent risk situations or methodical cases of doubt preference is given to prudence:

- We only enter into business when we thoroughly understand it and when we can (technically) evaluate it. This means, we principally act in fields in which we have appropriate expertise to evaluate the specific risks involved. Adopting new business sectors or products requires prior and sufficient analysis of the business-specific risks involved; this is controlled in the process „new products/ new markets".
- The businesses in which we enter are described in Product Handbooks.
- Apart from the primary economic creditworthiness of borrowers, a wide ranging set of collateral is pursued.
- Basically we concentrate on our business field (core market and defined additional market. Exception: clients from a business sector with good business connections may be accompanied.
- We only assume risks which are affordable. Apart from that, we do not use our entire risk coverage capital for evaluated risks, which enables us to provide reserves for extraordinary scenarios and non evaluated risks.
- The requirements of secondary terms, in particular supervisory regulations, are fulfilled by holding a security buffer.
- Not only do we consider events which are more or less likely, we also take account of extraordinary scenario (stress tests).
- The organisational structure of our risk management avoids conflicting interests – both on the personal level and on the level of organizational units.

Risk control

Every year, a risk strategy is prepared by the Managing Board and the strategic risk management department. This risk strategy comprises a qualitative part, defining general principles of risk management (principles, risk control and risk controlling processes, organisation, etc.) and a quantitative part, determining the evaluation of risk capacity and target values.

The Managing Board uses the annual planning process to define the core capital rate that has to be achieved. Thus, the entire amount of free capital, which is available for the planning year, is calculated on the basis of the core capital rate and expected amortisation. Free capital is allocated to the single sectors on the basis of business strategies and cot-effectiveness of businesses.
In this context, risk-limits are defined and approved by the Managing Board.

The compliance with risk limits is continuously monitored by the risk management department and hence reported to management via reporting systems ("traffic light system"). In this respect the yellow light represents an early warning level. If this level is reached, it has to be decided and reported to the Managing Board, which measures are to be taken in order to return to the green light. If the red light is reached, that is to say, if defined limits are exceeded, the Managing Board decides which steps are to be taken.
Risk control is managed by means of monthly determinations of economic capital in the course of the risk capacity analysis. The Managing Board decides on the risk strategy, which includes the allocation of the risk coverage potential to the different risk factors. This governs the extent to what risks are assumed. Every month, the risk coverage capital, which can be used to cover losses, is determined; this demonstrates to what extent risks can be assumed in connection with business policies.
The capital, which is available for the assumption of risks is equity capital, which comprises Tier 1 and Tier 2 capital (see Notes (92)).
Equity capital is controlled to such a degree that there is a core capital quota limit, and that regulatory equity is allocated to the singe segments for controlling purposes.
The risk capacity analysis compares economically required capital for unexpected losses with the risk coverage capital: the difference represents the available equity capital reserves and serves as protection for creditors – and is also essential for good rating.

Risk capacity

The method used to calculate economical capital regarding loan risks follows the IRB approach of Basle II, and represents the liquidity's point of view. Obligations, hedging and debtor ratings are the main criteria to determine credit value at risk. The calculation of economic capital for the market risks is based on the value at risk method. The economical capital required for operational risks is calculated by means of the basic indicator approach. Real estate risks and holdings risks are classified in accordance with their risk substance and a risk adjustment ranging from 25 % to 390 % is derived.
The value at risk parameter allows comparison and aggregation of single risk types. At the same time, the Managing Board adjusts the upper loss limit for assuming all typical business risks by limiting it to the risk coverage assets.
In the context of the risk capacity analyses, banking risk is determined with a confidence rate of 99.9 % and a holding period of 1 year. The holding period comprises 22 days, because the risk is regularly monitored and therefore it can be counteracted immediately.
The risk coverage capital comprises accountable equity capital pursuant to Banking Act article 23, sec. 14; undisclosed reserves have not been taken into account {see Notes (87)}

Economic capital in k €	31.12.2012	in %	31.12.2011	in %	Confidence rate	Days holding period
Loan risk	196.750	31,08	219.357	41,91	99,90 %	250
Market risk	10.330	1,63	33.445	6,39	99,90 %	22
Operational risk	22.755	3,59	22.767	4,35	99,90 %	250
Real estate risk	7,760	1,23	9.008	1,72	99,90 %	250
Holdings risk	6.485	1,02	6.134	1,17	99,90 %	250
Economic risk total	244.080	38,56	290.711	55,54		
Risk coverage capital	**633.006**	**100,00**	**523.444**	**100,00**		
Risk buffer	**388.926**	**61,44**	**232.733**	**44,46**		

The increase in risk coverage capital resulted from the capital contribution made by the owner. In the reporting year 2012, the loan risk further decreased. On the one hand this can be ascribed to the reduction of nostro securities and on the other hand to the reduction of credit volume, as well as to the increase in blank quota in the loan business. In general, the market risk drastically decreased, with the interest change risk – as a part of market risk – remaining on a low level. This change resulted from foreign currency risk – another part of market risk. In this context, market volatility decreased mainly relating to the Swiss Franc. Real estate risk slightly reduced as a result of real estate sales.

From the corporate group's point of view the principle of transparency has been chosen for the Italian full-service bank. Thus, the loan risk of individual customer claims is illustrated and the participation risk remains unconsidered.

Besides risk capacity from liquidity's point of view, going concern is also calculated at HYPO TIROL BANK AG. In this respect it is assessed, whether the continuity is guaranteed, even under negative circumstances. Three different scenarios with different confidence rates (80 %, 90 %, and 99 %) are calculated and compared.

Stress tests

The term "stress test" is the generic term for all methods which are used to assess the individual potential of endangerment to a bank. In particular, stress tests are applied in order to complete risk assessment methods for „normal" market situations (e.g. value at risk) and consequently safeguard their weak points.

Plus-200 base points of Interest Rate Shock
Regarding the cash value of the bank, the change is calculated based on the assumption of a movement of 200 base points upwards or downwards in the interest rate curve. Until the end of 2011, the calculation of the 200-BP-interest shock involved consideration of the entire equity capital. Since 2012, the non-interest-sensitive components of equity capital have not been considered, which has resulted in an increased risk value. The table below illustrates the risk values for 2011, evaluated in accordance with the current method. Therefore,

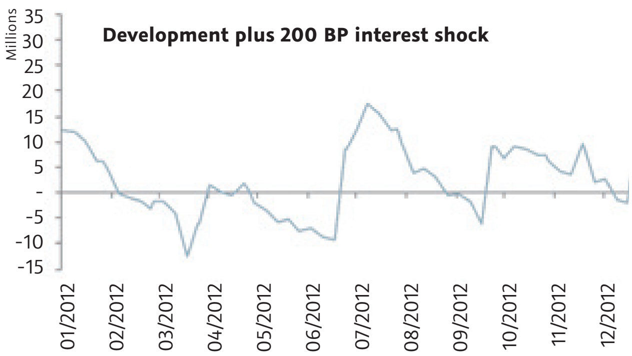
the figures in this table deviate form the figures stated in last year's financial statement.
In 2012, The risk value under the upwards shock hovered round a medium value of 2.9 million Euro with a maximum of round 17.4 million Euro and a minimum of -12.5 million Euro. The reason for this development was a reduction of the remaining time to maturity of nostro securities and the consequent interest risk hedging regarding the purchase of new securities.

Hence, the result of stress tests in the entire business year was clearly below the threshold in the amount of 20 % of equity capital defined by the banking supervision.

in k €	31.12.2012	31.12.2011
Plus 200 BP interest shock	15.120	-7.209
Annual average value	2.908	6.098
Annual maximum	17.390	35.293
Annual minimum	-12.548	-13.305

For comparison purposes: Table from the 2011 financial statement:

in k €	31.12.2011	31.12.2010
Plus 200 BP interest shock	-27.972	-16.788
Annual average value	-21.079	4.696
Annual maximum	8.352	22.739
Annual minimum	-41.419	-16.951



Besides the 200 base point interest shock, other interest scenarios, such as the rate curve inverting and bulging out were considered.

Scenario analyses for market risks

HYPO TIROL BANK AG simulates market risks throughout the corporate group and considers them in the context of different scenarios. The impact on the profit and loss account shows the following result (confidence rate 90 %):

in k €	P&L-Impact
Interest change risk	472
Share price risk	622
Credit-Spread risk	1.742
Foreign currency risk	576

Stress tests for loan risks

In connection with loan risks, two different types of stress tests are carried out. It is assessed whether the following scenarios affect profits (EGT) and the core capital ratio:

- Price plunge in real estate and, thus, reduction of real estate collateral
- Rising evaluation of foreign currencies against the Euro
- Sinking creditworthiness structure of our loan debtors

These scenarios are considered individually and in combination. The stress tests which had been carried out showed that the EGT effect in our risk capacity can be collected. Furthermore, initial inverse stress tests were carried out in order to find out to which changes the bank reacts particularly reacts.

The second type of stress test in loan business manages risks from large-scale commitments. It is assumed that at least one loan in our portfolio with high amount and high risk will fail. The test shows a major risk involved in this context. The stress test is carried out quarterly and in this case, measures have already been taken to reduce this risk.

Stress test for real estate

This stress test is based on the assumption of impairment of real estate owned by HYPO TIROL BANK, whereas effects on EGT and the core capital quota are calculated.
A price decline of 35 % of all real estate would affect the core capital quota of HYPO TIROL BANK AG with 85 base points. This result demonstrates that in case of stress, risk capacity could be absorbed.

Loan risk

Loan risk represents one of the major risks the bank is confronted with.

Definition

Loan risks are default risks arising out of non-securitized receivables and securitised receivables (securities) from third parties. The risks consist of receivables, which will not be paid as stated in the terms of the loan contract, i.e. amount, time. This may result from developments regarding individual contractual partners as well as from general developments affecting various contractual partners. Apart from that, loan risks can result from special forms of product design or from the application of minimizing loan risks.

Loan risk control

The following methods are employed for the assessment and evolution of loan risks:

- Expected loss (standard risk costs) – risk expenses:
  Expected losses are calculated by means of a standard risk cost model. Standard risk costs are evaluated in accordance with internal ratings and on the basis of probabilities of default in consideration of the blank proportion and the term.
- Unexpected loss (economic capital) - capital requirement

Unexpected loss is quantified via the credit value at risk (CVaR) method on the basis of the total portfolio for a year ahead and a confidence rate of 99.9 %. The credit value at risk method, which is used in the bank, is based on a model which in turn is based on the basic IRB approach. Thus, a risk-sensitive method for detecting credit risks was introduced; the risks are regularly determined and delivered to the management for controlling purposes.
On the one hand, the overall credit risk is limited; on the other hand, there are limits for individual concentration risks. Concentration risks are potential adverse consequences that could result from concen-

trations or interactions between risk factors or different kinds of risks, such as the risk arising out of loans to the same counterparty, a group of associated counterparties or to counterparties from the same branch, or to counterparties providing the same goods and services, of using credit risk reduction methods and in particular of indirect large scale credits.
In order to restrict potential adverse effects resulting from concentrations or interactions between similar and different risk factors and types, the portfolio is monitored, individual variables are limited and thus they evaluated on a quarterly basis in correspondence to the following criteria:

Division of the portfolio by creditworthiness
The evaluation of creditworthiness is essential for controlling loan risk. For that reason, the creditworthiness of our clients is continuously monitored and the composition of the portfolio is evaluated on a quarterly basis. Nearly 2/3 of the volume of receivables can be assigned to the upper creditworthiness segment with outstanding creditworthiness. The proportion in these rating groups remained constant compared to the previous year {see Notes}.
In the current year, the non performing loans quota (NPL quota) has slightly decreased.

Division of the portfolio by branches
HYPO TIROL BANK AG has been strongly represented in the "industrial construction companies" branch and in the "tourism industry". In order to avoid large concentrations in these sectors, we provide the best of our knowledge and the respective branch segments are monitored via risk indicators {see Notes (54)}.

Division of the portfolio by market regions
Due tot he fact that HYPO TIROL BANK AG focused on the core market of the Tyrol and South Tyrol, risk positions outside the defined market region were further reduced in 2012. This strategy will be followed. The current monitoring of the market regions will in future also contribute to the reduction of risks [see Note (54)].

Foreign currency proportion – receivables from clients
In 2012, the proportion of foreign currency was significantly reduced. Due to the specifications defined in our foreign currency strategies no new transactions in foreign currency with private clients or to a very restricted extent with corporate clients is intended; this strategy will be further pursued [see Notes (54)].

Development of loans with repayment vehicles
The strategy to continuously reduce the portfolio comprising loans with repayment vehicles will be further pursued by HYPO TIROL BANK AG. In other words, no new capital building loans with repayment vehicles or transfers to loans with regular payments where applicable will be granted. The concerned clients and their account managers will be regularly informed on the situation regarding their loans with repayment vehicle and appropriate measures will be taken, if necessary.

Credit Default Swaps and financial guarantees
In 2012, HYPO TIROL BANK AG reduced all CDS positions.

Development of the nostro securities portfolio
In 2012, nostro securities were also reduced by approximately 500 million EUR. The reduction is carried out in all partial portfolios.

Risk provision policies

Risk provision includes the set up of risk provision in the balance sheet. The single components are assessed regarding their recoverability. In case impairments are detected, specific allowances in the corresponding amounts are made {see Notes (55)}.
In order to identify potential risks in the loan business segment at an early stage, an early warning procedure is required to detect risks. In this way, countermeasures can be taken early enough. Based on qualitative and quantitative risk criteria, the bank has developed indicators, defined as early warning system, which allows premature identification of risks.
Hypo Tirol Bank AG risk policies also include managing overdue receivables (90 days delay).
Default probabilities relating to clients of Hypo Tirol Bank AG amount to 0.01 % and 0.05 % in rating class 1; between 0.07 % and 0.35 % in rating class 2; between 0.53 % and 2.7% in rating class 3; and between 4.05 % and 20.50 % in rating class 4.
For the calculation of allowances on the portfolio level, receivables from clients are multiplied by the corresponding default probability and shortened appropriately for the period of time between the event loss and the actual risk arising.

Market price risk

Definition

HYPO TIROL BANK AG describes market price risk as the danger of losses which result from changes in market prices.

Market risk control

Basically, market price risks are calculated by the value at risk method with historical simulation. Regarding alternative risks and shareholdings risks other special risk basement methods are applied. Value at risk represents the cash value loss a position, which is likely to occur until its realisation. For assessment reasons, a daily market value at risk is determined on the basis of the following parameters.

– historical period over which simulations are run: 250 trading days
– holding period: one trading day
– confidence rate: 99%
–

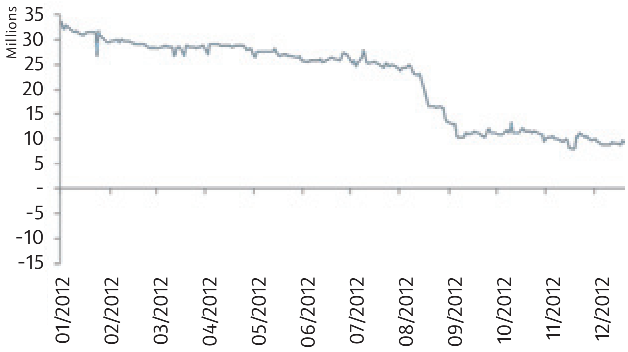
The distribution involves the scaling of risk values to a holding period of one month and a confidence rate of 99 %.
The quality of the applied value at risk model is assured by back testing (comparison), which also considers foreign currency risks. In this context, the values at risk of the last 250 trading days are compared with actually occurred value changes.
In the event that too many 'strays' (actual loss greater than loss predicted by value-at-risk method) occur, the value at risk model is adapted in compliance with the Basel "traffic light approach".
The analyses of strays lead to the fact that at the balance sheet date, 31.12.2012, no adaption of the value at risk model by means of factors from the Basel traffic-light approach or the revision of the value at risk calculations was required.

The charts below represent the historical development of market risks:

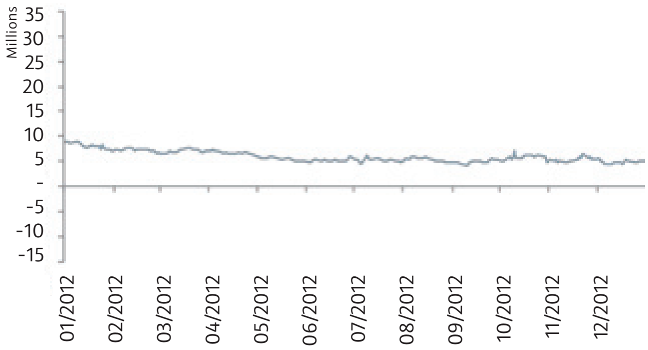
in k €	2012 End of year	2012 Average	2012 Minimum	2012 Maximum	2011 End of year	2011 Average	2011 Minimum	2011 Maximum
Risk of interest rate change	4.994	5.987	4.066	9.040	8.911	12.027	8.565	16.441
Currency risk	1.538	13.266	1.016	21.188	21.188	14.752	7.402	22.110
Securities rate risk	3.631	2.204	1.457	3.323	3.133	3.617	2.009	7.261
Alternative risk	166	171	166	213	213	268	213	469
Market risk	**10.330**	**21.627**	**8.099**	**33.446**	**33.446**	**30.664**	**23.111**	**37.835**

Alternative risks relate to market price risks, which result form hedging funds positions.

Development market risk

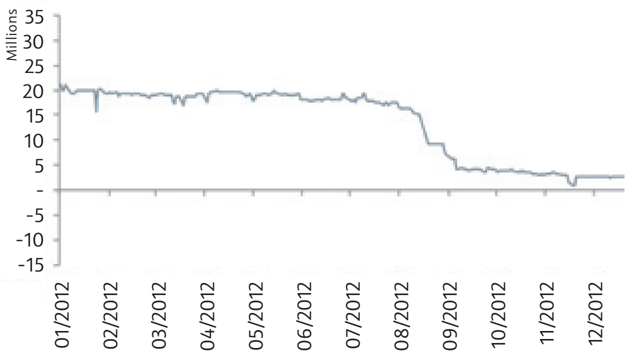


Development interest risk



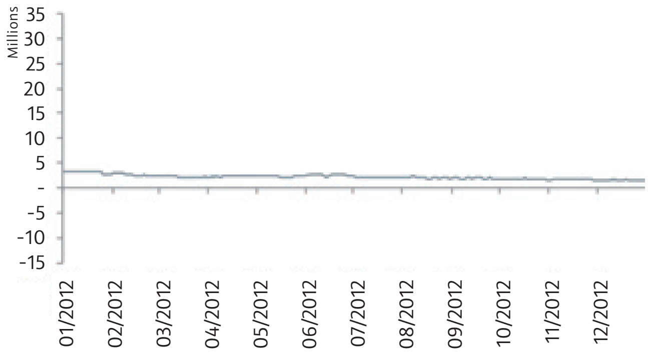
Interest risk (synonymous with risk of interest rate changes) is the danger that interest results will not be obtained with unchanged interest rates, due to market interest changes.
By consequently hedging interest risks for all new business, the interest risk - value at risk shows a sideward movement.

Development currency risk



Open currency positions were hedged, as they have no specific content defined in the strategy. Therefore, currency value at risk practically results from foreign currency risk of future foreign currency cash flows in the client business segment. In this context, the Swiss Franc has a major influence on foreign currency risk. By setting a bottom borderline for the Euro/CHF exchange rate of EUR 1.20 for each CHF, the Swiss National Bank has reduced the volatility of the Swiss Franc. This had tremendous effects on the calculation of currency value at risk in the last trimester of 2012.

Development security price risk



Security price risks from net asset values are fluctuations risks regarding the prices of shares investment fund holdings. In addition to value at risk, these risks are restricted by setting limits on the volumes of sub-portfolios (e.g. pension funds, shares, ABS, etc.). Security price risks do not represent a major risk, and moved sideways at a low level in 2012.

Liquidity risk

Definition

Liquidity risk includes insolvency risk and liquidity term transformation risk.
Insolvency risk is the risk that current or future payments cannot be made in full, or in a timely manner or can not be made without having to suffer unacceptably high losses. It comprises the risk that in case of a liquidity crisis, there are no - or not sufficient - refinancing funds or only at higher market rates (refinancing risk) and that assets can be sold only at high discounts on the market (market liquidity risk).
The term transformation risk is the risk that a loss can arise due to a change in the bank's own refinancing curve (spread risk) from liquidity term transformation within a defined period of time at a certain rate of confidence.

Liquidity risk control

The specifications regarding liquidity defined in Basel III (NSFR und LCR) are considered in liquidity risk control. Currently they are being implemented on an operative basis in the context of a special project (in collaboration with the data centre).

Liquidity Coverage Ratio (LCR) was designed to absorb a stress case in the market. All financial institutions shall have an appropriate amount of liquidity assets, at least for 30 days, to manage client requirements and the freezing of the interbank market. The net stable funding ratio (NSFR) shall encourage financial institutions to put more emphasis on medium and long term aspects regarding refinancing structures. The figure aims at restricting the dependence of capital market financing in times of high market liquidity and at putting more attention to the liquidity risk management regarding "on-and-off" balance sheet items.

In order to reduce liquidity risk the bank applies the following procedures:
- Holding sufficient liquid stocks by way of our own securities portfolio and interbank receivables
- Maintenance of our own creditworthiness (rating) to guarantee issuing capacity and refinancing lines on the long run
- Ensuring distribution of capital acquirers by individual borrower limits regarding credit risks
- Achieving diversification regarding investors via:
  - Socializing with a wide range of money trading counterparties
  - Strengthening our market share in the retail market
  - Supporting institutional clients via our treasury sales department
  - Using a wide range of arrangers regarding the placing of MTN issues

The following methods are applied for measuring liquidity risk:
- Liquidity tie-up balance
- Liquidity degrees
- Liquidity at risk

Measuring the liquidity term of financial assets and obligations (liabilities) as well as considering existing and potential outflows is of major importance and is carried our on a regular basis.
By comparing the maturity of receivables and liabilities (by capital commitment) the respective liquidity situation can be estimated and liquidity risks (future and call-off risks) can be managed risks).

Development of liquidity degree 2012

The liquidity degree is the ratio of liquid assets to liquid liabilities. In this context, statistics are set out, which are reported to the Austrian Central Bank each week. The liquidity degree considers cash flows within a 3-month-scope and as at 31.12.2012 it amounted to 3.7. Thus, the bank's liquidity situation can be described as comfortable in the rating of outstanding creditworthiness which results from large nostro positions.

Liquidity degree	2012	2011
End of year	3,7	5,4
Medium value	4,8	4,0

Figures are based on a weekly liquidity reporting.

Maturity structure of liabilities pursuant to unconsolidated cash flows

in k €	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years
2011				
Liabilities to credit institutions and clients	989.483	226.331	1.609.431	1.396.759
Liabilities evidenced by certificate incl. subordinate and supplement. capital	178.336	972.514	2.787.337	3.558.179
Derivatives	284.080	420.399	586.737	601.964
2012				
Liabilities to credit institutions and clients	757.189	273.146	2.275.855	593.836
Liabilities evidenced by certificate incl. subordinate and supplement. capital	198.080	117.700	4.839.657	699.219
Derivatives	224.382	373.104	544.227	265.828

Liabilities to credit institutions and clients as well as liabilities evidenced by certificate including subordinate and supplementary capital comprise liabilities evaluated at acquisition costs and at fair value.

Liquidity at Risk
In order to calculate the risk of unexpected outflow in money trading, the corresponding data are recorded daily. The data serve as the basis of calculating liquidity at risk. In 2011, liquidity at risk was calculated for the first time. Since 2012, liquidity at risk has served to define cash reserves which are supposed to absorb short-term, unexpected money outflows.

Quality management of corporate group data

An important step that was taken in 2012 was the enlargement of the reporting system regarding data quality of the fully operating bank in Italy. In this respect, an appropriate monitoring system was established. A current reporting system allows that data quality can be kept at a good level and corresponding activates can be initiated. In addition, this enables us to sensitise employees regarding the importance of crucial data. As all people involved benefit from high data quality, the acceptance of this subject steadily increases.

Special developments in 2012 and prospects for 2013

While 2011 was a year marked by outstanding risks, 2012 was characterised by the endeavours made by HYPO BANK TIORL AG to stabilise the risk situation. The Italian subsidiary was under high pressure and processed and reorganised the Italian portfolios, with support being provided by the parent company. New members were appointed to the Managing Board in Italy, and the decision was made to merge the fully-operating Italian bank with HYPO TIROL BANK AG with simulators transformation into an EU subsidiary (planned for 2013)

Furthermore, every effort was made in 2012 to establish a realignment plan, which in the meantime has been approved by the EU and thus HYPO TIROL BANK AG has received a new capital contribution provided by the owner, the Province of the Tyrol.

In addition, the subject of liquidity management was dealt with as well. The liquidity at risk model was developed in order to asses structural liquidity risks. This model will be applied for the first time in 2013.

Continuous marketing justification assessments were established in 2012. A reasonable assessment method was developed in this respect and the respective process documentation was established and applied.

After comprehensive evaluations, the company rating tool was newly calibrated. Rating is a subject, which will be further dealt with in 2013 as it will be one off the key factors.

Basel III was strongly supported in 2012 and required some resources within the bank. In collaboration with the data processing centre requirements the specification of Basel III will be implemented in time. Within Hypo Tyrol Bank AG, EMIR is also a subject referring to Basel III.

(93) Legal basis in Austria

In accordance with Banking Act, article 59a in conjunction with Austrian Commercial Code article 245a, sec. 1, a compulsory consolidated financial statement according to Banking Act article 59 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 holdings can be found in section VII (Holdings).

(94) Dividends and subsequent amendments

HYPO TIROL BANK AG is entitled to pay dividends not exceeding the profit as reported in the (individual) accounts under Banking Act or Austrian Commercial Code in the amount of kEUR 12,249 (2011: kEUR 81). No dividends were paid in the past business year.

The annual net income generated in the business year 2012 amounted to kEUR 13,497 (2011: annual deficit kEUR 111,233). After deduction of reserves amounting to kEUR 1,329 (2011: reserves dissolution kEUR 111,243) and after addition of profit brought forward amounting to kEUR 81 (2011: KEUR 71) the balance profit amounted to kEUR 12,249 (2011: kEUR 81).

The Managing Board of HYPO TIROL BANK AG gave its consent on 21 March 2013 to publish the Consolidated Financial Statement.

(95) Securities classification in compliance with the Banking Act

The following table illustrates security classification according to Banking Act article 64 sect. 1 no. 10 and no. 11, at the balance sheet date (31.12.2012):

	Not quoted		Quoted		Total	
in k €	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Debt securities and other fixed-interest securities	41.996	116.574	855.443	1.112.598	897.439	1.229.172
Shares and other securities	7.650	7.721	11.424	12.368	19.074	20.089
Shareholdings	17.641	17.642	2.626	2.703	20.267	20.345
Shares in associated companies	155.533	150.035	0	0	155.533	150.035
Financial assets	90.710	68.873	1.606.872	2.032.952	1.697.582	2.101.825
Total securities according to Banking Act	**313.530**	**360.845**	**2.476.365**	**3.160.621**	**2.789.895**	**3.521.466**

The difference in securities which have financial assets properties, amounted to kEUR 1,631 (2011: kEUR 1,059) according to Banking Act article 56, sec. 2 and to kEUR 1,305 (2011: kEUR 1,613) according to Banking Act article to Art. 56, sec.3. Predicted amortization for 2013 amounts to kEUR 447,910 (2012: kEUR 466,309). Subordinate and supplementary capital stock amounted to kEUR 600 (2011: kEUR 33,104).

In the coming year, liabilities evidenced by certificate with a nominal value in the amount of kEUR 200,664 (2012 kEUR 957,017) will mature and become due.

(96) Disclosure

Comprehensive information on the organisational structure, on risk management and on the risk capital situation in accordance with Banking Act sec. 26 and 26a in connection with the provision of the Finance Supervisory Commission on executing banking laws with regard to informational duties on the part of credit institutes are published on the website of the Hypo Tirol Bank AG.

For information download please see: www.hypotirol.com/Unternehmen/Recht&Sicherheit - "Offenlegung § 26 BWG" (Disclosure, Banking Act article 26").

EXECUTIVES

Supervisory Board Members		
Chairman	Mag. Wilfried STAUDER,	Innsbruck
1st Vice chairman	Dr. Jürgen BODENSEER,	Innsbruck
2nd Vice chairman	Dr. Toni EBNER,	Aldein
Other board members		
	Mag. Eva BEIHAMMER,	Schwaz
	Dr. Christoph SWAROVSKI,	Wattens
	Dr. Bernd GUGGENBERGER,	Innsbruck
	Dr. Ida HINTERMÜLLER,	Innsbruck
	Mag. Franz MAIR,	Münster
Delegated by the works council		
	Dr. Heinrich LECHNER, Chairman of works council	Innsbruck
	Andreas PEINTNER,	Ellbögen
	Peter PICHLER,	Innsbruck
	Ingrid WALCH,	Inzing

Managing Board Members		
Chairman	Dr. Markus JOCHUM,	Innsbruck
Managing Board Member	Johann Peter HÖRTNAGL,	Trins
Managing Board Member	Mag. Johann KOLLREIDER,	Innsbruck

Representatives Of The Supervisory Authority		
State Commissioner	MMag. Paul SCHIEDER	Wien
Deputy State Commissioner	Amtsdirektor Josef DORFINGER	Wien

Trustees		
Trustee according to Pfandbrief Act	Dr. Klaus-Dieter GOSCH	Innsbruck
Deputy Trustee according to Pfandbrief Act	Amtsdirektor Hannes EGERER	Wien

VII. HOLDINGS

Companies fully consolidated in the financial statement:

Company name, location	Capital share in %	Date of financial statement
HYPO TIROL LEASING GMBH, Innsbruck	100,00 %	31.12.2012
Hypo-Rent Grundverwertungsgesellschaft m.b.H., Innsbruck	100,00 %	31.12.2012
Hypo-Rent Gebäudeleasing 1987 Gesellschaft m.b.H., Innsbruck	100,00 %	31.12.2012
Hypo-Rent Immobilienverwaltungs-Gesellschaft m.b.H., Innsbruck	100,00 %	31.12.2012
Hypo-Rent Projekterrichtungs-Gesellschaft m.b.H., Innsbruck	100,00 %	31.12.2012
Hypo-Rent Liegenschaftsanlage-Gesellschaft m.b.H., Innsbruck	100,00 %	31.12.2012
Hypo-Rent II Grundverwertung GmbH, Innsbruck	100,00 %	31.12.2012
Hypo-Rent Sole Grundverwertungs-GmbH, Innsbruck	100,00 %	31.12.2012
Hypo-Tirol Mobilienleasing Gesellschaft m.b.H., Innbruck	100,00 %	31.12.2012
Beteiligungs-und Finanzierungsgesellschaft m.b.H., Innsbruck	100,00 %	31.12.2012
Grundverwertung GmbH, Innsbruck	100,00 %	31.12.2012
Hypo Tirol Versicherungsmakler GmbH, Innsbruck	100,00 %	31.12.2012
HYPO TIROL INVEST GmbH, Innsbruck	100,00 %	31.12.2012
Hypo Tirol Leasing Wiener Betriebsansiedlungen GmbH, Innsbruck	100,00 %	31.12.2012
Liegenschaftstreuhand GmbH, Innsbruck	100,00 %	31.12.2012
L2 Errichtungs- und Vermietungsgesellschaft mbH, Innsbruck	100,00 %	31.12.2012
Autopark Grundverwertungs GmbH, Innsbruck	100,00 %	31.12.2012
CYTA-Errichtungs- und Management GmbH, Völs	100,00 %	31.12.2012
CYTA-Errichtungs- und Management GmbH & CO KG, Völs	100,00 %	31.12.2012
Alpen Immobilieninvest AG , Innsbruck	100,00 %	31.12.2012
HTL Projektholding GmbH, Innsbruck	100,00 %	31.12.2012
HTL Deutschland GmbH, Munich	100,00 %	31.12.2012
ERFOLG Liegenschaftsvermietungs GmbH, Innsbruck	100,00 %	31.12.2012
VBC 3 Errichtungs GmbH, Vienna	100,00 %	31.12.2012
Dienstleistungszentrum Kramsach Betriebsgesellschaft mbH, Innsbruck	100,00 %	31.12.2012
Hypo Tirol Bank Italia S.p.A., Bolzano	100,00 %	31.12.2012
Tirol Immobilien und Beteiligungs GmbH (IBG), Bolzano	100,00 %	31.12.2012
Hebbel Projektentwicklung Gesellschaft mbH, Innsbruck	100,00 %	31.12.2012
Hypo-Rent Betriebsansiedlungsgesellschaft m.b.H., Innsbruck	100,00 %	31.12.2012
Aaron Kantor AT 1 GmbH, Innsbruck	100,00 %	31.12.2012
Hypo Tirol Beteiligungs GmbH, Innsbruck	100,00 %	31.12.2012
Berger Truck Service Verwaltungs GmbH, Innsbruck	100,00 %	31.12.2012
HTI Immobilienverwaltungs-GmbH, Innsbruck	100,00 %	31.12.2012

Companies consolidated in the financial statement in accordance with the equity method:

Company name, location	Capital share in %	Equity capital in K €	Date of financial statement
Tiroler Kommunalgebäudeleasing Gesellschaft m.b.H., Innsbruck	33,33 %	1.237	31.12.2012
TKL II Grundverwertungsgesellschaft m.b.H., Innsbruck	33,33 %	-1.014	31.12.2012
TKL III Grundverwertungsgesellschaft m.b.H., Innsbruck	33,33 %	26	31.12.2012
TKL IV Grundverwertungsgesellschaft m.b.H., Innsbruck	33,33 %	74	31.12.2012
TKL V Grundverwertungsgesellschaft m.b.H., Innsbruck	33,33 %	1.841	31.12.2012
TKL VI Grundverwertungsgesellschaft m.b.H., Innsbruck	33,33 %	624	31.12.2012
TKL VII Grundverwertungsgesellschaft m.b.H., Innsbruck	33,33 %	-444	31.12.2012
TKL VIII Grundverwertungsgesellschaft m.b.H., Innsbruck	33,33 %	-740	31.12.2012
Tiroler Landesprojekte Grundverwertungs GmbH, Innsbruck	33,33 %	-1.219	31.12.2012
Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H., Innsbruck	50,00 %	-923	31.12.2012
Seilbahnleasing GmbH, Innsbruck	33,33 %	161	31.12.2012
Competence Park Investment Verwaltungs GmbH, Friedrichshafen	50,00 %	25	31.12.2012
Competence Park Investment Verwaltungs GmbH & Co. KG, Friedrichshafen	50,00 %	6.017	31.12.2012
MC EINS Investment GmbH, Vienna	50,00 %	1.560	31.12.2012
MC ZWEI Investment GmbH, Vienna	50,00 %	1.666	31.12.2012
MS 14 Investment GmbH, Friedrichshafen	50,00 %		verkauft 2012
MS 14 Investment GmbH & Co. KG, Friedrichshafen	50,00 %		verkauft 2012
HTV KAPPA Immobilienleasing GmbH, Dornbirn	50,00 %	2	31.12.2012
Projektentwicklungsges.m.b.H., Innsbruck	75,00 %	3.644	31.12.2012
BIZ Business- und Innovationszentrum St.Pölten GmbH, St. Pölten	75,00 %	925	31.12.2012
GTZ Gründer- und Technologiezentrum Wels GMBH, Wels	75,00 %	3.208	31.12.2012
Bürocenter-Wienzeile GmbH, Vienna	75,00 %	561	31.12.2012

Information in accordance with IAS 28.37:

Company name, location	Total assets in K €	Liabilities in K €	Turnover in K €	Result in K €
Tiroler Kommunalgebäudeleasing Gesellschaft m.b.H., Innsbruck	6.399	5.162	307	114
TKL II Grundverwertungsgesellschaft m.b.H., Innsbruck	1.722	2.736	-844	-902
TKL III Grundverwertungsgesellschaft m.b.H., Innsbruck	1.038	975	71	26
TKL IV Grundverwertungsgesellschaft m.b.H., Innsbruck	273	199	57	35
TKL V Grundverwertungsgesellschaft m.b.H., Innsbruck	15.126	13.285	862	138
TKL VI Grundverwertungsgesellschaft m.b.H., Innsbruck	24.812	24.188	783	-136
TKL VII Grundverwertungsgesellschaft m.b.H., Innsbruck	18.488	18.932	1.091	65
TKL VIII Grundverwertungsgesellschaft m.b.H., Innsbruck	100.159	100.899	4.572	313
Tiroler Landesprojekte Grundverwertungs GmbH, Innsbruck	19.719	20.938	926	74
Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H., Innsbruck	30.019	30.942	2.174	32
Seilbahnleasing GmbH, Innsbruck	22.085	21.924	4.138	102
Competence Park Investment Verwaltungs GmbH, Friedrichshafen	26	1	1	0
Competence Park Investment Verwaltungs GmbH & Co. KG, Friedrichshafen	32.177	26.160	1.683	278
MC EINS Investment GmbH, Vienna	7.668	6.108	69	-64
MC ZWEI Investment GmbH, Vienna	2.039	373	108	940
HTV KAPPA Immobilienleasing GmbH, Dornbirn	28.676	28.674	469	2
Projektentwicklungsges.m.b.H., Innsbruck	29.415	25.771	4.050	1.284
BIZ Business- und Innovationszentrum St.Pölten GmbH, St. Pölten	3.180	2.255	445	64
GTZ Gründer- und Technologiezentrum Wels GMBH, Wels	16.399	13.191	2.319	454
Bürocenter-Wienzeile GmbH, Vienna	18.580	18.019	2.026	367

Companies not considered in the consolidated financial statement:

Compan name, location	Capital share in %	Equity capital in K €	Result in K €	Date of financial statement
HTW Holding GmbH, Innsbruck	100,00 %	415	380	31.12.2011
Landhaus-Parkgaragen Gesellschaft m.b.H., Innsbruck	100,00 %	93	8	31.12.2011
Landhaus-Parkgaragen Gesellschaft m.b.H. & Co. KG, Innsbruck	100,00 %	15.811	540	31.12.2011
C ZWEI Investment GmbH, Innsbruck	100,00 %	2.540	936	31.12.2011
HYPO Gastro GmbH, Innsbruck	100,00 %	25	-40	31.12.2011
HT Immobilien Investment GmbH, Innsbruck	100,00 %	1.141	52	31.12.2011
Kramsacher Betriebsansiedlungsgesellschaft m.b.H., Innsbruck	100,00 %	29	9	31.12.2011
ARZ Hypo-Holding GmbH, Innsbruck	99,09 %	345	0	31.12.2011
HPS Standortservice GmbH, Innsbruck	50,00 %	106	39	31.12.2011
Tyrol Equity AG, Innsbruck	33,33 %	9.328	-44	31.12.2011
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	33,30 %	9.360	-438	31.12.2011
ARZ Allgemeines Rechenzentrum GmbH, Innsbruck	32,70 %	8.491	38	31.12.2011
Lantech Innovationszentrum GesmbH, Landeck	32,73 %	353	71	31.12.2011
REB II Beteiligungs AG, Vienna	25,64 %	2.586	-50	31.12.2011
„Wohnungseigentum“, Tiroler gemeinnützige Wohnbaugesellschaft m.b.H., Innsbruck	24,33 %	56.196	187	31.12.2011
GHS Immobilien AG, Vienna	22,69 %	103.143	3.615	31.12.2011
HYPO EQUITY-Unternehmensbeteiligungen AG, Bregenz	21,78 %	40.190	1.870	30.09.2012
Global Private Equity IV Holding AG, Wien	18,74 %	1.205	-1.142	31.12.2011
Tiroler gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H. (TIGEWOSI), Innsbruck	17,45 %	69.628	4.020	31.12.2011
Masterinvest Kapitalanlage-Gesellschaft m.b.H., Vienna	12,50 %	4.392	648	31.12.2011
Hypo-Wohnbaubank Aktiengesellschaft, Vienna	12,50 %	5.678	61	31.12.2011
Hypo-Banken-Holding Gesellschaft m.b.H., Vienna	12,50 %	15.536	1.043	31.12.2011
Rathaus Passage GmbH, Innsbruck	11,23 %	18.280	1.498	31.12.2011
HP IT-Solutions Gesellschaft m.b.H., Innsbruck	11,11 %	96	0	31.12.2011
Hypo-Haftungs-Gesellschaft m.b.H., Vienna	11,05 %	33	0	31.12.2011
Merkur Bank KGaA, Munich	8,75 %	35.366	2.068	31.12.2011
Logistikzentrum Hallbergmoos GmbH, Munich	6,00 %	787	92	30.09.2011
Logistikzentrum Forchheim GmbH, Munich	6,00 %	444	372	30.09.2011
Pflegeheim Wolfratshausen Grundstücks GmbH, Munich	6,00 %	3.771	447	30.09.2011
PensPlan Invest SGR Spa/AG, Bolzano	4,44 %	9.564	52	31.12.2011
Innsbrucker Stadtmarketing GesmbH, Innsbruck		Verkauf 2012		
Lienzer-Bergbahnen-Aktiengesellschaft, Lienz	1,85 %	13.235	-1.232	31.12.2011
Bergbahnen Rosshütte – Seefeld – Tirol – Reith AG, Seefeld	1,62 %	-3.091	-802	31.12.2011
VBV–Betriebliche Altersvorsorge Aktiengesellschaft, Vienna	1,28 %	48.854	2.402	30.04.2012
AAA – Air Alps Aviation Alpenländisches Flugunternehmen Ges.m.b.H., Innsbruck	0,28 %	-7.563	-3.037	31.12.2011
GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination GmbH, Vienna	0,20 %	3.558	727	31.12.2011
Allgemeine Bausparkasse registrierte Genossenschaft mit beschränkter Haftung, Vienna	0,04 %	96.466	2.284	31.12.2011

HYPO TIROL BANK AG MANAGING BOARD

Innsbruck, 18 March 2013

Johann Peter Hörtnagl

Dr. Markus Jochum

Mag. Johann Kollreider

STATEMENT OF APPROVAL

AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENT

We have audited the Consolidated Financial Statement of the HYPO TIROL BANK AG, Innsbruck for the business year from 1 January to 31 December 2012. The Consolidated Financial Statement comprises the consolidated balance sheet as at 31 December 2012, the consolidated profit and loss account, the consolidated comprehensive profit statement, the consolidated cash flow statement, the consolidated statement of changes in equity capital for the business year ended on 31 December 2012 as well as a summary of the fundamental balancing and evaluation methods and other statements described in the appendix (Notes).

Responsibilities of the legal representatives regarding the Consolidated Financial Statement and the corporate group accounting

The legal representatives of the company are responsible for the corporate group accounting and for the preparation of a Consolidated Financial Statement which gives a true and fair view of the assets, the financial position and the profit situation of the corporate group in compliance with the International Financial Reporting Standards (IFRS) as applicable in EU countries. This responsibility includes: preparation, implementation and maintenance of an internal control system, if this is of significance for preparing a consolidated financial statement and presenting a true and fair view of the assets, the financial position and the profit situation of the corporate group so that the consolidated financial statement is free of material misstatements, regardless of whether they result from intentional or unintentional errors; moreover the responsibilities comprise the selection and application of appropriate balance sheet and evaluation methods and the preparation of estimates, which seem to be appropriate in consideration of the existing conditions.

Responsibilities of the auditor and description of type and scope of the legally required final audit

It is our responsibility to present a judgment based on our audit of this Consolidated Financial Statement. For that reason, we have audited the Financial Statement in accordance with the legal provisions and principles of orderly auditing as applicable in Austria and with the International Standards on Auditing (ISAs) published by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). These principles require that we comply with the ethics of professions and that we plan and perform the audit as to obtain all the information we consider necessary in order to judge whether the Consolidated Financial Statement is free of material misstatements.

An audit comprises assessment as to obtain evidence with regard to income and other statements made in the Consolidated Financial Statement. The selection of assessment tools is at the discretion of the auditor, in consideration of estimates regarding risks of any material misstatements, regardless of whether they result from intentional or unintentional errors. In evaluating such risks, the auditor considers the internal control system, provided that it is of significance for preparing a Consolidated Financial Statement and presenting a true and fair view of the assets, the financial position and the profit situation, in order to determine the necessary scope of auditing inspections, giving due consideration to all the background conditions; however, not to come to any judgment with regard to the effectiveness of the corporate group's internal controls. Furthermore, the audit includes the evaluation of the appropriateness of the applied balancing and evaluating methods, and the evaluation of the major estimates made by the legal representatives as well as the appreciation of the entire Consolidated Financial Statement.

In our opinion we have obtained sufficient and appropriate evidence so that our audit provides a secure basis for the judgment.

Audit opinion

Our audit has led to no objections. In accordance with the facts obtained from this audit, the Consolidated Financial Statement complies with all legal requirements and gives a true and fair view of the assets and the financial position of the corporate group as at 31 December 2012, as well as of the corporate group's profit situation and cash flows for the business year from 1 January to 31 December 2012, in compliance with the International Financial Reporting Standards as applicable in EU countries.

STATEMENTS REGARDING THE CONSOLIDATED FINANCIAL REPORT

The consolidated financial report has to be audited on the basis of legal requirements and with regard to its correspondence to the major statements included in the Consolidated Financial Statement and whether other statements contained in the consolidated financial report evoke an incorrect picture of the corporate situation. The auditor's statement of approval must also contain a statement about whether the Consolidated Financial Report essentially corresponds to the Consolidated Financial Statement and whether statements according to the Austrian Commercial Code article 243a, sec. 2, are correct.
In our opinion, the Consolidated Financial Report is consistent with the Consolidated Financial Statement and the statements according to the Austrian Commercial Code article 243a, sec. 2 are correct.

Vienna, 18 March 2013

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Ernst Schönhuber eh
Auditor

Mag. Andrea Stippl eh
Auditor

STATEMENT OF THE LEGAL REPRESENTATIVES

We confirm to the best of our knowledge that the Consolidated Financial Statement, which was established in accordance with all relevant reporting standards, gives 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 Statement of the parent company, which was established in accordance with all relevant reporting standards, gives 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 2013

Managing Board

Johann Peter Hörtnagl

Dr. Markus Jochum

Mag. Johann Kollreider

REPORT OF THE SUPERVISORY BOARD

In the course of the business year 2012, all business activities carried out by the Managing Board were monitored by the Supervisory Board. In the framework of rotational and extraordinary meetings and other reports, the Supervisory Board gained detailed information about the development of the company and all essential cases. In addition, the Chairman of the Supervisory Board regularly received information provided by the Managing Board and the Internal Auditors Department.

SUPERVISORY BOARD MEETINGS

In the business year 2012, five ordinary and four extraordinary Supervisory Board meetings were held, at which fundamental issues of business policy, current developments of investment income, compliance with budgetary requirements 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 especially focused on the measures regarding the implementation of the bank's strategic realignment programme.

SUPERVISORY BOARD COMMITTEES

The Supervisory Board appointed five committees.

The Credit Committee manages mortgages, loans, and large-scale investments. Five ordinary meetings and one extraordinary meeting were held by the Credit Committee in the business year 2012.

According to the Austrian Banking Act, article 63a, sec. 4, the Audit Committee is responsible for monitoring the preparation of the Financial Statement, the effectiveness of the internal control system, the internal audit system and the risk management system of the company; furthermore it manages the audit and the preparation of the approval of the Financial Statement, the proposal concerning profit distribution, the Financial Report as well as the Consolidated Financial Statement and the Consolidated Annual Financial Report. Altogether, four Audit Committee meetings were held in the business year 2012.

The Committee for Managing Board Matters regulates the relations between the company and the members of the Managing Board, except appointments or recall of appointments or granting share options of the bank. In the business year 2012, one Board Matters Committee meeting was held.

Within the scope of the events in relation to Hypo Tirol Bank Italia S.p.A., an „Italy Special Committee“ was formed by the Supervisory Board. Since December 2011, it has regularly reported on the state of credit commitments in Italy. In 2012, 18 meetings were held by the Committee.

Apart from that, a Remuneration Committee was established in the Supervisory Board meeting held on 12 December 2011. This committee is responsible for all remuneration issues described in the Austrian Banking Act, article 39 b and c with the exception of Managing Board remuneration. In the business year 2012, one meeting was held.

FINANCIAL STATEMENT

The Financial Statement and the Financial Report as at 31 December 2012 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 Statement including appendix (Notes), which was prepared in compliance with the International Financial Reporting Standards (IFRS), as well as the Consolidated Financial Report as at 31 December 2012 were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna.

Subsequent to the final audit of the 2012 Financial Statement and the 2012 Consolidated Financial Statement, the appendix, the Financial Report on the Financial Statement and the Consolidated Financial Statement, no objections were raised. The Supervisory Board approves the profit distribution proposal, and the Financial Statement submitted by the Managing Board, which has been prepared in accordance with the Companies Act, article 96, section 4 and acknowledges the Consolidated Financial Statement.

Innsbruck, 21 March 2013

Supervisory board

Mag. Wilfried Stauder

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