HYPO TIROL BANK

Unsere Landesbank

Annual report 2015

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Men and women are equally important to us. To make contents better readable and understandable, any gender specific phrasing was waived in gender specific references. The mail gender used in the text applies to both genders equally.

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

Managing Board Introduction

As far as 2015 is concerned, Hypo Tirol Bank can reflect on a busy and economically successful business performance. Despite many challenges, such as HETA, a low interest environment and the loss of value in connection with the Euro, our successful course still showed an upward trend. We are very proud of the things we have accomplished, and at the same time we are very optimistic that the strategy we have committedly pursued so far, will allow us to safeguard the success of Hypo Tirol Bank on the long run.

In 2015, the central strategic task was to increase the positive development and to add more focus on the Tyrolean core market. The 2015 balance sheet total amounted to EUR 7.5 billion. According to our objectives it was round 9.1% below the 2014 balance sheet total. The reduction resulted from Hypo Tirol Bank AG transactions carried out outside the defined core market. This result confirmed that we had taken the right measures in connection with the new alignment of the bank.

In 2015, Hypo Tirol Bank generated an operative result prior to changes in its own credit risk in the amount of EUR 20.9 million (previous year: EUR -2.1 million). The continuous tightening up of organisational structures and procedures played a major role in this context.

It is very pleasant to see that the Tyrolean people increasingly rely on their state bank again. Despite the challenging economic circumstances, the volume of invested client money could be increased by 23% (year-on-year comparison). We were especially proud that our shares and mixed funds got a top ranking in the „2015 Österreichische Dachfonds Awards" and ranked second in the "Forbes Austria Fund Manager Ranking". Hypo Tirol Bank emphasises on offering comprehensible products and profound service which is tailored to the real needs of the client. As far as our objectives for 2016 are concerned, we will provide additional wide-ranging services combined with personalised consulting assistance. Our experts working in 23 branch offices located in North, East and South Tyrol as well as Vienna look forward to filling you with enthusiasm.

HETA ASSET RESOLUTION AG (former Hypo Alpe Adria) still remained to the determining public subject matter in connection with Hypo Tirol Bank in 2015. However, Hypo Tirol Bank was able to observe the events in a rather calm manner, because in the 2014 balance sheet, it had already provided comprehensive financial means of approximately EUR 38.7 million for receivables from HETA ASSET RESOLUTION AG. The amount corresponds to 50% of receivables.

Subsequent to wide-ranging preparation works that had commenced in 2015, a "mortgage Pfandbrief" in the amount of EUR 500 million was placed in February 2016 – at best conditions. The demand among instructional investors was very high and consequently all issues were sold within a couple of hours. Once again Hypo Tirol Bank succeeded in being a popular and reliable partner in the capital market.

We will continue to focus on a sustainable business development. We would like thank our clients for their confidence, our owners for they loyalty and our employees for their professional attitude, their tremendous willingness to cope with changes and their enormous personal commitment.

Let us all work together to safeguard a successful future for our state bank - Hypo Tirol Bank.

Mag. Wilfried Stauder **Johann Peter Hörtnagl**

Mag. Johannes Haid **Mag. Alexander Weiß**

CONSOLIDATED FINANCIAL REPORT 2015

I. Report on Business Development and Economic Situation

I. 1. Hypo Tirol Bank – Our Federal State Bank

All shares of HYPO TIROL BANK AG are indirectly owned by the Province of the Tyrol. The bank has always been a partner of the province of the Tyrol that focuses on the people who living in the region. The company was founded in 1901 to act as a regional mortgage bank in order to support the farmers who had been confronted with severe economic situations. Since then, the bank's tasks have further developed and have become multifaceted. However, the social idea of being committed to the region and its people has remained the same. Operating as a universal bank, Hypo Tirol Bank provides exper-tise for both, private and corporate clients. The core business of Hypo Tirol Bank includes the provi-sion of basic services for private and corporate clients in relation to home loan financing, investment as well as the provision of financial means for SMEs. Apart from that, medical doctors, liberal professionals as well as public institutions form part of the client group.

I. 2. Report on the Branch Offices

The universally operating bank is highly committed and focuses on the core market, that is to say North, East, and South Tyrol. Apart from that Hypo Tirol Bank is represented in the Vienna region where it focuses on different client and product sectors. The Hypo Group comprises 23 branch offices with one special branch office being specialised in pri-vate banking and liberal professions in the Tyrol. Apart from that, three branch offices provide com-prehensive consulting service throughout the Tyrol.

I. 3. Economic Conditions in 2015

Market Review 2015

Economic recovery in industrialised countries was experienced alongside weakness in many threshold countries: In 2015, the most important economic aspect was the strong development of the economic perfor-mance in the Euro area. The increase that was experienced in the course of the year accounted for roughly 1.5 % with this positive trend ranging from European core countries, in particular Germany, to the European periphery, in particular Spain and Ireland. On the other side of the Atlantic Ocean, the US economy also achieved a strong growth rate of approximately 2.5 %.

However, many threshold and developing countries had to cope with decreasing and negative growth rates. In particular, the economic slowdown in China once again led to considerably decreasing raw material prices. In addition, the crude-oil markets had to face a global surplus leading to a decrease in energy prices.

In the light of a positive economic environment in industrialised countries, shares developed very positively and showed an increase of +6.68 %. On the other and, for stock exchanges the year 2015 was marked by drastic price fluctuations – a strong increase in the first quarter and a sharp fall in pric-es in October and December. The bond market also had to cope with some turbulence: In the course of the year, government bonds (EUR) increased slightly. With a rate of -16 % (converted into EUR) raw materials once again showed a clear loss after 2014; converted into USD the drop was even more striking. Money market investments achieved an annual income of 0 % due to historically low money market interest rates.

The European Central Bank guaranteed high market liquidity, with the American FED increasing its base rates in December: In the past year, the central banks represented the driving force regarding the price development regarding money and bond markets. In April, the inflation rate in the Euro area surprisingly increased, which resulted in a corresponding increase in yields respectively in a decline in prices of long-term bonds in Mai and June. Due to the ongoing downward trend of raw material pric-es, the danger of an aggressive inflation rate grew. This brought the ECB into the scene: it extended its existing bond-purchasing programme by the end of the year and further lowered its base rate to a negative level. Other large central banks such as the Chinese or Japanese Central Bank reacted to the low price pressure with a more expansive monetary policy. This resulted in a support of prices of gov-ernment bonds, especially in the second half of the year. Company bonds and high-yield bonds were under pressure in 2015, because credit spreads had been extended. For the first time in many years, the American Central Bank increased its base rates by 0.25 % shortly before the turn of the year.

In 2015, the labour market development showed strong regional differences: International stock markets were affected by diverging developments in the past year. Japanese stock markets benefited from strongly increasing profit expectations and achieved the best development. A major part of the further development resulted from positive exchange rate effects (EUR). The most important US stock market showed a sideward trend including positive exchange rate effects of EUR to USD which lead to a positive accretion in the course of the year. The growth rate of European shares can be described as pleasing rather than outstanding. The stock markets of threshold countries such as China or Brazil had to face price losses. In addition, stock markets in the Asian-Pacific area suffered from setbacks.

Due to declining money and capital market interest rates the Euro depreciated: The sharpest drop regarding the Euro was registered in relation to USD: The differentiated monetary policy between the USA and the Euro area resulted in a rise of the Interest balance and thus strengthened the USD but weakened the Euro. In comparison to the Yen and the British Pound, the common currency clearly depreciated. The appreciation of the Swiss Francs resulted from the completely surprising removal of the price limit of 1.20 to EUR by the Swiss National Bank on 15 January 2015.

Economic Development in our market areas – Review 2015

During the year global economy developed in a restrained manner. The main reasons for this situation can be ascribed to the problems in the threshold countries. Labour market turbulences and the trans-formation into strong growth driven by consumption led to a depression of China's economy. Brazil and Russia also had to cope with recession. In Eastern Asia growth speed slowed down as well. How-ever, the US economy increased and the economy in the Euro area stabilised with a growth rate of 0.4 %. The Euro area benefited from economy promoting factors such as lowered oil prices, the weakened Euro as well as expansive monetary policy. A slight economic increase can be seen in our market areas.

Austria – restrained economic growth and stressed Situation regarding the Employment Market

Following a period of enduring stagnation, the Austrian economy gained pace again, which resulted in a moderate increase amounting to 0.7%. In the past years, private consumption in Austria stagnat-ed. This development improved slightly in the second half of the year. Employers were still lacking confidence and weak domestic demand in combination with insecurity regarding the further eco-nomic development had a suppressing effect on the demand for investment. For that reason, growth in Austria sill remained behind the development in the Euro area for the second year in a row. In 2015, the unemployment rate further rose to 5.8% (according to EU evaluation criteria), whereas the inflation rate showed a continuing downward trend and finally accounted for 1.1%. In this context, low energy prices negatively affected the price rally.

Province of the Tyrol – subdued economic growth without any significant aspects

Parameters and indicators showed no significant trends: there were hardly any changes in the client countries; however a slight decline in production was recorded. Neither a significant improvement of the situation nor a dramatic drop can be determined in connection with the current economic state of the Tyrol. In addition, compared to other Austrian provinces, the employment market situation remained stable and developed better than it had been anticipated in the beginning of the past year. In 2015, the unemployment rate amounted to 7.0%, that is to say it was 0.1% higher than in 2014. As far as the development of the consumer prices is concerned, no anomalies could be recorded in com-parison to national average: the annual average amounted to roughly 1%.

Italy – Economic performance shows positive effects

After a sharp drop in relation to economic performance, Italian economy significantly increased by 0.9% in 2015. The labour market recorded a slight increase even though the unemployment rate was still rate high. In 2015, it amounted to 12.2% (according to EU evaluation criteria). The price rally in Italy restrained with the Inflation rate amounting to 0.2%.

South Tyrol – slight economic growth and positive future perspectives

After difficult crisis years, South Tyrolean people can look into the future with great optimism again. This positive tendency was reflected in 2015 by an economic growth rate amounting to 0.6%. The rate of unemployment accounted for roughly more than 4% (according to EU evaluation criteria) and thus has remained on a rather steady level over the past years. The South Tyrolean inflation rate also showed a downward trend in 2015 and amounted to 0.5%.

I. 4. Business Development

Company Key Figures

in kEUR	2015	2014	Change in %
Balance sheet total in kEUR	7,501,318	8,254,930	- 9.13
Receivables from clients in kEUR	5,291,617	5,367,177	- 1.41
Primary capital in kEUR	2,898,761	2,811,570	+ 3.10
Liabilities evidenced by certificate in kEUR	1,112,690	1,247,149	- 10.78
Equity capital according to CRR in kEUR	562,130	561,580	+ 0.10
of which Tier 1 in kEUR	480,033	448,725	+ 6.98
Net interest income after risk provision in kEUR	71,823	45,698	+ 57.17
Net commission income in kEUR	26,980	25,572	+ 5.51
Administrative expenses in kEUR	79,561	81,444	- 2.31
Operative result prior to change of credit risk	20,942	- 2,105	> + 100
Core capital ratio in %	12.21	10.80	+ 1.41
Equity capital ratio in %	14.30	13.52	+ 0.78
Number of employees according to capacities	513	566	- 9.36

Balance Sheet Development

As expected, the balance sheet total of the past year amounted to 7.5 billion Euro, and thus was 9.1% below the balance sheet total of the year before (2014: EUR 8.3 billion). 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 provision
On 31 December 2015, receivables from credit institutions accounted for EUR 100.9 million (previous year: EUR 309.5 million), thus they have decreased by EUR 208.6 million compared to the previous year.

Receivables from resolution unit of former credit institutions after risk provision
This balance sheet item shows receivables in the amount of EUR 63.0 million from HETA ASSET RESOLUTION AG.

Receivables from clients after risk provision
On the balance sheet date, receivables from clients after risk provision amounted to EUR 5,291.6 mil-lion (previous year: EUR 5,367.2 million). Therefore, the decline (mainly in the private client sector) accounted for EUR 75.6 million.

Financial assets – AFS
This item's balance sheet total decreased by EUR 178.7 million to EUR 662.2 million (previ-ous year: EUR 840.9 million. The decline primarily referred to bonds of other issuers.

Financial assets – HTM
The decline in financial assets – HTM accounted for EUR 73.5 million and primarily almost equally referred to bullet bonds of public and other issuers. Consequently, on 31 December 2015 financial assets – HTM in the amount of EUR 76.6 million (previous year: EUR 150.1 million) were designated.

Liabilities to credit institutions
Primarily lendings from the Austrian National Bank led to an increase of EUR 149.9 million. On the balance sheet date liabilities to credit institutions amounted to EUR 619.7 million (previous year: EUR 470.3 million).

Liabilities to clients
The sum of savings deposits including capital savings books showed a decrease of EUR 47.1 million in 2015. Time deposits showed a decline in the amount of EUR 40.1 million, whereas giro accounts increased by EUR 174.4 million. The entire item in-creased by EUR 87.2 million to EUR 2,898.8 million (previous year: EUR 2,811.6 million).

Liabilities evidenced by certificate
Issues in the amount of EUR 112.4 million and liquidations in the amount of EUR 248.4 mil-lion resulted in an decrease in liabilities evidenced by certificate accounting for EUR 1,112.7 million (previous year: EUR 1,247.1 million).

Liabilities evidenced by certificate – designated at fair value
The item liabilities evidenced by certificate – designated at fair value included issues in the amount of EUR 76.1 million and liquidations in the amount of EUR 846.3 million. In addition, changes in valuation accounting for EUR -74.1 million resulted in a balance sheet total of EUR 1,911.2 million (previous year: EUR 2,740.3 million).

Capital Resources

On the basis of regulation (EUR) no. 575/2013 (Capital Requirements Regulations – CRR) and the di-rective regarding the access to operations of financial institutions (Capital Requirements Directive 4 – CRD IV), consolidated capital resources and consolidated prudential capital requirements shall be determined in accordance with the IFRS but according to prudential consolidation circles. Within HYPO BANK TIROL AG, the supervisory consolidation circle corresponds to the consolidations circle according to IFRS.

Eligible equity capital in accordance with CRR/CRD IV increased by EUR 0.5 million in comparison to the previous year; in consideration of all deduction items it amounted to EUR 562.1 million (previous year: EUR 561.6 million) on 31 December 2015. Required equity capital decreased by EUR 18.0 mil-lion within this period. On the balance sheet date, the equity capital ratio amounted to 14.30% (pre-vious year: 13.52%) and thus increased by 0.78% in comparison to the previous year. Consequently, HYPO TIROL BANK AG fulfils all corporate group requirements regarding equity capital as stated in CRR/CRD IV. Equity capital surplus accounted for EUR 247.7 million (previous year: EUR 229.2 mil-lion).

On the balance sheet date, core capital (Tier 1) accounted for EUR 480.0 million (previous year: EUR 448.7 million). Supplementary equity capital (Tier 2) in consideration of deduction items according to article 66 (own shares supplementary capital) amounted to EUR 82.1 million (previous year: EUR 112.9 million). On the balance sheet date, the core capital ratio amounted to 12.21% (previous year: 10.80%).

Achievements

In the financial year 2015, HYPO TIROL BANK AG once again followed the determined strategy to focus on the Tyrolean core market (North, East and South Tyrol) and Vienna and to cut risk positions. By doing so, it was possible to clearly reduce risk management, which is also reflected by the positive business development.

In the past fiscal year net interest income decreased by EUR 3.1 million to EUR 96.3 million (previous year: EUR 99.4 million). The decline complies with the corresponding reduction of assets (see report on balance sheet development regarding financial assets AFS and HTM).

The precise target to cut risk positions allowed to considerably reduce risk provision regarding re-ceivables from clients to the amount of EUR 24.5 million (previous year: EUR 53.7 million). This result corresponds to 0.44% of receivables from clients prior to risk provision (previous year: 0.94%)

As anticipated, trading results in the expired financial year decreased by EUR 1 million to EUR 1.2 million (previous year: -0.2 million), which resulted from the sale of Swap-positions due to the reduc-tion of issues from the financial year 2014.

In 2015, administrative expenses amounted to a total of EUR 79.6 million (previous year: EUR 81.4 million). The diminution, which amounted to EUR 1.8 million, resulted from the cutting of personnel expenses and the strategy to use human resources in the best possible way.

Hence, the business year 2015 showed an operative result prior to changes of specific credit risk in the amount of EUR 20.9 million (previous year: -2.1 million). This result represents the decisive factor for controlling the company and evaluating profitability.

After considering the result from changes of specific credit risk (from evaluation effects of credit-spreads) the result prior to taxation amounted to EUR 66.2 million (previous year: EUR -18.5 million). Subsequent to tax on income and profit amounting to EUR 9.4 million the result after taxation accounted for EUR 56.8 mil-lion (previous year: EUR -25.8 million).

I. 5. Business Development in Single Business Sectors

Private Clients

Saving and Investing
For savers and investors the enduring low interest level was an important subject. The experienced consultants of Hypo Tirol Bank supported all Tyrolean people in this context and discussed the ap-propriate strategy, risk willingness and the ideal time frame to gain the best profit. Investment has many facets; the trick is

to find the perfect combination in order to protect capital in case of inflation and to generate profit, even in times of low interest levels. As far as tailored consulting service is con-cerned, Hypo Tirol Bank focuses on profound advice, comprehensible products and fair charges. It is of top priority that the client understands the securities, chances and risks behind different invest-ment opportunities.
In 2015, Hypo Tirol Bank emphasised the features in terms of saving and investing. A variety of classic basic products such as the fixed-term saving deposits, building loan contracts or online saving depos-its offer interesting conditions and additional service. Apart from that, Hypo Tirol Bank succeeded in consolidating its reputation as high-quality partner on the domestic market by presenting its own issues with fixed or flexible interest rates and providing professional fund and asset management.
The successful development of investment management together with the top position for equity and mixed funds achieved in the “2015 Austrian Dachfonds Awards” and Forbes Austria magazine simply proved that Tyrolean people can rely on the experience of our investment experts.

Provision
All kind of future-related subjects are of utmost importance for Hypo Tirol Bank. In this context, providing for one’s pension plays a substantial role. An article in “Konsument” Magazine (June) confirmed the outstanding consulting service quality that is offered to all Tyrolean people. With regard to all tests carried out, the Tyrolean State Bank could clearly distinguish itself from all other Tyrolean credit institutions. In the course of the tests product range and consulting service quality were evalu-ated. It was particularly focused on profound explanations regarding the pension account, the estab-lishing of a needs-analysis and how far personal living conditions had been taken into account.

Homebuilding
For more than 114 years, Tyroleans have relied on the state bank, especially in terms of implementing personal homebuilding ideas. We are proud to offer an all-in-one package that includes a pre-calculation established according to household expenses, useful information and finally the appro-priate financing strategy. Apart from that, a tailored insurance package can also be offered. Thus, in 2015, we made home-building dreams amounting to EUR 160 million come true.

Economic Forecast 2016

The private client sector has always been and will always be an important pillar for Hypo Tirol Bank. The state bank will truly support its 23 offices located in North, East and South Tyrol. In 2016, we will further focus on “saving and investing, “provision” and “homebuilding”. In these sectors Hypo Tirol Bank and its employees will support all Tyrolean people and will provide experience and expertise in order to seize opportunities in the best possible way and to minimise risk accordingly.

Private Banking and Free Professions

Our experts in relation to sophisticated investment and the provision of holistic service for liberal professionals can basically be found in two offices: in the head office and in the office “Universitätsk-linik”. Nevertheless, they are mobile and consequently available across the Tyrol. Hence, we guaran-tee maximum proximity to clients. Our clientele comprises wealthy private clients and liberal profes-sionals, with the emphasis being put on doctors, lawyers, tax consultants and chartered accountants.

Asset management in all its facets
Sophisticated investment is not only about gaining profit. Individuality is a major issue in this respect – not only with regard to consulting, also in terms of finding appropriate product solutions. It takes time, expertise and market knowledge to find the ideal investment strategy. The Hypo Tirol Bank spe-cialists are always up to date as far as the development of financial markets is concerned. The invest-ment strategy is continuously adapted to current market developments and the client’s objectives, and the client in return is regularly informed about asset development. Apart from that it goes with-out saying that current tax conditions are always considered in this context as well.

Financial expertise provided for doctors and liberal professionals
From the first step of becoming self-employed, all Hypo Tirol Bank experts are reliable companions and manage all banking-related issues. In particular with regard to complex financing requirements, our consultants have gained major experience and will develop comprehensive financing plans. They support their clients by providing demand orientated solutions for each stage of life.

Economic Forecast 2016

Hypo Tirol Bank wants to achieve further success in this segment. In this context, intensive coopera-tion with all sales units shall serve as the basis, and so all clients will benefit from individual asset management consulting service as required.

Corporate Clients

There is no other credit institution that is as closely involved in the development of domestic econo-my as „our state bank“. Since 1901, it has been the bank’s task to support Tyrolean companies on their way to the future. Safeguarding competitiveness and promoting a successful transfer of business to the next generation are two essential corner pillars in order to guarantee stability for the Tyrol as a business location. Therefore, Hypo Tirol Bank prioritises these two sectors.

Initiative: “Impulse for the Tyrol”
In 2015, Hypo Tirol Bank provided financial means in the amount of EUR 350 million. The purpose was to support companies and their promising investment projects. The regional alignment and the associated capability to decide on the spot allowed the provision of tailored financing products for domestic small- and medium-sized enterprises.

Initiative: “ERFOLG.REICH. WEITER.MACHEN”
(keep on working successfully)
Numerous small and medium-sized intersperses represent the supporting pillars of regional wealth. Behind these companies we often find a lifetime achievement. In order to preserve this achievement, the state bank should simply offer the best possible service and consequently pave the way for a suc-cessful transfer of business to the next generation. However, this phase, which is not only fascinating for the company but also for the entrepreneur, often reveals new opportunities in terms of shaping one’s professional and private life alike. In order to seize these opportunities in the best possible way, Hypo Tirol Bank offers its clients a comprehensive service package comprising investment, liquidity, and risk and asset management. In addition, our cooperating partners and a network of legal experts, regional and national authorities, the Chamber of Commerce and the government of the Tyrol bear a hand in terms of organising business succession

Housing
Not only is the state bank an expert in relation to private homebuilding, it is also specialised in the segment of corporate housing. In cooperation with Tyrolean property developers the bank has im-plemented many projects. In 2015, Hypo Tirol Bank provided financial means amounting to EUR 82 million for building projects and thus created new living space for many Tyrolean families.

Economic Forecast 2016

Customer proximity, regional presence and personal service are significant factors regarding the suc-cess of Hypo Tirol Bank. The emphasis will still be put on offering solid but flexible financing models for domestic small- and medium-sized enterprises. With regard to comprehensive consulting service, greater attention will be given to „investment".

Public Institutions

The close relation to public institutions and regional authorities has developed in the course of histo-ry and has become one of the major tasks of the state bank. Our employees who work in the public institutions department are experts in relation to the specific requirements of this client group. They are very popular as they offer on-site consulting service and make a major contribution to the success of the bank.
One of the core competences is the provision of financing service. Since its foundation in 1901, the Tyrolean state bank has been an essential cooperating partner for the implementation of public pro-jects and non-profit homebuilding. It has supported communities in the context of financing projects by setting up an individual product portfolio. Consequently, all Tyrolean people benefit from extend-ed infrastructure and newly created living space.
The consultants support their clients by compensating liquidity straits and investing free means, this allows efficient liquidity management. In addition, the employment of interest hedging tools leads to increased security in relation to budgetary planning.

Economic Forecast 2016

The major task will still be to maintain the high level of service quality and subsequently foster inten-sive customer relations.
In 2016, the optimisation of payment transactions will be one of the key aspects in the field of consulting. If requirements are analysed, a perfect connection with the bookkeeping programme is established and cost structures become transparent, resources, time and money can be saved.

Hypo Tirol Versicherungsmakler GmbH – Insurance Broking Company

The Insurance sector mainly emphasises on the segments free professions and corporate clients and shows a very pleasing business development. Being an independent insurance broker, Hypo Tirol Ver-sicherung is closely linked to other Austrian insurance companies and thus, guaranties its clients flex-ible and tailor made solutions; either by broking or developing products. A comprehensive and struc-tured risk analysis serves as the basis for optimum insurance protection. In this context, risk poten-tials are evaluated in every respect and a comprehensive and individual risk management concept is drawn up. According to the bank's strategy, commission business shall be strengthened. Close cooperation with the private banking and free profession department as well as with corporate clients' centres will allow increasing potentials. As a result, the clients are offered additional value as they receive comprehensive financial service from a single source.

Economic Forecast 2016

Hypo Tirol Versicherungsmakler GmbH will continue to focus on the segment of free professions and corporate clients. Hypo Tirol Versicherungsmakler GmbH is perfectly linked with all other Austrian insurance companies. Being a regional insurance broker, it offers appropriate on-site service for all clients.

Italian Branch Office

In Italy, Hypo Bank Tirol is operated as an EU-branch office and acts as a specialist in the sectors fi-nancing and investment. The major task is to focus on investment, private homebuilding and financ-ing SMEs. The paramount objective is to offer high quality customer service and service oriented con-sulting assistance – in this context, the personal relationship between client and consultant plays a decisive role in order to find the appropriate solution in line with requirements.
In Italy, Hypo Tirol Bank operates branch offices in Bolzano, Bressanone and Merano. In addition, a network of freelance investment consultants and eleven partner bank institutions from the Northern Italian region sell investment products offered by the branch office.
In December 2015, Hypo Tirol Bank moved to the heart of Bolzano, to Waltherplatz, which under-score the importance of customer proximity. With regard to financing, the scope is limited to the South Tyrolean market.

Economic Forecast 2016

The South Tyrolean population shall increasingly perceive Hypo Tirol Bank as an on-site competent and reliable financial partner. In this context, it will be focused on the subjects private homebuilding and financing for small and medium-sized enterprises. It is also intended to improve the market pres-ence. Top priority is given to risk-aware financing products in the core market South Tyrol. In addi-tion, the strengthening of the private client sector will also be of importance. In the field of invest-ment, Hypo Tirol Bank represents the ultimate expert regarding sophisticated investment; it aims at expanding its network of freelance investment consultants. The new-alignment and the tightening of structures will continue in order to bundle knowledge and forces, make use of synergies efficiently and optimise expenses.

Vienna

In the inner-city of Vienna, Hypo Bank Tirol is represented by a powerful team of employees. It per-fectly acts as a discrete financial service provider in the Viennese banking location. Not only has Hypo Tirol Bank an extraordinary reputation in the field of individual real-estate solutions, it is also popular because of sophisticated investment products that are offered in combination with a comprehensive and holistic consulting approach. Our excellently skilled consultants, who have gained experience throughout the years, guarantee fast decisions to create sustainable and reliable customer relations.

Economic Forecast 2016

The Vienna branch office wants to grow by focusing on (corporate) real estate financing. In the seg-ment of private clients and free professions the bank's role as a niche player can already be described as successful. As the number of clients has clearly increased the exiting network shall be further expanded and strengthened.

Treasury

Asset Management
Financial markets faced a turbulent year, which resulted in challenging situations regarding portfolio management. Labour markets increased up to April and subsequently declined again. In terms of eq-uity investment, the fourth quarter resulted in a pleasing end of the year. With regard to Hypo asset management, active investment strategies were implemented in the course of the year. The condi-tions were regularly adapted to labour market situations. After a strong investment period in the be-ginning of the year, the investment quota fluctuated between medium and deep equity allocation. According to the investment traffic light system designed for Hypo asset management, all clients can easily understand the current strategy.
With regard to fund management, Hypo Tirol Bank proved exceptional quality as it was awarded sev-eral prizes in the context of the "2015 Österreichische Dachfonds-Awards". In the course of the past years, Hypo Tirol Bank received a total of 30 awards. The integration of mdoffice-activities for the EU branch office in Bolzano was completed and all associated processes were optimised.

Bank Book Control
With regard to the capital market business, 2015 represented a very challenging environment for Austrian credit institutions. Public discussion regarding a possible insolvency of HETA, the payment moratorium as well as the exposed position of some Austrian credit institutions and sectors in com-parison to Eastern European counties still represent a sustainable burden for Austria as a financial market. In the course of investment activities we found out that in particular German investors have become critical of Austria. Therefore, Hypo Tirol Bank now concentrates on smoothing its maturity profile in the capital market business by means of private placements or term deposits. In the course of an internal project, systems and procedures regarding liquidity management were additionally improved.

Treasury Sales
Even thought, the markets had to cope with turbulent situations and difficult conditions, the volume of managed client money increased by 23% (annual average). In the context of targeted investment projects a wide range of clients could be convinced of the benefits regarding professional asset man-agement, which resulted in an increase in the number of asset management agreements amounting to of 32%.
The sale of Hypo Tirol Bank AG's own issues was also very successful. In retail business, attractive products such as the premium bond, allowed the sale of new issues in the amount of EUR 104 million. The existing clientele of the sector Treasury Sales could also be extended due to intensive customer acquisition. This resulted in a positive increase in terms of investment.

Economic Forecast 2016

In order to achieve success in the capital market business in Austria, it is of utmost importance to find a solution regarding HETA. If the situation remains unsolved, intensive investment work will be inevi-table. As far as the pension market is concerned, the interest rate development will have substantial influence in this context, because Investors are currently not really interested and if interest rates remain negative, the situation is unlikely to improve. The central banks' purchasing programmes for covered bonds could have only weak impact. Since the central bank only purchases parts of issues, investors will still be required in order to achieve successful placement; but then again, this could lead to an increase in risk surcharges.
With regard to the economy as a whole, the development of crude oil prices might show some effects in first months of 2016 (basic effects), because energy expenses indirectly affect production expenses. On one hand, the enduring weakness of energy expenses could lead to necessary consolidation in the indurstry and on the other hand keep inflation levels low for a longer period.

Immobilien Betriebs GmbH

Hypo Immobilien Betriebs GmbH (HIB) is a 100% subsidiary of Hypo Tirol Bank AG and is responsible for management, real estate and leasing activities. Its detailed tasks are:

- Managing the properties of the Hypo Tirol Group, which are held by the bank itself or other property companies. This includes real estate and property used by both, the Group itself and outside parties.
- Facility management of property used by the Group itself.
- All transactions in connection with the leasing business of the Hypo Trill Group, ranging from offer to termination of a leasing contract.
- Handling the Group's logistics and car pool.
- Assuring the compliance with all safety-relevant regulations and their associated further development.

In 2015, the Landeck branch office was modernised and HIB agents provided comprehensive service from the planning stage to the implementation. The new premises in the Hypo building located on "Oberer Stadtplatz" have been adapted in accordance with modern requirements and impressively reflect the values of the Tyrolean state bank. The interior design is a combination of traditional and modern architecture.

In accordance with the company strategy and the EU consolidation plan, the "Cyta" shopping centre was sold in December 2015. This represented a further major step towards fulfilling EU-specifications.

Another major aspect in 2015 was the consolidation of leasing processes in Italy and Austria.

In the field of leasing, Immobilien Betriebs GmbH found its new position in a market that had been changing during the past years. Due to closer cooperation with the sales department, Hypo Tirol Bank achieved substantial success.

Economic Forecast 2016

In 2016, Hypo Immobilien Betriebs GmbH will basically concentrate on the rental of the premises in Tschamlerstraße in Innsbruck, on the adaptation of the branch offices in accordance with the regula-tions stipulated in the Federal Act on Equalization of Persons with Disabilities (BGStG), the moderni-sation of single branch offices as well as on further process optimisation.
The additional extension of the real estate portfolio is not intended. The goal is to be present on the market and negotiate in the event of profitable offers. The utilisation of the remaining real estate holdings shall be kept on a steadily high level.

I. 6. Events of special importance that occurred after the balance sheet date

HETA ASSET RESOLUTION AG

In 2014, Hypo Alpe-Adria Bank International AG was transferred into HETA ASSET RESOLUTION AG. On 1 March 2015, die Austrian Financial market Authority ordered resolution of HETA in accordance with the Federal Act on the Recovery and Resolution of Banks (BaSAG). In the context of a moratorium a payment stop respectively deferment of payment of HETA liabilities up to 31 May 2016 was im-posed. This also refers to liabilities of HETA against the Pfandbriefbank (Österreich) AG and to bonds amounting to EUR 4.8 million issued by HYPO TIROL BANK AG. Under company law there is no direct connection between HYPO TIROL BANK AG and HETA.

Up to 2006, Pfandbriefbank as the common issuing institution of all Austrian mortgage banks mar-keted issues for Hypo Alpe-Adria Bank International AG (now HETA) on a fiduciary basis. According to the moratorium HETA shall not be allowed to meet its debts for the time being.

The Austrian mortgage banks and the Province of Carinthia decided to provide liquidity for the Pfandbriefbank to guarantee that all obligations can be fulfilled according to the regulations. The Pfandbriefbank is now responsible for the corresponding operative implementation. It has to manage all payment methods that are required to return provided financial means to the bondholders when due.

Regarding existing receivables from HETA – including expected available liquidity for the Pfandbrief bank – HYPO TIROL BANK AG already took appropriate measures in 2014. The managing board antici-pates that the liability of the Province of Carinthia remains really and truly; therefore, bonds were evaluated according to current market prices. In the 2014 financial report reserves in the amount of KEUR 38,594 were generated in connection with the provision of liquidity. In the current financial year, no additional risk provision (specific allowance/provision) has been endowed.

In the middle of January 2016, the "Kärntner Ausgleichszahlungs-Fonds" (KAF) (compensation pay-ment fund) offered a repurchase with a 75% rate. The offer expired on 11 March 2016. The order would only have been accepted if two third of the creditors had approved. HYPO TIROL BANK AG gave its consent in sufficient time. On 14 March 2016, the Kärntner Ausgleichszahlungs-Fond stated that the creditors had rejected the offer. Consequently, the Financial Market Authority is responsible for further procedures. HYPO TIROL BANK AG considers the precautionary measures taken in 2014 to be sufficient.

II. Report on anticipated corporate developments and risks

II. 1. Economic Forecast 2016

The continuing decline of raw material prices and the increasing basic rate in the USA will be a diffi-cult starting point for threshold countries in 2016. On the one hand they have to cope with missing national income; on the other hand there might be capital outflows. The logical consequence is a slowdown of global trade. However, some positive trends can also be verified due to structural measures that were taken by many European countries in the past. Apart from that, enduring low interest rates combined with low inflation boost consumption. As far as Austria is concerned, tax reforms are supposed to have positive effects on private households. In general, the economic up-swing is anticipated to continue.

Basic Economic Scenario in Europe:
Consumption and investment increasingly replace export as the driving economic force, restrained forecast regarding inflation

The slowly but continuously increasing granting of loans is anticipated to have supporting effects in the Euro area. In addition, the quantity of money might also significantly increase as a result of the current bond purchasing programme launched by the ECB. However, national debts of many countries will represent the strongest negative factor as they are still very high. This situation will lead to a limited willingness to spend money on both, national and corporate level. In addition, the economic development in China is difficult to project. Reports on weak economic conditions must be expected, which might be a real test of investors' patience. Apart from that, the year 2016 will again be characterised by critical geopolitical situations (war in the Middle East, refugee crises, danger of terrorism).

Alternative scenarios
Due to the uncertain global economic forecast a deflationary scenario is most likely to be an alternative to the aforementioned basic scenario. According to the view of HYPO TIROL BANK AG raw material prices will further decline (which is possible due to the cancelation of sanctions against Iran) and on the other hand the Chinese Renmimbi could be devaluated against the USD. This might pressurise other Asian currencies and consequently would have deflationary effects on many globally traded products. Currently, an inflationary scenario is most unlikely to happen, because many regions in the world have to cope with overcapacities rather than with shortage. In view of the lowest unemployment rate in the USA (amounting to 5%) an increase in unemployment may impose possible dangers. This scenario combined with the fact that the US central bank has been waiting far too long to increase interest rates, might cause increasing inflationary pressure. Additional impact might also result from a strong increase in raw material prices due to geopolitical difficult situations or shortage of supply.

Conclusions regarding investment policy
Due to the low interest rate level in the Euro area, shares might benefit from the investors' search for profit, because very often dividend yield substantially exceeds the amount of bond pay-out. In order to reach sustainable growth of prices, an additional increase in profits is required especially with respect to the current evaluation (price/profit ratio). In addition, trading interruptions at China's stock exchanges after the turn of the year have demonstrated the level of uncertainty of many market participants with regard to the further development of China's economic policy and economic growth.

Will 2016 be the year with a substantial rise in yields on capital markets?
The resilient economic situation in Europe and the USA would definitely be indicative in this context. In this respect it will be decisive how fast and how often the basic interest rate will be increased in the USA. Subsequent to the first rise in December 2015 (0.25%), four additional rises of 0.25% per quarter can be expected. The largest unknown quantity in this respect will still be the further development of raw material prices and the associated inflation forecast. As long as there are no significant indicators for inflationary acceleration, the US central bank will act carefully. The European central bank could even enhance its existing measures, if it still considers its inflation goal of "nearly, but below 2% to be jeopardized. Apart from that, periods of increased uncertainty on the market lead to a rise in the demand for well-rated bonds. Therefore, evidence suggests that despite possible basic interest rate increases in the USA yields will remain rather low with temporary strong rises in yields or setback in prices.

Especially in times of uncertainty the USD is supposed to be a good admixture to the Euro. We anticipate the EUR/USD level to reach its previous low of approximately 1.5 soon.

Projected economic development in our market areas in 2016

Current economic forecasts anticipate a moderate economic upswing supported by factors such as the tax reform (taking effect in January 2016), expenses for asylum seekers and recognised refugees and the homebuilding initiative. Based on these factors, it is expected that Austrian gross national product will increase by 1.9% in 2016. In addition, a moderate economic growth in the Tyrol is anticipated as well. Due to growing confidence on the part of entrepreneurs and the positive development of consumption in Italy, a growth rate of 1.4% is expected, with the development in the South Tyrol being anticipated with +1.7%. Outside our market areas, the development on the labour market, just like in the previous years, will be marked by a strong increase in workforce supply. Consequently, in 2016 the unemployment rate might increase slightly or remain more or less on the same level. As far as Austria is concerned, a continuous inflation differential in comparison to the Euro area is projected. The annual average of the inflation rate will amount to 1.8%, whereas in Italy it will amount to 1%.

II. 2. Anticipated Corporate Development

External conditions are not expected to change severely in 2016. The challenges in relation to low interest rates, turbulent market conditions, moderate economic growth and increasing regulators will remain to play a role in the banking sector. Hypo Tirol bank will focus on deepening customer relations and strengthening confidence in the regional bank that has a powerful owner. Therefore, we offer our clients targeted service and flexible consulting times. Our objective is to generate risk-adequate growth in the defined core market.
The corporate strategy has been anchored in the annual planning for 2016 with precise qualitative and quantitative target values. With regard to the markets in the South Tyrol and Vienna, we will con-tinue to follow the niche player strategy. In this respect, new volumes in the lending and deposit business have been included in the planning process.

Due to the consistent pursuit of the corporate's strategy and the successful implementation of all planned measures, HYPO TIROL BANK AG will succeed in strengthening customer reliance by means of offering highly qualitative service. This goal can only be achieved if our employees work committedly. Therefore, special attention will be given to employee development and satisfaction in order to op-timise the conditions for a cost efficient employment of resources.
A new challenge in 2016 will be the balancing act in relation to "preserving" and "modernising". The Managing Board and all employees will meet this new challenge by using wit, skills, senses and dili-gence. We will make sure that all Tyrolean people are supported at best at Hypo Tirol Bank and that they can be proud of "our state bank".

The expected development for 2016 can be summarised as follows:

Significant positions of profit and loss account	Development
Net interest income prior to risk provision	Slight decline: increased refinancing expenses as well as reduction of the volume of receivables
Risk provision	Decline: reduction of risk positions
Net commission income	Increase: Enhanced sales activities
Trading result	Stabile
Administrative expenses	Decline: consistent cost management as well as cost efficient employment of resources

II. 3. Major Risks and Uncertainties

With regard to details regarding the goals and methods in the context of risk management and the overall financial risks of the HYPO TIROL BANK AG Group, we refer to the report on financial risks and risk management published in the section notes.

II. 4. Report on the major characteristics of the internal control and risk management system, with special emphasis on the preparation of the financial statement

Definitions

The risk management system managed within the corporate group includes all activities which help to identify, analyse and evaluate business risks and to take appropriate measures accordingly to pre-vent such risks from affecting the company in a negative way.

With regard to the internal control system (ICS), risk management is mainly employed in the context of methodical risk evaluation, which forms the basis for the internal control system.

The **internal control system** represents all principles, procedures and measures which contribute to protect the assets of the company, to guarantee proper preparation of the financial statement and to ensure compliance with all legal provisions.

HYPO TIROL BANK AG describes the **internal control and risk management system concerning the preparation of financial statements** as a system that was designed to guarantee the proper, reliable and timely preparation of internal and external financial statements in accordance with all legal pro-visions. In this context, the process of preparing financial statements is not limited to regular report-ing of interim and end-of-year financial statements, it also comprises orderly bookkeeping records of all relevant data regarding their origin, their processing and their adopting 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.

In the course of exercising this responsibility, an ICS coordinator has been appointed. The area of re-sponsibilities of this function comprises the standardisation and systematisation of all existing inter-nal control systems and the summary of individual measures and the subsequent transfer to an over-all and unified internal control system. The evaluation of the effectiveness of the internal control sys-tem 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).

The purpose of the ICS in relation to the preparation of financial statements is to recognise risks in-herent to the process and to properly prepare an annual financial statement in compliance with all regulations by employing a control system.

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

- regulate the orderly recording of transactions and the keeping of orderly records in or-der 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 sufficient security with regard to preventing, reducing and discovering errors and irregularities which might have substantial effect on the financial reports.

The ICS 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 the establishment of additional controls which aim at implementing and maintaining legal or other internal requirements or re-quirements relating to the supervision of banks. The major issue in this respect is, whether the con-trols as a whole can build a system. To accomplish that, an appropriate process model is required, which is explained in the ICS manual. This process model is based on the international example of five components of the COSO Framework: control environment, risk assessment, control activities, in-formation, communication and supervision.

The **control environment** serves as the framework in which the ICS can be operated. The major in-struments of the control environment are regulations of structural and operational 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 abstraction. The structural and operational organisation helps Hypo Tirol Bank to counteract such risks

Furthermore, standardised qualification and training programmes held for staff members guarantee that the qualification level which is required for the respective position is guaranteed. The founda-tions of the control environment, 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 man-agers and executives of HYPO TIROL BANK AG is of utmost importance in this context.

Risk recognition and risk assessment are both built on the control environment, which forms the basis for 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 se-lected 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 an-nual basis. According to such risk assessment IKS-relevant processes are defined within HYPO TIROL BANK AG.

With regard to efficient risk assessment in the context of preparing the financial statements, our cor-porate objectives in relation to financial reporting serve as the starting point. The foremost goal of financial reporting is the process of preserving and informing. The legally fixed principle of communi-cating 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 have been identified,
- control objectives, which must be covered by the appropriate control activi-ties, have been defined for such risks, and
- the resulting outcome has been recorded in a sectorial risk control matrix.

A detailed and comprehensive understanding of the process of preparing financial statements is the foundation for identifying major risks. For that reason, process documentation (process flow charts) in form of transparent and logical illustration of various sequences of the preparation of financial statements is of utmost importance. Apart from that, 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 financial in-vestments portfolio. Consequently, these activities have been defined as ICS-relevant processes. The process of preparing financial statements, which is another ICS-relevant process, is responsible for the numerical illustration of these business processes. In particular, the presentation of inherent risks in connection with the loan business and the bank's own portfolio is of special importance. In accord-ance with the statements relating to financial risks and risk management, we define loan risk, market price risk and liquidity risk as primary risks in these business processes.

In order 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 ICS com-ponents.

Market risk, to be more precise, the danger of losses caused by market price changes, has gained im-portance especially in light of the financial market crisis. With regard to the preparation of financial statements, it is of central importance to recognize any need for impairment as soon as possible. In addition, the evaluation of the impairment amount in connection with the inactive markets repre-sents another great challenge. In this connection, all ICS components strongly contribute to the min-imisation of risks of substantial misrepresentation in illustrating these business processes. Finally, balance sheet and evaluation directives regulate the identification and the assessment of reserves.

Liquidity Risk is the risk that current or future financial obligations cannot be met in full or not in a timely manner or not in economically reasonable manner. Structural liquidity risk is limited in the context of risk carrying capacity and reported on a monthly basis. In this respect a report system with parameters and early warning limits was established. All parameters are set up in the framework of the planning system and determined by the Board.

The purpose of **control activities** is to ensure the actual implementation of measures taken by HYPO TIROL BANK 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 illustrated in the respective process documentation and the corresponding risk-control matrix. In addition, the documentation of controls is an essential part of the ICS. 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 de-velopments, based on state-of-the-art technology, as well as tried and tested standard products. ARC-TIS software solution is the central host system, which is used for the daily banking business. Standard solutions such as GEOS, SAP, etc. serve as subsystems. 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 for our control measures which are applied in the entire IT landscape of HYPO TIROL BANK AG.

In order to use the ICS efficiently, specific and **wide ranging information and communication chan-nels** have been designed for all important business areas, so that staff members are supplied with ad-equate information which is necessary to carry out the required controls. In this context and for transparency reasons, the ICS manual is accessible for all employees via Intranet. In particular, the explicit illustrations of controls in the process documentation (process flow charts, working direc-tives, etc.), for the preparation of financial statements - and also for all other risk-relevant and ICS-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 work-shops.

Moreover, institutional information channels in the context of management reports help to make business activities and their corresponding inherent risks transparent and demonstrate the develop-ment 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 Au-diting Committee.

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

The **monitoring** of the ICS is carried out on various levels. On the process level, the monitoring of the ICS 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 ICS 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 ICS coordinator prepares an annual report on ICS-relevant processes.

Furthermore, the bank's internal audit controls the ICS 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 re-gard to the quality assurance of the ICS
- Evaluation of the qualification and efficiency of the ICS
- Suggestions regarding 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 the ICS, e.g. in the context of revolving discus-sions with the Managing Board.

III. Sustainability Report

With regard to sustainability the biggest challenge for a company is to take on responsibility for one's own actions. In order to fulfil all required dimensions of sustainability – on economic, ecologic and social level - respective measures must be taken. The Management Board of Hypo Tirol Bank attaches great importance to the compatibility of economic success, ecological harmonisation and social as-pects. It aims at balancing these three dimensions. In this context, the main features of Hypo Tirol Bank's philosophy are to work in a responsible manner, to offer best quality and service, to consist-ently focus on customer requirements, to handle employees and resources with care and to be social-ly committed.

Economic sustainability

Reliability, stability and strength represent crucial principles in relation to sustainable corporate management – in particular in the banking sector. For Hypo Tirol Bank these values are of utmost im-portance in order to meet the expectations of clients, employees, business partners and other social groups. Therefore, the bank's business model is based on solid and responsible principles of corporate management.

Economic success is an important key factor for Hypo Tirol Bank. The same applies to the mode of doing business. The business model of Hypo Tirol bank aims at doing solid and sustainable business. It is of top priority for the Board to safeguard earning power rather than achieving maximum profit in the short run. In order to guarantee this objective, company strategies and policies, target planning as well as the salary system are coordinated. In addition, sustainability plays a significant role in the client sector. Special attention is given to security and the maintenance of value in relation to clients' deposits rather than focusing on speculation and profit maximisation.

On 31 December 2015, economic sustainability was confirmed with a truly pleasing core capital quo-ta of 12.21%. Therefore, HYPO TIROL BANK AG is a reliable banking partner, even in challenging times.

Ecological sustainability

Sustainable business activities serve as the basis for safeguarding the company success on the long run. Apart from that, ecological issues become increasingly important – for both, our future genera-tions and the clients and employees of Hypo Tirol Bank. According to the Board it is essential to take on economic responsibility for the environment beyond what is necessary.

For many years now, Hypo Tyrol Bank has been taking various measures to reduce environmental pol-lution arising within the company. Consequently, the energetic optimisation of buildings represents a crucial foundation for sustainable banking operations. With regard to constructing and modernis-ing projects it is essential for Hypo Tirol Bank that energy and resources are used efficiently. This strat-egy was implemented in relation to the refurbishment of the headquarters in Innsbruck and the open-ing of the Landeck branch office. All measures taken are environmentally friendly and have a cost-reducing effect on the long run.

In the course of day-to-day banking operations CO2 emissions are produced. The main sources in this context are consumption of energy, paper and water, but also business trips and waste accumulation. With regard to daily procures (paper consumption, waste separation) employees have already been sensitised at an early stage, and the bank continuously tries to find further optimisation processes.

Social sustainability

The sustainable economic success of Hypo Tyrol Bank is intensified by the competence, commitment and motivation of its employees. The number of employees currently amounts to 548. Equal treatment in employment, payment and internal training opportunities plays an important role. Our em-ployees are considered to be the most valuable assets of the company; therefore it is even more im-portant that each and every individual identifies with the philosophy and the objectives of the bank and consequently pursues our corporate values in every respect.

Vocational education and training

Hypo Tirol Bank distinguishes itself from other credit institutions because it offers highly qualitative consulting and customer service. As far as sustainable development of human resources is concerned, the bank attaches great importance to profound education of professional newcomers and targeted, continuous development of professional skills and social competes of long-time employees. Only if all employees – working in the branch office or in the headquarters - are supported in order to further develop their individual potentials Hypo Tirol Bank can be an attractive employer and consequently also a successful company.

In case of vacant management positions and provided that it is procurable, talented employees from the bank's own ranks will be hired. Management positions are quite challenging; for that reason spe-cial emphasis is put on the promotion of young managers and their requirements.

In 2015 Hypo Tirol Bank invested a total of EUR 302,049 (2014: EUR 308,239) in vocational educa-tion and training.

Appraisal interview and manager feedback
Open exchange between employees and managers is a major part of the corporate philosophy of Hypo Tirol Bank. Appraisal interviews and target setting meetings, which are held on an annual basis, allow to analyse the achievements made in the previous year and to set new targets.

Corporate benefits and agreements
Due to agreements, initiated by Hypo Tirol Bank, employees are permitted to flexibly manage working times via the flextime-system. In addition, social benefits – if possible – are also offered.

Family-friendly corporate philosophy
Nowadays combining family and job creates job satisfaction and leads to a high level of working and living quality. Hypo Tirol Bank pursues a family-friendly policy and in return benefits from highly mo-tivated and satisfied employees. Family-friendly measures that have already been taken comprise the flextime-system, equal treatment in vocational education and training and the establishment of an internal day nursery.

Human resource key figures

Key figure	2015	2014
Number of employees measured by capacity	513	566
Full time	400	457
Part time	101	98
Apprentices	12	11
Female proportion	40.73 %	39.66 %
Male proportion	59.27 %	60.34 %

Sponsoring and regional commitment
The Board of Hypo Tirol Bank considers social matters to be substantial components of sustainability. For many years now, the bank has been committed to support sports and cultural events organised by domestic institutions. In doing so, it returns something to the people living in the region. Rationality is given great attention in this context and the objective is to create long-term cooperation

IV. Report on Research and Development

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

Innsbruck, 23 March 2016

HYPO TIROL BANK AG – Managing Board

Johann Peter Hörtnagl   Mag. Johannes Haid   Mag. Alexander Weiß

Table of Contents

I. Profit and Loss Account

in kEUR	Notes	2015	2014 adapted	in kEUR	Change in %
Interest and similar income		197,126	236,336	-39,210	-16.6
Interest and similar expenses		-100,832	-136,911	36,079	-26.4
NET INTEREST INCOME	**(37), (42)**	**96,294**	**99,425**	**-3,131**	**-3.1**
Loan risk provision	(38), (43)	-24,471	-53,727	29,256	-54.5
NET INTEREST IINCOME AFTER RISK PROVISION		**71,823**	**45,698**	**26,125**	**57.2**
Commission income		33,121	31,869	1,252	3.9
Commission expenses		-6,141	-6,297	156	-2.5
Net commission income	**(39), (44)**	**26,980**	**25,572**	**1,408**	**5.5**
Trading result	(40), (45)	-1,232	-217	-1,015	>100
Result from hedge accounting	(46)	1,612	319	1,293	>100
Result from financial instruments – at fair value through profit or loss	(41), (47)	2,598	11,365	-8,767	-77.1
Results other financial instruments	(48)	5,175	-760	5,935	>100
Result from associated companies	(49)	-803	378	-1,181	>100
Administrative expenses	(50)	-79,561	-81,444	1,883	-2.3
Other income	(51)	27,850	23,035	4,815	20.9
Other expenses	(52)	-33,501	-26,051	-7,450	28.6
Operative result prior to change of specific credit risk		**20,941**	**-2,105**	**23,046**	**>100**
Result from change of specific credit risk (*)		45,246	-16,380		
Result prior to taxation		**66,187**	**-18,485**	**84,672**	**>100**
Tax on income and profit	(53)	-9,372	-7,267	-2,105	29.0
Result after taxation		**56,815**	**-25,752**	**82,567**	**>100**

(*) The evaluation effect resulting from the change of specific credit risk is based on credit spread evaluation. This is attributable to the turbulent market conditions on the Austrian capital market which were caused by the debt moratorium imposed on HETA Asset Resolution AG by the Financial Market Authority and consequently by rating downgrades of Austrian credit institutions. The evaluation effect represents a snapshot of the evaluation of liabilities. From the current point of view, the situation is anticipated to have changed significantly by the end of next year as a result of shorter terms to maturity and expected calming of the capital market.

Subject to the EU endorsement, which had been planned for the first half of 2016, HYPO TIROL BANK AG will make use of the possibility to apply regulations regarding the accounting of impairment resulting from specific credit risk at an early stage, without simultaneously having to apply the regulations according to IFRS 9 (2014). In accordance with these regulations, all changes in relation to fair value of non-relevant financial liabilities of the category “evaluated at fair value”, which result from specific credit risk, shall be recorded in other results.

For now, this effect according to IAS 1.41 is illustrated separately in the above mentioned profit and loss account in “result from changes of specific credit risk” and not in the result from financial instruments – at fair value through profit or loss. The changes will be made retroactively for the entire financial year 2014. The segmental report referring to business sectors [see note (88)] was extended by the new profit and loss line.

HYPO TIROL BANK points out that only the operative result prior to change of specific credit risk is relevant for controlling the group.

Illustrated reclassification in accordance with IAS 1.41:

in kEUR	2014 subseq. to change	2014 prior to change
Interest and similar income	236,336	236,336
Interest and similar expenses	-136,911	-136,911
Net interes income	**99,425**	**99,425**
Loan risk provision	-53,727	-53,727
NET INTEREST IINCOME AFTER RISK PROVISION	**45,698**	**45,698**
Commission income	31,869	31,869
Commission expenses	-6,297	-6,297
Net commission income	**25,572**	**25,572**
Trading result	-217	-217
Result from hedge accounting	319	319
Result from financial instruments – at fair value through profit or loss - prior to change of specific credit risk	11,365	-5,015
Results other financial instruments	-760	-760
Result from associated companies	378	378
Administrative expenses	-81,444	-81,444
Other income	23,035	23,035
Other expenses	-26,051	-26,051
Operative result prior to change of spedific credit risk	**-2,105**	**-18,485**
Result from change of specific credit risk (*)	-16,380	0
Result prior to taxation	**-18,485**	**-18,485**
Tax in income and profit	-7,267	-7,267
Result after taxation	**-25,752**	**-25,752**

II. Statement of Comprehensive Income

in kEUR	2015	2014	Change in kEUR	Change in %
Result after taxation	**56,815**	**-25,752**	**82,567**	**>100**
Data which can be reclassified in the profit and loss account				
Evaluation of financial assets - AFS - included in other income	-7,749	10,586	-18,335	>100
Reclassification of evaluation results from disposed of financial assets - AFS to net income for the period	4,861	6,193	-1,332	-21.5
Reclassification of evaluation results from impairment of financial assets - AFS to net income for the period	460	224	236	>100
Deferred tax from evaluation of financial assets - AFS included in other income	607	-4,251	4,858	>100
	-1,821	**12,752**	**-14,573**	**>100**
Data which cannot be reclassified in the profit and loss account				
Actuarial profit/loss	212	-3,217	3,428	>100
Deferred tax from evaluation of actuarial profit/loss	-53	804	-857	>100
	159	**-2,412**	**2,571**	**>100**
Other result after taxation on income	**-1,662**	**10,340**	**-12,002**	**>100**
Total result	**55,153**	**-15,412**	**70,565**	**>100**

III. Balance Sheet

Assets

in kEUR	Notes	2015	2014	in kEUR	Change in %
Cash assets reserve	(16), (54)	**121,104**	**105,918**	**15,186**	**14.3**
Receivables from credit institutions	(17), (55)	*100,856*	*309,478*	*-208,622*	*-67.4*
Risk provision	(18), (58)	*0*	*0*	*0*	*n.a.*
Receivables from credit institutions after risk provision		**100,856**	**309,478**	**-208,622**	**-67.4**
Receivables from resolution unit former credit institution	(17), (56)	*83,952*	*0*	*83,952*	*n.a.*
Risk provision	(18), (58)	*-20,988*	*0*	*-20,988*	*n.a.*
Receivables from resolution unit former credit institution after risk provision		**62,964**	**0**	**62,964**	**n.a.**
Receivables from clients	(17), (24), (57)	*5,526,325*	*5,708,266*	*-181,941*	*-3.2*
Risk provision	(18), (58)	*-234,709*	*-341,089*	*106,380*	*-31.2*
Receivables from clients after risk provision		**5,291,616**	**5,367,177**	**-75,561**	**-1.4**
Positive market values from derivative hedging instruments	(11), (59)	**4,094**	**1,458**	**2,636**	**>100**
Trading assets and derivatives	(8), (60)	**214,360**	**319,343**	**-104,983**	**-32.9**
Financial assets – designated at fair value	(9), (61)	**735,566**	**913,789**	**-178,223**	**-19.5**
Financial assets – AFS	(12), (62)	**662,278**	**840,885**	**-178,607**	**-21.2**
Financial assets – HTM	(13), (63)	**76,632**	**150,124**	**-73,492**	**-49.0**
Financial assets – L&R	(14), (64)	**4,753**	**7,174**	**-2,421**	**-33.7**
Interests in associated companies	(4), (65)	**9,777**	**11,068**	**-1,291**	**-11.7**
Real estate kept as financial investment	(20), (66)	**88,540**	**110,160**	**-21,620**	**-19.6**
Intangible assets	(21), (67)	**1,441**	**1,479**	**-38**	**-2.6**
Tangible assets	(22), (68)	**68,737**	**72,913**	**-4,176**	**-5.7**
Other assets	(25), (69)	**15,501**	**22,572**	**-7,071**	**-31.3**
Long term assets and disposal groups held for sale	(26), (70)	**35,678**	**5,937**	**29,741**	**>100**
Deferred tax assets	(27), (71)	**7,421**	**15,455**	**-8,034**	**-52.0**
TOTAL ASSETS		**7,501,318**	**8,254,930**	**-753,612**	**-9.1**

Liabilities and Equity capital

in kEUR	Notes	2015	2014	Change in kEUR	Change in %
Liabilities to credit institutions	(28), (72)	**619,669**	**470,265**	**149,404**	**31.8**
Liabilities to clients	(28), (73)	**2,898,761**	**2,811,570**	**87,191**	**3.1**
Liabilities evidenced by certificate	(28), (74)	**1,112,690**	**1,247,149**	**-134,459**	**-10.8**
Negative market values from derivative hedging instruments	(11), (75)	**11,593**	**19,688**	**-8,095**	**-41.1**
Derivatives	(7), (8), (76)	**155,521**	**209,560**	**-54,039**	**-25.8**
Financial liabilities – designated at fair value	(9), (77)	**1,911,791**	**2,740,302**	**-828,511**	**-30.2**
Provisions	(29), (78)	**59,957**	**78,021**	**-18,064**	**-23.2**
Other liabilities	(30), (79)	**67,354**	**71,233**	**-3,879**	**-5.4**
Liabilities and disposal groups held for sale	(26), (70)	**2,168**	**0**	**2,168**	**n.a.**
Current tax liabilities	(27), (80)	**1,153**	**3,303**	**-2,150**	**-65.1**
Deferred tax liabilities	(27), (71)	**1,391**	**2,084**	**-693**	**-33.3**
Subordinate and supplementary capital	(31), (81)	**102,670**	**99,371**	**3,299**	**3.3**
Equity capital	(IV), (33), (82)	**556,600**	**502,384**	**54,216**	**10.8**
TOTAL LIABILITIES AND TOTAL EQUITY CAPITAL		**7,501,318**	**8,254,930**	**-753,612**	**-9.1**

IV. Changes in Equity

In compliance with IAS 8.14 b the Group decided to change the former illustration of changes in equity. From now on, equity components for each item of other results are illustrated separately and not under item revaluation reserves (including AFS reserves), as done previously. The new illustration has been applied retroactively.

in kEUR	Subscribed capital	Capital reserves	AFS reserves after taxation	Actuarial profit / loss after taxation	Cumulative income	Total equity capital
As at Jan 1st 2014	**50,000**	**311,233**	**-245**	**-1,569**	**186,163**	**545,582**
Income after taxation	0	0	0	0	-25,752	**-25,752**
Other income after taxation	0	0	12,752	-2,412	0	**10,340**
Total income 2014	**0**	**0**	**12,752**	**-2,412**	**-25,752**	**-15,412**
Other adjustments	0		0	0	214	**214**
Dividends paid	0		0	0	-28,000	**-28,000**
As at Dec 31st 2014	**50,000**	**311,233**	**12,507**	**-3,981**	**132,625**	**502,384**
As at Jan 1st .2015	**50,000**	**311,233**	**12,507**	**-3,981**	**132,625**	**502,384**
Income after taxation	0	0	0	0	56,815	**56,815**
Other income after taxation	0	0	-1,821	159	0	**-1,662**
Total income 2014	**0**	**0**	**-1,821**	**159**	**56,815**	**55,153**
Other adjustments	0	0			-937	**-937**
Dividends paid	0	0			0	**0**
As at Dec 31st 2015	**50,000**	**311,233**	**10,686**	**-3,822**	**188,503**	**556,600**

For further details regarding equity please see notes (33) and (82).

Illustration according to IAS 1.41:

Changes in equity subsequent to changes:

in kEUR	Subscribed capital	Capital reserves	AFS reserves after taxation	Actuarial profit / loss after taxation	Cumulative income	Total equity capital
As at Jan 1st .2014	**50,000**	**311,233**	**-245**	**-1,569**	**186,163**	**545,582**
Income after taxation	0	0	0	0	-25,752	**-25,752**
Other income after taxation	0	0	12,752	-2,412	0	**10,340**
Total income 2014	**0**	**0**	**12,752**	**-2,412**	**-25,752**	**-15,412**
Other adjustments	0		0	0	214	**214**
Dividends paid	0		0	0	-28,000	**-28,000**
As at Dec 31st 2014	**50,000**	**311,233**	**12,507**	**-3,981**	**132,625**	**502,384**

Changes in equity prior to changes:

in kEUR	Subscribed capital	Capital reserves	New evaluation reserves (incl. AFS reserves)	Cumulative income	Total equity capital
As at Jan 1st .2014	**50,000**	**311,233**	**-1,814**	**186,163**	**545,582**
Income after taxation	0	0	0	-25,752	**-25,752**
Other income after taxation	0	0	10,340	0	**10,340**
Total income 2014	**0**	**0**	**10,340**	**-25,752**	**-15,412**
Other adjustments	0		0	214	**214**
Dividends paid	0		0	-28,000	**-28,000**
As at Dec 31st 2014	**50,000**	**311,233**	**8,526**	**132,625**	**502,384**

V. Cash Flow Statement

in kEUR	2015	2014
Result after taxation	**56,815**	**-25,752**
Items non-affecting cash flow and transfer to cash flow from operating business activities included in the result		
Depreciation and appreciation to assets	8,660	10,793
Allocation and dissolution of reserves and risk provisions	-101,170	36,259
Result from sale of assets	-6,066	-3,294
Tax from income and profit	-9,372	-7,267
Correction interest profit	-92,366	-99,475
Profits from associated companies	-803	378
Unrealised foreign currency profits and losses	38,560	28,557
Change of assets and liabilities from current business activities after correction of items non-affecting cash flow		
Receivables from credit institutions	124,995	167,676
Receivables from clients	139,148	204,031
Positive market values from derivative hedging instruments	-2,440	-1,009
Trading assets and derivatives and financial assets at fair value	223,464	83,951
Other assets	-22,607	35,654
Liabilities to credit institutions	149,234	16,714
Liabilities to clients	94,977	144,543
Liabilities evidenced by certificate and financial liabilities at fair value	-914,852	-811,886
Negative market values from derivative hedging instruments	7,774	-17,246
Derivatives	-48,371	14,954
Other liabilities	14,821	8,438
Interests received	226,512	259,954
Interests paid	-141,947	-144,489
Net total from income tax payments and tax refunds	-11	-7
Cash flow from current business activities	**-255,045**	**-98,523**
Cash inflow from sale/liquidation of		
Financial assets – HTM, AFS, L&R and interests	290,693	309,209
Subsidiaries	1,087	0
Tangible assets, intangible assets and investment propertie	21,605	7,856
Cash outflow due to investments in		
Financial assets – HTM, AFS, L&R and interests	-42,230	-124,556
Tangible assets and intangible assets	-4,224	-2,950
Other changes	0	0
Cash flow from investment activities	**266,931**	**189,559**
Cash flow-affecting changes in subordinated and supplementary capital	3,300	0
Dividends paid	0	-28,000
Called-in participation capital/capital contribution by the Province of the Tyrol	0	0
Cash flow from financing activities	**3,300**	**-28,000**
Cash holdings at the end of the previous period	**105,918**	**42,882**
Cash flow from current business activities	-255,045	-98,523
Cash flow from investment activities	266,931	189,559
Cash flow from financing activities	3,300	-28,000
Cash holdings at the end of the period	**121,104**	**105,918**

Cash holdings correspond to cash reserves. See notes (16) and (54).

VI. Notes

Principles of the Consolidated Financial Statement

HYPO TIROL BANK AG and its subsidiaries offer their clients a comprehensive range of financial services. The core business comprises corporate client business, private client business as well as leasing business. In addition, 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, which is extended by the Province of South Tyrol 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 is 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.

The present consolidated financial statement was prepared in accordance with the Austrian Banking Act article 59a, in combination with the Austrian Company Code article 245 and according to International Financial Reporting Standards as applicable in EU countries.

Apart from the consolidated balance sheet and the consolidated profit and loss account and the comprehensive income statement, the financial statement also includes statement of changes in equity, the cash flow statement and the appendix (notes). Segment reports are included in the notes and illustrated under note (88).

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

Methods of Accounting and Evaluation

(1) Principles

The consolidated financial statement was prepared by using the principle of evaluation on the basis of historical acquestion and production costs, with the exception that financial instruments in the categories "designated at fair value", "AFS - available for sale" and all derivative financial instruments are evaluated on a fair value basis 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 for the period to which they are attributable on an economical basis.

The fundamental accounting and evaluation methods, which have been 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 corporate group.

The transfer of the result from the consolidated profit and loss account to the total result with detailed illustration of other results was 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 by 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 illustrated in the section cash flow from current business activities.

The section cash flow from investment activities illustrates payments into and out of the account from items, 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.

HYPO TIROL BANK AG considers the significance of the cash flow statement to be rather limited. Neither does the cash flow statement replace planning in relation to liquidity or financing nor is it used as a steering tool.

(2) 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 2016 or later, as well as standards and interpredations that are not mandatory in the EU have not been applied.

In general, the corporate group shall apply all standards as at the date their application becomes mandatory.

From 2015 on, the following standards or amendments of standards have been applied for the first time:

On 20 May 2013, the IFRS Committee adopted **IFRIC 21: Levies**, in order to eliminate differences in relation to the accounting for levies imposed by governments (charges in a broader sense). Charges in a broader sense are only imposed, if a company is active in the market at a particular point of time. The interpretation now clarifies, how companies shall set off such levies in the course of preparing a financial statement in accordance with IFRS, and in particular, at what time the liabilities resulting from the levy are to be set off for the first time. However, such levies do not refer to levies according to IAS 12 income tax. In accordance with IFRIC 21, the activity is identified as the obligatory event for a levy. IFRIC 21 shall be effective for annual periods beginning on or after 17 June 2014. Within HYPO BANK TIROL AG IFRIC 21 refers to the following charges:

- **Stability charges:** Liability arises on 1 January of the calendar year, for that reason reserves shall be made available at that time (retrospective illustration).
- **Resolution fund:** The annual charge shall basically be paid on 01 January of the respective year provided that an approved institute is involved. Therefore reserves shall be scheduled in the full amount on 01 January 2015.
- **Deposit protection fund:** The annual charge shall basically be paid provided that a member institute of a deposit insurance company is involved. With commencement of the respective law, reserves shall be scheduled in the full amount in the financial car 2015 and in the following on 01 January of each year.

The illustration in the balance sheet did not lead to any changes regarding the financial statement of Hypo Tirol Bank. For detailed illustration see note (78).

The International Accounting Standard Board (IASB) issued **‚Defined Benefit Plans: Employee Contributions (Amendments to IAS 19 ‚Employee Benefits')'**. The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service. The EU adopted and issued the regulations in the Gazette of the EU on 17 December 2014. Amendments shall be applied for the first time in financial years beginning on or after 01 February 2015. Such amendments have no impact on the presentation of the Group's result.

On 12 December 2013, in the course of the annual IFRS improvement process, the IASB issued the missing document of the 2010 - 2012 Cycle and the document of the 2011 - 2013 Cycle. The 2010 - 23012 Cycle includes amendments and clarifications regarding the following standards.

- **IFRS 2 "Share Based Payment":** The amendments include clarifications regarding the definitions "vesting condition" and "market condition".
- **IFRS 3 "Business combination":** The wording of IFRS 3.40 was changed insofar that contingent consideration in a business combination is classified as an asset or liability. Moreover, the reference to "other applicable IFRS" was cancelled. In addition, IFRS 3.58 was clarified and all contingent considerations not classified as equity capital, are measured at fair value including the accounting of all resulting effects in the profit and loss account.
- **IFRS 8 "Operating Segments":** The amendments clarify the aggregation of operating segments and regulate the necessity of transferring the segment's assets to the respective amounts in the balance sheet.
- **IFRS 13 „Fair Value Measurement":** By amending the basis for conclusions it is clarified that the opportunity shall not be removed to measure short-term receivables and payables, in case they are considered immaterial, with no stated interest.
- **IAS 16 "Property, Plant and Equipment"/IAS 38 "Intangible Assets":** The amendment clarifies how cumulative depreciation or amortisation of property, plant and equipment and intangible assets should be calculated by using the new evaluation model pursuant to IAS 16.35 or IAS 38.80.
- **IAS 24 "Related Party Disclosures":** The amendment revises the definition of "closes parties and persons" and adds that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity, without any other existing close relations to the entity in accordance with IAs 24 (management entities).

All amendments shall be applied for the first time in fiscal years beginning on or after 01 February 2015, respectively on or after 01 February 2015 regarding the granting of payments according to IFRS 2. The amendments have had no impact on the present consolidated financial statement.

The 2011 - 2013 Cycle stipulates amendments and clarifications in relation to the following standards:

- **IFRS 1 "First-time Adoption of International Financial Reporting Standards"** clarifies the importance of the "date of entry into force" in connection with IRFS 1.
- **IFRS 3 "Business Combinations":** The amendment explains that IFRS 3 t excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- **IFRS 13 "Fair Value Measurement":** IFRS 13.48 allows entities, which control a group of financial assets and financial liabilities on the basis of their net market risks or net market default risks, to measure the fair value of this group in the same way as market participants would measure the net risk position on the measurement date. It clarifies that the scope of the portfolio exception includes all contracts accounted for within the scope of IAS 39 "Financial Instruments": Recognition and Measurement or IFRS 9 "Financial Instruments", regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 "Financial Instruments: Presentation.
- **IAS 40 "Investment Property":** It clarifies that IAS 40 "Investment Property" and IFRS 3 "Business Combinations" are completely independent of each other, in other words they are not mutually exclusive. Each acquisition of investment property shall be evaluated in accordance with IFRS 3 and it shall be defined whether it is a single property, a group of properties or a business operation within the scope of IFRS. Apart from that, all criteria of IAS 40.7 et seq shall be applied to determine whether it is an investment property or an owneroccupied property.

All amendments of the 2011 – 2013 Cycle shall be applied in fiscal years beginning on or after 01 January 2015. The amendments have had no impact on the present consolidated financial statement.

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

Amendment to IAS 1 "Presentation of financial statements": in compliance with the amendments, companies shall be allowed to prepare their financial statements in a more company-specific manner by way of making targeted decisions. The amendments basically clarify that notes are only required if their content is not considered immaterial. This shall explicitly apply, if an IFRS-standard requires the illustration of minimum data. The sample structure regarding notes has been removed in order to facilitate a company-specific presentation. It is further clarified that it is within the discretion of the company in which section of the notes balancing and evaluation methods are explained in detail. Furthermore, the amendments include details on aggregation and disaggregation of items in the balance and the comprehensive income account, as was as the clarification that participating interest in other result of companies evaluated on at equity basis shall in future be presented in the profit and loss account or not be presented at al. I the meantime they are represented separately in the statement of comprehensive income. The amendments shall apply for financial years beginning at 01 January 2016. HYPO TIROL BANK AG is currently assessing the amendments and their effect on the presentation of the current financial statement.

In the course of annual improvements, amendments were made in the 2012–2014 cycle referring to four standards. The adaptation of the wording in single IFRS shall clarify existing regulations. These following standards have been amended: **IFRS 5, IFRS 7, IAS 19** and **IAS 34**. The new regulations shall apply for reporting periods beginning on or after 01 January 2016 and subject to the respective amendment on a prospective or retrospective basis. These clarifications include the following aspects:

- **IFRS 5:** With regard to non-current assets (or disposal group) held for sale it is stipulated that in case a company reclassifies assets from the category held for sale, such reclassification shall be considered as pursuing the initial plan. If a company determines that assets (or disposal groups) do not fill the requirement to be held for sale the accounting as held for sale must be finalised.

- **IFRS 7:** Additional guidelines regarding reporting requirements in relation to fully consolidated assets that comprise a contract have been added. Moreover, precise provisions were added regarding the application of amended IFRS 7 requirements concerning the balancing of financial assets and liabilities in interim financial statements.
- **IAS 19:** It is pointed out that in order to evaluate the discount rate for post-employment benefits, only first-rate corporate or company bonds are used that have the same currency as the benefits to be paid.
- **IAS 34:** It was added that it is not mandatory to add the explanatory notes of an interim financial report as required according to IAS 34 in the appendix. They can be illustrated in other positions within the financial statement.

All clarifications have had no impact on the present consolidated financial statement prepared by Hypo Tirol Bank because they are not within the scope of application or have already been considered in the above mentioned way.

Amendments to IAS 16 “Tangible Assets” and IAS 38 “Intangible Assets”: The amendment clarifies which methods are to be used for the depreciation of tangible and intangible assets. Accordingly, depreciation methods based on turnover shall not be applied for tangible assets and for intangible assets only in specified exceptional cases. All amendments shall be applied in EU countries for financial years starting on or after 01 January 2016. The amendments have not impact on the consolidated financial statement.

Amendments to IFRS 11: By publishing these amendments, the IASB stipulated how to balance the acquisition of participations in joint ventures. The amendments shall be applied in EU countries for financial years commending on or after 01 January 2016. The amendments have no impact on the consolidated financial statement prepared by HYPO TIROL BANK AG.

Amendments to IAS 16 and IAS 41: The IASB determined that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 (Property, Plant and Equipment), because their operation is similar to that of manufacturing. The amendments shall be applied in EU countries for financial years commending on or after 01 January 2016. The amendments have no impact on the consolidated financial statement prepared by HYPO TIROL BANK AG.

Amendments to IAS 27: The amendment allows balancing investments in subsidiaries, joint ventures and associated companies (considered in IFRS financial statements) in accordance with the equity method. On condition that the amendments are adopted by the EU, they shall be applied for financial years commencing on or after 01 January 2016. The amendments have no impact on the consolidated financial statement prepared by HYPO TIROL BANK AG.

Amendments to IAS 7: In the context of the disclosure initiative, the IASB published amendments to IAS 7 “Statement of Cash Flows“ on 26 January 2016. The objective of the amendment is that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. They are effective for annual periods beginning on or after 1 January 2017, with earlier application being permitted. Possible effects on the financial statement resulting from such altered illustration are currently being assessed by the corporate group.

Amendments zu IAS 12: The amendments to IAS 12 “income taxes” shall clarify the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value. The draft amendments are proposed in response to diversity in practice and are relevant in circumstances in which the entity reports tax losses. The amendments shall be applied for financial years commending on or after 01 January 2017, with earlier application being permitted. The amendments are expected to effect the illustration of the financial statement. For that reason the situation is currently being assessed by the corporate group.

The IASB published **IFRS 16 “Leases”**. The new standards set out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for is required to recognise those two types of leases differently. IFRS 16 is effective from 1 January 2019. HYPO TI-ROL BANK AG primarily acts as a lessor. The corresponding changes and effects on preparing the notes are currently being analysed.

Standards that have not yet been adopted by the EU (developments are observed by HYPO TIROL BANK AG)

Amendments to IFRS 10, 12 and IAS 28: The standards clarify the exception of consolidation requirements according to IFRS 10, if the parent company can be defined as investment entity. In addition, the IASB added that an investment entity, which evaluates its subsidiaries on a fair value basis, shall fulfil all requirements in relation to IFRS 12 investment entities. The amendments shall apply – subject to EU adoption – for financial years beginning on or after 01 January 2016. The amendments have no impact on Hypo Tirol Bank.

Amendments to IFRS 10 and IAS 28: the amendments specify the sale of assets to an associated company or joint venture or the contribution of assets to an associated company or joint venture. The amendments clarify that in future in case of a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business in compliance with IFRS 3. If transactions do not constitute a business, gains or losses shall only be recognised proportionally. The IASB postponed the first application of the amendments for an indefinite period. According to preliminary assessment, no effects can be expected for HYPO TIRIL BANK.

On 28 May 2014, the IASB and the FASB simultaneously published a new standard for the recognition of revenue **IFRS 15 “Revenue from Contracts with Customers”.** Pursuant to IFRS 15, revenue is to be recognised, if the client gains power of disposition concerning the agreed goods and Services and draws profit from them. The transfer of significant opportunities and risks according to the former model IAS 18 Revenue Recognition.is not determining anymore. Revenue recognition shall be measured with the amount of the purchase consideration which is expected by the entity. The new standard provides a single, principles based five-step model to be applied. Frist, the contract with the customer and the respective performance obligations in the contract must be identified. Afterwards, the transaction price of the customer contract must be determined and allocated to the single performance obligations. Finally, according to the new model, revenue in the amount of the allocated proportional transaction price shall be recognised when (or as) the entity satisfies a performance obligation or the customer gains power of disposition. Based on the predetermined criteria it is distinguished whether revenue should be recognised at a point in time or over time. The rules and definitions of IFRS 15 shall replace the contents of IAS 18 Revenue Recognition and IAS 11 Construction Contracts. The new standard does not distinguish between different types of orders performances, but determines uniform criteria about when performance shall be recognised at a point in time or over time. The new regulations of IFRS 15 shall be applied in fiscal years beginning on or after 1 January 2018 in consideration of defined transition regulations on a retrospective basis. As a result of a present assessment, no significant effects on the accounting of revenue (commission business) are to be expected.

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". On 24 July 2014, the IASB published a revised version of IFRS 9 of 2013, which added new regulations for accounting and impairment of financial assets including revised regulations to classify and measure financial instruments.

Classification and Evaluation:
IFRS 9 introduces new classification and evaluation regulations of financial assets within the scope of IAS 39. 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 measured on the basis of 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. If a financial asset is held to collect and to realise contractual payment flows of the financial asset, and if the contractual payment flows of the financial asset only represent the return of the nominal value and the interest regarding the outstanding nominal value, measurement on a fair value basis via other income is applied. All instruments which cannot be assigned to one of the categories are consequently evaluated on a fair value basis with effect on net income.

Accounting and impairment of financial assets:
The new regulations regarding the accounting of impairment fundamentally change their recognition. According to this, companies shall measure risk provision by evaluating impairment or by creating provisions in the amount of the credit loss that is expected within the following 12 months (12 month expected credit loss) – (based on the probability of loss within the following 12 months). In the course of subsequent measurement credit loss, which is expected to occur within the following 12 months, shall be replaced by the credit loss expected for the entire term (lifetime expected credit loss criteria). Risk provision for credit loss is again measured on the basis of credit loss, which is expected to occur within the following 12 months, if credit quality has improved sustainably and lifetime expected loss criteria are no longer fulfilled. With regard to receivables from the delivery of goods and services or active contractual items as well as receivables from leasing business, a simplified procedure, which is based on the lifetime expected credit loss criteria, can be applied.
Hedge-Accounting:
In addition, the IASB introduced amendments in relation to hedge accounting, whereas the methods and the kind of illustration on the balance sheet remain unchanged. However, corporate risk management is emphasised on. Furthermore, the hitherto existing strict limits which had to be effective within a hedge in order to illustrate it on the balance sheet, have been removed. Instead of that, there are new cumulative requirements in relation to the efficiency, as it forms part of qualitative prerequisites for hedge accounting. This means that an economic link between basic transaction and hedge shall exist, default risk shall not be dominating and the hedging rate shall be selected accordingly. The accounting of macro hedges was excluded from IFRS 9 and a separate project was focused on. All other regulations under IAS 39 shall be applicable until further notice.

The revised version of IFRS 9 shall be applicable for the first time – subject to EU endorsements – for reporting periods, beginning on or after 1 January 2018. Basically, the regulations shall be applied on a retrospective bases with various simplifying options being granted in this context. The discussed amendments substantially influence both, the illustration of the consolidated group result and the principles of accounting. The effects are currently being elaborated by project teams.

(3) Essential Decisions, Assumptions and Estimates

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 were based on propositions, which are founded on the latest available state of knowledge. The expected future business developments were based on the respective circumstances at the time of preparing the financial statement and on realistic prospects regarding the future developments of the global and branchspecific environment. Some amounts may deviate from original estimates due to deviating development assumptions and developments that are beyond the control of the management.

For further details regarding stress tests see explanations on financial risks and risk management (siehe Seite 85–95).

A) Loan Risk Provision

With regard to individual impairment possible impairment is formed on the basis of the cash value of the expected future cash flow in case objective evidence is available [see note (18)]. The estimation of expected cash flows requires assumptions considering the amount and the time of future payments. This also applies to impairment on portfolio level. These assumptions, together with estimates and evaluations of indicators which lead to loan risk provision, are based on past experiences gained in the loan business and are regularly controlled and amended, if necessary, in order to diminish any possible differences between loan risk management and actual loan default.

The amount and the development of loan risk provision are described under note (58).

B) Impairment of Financial Assets Available for Sale (AFS)

Estimates regarding the significance of impairment are based on assumptions. Defined thresholds concerning changes in fair value and time related aspects, serve as reference in terms of assessing a significant or prolonged impairment (see note (12)).

Accounting values of financial assets – AFS as well as impairment are illustrated in note (62).

C) Determination of Fair Value by Using Evaluation Methods

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

For further details regarding employed evaluation models and the influence of underlying assumption please see note (6).

Market values and accounting values of financial instruments are illustrated in note (83) fair value of financial instruments.

D) Provisions

Provisions are employed for uncertain liabilities against third parties in the amount of the expected claim {see note (29)}. The provided amount represents the best possible estimate of the costs that are required to fulfil such an obligation.

For detailed information regarding account values of provisions and their development please see note (78).

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 realise its assets at the balance sheet date or to fulfil its obligations. Such expectations represent the best possible estimates.

The use of active deferred taxes depends on the possibility to earn enough taxable income within the context of the respective tax law. In order to evaluate, how likely the future availability of active deferred taxes is, certain aspects such as past earnings and tax strategies should be 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 (71): deferred tax assets and obligations.

(4) Principles of Consolidation

The principles of consolidation basically comprise two methods to illustrate participation:

1. Control: full consolidation (IFRS 10, IFRS 3)
2. Associated companies and joint ventures: equity method (IFRS 10, IFRS 11, IAS 28, IFRS 3)

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

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

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

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

A) Subsidiaries

The consolidated financial statement includes the financial statement of the parent company, and the financial statement of those companies influenced by the parent company, including structured companies (see subsidiaries). HYPO TIROL BANK AG gains control in the even that:

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

In case facts and conditions indicate that one or more of the above mentioned three criteria of influence have changed HYPO TIROL BANK AG will reevaluate, whether it has dominating influence on a subsidiary or not.

Even if HYPO TIROL BANK AG has no majority voting right, it still controls the subsidiary, if it has the practical option to determine the significant activities of the subsidiary on a unilateral basis. In the course of the evaluation process, whether the voting rights are adequate with regard to the respective subsidiary, HYPO TIROL BANK AG considers all facts and conditions. These include:

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

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

If required, the financial statements of the subsidiary are modified in order to adjust the balancing and evaluation methods to the methods applied by the corporate group.

All intragroup financial assets, debts, equity capital, income, expenses and cash flows in connection with business truncation between companies of the group are completely eliminated in the context of the consolidation process.
The balance sheet date (key date) of the ban's consolidated financial statement corresponds to the balance sheet date of all companies included in the consolidated financial statement.

Changes regarding the participation rate in relation to subsidiaries:

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

In case HYPO TIROL BANK AG loses control over a subsidiary the profit or loss from deconsolidation is recorded on a profit affecting basis. It is calculated from the difference between

- the total amount of fair value of received services and fair value of retained shares and
- the accounting value of assets (including business value and company value), the debts of the subsidiary and all shares which are not controlled.

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

Acquisition of subsidiaries

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

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

Company values are reviewed with regard to recoverability at least once a year and in case indicators for impairment are existent. In case of determination of such impairment, it is depreciated subsequently [see note (23)].

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

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

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

A) Joint arrangement

A joint arrangement is as an arrangement under which two or more contracting parties exercise joint control. IFRS 11 IFRS 11 distinguishes between two types of joint arrangements (joint activities and joint ventures) and defines the different rights and obligations of the respective arrangements. In this context, the structure, the legal form of the arrangement, the terms of contract defined by the involved parties and other relevant facts and conditions, if appropriate shall be determined. If two or more companies find an arrangement under which they have immediate rights from assets and obligations from liabilities, we talk about joint activities. A joint venture is defined as joint agreement, under which the parties have joint control and have rights from net income of the company in which they hold a share. Balance sheets for joint activities differ from those of joint ventures. Holdings in joint ventures shall be reported by using the equity method (ratio consolidation shall not be permitted anymore). The balance sheet regarding joint activities is established in such a manner that each joint partner reports his or her financial assets (including the share in jointly held assets), liabilities (including the share in loss of liabilities) as well as income (including the share in income from sale of products or services offered by the joint arrangement) and expenses (including the share in jointly created expenses). In this respect, financial assets, liabilities, income and expenses shall be reported in accordance with all relevant International Financial Reporting Standards.

IFRS 11 shall be considered in a dynamic manner and significantly depends on the possibility of control, Hence, with regard to acquiring a subsidiary or changes affecting in the Group's share in existing subsidiaries, HYPO TIROL BANK AG will assess whether factual findings for joint arrangements. HYPO TIROL BANK AG prepares the account for two companies (joint ventures) according to IFRS 11.24 (the same regulations shall apply as for associated companies (see section C).

B) Shares in associated companies

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

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

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

As soon as an associated company fulfils all requirements accordingly, the share in the respective associated company is balanced in compliance with the equity method. Any acquisition cost surplus concerning the purchase of shares higher than the acquired share of identifiable assets, liabilities and contingent liabilities at fair value is recorded as business or company value. The business or company value is part of the accounting value and is no longer tested separately in order to verify impairment.

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

In order to verify impairment indicators, the regulations of IAS 39 are applied. If impairment tests must be carried out, the investment book value (including business and company value) is assessed for recoverability in accordance with IAS 36. Therefore, the recoverable amount of the share, more precisely the higher amount resulting from value of use and fair value less sales costs, is compared with the investment book value. The calculated impairment requirement is offset against the investment book value. Impairment losses regarding the assets contained in the investment book value including business and company value are not listed. If the recoverable amount increases in the forthcoming years, value recovery is carried out in compliance with IAS 36.

The corporate group will discontinue the equity method as soon as the group's share is no longer considered an associated company or if the share pursuant to IFRS 5 is classified as "held for sale". If the corporate group returns a share in the formerly associated company and if this share represents a financial asset in compliance with IAS 39, it is evaluated at the time of its first recording on a fair value basis. The difference between the previous accounting value of the associated company (at the time when the equity method was discontinued) and the fair value of the retained shares, and other income from the sale of a part of shares in associated companies, shall be considered in the course of determining capital gains/losses. In addition, within the corporate group all amounts concerning the respective associated company included in other results will be accounted in the same manner that would be required, if the associated company directly sold its assets or liabilities. Consequently, when the equity method is discontinued, a profit or loss, which is recorded by the associated company in other results, and which is reclassified in the profit and loss account in case of sale of assets or liabilities, shall be reclassified by the corporate group form equity capital into the profit and loss account.

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

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

C) Changes in the scope of consolidation regarding the fiscal year 2015

Non-consolidated subsidiaries:

- **Kramsacher Betriebsansiedlungsgesellschaft m.b.H.** headquartered in Innsbruck was formed into the fully consolidated subsidiary **Dienstleistungszentrum Kramsach Betriebsgesellschaft m.b.H**, headquartered in Innsbruck in the fourth quarter of 2015.

Associated companies:

- **TKL III Grundverwertungsgesellschaft m.b.H.** headquartered in Innsbruck and consolidated in the financial statement according to the equity method (33.3% share) was sold in the second quarter of 2015.

Fully consolidated subsidiaries

- **Aaron Kontor AT1 GmbH** headquartered in Innsbruck was sold in the second quarter of 2015.
- **Hypo-Rent Projekterrichtungs GmbH** was renamed as **Hypo Tirol Mobilenleasing II GmbH**.
- **Hypo-Rent Sole Grundverwertungs-GmbH** headquartered in Innsbruck was sold in the fourth quarter of 2015.
- **HTL Projektholding GmbH**, headquartered in Innsbruck, was formed into the fully consolidated subsidiary **Grundverwertung GmbH**, headquartered in Innsbruck. Die Grundverwertung GmbH was formed into the fully consolidated company **HYPO TIROL LEASING GmbH**, headquartered in Innsbruck.
- Die **CYTA-Errrichtungs- und Management GmbH**, headquartered in Voels, as well as **CYTA-Errichtungs- und Management GmbH & Co. KG**, headquartered in Völs, will be sold in the 2016 financial year. For further details the group refers to note (70) disposal groups held for sale.

A complete list of all subsidiaries, associated companies, and joint companies included and all companies not included in the consolidated financial statement can be found in section VII participating interest. In addition, shares in non-consolidated companies have been published in compliance with IFRS 12.24 et seqq.

(5) Currency Translation

The consolidated financial statement is prepared in Euro, which is the functional currency of all companies of the corporate group.

Since 20011, all financial statements of the companies included in the consolidated financial statement 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 on a fair value basis 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 regarding stress tests referring to financial instruments, please see financial risk and risk management pp. 86-93.

(6) Fair Value

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

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

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

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

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

In case evaluations are made on the basis of real-time, actual transactions or on the basis of basically identical financial instruments, financial instruments are divided into segments and a term-related spread is evaluated via the credit curve applicable for the particular segment. Such a segmentation or evaluation of corresponding spreads has subspatial influence on the discount interest rate and consequently on fair value.
Financial instruments with a fair value evaluated on the basis of input factor level 2 are hedging instruments with a positive respectively negative market value, derivatives, liabilities to clients, liabilities evidenced by certificate as well as subordinate and supplementary equity capital each designated at fair value.

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

The classification of financial instruments is regularly assessed by people in charge and reclassifications are carried out, if appropriate.

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

For further details regarding the fair value of financial instruments (fair value statements, level categorisation, transfer calculation of financial instruments in level 3 category, sensitivity analysis of non-observable parameters, etc.) see note (83).

(7) Fair Value Derivatives

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

(8) Trading Assets and Derivatives

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

The results of evaluation and sale regarding the trading assets are illustrated in the profit and loss account in the trading result. Income from interest and dividends are presented in net interest income.

(9) Financial assets and liabilities – designated at Fair Value

This balance sheet item illustrates financial assets and liabilities that are evaluated on a fair value basis irrevocably and voluntarily at the time they are acquired (designated at fair value). In the corporate group, these are financial instruments which are controlled as a corporate unit, based on economic hedge accosting with another financial instrument designated at fair value and for which hedge accounting is not applied {see note (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 on a fair value basis.

The results of evaluation and sale are shown in the profit and loss account in the section "results from financial instrumpets – at fair value through profit or loss" in the profit and loss account. Transfer of interest and dividends are illustrated in net interest income.

(10) Embedded Derivatives

Embedded derivatives are derivatives, which are part of an original financial instrument and which are inseparably linked to it. With regard to the corporate group, such derivatives 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 on market value (fair value) basis, 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 on a fair value basis.

(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 transactions. Hedge accounting relations may include basic transactions on both the assets side and the liabilities side of the balance sheet, whereas on the assets side of the balance sheet only fixed-rate assets - evaluation category AFS can be considered as basic transaction, and on the liabilities side of the balance sheet only fixed-rate engagements can be considered as basic transaction. The 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 the hedging instrument and the nature of the risk being hedged. In addition, the method which is used to determine the effectiveness of hedging transactions is documented.

Hedges are reviewed at the time of establishment to see how effective they are and subsequently, they are reviewed on a monthly basis. In this context, effectiveness is the relationship between the change in fair value arising out of the basic business being hedged and the change of fair value of the hedging derivative itself (regarding the risk hedged). The corporate group only reports hedges, if they are expected to be highly efficient over their entire term. Hedging is deemed to be highly efficient if for the entire term the ratio of the changes in value of the basic business and the hedge is between 0.8 and 1.25. If hedges are no longer considered to be highly effective, they are dissolved.
Derivatives used for hedging purposes are shown at their fair value as prevailing market values from derivative hedges – see

notes (59) and (75). The evaluation changes of hedges together with market changes of the basic business, which shall be added to the hedged risk, are included in profit or loss for the period as results from hedge accounting. The non-effective compotent of the evaluation change is shown in results from hedge accounting – note (46). 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. To a small extent, equity capital securities and investment fund certificates have also been assigned to this category.

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

In case of impairment, AFS reserves are adjusted by the impaired amount and are recorded in the profit and loss account under results 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 of value as result affecting, if 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.

As far as equity capital instruments are concerned, the assessment of impairment is primarily based on a significant or sustained decrease of market value below acquisition costs. If the market value of equity capital instruments drops by at least 10% of the acquisition costs, 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 reported in the profit and loss account under result 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 in an active market with fixed or determinable payments and fixed terms. Such financial assets are acquired with the intention and ability to hold them to 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 profit or loss for the period. In case an identifiable event occurs, which leads to the fact that expectations of future cash flows from an instrument decrease, impairment is recorded.

Effects on results from evaluation and sale of financial instruments are shown under result 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 were acquired in the secnotary market.

Loans and receivables are evaluated at continuous acquisition costs. In case of impairment of value {see note (18) loan risk provisions}, the acquisition costs are adjusted with effect on profits and presented in the profit and loss account under section result from financial instruments.

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

(15) Other Liabilities

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

(16) Cash and Cash Equivalents

Cash and cash equivalents designated in the cash flow statement correspond to the balance sheet item "'cash reserves", and consist of cash balances and credit balances with central banks. The assets at central banks are dedicated to the minimum reserve which must be held as assets at the Austrian National Bank in accordance with ECB directives. The minimum reserves are part of the stock of payment instruments, which in the interpretation of the Austrian National Bank, can be considered as the basis for current payment transactions. For that reason the minimum reserve fulfils the definition "cash and cash equivalents" and is therefore presented in the cash reserve.

(17) Receivables from Credit Institutions, Resolution Units of former credit institutions and Clients

In this balance sheet item, issued loans are assigned in accordance with the respective business partner as receivables from credit institutions, receivables from resolution units of former credit institutions or receivables 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 presented as risk provisions.

(18) Loan Risk Provision

Substantial risks in relation to the banking business are taken into account by means of allowances to an appropriate extent. In terms of risk provision, the categories are divided into individual and portfolio evaluation adjustments as well as general allowances. 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 200 are reviewed annually to verify impairment of 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:

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

The 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 collateral. This is calculated on the basis of the original interest rate.

With regard to insignificant receivables up to a value of kEUR 200, an allowance on the basis of default probabilities, obtained from historical time series, is calculated (general allowance).

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 already occurred but are not identifiable, are considered in form of portfolio allowances. Such portfolio allowances are calculated for the entire "living" business. The extent of the portfolio allowance is based on default probabilities differentiated by rating classes.

Details on default probabilities according to rating classes and regarding stress tests can be found in the notes on financial risks and on risk management (see pp. 86-93).

If the payment of receivables is questioned, they are considered by establishing risk provision. In case further payments cannot be expected with the utmost probability, 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 or loss for the period.

(19) Real Pension Transactions (repos) and Securities Business Transactions

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

(20) Investment Properties

Investment property, more precisely, 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 real estate is used for a different purpose, i. e. the property is no longer used for the bank's own business activities, but rented out; such real estate is reclassified from tangible assets to investment properties.

Investment properties are depreciated on a straight line basis over its expected working life. This depreciation is inclouded in other expenses.

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

Asset depreciation range	Years
Buildings	25–50

At every balance sheet date, the presence of possible indicators of impairment is investigated. For the fiscal year, no such indicators were identified.

If there are indicators for impairment, impairment is evaluated according to the impairment model for non-financial assets note (23).

(21) Intangible Assets

The item “intangible assets” comprises purchased software as well as licensing rights and an acquired client stock. All intangible assets have a limited operating life.
These assets are evaluated at their acquisition cost less scheduled depreciation and impairment. Assets are depreciated on a straight line basis over their expected operating life.

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

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

At every balance sheet date, the presence of possible indicators of impairment is investigated. For the fiscal year, no such indicators were identified.

In case there are indictors for impairment, impairment is determined according to the impairment model for investment properties [see note (23)].

(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 operating life. In this context operating life is determined in consideration of the estimated physical depreciation, technical aging and legal and contractual limitations.

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

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

At every balance sheet date, the presence of possible indicators of depreciation is investigated. For the fiscal year, no such indicators were identified.

In case indictors for impairment are identified, impairment is determined according to the notes on impairment for investment properties [see note {23)].

(23) Impairment Model for Non-financial Assets

In case there are indicators for impairment, the recoverable amount must be determined and compared with the cook value. The recoverable amount is the higher of its fair value less sales costs and value in use.

Fair value for investment properties is evaluated on the basis of annually updated evaluations of internal, generally certified and qualified experts for real estate evaluation.
With regard to properties, fair value is determined by using the comparative value analysis which is based on actual sales prices (in timely and physical proximity). If such comparative values are not available in a sufficient number, the real estate value is calculated on the basis of possible strains of the recoverable floor space with value share via residual value analysis.
Developed properties are rental properties. The value is determined in the course of a profit analysis based on actually received rentals, provided they have been received in a market-conform and sustainable manner. As far as empty property is concerned, fictional profits are scheduled.
Fair value is derived from the results of evaluation processes, assessed according to the respective market condition and adjusted, if appropriate.
The determination of valuation rates is based on land charge register inquires, regular market observations, regular adaptations of brokers, property developers and property managers as well as market date from the group’s rental of real estate.
The appropriate capitalisation interest rate is determined on the basis of ranges published in specific literature (e.g. ÖVI-Immobilienbewertung - Austrian property evaluation authority) in due consideration of the respective market situation, significant location data and the characteristics of the property.

With regard to tangible assets, fair value of premises is determined according to the procedures mentioned above in section “investment properties”
As far as all other tangible assets are concerned – such as factory and office equipment and IT hardware, fair value is determined in connection with market transactions of similar factory and office equipment or IT hardware solutions in due consideration of technological aging.

(24) Leasing

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

Leasing arrangements 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 considered in the lessee’s accounts. Operating leasing exists, if leasing assets are assigned to the lessor.

In this context, the corporate group as lessor currently offers both, financial leasing for the rental of movable property, and operating leasing for the rental of investment properties.

Leasing arrangements, 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: leased assets, 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 contactual maturity.

(25) 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 primarily were used as collateral by borrowers and which are now to be realised in disposing of impaired commitments (rescue acquisitions). These assets are shown as “assets held as collateral” and are evaluated as reserves in accordance with IFRS 5 [see note (26)]. In this context, expenses and income are presented in other expenses and income as “income or expenses concerning assets held as collateral”.

(26) Non-Current Assets, Disposal Groups and Liabilities to Disposal Groups Held For Sale

Non-current assets or disposal groups are classified as held for sale if the corresponding accounting value is primarily realised through sale and not through continued use. This requirement shall only be considered fulfilled, if non-current assets or disposal groups in their current condition are available for sale immediately and if such sale is very likely. The Managing Board must have agreed the obligation to sell the asset. In this context it is anticipated that the sales process will be completed within one year subsequent to classification.

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

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

In the event that the groups realizes a disposal group, the main groups of assets and liabilities held for sale up to, are illustrated in the notes (70).

(27) Current and Deferred Tax

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

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 dissolved. For further details please see note (71).

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

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

Actual 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.

(28) Liabilities

All liabilities to credit institutions are assigned to the category “other liabilities”. Liabilities to clients and liabilities evidenced by certificate are assigned to either “other liabilities” or to “designated at fair value”.

(29) Provisions

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

Pensions:
The number of pensioners and survivors who are entitled to a performance oriented bank pension at HYPO TI-ROL BANK AG amounts to 17. The pension scheme is based on the final salary defined in a company agreement. All entitled pensioners have already retired and thus do not pay any further contributions. It is intended to end this agreement. Active staff members are not entitled to bank pensions.

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

Length-of-service award:
Employees shall receive one month's salary as a length-of-service award after 25 years of service and two months' salary after 35 ye-ars of service. Length-of service payments are based on the coll-ective agreement, which specifies the requirements for length-of service payments and the respective amount.

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

- Domestic actuarial interest rate flow 2.25% (2014: 2.25%)
- Annual valorisations, collective agreement and career based salary 2.5% (2014: 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 service year have been considered.
- Annual valorisations 1.5% (2014: 1.5%) regarding provisions for pensions
- Table values AVÖ 2008-P (generation related tables for emplo-yees in consideration of a surcharge due to outdated values).

Actuarial assumptions are unprejudiced, coordinated with each other and represent the best possible estimation of the corpo-rate group. Nevertheless, each assumption bears a risk in which changes of inflowing parameters would lead to a deviating ba-lanced provision. In particular, in the context of calculating social capital, the corporate group points out the sensitivity of severance payment and pension provision parameters. For that reason, distortions of substantial influencing variables (discount interest rate and salary and pension valorisation) are illustrated by way of a sensitivity analysis under note (78). Based on experience and observations, the remaining variables (fluctuation rate or death probability) can be weighted as valid parameters with low distortion potential. In addition, length of service provision can also be regarded riskless as it is projectable and provides reliable actuarial parameters

As far as contribution-based pension schemes are concerned, provisions are not required. The payments regarding a contributi-on-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.

A detailed overview of balanced provisions as well as an illustrati-on of the provision development in the course of specific periods, and the above mentioned sensitivity analyses can be found under note (78).

(30) Other Liabilities

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

(31) Subordinate and Supplementary Capital

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

(32) Trustee Business

Assets and liabilities held by the corporate group in its own name but for the account of another party are not included in the balance sheet. In this context, incurred refunds regarding such businesses are shown as commission income in the profit and loss account.

(33) Equity Capital

Equity capital comprises capital provided to the bank (subscribed capital plus by capital reserves) and 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). Available for sale reserves summarize evaluation changes of the AFS stock which are not profit-affecting after consideration of deferred tax. Actuarial gains and losses include evaluation effects in compliance with IAS 19 “employee benefits” after consideration of deferred tax.

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.

(34) Financial Guarantees

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

Obligations under financial guarantees are recorded as soon as the guarantor becomes a contracting party, that is, the time of accepting the guarantee offer. The firs evaluation is on a fair value basis at the time they are recorded.
Subsequent to that, the bank’s obligations are evaluated on the basis of the higher value of the initial evaluation less straight line dissolution, which is used to allocate the guarantee provisions over the term of the financial guarantee and which is shown in the profit or loss for the period and in the risk provision for possible use.

(35) 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 if transactions are settled on a net basis or if liabilities are settled at the same time as assets are realised.

According to IFRS 7, the corporate group is obliged to prepare statements concerning the netting out of financial instruments under Master Netting Agreement or similar agreements, even though the underlying instruments are not offset in the balance. With regard to instruments for which offsetting agreements have been made, but which are not offset in the balance, balancing effects are presented accordingly in note (85).

(36) 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 certain events occur, under which the corporate group has assumed the obligation to pay the cash flows from the asset to a third party.

The above-mentioned assets are deleted from the financial statement if all major risks and opportunities which are associated with the ownership of such assets have been transferred.

In case of transactions for which all major risks and opportunities associated with the ownership of the financial asset have neither been retained nor transferred, the corporate group 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 corporate group enters transactions in which it transfers assets that are recorded in balance sheet, but retains all major risks and opportunities associated with these assets. In the corporate group, such transactions are only stock options (see note {19} and note {94})

Notes in Relation to the Statement of Comprehensive Income

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

(37) Net Interest Income

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

Dividends are also presented in net interest income as soon as legal entitlement arises.

(38) Risk Provision

This item illustrates appropriations to allowances and provisions, respectively profits from dissolving allowances and provisions as well as income subsequently received for receivables that have been depreciated in connection with loan business.

(39) Net Commission Income

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

(40) Trading Result

The trading result presents 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. Furthermore, income from trading with securities is also included.

(41) Result from Financial Instruments – at Fair Value Through Profit or Loss – Prior to change in own credit risk

Result from financial instruments - at fair value through profit or loss shows the evaluated results from categories ‘designated at fair value’ as well as the evaluated results from bank book derivatives prior to changes in won credit risk. Interest and dividend income from financial assets and obligations of this evaluation category are reported under net interest income. Furthermore, the results from trading with securities are also illustrated.

The evaluation effect resulting from changes in own credit risk is illustrated separately in the profit and loss account under “results from changes in own credit risk” (see detailed explanation section I profit and loss account).

Notes on the Profit and Loss Account

(42) Net Interest Income

in kEUR	2015	2014
Interests and similar income from receivables from credit institutions	520	1,584
Interests and similar income from receivables from clients	97,295	110,128
Interests and similar income from bonds	41,170	53,448
Interests and similar income from leasing receivables	7,895	9,188
Interest gains from derivatives	41,682	57,767
Earnings from shares and other non-fixed securities	460	398
Earnings from holdings from associated non-consolidated companies	1,928	696
Other earnings from participating interest	3,058	3,127
Other income	3,118	0
Interests and similar income	**197,126**	**236,336**
Interests and similar expenses for liabilities to credit institutions	-1,246	-1,065
Interests and similar expenses for liabilities to clients	-28,259	-32,938
Interests and similar expenses for liabilities evidenced by certificate	-68,273	-98,988
Interests and similar expenses for supplementary/subordinate capital	-2,823	-3,920
Other expenses	-231	0
Interest and similar expenses	**-100,832**	**-136,911**
Net interest income	**96,294**	**99,425**

Negative interest is illustrated in other income in the amount of kEUR 3,118 as well as in other expenses in the amount of kEUR 231. Negative interest effect for Hypo Tirol Bank resulted from receivables from /liabilities to credit institutions, derivatives as well as repos.

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

in kEUR	2015	2014
Trading assets and derivatives	112,378	147,598
Financial assets – designated at fair value	23,919	28,151
Financial assets – HTM	3,052	4,757
Financial assets – AFS	10,798	16,839
Loans and receivables	110,923	129,030
Participations	4,986	3,823
Interest earnings	**266,056**	**330,198**
Derivatives	-68,931	-89,829
Financial liabilities – designated at fair value	-59,684	-89,037
Liabilities evidenced by certificate	-41,147	-51,907
Interest expenses	**-169,762**	**-230,773**
Interest income	**96,294**	**99,425**

Die Interest income from financial assets not evaluated on a fair value basis amounted to kEUR 118,961 (2014: kEUR 137,610). The corresponding interest expenses for financial liabilities amounted to kEUR 41,147 (2014: kEUR 51,907).

Interest from impaired assets amounted to kEUR 6,897 (2014: kEUR 8,179).

(43) Loan Risk Provision

in kEUR	2015	2014
Allocation to allowances	-71,772	-69,875
Dissolutions of allowances	31,800	50,690
Direct depreciation of receivables	-1,556	-900
Earnings from income from depreciated receivables	891	485
Allocation to provisions	-5,233	-40,229
Dissolution of provisions	21,399	6,102
Loan risk provision	**-24,471**	**-53,727**

All profit affecting items of loan risk provision refer to allowances for receivables from clients [see note (58) and (78)].

The loss from credit business results from direct depreciation receivables, income from depreciated receivables, in-come from depreciated receivables and the use of generated provisions. In 2015 the loss amounted to kEUR 126,390 (2014: kEUR 23,774).

(44) Net Commission Income

in kEUR	2015	2014
Commission income from loan/leasing businesses	6,109	5,644
Commission income from securities businesses	12,086	12,100
Commission income from paperless clearing businesses and money transactions	10,969	10,375
Commission income from other service businesses	3,957	3,750
Commission income	**33,121**	**31,869**
Commission expenses for credit/leasing businesses	-582	-702
Commission expenses for securities businesses	-2,096	-2,324
Commission expenses for paperless clearing businesses and money transactions	-1,842	-1,726
Commission expenses for other service businesses	-1,621	-1,545
Commission expenses	**-6,141**	**-6,297**
Commission income	**26,980**	**25,572**

Net commission income included earnings from trustee transactions in the amount of kEUR 81 (2014: kEUR 102)) Commission expenses included expenses from trustee transactions in the amount kEUR 14 (2014: kEUR 14).

(45) Trading Result

in kEUR	2015	2014
Share related businesses	-426	-62
Currency related businesses	5,548	-214
Interest related businesses	-6,354	59
Trading result	**-1,232**	**-217**

The trading result, which refers to the result from financial instruments at fair value through profit or loss [see note (47)], illustrates a negative cumulative development throughout the year in the amount of kEUR 9,782.

(46) Result from Hedge Accounting

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

The result is structured as follows:

in kEUR	2015	2014
Result from secured basic businesses	-4,620	-1,440
Result from derivatives used as hedge accounting instruments	6,232	1,759
Result from hedge accounting	**1,612**	**319**

The year-on year result from hedge accounting increased due to designation of new hedging relations and maturing of ineffective hedging relations by kEUR 1,293.

(47) Result from Financial Instruments – at Fair Value Through Profit or Loss – Prior to Changes in Own Credit Risk

in kEUR	2015	2014 adapted
Evaluation result financial instruments "designated at fair value"	27,757	57,396
Evaluation result derivatives	-25,159	-46,031
Result from financial instruments – at fair value through profit or loss - prior to changes in own credit risk	**2,598**	**11,365**

Due to the altered illustration of the profit and loss account in compliance with IAS 1.41 (see detailed explana-tions in section I “profit and loss account”) the results from financial instruments – at fair value through profit or loss (prior to changes in own credit risk) – have been adjusted retrospectively by the emulation effect from the change in own credit risk. The change in own credit risk is illustrated retrospectively and separately in the profit and loss account for the 2014 fiscal year.

Altered illustration according to IAS 1.41:

in kEUR	2014 subsequent to changes	2014 prior to changes
Evaluation result financial instruments “designated at fair value”	57,396	41,016
Evaluation result derivatives	-46,031	-46,031
Result from financial instruments – at fair value through profit or loss	**11,365**	**-5,015**

The categorisation of the result from financial instruments “desi-gnated at fair value” corresponding to the balance sheet item, in which financial assets and liabilities are presented, is structured as follows:

in kEUR	2015	2014 adapted
Receivables from clients	-11,583	9,147
Financial assets – designated at Fair Value	-19,666	32,143
Liabilities to clients	28,652	234
Financial liabilities – designated at Fair Value	30,354	15,872
Evaluation result for financial instruments designated at Fair Value	**27,757**	**57,396**

Altered illustration according to IAS 1.41 (see explanation above):

in kEUR	2014 subsequent to changes	2014 prior to changes
Receivables from clients	9,147	9,147
Financial assets – designated at Fair Value	32,143	32,143
Liabilities to clients	234	-3,675
Financial liabilities – designated at Fair Value	15,872	3,401
Evaluation result for financial instruments designated at Fair Value	**57,396**	**41,016**

(48) Result From Other Financial Instruments

in kEUR	2015	2014
Realised profit from asset sale	6,923	3,346
Realised losses from asset sale	-1,179	-2,020
Additions	76	334
Allowances for financial instruments and share holdings	-645	-2,420
Result from other financial instruments	**5,175**	**-760**

The result from other financial instruments, divided in evaluation categories is structured as follows:

in kEUR	2015	2014
Profit/loss from financial assets – AFS	584	213
Profit affecting changes in value via AFS reserves of financial assets – AFS	4,813	-221
Allowances from financial assets – AFS	-459	-224
Profit/loss from participating interest and other	-82	-397
Allowances from shareholdings	32	-332
Result from financial assets – AFS	**4,888**	**-961**
Profit/loss from financial assets – HTM	-83	173
Allowances from financial assets – HTM	-409	-1,438
Result from financial assets – HTM	**-492**	**-1,265**
Profit/loss from financial assets – L&R	811	1,557
Allowances from financial assets – L&R	-32	-91
Result from financial assets – L&R	**779**	**1,466**
Result from other financial instruments	**5,175**	**-760**

The result from repurchase of issues from the banks own portfolio amounted to kEUR 24 (2014: kEUR 229)

The year-on-year change and the resulting profit thereof amounting to kEUR 5,175 was primarily caused by ma-turing security stocks as well as by the sale of securities classified AFS.

(49) Result from Associated Companies

in kEUR	2015	2014
Result from associated companies	-803	378

The illustrated loss solely resulted from the sale of TKL III Grundverwertungsgesellschaft m.b.H.

(50) Administrative Expenses

in kEUR	2015	2014
Personnel expenses	-51,331	-53,554
Material expenses	-23,958	-23,442
Depreciation on material expenses and intangible assets	-4,272	-4,448
Administrative expenses	**-79,561**	**-81,444**

Personnel Expenses

in kEUR	2015	2014
Salaries and wages	-37,037	-40,354
Legal social expenses	-9,227	-9,340
Voluntary social expenses	-825	-891
Pension scheme expenses	-1,858	-1,865
Expenses for severance payments and pensions	-2,384	-1,104
Personnel expenses	**-51,331**	**-53,554**

Expenses for severance payments and pensions include payments to the corporate staff and self-employment provision fund in the amount of kEUR 167 (2014: kEUR 168).

The company strategy followed by Hypo Tirol Bank aims at reducing the balance sheet total and the number of employees. This policy is also reflected in the illustrated decline in personnel expenses.

Material Expenses

in kEUR	2015	2014
Building expenses	-3,628	-3,509
IT expenses	-6,060	-5,943
Communication expenses	-1,457	-1,429
Expenses for human resource development	-404	-452
Advertising and representation expenses	-4,198	-3,761
Legal and consulting expenses	-3,710	-4,001
Costs for legal structure	-1,615	-1,453
Other material expenses	-2,886	-2,894
Material expenses	**-23,958**	**-23,442**

Legal and consulting expenses and/or costs for legal structures included expenses for auditors (Ernst & Young chartered accountants Wirtschaftsprungsgesellschaftmbh, Wien) in the amount of kEUR 234 (2014: kEUR 230)). Expenses for auditors were divided into expenses (costs for legal structures) for auditing the individual financial statement and the consolidated financial statement amounting to kEUR 226 (2014: kEUR 222) and into expenses for other confirmation services amounting to kEUR 8 (2014: kEUR 8).

Depreciation on tangible and intangible assets

in kEUR	2015	2014
Factory and office equipment	-1,561	-1,854
Real estate	-2,027	-1,986
Intangible assets	-684	-608
Depreciation on tangible and intangible assets	**-4,272**	**-4,448**

(51) Other Income

Other income comprises the following items:

in kEUR	2015	2014
Income from leasing business	6,267	6,360
Income from real estate sales	145	1,928
Rental income from investment properties	9,275	9,071
Income from assets received as collateral	11	43
Other income	12,152	5,633
Other income	**27,850**	**23,035**

(52) Other Expenses

Other expenses comprise the following items:

in kEUR	2015	2014
Leasing business expenses	-7,610	-6,563
Loss on real estate sales	-170	-79
Depreciation on investment properties	-4,203	-4,149
Expenses in connection with investment properties	-4,522	-4,358
in connection with real estate rented out	-4,487	-4,169
in connection with real estate not rented out	-35	-189
Expenses in connection with assets received as collaterals	-12	-264
Operational damages	-166	-108
Other expenses	-16,818	-10,530
Other expenses	**-33,501**	**-26,051**

Other expenses include stability tax in the amount of kEUR 7,418 (2014: kEUR 7,773). In addition, other expenses include expenses for deposit insurance in the amount of kEUR 428 and expenses in relation to the resolution fund in the amount of kEUR 3,266. This basically explains the year-on-year increase in other expenses.

(53) Tax on Income and Profit

in kEUR	2015	2014
Current tax claims	-2,272	-5,169
Deferred tax	-7,100	-2,098
Tax on income and profit	**-9,372**	**-7,267**

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

in kEUR	2015	2014
Result before taxation	66,187	-18,485
Applicable tax rate	25 %	25 %
Calculable income tax	**-16,547**	**4,622**
Tax effects		
from tax free income from participating interest	-867	820
from investment benefits	0	-10
from other tax free income	1,587	3,048
from previous years	6,991	-5,667
from goodwill depreciation	-44	-3
from pre-payments	0	0
from deviating tax rates abroad	214	-76
from other non-deductible expenses	-1,057	-1,154
from other differences	351	184
from non-active losses brought forward	0	-9,030
Designated income tax	**-9,372**	**-7,267**

Deferred tax income in the fiscal year amounting to kEUR 7,100 and deferred tax income of the previous year amounting to kEUR 2,098 entirely resulted from creating or dissolving temporary differences and the accounting of deferred tad in relation to losses brought forward.

Notes on the Balance Sheet

(54) Cash Reserve

in kEUR	2015	2014
Cash in hand	25,549	26,006
Deposits at central banks	95,555	79,912
Cash reserve	**121,104**	**105,918**

Pursuant to ECB directives, kEUR 95,555 (2014: kEUR 79,912) of the deposits at central banks are dedicated to the minimum reserve.

(55) Receivables from Credit Institutions

Receivables from credit institutions are assigned to the category „Loans and Receivables“ and are evaluated on the basis of continuous acquisition costs.

Receivables from credit institutions by business type

in kEUR	2015	2014
Interbank accounts	8,682	54,863
Money market business	73,426	189,301
Loans to banks	18,537	64,977
Other receivables	211	337
Receivables from credit institutions	**100,856**	**309,478**

Receivables from credit institutions by region

in kEUR	2015	2014
Austria	**40,109**	**181,162**
Foreign countries	**60,747**	**128,316**
Germany	30,660	37,853
Italy	3,805	24,638
Other foreign countries (incl. CEE)	26,282	65,825
Receivables from credit institutions	**100,856**	**309,478**

Receivables from credit institutions by maturity

in kEUR	2015	2014
Maturity: daily	57,814	51,728
Up to 3 months	24,505	92,945
3 months to 1 year	0	135,794
1 year to 5 years	10,000	21,650
More than 5 years	8,537	7,361
Receivables from credit institutions	**100,856**	**309,478**

(56) Receivables from Resolution Unit of Former Credit Institution

This balance sheet item illustrates receivables from HETA ASSET RESOLUTION AG in the amount of kEUR 83,952. Such receivables have a maturity of 1 to 5 years.

(57) Receivables from clients

Receivables from clients accounting for kEUR 427,745 (2014: kEUR 467,955) were assigned to the category „financial assets - designated at fair value". The remaining receivables in the amount of kEUR 5,098,580 (2014: kEUR 5,240,311) were recorded in the category "loans and receivables".

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

in kEUR	2015	2014
Current account	617,967	651,809
Cash	52,693	52,347
Loans	2,753,243	2,811,413
Credits on bill of exchange	0	109
Covered communal loans	798,728	792,841
Covered bond loans	671,131	694,879
Other loans	20,688	21,305
Leasing receivables	595,567	666,054
Other receivables	16,308	17,509
Receivables from clients	**5,526,325**	**5,708,266**

Receivables from clients by region

in kEUR	2015	2014
Austria	**4,435,737**	**4,458,781**
Foreign countries	**1,090,588**	**1,249,485**
Germany	221,775	258,800
Italy	835,382	956,252
Other foreign countries (incl. CEE)	33,431	34,433
Receivables from clients	**5,526,325**	**5,708,266**

Receivables from clients by maturity

in kEUR	2015	2014
Maturity: daily	169,142	213,912
Up to 3 months	329,891	339,197
3 months to 1 year	815,372	811,348
1 year to 5 years	1,751,203	1,798,132
More than 5 years	2,460,717	2,545,677
Receivables from clients	**5,526,325**	**5,708,266**

Receivables from clients by sector

in kEUR	2015	2014
Central state and public sector	616,871	688,020
Corporate clients	3,770,045	3,934,309
Private households	1,115,616	1,067,661
Other	23,793	18,276
Receivables from clients	**5,526,325**	**5,708,266**

Gross and net investment values in leasing business

in kEUR	2015	2014
Gross investment value	665,324	749,414
Financial income not realised	-69,757	-83,360
Net investment value	**595,567**	**666,054**
Non-guaranteed residual values	**45,528**	**99,523**
Accumulated allowance	**-29,736**	**-42,232**

Accumulated allowances in leasing business are designated in the item risk provisions in connection with receiv-ables from clients.

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

Net investment values in leasing business by maturity

in kEUR	2015	2014
Up to 3 months	12,560	13,120
3 months to 1 year	57,634	107,123
1 year to 5 years	224,036	208,260
More than 5 years	301,337	337,551
Net investment value	**595,567**	**666,054**

Gross investment values in leasing business by maturity

in kEUR	2015	2014
Up to 3 months	15,437	16,317
3 months to 1 year	65,863	116,317
1 year to 5 years	279,728	246,433
More than 5 years	304,296	370,347
Gross investment value	**665,324**	**749,414**

Minimum leasing payments from non-callable operating leasing contracts as lessor were not collected

(58) Risk Provision (loan business)

At the balance sheet date no risk provision in connection with credit institutions was established by the group.

Risk provision in relation to HETA ASSET RESOLUTION AG can be illustrated separately as follows:

Development of risk provision in connection with receivables from resolution unit of former credit institution:

in kEUR	2015	2014
As at 01.01.	0	0
Currency differences	-1	0
Consumption	0	0
Liquidation	0	0
Addition	-20,987	0
Risk provision in connection with receivables from clients	**-20,988**	**0**

The addition to risk provision in the amount of kEUR 20,987 resulted from existing receivables from HETA ASSET RESOLUTION AG. In the result of 2014, the group already carried out risk provision in the amount of kEUR 38,693 [see note (78)]. The use of financial means is reflected in the above illustrated risk provision.

Development of risk provision in connection with receivables from clients

Risk provision in connection with receivables from clients amounted to kEUR 3,320 (2014: kEUR 3,994) and was assigned to the category "financial assets – designated at fair value". The remaining risk provision amounting to kEUR 231,389 (2014: kEUR 337,095) was recorded in the category "loans and receivables", evaluated on the basis of continuous acquisition costs.

in kEUR	2015	2014
As at 01.01.	-341,089	-345,192
Currency differences	-359	-71
Consumption	125,725	23,359
Liquidation	32,558	50,690
Addition	-51,544	-69,875
Risk provision in connection with receivables from clients	**-234,709**	**-341,089**

Risk provision in connection with receivables from clients by region

in kEUR	2015	2014
Austria	**-57,046**	**-95,806**
Foreign countries	**-177,663**	**-245,283**
Germany	-9,176	-18,562
Italy	-167,334	-225,391
Other foreign countries (incl. CEE)	-1,153	-1,330
Risk provision in connection with receivables from clients	**-234,709**	**-341,089**

Development of risk provision in connection with receivables from clients

in kEUR	As at 01.01.	Currenty Translation	Consumption	Liquidation	Additions	As at 31.12.
2014						
Reliability risks – receivables > kEUR 100	-319,379	-60	39,333	39,797	-65,887	-306,196
Reliability risks – receivables < kEUR 100	-14,617	-11	-15,974	7,979	-3,988	-26,611
Portfolio provision	-11,196	0	0	2,914	0	-8,282
Total	**-345,192**	**-71**	**23,359**	**50,690**	**-69,875**	**-341,089**
2015						
Reliability risks – receivables > kEUR 100	-306,196	-49	101,080	31,500	-41,311	-214,976
Reliability risks – receivables < kEUR 100	-26,611	-310	24,645	1,058	-8,856	-10,074
Portfolio provision	-8,282	0	0	0	-1,377	-9,659
Total	**-341,089**	**-359**	**125,725**	**32,558**	**-51,544**	**-234,709**

Due to systematic adaptations, the year-on-year significance limit in 2015 was reduced from kEUR 500 to kEUR 200. The adjustment of the specific allowance and the general allowance illustrated above also resulted from such adaptions.

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

in kEUR	As at 01.01.	Currenty Translation	Consumption	Liquidation	Additions	As at 31.12.
2014						
Corporate clients	-328,847	-63	20,639	48,613	-68,108	-327,766
Private households	-16,288	-8	2,720	2,062	-1,768	-13,282
Other	-57	0	0	16	0	-41
Total	**-345,192**	**-71**	**23,359**	**50,691**	**-69,876**	**-341,089**
2015						
Corporate clients	-327,766	-311	121,890	31,435	-49,539	-224,291
Private households	-13,282	-48	3,832	1,116	-2,006	-10,388
Other	-41	0	3	8	0	-30
Total	**-341,089**	**-359**	**125,725**	**32,559**	**-51,545**	**-234,709**

Additions include unwinding in the amount of kEUR 257 (2014: kEUR 478) which was reclassified in the profit and loss account from risk costs to income from interest.

In consideration of risk provisions, receivables from credit institutions, receivables from the resolution unit of the former credit institutions and receivables from and clients can be classified as follows:

in kEUR	Receivables from clients 2015	Receivables from clients 2014	Receivables from credit institutions 2015	Receivables from credit institutions 2014	Receivables from resolution unit of former credit institution 2015	Receivables from resolution unit of former credit institution 2014
Receivables with no specific allowance	4,976,489	4,995,105	100,856	309,478	0	0
Overdue receivables - no allowance	14,456	26,818	0	0	0	0
Individual allowance for receivables	535,380	686,343	0	0	83,952	0
Risk provision	-234,709	-341,089	0	0	-20,988	0
Receivables	**5,291,616**	**5,367,177**	**100,856**	**309,478**	**62,964**	**0**

Receivables with specific allowance included receivables, for which specific allowance has been created and receivables, for which a general allowance has been created.

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

in kEUR	Receivables from clients 2015	Receivables from clients 2014	Receivables from credit institutions 2015	Receivables from credit institutions 2014
Outstanding creditworthiness (ratings 1A – 2B)	1,426,479	1,395,897	32,173	165,151
Very good creditworthiness (ratings 2C – 2E)	1,020,763	970,163	45,950	74,841
Good creditworthiness (ratings 3A – 3B)	1,270,007	1,364,558	13,101	30,244
Medium creditworthiness (ratings 3C – 3E)	1,056,792	1,068,104	9,632	33,840
Weak creditworthiness (ratings 4A – 4B)	144,035	140,311	0	5,402
Very weak creditworthiness (ratings 4C – 4E)	58,413	56,072	0	0
Receivables with no individual allowance	**4,976,489**	**4,995,105**	**100,856**	**309,478**

In case of default payment of 90 days (Basel III), 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 receivables with specific allowance.

The analysis of receivables in the category „overdue receivables – no allowance" illustrates the following situa-tion:

in kEUR	Forderungen an Kunden 2015	Forderungen an Kunden 2014
3 months to 6 months	14,206	18,475
6 months to 1 year	250	8,093
more than 1 year	0	250
Overdue receivables - no allowance	**14,456**	**26,818**

In case of default payment less than 90 days, that is 1 day to 3 months, receivables are not assigned to this category; in the fiscal year they amounted to kEUR 44,499 (2014: kEUR 67,650).

The analysis of forbearance measures by client can be illustrated as follows:

in kEUR	2015
Private households	1,525
Corporate clients	16,703
Total concessions on non-performing loans	**18,228**
Corporate clients	22,305
Total concessions on non-performing loans	**22,305**
Total concessions	**40,533**

All extension agreements are adaptations or modifications of originally concluded agreements. As far as receiva-bles of the category “concessions on performing loans” are concerned, no allowance is required at the moment.

Indicators for weak creditworthiness and required allowances in this context are reflected in the internal rating class “default” which is divided into rating classes 5B to 5E. Ratings 5B to 5E show the development of commit-ments 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 fiscal year 2015 regarding specific allowance for receivables illustrates the following situation:

	Receivables from clients		Receivables from credit institutions		Receivables from resolution unit of former credit institution	
in kEUR	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Rating level 5 B	207,383	268,463	0	0	83,952	0
Rating level 5 C	299,862	371,899	0	0	0	0
Rating level 5 D	26,972	45,011	0	0	0	0
Rating level 5 E	1,163	970	0	0	0	0
Individual allowance for receivables	**535,380**	**686,343**	**0**	**0**	**83,952**	**0**
Risk provision	-234,709	-341,089	0	0	-20,988	0
Net asset value of individual allowance for receivables	**300,671**	**345,254**	**0**	**0**	**62,964**	**0**

In order to reduce risks, specific measures are taken, especially by means of collateral. The main forms of collateral used include mortgages, guarantees and other assets.
Accountable collateral – evaluated in accordance with regulatory law principles - reduced the default risks of overdue receivables without allowance and receivables with specific allowance as follows:

in kEUR	2015	2014
Sicherheiten für überfällige, aber nicht einzelwertberichtigte Forderungen	20,748	29,454
Sicherheiten für einzelwertberichtigte Forderungen	295,358	330,301

(59) Positive Market Values from Derivate Hedging Instruments

Interest swaps are used as hedging instruments.

in kEUR	2015	2014
Positive market values from assigned effective fair value hedges	4,094	1,458

On the liability side only basic transactions are only fixed rate securities businesses. The accounting value of hedged basic business on 31 December 2015 accounted for kEUR 338,390 (2014: kEUR 259,922).Positive market values have a maturity of more than one year.

(60) Trading Assets and Derivatives

Trading assets by business type

in kEUR	2015	2014
Investment share certificates	580	665
Positive market values from derivatives	166,918	252,191
Accrued interest to trading assets	46,862	66,487
Trading assets by business type	**214,360**	**319,343**

Trading assets by maturity

in kEUR	2015	2014
Up to 3 months	18,710	10,036
3 months to 1 year	17,373	3,717
1 year to 5 years	119,772	222,097
More than 5 years	57,905	82,790
Without maturity	600	703
Trading assets	**214,360**	**319,343**

Derivatives

	Nominal value		Positive market values		Negative market values	
in kEUR	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Derivatives "held for trading"						
FX-future transactions	305,388	284,875	5,383	363	968	1,276
FX-options	177	167	9	2	9	2
Currency derivatives	**305,564**	**285,042**	**5,392**	**365**	**978**	**1,278**
Interest swaps	4,424,768	5,790,214	158,565	247,463	128,121	175,666
Interest options	0	0	0	0	0	0
Future transactions	500,773	455,516	2,941	4,324	3,322	4,119
Futures	0	0	0	0	0	0
Interest derivatives	**4,925,541**	**6,245,730**	**161,505**	**251,787**	**131,444**	**179,784**
Credit default swaps	20,000	20,000	0	0	285	378
Options	0	0	21	38	0	0
Asset value dependant derivatives	**20,000**	**20,000**	**21**	**38**	**285**	**378**
Trading assets	**5,251,105**	**6,550,772**	**166,918**	**252,191**	**132,706**	**181,440**

Default risks of trading assets are assessed in the corporate group 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 note (58) and are used to assess the default risks for all financial assets and liabilities on a standard basis. "Top creditworthiness" is a sub-category of rating class "outstanding creditworthiness" and corresponds to rating levels 1A to 1E.

2015

in kEUR	For trading purposes	Derivatives	Trading assets
Top creditworthiness	6	131,791	131,797
Outstanding creditworthiness	25	19,095	19,120
Very good creditworthiness	3	50,914	50,917
Good creditworthiness	0	2,973	2,973
Medium creditworthiness	0	1,507	1,507
Weak creditworthiness	0	7,480	7,480
Very weak creditworthiness	0	0	0
No creditworthiness	546	20	566
Total	**580**	**213,780**	**214,360**

2014

in kEUR	For trading purposes	Derivatives	Trading assets
Top creditworthiness	20	208,279	208,299
Outstanding creditworthiness	18	80,541	80,559
Very good creditworthiness	0	10,977	10,977
Good creditworthiness	0	3,622	3,622
Medium creditworthiness	0	2,793	2,793
Weak creditworthiness	0	12,466	13,093
Very weak creditworthiness	0	0	0
No creditworthiness	627	0	627
Total	**665**	**318,678**	**319,343**

(61) Financial Assets – Designated at Fair Value

Financial assets – designated at fair value by business type

in kEUR	2015	2014
Bonds of public issuers	314,248	357,202
Bonds of other issuers	409,003	540,971
Interest accrued	12,315	15,616
Financial assets – designated at fair value	**735,566**	**913,789**

Financial assets – designated at fair value by maturity

in kEUR	2015	2014
Up to 3 months	25,940	44,765
3 months to 1 year	101,153	73,577
1 year to 5 years	335,094	505,281
More than 5 years	273,379	290,166
Financial assets - designated at fair value	**735,566**	**913,789**

Default risks of financial assets – designated at fair value are eva-luated in accordance with internal rating cate-gories as follows:

in kEUR	2015	2014
Top creditworthiness	715,545	829,641
Outstanding creditworthiness	5,182	11,584
Very good creditworthiness	12,070	47,548
Good creditworthiness	0	13,947
Medium creditworthiness	0	5,680
Weak creditworthiness	2,769	5,389
Total	**735,566**	**913,789**

(62) Financial Assets – AFS

Participating interest and shares in associated companies are evaluated at continuous acquisition costs as follows:

Financial assets – AFS by business type

in kEUR	2015	2014
AFS bonds of public issuers	228,604	270,306
AFS bonds of other issuers	328,488	461,946
AFS shares	3,483	3,730
AFS other holding rights	26,748	25,739
Interest accrued regarding AFS - stocks	6,010	8,125
Participations – other companies	50,350	52,267
Shares in associated companies	18,595	18,772
Financial assets - AFS	**662,278**	**840,885**

Financial assets – AFS by maturity

in kEUR	2015	2014
Up to 3 months	60,846	50,699
3 months to 1 year	45,190	94,785
1 year to 5 years	369,127	498,303
More than 5 years	87,940	96,590
Without maturity	99,175	100,508
Financial assets - AFS	**662,278**	**840,885**

The changes in AFS reserves, which are recorded in the profit or loss for the period and in other income, are illustrated under section II statement of comprehensive income.

In the expired fiscal year, impairments for securities "AFS" in the amount of kEUR 460 (2014: kEUR 224) of AFS reserves were reclassified 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 kEUR	Impairment on 01.01.	Currency translation	Inflows in business year	Transfers Consolidation	Outflows in business year	Impairment on 31.12
2014						
Bonds of other issuers	-7,375	0	-184	0	259	-7,300
Shares	-356	0	-40	0	175	-221
Investment certificates	-1,215	0	0	0	328	-887
Participating interest - other companies	-6,266	0	-666	0	1,133	-5,799
Shares in associated companies	-3,931	0	0	0	0	-3,931
Financial assets - AFS	**-19,143**	**0**	**-890**	**0**	**1,895**	**-18,138**
2015						
Bonds of other issuers	-7,300	0	-379	0	189	-7,490
Shares	-221	0	-81	0	0	-302
Investment certificates	-887	0	0	0	0	-887
Participating interest - other companies	-5,799	0	-44	0	2,975	-2,868
Shares in associated companies	-3,931	0	0	0	515	-3,416
Financial assets - AFS	**-18,138**	**0**	**-504**	**0**	**3,679**	**-14,963**

Default risk of financial assets – AFS is evaluated in accordance with internal rating levels and illustrates the fol-lowing situation:

in kEUR	2015	2014
Top creditworthiness	531,059	707,121
Outstanding creditworthiness	25,873	8,463
Very good creditworthiness	15,680	27,907
Good creditworthiness	2,388	8,712
Medium creditworthiness	0	271
Weak creditworthiness	466	17,373
No rating	17,867	16,890
Participation - other companies	50,350	52,266
Shares in associated companies	18,595	18,772
Total	**662,278**	**840,885**

(63) Financial Assets – HTM

Financial assets – HTM by business type

in kEUR	2015	2014
HTM-bonds of public issuers	24,763	55,861
HTM-bonds of other issuers	50,354	91,777
Interest accrued to HTM-stock	1,515	2,486
Financial assets – HTM	**76,632**	**150,124**

Financial assets – HTM by maturity

in kEUR	2015	2014
Up to 3 months	18,482	8,289
3 months to 1 year	23,025	60,556
1 year to 5 years	31,207	77,370
More than 5 years	3,918	3,909
Financial assets – HTM	**76,632**	**150,124**

In the fiscal year the number of HTM stock sales was insignificant, consequently “Tainting Rules” were not ap-plied.

In the expired fiscal year impairments for securities “HTM” in the amount of kEUR 409 (2014: kEUR 1,438) were considered on a profit affecting basis. The development of impairments illustrates the following situation:

in kEUR	Impairment on 01.01.	Currency translation	Inflows in business year	Transfers Consolidation	Outflows in business year	Impairment on 31.12
2014						
Bonds of public issuers	0	0	0	0	0	0
Bonds of other issuers	-206	0	-1,438	0	206	-1,438
Financial assets - HTM	**-206**	**0**	**-1,438**	**0**	**206**	**-1,438**
2015						
Bonds of public issuers	0	0	0	0	0	0
Bonds of other issuers	-1,438	0	-409	0	887	-960
Financial assets - HTM	**-1,438**	**0**	**-409**	**0**	**887**	**-960**

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

in kEUR	2015	2014
Non-impaired financial assets - HTM	75,632	146,602
Impaired financial assets – HTM	1,960	4,960
Impairment	-960	-1,438
Financial assets – HTM	**76,632**	**150,124**

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

in kEUR	2015	2014
Top creditworthiness	53,629	122,235
Outstanding creditworthiness	12,003	15,112
Very good creditworthiness	10,000	9,220
Good creditworthiness	0	0
Medium creditworthiness	0	0
Weak creditworthiness	1,000	3,557
Very weak creditworthiness	0	0
Total	**76,632**	**150,124**

(64) Financial Assets – L&R

Financial assets – L&R by business type

in kEUR	2015	2014
L&R bonds	4,749	7,164
Interest accrued regarding L&R-stock	4	10
Financial assets – L&R	**4,753**	**7,174**

Financial assets – L&R by maturity

in kEUR	2015	2014
3 months to 1 year	0	0
1 to 5 years	1,406	2,056
More than 5 years	3,347	5,118
Financial assets – L&R	**4,753**	**7,174**

In the past business year impairment for securities "Loans & Receivables" in the amount of kEUR 32 (2014: kEUR 91) were considered on a profit affecting basis. The development of impairment is described as follows:

in kEUR	Impairment on 01.01.	Currency translation	Inflows in business year	Transfers Consolidation	Outflows in business year	Impairment on 31.12
2014						
Bonds	-3,522	0	-91	0	2,117	-1,496
Financial assets - L&R	**-3,522**	**0**	**-91**	**0**	**2,117**	**-1,496**
2015						
Bonds	-1,496	0	-32	0	1,270	-258
Financial assets - L&R	**-1,496**	**0**	**-32**	**0**	**1,270**	**-258**

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

in kEUR	2015	2014
Non-impaired L&R	3,139	4,597
Impaired L&R	1,872	4,073
Impairment L&R	-258	-1,496
Loans & Receivables	**4,753**	**7,174**

Default risks of financial assets – L&R are evaluated in accordance with internal rating levels. L&R reserves are categorised as follows:

in kEUR	2015	2014
Top creditworthiness	3,347	4,283
Outstanding creditworthiness	1,406	1,110
Very good creditworthiness	0	876
Good creditworthiness	0	277
Medium creditworthiness	0	526
Weak creditworthiness	0	70
Very weak creditworthiness	0	32
Total	**4,753**	**7,174**

(65) Shares in Associated Companies

in kEUR	2015	2014
Shares in associated companies	**9,777**	**11,068**

For details regarding associated companies pursuant to IFRS 12.21 please see section VII.

(66) Investment Properties

Development of historical acquisition cost and comparison of accounting value

in kEUR	Acquisition value 01.01.	Currency translation	Inflows in business year	Transfers consolid.	Outflows and recategoris. assets AFS in business year	Acquisition value 31.12.	Accounting value 31.12.	Accounting value 01.01.
2014								
Undeveloped real estate	6,993	0	38	15	-1,161	5,885	4,743	5,821
Real estate/buildings rented out - land share	18,391	0	0	-23	-2,084	16,284	15,287	17,421
Real estate/buildings rented out - building share	159,432	0	658	-58	-3,736	156,296	89,444	94,899
Factory and office equipment rented out	1,262	0	324	-1	-77	1,508	628	407
Facilities under construction	20	0	40	-2	0	58	58	20
Investment properties	**186,098**	**0**	**1,060**	**-69**	**-7,058**	**180,031**	**110,160**	**118,568**
2015								
Undeveloped real estate	5,885	0	436	148	0	6,469	5,197	4,743
Real estate/buildings rented out - land share	16,284	0	0	1,108	-614	16,778	15,627	15,287
Real estate/buildings rented out - building share	156,296	0	544	6,972	-54,311	109,501	67,562	89,444
Factory and office equipment rented out	1,508	0	533	149	-1,768	422	143	628
Facilities under construction	58	0	82	-78	-51	11	11	58
Investment properties	**180,031**	**0**	**1,595**	**8,299**	**-56,744**	**133,181**	**88,540**	**110,160**

Development of accumulated depreciation

in kEUR	Accumulated depreciation 01.01.	Currency translation	Inflows in business year	Transfers consolid.	Outflows in business year	Accumulated depreciation 31.12.
2014						
Undeveloped real estate	-1,172	0	0	0	30	**-1,142**
Real estate/buildings rented out - land share	-970	0	0	-27	0	**-997**
Real estate/buildings rented out - building share	-64,533	0	-4,048	264	1,465	**-66,852**
Factory and office equipment rented out	-855	0	-101	0	76	**-880**
Facilities under construction	0	0	0	0	0	**0**
Investment properties	**-67,530**	**0**	**-4,149**	**237**	**1,571**	**-69,871**
2015						
Undeveloped real estate	-1,142	0	0	-130	0	**-1,272**
Real estate/buildings rented out - land share	-997	0	0	-154	0	**-1,151**
Real estate/buildings rented out - building share	-66,852	0	-4,005	-3,839	32,757	**-41,939**
Factory and office equipment rented out	-880	0	-184	0	785	**-279**
Facilities under construction	0	0	-14	0	14	**0**
Investment properties	**-69,871**	**0**	**-4,203**	**-4,123**	**33,556**	**-44,641**

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

It was decided to provide factory and office equipment as ancillary service regarding investment properties. For that reason these assets were also recorded hereunder.
No contractual obligations to purchase or establish investment properties or fundamental obligations regarding repairing, maintenance and improvements were existent at the balance sheet date.

On 31 December 2015, fair value of investment properties accounted for kEUR 97,872 (2014: kEUR 125,299). Fair value is measured on the basis of internal fair market value assessments at the balance sheet date. In the context of evaluating fair value of real estate, the current use represents the most efficient and best possible use. Within the corporate group investment properties are evaluated at continuous acquisition costs. Fair value is calculated for the purpose of impairment tests and in relation to the notes, however, in case no impairment is required – it does not have any effects on the consolidated balance sheet nor on the consolidated profit and loss account. Fair value of investment properties was classified as fair value level 3, based on input factors of the used evaluation method [see note (23)].

(67) Intangible Assets

Development of historical acquisition costs and comparison of accounting value

in kEUR	Acquisition value 01.01.	Currency translation	Inflows in business year	Transfers consolid.	Outflows / reclassifications of assets helf dor sale in business year	Acquisition value 31.12.	Accounting value 31.12.	Accounting value 01.01.
2014								
Client base	1,557	0	0	0	0	1,557	259	375
Software	14,818	0	592	0	-6	15,404	1,220	1,123
Intangible assets	**16,375**	**0**	**592**	**0**	**-6**	**16,961**	**1,479**	**1,498**
2015								
Client base	1,557	0	0	0	0	1,557	152	259
Software	15,404	0	648	166	-276	15,942	1,289	1,220
Intangible assets	**16,961**	**0**	**648**	**166**	**-276**	**17,499**	**1,441**	**1,479**

Development of accumulated depreciation

in kEUR	Accumulated depreciation 01.01.	Currency translation	Inflows in business year	Transfers consolid.	Outflows in business year	Accumulated depreciation 31.12.
2014						
Client base	-1,182	0	-116	0	0	**-1,298**
Software	-13,695	0	-492	0	3	**-14,184**
Intangible assets	**-14,877**	**0**	**-608**	**0**	**3**	**-15,482**
2015						
Client base	-1,298	0	-107	0	0	**-1,405**
Software	-14,184	0	-577	-168	276	**-14,653**
Intangible assets	**-15,482**	**0**	**-684**	**-168**	**276**	**-16,058**

Software inflows in the amount of kEUR 648 refer to various software solutions that were acquired in the expired business year – in particular by HYPO TIROL BANK AG.

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

(68) Tangible Assets

Development of historical acquisition costs and comparison of accounting value

in kEUR	Acquisition value 01.01.	Currency translation	Inflows in business year	Transfers consolid.	Outflows / reclassifications of assets helf dor sale in business year	Acquisition value 31.12.	Accounting value 31.12.	Accounting value 01.01.
2014								
Undeveloped real estate	484	0	0	0	0	484	484	484
Developed real estate-owner occupied–land value	13,954	0	54	103	0	14,111	12,606	12,449
Developed real estate-owner occupied-build.value	86,054	0	399	377	0	86,830	52,308	53,882
Factory and office equipment	42,667	0	838	0	-4,044	39,461	7,437	9,137
Facilities under construction	70	0	8	0	0	78	78	70
Tangible assets	**143,100**	**0**	**1,299**	**480**	**-4,044**	**140,964**	**72,913**	**76,022**
2015								
Undeveloped real estate	484	0	0	0	0	484	484	484
Developed real estate-owner occupied–land value	14,111	0	0	-539	-6	13,566	12,061	12,606
Developed real estate-owner occupied-build.value	86,830	0	1,073	-4,532	-57	83,314	49,375	52,308
Factory and office equipment	39,461	0	908	74	-1,380	39,063	6,748	7,437
Facilities under construction	78	0	0	-8	0	70	70	78
Tangible assets	**140,964**	**0**	**1,981**	**-5,005**	**-1,443**	**136,497**	**68,738**	**72,913**

Factory and office equipment inflows basically referred to current replacement capital investments of HYPO TIROL BANK AG.
No contractual obligations to purchase or establish tangible assets or fundamental obligations regarding repairing, maintenance and improvements were existent at the balance sheet date.

Development of accumulated depreciation

in kEUR	Accumulated depreciation 01.01.	Currency translation	Inflows in business year	Transfers consolid.	Outflows in business year	Accumulated depreciation 31.12.
2014						
Developed real estate - owner occupied - land value	-1,505	0	0	0	0	**-1,505**
Developed real estate- owner occupied - building value	-32,172	0	-1,986	-364	0	**-34,522**
Factory and office equipment	-33,530	0	-1,854	0	3,360	**-32,024**
Facilities under construction	0	0	0	0	0	**0**
Tangible assets	**-67,207**	**0**	**-3,840**	**-364**	**3,360**	**-68,051**
2015						
Developed real estate - owner occupied - land value	-1,505	0	0	0	0	**-1,505**
Developed real estate- owner occupied - building value	-34,522	0	-2,027	2,558	52	**-33,939**
Factory and office equipment	-32,024	0	-1,561	-72	1,342	**-32,315**
Facilities under construction	0	0	0	0	0	**0**
Tangible assets	**-68,051**	**0**	**-3,588**	**2,486**	**1,394**	**-67,759**

(69) Other Assets

in kEUR	2015	2014
Assets held as collateral for non-performing loans	0	0
Tax receivables	1,170	1,642
Accruals and deferrals	214	332
Other	14,117	20,598
Other assets	**15,501**	**22,572**

Tax receivables basically comprised current consumer taxes and activated corporate tax pre-payments of HYPO TIROL BANK AG in the amount of kEUR 616 and for Hypo Tirol Mobilenleasing II GmbH in the amount of kEUR 521 for fiscal years that have not yet been assessed

In 2015, other assets included kEUR 10,528 (2014: kEUR 11,359) from accounts.

(70) Non-Current Assets, Disposal Groups and Liabilities in Disposal Groups Held for Sale

In 2015, assets and disposal groups held for sale accounted for a total of kEUR 35,678 (2014: kEUR 5,937). This amount included non-current assets held for sale in accounting for kEUR 11,574 (2014: kEUR 5,937) and accumulated assets of a disposal group classified held for sale in the amount of kEUR 24,104 as well as liabilities in the amount of kEUR 2,168.

Nun-current assets:

Non-current assets amounting to kEUR 11,574 comprise properties which are supposed to be sold in the first part of the fiscal year 2016. The group has already started looking for purchasers. Impairment was not deter-mined, neither at the time of reclassification to „held for Sale“ nor at the balance sheet date (31. December 2015). This is based on the management's assumption that fair value – based on latest market prices of similar properties in similar locations and current purchasing offers – less sales costs will be higher than the accounting value. Fair value is classified level 3 on the basis of input factors [see note (23)].

Disposal group classified held for sale:

In December 2015 the management committed itself to sale the fully consolidated subsidiaries

- CYTA-Errichtungs- und Management GmbH and
- CYTA-Errichtungs- und Management GmbH & Co KG

These subsidiaries do not fulfil the requirements regarding discontinued operation in compliance with IFRS 5 "non-current assets and discontinued operations". According to this, the above mentioned subsidiaries were illus-trated as a disposal group held for sale. The sales procedures have already been concluded. As not all require-ments of the parties involved have been fulfilled yet, HYPO TIROL BANK AG still exercised control over the sub-sidiaries on the balance sheet date.

Impairment was not determined, neither at the time of reclassification to "held for sale" nor on 31. December 2015 because fair value – based on the current purchasing offer – less sales costs was above accounting value. Fair value is classified level 3 on the basis of input factors [see note (23)].

The disposal group comprises the following assets and liabilities:

in kEUR	
Cash reserves	93
Receivables from clients subsequent to risk provision	514
Investment properties	23,047
Other assets	434
Deferred tax assets	16
Assets of disposal groups	**24,104**
Provisions	535
Other liabilities	729
Deferred tax obligations	904
Liabilities of disposal goups	**2,168**

The disposal group is part of the segment "leasing and real estate" in compliance with IFRS 8 [see note (88)].

(71) Deferred Income Tax Assets and Obligations

in kEUR	2015	2014
Evaluation of receivables and liabilities clients covered by security at fair value and evaluation of risk provision	13,557	26,325
Evaluation of derivatives at fair value	58,962	79,113
Evaluation of financial assets – designated at fair value and AFS at fair value	35,010	52,546
Evaluation of financial assets – HTM and L&R according to effective interest method	32	28
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	739	734
Evaluation of liabilities evidenced by certificate and financial liabilities– designated at fair value	0	501
Evaluation of provisions	16	83
Deferred tax assets	**108,316**	**159,330**
Evaluation of receivables and liabilities covered by securities clients at fair value and evaluation of risk provision	14,845	17,897
Evaluation of derivatives at fair value	63,127	91,356
Evaluation of financial assets – designated at fair value and financial assets – AFS at fair value	16,708	22,732
Evaluation of financial assets – HTM and L&R according to effective interest method	0	0
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	320	1,090
Evaluation of liabilities evidenced by certificate and financial liabilities– designated at fair value	6,055	11,584
Evaluation of provisions	1,231	1,300
Deferred tax assets	**102,286**	**145,959**
Deferred tax assets and obligations, per balance	**6,030**	**13,371**

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

in kEUR	2015	2014
Deferred tax assets	108,316	159,330
Balancing	-100,895	-143,875
Deferred tax assets per balance	**7,421**	**15,455**

in kEUR	2015	2014
Deferred tax assets	102,286	145,959
Balancing	-100,895	-143,875
Deferred tax assets per balance	**1,391**	**2,084**

in kEUR	2015	2014
Deferred tax assets	7,421	15,455
Deferred tax obligations	1,391	2,084
Deferred tax assets/obligations per balance	**6,030**	**13,371**

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

in kEUR	2015	2014
As at 01.01.	**13,371**	**18,961**
Deferred tax considered in the profit and loss account	-7,100	-2,098
Deferred tax from actuarial profits/losses	-53	804
Deferred tax from the evaluation of financial assets - AFS considered in the profit or loss for the period:		
Change of evaluation at fair value	-1,937	2,646
Profit affecting re-categorisation to profit and loss account	1,696	-6,138
As at 31.12.	**6,030**	**13,371**

In the fiscal years 2015 and 2014, no deferred tax obligations in connection with AFS stocks were designated to deferred tax obligations from financial instruments.

Deferred tax assets in the amount of kEUR 29,250 (2014: kEUR 35,728)) have not been activated. They can be brought forward without limitation.

(72) Liabilities to Credit Institutions

Liabilities to credit institutions are assigned to the evaluation category „other liabilities“ and are evaluated on the basis of continuous acquisitions costs.

Liabilities to credit institutions by business type

in kEUR	2015	2014
Interbank accounts	244,910	149,211
Money market businesses	353,121	306,463
Trustee liabilities	16,462	9,396
Other liabilities	5,176	5,195
Liabilities to credit institutions	**619,669**	**470,265**

Liabilities to credit institutions by region

in kEUR	2015	2014
Austria	**373,035**	**187,161**
Foreign countries	**246,634**	**283,104**
Germany	130,152	118,827
Italy	734	51
Other foreign countries (incl. CEE)	115,748	164,226
Liabilities to credit institutions	**619,669**	**470,265**

Liabilities to credit institutions by maturity

in kEUR	2015	2014
Daily maturity	117,352	141,964
Up to 3 months	471,717	237,601
3 months to 1 year	600	5,700
1 year to 5 years	30,000	85,000
More than 5 years	0	0
Liabilities to credit institutions	**619,669**	**470,265**

(73) Liabilities to clients

Liabilities to clients amounting to kEUR 642,256 (2014: kEUR 822,113) were assigned to the category "financial liabilities evaluated at fair value on a profit affecting basis". The remaining liabilities amounting to kEUR 2,256,505 (2014: kEUR 1,989,457) were assigned to "other liabilities".

Liabilities to clients by business type

in kEUR	2015	2014
Current accounts	1,261,729	1,093,610
Time deposits	770,217	810,294
Other deposits	59,543	53,286
Savings deposits	609,242	627,469
Capital savings books	198,030	226,911
Liabilities to clients	**2,898,761**	**2,811,570**

Liabilities to clients by region

in kEUR	2015	2014
Austria	**2,251,136**	**2,047,152**
Foreign countries	**647,625**	**764,418**
Germany	551,061	673,109
Italy	33,507	33,124
Other foreign countries (incl. CEE)	63,057	58,185
Liabilities to clients	**2,898,761**	**2,811,570**

Liabilities to clients by maturity

in kEUR	2015	2014
Daily maturity	1,364,210	1,190,402
Up to 3 months	491,304	487,899
3 months to 1 year	340,293	366,121
1 year to 5 years	610,841	685,546
More than 5 years	92,113	81,602
Liabilities to clients	**2,898,761**	**2,811,570**

Liabilities to clients by sector

in kEUR	2015	2014
Public sector	647,997	355,164
Corporate clients	967,123	1,042,585
Private households	1,191,080	1,193,478
Other	92,561	220,343
Liabilities to clients	**2,898,761**	**2,811,570**

(74) Liabilities Evidenced by Certificate

Liabilities evidenced by certificate are evaluated at continuous acquisition costs.

Liabilities evidenced by certificate by business type

in kEUR	2015	2014
Debentures	87,276	65,982
Communal debentures	282,075	260,024
Bonds	699,000	869,285
Housing bonds	16,509	23,856
Bonds of debentures section	27,000	27,000
Interest accrued	830	1,002
Liabilities evidenced by certificate	**1,112,690**	**1,247,149**

Development of liabilities evidenced by certificate

in kEUR	2015	2014
As at 01.01	1,247,149	1,238,447
New assumption	112,368	298,789
Redemption	-248,363	-291,125
Currency changes	0	0
Changes accrued interest	-611	-439
Veränderung der Bewertung at Fair Value	2,147	1,477
Liabilities evidenced by certificate	**1,112,690**	**1,247,149**

Liabilities evidenced by certificate by maturity

in kEUR	2015	2014
Daily maturity	335	335
Up to 3 months	68,050	31,317
3 months to 1 year	978,106	47,841
1 year to 5 years	60,396	1,131,951
More than 5 years	5,803	35,705
Liabilities evidenced by certificate	**1,112,690**	**1,247,149**

Due to the maturity structure of liabilities, the corporate group's liquidity will be secured for the forthcoming years.

(75) Negative Market Values from Derivative Hedging Instruments

Interest swaps are the only hedging instruments employed.

in kEUR	2015	2014
Negative market values from assigned effective fair value hedges	**11,593**	**19,688**

Basic transactions in the corporate group only comprise fixed rate securities category "AFS". The accounting val-ue of basic business-es on 31 December 2015 accounted for kEUR 100,871 (2014: kEUR 152,160). The maturity of all market values is more than one year.

(76) Derivatives

in kEUR	2015	2014
Negative market values from derivative financial instruments	132,706	181,440
Interest accrued	22,815	28,120
Derivatives	**155,521**	**209,560**

Derivatives by maturity

in kEUR	2015	2014
Up to 3 months	3,710	2,334
3 months to 1 year	7,832	8,144
1 year to 5 years	59,218	81,485
More than 5 years	84,761	117,597
Derivatives	**155,521**	**209,560**

(77) Financial Liabilities – Designated at Fair Value

Financial liabilities – designated at fair value by business type

in kEUR	2015	2014
Debentures	211,422	204,200
Communal debentures	108,195	105,757
Cash obligations	0	0
Bonds	1,193,212	1,924,567
Housing bonds	195,252	247,251
Bonds in the debentures sector	83,084	121,040
Subordinate liabilities	67,594	67,438
Supplementary capital	23,513	23,998
Interest accrued	29,519	46,051
Financial liabilities - designated at fair value	**1,911,791**	**2,740,302**

The redemption amount of financial liabilities – designated at fair value accounted for kEUR 1,835,229 (2014: kEUR 2,569,894). The difference between accounting value and redemption amount accounted for kEUR 76,562 (2014: kEUR 170,408).

Development of financial liabilities – designated at fair value

in kEUR	2015	2014
As at 01.01	2,740,302	3,556,456
New issues	76,135	151,289
Redemption	-846,295	-894,955
Currency changes	32,233	-15,911
Changes in interest accrued	-16,532	-12,460
Changes due to fair value accounting	-74,052	-44,117
Financial liabilities - designated at fair value	**1,911,791**	**2,740,302**

Financial liabilities – designated at fair value by maturity

in kEUR	2015	2014
Up to 3 months	389,834	197,240
3 months to 1 year	201,638	75,146
1 year to 5 years	912,142	2,077,480
More than 5 years	408,177	390,436
Financial liabilities - designated at fair value	**1,911,791**	**2,740,302**

(78) Provisions

in kEUR	2015	2014
Provision for severance payments	12,776	13,625
Pension provision	6,185	6,913
Length of service provision	2,028	2,019
Loan risk provisions	8,202	3,806
Other provisions	30,766	51,658
Provisions	**59,957**	**78,021**

Loan risk provisions include provisions for guarantees and liabilities and other obligations resulting from the granting of loans which are uncertain in terms of maturity and amount. Other provisions include other personnel provisions, legal costs, liabilities as well as other provisions (for detailed information see "other provisions"):

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

in kEUR	Abfertigungs-rückstellung	Pensions-rückstellung	Jubiläumsgeld-rückstellung
2014			
As at 01.01.	11,589	6,163	1,680
Service costs	484	0	117
Interest expenses	393	203	56
Payments	-743	-768	-140
Actuarial profit/loss	1,902	1,315	306
Actuarial profits and losses from changed demographic assumptions	0	0	0
Actuarial profits and losses from changed financial assumptions	1,902	1,315	306
As at 31.12.	**13,625**	**6,913**	**2,019**
2015			
As at 01.01.	13,625	6,913	2,019
Service costs	535	0	121
Interest expenses	299	147	44
Transfers	0	0	140
Payments	-1,613	-734	-134
Actuarial profit/loss	-70	-141	-162
Actuarial profits and losses from changed demographic assumptions	0	0	0
Actuarial profits and losses from changed financial assumptions	-70	-141	-162
As at 31.12.	**12,776**	**6,185**	**2,028**

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

in kEUR	2015	2014	2013	2012
Severance provision	**12,776**	**13,625**	**11,589**	**11,505**
Actuarial profits/losses	-70	1,902	91	1,023
Actuarial profits and losses from changed demographic assumptions	*0*	*0*	*0*	*0*
Actuarial profits and losses from changed financial assumptions	*-70*	*1,902*	*91*	*1,023*
Pension provision	**6,185**	**6,913**	**6,163**	**6,643**
Actuarial profits/losses	-141	1,315	106	871
Actuarial profits and losses from changed demographic assumptions	*0*	*0*	*0*	*0*
Actuarial profits and losses from changed financial assumptions	*-141*	*1,315*	*106*	*871*
Length-of-service provision	**2,028**	**2,019**	**1,680**	**1,614**
Actuarial profits/losses	-162	306	5	198
Actuarial profits and losses from changed demographic assumptions	*0*	*0*	*0*	*0*
Actuarial profits and losses from changed financial assumptions	*-162*	*306*	*5*	*198*

Sensitivity analysis severance provision

Sensitivity discount rate

2014	IST	+1 %	-1 %
Discount rate	2.25 %	3.25 %	1.25 %
Severance provision in k €	13,625	12,055	15,503
2015	**IST**	**+1 %**	**-1 %**
Discount rate	2.25 %	3.25 %	1.25 %
Severance provision in k €	12,776	11,372	14,443

Sensitivity salary valorisation

2014	IST	+1 %	-1 %
Salary valorisation	2.50 %	3.50 %	1.50 %
Severance provision in k €	13,625	12,044	15,478
2015	**IST**	**+1 %**	**-1 %**
Salary valorisation	2.50 %	3.50 %	1.50 %
Severance provision in k €	12,776	11,363	14,421

Sensitivity analysis pension provision

Sensitivity discount rate

2014	Actual	+1 %	-1 %
Discount rate	2.25 %	3.25 %	1.25 %
Pension provision in k €	6,913	6,410	7,505
2015		**+1 %**	**-1 %**
Discount rate	2.25 %	3.25 %	1.25 %
Pension provision in k €	6,185	5,751	6,692

Sensitivity pension valorisation

2014	Actual	+1 %	-1 %
Pension valorisation	1.50 %	2.50 %	0.50 %
Pension provision in k €	6,913	7,504	6,402
2015	**Actual**	**+1 %**	**-1 %**
Pension valorisation	1.50 %	2.50 %	0.50 %
Pension provision in k €	6,185	6,690	5,744

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

Other provisions

in kEUR	2015	2014
Other personnel provisions	5,852	6,886
Provisions for legal costs	3,954	200
Liability provisions	945	891
Remaining other provisions	20,015	43,681
Other provisions	**30,766**	**51,658**

Other personnel provisions:

Other personnel provisions included, among others, provisions for occupational disability and survivorship annuity in the amount of kEUR 228 (2014: kEUR 73).

Remaining other provisions:

In 2014, Hypo Alpe-Adria Bank International AG was transferred into HETA ASSET RESOLUTION AG. In accordance with the Federal Act on the Recovery and Resolution of Banks (BaSAG; Bundesgesetz über die Sanierung und Abwicklung von Banken) article 1, the FMA in its role as national resolution authority ordered resolution of HETA ASSET RESOLUTION AG (former Hypo Alpe Adria Bank International AG) and imposed a moratorium on its debts on 1 March 2015. Consequently all debt instruments issued by HETA and all other liabilities have been suspended until 31 May 2016. This also applied to liabilities of HETA against Pfandbriefbank (Österreich) AG and bonds in the amount of EUR 4.8 million issued by HYPO TIROL BANK AG. There is no direct legal connection between HYPO TIROL BANK AG and HETA.

Al Up to 2006, Pfandbriefbank as the common issuing institution of all Austrian mortgage banks marketed issues for Hypo Alpe-Adria Bank International AG (now HETA) on a fiduciary basis. According to the moratorium HETA shall not be allowed to meet its debts for the time being.

The Austrian mortgage banks and the Province of Carinthia decided to provide liquidity for the Pfandbriefbank to guarantee that all obligations can be fulfilled according to the regulations. The Pfandbriefbank is now responsible for the corresponding operative implementation. It has to manage all payment methods that are required to return provided financial means to the bondholders when due.

Regarding existing receivables from HETA – including expected available liquidity for the Pfandbrief bank – HYPO TIROL BANK AG already took appropriate measures in 2014. The managing board anticipates that the liability of the Province of Carinthia remains really and truly; therefore, bonds were evaluated according to current market prices. In the 2014 financial report reserves in the amount of kEUR 38,594 were generated in connection with the provision of liquidity. In the current financial year, no additional risk provision (specific allowance/provision) has been endowed.

In the middle of January 2016, the "Kärntner Ausgleichszahlungs-Fonds" (KAF) (compensation payment fund) offered a repurchase with a 75% rate. The offer expired on 11 March 2016. The order would only have been accepted if two third of the creditors had approved. HYPO TIROL BANK AG gave its consent in sufficient time. On 14 March 2016, the Kärntner Ausgleichszahlungs-Fond stated that the creditors had rejected the offer. Consequently, the Financial Market Authority is responsible for further procedures. HYPO TIROL BANK AG considers the precautionary measures taken in 2014 to be sufficient.

Development of provisions

in kEUR	As at 01.01.	Currency translation	Inflows	Deployment	Outflows	Other changes	As at 31.12.
2014							
Severance provision	11,589	0	877	-743	0	1,902	13,625
Pension provision	6,163	0	203	-768	0	1,315	6,913
Length-of-service provision	1,680	0	341	-110	0	108	2,019
Loan risk provision	9,516	0	1,369	-84	-6,995	0	3,806
Other provisions	8,712	0	55,431	-11,360	-1,017	-108	51,658
Provisions	**37,660**	**0**	**58,221**	**-13,065**	**-8,012**	**3,217**	**78,021**
2015							
Severance provision	13,625	0	834	-1,613	0	-70	12,776
Pension provision	6,913	0	147	-734	0	-141	6,185
Length-of-service provision	2,019	0	165	-134	0	-22	2,028
Loan risk provision	3,806	0	6,221	-843	-982	0	8,202
Other provisions	51,658	0	14,909	-12,351	-21,878	-1,572	30,766
Provisions	**78,021**	**0**	**22,276**	**-15,675**	**-22,860**	**-1,805**	**59,957**

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

Maturity-structure of provisions

in kEUR	Up to 1 year	More than 1 year
2014		
Severance provision	0	13,625
Pension provision	0	6,913
Length-of-service provision	0	2,019
Loan risk provision	1,340	2,466
Other provisions	3,384	48,274
Provisions	**4,724**	**73,297**
2015		
Severance provision	0	12,776
Pension provision	0	6,185
Length-of-service provision	0	2,028
Loan risk provision	4,169	4,033
Other provisions	23,332	7,434
Provisions	**27,501**	**32,456**

(79) Other Liabilities

in kEUR	2015	2014
Associated companies, not consolidated	65,950	70,905
Deliveries and performances	1,059	0
Accruals and deferrals	345	328
Other liabilities	**67,354**	**71,233**

The amount of kEUR 1,059 included in other liabilities refers to liabilities against employees of HYPO TIROL BANK AG.

(80) Current Income Tax Obligations

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

(81) Subordinate and Supplementary Capital

Subordinate and supplementary capital by business type

in kEUR	2015	2014
Subordinate capital	74,300	71,000
Supplementary capital	28,111	28,111
Interest accrued	259	260
Subordinate and supplementary capital by business type	**102,670**	**99,371**

Development of subordinate and supplementary capital

in kEUR	2015	2014
As at 01.01.	99,371	99,388
New assumption	3,300	0
Redemptions	0	0
Changes in accrued interest	-1	-17
Subordinate and supplementary capital	**102,670**	**99,371**

Subordinate and supplementary capital by maturity

in kEUR	2015	2014
1 to 5 years	70,738	79,312
More than 5 years	23,368	20,059
Subordinate and supplementary capital	**102,670**	**99,371**

(82) Equity Capital

in kEUR	2015	2014 adapted
Subscribed capital	50,000	50,000
Capital reserves	311,233	311,233
Ted-up capital reserves thereof	150,033	150,033
Capital reserves not tied-up	161,200	161,200
AFS reserves subsequent to taxation	10,686	12,507
Actuarial profits/losses subsequent to taxation	-3,822	-3,981
Revenue reserves, corporate group profit/loss	188,503	132,625
Equity capital	**556,600**	**502,384**

The Illustration of equity capital was adjusted on a retrospective basis. Each item of other results were conse-quently reported separately rather than under item ""new evaluation reserves incl. AFS reserves" (see details section IV "changes in equity capital")

Illustration prior to changes in compliance with IAS 1.41

in kEUR	2014 prior to change
Subscribed capital	50,000
Capital reserves	311,233
Ted-up capital reserves thereof	150,033
Capital reserves not tied-up	161,200
Revaluation reserves (incl. AFS reserves)	8,526
Revenue reserves, corporate group profit/loss	132,625
Equity capital	**502,384**

Capital reserves
The designated capital reserves resulted from the transformation of HYPO TIROL BANK AG into a public limited company.

Revenue reserves
Revenue reserves are divided into legal reserves and other reserves deriving from the consolidated financial statement. Furthermore, the difference from capital consolidation and effects of first application is recorded in the revenue reserves.

Addition IFRS Information

(83) Fair Value

Fair Value of selected balance sheet items

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

ASSETS	Acc.value	Fair Value	Acc. value	Fair Value
in kEUR	**31.12,2015**	**31.12,2015**	**31.12,2014**	**31.12,2014**
Cash reserve	121,104	121,104	105,918	105,918
Receivables from credit institutions subsequent to risk provision	100,856	98,932	309,478	311,956
Receivables from resolution unit of former credit institution subsequent to risk provision	62,964	62,964	0	0
Receivables from clients subsequent to risk provision				
at fair value	427,745	427,745	467,955	467,955
at acquisition costs	4,863,871	4,714,964	4,899,222	4,824,402
Positive market values from derivative hedging instruments	4,094	4,094	1,458	1,458
Trading assets and derivatives	214,360	214,360	319,343	319,343
Financial assets – designated at fair value	735,566	735,566	913,789	913,789
Financial assets – AFS				
at fair value	593,333	593,333	769,847	769,847
at acquisition costs	68,945	n. a.	71,038	n. a.
Financial assets – HTM	76,632	78,561	150,124	153,785
Financial assets – L&R	4,753	4,613	7,174	7,587
Shares in associated companies	9,777	n. a.	11,068	n. a.
Investment properties	88,540	97,872	110,160	125,299
Intangible assets	1,441	n. a.	1,479	n. a.
Tangible assets	68,737	n. a.	72,913	n. a.
Other assets	15,501	n. a.	22,572	n. a.
Non-current assets and disposal groups held for sale	35,678	n. a.	5,937	n. a.
Deferred tax assets	7,421	n. a.	15,455	n. a.
TOTAL ASSETS	**7,501,318**		**8,254,930**	

LIABILITIES	Acc. value	Fair Value	Acc. value	Fair Value
in kEUR	31.12,2015	31.12,2015	31.12,2014	31.12,2014
Liabilities to credit institutions	619,669	608,246	470,265	457,451
Liabilities to clients				
at fair value	642,256	642,256	822,113	822,113
at acquisition costs	2,256,505	2,340,898	1,989,457	2,171,908
Liabilities evidenced by certificate	1,112,690	1,103,191	1,247,149	1,285,661
Negative market values from derivative hedging instruments	11,593	11,593	19,688	19,688
Derivatives	155,521	155,521	209,560	209,560
Financial liabilities – designated at fair value	1,911,791	1,911,791	2,740,302	2,740,302
Provisions	59,957	n. a.	78,021	n. a.
Other liabilities	67,354	n. a.	71,233	n. a.
Liabilities in disposal groups held for sale	2,168	n. a.	0	n. a.
Current income tax obligations	1,153	n. a.	3,303	n. a.
Deferred income tax obligations	1,391	n. a.	2,084	n. a.
Subordinate and Supplementary Capital	102,670	93,488	99,371	87,675
Equity capital	556,600	n. a.	502,384	n. a.
TOTAL LIABILITIES	**7,501,318**		**8,254,930**	

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

As far as financial assets and liabilities are concerned, fair value has been measured in accordance with note (6). In summary it can be stated that that with regard to evaluation methods based on market data (level 2) fair value is evaluated by using the discounted-cash flow method, and as far as financial instrument with optional compo-nents are concerned, the Black/Scholes model is applied, with input factors being based on market data.

In the fiscal year 2015, evaluation methods not based on market data (level 3) were employed to evaluate re-ceivables – designated at fair value by using the discounted-cash flow method. Future payments flows, deriving from the underlying nominal value, were based on the current market interest curve and were discounted by means of a risk adequate interest rate. Risk adequate interest charges derived from the group's internal risk as-sessment and were assigned to different rating classes. The group defined four different rating classes with dif-ferent risk adequate interest charges. For that reason, rating substantially influences the discount rate which is necessary for the evaluation of fair value. Thus, the internal rating in terms of creditworthiness can be described as a significant, non-observable initial parameter. The better the rating the lower the corresponding discount rate and the higher fair value is. This effect is illustrated in the sensitivity analysis.

Fair Value of financial instruments

As far as financial assets – AFS are concerned, the following table illustrates a total amount of kEUR 593,333 (2015: kEUR 769,847)), whereas the sum in the corresponding balance sheet item amounts to kEUR 662,278 (2015: kEUR 840,885). This difference results from the fact that equity capital instruments which are not listed in stock markets are included in AFS stock. Consequently fair value of such equity capital instruments cannot be evaluated on a reliable basis. In accordance with IAS 39, these equity capital instruments are evaluated at ac-quisition costs in considerati-on of possible impairment losses if impairment indicators [see note (12)] are existent. In accordance with IFRS 7.29, no further information regarding fair value is required for equity capital instruments that are not listed in a stock market (within the corporate group such instruments are other interests and shares in associated companies). The development of accounting values of such equity capital instruments is illustrated under note (62). At the evaluation date no purchase intention was existent.

Fair value of the remaining financial assets and financial liabilities is illustrated in the following chart and assigned to the three categories pursuant to IRFS fair value hierarchy [see note (6)].

2015

in kEUR	Prices quoted in active markets (level 1)	Evaluation method based on market data (level 2)	Evaluation method not based on market data (level 3)	Total
ASSETS 2015 **Financial assets evaluated on a fair value basis**				
Receivables from clients - designated at fair value			427,745	427,745
Hedging tools with positive market value		4,094		4,094
Trading assets and derivatives	594	213,766		214,360
Financial assets - designated at fair value	713,432	22,135		735,567
Financial assets - AFS	582,284	11,049		593,333
Total financial assets evaluated on a fair value basis	**1,296,310**	**251,044**	**427,745**	**1,975,099**
LIABILITIES 2015 **Financial liabilities evaluated on a fair level basis**				
Liabilities to clients - designated at fair value		642,256		642,256
Hedging tools with negative market value		11,593		11,593
Derivatives		155,521		155,521
Financial liabilities - designated at fair value	577,953	1,333,838		1,911,791
Total financial liabilities evaluated on a fair value basis	**577,953**	**2,143,208**		**2,721,161**

2014

in kEUR				
ASSETS 2014 **Financial assets evaluated on a fair value basis**				
Receivables from clients - designated at fair value			467,955	467,955
Hedging tools with positive market value		1,458		1,458
Trading assets and derivatives	703	318,640		319,343
Financial assets - designated at fair value	861,014	52,775		913,789
Financial assets - AFS	733,728	36,118		769,846
Total financial assets evaluated on a fair value basis	**1,595,445**	**408,991**	**467,955**	**2,472,391**
LIABILITIES 2014 **Financial liabilities evaluated on a fair level basis**				
Liabilities to clients - designated at fair value		822,113		822,113
Hedging tools with negative market value		19,688		19,688
Derivatives		209,560		209,560
Financial liabilities - designated at fair value	966,358	1,773,944		2,740,302
Total financial liabilities evaluated on a fair value basis	**966,358**	**2,825,305**		**3,791,663**

Transfer of financial instruments to level 3

2015

in kEUR	Receivables from clients designated at Fair Value	Total
Amount at the beginning of the period	**467,955**	**467,955**
Total profits/losses	1,050	1,050
- recorded in the profit and loss account	1,050	1,050
- recorded in other income	0	0
Purchases	38,149	38,149
Sales	-79,409	-79,409
Issues	0	0
Adjustments	0	0
Reclassification to level 3	0	0
Reclassification from level 3	0	0
Amount at the end of the period	**427,745**	**427,745**

2014

in kEUR	Receivables from clients designated at Fair Value	Total
Amount at the beginning of the period	**491,421**	**491,421**
Total profits/losses	1,834	1,834
- recorded in the profit and loss account	1,834	1,834
- recorded in other income	0	0
Purchases	15,849	15,849
Sales	-41,149	-41,149
Issues	0	0
Adjustments	0	0
Reclassification to level 3	0	0
Reclassification from level 3	0	0
Amount at the end of the period	**467,955**	**467,955**

At the balance sheet date the column “profits/losses” included unrealised results in the amount of kEUR 1,050. The result is composed of unrealised profits accounting for kEUR 1,050 and unrealised losses accounting for kEUR 0.

Sensitivity analysis of non-observable parameters

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

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

Rating, in particular, is founded on subjective estimations, therefore, the corporate group points out the sensitivity of such evaluation parameters. Modifying the rating degree leads to adjustments of risk adequate interest charges and consequently to a changed discount rate, which has substantial influence on the evaluation of fair value. Sensitivity is illustrated within a positive and negative range by reclassification of rating upwards and downwards. Reclassification of rating is simulated by positive or negative adjustment of the factors regarding the valid risk adequate interest charge.

in kEUR	Positive change of fair value by using appropriate possible alternatives	Negative change of fair value by using appropriate possible alternatives
Receivables from clients designated at fair value	430,980	422,996
Total	**430,980**	**422,996**

Credit risk induced changes of fair value

With regard to financial assets and liabilities voluntarily evaluated on a fair value basis, the change of the credit-worthiness results in the following profits and losses assigned to the trading result.

The fair value change of financial assets due to credit risk for the period amounted to kEUR -1,930 (2014: kEUR 14,524). The amount is included in trading results. Since designation, the accumulated change due to credit risk has amounted to kEUR -33,776 (2014: kEUR -31,846).

The fair value change of financial liabilities due to credit risk in the fiscal year amounted to kEUR 45,246 (2014: kEUR -16,381). Since 2014, the amount has been included in result from changes in own credit risk (retrospec-tively). In total, the accumulated change due to credit risk since designation has amounted to kEUR 93,328 (2014: kEUR 48,082).

The change due to credit risk is determined by means of a differential calculation. In this context the change of fair value due to market risk is deducted from the entire change of fair value by using a model calculation.

Fair value of financial instruments not designated at fair value

The evaluation criteria in order to measure the fair value of the group’s financial instruments not designated at fair value correspond to those described in note (6) “fair value”.

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

2015

in kEUR	Acc. value	Fair value: Prices quoted in active markets (level 1)	Fair value: Evaluation method based on market data (level 2)	Fair value: Evaluation method not based on market data (level 3)	Total
ASSETS 2015 **Financial assets not evaluated on a fair value basis**					
Cash reserve	121,104	121,104	0	0	121,104
Receivables from credit institutions after risk provision	100,856	0	0	98,932	98,932
Receivables from resolution unit of former credit institution after risk provision	62,964	0	0	62,964	62,964
Receivables from clients after risk provision	4,863,871	0	0	4,714,964	4,714,964
Financial assets - HTM	76,632	74,555	4,006	0	78,561
Financial assets - L&R	4,753	0	4,613	0	4,613
LIABILITIES 2015 **Financial assets not evaluated on a fair value basis**					
Liabilities to credit institutions	619,669	0	608,246	0	608,246
Liabilities to clients	2,256,505	0	2,285,726	55,172	2,340,898
Liabilities evidenced by certificate	1,112,690	261,690	841,501	0	1,103,191
Subordinate and supplementary capital	102,670	0	93,488	0	93,488

2014

in kEUR					
ASSETS 2014 **Financial assets not evaluated on a fair value basis**					
Cash reserve	105,918	105,918	0	0	105,918
Receivables from credit institutions after risk provision	309,478	0	0	311,956	311,956
Receivables from resolution unit of former credit institution after risk provision	0	0	0	0	0
Receivables from clients after risk provision	4,899,222	0	0	4,824,402	4,824,402
Financial assets - HTM	150,124	153,785	0	0	153,785
Financial assets - L&R	7,174	0	7,587	0	7,587
LIABILITIES 2014 **Financial assets not evaluated on a fair value basis**					
Liabilities to credit institutions	470,265	0	457,451	0	457,451
Liabilities to clients	1,989,457	0	2,119,690	52,218	2,171,908
Liabilities evidenced by certificate	1,247,149	262,080	1,023,581	0	1,285,661
Subordinate and supplementary capital	99,371	0	87,675	0	87,675

(84) Maximum Default Risk

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

2015	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
in kEUR				
Receivables from credit institutions	**100,856**	**0**	**0**	**100,856**
Receivables from resolution unit former credit institution after risk provision	**62,964**	**0**	**0**	**62,964**
Receivables from clients	**5,291,616**	**0**	**0**	**5,291,616**
– at cost	4,863,871	0	0	4,863,871
– at fair value	427,745	0	0	427,745
Hedging instruments	**0**	**4,094**	**0**	**4,094**
Trading assets	**0**	**213,766**	**594**	**214,360**
– for trading purposes	0	0	594	594
– derivatives	0	213,766	0	213,766
Financial assets	**0**	**1,380,053**	**99,176**	**1,479,229**
– designated at fair value	0	735,566	0	735,566
– AFS	0	563,102	99,176	662,278
– HTM	0	76,632	0	76,632
– Loans & Receivables	0	4,753	0	4,753

2014

in kEUR				
Receivables from credit institutions	**309,478**	**0**	**0**	**309,478**
Receivables from resolution unit former credit institution	**0**	**0**	**0**	**0**
Receivables from clients	**5,367,177**	**0**	**0**	**5,367,177**
– at cost	4,899,222	0	0	4,899,222
– at fair value	467,955	0	0	467,955
Hedging instruments	**0**	**1,458**	**0**	**1,458**
Trading assets	**0**	**318,640**	**703**	**319,343**
– for trading purposes	0	0	703	703
– derivatives	0	318,640	0	318,640
Financial assets	**0**	**1,811,465**	**100,508**	**1,911,972**
– designated at fair value	0	913,789	0	913,789
– AFS	0	740,378	100,508	840,885
– HTM	0	150,124	0	150,124
– Loans & Receivables	0	7,174	0	7,174

At the balance sheet date, the maximum default risk from loan commitments and financial guarantees amounted to kEUR 1,016,272 (2014: kEUR 890,543).

Risks are reduced, especially by demanding collateral, mainly by way of mortgages, guarantees and other as-sets.

Creditable collaterals – evaluated in accordance with supervisory standards - reduce the default to the following extent:

in kEUR	2015	2014
Receivables from clients	3,280,536	2,846,131
– at cost	3,280,536	2,846,131
Derivatives	78,670	102,890

(85) Specifications Regarding the Balancing of Derivative Financial Instruments

According to IFRS 7 the effects of balancing derivative financial instruments with netting agreements are illustrat-ed as follows. The corporate group points out that framework-agreements were established with all contracting parties with whom derivative financial instruments were concluded and that no balancing prohibition was agreed. At the evaluation date, balanced asset amounted to kEUR 65,127 (2014: kEUR 86,299) and balanced liabilities amounted to kEUR 42,352 (2014: kEUR 39,179).

Balancing derivative financial instruments – assets/liabilities 2015

2015 in kEUR	Financial assets (gross)	Added balanced amounts (gross)	Balanced financial assets (net)	Effects from netting agreements not balanced	Collateral in form of financial instruments	Net amount
Assets						
Derivative financial instruments	163,745	0	163,745	-98,618	-60,586	**4,541**
Liabilities						
Derivative financial instruments	140,970	0	140,970	-98,618	-34,085	**8,267**
2014						
Assets						
Derivative financial instruments	243,130	0	243,130	-156,831	-78,132	**8,167**
Liabilities						
Derivative financial instruments	196,010	0	196,010	-156,831	-33,160	**6,019**

The liabilities regarding derivative financial instruments as illustrated above are composed of the balance sheet items “negative market values from derivative financial instruments” and “negative market values from derivative hedging instruments”.

(86) Specifications Regarding Associated Individuals and Companies

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

- The Managing Board and the Supervisory Board of HYPO TIROL BANK AG and their immediate families
- Directors of consolidated subsidiaries and their immediate families
- Legal representatives and members of the supervisory boards of the main shareholders
- Subsidiaries and other companies, in which HYPO TIROL BANK AG holds an interest,
- The province of the Tyrol, respectively the "Landes-Hypothekenbank Tirol Anteilsverwaltung".

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

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

HYPO TIROL BANK AG acts as service provider on behalf of the Province of the Tyrol and manages the residen-tial 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 cannot be rec-orded 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 249 (2014: kEUR 310) at the balance sheet date. This change entirely refers to re-demptions, 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 855 (2014: kEUR 680). Severance payments for active Managing Board members amounted to kEUR 323. The active remunerations entirely refer to the current remunerations and thus, are classified as short term due performance cost. Managing Board members are not entitled to other categories of remuneration in accord-ance with IAS 24.17.

In the reporting year, the bank's pension-scheme expenses for former Managing Board members and their survi-vors, less payments in accordance with the General Social Insurance ACT amounted to kEUR 265 (2014: kEUR 813).

The remunerations for Supervisory Board members in the fiscal year 2014 amounted to kEUR 95 (2014: kEUR 58).

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

Outstanding balances and the volume of business relations with associated companies in the past fiscal year are illustrated in the following charts.

Receivables from clients

	Participating interest		Related Parties	
in kEUR	**2015**	**2014**	**2015**	**2014**
As at 01.01.	91,484	113,851	243,418	293,315
Loans granted during the year	0	0	0	0
Redemptions from receivables from loans	-30,202	-147,896	-27	-10,000
Balance: redemptions, interest charges and exchange rate fluctuations of current loans	-3,788	125,529	-39,146	-39,897
As at 31.12.	**57,494**	**91,484**	**204,245**	**243,418**
Other loan risk transactions				
Assumptions of liability	667	1,468	0	0

For outstanding balances with associated individuals as at 31 December 2015 hedging instruments in the amount of kEUR 191,510 (2014: kEUR 230,294*). Advances were not granted

Financial assets – designated at Fair Value

	Related Parties	
in kEUR	**2015**	**2014**
As at 01.01.	5,001	6,097
Redemptions	-1,236	-1,096
As at 31.12.	**3,765**	**5,001**

Liabilities to clients

in kEUR	Participating interest 2015	Participating interest 2014	Related Parties 2015	Related Parties 2014
As at 01.01.	13,078	14,013	254,326	165,155
New assumptions	0	0	6,366	61
Redemptions	-3,538	-40	-80	-636
Balance: redemptions, interest charges and exchange rate fluctuations of current liabilities	2,948	-895	104,995	89,746
As at 31.12.	**12,488**	**13,078**	**365,607**	**254,326**

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

(87) Assets Received as Collaterals

in kEUR	2015	2014
Actuarial reserve funds for debentures and communal debt securities	2,823,393	2,744,489
Financial assets	455,653	247,564
Assets received as collaterals	**3,279,046**	**2,992,053**

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

(88) Segmental Report

The corporate group's segmental report established by HYPO TIROL BANK AG comprises the following sections.

Private clients in the Tyrol
This segment covers the results from transactions in the sectors private clients and private banking and liberal professions in the Tyrolean core market. In addition, it includes results from custo-mer relations with corporate and public sector clients, provided that they are carried out in the branch offices.

Corporate and key account clients in the Tyrol
This segment illustrates the results from businesses with corpo-rate and key account clients in the Tyrolean core market as well as the results from the financing portfolio in Germany, which is to be reduced. Furthermore, this segment includes insurance busines-ses and business relations with public sector clients.

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 lia-bilities, derivatives and issue businesses. In addi-tion, it covers business relations with institutional clients and fund management operations. As far as the fiscal year 2015 is concerned, the results from financial assets included impairment amounting to kEUR 960 (2014: kEUR 1,438). For detailed information regarding the geographical composition of the securities stock please see note (93).

Leasing and Real Estate
In this segment, subsidiaries acting in the leasing sector are described. Furthermore, activities in the field of real estate and participating interest management are presented, as well as results from associated companies, which are balanced according to the equity method.

Corporate Centre
This segment illustrates income and expenses that cannot be clas-sified elsewhere as well as consolidation items for eliminating the corporate group's internal profits and expenses. Internal support unit expenses are assigned to the profit generating segments via appropriate distribution keys.

Administration expenses included depreciation on owner-occup-ied assets in the amount of kEUR 660 (2014: kEUR 2,420). Tax on income and profit in 2015 amounted to kEUR -9,372 (2014: kEUR -7,267).

In compliance with the management approach, the disclosed segments correspond to the business sectors in accordance with the internal profit and loss account.

In the consolidated profit and loss account, trading result, result from hedging instruments and result from finan-cial instruments – designated at fair value through profit or loss are illustrated separately. In the segmental report these items are all illustrated under "trading result".

Due to the altered illustration of the profit and loss account in compliance with IAS 1.41 (see explanations sec-tion I "profit and loss account") the group also adapted the illustration of the segmental report on retrospective basis. The result from changes in own credit risk has been shown separately and not in trading results as it was basically done. The item is shown in the segment corporate centre.

Report by business type

2015	Private clients Tyrol	Corporate key account Tyrol	Vienna	Italy	Treasury	Leasing and real estate	Corporate Center	Total segments
in kEUR								
Net interest income	26,263	29,753	5,105	9,559	14,164	7,970	3,480	**96,294**
Loan risk provision	-3,914	-6,559	179	-14,844	0	667	0	**-24,471**
Net commission income	17,158	7,146	1,312	2,270	326	-455	-777	**26,980**
Trading result	0	0	0	465	2,513	0	0	**2,978**
Result from other financial instruments	0	0	0	0	5,021	154	0	**5,175**
Administration expenses	-36,675	-16,084	-3,283	-12,560	-9,291	-4,329	2,661	**-79,561**
Other income	2,158	70	0	2,439	0	16,192	6,991	**27,850**
Other expenses	-285	-83	0	-5,901	0	-14,858	-12,374	**-33,501**
Result from associated companies	0	0	0	0	0	-803	0	**-803**
Operative result prior to change in own credit risk	**4,705**	**14,243**	**3,313**	**-18,572**	**12,733**	**4,538**	**-19**	**20,941**
Result from change in own credit risk							45,246	**45,246**
Result before taxation	**4,705**	**14,243**	**3,313**	**-18,572**	**12,733**	**4,538**	**45,227**	**66,187**
Segmental assets	1,245,778	2,347,348	319,479	776,208	1,923,524	603,972	285,007	**7,501,318**
Segmental debts and equity capital	1,414,962	841,810	121,793	123,332	4,679,237	95,552	224,631	**7,501,318**
Risk-adjusted assets	747,853	1,475,588	202,255	597,945	294,453	455,356	156,524	**3,929,976**

2014 adapted	Private clients Tyrol	Corporate key account Tyrol	Vienna	Italy	Treasury	Leasing and real estate	Corporate Center	Total segments
in kEUR								
Net interest income	23,007	29,360	5,360	12,251	19,430	7,986	2,031	**99,425**
Loan risk provision	-654	3,473	-2,498	-17,101	0	-197	-36,750	**-53,727**
Net commission income	16,797	6,223	1,080	2,444	269	-507	-734	**25,572**
Trading result	0	0	0	463	-5,189	0	16,193	**11,467**
Result from other financial instruments	0	0	0	0	-812	52	0	**-760**
Administration expenses	-36,432	-15,520	-3,461	-12,975	-7,452	-4,654	-950	**-81,444**
Other income	2,251	0	0	3,737	0	17,210	-163	**23,035**
Other expenses	-258	-72	0	-3,169	0	-14,612	-7,940	**-26,051**
Result from associated companies	0	0	0	0	0	378	0	**378**
Operative result prior to change in own credit risk	**4,711**	**23,464**	**481**	**-14,350**	**6,246**	**5,656**	**-28,313**	**-2,105**
Result from change in own credit risk							-16,380	**-16,380**
Result before taxation	**4,711**	**23,464**	**481**	**-14,350**	**6,246**	**5,656**	**-44,693**	**-18,485**
Segmental assets	1,342,274	2,494,463	310,126	833,953	2,650,732	549,371	74,010	**8,254,930**
Segmental debts and equity capital	1,358,161	785,288	114,372	116,245	5,544,160	90,223	246,481	**8,254,930**
Risk-adjusted assets	741,837	1,442,290	201,278	648,435	436,649	494,610	189,770	**4,154,870**

Illustration of report by business type prior to adaptations in compliance with IAS 1.41:

2014 prior to adaptation

in kEUR	Private clients Tyrol	Corporate key account Tyrol	Vienna	Italy	Treasury	Leasing and real estate	Corporate Center	Total segments
Net interest income	23,007	29,360	5,360	12,251	19,430	7,986	2,031	**99,425**
Loan risk provision	-654	3,473	-2,498	-17,101	0	-197	-36,750	**-53,727**
Net commission income	16,797	6,223	1,080	2,444	269	-507	-734	**25,572**
Trading result	0	0	0	463	-5,189	0	-187	**-4,913**
Result from other financial instruments	0	0	0	0	-812	52	0	**-760**
Administration expenses	-36,432	-15,520	-3,461	-12,975	-7,452	-4,654	-950	**-81,444**
Other income	2,251	0	0	3,737	0	17,210	-163	**23,035**
Other expenses	-258	-72	0	-3,169	0	-14,612	-7,940	**-26,051**
Result from associated companies	0	0	0	0	0	378	0	**378**
Result before taxation	**4,711**	**23,464**	**481**	**-14,350**	**6,246**	**5,656**	**-44,693**	**-18,485**
Segmental assets	1,342,274	2,494,463	310,126	833,953	2,650,732	549,371	74,010	**8,254,930**
Segmental debts and equity capital	1,358,161	785,288	114,372	116,245	5,544,160	90,223	246,481	**8,254,930**
Risk-adjusted assets	741,837	1,442,290	201,278	648,435	436,649	494,610	189,770	**4,154,870**

Report by Regions

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

2015

in kEUR	Austria	Italy	Corporate Center	Total segments
Net interest income	83,255	9,559	3,480	96,294
Loan risk provision	-9,627	-14,844	0	-24,471
Net commission income	25,487	2,270	-777	26,980
Trading result	2,513	465	0	2,978
Result from other financial instruments	5,175	0	0	5,175
Administration expenses	-69,662	-12,560	2,661	-79,561
Other income	18,420	2,439	6,991	27,850
Other expenses	-15,226	-5,901	-12,374	-33,501
Result from associated companies	-803	0	0	-803
Operative result prior to change in own credit risk	**39,532**	**-18,572**	**-19**	**20,941**
Result from change in own credit risk			45,246	45,246
Result before taxation	**39,532**	**-18,572**	**45,227**	**66,187**

2014 adapted

in kEUR	Austria	Italy	Corporate Center	Total segments
Net interest income	85,143	12,251	2,031	99,425
Loan risk provision	124	-17,101	-36,750	-53,727
Net commission income	23,862	2,444	-734	25,572
Trading result	-5,189	463	16,193	11,467
Result from other financial instruments	-760	0	0	-760
Administration expenses	-67,519	-12,975	-950	-81,444
Other income	19,461	3,737	-163	23,035
Other expenses	-14,942	-3,169	-7,940	-26,051
Result from associated companies	378	0	0	378
Operative result prior to change in own credit risk	**40,558**	**-14,350**	**-28,313**	**-2,105**
Result from change in own credit risk			-16,380	-16,380
Result before taxation	**40,558**	**-14,350**	**-44,693**	**-18,485**

Illustration of report by region prior to adaptation in compliance with IAS 1.41:

in kEUR	Austria	Italy	Corporate Center	Total segments
Net interest income	85,143	12,251	2,031	99,425
Loan risk provision	124	-17,101	-36,750	-53,727
Net commission income	23,862	2,444	-734	25,572
Trading result	-5,189	463	-187	-4,913
Result from other financial instruments	-760	0	0	-760
Administration expenses	-67,519	-12,975	-950	-81,444
Other income	19,461	3,737	-163	23,035
Other expenses	-14,942	-3,169	-7,940	-26,051
Result from associated companies	378	0	0	378
Result before taxation	**40,558**	**-14,350**	**-44,693**	**-18,485**

(89) Foreign Currency Volume and Foreign Countries Involved

in kEUR	EUR	USD	CHF	JPY	Others	Total
Assets 2015						
Cash reserves	120,127	308	432	14	223	121,104
Receivables from credit institutions	60,795	16,229	16,755	2,384	4,693	100,856
Risk provision for receivables from credit institution	0	0	0	0	0	0
Receivables from resolution unit former credit institution	78,205	0	5,747	0	0	83,952
Risk provision for receivables from resolution unit former credit institution	-19,551	0	-1,437	0	0	-20,988
Receivables from clients	4,957,657	4,442	536,742	27,384	100	5,526,325
Risk provision for receivables from clients	-232,264	-1	-2,195	-249	0	-234,709
Positive market values from derivative hedging instruments	4,094	0	0	0	0	4,094
Trading assets and derivatives	185,326	4,895	17,658	6,445	36	214,360
Financial assets						
– designated at fair value	711,274	9,161	15,131	0	0	735,566
– AFS	656,523	5,156	178	0	421	662,278
– HTM	76,632	0	0	0	0	76,632
– L&R	3,446	0	0	0	1,307	4,753
Shares in associated companies	9,777	0	0	0	0	9,777
Investment properties	88,540	0	0	0	0	88,540
Intangible assets	1,441	0	0	0	0	1,441
Tangible assets	68,737	0	0	0	0	68,737
Other assets	15,501	0	0	0	0	15,501
Non-current assets and disposal groups held for sale	35,678	0	0	0	0	35,678
Deferred tax assets	7,421	0	0	0	0	7,421
Total assets	**6,829,359**	**40,190**	**589,011**	**35,978**	**6,780**	**7,501,318**
Liabilities and equity capital 2014						
Liabilities to credit institutions	549,292	286	59,521	2,671	7,899	619,669
Liabilities to clients	2,827,266	17,619	2,853	45,818	5,205	2,898,761
Liabilities evidenced by certificate	1,112,690	0	0	0	0	1,112,690
Negative market values from derivative hedging instruments	11,593	0	0	0	0	11,593
Derivatives	147,663	3,767	3,770	119	202	155,521
Financial liabilities						
– designated at fair value	1,426,619	46,853	260,258	178,061	0	1,911,791
Provisions	59,957	0	0	0	0	59,957
Other liabilities	67,354	0	0	0	0	67,354
Liabilities in disposal groups held for sale	2,168	0	0	0	0	2,168
Current income tax obligations	1,153	0	0	0	0	1,153
Deferred tax obligations	1,391	0	0	0	0	1,391
Subordinate and supplementary capital	102,670	0	0	0	0	102,670
Equity capital	556,600	0	0	0	0	556,600
Total liabilities and equity capital	**6,866,416**	**68,525**	**326,402**	**226,669**	**13,306**	**7,501,318**

in kEUR	EUR	USD	CHF	JPY	Others	Total
Assets 2014						
Cash reserves	105,225	248	246	7	192	105,918
Receivables from credit institutions	130,357	47,795	119,374	7,091	4,861	309,478
Risk provision for receivables from credit institution	0	0	0	0	0	0
Receivables from resolution unit former credit institution	0	0	0	0	0	0
Risk provision for receivables from resolution unit former credit institution	0	0	0	0	0	0
Receivables from clients	5,037,643	488	641,186	28,844	105	5,708,266
Risk provision for receivables from clients	-337,139	-1	-3,537	-412	0	-341,089
Positive market values from derivative hedging instruments	1,458	0	0	0	0	1,458
Trading assets and derivatives	271,960	7,485	32,491	7,294	113	319,343
Financial assets						
– designated at fair value	879,662	8,336	25,791	0	0	913,789
– AFS	836,133	4,102	206	0	444	840,885
– HTM	150,124	0	0	0	0	150,124
– L&R	5,432	1,742	0	0	0	7,174
Shares in associated companies	11,068	0	0	0	0	11,068
Investment properties	110,160	0	0	0	0	110,160
Intangible assets	1,479	0	0	0	0	1,479
Tangible assets	72,913	0	0	0	0	72,913
Other assets	22,572	0	0	0	0	22,572
Non-current assets and disposal groups held for sale	5,937	0	0	0	0	5,937
Deferred tax assets	15,455	0	0	0	0	15,455
Total assets	**7,320,439**	**70,195**	**815,757**	**42,824**	**5,715**	**8,254,930**
Liabilities and equity capital 2014						
Liabilities to credit institutions	369,955	4,133	88,495	0	7,682	470,265
Liabilities to clients	2,745,954	15,080	2,951	42,988	4,597	2,811,570
Liabilities evidenced by certificate	1,247,149	0	0	0	0	1,247,149
Negative market values from derivative hedging instruments	19,688	0	0	0	0	19,688
Derivatives	201,348	4,447	3,526	235	4	209,560
Financial liabilities						
– designated at fair value	1,970,990	43,968	538,506	186,838	0	2,740,302
Provisions	78,021	0	0	0	0	78,021
Other liabilities	71,233	0	0	0	0	71,233
Liabilities in disposal groups held for sale	0	0	0	0	0	0
Current income tax obligations	3,303	0	0	0	0	3,303
Deferred tax obligations	2,084	0	0	0	0	2,084
Subordinate and supplementary capital	99,371	0	0	0	0	99,371
Equity capital	502,384	0	0	0	0	502,384
Total liabilities and equity capital	**7,311,480**	**67,628**	**633,478**	**230,061**	**12,283**	**8,254,930**

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

The result from currency translation amounted to a total of kEUR 6,065 (2014: kEUR 187). In the profit or loss for the period kEUR 5,548 (2014: kEUR -214) were recorded and in kEUR 517 (2014: kEUR 401) in other income. The accumulative balance in equity capital accounted for kEUR 853 (2014: kEUR 472).

On 31 December 2015, the total of open foreign currency positions amounted to kEUR 3,954 (2014: kEUR 4,293).

in kEUR	2015	2014
Foreign assets	1,759,734	2,229,713
Foreign liabilities	2,362,993	3,210,711

(90) Subordinate Assets

in kEUR	2015	2014
Receivables from credit institutions	0	0
Debt securities	0	240
Subordinate assets	**0**	**240**

(91) Trust Transactions

Trust assets

in kEUR	2015	2014
Receivables from clients	16,462	9,405
Trust assets	**16,462**	**9,405**

Trust liabilities

in kEUR	2015	2014
Liabilities to credit institutions	16,462	9,402
Liabilities to clients	0	3
Trust liabilities	**16,462**	**9,405**

The designated trust transaction 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 accordance with economical perspectives.

(92) Contingent Liabilities and Loan Risks

Contingent liabilities

in kEUR	2015	2014
Liabilities from debt guarantees	49,800	42,914
Other contingent liabilities	38,089	40,364
Contingent liabilities	**87,889**	**83,278**

Contingent liabilities by maturity

in kEUR	2015	2014
Up to 3 months	827	918
3 months to 1 year	69,342	3,512
1 year to 5 years	14,885	12,784
More than 5 years	2,835	66,064
Contingent liabilities	**87,889**	**83,278**

Loan risks pursuant to article 51 section 14 Banking Act

in kEUR	2015	2014
Other loan risks	1,016,272	890,543
Loan risks	**1,016,272**	**890,543**

Loan risks by maturity

in kEUR	2015	2014
3 months to 1 year	532,162	519,096
1 year to 5 years	484,110	371,447
Loan risks	**1,016,272**	**890,543**

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

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

- Liabilities resulting from the mandatory membership of the deposit protection company "Hypo-Haftungs-Gesellschaft m.b.H. "according to Deposit Insurance Act, article 8.

Pursuant to Deposit Insurance Act article 8, section 1, HYPO TIROL BANK AG as CRR institution headquartered in Austria belongs to the insurance institution in compliance with Deposit Insurance Act article 1, no 1t. Due to transitional provisions in relation to Deposit insurance Act, article 59, no. 3, Hypo-Haftungs-GmbH – member of the professional association of the regional mortgage banks – will act as insurance institution until 31 December 2018. Each insurance institution shall establish a deposit insurance fund comprising available financial means in the amount of at least 0.8% of the total of all covered deposits made by the member institutions. The member-ship contribution corresponds to the amount of all covered deposits based on pre-arranged risk factors (risk-based contribution calculation). As far as the fiscal year 2015 was concerned, half of the contribution was to be paid due to the commencement of the Deposit Insurance Act on 14 August 2015. Thus, the contribution of HY-PO TIROL BANK AG amounted to kEUR 428, in case financial means are not sufficiently available in order to cover claims. Hypo-Haftungs-GmbH shall be liable to levy special contributions from its member institutions. In compliance with Deposit Insurance Act article 22 (1), such special contributions may amount to an annual maxi-mum of 0.5% of all covered deposits.

On 1 January 2019 the task of sectoral insurance institutions will be passed on to insurance institution, which will have to be established by the Austrian Chamber of Commerce. In addition, the tasks of the insurance institution of the professional association of credit institutions will also be transferred.

– Liability in relation to liabilities of the "Mortgage Bond Division of the Austrian Regional Mortgage Banks"

HYPO TIROL BANK AG shall be liable as a member institution of the Mortgage Bond Division of the Austrian regional mortgage banks in compliance with the Mortgage Bond Division Act, article 2, section 1 jointly with all other member institutions for all liabilities of the Mortgage Bond Division. Such liability applies equally to all other member institutions and their universal succession as stated in article 1, section 2 of the articles of association of the Mortgage Bond Division. Regarding liabilities of the Mortgage Bond Division, which accrued before 2 April 2003 or after 2 April 2003 until 1 April 2007 with a term not exceeding 30 September 2017, the guarantors of the member institutions shall also be liable jointly in accordance with the Mortgage Bond Division Act article 2, section 2 (respective province). Pursuant to the auditor's report of the Mortgage Bond Division the liabilities of the guarantors at the balance sheet date accounted for kEUR 3,343,912 (2014: kEUR 5,538,652).This corresponds ap-proximately to the total sum of liabilities of the Mortgage Bond Division until 31 December 2015. In consideration of financial means borrowed by the Mortgage Bond Division and forwarded to HYPO TIROL BANK AG in the amount of kEUR 118,601 (2014: kEUR 149,525) which were evaluated according to IFRS, the result to be rec-orded in compliance with the Austrian Company Code article 237 Z 8a accounted for kEUR 3,225,311 (2014: kEUR 5,389,127). It shall be stated that on 15 January 2015, all business operations carried out the Mortgage Bond Division were transferred to Pfandbriefbank (Österreich) AG on a retrospective basis (key date 31 Decem-ber 2013). Pfandbriefstelle is the sole shareholder of Pfandbriefbank (Österreich) AG.

In accordance with the Federal Act on the Recovery and Resolution of Banks (BaSAG; Bundesgesetz über die Sanierung und Abwicklung von Banken) article 3 section 1, FMA in its role as national resolution authority or-dered resolution of HETA ASSET RESOLUTION AG (former Hypo Alpe Adria Bank International AG) and im-posed a moratorium on its debts on 1 March 2015. Consequently all debt instruments issued by HETA ASSET RESOLUTION AG and all other liabilities including the dates when interests are to be paid shall be amended in compliance with the Federal Act on the Recovery and Resolution of banks article 58, section 1, no. 10 and thus, payment shall be suspended until 31 May 2016, with the exception of liabilities which are not admissible in compliance with article 86, section 2. Hence HETA ASSET RESOLUTION AG shall not pay for any claims against the Pfandbriefstelle accounting for kEUR 1,238,167, of which kEUR 796,930 fall due at the end of May 2016.

In line with the above mentioned liability obligation towards the Mortgage Bond Division of the Austrian regional mortgage banks, the remaining member institutions and the guarantors of the banks shall be liable for ensuring the liquidity of the Mortgage Bond Division.

For further details regarding debenture bonds and promissory note bonds issued by the mortgage bon bank the group refers to section VII participating interest IFRS 12.24 data regarding shares in non-consolidated structured companies.

(93) Structuring of Financial Instruments According to Issuing Country

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

	Available for Sale		Loans & Receivables		Held to Maturity	
in kEUR	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Austria	217,378	245,858	0	0	17,236	29,680
Germany	99,288	160,400	0	0	0	29,992
Italy	0	1,500	603	812	0	1,217
Spain	0	12,078	1,337	2,357	12,998	12,958
Netherlands	27,207	42,121	1,018	1,109	10,998	11,996
Great Britain	20,523	24,058	1,692	2,185	0	12,994
France	12,961	21,829	0	288	9,994	9,989
Finland	20,076	23,869	0	0	0	10,000
Ireland	5,901	4,861	99	124	0	0
Portugal	0	3,002	0	0	0	0
Sweden	32,497	33,295	0	0	0	0
Remaining EU countries	73,509	97,405	0	70	15,891	20,811
Remaining European countries	24,295	32,291	0	217	0	0
Outside Europe	53,688	59,153	0	0	8,001	8,000
Total accounting value	**587,323**	**761,720**	**4,749**	**7,162**	**75,118**	**147,637**

(94) Genuine Repos

The accounting value of retired securities designated in the balance sheet item “financial assets – held to maturi-ty and “financial assets – designated at fair value” amounted to kEUR 172,932 (2014: kEUR 83,167). The inflow of liquidity from such repos is shown in “liabilities to credit institutions” and amounted to kEUR 159,068 (2014: kEUR 100,264).

(95) Personnel

Full-time equivalent

	2015	2014
Full-time employees	400	457
Part-time employees	101	98
Apprentices	12	11
Employees	**513**	**566**

(96) Events that Occurred after the Balance Sheet Date

HETA ASSET RESOLUTION AG

In 2014 Hypo Alpe Adria Bank International AG was transferred into HETA ASSET RESOLUTION AG. On 1 March 2015, the Austrialian FMA ordered resolution of HETA in accordance with the Federal Act on the Recovery and Resolution of Banks (BaSAG; Bundesgesetz über die Sanierung und Abwicklung von Banken). In the context of a payment moratorium all debt instruments issued by HETA ASSET RESOLUTION AG and all other liabilities were suspended until 31 May 2016. This also referred to liabilities of HETA to Pfandbriefbank (Österreich) AG and bonds in the amount of EUR 4.8 million, issued by HYPO TIROL BANK AG. Pursuant to company law, there is no legal connection between HYPO TIROL BANK AG and HETA.

Al Up to 2006, Pfandbriefbank as the common issuing institution of all Austrian mortgage banks marketed issues for Hypo Alpe-Adria Bank International AG (now HETA) on a fiduciary basis. According to the moratorium HETA shall not be allowed to meet its debts for the time being.

The Austrian mortgage banks and the Province of Carinthia decided to provide liquidity for the Pfandbriefbank to guarantee that all obligations can be fulfilled according to the regulations. The Pfandbriefbank is now responsible for the corresponding operative implementation. It has to manage all payment methods that are required to return provided financial means to the bondholders when due.

Regarding existing receivables from HETA – including expected available liquidity for the Pfandbrief bank – HYPO TIROL BANK AG already took appropriate measures in 2014. The managing board anticipates that the liability of the Province of Carinthia remains really and truly; therefore, bonds were evaluated according to current market prices. In the 2014 financial report reserves in the amount of kEUR 38,594 were generated in connection with the provision of liquidity. In the current financial year, no additional risk provision (specific allowance/provision) has been endowed.

In the middle of January 2016, the "Kärntner Ausgleichszahlungs-Fonds" (KAF) (compensation payment fund) offered a repurchase with a 75% rate. The offer expired on 11 March 2016. The order would only have been accepted if two third of the creditors had approved. HYPO TIROL BANK AG gave its consent in sufficient time. On 14 March 2016, the Kärntner Ausgleichszahlungs-Fond stated that the creditors had rejected the offer. Consequently, the Financial Market Authority is responsible for further procedures. HYPO TIROL BANK AG considers the precautionary measures taken in 2014 to be sufficient.

(97) Consolidated Equity Capital and Supervisory Requirements in relation to Equity Capital

For detailed information regarding capital control please see notes on financial risks and risk management (risk control p. 85).

Based on the new regulation (EU) No. 575/2013 (Capital Requirements Regulations – CRR) and the directive regarding the access to activities of credit institutions (Capital Requirements Directive 4 – CRD IV) consolidated equity capital and consolidates supervisory equity capital requirements shall be determined pursuant to IFRS, but based on the consolidation circle, commending in 2014. Within HYPO TIROL BANK AG the supervisory consolidation circle corresponds to the consolidation circle in compliance with IFRS.

Consolidated equity capital according to CRR/CRD IV

in kEUR	2015 CRR/CRD IV	2014 CRR/CRD IV
Subscribed capital	50,000	50,000
Reserves, differences, minority interests	501,953	447,737
Supervisory adjustments items acc. to art. 32 et seqq (prudential filter)	-70,479	-47,533
Intangible assets	-1,441	-1,479
Common equity capital	480,033	448,725
Additional capital	0	0
Core capital (Tier I)	**480,033**	**448,725**
Deductions due to interests acc. to art. 36 and art. 89 CRR	0	0
Accountable core capital	**480,033**	**448,725**
Capital instruments paid and subordinate loans	89,725	113,820
Supplementary equity capital, subordinate capital (tier II)	**89,725**	**113,820**
Deductions due to interests acc. to art. 66 CRR (own interests supplementary capital)	-7,627	-964
Accountable supplementary equity capital (less deductions)	**82,098**	**112,856**
Total accountable equity capital	**562,130**	**561,580**
Required equity capital	**314,398**	**332,390**
Equity capital surplus	**247,732**	**229,190**
Core capital rate in % acc. to CRR/CRD IV on the basis of total equity capital requirements	12,21%	10,80%
Equity capital rate in % acc. to CRR/CRD IV on the basis of total equity capital requirements	14,30%	13,52%

Equity capital requirements according to CRR/CRD IV

Categories of receivables	Risk adjusted assets	Equity capital requirements CRR/CRD IV	Equity capital requirements CRR/CRD IV
in kEUR		**2015**	**2014**
Receivables from central states	23,210	1,857	3,456
Receivables from regional administrative bodies	15,632	1,251	822
Receivables from public institutions	1,027	82	1,513
High risk receivables	19,063	1,525	2,517
Receivables from institutions	103,788	8,303	15,628
Receivables from companies	1,323,722	105,898	111,882
Retail-receivables	307,749	24,620	25,404
Receivables secured by real estate	985,182	78,815	77,841
Overdue receivables	387,129	30,970	33,387
Receivables in terms of covered debt securities	36,284	2,903	5,638
Securitisation items	3,080	246	755
Receivables in terms of investment fund shares	24,077	1,926	1,891
Participations	45,979	3,678	897
Other items	401,043	32,083	29,825
Risk adjusted assets	**3,676,965**	**294,157**	**311,456**
Equity capital requirements for operational risk		18,620	19,918
CVA-Charge		1,621	1,016
Total equity capital requirements		**314,398**	**332,390**

Financial Risks and Risk Management

Risk Management

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 reporting process and risk evaluation methods are continuously developed and data quality is steadily im-proved.

Principles and Organisation

The principles define all central rules regarding risk management within Hypo Tirol Bank. They serve as the basis for risk adequate risk management and shall be understood as a vital tool to safeguard the entire control process within the bank.

The principles are established by the Board and revised on an annual basis and adapted if appropriate.

Safeguarding capital adequacy, liquidity adequacy as well as integrated risk control in the baking process

Risk control and ICAAP are orientated towards both, ordinary going-concern and liquidation approach. Both ap-proaches (with a defined risk appetite and risk tolerance and resulting limits) form an integrated component of strategic company control. The safeguarding of current and future short and long term solvency (ILAAP) is also integrated in the entire risk control. In the context of the risk committee, the Board provides information about the current development regarding both subjects.

Principle of caution

HYPO TIROL BANK AG is only engaged in business sectors in which it has appropriate experience in order to evaluate specific risks. Apart from that it only enters into businesses which can be evaluated and managed in the respective core systems. This applies in particular to risks which might result from new business sectors or new product. Such risks are assessed on the basis of systematic product analysation processes.
Credit risk, measured on the basis of economic capital commitment, represents the largest risk within Hypo Tirol Bank. Taking this fact into account, explicit and risk specific principles for this risk type have been defined and stipulated in the context of credit risk principles. These credit risk principles serve as control tool in order to make specific decisions for single loans and has been included as fix component in the decision making process.

Profitability

Due to the current economic situation and the difficult macroeconomic environment the acquisition of new clients takes a back seat and risk orientation as well as profit orientation is given top priority.

Avoiding collision of interests

Risk management within Hypo Tirol Bank is organised in such a manner that any collision of interests is avoided on both, personal and organisational level.

Proportionality and essentiality

Within the bank an active risk management system is carried out. Risk management is arranged by a defined process, which safeguards the identification, evaluation, control and monitoring of risks in the course of a contin-uous process.
Regarding the appropriateness of processes, systems and methods, Hypo Tirol Bank follows the principles of proportionality. In terms of substantial risks, the “best practice principle” is applied. As far as the employment of risk management instruments is concerned, the bank aims at finding combined solutions. Specific instruments are only develops if the cost-benefit analysis favours such development.

Risk culture and strategic risk alignment

The strategic alignment, which includes further strengthening of risk awareness and consequently consistent risk reduction, will further be followed. This approach comprises the continuous improvement of risk management and the safeguarding of vocational education and training of employees in the context of a continuous development process. All employees are obligated to follow the risk management principles established by the Board. They shall be understood as guidelines in order to make decisions.

Stress testing - an essential component of risk management

Stress tests are carried out to fulfil supervisory requirements, such as the Regulation on Credit Institution
Risk Management (Kreditinstitute-Risikomanagementverordnung (KI-RMV)) article 3 (8) or CRR article 177.
Stress test or reverse stress test are used to detect essential risks that are particularly considered existence-threatening. The following stress tests are applied: bank stress test, concentration of large engagements, plus-200 base points of interest rate shock, reverse stress test regarding the fall of real estate prices, foreign currency development and name stress. All detected risks are limited via risk limits or risk indicators and monitored.

Data and IT systems – a substantial aspect in relation to risk management

A complete and quality assured data base forms the foundation of appropriate risk management. In this respect, data quality management within Hypo Tirol Bank is further developed on a continuous basis. For instance, in IT project was established which consistently illustrates the flow of data. Consequently further automation possibili-ties are identified, provided with a time schedule and finally implemented.

New products/markets process

A comprehensive evaluation of new products/new markets is carried out via systematic processes based on the Lotus-Notes-Workflow. In the context of risk evaluation the dependency in the core systems, the impact on risk capability and the effects on liquidity risk are evaluated by the strategic risk management department.

Risk control

Every year, a risk strategy is prepared by the Managing Board and the strategic risk management department. This risk strategy aims at safeguarding capital and liquidity adequacy and thus fulfilling supervisory requirements. Furthermore it shall ensure long term success for the company. For that reason, a complete risk strategy of de-fine risk appetite and corresponding risk limits and risk indicators that serve as control tools are integrated into strategic company management.

Pre-control

Pre-control is the process in which limits on the level of single risk types and limits on the level of singe organisa-tional units derive from planning processes and from defined risk appetite.

Monitoring

In order to monitor quantifiably risks, a monthly target-performance-comparison of defined limits and risk indica-tors is carried out. In this context, limit capacity is assessed in accordance with the defined traffic light system. The respective capacity is documented by the strategic risk management department in a monthly established limit report and published in the management information system (MIS).
Not or hardly qualifiable risks are monitored via stress tests, scenario analysations, reverse stress tests and bank stress test. The results are summarised and reported to the Managing Board, the Supervisory Board, the Risk Committee and the members of the Risk Committee.

In the event that an indicator of the Federal Act on the Recovery and Resolution of Banks (BaSAG) or liquidity risk management (ILAP is detected, measures shall be taken in compliance with the respectively determined es-calation scheme.

Post-Control

On the basis of established reports, measures are defined and implemented in order to actively control risk posi-tions.

Indicators in compliance with the Federal Act on the Recovery and Resolution of Banks are in integrated compo-nent of post-control, which is carried out on the basis of measures defined in the scenario scheme.

Risk capacity

In order to calculate economical capital from the Gone-Concern-View (liquidity view) a risk value is determined with a confidence rate of 95% to 99.9% for each type of risk and for a term of one year (details are described in the following). This allows comparison and aggregation of single risk types. The comparison of risk numbers with the risk cover provides information whether the bank is capable of bearing risks.
Moreover, the Managing Board adjusts the upper loss limit for assuming all typical business risks by limiting it to the risk coverage assets.

Going Concern View

Economic capital in kEUR	31.12,2015	In %	31.12,2014	In %
Credit risk[1]	44,149	20.2 %	45,008	25.2 %
Market risk[2]	30,347	13.9 %	21,100	11.8 %
Liquidity risk[3]	17,069	7.8 %	10,215	5.7 %
Macro-economic risk[4]	4,578	2.1 %	6,631	3.7 %
Operational risk	9,911	4.5 %	12,285	6.9 %
Risk from other assets	10,903	5.0 %	7,837	4.4 %
Real estate and participation risk	3,815	1.7 %	4,943	2.8 %
Risk buffer for non-evaluated risks and model weaknesses[5]	6,039	2.8 %	5,401	3.0 %
Total economic risk	**126,809**	**58.1 %**	**113,419**	**63.5 %**
Risk cover[6]	**218,442**	**100.0 %**	**178,534**	**100.0 %**
Coverage capital	**91,633**	**41.9 %**	**65,115**	**36.5 %**

Liquidation view

Economic capital in kEUR	31.12.2015	In %	31.12.2014	In %
Credit risk[1]	194,616	36.0 %	197,415	37.0 %
Market risk[2]	86,344	16.0 %	28,192	5.3 %
Liquidity risk[3]	32,292	6.0 %	15,714	2.9 %
Macro-economic risk[4]	25,671	4.8 %	28,216	5.3 %
Operational risk	18,620	3.4 %	23,080	4.3 %
Risk from other assets	20,483	3.8 %	18,487	3.5 %
Real estate and participation risk	19,258	3.6 %	17,772	3.3 %
Risk buffer for non-evaluated risks and model weaknesses[5]	19,864	3.7 %	9,866	1.9 %
Total economic risk	**417,149**	**77.2 %**	**338,742**	**63.5 %**
Risk cover[6]	**540,192**	**100.0 %**	**533,058**	**100.0 %**
Coverage capital	**123,043**	**22.8 %**	**194,317**	**36.5 %**

- **Ad 1:** credit risk basically moves sideward.
- **Ad 2:** market risk increased tremendously in 2015. The reason for that was the higher volatility of Swiss Francs and low interest curves.
- **Ad 3:** the increase in liquidity risk mainly resulted from the maturing of loans and the corresponding modifica-tion of the refinancing structure.
- **Ad 4:** the risk value of macroeconomic risk illustrates the possible effects of rating deteriorations of clients, the loss of value in relation to loan collaterals and the decline of the Euro in comparison to other currencies.
- **Ad 5:** the risk buffer covers risk and model weaknesses that have not been considered. Its increase is based on the rise from 3% to 5%.
- **Ad 6:** a substantial component of coverage capital is equity capital in accordance with CRR/CRD IV less shortfall (expected loss less risk provision). The increase in capital coverage in the going-concern view mainly results from profit endowment to core capital and from reduced shortfall. The going-concern view also in-cludes the requirements regarding equity capital ratio and core capital ratio.

Stress tests

The term "stress test" is the generic term for all methods which are used to assess the individual potential of en-dangerment 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.

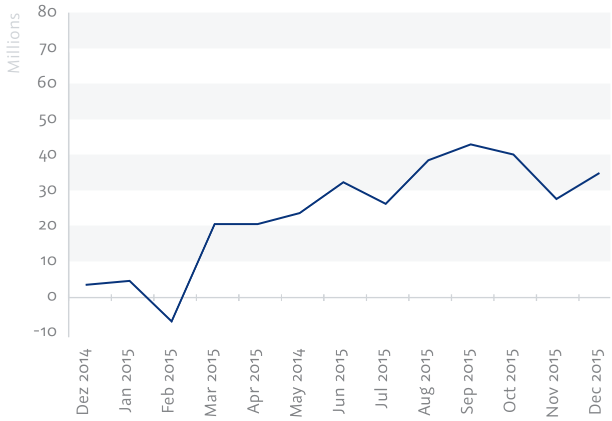
Stress tests are carried out to fulfil supervisory requirements, such as the Regulation on Credit Institution
Risk Management (Kreditinstitute-Risikomanagementverordnung (KI-RMV)) article 3 (8) or CRR (Capital Require-ments Regulation, EU provision no. 575/2013, article 177. Stress test or reverse stress test are used to detect essential risks that are particularly considered existence-threatening. The following stress tests are applied: bank stress test, concentration of large engagements, plus-200 base points of interest rate shock, reverse stress test regarding the fall of real estate prices, foreign currency development and name stress. All detected risks are lim-ited via risk limits or risk indicators and monitored.

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. The non-interest-sensitive components of equity capital have not been considered. In 2015, the risk value under the upwards shock hovered round a medium value of EUR 23.9 million with a max-imum of round EUR 43.5million and a minimum of EUR -7.4 million. In comparison to the previous year, risk val-ues increased, because of the further development of the model: the latest adaptation considers the effects of interest rate shocks on the margin share in relation to client loans.
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 kEUR	31.12,2015	31.12,2014
Plus-200 base points interest shock	35,188	2,858
Annual average	23,901	8,219
Annual maximum	43,516	19,072
Annual minimum	-7,465	-1,552

Development Plus 200 base point interest shock



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

Scenario analyses for market risks

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

Loan risk

	Impact on profit and loss	
in kEUR	31.12,2015	31.12,2014
Interest change risk	1,712	1,777
Share price risk	146	2,278
Credit spread risk	5,758	5,942
Foreign currency risk	23	51

Definition
Hypo Tirol Bank defines loan risks as default risks arising out of non-securitized receivables and securitised re-ceivables from third parties. The risks comprise receivables for Hypo Tirol Bank, which will not be paid as stated in the terms of the loan contract, i.e. amount, time. Loan risks may also result from specific forms of product design or from the application of measures to minimize loan risks.

Loan Risk Control
The following methods are employed to assess and evaluate 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 evaluat-ed 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 95% going-concern view) and 99.9% (liquidation view). 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 has been 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 concentrations 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 corres-

pondence to the following criteria:

Division of the portfolio by creditworthiness
The evaluation of creditworthiness of our debtors 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. More than 2/3 of the volume of receivables can be assigned to the upper creditworthiness segment with outstanding creditworthiness and good creditworthiness. The proportion in these rating groups has slightly increased compared to the previous year [see note (58)] – risk provision in relation to receivables from credit institutions and clients – in which loan quality is illustrated by means of internal rating classes.

In comparison to the previous year, the non-performing loan ratio (NPL ratio) developed positively, which can particularly be ascribed to the development in Italy.

Division of the portfolio by branches
Hypo Bank Tirol remains to be strongly represented in the “industrial construction companies” branch and in the “tourism industry”. In these branches we provide the best of our knowledge. Based on the large concentrations in these sectors, the respective segments are monitored via risk indicators – see illustration “receivables from clients by business type note (57) and development of risk provision in relation to receivables from clients by business type note (58).

Division of the portfolio by market regions
In the fiscal year 2015, Hypo Tirol Bank continued to focus on the Tyrolean and South Tyrolean core market. By doing so, it succeeded in maintaining the high level of 2014 and in reducing further risk positions outside the defined core market. The development is illustrated under note (58) risk provision in relation to receivables from clients by region.

Foreign currency proportion – receivables from clients
Despite the events that occurred in January 2015 (appreciation of Swiss Francs), foreign currency volume was further reduced. Due to the specifications defined in our foreign currency strategies no new transactions in foreign currency with private clients or to a very restricted extent with corporate clients is intended; this strategy will be further pursued. The illustration of foreign currency volumes divided by balance sheet item can be found under note (89).

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

Development of the Nostro securities portfolio
In 2015, Nostro securities were also reduced by EUR 390 million. In consideration of Basel III, investments are primarily made in highly liquid assets. For further information regarding the development of Nostro securities (divided by evaluation criteria) please see notes (61), 62), (63) and (64).

Collaterals
Real estate collaterals represent an important type of collateral within Hypo Tirol Bank. They are evaluated in compliance with the defined corporate standards and used in accordance with the existing catalogue in order to secure credit exposures. A respective monitoring process, carried out by an independent institution, was established to ensure recoverability. The high quality of mortgage cover funds is also reflected by the external rating (AA3 according to Moody’s).

Risk provision policy

Risk provision includes the setup of risk provision in the balance sheet, with the explanations under note (1() being applied. The single components are assessed regarding their recoverability. In case impairments are detected, specific allowances in the corresponding amounts are made.
In order to identify risk potentials in loan business at an early stage, an early warning procedure is required to detect risks. In this way, countermeasures can be taken as soon as possible. Based on qualitative and quantitative risk criteria, the bank has developed indicators, defined as early warning system, which allow premature identification of risks.

Risk provision policy also includes managing overdue receivables. For further details see note (58) analysis of receivables – overdue – no specific allowance.

In addition, loans with contractual adaptations which shall be understood as forbearance measures (concessions in relation to loan terms in order to apply impairment) regarding an active risk provision policy. Such concessions for clients suffering financial difficulties are illustrated under note (58).

Default probabilities relating to clients of Hypo Tirol Bank 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.

Non Performing Loans

Within Hypo Tirol Bank non-performing loans include loans in default in the supervisory category of receivables and restructuring and operating cases. Due to the events that occurred in Italy in the past years, Hypo Tirol Bank has a high NPL-ratio within the corporate group. In 2015, the consistent management of the portfolio allowed to reduce it strongly. At the key date, the NPL rate amounted to 9.8% (2014. 12.4%). The further reduction is one of the major objectives for Hypo Tirol Bank.

Market Price Risk and Interest Change Risk

Definition
HYPO TIROL BANK AG describes market price risk as the danger of losses which result from changes in market prices. Market risks are divided in interest change risk, share price risk, foreign currency risk and alternative risk. As far as interest change risk is concerned, it is distinguished between the following sub-catego-

ries: interest rate re-fixing risk, base risk, option risk and interest curve risk.

Another aspect of market risk is credit spread risk, which is the risk that the credit spread of a market participant changes to the disadvantage of Hypo Tirol Bank, e.g. in relation to credit default swaps. This risk is described with a “market risk character”, be-cause credit spreads evolve from the opinion of market partici-pants. The underly-ing risk however, is not regarded a market but a loan risk.

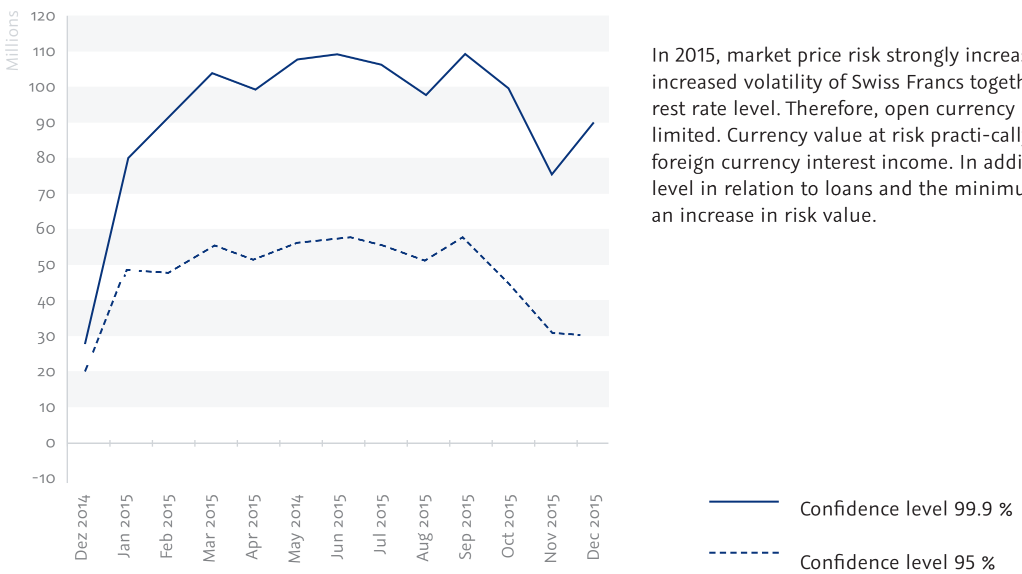
Market price risk and interest change risk control

Basically, market price risks are calculated by using the value at risk method with historical simulation. Value at risk represents the potential cash value loss of a position, which is likely to occur until its realisation. Value at risk is determined on the basis of a confidence rate amounting to 95% regarding the going-concern-view, and on the basis of a confidence rate amounting to 99.5% regarding the gone-concern/liquidation view.

The following chart shows the historic development of market price risk

	2015				2014			
Market price risk in kEUR	**End of year**	**Average**	**Minimum**	**Maximum**	**End of year**	**Average**	**Minimum**	**Maximum**
Confidence rate 95%	30,347	47,718	30,347	55,587	20,948	x	x	x
Confidence rate 99.9%	86,344	93,035	72,014	104,271	28,192	38,506	28,192	56,235

Development market risk



In 2015, market price risk strongly increased as a result of the increased volatility of Swiss Francs together with a very low inte-rest rate level. Therefore, open currency positions are extremely limited. Currency value at risk practi-cally results from future foreign currency interest income. In addition, the low interest rate level in relation to loans and the minimum interest rate lead to an increase in risk value.

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 or made in full, or in a timely manner or cannot 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 or structured liquidity risk) from liquidity term transformation within a defined period of time at a certain rate of confidence.

Liquidity Risk Control

LCR has been legally applicable since 1 October 2015 and is reported to the supervisory authority in compliance with CRR (consolidated & unconsolidated) and the regulations stipulated in provision 2015/61 (consolidated). Within the internal control, LCR was essentially limited via the legal minimum of 760%. Liquid Coverage ratio aims at limiting insolvency risk for banks. Therefore, LCR ensures that financial institution suffering from difficult com-bined (market & bank) stress scenarios have liquidity assets within 30 days.

LCR-develop. from 2015-10	10/2015	11/2015	12/2015
LCR	123 %	172 %	159 %

The Net Stale Funding Ratio (NSFR) shall oblige financial institutions to establish refinancing structures in a time-ly manner. The key figure aims at restricting the dependence on short term money sources and at putting more emphasis on liquidity risk management regarding "on-and-off" balance sheet items. NSFR completes LCR, as NSFS considers a scope of one year and thus avoids refinancing gaps beyond 30 days. Due to missing legal principles, NSRF is currently monitored on a quarterly basis and reported to the supervisory authority.

In order to reduce liquidity risk the bank applies the following procedures:

- Holding sufficient liquid reserves 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 loan risks
- Achieving refinancing diversification 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:

- Risk value for structural liquidity risk in risk capacity evaluation
- Liquidity tie-up balance
- Liquidity figures
- Analysis of intraday risk
- Liquidity at risk

Measuring the liquidity term of financial assets and obligations (liabilities) as well as considering existing and po-tential outflows is of major importance and is carried out 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 controlled.

Liquidity figure development in 2015
The liquidity figure is calculated on the basis of the ratio of potential liquid assets and contractual non-deterministic outflows. In this context, statistics are set out, which are reported by the bank to the supervisory authority each week. The liquidity figure considers cash flows within a 3-month-scope and amounted to 32.3 on 31 December 2015. Thus, the bank's liquidity situation can be described as comfortable in the rating of outstand-ing creditworthiness which results from large Nostro positions.

Liquidity key figure	2015	2014
End of year	2.3	3.7
Average	3.3	5.1

Figures are based on a weekly liquidity report.

Liquidity buffer and liquidity coverage potential
In order to have a sufficient amount of liquid assets available in case of unexpected high outflows in the course of daily business, a liquidity buffer was defined. It comprises cash reserve and highly liquid central bank and repo assets. Liquidity overage potential additionally includes a free mortgage coverage fund.

As far as unexpected outflows within one day are concerned, a respective liquidity buffer shall be provided. For that reason, data are regularly collected. In this respect, the liquidity-at-risk figure determines the minimum of the liquidity buffer, which can be transformed within one day.

Structural liquidity risk
Structural liquidity risk is evaluated by assuming rating migration and by measuring the consequential effects on credit spreads. Risk capital requirement results from the cash expenses difference between cash expenses and refinancing at present conditions and the refinancing according to simulated rating migration.

Operational Risk

Definition
Within Hypo Tirol Bank operational risk (OP-Risk) is defined as the risk of loss caused by the inappropriateness or failure of internal procedures, individuals, systems or external events. Strategic risks and reputation risks includ-ing legal risks are not included.

Operational risk control:
The following instruments are employed to control operational risks:

- Organisational structure
- Damage date base
- Risk inventories (self-assessment)
- Risk limits
- OP-risk learning programme

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

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

Real Estate and Participation Risk

Definition
Real estate risk within HYPO TIROL BANK AG is the risk that prices of real estate change and consequently lead to a negative result in the profit and loss account (risk of vacancies, loss of rent, and deterioration of profit/cost relation). The risk in relation to property participation is added to real estate risk.

Participation risk within HYPO TIROL BANK AG is the risk of loss resulting from financing by mans of equity capi-tal and/or borrowed capital (loan risk). In addition, HYPO TIROL BANK AG also includes the risk of loss resulting from market-evaluated participations (listed shares) and their price changes (market price risk).

Real estate risk control and participation risk control

The risk weight of real estate risks accounts for 100 % with the risk being evaluated on the basis of the indicator approach.
Like loan risk, participation risk is calculated on the basis of a modal similar to IRB approach of CRR.

Excessive Debt Risk

Definition
Hypo Tirol Bank defines the debt quota in accordance with CRR as the quotient from the measured quantity of capital of an institution and its overall risk position quantity, whereas the measured quantity of capital represents core capital.

Excessive Debt Risk Control
The debt quota is automatically evaluated on the basis of article 429 CRR in the general data processing centre. Currently, a quarterly value is determined. As far as the strategic planning for the years 2016 to 1018 is con-cerned, debt ratio has been considered for the first time. In this respect, new indicators were defined which have been transferred into the monitoring of risk relevant key figures.

Macro-economic Risk

Macro-economic risks are loss potentials resulting from exposure against macro-economic risk factors (unemploy-ment rate, GDP development, etc.) Hypo Tirol Bank assumes, that risks from macro-economic environment are substantially reflected in the following:

- Currency risk
- Possibility of default on the part of the clients
- Recoverability of loan collaterals

In order to determine risk values for macro-economic risks, these parameters are stressed and additional unex-pected losses are calculated in the context of this scenario.

Other Risks

Risks from other assets are basically evaluated by using the basic indicator approach method. The risk value of deferred tax is also included in this risk number.

Finally, a lump-sum value is used as a risk buffer for non-assessed risks and for unknown model weaknesses of other risk assessment methods.

Quality Management of Corporate Group

Hypo Tirol Bank emphasises on implementing the system architecture in compliance with the requirements of standard BCBS no. 239. All corporate group units are completely and automatically integrated in data processing and adjusted in accordance with reported data, risk figures and financial figures. Data quality is given top priority within Hypo Tirol Bank and it is constantly further developed.

Specific Developments in 2015 and Forecast for 2016

In 2015, the recovery plan according to the Federal Act on the Recovery and Resolution of Banks (BaSAG) was established in addition to a corresponding reporting system to monitor and control defined indicators. Moreover, the objectives stipulated in the restructuring plan (agreed with the EU) were further pursued and implemented.

As far as 2016 is concerned, the bank will focus on data processing in the context of the resolution plan, take appropriate steps in connection with increasing capital- and liquidity requirements and emphasise on the further development of employed models.

Information Based on Austrian Law

(98) The 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 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 (participating interests).

(99) Dividends and Subsequent Amendments

HYPO TIROL BANK AG is entitled to pay dividends not exceeding the profit as reported in the (individual) finan-cial statement according to the Austrian Banking Act or Austrian Commercial Code in the amount of von kEUR 253 (2014: kEUR 28). In the expired fiscal year no dividends were paid.
The annual net income generated in the fiscal year 2015 accounted for kEUR 26,859 (2014: annual surplus kEUR 27,992). After addition of profit brought forward amounting to kEUR 27 (2014: kEUR 714) the usable net profit amounted to kEUR 253 (2014: kEUR 28).
The Managing Board of HYPO TIROL BANK AG gave its consent to publish the consolidated financial statement on 18 March 2016.

(100) Classification of Securities Acceding to the Austrian Banking Act

The following chart illustrates the classification of securities according to Banking Act article 64 sect. 1 no. 10 and no. 11, at the balance sheet date (31 December 2015):

	Not quoted		quoted		Total	
in kEUR	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Debt securities and other fixed-interest securities	65,485	94,039	432,435	610,252	497,920	704,291
Shares and other securities	3,027	3,710	9,405	7,227	12,432	10,937
Participating interest	16,641	16,641	0	0	16,641	16,641
Shares in associated companies	64,882	64,882	0	0	64,882	64,882
Financial assets	32,680	48,725	859,432	1,122,993	892,112	1,171,718
Total securities according to Banking Act	**182,715**	**227,997**	**1,301,272**	**1,740,472**	**1,483,987**	**1,968,469**

The difference in securities having properties of financial assets amounted to kEUR 781 (2014: kEUR 861) ac-cording to Banking Act article 56, sec. 2 and to kEUR 280 (2014: kEUR 592) according to Banking Act article 56, sec.3. Predicted amortization for 2016 amounted to kEUR 471,103 (2015: kEUR 333,471). Subordinate and supplementary capital stock amounted to kEUR 7,626 (2014: kEUR 952).

In the forthcoming year, liabilities evidenced by certificate with a nominal value in the amount of kEUR 844,706 (2015: kEUR 364,694) will mature and thus fall due.

(101) Country by Country Report

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

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

in kEUR	2015	2014
Net interest income	9,632	12,141
Operating income	4,760	6,293
Annual result prior to taxation	-11,957	-13,549
Income tax	0	1,970
Public aid received	-	-
	2015	**2014**
Number of employees	45	56

(102) Disclosure

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

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

Executives

Supervisory Board Members			
Chairman	Mag. Wilfried STAUDER	Innsbruck	
1st Vice chairman	Dr. Jürgen BODENSEER	Innsbruck	
2nd Vice chairman	Mag. Franz MAIR	Münster	since 21 April 2015
2nd Vice chairman	Dr. Toni EBNER	Aldlein	until 21 April 2015
Other board members			
	Mag. Eva BEIHAMMER	Schwaz	until 21 April 2015
	Dr. Toni EBNER	Aldlein	since 21 April 2015
	Dr. Bernd GUGGENBERGER	Innsbruck	until 21 April 2015
	Dr. Ida HINTERMÜLLER	Innsbruck	
	Mag. Franz MAIR	Münster	until 21 April 2015
	MMag. Daniel MAIRHOFER	München	since 21 April 2015
	Mag. Beate OPPERER-PFLEIDERER	Telfs	since 21 April 2015
	Ao. Univ.-Prof. Dr. Erich PUMMERER	Innsbruck	
delegated by the works council			
	Dr. Heinrich LECHNER, Chairman	Innsbruck	
	Andreas PEINTNER	Ellbögen	
	Peter PICHLER	Innsbruck	
	Ingrid WALCH	Inzing	

Managing Board Members			
Chairman	Johann Peter HÖRTNAGL	Trins	since 15 May 2015
Managing Board Member	Dr. Markus JOCHUM	Innsbruck	until 09 March 2015
Managing Board Member	Mag. Johannes HAID	Absam	since 16 May 2015
Managing Board Member	Mag. Johann KOLLREIDER	Innsbruck	until 15 May 2015
Managing Board Member	Mag. Alexander WEIß	Axams	since 15 May 2015

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

Treuhänder			
Trustee according to Pfandbrief Act	Dr. Klaus-Dieter GOSCH	Innsbruck	
Deputy Trustee according to Pfandbrief Act	AD RR Erwin GRUBER	Vienna	since 01 Dec. 2015
Deputy Trustee according to Pfandbrief Act	Amtsdirektor Hannes EGERER	Vienna	until 01 Dec. 2015

VII. Participating Interest

Companies fully consolidated in the financial statement:

Company name, location	Core business	Capital share in % 2015	Capital sharel in % 2014	Date of financial statement	Changes in comparison to 2014
HYPO TIROL LEASING GMBH, Innsbruck	Leasing company	100.00 %	100.00 %	31.12.15	
Hypo-Rent Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	100.00 %	100.00 %	31.12.15	
Hypo-Rent Gebäudeleasing 1987 Gesellschaft m.b.H., Innsbruck	Leasing company	100.00 %	100.00 %	31.12.15	
Hypo-Rent Immobilienverwaltungs-Gesellschaft m.b.H., Innsbruck	Leasing company	100.00 %	100.00 %	31.12.15	
Hypo-Tirol Mobilienleasing II Gesellschaft m.b.H., Innbruck	Leasing company	100.00 %	100.00 %	31.12.15	previously Hypo-Rent Projekt-errichtungs GmbH)
Hypo-Rent Liegenschaftsanlage-Gesellschaft m.b.H., Innsbruck	Leasing company	100.00 %	100.00 %	31.12.15	
Hypo-Rent II Grundverwertung GmbH, Innsbruck	Leasing company	100.00 %	100.00 %	31.12.15	
Hypo-Rent Sole Grundverwertungs-GmbH, Innsbruck	Leasing company	0.00 %	100.00 %	31.12.15	sold in 2015
Hypo-Tirol Mobilienleasing Gesellschaft m.b.H., Innbruck	Leasing company	100.00 %	100.00 %	31.12.15	
Beteiligungs- und Finanzierungsgesellschaft m.b.H., Innsbruck	Associated company	100.00 %	100.00 %	31.12.15	
Grundverwertung GmbH, Innsbruck	Administration of Realities	0.00 %	100.00 %	31.12.15	2015 integrated into HYPO TIROL LEASING GMBH
Hypo Tirol Versicherungsmakler GmbH, Innsbruck	Insurance broker	100.00 %	100.00 %	31.12.15	
HYPO TIROL INVEST GmbH, Innsbruck	Associated company	100.00 %	100.00 %	31.12.15	
Hypo Tirol Leasing Wiener Betriebsansiedlungen GmbH, Innsbruck	Leasing company	100.00 %	100.00 %	31.12.15	
Liegenschaftstreuhand GmbH, Innsbruck	Leasing company	100.00 %	100.00 %	31.12.15	
L2 Errichtungs- und Vermietungsgesellschaft mbH, Innsbruck	Leasing company	100.00 %	100.00 %	31.12.15	
Autopark Grundverwertungs GmbH, Innsbruck	Administration of Realities	100.00 %	100.00 %	31.12.15	
CYTA-Errichtungs- und Management GmbH, Völs	Trade	100.00 %	100.00 %	31.12.15	Disposal group held for sale see note (69)]
CYTA-Errichtungs- und Management GmbH & CO KG, Völs	Trade	100.00 %	100.00 %	31.12.15	Disposal group held for sale see note (69)]
Alpen Immobilieninvest GmbH, Innsbruck	Rental of real estate	100.00 %	100.00 %	31.12.15	
HTL Projektholding GmbH, Innsbruck	Associated company	0.00 %	100.00 %	31.12.15	2015 integrated into Grundverwertung GmbH
HTL Deutschland GmbH, Kulmbach	Leasing company	100.00 %	100.00 %	31.12.15	
ERFOLG Liegenschaftsvermietungs GmbH, Innsbruck	Leasing company	100.00 %	100.00 %	31.12.15	
VBC 3 Errichtungs GmbH, Wien	Leasing company	100.00 %	100.00 %	31.12.15	

continued: Companies fully consolidated in the financial statement:

Company name, location	Core business	Capital share in % 2015	Capital sharel in % 2014	Date of financial statement	Changes in comparison to 2014
Dienstleistungszentrum Kramsach Betriebsgesellschaft mbH, Innsbruck	Leasing company	100.00 %	100.00 %	31.12.15	
Tirol Immobilien und Beteiligungs GmbH (IBG), Bozen	Associated company	100.00 %	100.00 %	31.12.15	
Hebbel Projektentwicklung Gesellschaft mbH, Innsbruck	Leasing company	100.00 %	100.00 %	31.12.15	
Hypo-Rent Betriebsansiedlungsgesellschaft m.b.H., Innsbruck	Leasing company	100.00 %	100.00 %	31.12.15	
Aaron Kantor AT 1 GmbH, Innsbruck	Leasing company	0.00 %	100.00 %	31.12.15	sold in 2015
Hypo Tirol Beteiligungs GmbH, Innsbruck	Associated company	100.00 %	100.00 %	31.12.15	
Berger Truck Service Verwaltungs GmbH, Innsbruck	Leasing company	100.00 %	100.00 %	31.12.15	
HTI Immobilienverwaltungs-GmbH, Innsbruck	Rental of real estate	100.00 %	100.00 %	31.12.15	
Hypo Immobilien Betriebs GmbH, Innsbruck	Administration of Realities	100.00 %	100.00 %	31.12.15	

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

All companies, which were consolidated in accordance with the equity method, are associated companies. No quoted market price is available for any of the associated shares.

HTV KAPPA Immobilienleasing GmbH, headquartered in Dornbirn and Immorent Hypo Rent Grundverwertung-sgesellschaft m.b.H. are joint companies in compliance with IFRS 11.16 (based on IFRS 11.B7).

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

Company name, location	Core business	Capital share in % 2015	Equity capital in k €	Date of financial statement
Tiroler Kommunalgebäudeleasing Gesellschaft m.b.H., Innsbruck	Leasing company	33.33 %	1,236	31.12.15
TKL II Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	33.33 %	5	31.12.15
TKL III Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	0.00 %		sold in 2015
TKL V Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	33.33 %	1,838	31.12.15
TKL VI Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	33.33 %	114	31.12.15
TKL VII Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	33.33 %	-205	31.12.15
TKL VIII Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	33.33 %	-536	31.12.15
Tiroler Landesprojekte Grundverwertungs GmbH, Innsbruck	Leasing company	33.33 %	-908	31.12.15
Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	50.00 %	-234	31.12.15
Seilbahnleasing GmbH, Innsbruck	Leasing company	33.33 %	452	31.12.15
HTV KAPPA Immobilienleasing GmbH, Dornbirn	Leasing company	50.00 %	162	31.12.15

Company name, location	Core business	Capital share in % 2014	Equity capital in k €	Date of financial statement
Tiroler Kommunalgebäudeleasing Gesellschaft m.b.H., Innsbruck	Leasing company	33.33 %	1,221	31.12.14
TKL II Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	33.33 %	32	31.12.14
TKL III Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	33.33 %	70	31.12.14
TKL V Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	33.33 %	1,887	31.12.14
TKL VI Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	33.33 %	261	31.12.14
TKL VII Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	33.33 %	-264	31.12.14
TKL VIII Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	33.33 %	-661	31.12.14
Tiroler Landesprojekte Grundverwertungs GmbH, Innsbruck	Leasing company	33.33 %	-953	31.12.14
Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	50.00 %	-574	31.12.14
Seilbahnleasing GmbH, Innsbruck	Leasing company	33.33 %	439	31.12.14
HTV KAPPA Immobilienleasing GmbH, Dornbirn	Leasing company	50.00 %	157	31.12.14

Data in accordance with IFRS 12.B13

2015

in kEUR	Short-term assets	Long-term assets	Short-term debts	Long-term debts	Turnover	Net income from continued operations	Result after taxation from discontinued operations	Annual net profit	Other results	Comprehensive income	Dividends received
Tiroler Kommunalgebäudeleasing Gesellschaft m.b.H., Innsbruck	1,122	4,830	4,647	69	272	-34	0	-46	0	-46	0
TKL II Grundverwertungsgesellschaft m.b.H., Innsbruck	0	1,596	902	689	53	11	0	11	0	11	0
TKL V Grundverwertungsgesellschaft m.b.H., Innsbruck	3,139	9,251	8,540	2,012	551	-47	0	-49	0	-49	0
TKL VI Grundverwertungsgesellschaft m.b.H., Innsbruck	1,239	19,681	11,927	8,879	678	-145	0	-147	0	-147	0
TKL VII Grundverwertungsgesellschaft m.b.H., Innsbruck	3,642	10,238	6,283	7,802	896	62	0	60	0	60	0
TKL VIII Grundverwertungsgesellschaft m.b.H., Innsbruck	4,031	68,202	48,322	24,447	3,129	109	0	125	0	125	0
Tiroler Landesprojekte Grundverwertungs GmbH, Innsbruck	2,192	10,724	11,845	1,979	592	47	0	45	0	45	0
Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H., Innsbruck	2,458	23,406	1,017	25,081	2,503	386	0	340	0	340	0
Seilbahnleasing GmbH, Innsbruck	468	12,241	995	11,262	2,695	15	0	14	0	14	0
HTV KAPPA Immobilienleasing GmbH, Dornbirn	1,719	29,393	4,512	26,438	1,357	101	0	75	0	75	0

2014

in kEUR	Short-term assets	Long-term assets	Short-term debts	Long-term debts	Turnover	Net income from continued operations	Result after taxation from discontinued operations	Annual net profit	Other results	Comprehensive income	Dividends received
Tiroler Kommunalgebäudeleasing Gesellschaft m.b.H., Innsbruck	34	5,927	4,668	72	291	51	0	30	0	30	0
TKL II Grundverwertungsgesellschaft m.b.H., Innsbruck	11	1,649	1,615	13	53	-4	0	-4	0	-4	0
TKL III Grundverwertungsgesellschaft m.b.H., Innsbruck	152	1	4	79	32	38	0	28	0	28	0
TKL V Grundverwertungsgesellschaft m.b.H., Innsbruck	2,859	9,727	10,659	40	725	115	0	114	0	114	0
TKL VI Grundverwertungsgesellschaft m.b.H., Innsbruck	1,685	20,326	21,650	100	696	-188	0	-189	0	-189	0
TKL VII Grundverwertungsgesellschaft m.b.H., Innsbruck	4,717	12,589	17,557	13	1,022	117	0	116	0	116	0
TKL VIII Grundverwertungsgesellschaft m.b.H., Innsbruck	5,131	71,054	76,006	839	3,209	366	0	407	0	407	0
Tiroler Landesprojekte Grundverwertungs GmbH, Innsbruck	2,154	11,253	14,357	3	591	42	0	40	0	40	0
Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H., Innsbruck	2,260	24,833	27,336	331	2,551	368	0	317	0	317	0
Seilbahnleasing GmbH, Innsbruck	1,163	14,507	13,792	1,439	2,844	89	0	83	0	83	0
HTV KAPPA Immobilienleasing GmbH, Dornbirn *)	1,236	30,278	17,555	13,803	1,876	103	0	77	0	77	0

Data in accordance with IFRS 12.B13

2015

in kEUR	Means of payment	Short -term debts	Long -term debts	Depreciation according to plan	Interest income	Interest expenses	Income tax
Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H., Innsbruck	2,439	0	25,049	1,427	7	139	-46
HTV KAPPA Immobilienleasing GmbH, Dornbirn	918	3	26,434	885	5	192	-25

2014

in kEUR	Means of payment	Short -term debts	Long -term debts	Depreciation according to plan	Interest income	Interest expenses	Income tax
Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H., Innsbruck	2,260	26,169	0	1,427	12	200	-51
HTV KAPPA Immobilienleasing GmbH, Dornbirn	560	14,022	13,779	1,322	4	266	-25

According to IFRS 12.B13, short-term and long-term debts illustrated refer to short-term or long-term financial debts except liabilities from supplies and services and other liabilities as well as provisions.

Companies not included in the consolidated financial statement:

The following companies have not been integrated into the consolidated financial statement, as they are of mi-nor importance in relation to the significance of the consolidated financial statement none of the following non-consolidated companies is a structured company pursuant to IFRS 12.B21-B24.

Data concerning companies with a capital share more than 20% (financial year 2015)

Company name, location	Capital share in % 2015	Note	Changes in comparison to 2014
HTW Holding GmbH, Innsbruck	100.00 %	Company of minor importance	
Landhaus-Parkgaragen Gesellschaft m.b.H., Innsbruck	100.00 %	Company of minor importance	
Landhaus-Parkgaragen Gesellschaft m.b.H. & Co. KG, Innsbruck	100.00 %	Company of minor importance	
C ZWEI Investment GmbH, Innsbruck	100.00 %	Company of minor importance	
HYPO Gastro GmbH, Innsbruck	100.00 %	Company of minor importance	
HT Immobilien Investment GmbH, Innsbruck	100.00 %	Company of minor importance	
Kramsacher Betriebsansiedlungsgesellschaft m.b.H., Innsbruck	0.00 %	Company of minor importance	merged with Dienstleistungszentrum Kramsach Betreibsgesellschaft mbH
HPS Standortservice GmbH, Innsbruck	0.00 %	Company of minor importance	sold in 2015
ARZ Hypo-Holding GmbH, Innsbruck	99.24 %	Company of minor importance	
MC ZWEI Investment GmbH, Wien	50.00 %	Company of minor importance	
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	33.30 %	Company of minor importance	
ARZ Allgemeines Rechenzentrum GmbH, Innsbruck	32.70 %	No substantial influence	
Lantech Innovationszentrum GesmbH, Landeck	32.73 %	Company of minor importance	
REB II Beteiligungs AG, Wien	25.64 %	Company of minor importance	
„Wohnungseigentum“, Tiroler gemeinnützige Wohnbaugesellschaft m.b.H., Innsbruck	24.33 %	No substantial influence	
GHS Immobilien AG, Wien	22.69 %	Company of minor importance	
HYPO EQUITY-Unternehmensbeteiligungen AG, Bregenz	21.78 %	Company of minor importance	

Data concerning companies with a capital share more than 20% (financial year 2014)

Company name, location	Capital share in % 2014	Note
HTW Holding GmbH, Innsbruck	100.00 %	Company of minor importance
Landhaus-Parkgaragen Gesellschaft m.b.H., Innsbruck	100.00 %	Company of minor importance
Landhaus-Parkgaragen Gesellschaft m.b.H. & Co. KG, Innsbruck	100.00 %	Company of minor importance
C ZWEI Investment GmbH, Innsbruck	100.00 %	Company of minor importance
HYPO Gastro GmbH, Innsbruck	100.00 %	Company of minor importance
HT Immobilien Investment GmbH, Innsbruck	100.00 %	Company of minor importance
Kramsacher Betriebsansiedlungsgesellschaft m.b.H., Innsbruck	100.00 %	Company of minor importance
HPS Standortservice GmbH, Innsbruck	100.00 %	Company of minor importance
ARZ Hypo-Holding GmbH, Innsbruck	99.09 %	Company of minor importance
MC ZWEI Investment GmbH, Wien	50.00 %	Company of minor importance
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	33.30 %	Company of minor importance
ARZ Allgemeines Rechenzentrum GmbH, Innsbruck	32.70 %	No substantial influence
Lantech Innovationszentrum GesmbH, Landeck	32.73 %	Company of minor importance
REB II Beteiligungs AG, Wien	25.64 %	Company of minor importance
„Wohnungseigentum“, Tiroler gemeinnützige Wohnbaugesellschaft m.b.H., Innsbruck	24.33 %	No substantial influence
GHS Immobilien AG, Wien	22.69 %	Company of minor importance
HYPO EQUITY-Unternehmensbeteiligungen AG, Bregenz	21.78 %	Company of minor importance

Data concerning companies with a capital share less than 20 % (financial years 2015/2014)

Company name, location	Capital share in % 2015	Capital share in % 2014
Global Private Equity IV Holding AG, Wien	18.74 %	18.74 %
Tiroler gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H. (TIGEWOSI), Innsbruck	17.45 %	17.45 %
Masterinvest Kapitalanlage-Gesellschaft m.b.H., Wien	12.50 %	12.50 %
Hypo-Wohnbaubank Aktiengesellschaft, Wien	12.50 %	12.50 %
Hypo-Banken-Holding Gesellschaft m.b.H., Wien	12.50 %	12.50 %
Rathaus Passage GmbH, Innsbruck	11.23 %	11.23 %
Hypo-Haftungs-Gesellschaft m.b.H., Wien	12.47 %	11.05 %
HP IT-Solutions Gesellschaft m.b.H., Innsbruck	10.00 %	10.00 %
Logistikzentrum Hallbergmoos GmbH, München	6.00 %	6.00 %
Logistikzentrum Forchheim GmbH, München	6.00 %	6.00 %
Pflegeheim Wolfratshausen Grundstücks GmbH, München	6.00 %	6.00 %
PensPlan Invest SGR Spa/AG, Bozen	4.44 %	4.44 %
Bergbahnen Rosshütte Seefeld Tirol Reith AG, Seefeld	1.62 %	1.62 %
Lienzer-Bergbahnen-Aktiengesellschaft, Lienz	1.32 %	1.32 %
VBV–Betriebliche Altersvorsorge Aktiengesellschaft, Wien	1.28 %	1.28 %
AAA Air Alps Aviation Alpenländisches Flugunternehmen Ges.m.b.H., Innsbruck	0.28 %	0.28 %
Start Bausparkasse registrierte Genossenschaft mit beschränkter Haftung, Wien	0.04 %	0.04 %
GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination GmbH, Wien	0.01 %	0.20 %

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

HYPO TIROL BANK AG is a member of the Mortgage Bond Division of the Austrian Landes- und Hypotheken-bank (regional and mortgage bank). The Mortgage Bond Division, more precisely from 15 January 2015 on, its legal successor, the Pfandbriefbank Österreich AG (Austrian Mortgage lending bank) represents the joint issuing institution of the Landes- und Hypothekenbank, whereas its main task is to lend mortgage bonds, public bonds and debenture bonds, and provide the member institutions with the financial means resulting thereof. Moreover, the Pfandbriefbank is responsible for loan transactions and other transaction regarding all member institutions on a mutual basis.

Besides HYPO TIROL BANK AG, the following institutions are members of the Mortgage Bond Division

- HYPO-BANK BURGENLAND Aktiengesellschaft
- Austrian Anadi Bank AG
- HETA ASSET RESOLUTION AG
- HYPO NOE Gruppe Bank AG
- Oberösterreichische Landesbank Aktiengesellschaft
- SALZBURGER LANDES-HYPOTHEKENBANK AKTIENGESELL-SCHAFT
- Landes-Hypothekenbank Steiermark Aktiengesellschaft
- Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft

The Mortgage Bond division is a financial institution regulated by public law. Therefore, no shares or ownership structures concerning the Mortgage Bond division are existent. Each member institution sends a member to the board of administration and thus has a voting right (one vote). Decisions require simple majority of the votes cast. In case of tie votes, the chairman has the deciding vote. Regarding the resolution of the articles of association or any amendment to the articles of association, the liquidation of the Mortgage Bond Division or the distribution of the income from liquidation a two-third majority of the votes cast is required.
The business activities of the Mort-gage Bond Division will be transferred to the Pfandbriefbank (Österreich) AG, with effect from 2015 on and in compliance with Banking Act article 92 concerning the universal succession. The Mortgage Bond Division is the sole shareholder of the Pfandbriefbank.

Since 2004 the Mortgage Bond Division has been subject to the regulations of the Pfandbrief Act. Pursuant to Pfandbrief Act article 2, all member institutions shall be jointly liable for liabilities of the Mortgage Bond Division or in connection with Banking act article 92, section 6 for liabilities of the Pfandbriefbank. The guarantors of the member institutions shall be jointly liable for all liabilities of the Mortgage Bond Division/Pfandbriefbank that accrued before 2 April 2003. With regard to liabilities that accrued after 2 April 2003, the guarantors shall only be liable jointly, if the defined terms do not exceed 30 September 2017. The guarantors shall not be liable for liabili-ties that accrued after 1 April 2007. Liabilities, for which the guarantors are not liable anymore, liability agree-ments between member institutions could be arranged in single cases. However, they shall only be valid, if they are published in the terms and conditions of issue.

On 31 December 2015, the issuing volume of the Mortgage Bond Division/Pfandbriefbank, for which the member institutions and their guarantors are jointly liable, amounted to kEUR 3,343,912 (2014: 5,538,652). This amount includes a proportion of HYPO TIROL BANK AG accounting for kEUR 118,601 (2014: kEUR 149,524). Based on regional law, the regional governments have contingent liability towards the member institutions. This must be differentiated from joint and several liabilities of all member institutions and guarantors for liabilities of the Mort-gage Bond Division/Pfandbriefbank. In case the Mortgage Bond Division/Pfandbriefbank shall not fulfil its obliga-tions towards bond and debenture bond creditors, the creditors of the Mortgage Bond Division, in accordance with legal regulations on joint and several liability, are entitled to claim the due amount directly from the member institutions and/or the guarantors, Consequently, the member institutions and/or guarantors that paid the dues shall have the right, subject to special conditions, to exercise recourse clams against the other member institu-tions, guarantors and/or the Mortgage Bond Division/Pfandbriefbank. Finally, the joint creditors that paid the dues can exercise recourse claims against the respective member institution the issue refers to. In accordance with the regional legal provisions such recourse claims can also be asserted against the province involved, which serves as a deficiency guarantor [also see note (92)].

Liabilities towards the Mortgage Bond Division presented in the balance sheet:

in kEUR	31.12,2015	31.12,2014
Liabilities evidenced by certificate	27,007	27,007
Financial liabilities – at fair value	91,594	122,518
Liabilities to Mortgage Bond Division	**118,601**	**149,525**

Interest expenses in relation to liabilities towards the Mortgage Bond Division:

in kEUR	31.12,2015	31.12,2014
Interest expenses for liabilities evidenced by certificate	22	147
Interest expenses for financial liabilities – at fair value	4,584	6,979
Interest expenses from liabilities to Mortgage Bond Division	**4,606**	**7,126**

HYPO TIROL BANK AG
MANAGING BOARD

Innsbruck, 23 March 2016

Johann Peter Hörtnagl	Mag. Johannes Haid	Mag. Alexander Weiß

Auditor's Report

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of HYPO TIROL BANK AG, Innsbruck, for the fiscal year from January 1, 2015 to December 31, 2015. These consolidated financial statements comprise the consolidated balance sheet as of December 31, 2015, the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year ended December 31, 2015, and a summary of the fundamental accounting and evaluation methods and other statements described in the notes.

Management's Responsibility for the Consolidated Financial Statements and for the Accounting System

The Company's management is responsible for the group accounting system and for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements under Section 245a UGB (Austrian Commercial Code). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing, as well as in accordance with International Standards on Auditing (ISAs), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal con-trol. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of December 31, 2015 and of its financial performance and its cash flows for the fiscal year from January 1, 2015 to December 31, 2015 in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU.

With regard to the development in relation to Heta Asset Resolution AG, respectively to the Pfandbriefbank (Österreich) AG we point out that without restricting the auditor's report we refer to the statements made by the Managing Board section (78) and (92) of the notes on the consolidated financial statements.

Comments on the consolidated Management Report

Pursuant to statutory provisions, the consolidated management report is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the consolidated management report is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a para 2 UGB (Austrian Commercial Code) are appropriate.

In our opinion, the consolidated management report is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a para 2 UGB (Austrian Commercial Code) are appropriate.

Vienna, 23 March 2016

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Wolfgang Tobisch mp
Wirtschaftsprüfer

Mag. Andrea Stippl mp
Wirtschaftsprüferin

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, 23 March 2016

Managing Board

Johann Peter Hörtnagl

Mag. Johannes Haid

Mag. Alexander Weiß

Report of the Supervisory Board of Hypo Tirol Bank AG

In the course of the fiscal year 2015, all business activities carried out by the Managing Board were monitored by the Supervisory Board. In the context of rotational and extraordinary meetings and other reports, the Supervisory Board gained detailed information about the development of the company and all essential business cases. In addition, the Chairman of the Supervisory Board regularly received information provided by the Managing Board and the Internal Auditors Department.

Supervisory Board Meetings

In the fiscal year 2015, five ordinary and six 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 particularly focused on the measures regarding the implementation of the bank's strategic realignment programme.

Supervisory Board Committees

The Supervisory Board appointed six committees.

The Loan Committee manages mortgages, loans, and large-scale investments. Four ordinary meetings and three extraordinary meeting were held by the Credit Committee in the fiscal year 2015.

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 financial report. Altogether, four Audit Committee meetings were held in the fiscal year 2015.
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 fiscal year 2015, two meetings were held by the Managing Board Matters Committee.
The Remuneration 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 fiscal year 2015, one meeting was held.

In the fiscal year 2015, the nomination committee, which is responsible for all matters in relation to the Austrian Banking Act, article 29, held five meetings.

In the fiscal year 1015, the risk committee, which manages all matters regarding the Austrian Banking Act, article 39 d, held two meetings.

Financial Statement

The financial statement and the financial report as at 31 December 2015 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 2015 were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna.

Subsequent to the final audit of the 2015 financial statement and the 2015 consolidated financial statement, the appendix (notes), the financial report for the financial statement and the consolidated financial statement, no objections were raised. The Supervisory Board approves the profit allocation 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 it acknowledges the consolidated financial statement.

Innsbruck, 31 March 2016

Supervisory Board

Mag. Wilfried Stauder

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