HYPO TIROL BANK

Unsere Landesbank

Annual Report 2018

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Unsere Landesbank

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

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

Dear Ladies and Gentlemen!

In 2018, change was definitely not contradictory to consistency. While the fear of recession and various political risk factors caused price corrections and volatility, the interest level remained on a very low level due to the loose monetary policy pursued by the ECB. For Hypo Tirol Bank, the past business year was marked by the positive rating upgrade and the strategy to go further along the path opened up in the past. Therefore, we look back at a very successful business year. We are aware of our responsibility that we take as a well-established state bank.

A further upgrade confirms our successful development: Standard & Poor's upgraded Hypo Tirol Bank to the A section. The credit rating was upgraded from BBB+ to A-; the forecast is considered to be consistent. The rating agency rewarded the bank's alignment and the increase in profitability and efficiency as well as the improved asset quality. This kind of success is also reflected by the economic key figures: Income before tax in 2018 amounted to EUR 41.5 million. While, this result was above budget figures, the balance sheet total slightly increased to EUR 7.3 billion as expected. The equity ratio further increased to 16.71%, the core capital ratio to 14.67%. Once again, credit risk provision was significantly reduced (by 50.8%) and accounted for EUR 5.2 million at the balance sheet date.

An essential component of our success: the huge commitment of our employees. Hypo Tirol Bank won the Austrian "Dachfonds Award" in three categories, which proves the impressive expertise we offer in the field of fund management. The outstanding performance of the Hypo Tirol Bank sales team is illustrated by the rate of re-investment regarding our own portfolio, which was clearly above the target. In addition, more than 1,000 new fund savings plans were signed – the classic alternative offered by Hypo Tirol Bank becomes increasingly popular. Moreover, the WohnVision sales team succeeded in winning numerous new clients, which is a great accomplishment. The Tyrolean state bank plays a leading role in the core market regarding the financing of housing with 2,110 requests and a credit volume of EUR 450 million. The commitment of Hypo Tirol Bank is underscored by the confidence of our clients. We make our decisions on the spot and by doing so we play an important role in the development of the Tyrol as a business location.

Make use of our comprehensive service – personally or digitally. The personal relationship between consultant and client is one of our central service elements. The modernisation of the branch offices in the Ziller Valley (Fügen) and in Kitzbühel demonstrates that we are represented as a modern financial institution throughout the Tyrol. Additionally, we will further invest in digital services for our clients: the HYPOrtfolio online tool offers all clients individual applications in relation to private investment, while the "Morning Briefing" tool sends financial updates to your smart phone via WhatsApp every day. The information service offered by Hypo Tirol Bank is completed by our new social media presence on Facebook and Instagram.

In 2018, Hypo Tirol Bank safeguarded sustainable banking expertise across the Tyrol. in 2018, we presented ourselves as a strong company and as a sustainable employer with 516 employees. The quality seal "Ausgezeichneter Lehrbetrieb" (award-winning training company) shows that we actively take responsibility for the next generation. We hired seven trainees and offered them an optimal entrance into business life. This strategy guarantees highly qualified jobs in our country – a responsibility we are very happy to take as an employer.

We would like to say thank you to all the people who contributed to such a successful business year. We would like to thank our clients for their confidence, our employees for their commitment and our partners and owners for their loyalty. Let's create a well-established Tyrolean state bank by pairing positive change with consistency.

Mag. Wilfried Stauder,
chairman of the supervisory board

Johann Peter Hörtnagl,
chairman of the supervisory board

Mag. Johannes Haid,
managing board

Mag. Alexander Weiß,
managing board

MANAGEMENT REPORT 2018

Consolidated Financial Report for the fiscal year ended December 31, 2018 prepared by the Management Board of Hypo Tirol Bank AG

1. Hypo Tirol Bank. Our federal state bank.

Since Hypo Tirol Bank AG is owned by the Province of the Tyrol, the bank takes care of all Tyrolean people and by providing service for both, people and the economy, it acts as a universal and regional financial partner. Due to its experience and expertise, the bank generates sustainable success and provides comprehensive financial security. In this context, the federal state bank acknowledges the importance of personal on-site service. While other competitors are closing their offices, Hypo Tirol Bank AG focuses on the modernisation of existing offices. In 2018, two branch offices in the Ziller Valley and in Kitzbühel were renovated which enables our employees to offer all clients well-established consulting and service quality in a traditional but modern atmosphere. The whole branch network in the defined core markets of North, East and South Tyrol as well as Vienna comprises 22 offices. Our teams working in these offices provide service for all strategic target groups, with special attention being given to private clients, corporate clients and public institutions.
Not only is the service concept perfectly tailored to the requirements of these target groups, it is also a major component of the organisational structure. In the retail sector, Hypo Tirol Bank AG supports private clients, individual companies and small corporate clients as well as liberal professionals in all aspects regarding daily financial life and strategic capital business. The service particularly focuses on the financing of housing, corporate financing and investment strategies. All experts of Hypo Tirol Bank AG, who work in the private client centres, offer comprehensive expertise for all entrepreneurs. As far as private banking, liberal professions and public institutions are concerned, expert teams combine their proficiency for ambitious investors, self-employed people and local authorities alike. The "WohnVision Center Tirol" represents the supra-regional point of contact for all Tyrolians who would like to make their dream of home ownership come true. The widespread financial service offer is completed by the holistic knowledge in the field of leasing provided by the experts working in the „Hypo Tirol Versicherungs Gmbh" insurance company and "Hypo Immobilien Betriebs GmbH" real estate company.
Moreover, Hypo Tirol Bank is a sponsor in the field of education, social affairs, culture and sports and thus, safeguards cultural values and takes responsibility for social justice.

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

2. Economic condition and business development in the reporting year

2.1. Economic conditions

Various political risk factors negatively influenced the mood of investors and resulted in significant price adjustments on stock and raw material markets. After a good start in the beginning of the year, the global economic engine lost headway in the course of 2018. Already during summer, annual growth in Europe dropped from more than 2.5% to 1.5%. At that point of time, owing to the latest tax reduction, the situation in the USA was still quite pleasing. However, in the course of time, an increasing number of bad effects could also be witnessed overseas. These effects primarily resulted from diverse geopolitical conflicts that progressively influenced the mood of market participants in a negative manner. In this context, the trade dispute between the USA and China, which escalated after September 2018, played a crucial role. In Europe, the essential stress factor was the failure regarding the withdrawal agreement of Great Britain and the European Union. Moreover, increasing nationalist tendencies where the reason why the unity of the European Union was put to the test several times. This aspect was reflected by the Italian confrontation policy regarding the 2019 budget. Just before the turn of the year, the partial shutdown of the US administration, which had been caused by the political blockade in the Congress, resulted in a deterioration of the already bad atmosphere on the markets and fears of recession emerged.
Economic slowdown resulted in stock market downturn. Stock markets started very well in the beginning of 2018. However, in February, uncertainty increased more than expected and prices dropped as a result of the reported US inflation figures. The situation developed positively until September, when an unpleasing fourth quarter had to be faced until the end of 2018. In particular, the trade dispute between the USA and China and the abovementioned political stress factors had negative impact on stock markets. Even the best company profits could not change the situation. December turned out to be extremely negative. Especially American and Japanese stocks were strongly affected in this respect. The US stock market had to face the worst end of the year since 1927! From late summer onwards, European stocks were also under pressure.
High price fluctuations on bond markets combined with an extension of spreads in 2018 resulted in a difficult year as far as bonds are concerned. The economic slowdown and the increasing restrictive monetary policy pursued by the most important central banks have left their traces on capital markets as well. The Federal Reserve increased the base rate four times, from lately 2.25% to 2.50%. The European Central Bank maintained the base rate in the Euro area but terminated its bond-buying programme in the end of the year. The yield level climaxed in February. The significant decline that was recorded by the end of the year was based on the difficult economic environment and on investors, who were looking for comparatively secure investment solutions. However, government bonds (in particular German government bonds) benefited from this kind of development, while all other market segments were on the loser's side, due to the significant spread increases. This development caused negative effects for high-yield bonds and bonds of threshold countries. In addition, financial bonds and company bonds were under pressure, especially those with subordinate collateralisation. On the other hand, US government bonds (in EUR) showed a substantial and positive value change at the end of 2018. This was caused by the appreciation of the USD against the EUR (nearly 5%); in addition, the inflation rate declined and even though the base rate was increased, yield decreases and capital gains were recorded in the USA.

2.2. Economic development in the market area

The development of the Austrian economy in 2018 can be described as rather pleasing. In the first half-year, demands of private households rose sharply, and foreign trade also generated a positive growth rate. In the first half-year both, import and export generated a growth rate of more than 5%. In terms of export, the most important partner countries in the EU were Germany, Italy and France. In the second half-year, the unfavourable economic condition could also be noticed in Austria. Despite this circumstance, economic growth reached a remarkable level of 2.7%. The rate of unemployment was rather low and accounted for 7.7%.

From the economic point of view, the past year was also rather satisfying throughout the Tyrol. The Tyrolean industry reached new records. All 450 industrial companies located in the Tyrol succeeded in increasing the production value from approximately EUR 10 billion to nearly EUR 11 billion. The number of employees rose significantly. In addition, the Tyrolean tourism industry also reported outstanding figures. A new record was achieved due to 49.9 million overnight stays. Tyrolean trade generated a net runover in the amount of EUR 25 billion.

2.3. Company development

In the reporting year, the business development of Hypo Tirol Bank was very positive. Therefore, economic stability could be strengthened. This fact is reflected by the relevant company key figures. Standard & Poor's also confirmed this progress by upgrading the company to category A in Mai 2018. The rating agency praised the bank's alignment and the enhancement of profitability and efficiency.
In the 2018 fiscal year, the confidence of clients was deepened, and Hypo Tirol Bank AG was promoted as an investment bank. The awards, our experts received again in the field of fund management, perfectly illustrate their expertise and how grounded this kind of expertise is within Hypo Tirol Bank. In 2018, three prizes were won at the Austrian "Dachfondsward" in the categories: equity umbrella fund, mixed umbrella fund and bond umbrella fund. In the segment of sophisticated investment, the range of private banking products and consulting services, which had been revised completely, achieved respective recognition.
With regard to the second strategic sales pillar, that is to say private housing, the year 2018 can also be considered a record year.
As far as the segment of corporate clients is concerned, we can draw a similar picture. On one hand, the bank benefited from the general positive willingness to invest due to the good economic condition, on the other hand the bank had to cope with the pressure of offering the perfect conditions. However, this challenge was well mastered by offering best consulting service, reliable assistance and individual product design.

The expansion of our digital product range represents another crucial factor in order to safeguard profitability. This involves substantial investment and development costs. Nevertheless, communication and sales channels are of utmost importance in order to generate sustainable business success, especially in times of omnichannel management.

Business development

Company key figures

Company Key Figures	2018	2017	Change in %
Balance sheet total in kEUR	7,327,147	7,057,610	3.81
Receivables from clients in kEUR	5,642,043	5,346,223	5.53
Liabilities to clients in kEUR	3,363,732	3,187,448	5.53
Liabilities evidenced by certificate in kEUR	2,297,963	1,325,859	73.32
Equity according to CRR in kEUR	603,723	584,641	3.26
of which Tier 1 in kEUR	529,876	519,091	2.07
Net interest income after risk provision in kEUR	85,486	65,889	29.74
Net commission income in kEUR	26,641	26,367	1.04
Administrative expenses in kEUR	71,506	72,673	-1.61
Operative result in kEUR	41,458	22,015	88.31
Core capital ratio in %	14.67	14.51	N/A
Equity ratio in %	16.71	16.34	N/A
Return on Equity (IFRS) in %	7.69	4.11	N/A
Return on equity (IFRS) in % (without stability fee, deposit insurance and resolution funds))	8.86	5.19	N/A
Cost-income-ratio (IFRS)	60.49	67.20	N/A
Cost-income-ratio (IFRS) in % (without stability fee, deposit insurance and resolution funds)	57.42	63.79	N/A
Number of employees according to capacities	516	512	0.78

Balance Sheet Development

In the past business year, the balance sheet total amounted to EUR 7.3 billion: it was 3.81% higher than the balance sheet total of the previous year (previous year: EUR 7.1 billion.). The increase was as expected. The essential single balance sheet items illustrate the following situation:

Receivables from credit institutions
On 31 December 2018, receivables from credit institutions amounted to EUR 95.4 million (previous year: EUR 109.0 million). Thus, they decreased by EUR 13.6 million.

Receivables from clients
At the balance sheet date, receivables from clients accounted for EUR 55.6 billion (previous year: EUR 5.4 billion). The decline regarding the volume of receivables in Italy was compensated by an increase in Austria. In total, receivables from clients grew by EUR 295.8 million respectively by 5.53%.

Other financial assets
Based on the first-time application of IFRS 9, a new balance sheet structure is illustrated. Financial assets designated at fair value, AFS and HTM, which were still illustrated in the previous year, are now included in other financial assets on an aggregated basis. On 31 December 2018 they accounted for EUR 1.2 billion. The included amount of EUR 556.7 million was evaluated on the basis of amortised costs.

Liabilities to credit institutions
In the past business year, liabilities to credit institutions decreased by EUR 13.7 million to EUR 918.0 million (previous year: EUR 931.7 million). In this context, most liabilities refer to liabilities to the Austrian National Bank.

Liabilities to clients
In the past business year, liabilities to clients increased by EUR 176.3 million to EUR 3,363.7 million (previous year: EUR 3,187.4). In this context, time deposits increased by EUR 37.5 million, and savings deposits by EUR 15.7 million, whereas giro accounts increased by EUR 99.0 million.

Liabilities evidenced by certificate
Based on the first-time application of IFRS 9, liabilities evidenced by certificate are no longer illustrated in the balance sheet separately according to evaluation criteria. 46.22% of Liabilities evidenced by certificate refer to debenture bonds (Pfandbriefe). In comparison to the previous year they increased slightly and accounted for EUR 2,298.0 million (previous year: EUR 1,325.9 million) on 31 December 2018.

Capital resources

Based on regulation (EUR) no. 575/2013 (Capital Requirements Regulations – CRR) and the directive regarding the access to operations of financial institutions (Capital Requirements Directive 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 Tirol Bank AG, the supervisory consolidation circle corresponds to the consolidations circle according to IFRS.
Eligible equity in accordance with CRR/CRD IV increased by EUR 19.1 million in comparison to the previous year; in consideration of all deduction items it accounted for 603.7 million (previous year: EUR 584.6 million) on 31 December 2018). Within this period, required equity increased by EUR 2.8 million. At the balance sheet date, the equity ratio amounted to 16.71 % (previous year: 16.34%) and thus, increased by 0.37 percentage points. Consequently, Hypo Tirol Bank AG fulfils all corporate group requirements regarding equity as stated in CRR/CRD IV. Equity surplus accounted for EUR 314.7 million (previous year: EUR 298.5 million).
At the balance sheet date, core capital (Tier I) accounted for EUR 529.9 million (previous year: EUR 519.1 million). Supplementary equity (Tier II) in consideration of deduction items according to section 66 (own interests supplementary capital) amounted to EUR 73.8 million (previous year: EUR 65.6 million). At the balance sheet date, the core capital ratio accounted for 14.67% (previous year: 14.51%).

Achievements

In 2018, Hypo Tyrol Bank AG once again pursued the determined strategy of the previous years and focused on the Tyrolean core market (North-, East and South Tyrol) and Vienna. Apart from that, it continued to cut risk positions. By doing so, Hypo Tirol Bank AG significantly reduced risk provision and finally achieved a very pleasing result.

Net interest income after risk provision
In the past business year, net interest income after risk provision increased by EUR 19.6 million to EUR 85.5 million (previous year: EUR 65.9 million). This shows the positive development in relation to risk provision. In addition, it was possible to reduce credit risk provision by 50.8% to EUR 5.2 million.

Net commission income
In comparison to the previous year, net commission income increased by only 1.0% and accounted for EUR 26.6 million. In this context, the decline in commission income, primarily in connection with the transaction of securities, was compensated by the reduction of commission expenses.

Administrative expenses
In the past business year, it was again possible to reduce administrative expenses. In 2018, expenses accounted for 71.5 million (previous year: EUR 72.7 million.). This decline meets the expectations of the management and complies with the determined professional goals and the strategy to optimise the utilisation of personnel capacities.

Result before tax
The result before tax in the past business year accounted for EUR 41.5 million (previous year: EUR 22.0 million). After the decoction of tax on income and profit in the amount of EUR 9.4 million (previous year: EUR 3.0 million) the result after tax amounted to EUR 32.0 million. (previous year: EUR 19.0 million).

3. Report on anticipated corporate developments and risks

3.1. Economic development

Basic economic scenario: geopolitical instability factors affect economic atmosphere and economic growth. Hardly any perils of inflation.

The current indicators show that the geopolitical situation will have negative impact on economic actors and consequently on the economic development as a whole. On the global stage, the trade dispute between the USA and China will have major consequences. In the meantime, the situation has already left its traces in China and the USA alike. In addition, the USA have to struggle with the political deadlock between Republicans and Democrats, which already resulted in a partial shutdown of the federal government. It is quite realistic to anticipate that in 2019, the USA and China will reach an agreement concerning the trade dispute. As far as Europe is concerned, Britain's withdrawal from the EU and how it will be tackled, will play a vital role for the development of the economic situation. From our point of view, there are several scenarios. Our basic assumption is that there will be some kind of agreement in order to avoid the worst-case scenario, namely a hard Brexit, which would be extremely negative for both, Britain's and Europe's economy. Still, we also see positive economic factors. Due to the above-mentioned economic risks we expect the US Federal Reserve to be very careful in terms of further increasing the base rate. The base rates are expected to culminate in the middle of 2019. In the Euro area, the base rates will remain on the same low level, at least until the third quarter of 2019. Moreover, we expect a moderate inflation rate. In Germany, the annual inflation rate significantly declined from 2.3% (November 2018) to 1.7% (December 2018). In view of the rather low energy prices, an inflation rate of 2% can be expected for the entire Euro area (year on year). Due to the rising wages, which result from current collective bargaining, the disposable income of private households will be rather high. This might turn consumption into one of the supporting pillars of economic growth. In 2019, in many states the government spending will probably also be higher than in previous years. On the global level we expect real economic growth to decline from 3.6% in 2018 to approximately 3% in 2019.

3.2. Economic development in our market area

According to the consumer survey carried out by "Spectra", **the Austrian population looks into the future with confidence**. 29% of the people questioned expect a positive economic development for the beginning of January 2019, whereas 14% fear a deterioration. In view of the fact that the global economic environment is rather weak, the Austrian economic engine will also run more slowly in 2019. For that reason, the two economic research institutions "Wifo" and "HIS" have recently adjusted their economic forecasts (downwards) for 2019. Therefore, an increase in gross domestic product in the amount of 2.0% respectively 1.7% is estimated. In this respect, private consumption will remain to be a supporting pillar of the economy. It is very pleasing that a balanced budget or even a moderate budget surplus can be considered realistic. The rate of unemployment is anticipated to decline form currently 7.7% to 7.3%.

The **situation in the Tyrol will strongly be determined by the current lack of specialists**. In 2018, the rate of unemployment already accounted for only 4.9% and thus, had reached the lowest level for 18 years. In return, a new employment record was achieved in our province. In terms of a positive economic condition, the sings for 2019 are already very positive.

3.3. Anticipated corporate development

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

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

Strengthening customer relations in the retail sector means to provide sustainable customer service for existing clients by means of cross-selling and deep-selling, and to acquire new clients. In the field of corporate client business, it is intended to achieve a positive growth rate concerning a balanced risk-income-ratio in the core market of North, East and South Tyrol as well as Vienna. In South Tyrol and Vienna the niche market strategy will be pursued.

In the private banking sector, the company strategy aims at living up to the success of the past year and to extend the market share in North, East and South Tyrol as well as in Vienna.
In 2019, the balance sheet total is anticipated to increase in a moderate manner in comparison to 2018. Based on the pleasing demand for loans in the core market, a further rise of the volume of receivables can be anticipated. Consequently, a moderate increase in risk provision is also expected. According to our estimations, the volume of deposits will develop retrogressively, because of the low interest environment.
The refinancing of growth is supposed to be implemented by granting covered and uncovered liabilities evidenced by certificate

In comparison to 2018, investment concerning IT and data centre services will result in an increase in administrative expenses. Nevertheless, investment in this context is essential to boost the planned digitalisation offensive and to comply with all legal and supervisory requirements.

In the forthcoming business year, other operative income is anticipated to improve. This can be attributed to the positive development in connection with the reduction of expenses regarding the company's own real estate portfolio. As far as income from financial assets and liabilities and income form hedge accounting are concerned, a positive development can be anticipated as well.

3.4. Major risks and uncertainties

Risk management
Risk management is implemented and regularly improved by Hypo Tirol Bank AG and aims at safeguarding long-term success for Hypo Tirol Bank AG. Therefore, the requirements of ICAAP (Internal Capital Adequacy Assessment Process) as well as ILAAP (Internal Liquidity Adequacy Assessment Process) shall be fulfilled. In this respect, the conditions for efficient risk management are defined by the total risk strategy, whereas risk culture and risk appetite framework are defined by the managing board. Among others, the risk management process applied by Hypo Tirol Bank AG comprises the following elements.

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

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

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

Subsequently, these risks are aggregated (total risk) and compared with the risk capacity. The limits for single risks and risk capacity are determined by the managing board, monitored on a monthly basis and disclosed in the context of the overall bank management meetings. In case current developments or predictions require the implementation of measures, such measures are defined and implemented in terms of active risk control in a timely manner.

Credit risk and counter party credit risk

Definition

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

Credit risk within Hypo Bank Tirol AG is evaluated on the basis of the going concern view and the liquidity view in compliance with the same method. Counter party credit risk (CCR) is considered within the quantification of credit risk.

Credit risk (default risk) is controlled by credit risk management, which assesses the financial recovery and operation of non-performing loans. The operational portfolio is managed by the department of Law & Compliance.

Division of the portfolio by creditworthiness

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

The proportion of the volume of receivables, which can be assigned to the segment of high-quality creditworthiness with outstanding creditworthiness and good creditworthiness, further increased compared to the previous years and currently amounts to roughly 74%.

The proportion of the default segment could be further decreased by managing the portfolio in consistent, sustainable and active manner; therefore, the non-performing loans rate developed positively and could be further reduced in the 2018 business year.

Division of the portfolio by regions

In the 2018 business year, Hypo Tirol Bank AG succeeded in further expanding the volume of receivables in the defined core market and in reducing the volume outside the defined core market. This is particularly illustrated in note (22) receivables from clients by region.

Foreign currency proportion – receivables from clients

The positive development of the previous years was also implemented in the year 2018l and thus foreign currency volume was further reduced. Due to the specifications defined in our foreign currency policy, no new transactions in foreign currency with private clients and with corporate clients only to a very restricted extent are intended. Top priority is given to the further and consistent reduction of foreign currency volume. The illustration of foreign currency volumes divided by balance sheet items can be found in note (53).

Development of repayment vehicle loans

The strategy of Hypo Tirol Bank AG to continuously reduce the portfolio of repayment vehicle loans was further pursued in 2018. The reduction was positively influenced by defined restrictions in relation to the granting of new loans and the management of the existing portfolio.

Development of the Nostro securities portfolio

In 2018, Nostro securities nearly maintained on the same level. Nostro securities, which are highly qualitative, are used by Hypo Tirol Bank AG to control liquidity. The development of Nostro securities in note (28).

Reducing credit risk - collateral

In order to minimise the risk of loss, Hypo Tirol Bank AG aim at securing the volume of receivables in adequate manner. In this context, real estate collateral is the most important type of collateral. It is evaluated in compliance with the defined corporate standards and used in accordance with the existing catalogue in order to secure credit exposures.

A respective monitoring process, which is carried out by an independent institution, was established to ensure recoverability. The high quality of mortgage cover funds is also reflected by the external rating (Aa2 according to Moody's).

Risk provision policy

Early Warning System

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

Non-performing loans (NPL)

According to the definition established by Hypo Tirol Bank AG, non-performing loans include loans in default in the supervisory category of receivables and restructuring and operating cases. Due to the consistent management of the Italian portfolio it was possible to achieve nearly the same positive result as last year. Thus, the NPL-rate within the corporate group was significantly reduced again. At the key date (31 December 2017), the corporate group's NPL rate amounted to 5.8% and at the key date (31 December 2018) it amounted to 3.9%

Risk provision policy

Risk provision requirements are documented in a separate system. The system describes the responsibilities and particularly the process how to evaluate the required amount of the respective special allowance. For further information please see note (3) and note (4). Furthermore, contract adaptations, which are considered as forbearance measure (concessions concerning loan conditions to avoid value loss) are also a part of risk provision policy.

Market risk and interest rate risk

Definition

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

- Interest rate risk
- Security price risk
- Foreign currency risk
- Credit spread risk
- Credit valuation adjustment (CVA)
- Alternative investment risk
- Risk arising out of termination rights

Market risk control
Market risk control is managed by the treasury department. In this context, special attention is given to a balanced asset/liability management process in consideration of the resulting impact on the financial statement in accordance with the Austrian Commercial Code and IFRS. As far as interest rate risk is concerned, a risk report regarding the bank's net interest income is evaluated beyond the cash value perspective.
In order to reduce interest rate risk, Hypo Tirol Bank AG carries out hedge accounting, which allows to secure fixed interest loans, emissions and securities of the bank's own portfolio as fair value hedges. The foundation for market risk control is formed by the Interest rate positioning and the interest rate risk which are evaluated on a monthly basis.

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

Liquidity risk

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

Liquidity risk control
Within Hypo Tirol Bank AG short-term liquidity risk is quantified and monitored on the basis of the key figures of liquidity coverage potential (A'LCP) and the supervisory key figures of liquidity coverage ratio (LCR). The LCR forecast is integrated into liquidity risk management as an early warning instrument. In addition, LCR, liquidity buffer and liquidity sensitive products are monitored on a daily basis by means of the liquidity risk data board. Refinancing risk is quantified via structural liquidity risk and the supervisory key figure of NSFR (Net Stable Funding Ratio) and monitored via a refinancing monitoring system (comparison of planned/actual data). In 2018, the LCR key figure accounted for averagely 149%.
Within Hypo Tirol Bank AG, liquidity control is managed by the treasury department.

Operational risk

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

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

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

Real estate and participation risk

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

Excessive debt risk

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

Macro-economic risk

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

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

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

Risk from other assets

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

Risk management organisation

The managing board determines the overall risk strategy, the specified risk appetite framework, the risk limits and the risk manual of Hypo Tirol Bank AG, which documents on the risk management process. Hence, the strategy is presented to and concluded by the supervisory board.

Within the corporate group's managing board, the determined manager, who is responsible for business transactions, takes the responsibility for the further development of risk management and takes the leading position in the context of strategic risk management and in risk controlling. Hence risk control shall report to the Managing Board.

The supervisory board, respectively its subcommittee (risk committee) is responsible for the regular monitoring of the corporate group's management and the continuous evaluation of the risk management system operated by Hypo Tirol Bank AG.

In this respect, the managing board informs the supervisory board respectively the risk committee in pre-defined intervals about the risk situation of the corporate group and the risk management analysis. By doing so, the monitoring function administered by the supervisory board/risk commit-tee is safeguarded.

The risk controlling executive department is responsible for the development and the continuous improvement process of risk management systems. It identifies, qualifies, monitors and controls major risks and risk covering potentials as well as short term liquidity to ensure capital- and liquidity adequacy. In this context, proposals regarding risk and portfolio control are made and monitoring is conducted on the basis of defined internal reports. While risk management in pro-duction units is basically performed on the single item level risk controlling deals with risk management on portfolio level.

The central internal committee, which is responsible for active bank-wide control, organises the bank-wide control meeting on a monthly basis. The members of this committee are the general managing board, the head of the treasury department, the head of the accounting department, the head of the controlling department, the head of the audit executive department as well as the head of the risk controlling executive department.

The work of the committee is complemented by a comprehensive reporting system; in this con-text, reports are forwarded to the decision makers at least once a month.

Quantifying Risks and Risk Cover Potentials

Types of risk/risk parameter	Going concern view	Liquidation view
Confidence level	95%	99.9%
Period of observation	1 year	1 year
Credit risk: classic credit risk	Modell strongly complies with IRB approach of CRR	Modell strongly complies with IRB approach of CRR
Credit risk: counter party credit risk	Liquidation view values are scaled to confidence level	Risk value from pillar I for CCR
Market risk: Interest rate risk Price risk Foreign currency risk	Historical value at risk	Historical value at risk
Market risk: Credit spread risk	Historical value at risk by using indices	Historical value at risk by using indices
Market risk: Alternative risk	Historical low	Historical low
Market risk: CVA	Risk value scaled to confidence level	Risk value scaled to confidence level
Liquidity risk	Increased refinancing under spread shock	Increased refinancing under spread shock
Macroeconomic risk	Stress tests on components of credit, market and liquidity risk	Stress tests on components of credit, market and liquidity risk
Operational risk	Liquidation view values are scaled to confidence level	Risk values from pillar I (base indicator approach)
Risk from other assets	Liquidation view values are scaled to confidence level	Risk values from pillar I (risk weight approach))
Risk capital from corporate participation	Mixed approaches: IRB approach, risk weight approach	Mixed approaches: IRB approach, risk weight approach
Concentration risk: Concentration of names Concentration of sectors	Granularity adjustment for con-centration of names Liquidation view values are scaled to confidence level for branch concentrations	Granularity adjustment for con-centration of names Risk value for branch concentra-tion evaluated by means of the Herfindahl-Hirschmann-Index.
Risk buffer Unknown risks and model risk	Percentage of other risks, minimum value	Percentage of other risks, minimum value

Risk report

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

Going concern view

Economic capital	ø 2018	ø 2017
Credit risk	23.2 %	22.1 %
Market risk	12.8 %	15.7 %
Liquidity risk	3.4 %	4.4 %
Macro-economic risk	6.9 %	5.3 %
Operational risk	7.7 %	5.9 %
Risk from other assets	5.5 %	4.4 %
Real estate and corporate participation risk	1.6 %	1.5 %
Concentration risk	0.7 %	0.2 %
Risk buffer	2.0 %	3.5 %
Economic risk total	**63.8 %**	**63.0 %**
Risk cover potential	100.0 %	100.0 %
Available cover assets	**36.2 %**	**37.0 %**

Liquidation view

Economic capital	ø 2018	ø 2017
Credit risk	24.2 %	31.4 %
Market risk	5.3 %	10.5 %
Liquidity risk	1.4 %	2.5 %
Macro-economic risk	4.9 %	7.5 %
Operational risk	3.1 %	3.3 %
Risk from other assets	2.2 %	2.5 %
Real estate and corporate participation risk	2.0 %	2.2 %
Concentration risk	0.4 %	0.1 %
Risk buffer	1.3 %	2.5 %
Economic risk total	**44.8 %**	**62.5 %**
Risk cover potential	100.0 %	100.0 %
Available cover assets	**55.2 %**	**37.5 %**

Short-term liquidity risk
Short-term liquidity risk is quantified and monitored within one day (intraday liquidity) but also via the daily liquidity dashboard. In this respect, liquidity sensitive products, intraday liquidity, daily LCR as well as conditioning on the liabilities side are monitored and reported to the Managing Board and further recipients.

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

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

Particular Developments in 2018 and Forecast for 2019
Despite increasing supervisory capital requirements and a challenging low-interest environment, Hypo Tirol Bank Ag was able to further strengthen its equity. In addition, it was possible to further reduce the NPL rate. This kind of sustainable success is also reflected by the rating upgrade by Standard & Poors.
In 2019, the cooperation with the GCC (ARZ) general computing centre booking community concerning the jointly developed rating tools will be further intensified. Moreover, risk capacity will be revised in terms of a normative and economic approach.

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

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

Objectives
The managing board of Hypo Tirol Bank AG is responsible for the establishment and the maintenance of an appropriately equipped internal control and risk management system (ICS).
In order to exercise this responsibility properly, an ICS coordinator

has been appointed. The area of responsibilities of this function comprises the standardisation and systematisation of all existing internal control systems and the summary of individual measures and the subsequent transfer to an overall and unified internal control system. The evaluation of the effectiveness of the internal control system is based on the criteria specified in the working paper „Internal Control - Integrated Framework“ published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2004).
The purpose of the ICS in relation to the preparation of financial statements is to recognise risks inherent to the process and to properly prepare an annual financial statement in compliance with all regulations by employing a control system.
The ICS manual serves as the basis regarding these regulations, guidelines and directives and provides the systematic structure to implement a cross-departmental coherent control system.

ICS components in the context of the preparation of the financial statement
The control environment serves as the structure in which the ICS can be operated. The major instruments of the control environment are regulations of structural and operational processes which adhere to the separation-of-functions principle and the four-eye principle. Furthermore, standardised qualification and training programmes held for staff members guarantee that the qualification level which is required for the respective position is guaranteed. Besides that, a number of instruments also guarantee the integrity and ethical conduct of single employees. Responsibilities and competences are regulated by the organisation manual, the process map and job descriptions.
Effective risk assessment is built on corporate objectives. Risk assessment in compliance with the strategic dimensions of the COSO model is conducted by the risk controlling department on an annual basis. According to such risk assessment, ICS-relevant processes within Hypo Tirol Bank AG are defined and reviewed on an annual basis.
With regard to efficient risk assessment in the context of preparing the financial statements, our corporate objectives in relation to financial reporting serve as the foundation. The foremost goal of financial reporting is the process of preserving and informing. The legally fixed principle of communicating a true and fair view of the assets, the financial position and the profit situation is given top priority in this respect.
In order to minimize the risk of substantial misstatements in describing transactions in the process of preparing financial statements risks have been identified and ICS controls have been outlined in the context of process evaluations. The ICS monitoring guarantees the correctness, the transparency and the efficiency of controls and the proper operation of the total process.
Special attention is given to the loan business and the bank’s own transactions in the field of investment. Since the preparing of the financial statements is considered an ICS relevant process, it shall include the numerical illustration of such business processes.

Regarding the computerised processing of our business activities we are supported by the General Computing Centre (ARZ - Allgemeines Rechenzentrum). ARCTIS software solution is the central host system, which is used for the daily banking business. Standard solutions such as GEOS, SAP, etc. serve as sub-systems. Cognos Consolidator (consolidation software) supports the preparation of the consolidated financial statements. In addition, access regulations, strict data security specifications and automatic adjustment controls are just a few examples for control measures which are applied in the entire IT landscape of Hypo Tirol Bank AG.
Information channels have been designed in such a way that all relevant information can be distributed in reliable, timely and objective manner. They include tools such as Portal News, Intranet, managing board e-mails, document distribution via Intranet platforms, control calendars as well as internal seminars and training workshops.
Moreover, institutional information channels in the context of management reports help to make business activities and their corresponding inherent risks transparent and demonstrate the development of earnings. The managing board has the obligation to submit quarterly prepared reports on the profit and risk situation to the supervisory board and the auditing committee as well as to provide the financial statements according to the provisions stipulated in the Austrian Company Code and the consolidated financial statements according to IFRS.
The ICS of the corporate group is regularly monitored in accordance with the “3 Lines of Defence” model. The ICS coordinator establishes an annual report for the managing board. This particular report includes information on ICS relevant processes, the results, the reviews and the intended measures regarding the further development of the ICS.
During their rotational meetings with the managing board, the supervisory board and the audit committee are also provided with the respective information regarding the status of the ICS in the context of their supervisory function.

4. Sustainability report

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

5. Report on research and development

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

Innsbruck, 27 March 2019

HYPO TIROL BANK AG – Managing Board

Johann Peter Hörtnagl   Mag. Johannes Haid   Mag. Alexander Weiß

Contents

I. Profit and Loss Account

in kEUR	Notes	2018	2017	in kEUR	Change in %
Interest and similar income		129,151	134,129	-4,978	-3.7
calculated according to the effective interest method		*112,936*	*125,296*	*-12,360*	*-9.9*
Interest and similar expenses		-38,424	-57,587	19,163	-33.3
NET INTEREST INCOME	*(7)*	**90,727**	**76,542**	**14,185**	**18.5**
Credit risk provision	*(8)*	-5,241	-10,653	5,412	-50.8
NET INTEREST IINCOME AFTER RISK PROVISION		**85,486**	**65,889**	**19,597**	**29.7**
Commission income		30,290	31,553	-1,263	-4.0
Commission expenses		-3,649	-5,186	1,537	-29.6
Net commission income	*(9)*	**26,641**	**26,367**	**274**	**1.0**
Trading result	*(10)*	N/A	344	N/A	N/A
Result from financial assets and liabilities	*(11)*	-1,639	N/A	N/A	N/A
Result from the retirment of financial assets - at cost		-12	N/A	N/A	N/A
Result from hedge accounting	*(12)*	7,254	1,468	5,786	>100
Result from financial instruments – at fair value through profit or loss	*(13)*	N/A	5,360	N/A	N/A
Result from other financial instruments	*(14)*	N/A	-2,801	N/A	N/A
Result from associated companies	*(15)*	364	427	-63	-14.8
Administrative expenses	*(16)*	-71,506	-72,673	1,167	-1.6
Other income	*(17)*	20,312	17,927	2,385	13.3
Other expenses	*(18)*	-25,442	-20,293	-5,149	25.4
Result before tax		**41,458**	**22,015**	**19,443**	**88.3**
Tax on income and profit	*(19)*	-9,433	-3,004	-6,429	>100
Result after tax		**32,025**	**19,011**	**13,014**	**68.5**
These numbers include:					
Owner of the parent company		*32,025*	*19,011*	*13,014*	*68.5*
Participating interest without significant influence		*0*	*0*	*0*	*0.0*

Due to the first-time application of IFRS, new evaluation criteria were defined for financial assets and liabilities. The provisions described in IFRS 9.4 and IFRS 9.5 include comprehensive adjustments in comparison to IAS 39. Consequently, direct comparison with the previous year is not possible.

II. Statement of Comprehensive Income

in kEUR	2018	2017	Change	
			in kEUR	in %
Result after tax	**32,025**	**19,011**	**13,014**	**68.5**
Data which can be reclassified into the profit and loss account				
Evaluation of financial assets - AFS - included in other income	N/A	-3,257	N/A	N/A
Reclassification of evaluation results from disposed of financial assets - AFS to net income for the period	N/A	3,013	N/A	N/A
Reclassification of evaluation results from impairment of financial assets - AFS to net income for the period	N/A	91	N/A	N/A
Evaluation of debt instruments at fair value not recognised through profit or loss	-12,104	N/A	N/A	N/A
Income affecting reclassification of evaluation results into the profit and loss account of debt instruments at fair value not recognised through profit or loss	-503	N/A	N/A	N/A
Loan risk adjustments	-4	N/A	N/A	N/A
Deferred tax from evaluation of financial assets included in other income	3,153	38	3,115	>100
	-9,458	**-115**	**-9,343**	**>100**
Data which cannot be reclassified into the profit and loss account				
Actuarial profit/loss	573	187	386	>100
Deferred tax from evaluation of actuarial profit/loss included in other income	-143	-47	-96	>100
Credit rating induced fair value change - own liabilities	918	-13,442	14,360	>100
Deferred tax not recognised through profit or loss from credit rating induced fair value change - own liabilities	-229	3,361	-3,590	>-100
	1,119	**-9,941**	**11,060**	>100
Other income after tax on income and profit	**-8,339**	**-10,056**	**1,717**	**-17.1**
Total result	**23,686**	**8,955**	**14,731**	**>100**
These numbers include:				
Owner of the parent company	*23,686*	*8,955*		
Participating interest without substantial influence	*0*	*0*		

Due to the first-time application of IFRS, new evaluation criteria were defined for financial assets and liabilities. The provisions described in IFRS 9.4 and IFRS 9.5 include comprehensive adjustments in comparison to IAS 39. Consequently, direct comparison with the previous year is not possible.

III. Balance Sheet

Assets

in kEUR	Notes	2018	2017	Change in kEUR	Change in %
Cash assets reserve	(20)	**128,552**	**42,659**	**85,893**	**>100**
Receivables from credit institutions		*95,402*	*108,986*	*-13,584*	*-12.5*
Risk provision		*-27*	*0*	*-27*	*-100*
Receivables from credit institutions after risk provision	(21)	**95,375**	**108,986**	**-13,611**	**-12.5**
Receivables from clients		*5,734,515*	*5,485,996*	*248,519*	*4.5*
Risk provision		*-92,472*	*-139,773*	*47,301*	*-33.8*
Receivables from clients after risk provision	(22)	**5,642,043**	**5,346,223**	**295,820**	**5.5**
Positive market values from derivative hedging instruments	*(23)*	**N/A**	**11,446**	**-11,446**	**-100**
Trading assets and derivatives	*(24)*	**56,944**	**70,413**	**-13,469**	**-19.1**
Financial assets – designated at fair value	(25)	**N/A**	**432,525**	**-432,525**	**-100**
Financial assets – AFS	(26)	**N/A**	**824,835**	**-824,835**	**-100**
Financial assets – HTM	(27)	**N/A**	**19,888**	**-19,888**	**-100**
Other financial assets		*1,223,697*	*N/A*	*1,223,697*	*100*
Risk provision		*-20*	*N/A*	*-20*	*-100*
Other financial assets after risk provision	(28)	**1,223,677**	**N/A**	**1,223,677**	**100**
Interests in associated companies	(29)	**7,576**	**10,159**	**-2,583**	**-25.4**
Investment properties	(30)	**82,409**	**87,819**	**-5,410**	**-6.2**
Intangible assets	(31)	**2,227**	**1,893**	**334**	**17.6**
Tangible assets	(32)	**53,059**	**56,725**	**-3,666**	**-6.5**
Other assets	(33)	**18,147**	**17,901**	**246**	**1.4**
Non-current assets and disposal groups held for sale	(34)	**9,396**	**15,480**	**-6,084**	**-39.3**
Deferred tax assets	(35)	**7,742**	**10,658**	**-2,916**	**-27.4**
TOTAL ASSETS		**7,327,147**	**7,057,610**	**269,537**	**3.8**

Liabilities and Equity

in kEUR	Notes	2018	2017	in kEUR	Change in %
Liabilities to credit institutions	(36)	**918,005**	**931,718**	**-13,713**	**-1.5**
Liabilities to clients	(37)	**3,363,732**	**3,187,448**	**176,284**	**5.5**
Liabilities evidenced by certificate	(38)	**2,297,963**	**1,325,859**	**972,104**	**73.3**
Negative market values from derivative hedging instruments	(39)	**N/A**	**4,727**	**-4,727**	**-100**
Derivatives	(40)	**79,623**	**91,209**	**-11,586**	**-12.7**
Financial liabilities – designated at fair value	(41)	**N/A**	**795,785**	**-795,785**	**-100**
Provisions	(42)	**33,860**	**34,029**	**-169**	**-0.5**
Other liabilities	(43)	**62,139**	**64,856**	**-2,717**	**-4.2**
Current tax liabilities	(44)	**5,016**	**984**	**4,032**	**>100**
Deferred tax liabilities	(35)	**2,761**	**875**	**1,886**	**>100**
Subordinate and supplementary capital	(45)	**N/A**	**75,715**	**-75,715**	**-100**
Equity	(IV), (46)	**564,048**	**544,405**	**19,643**	**3.6**
These numbers include:					
Owner of the parent company		*560,505*	*544,405*	*16,100*	*3.0*
Participating interest without substantial influence		*3,543*	*0*	*3,543*	*>100*
TOTAL LIABILITIES AND TOTAL EQUITY		**7,327,147**	**7,057,610**	**269,537**	**3.8**

Due to the first-time application of IFRS, new evaluation criteria were defined for financial assets and liabilities. The provisions described in IFRS 9.4 and IFRS 9.5 include comprehensive adjustments in comparison to IAS 39. Consequently, direct comparison with the previous year is not possible.

IV. Equity Changes

in kEUR	As of Jan. 01, 2017	Income after tax	Other incoeme after tax	Change in scope of consolidation	Dividends paid	As of Dec. 31, 2017
Subscribed capital	50,000	0	0	0	0	50,000
Capital reserves	311,233	0	0	0	0	311,233
Cumulative income	151,854	19,011	0	0	-10,000	160,865
AFS reserves after tax	13,104	0	-114	0	0	12,990
Actuarial profit/loss after tax	-4,572	0	140	0	0	-4,432
Credit rating induced fair value change - own liabilities	23,831	0	-10,082	0	0	13,749
Total equity	**545,450**	**19,011**	**-10,056**	**0**	**-10,000**	**544,405**

in kEUR	As of Dec. 31, 2017 according to IAS 39	Change caused by first-time application of IFRS 9	As of Jan. 01, 2018 according to IFRS 9	Income after tax	Other income after tax	Change in scope of consolidation/ other adjustments	Dividends paid	As of Dec. 31, 2018
Subscribed capital	50,000	0	50,000	0	0	0	0	50,000
Capital reserves	311,233	0	311,233	0	0	0	0	311,233
Cumulative income	160,865	-26,529	134,336	32,025	0	2,499	-5,000	163,860
AFS reserves after tax	12,990	-12,990	0	0	0	0	0	0
FVOCI reserves from fair value changes	0	34,581	34,581	0	-9,456	0	0	25,125
FVOCI reserves from risk provision	0	53	53	0	-3	0	0	50
Actuarial profit/loss after tax	-4,432	0	-4,432	0	430	24	0	-3,978
Credit rating induced fair value change - own liabilities	13,749	-223	13,526	0	689	0	0	14,215
Total owner of the parent company	**544,405**	**-5,108**	**539,297**	**32,025**	**-8,340**	**2,523**	**-5,000**	**560,505**
Participating interest without substantial influence	0	0	0	0	0	3,543	0	3,543
Total equity	**544,405**	**-5,108**	**539,297**	**32,025**	**-8,340**	**6,066**	**-5,000**	**564,048**

For further details regarding equity please see note (46).

V. Cash Flow Statement

in kEUR	2018	2017
Income after tax (before non-controlling interest)	**32,025**	**19,011**
Non-affecting cash flow items and transfer to cash flow from operating business activities included in the result		
Depreciation and appreciation to assets	20,053	6,565
Allocation and dissolution of reserves and risk provisions	-48,773	-47,626
Income from the sale of assets	-2,797	2,014
Tax on income and profit	9,433	-3,004
Correction net interest income	-86,840	-72,994
Profits from associated companies	-364	427
Unrealised foreign currency profits and losses	600	-16,975
Change of assets and liabilities from current business activities after correction of non-affecting cash flow items		
Receivables from credit institutions	13,610	97,822
Receivables from clients	-273,799	-61,937
Positive market values from derivative hedging instruments	N/A	410
Trading assets and derivatives and financial assets at fair value	N/A	358,711
Trading assets and derivatives	16,922	N/A
Other assets	8,623	-8,251
Liabilities to credit institutions	-13,291	749,905
Liabilities to clients	177,008	-283,920
Liabilities evidenced by certificate and financial liabilities at fair value	N/A	-950,822
Liabilities evidenced by certificate	116,498	N/A
Negative market values from derivative hedging instruments	N/A	-1,755
Derivatives	5,526	-46,398
Other liabilities	-3,509	-9,526
Interests received	135,167	160,270
Interests paid	-44,686	-80,982
Net total from payments of tax on income and profit and tax refunds	-68	-1,895
Cash flow from current business activities	**61,338**	**-190,950**
Cash inflow from sale/liquidation of		
Financial assets – HTM, AFS, L&R and interests	N/A	237,364
Other financial assets	168,980	N/A
Subsidiaries	0	3,203
Tangible assets, intangible assets and investment properties	14,432	-10,862
Cash outflow due to investments in		
Financial assets – HTM, AFS, L&R and interests	N/A	-228,290
Sonstige finanzielle Vermögenswerte	-138,768	N/A
Tangible assets and intangible assets	-12,013	-7,545
Cash flow from investment activities	**32,631**	**-6,130**
Cash flow-affecting changes subordinated and supplementary capital	-3,076	-27,921
Dividends paid	-5,000	-10,000
Cash flow from financing activities	**-8,076**	**-37,921**
Payment instruments at the end of the previous period	**42,659**	**277,660**
Cash flow from current business activities	61,338	-190,950
Cash flow from investment activities	32,631	-6,130
Cash flow from financing activities	-8,076	-37,921
Payment instruments at the end of the period	**128,552**	**42,659**

Payment instruments correspond to cash reserves according to note (20).

VI. Notes

Consolidated Financial Statements – Essential Standards

(1) Accounting principles

Hypo Tirol Bank AG is a public limited company seated in Inns-bruck; it is listed in the companies register Inns-bruck, Austria with the number FBN 171611w. The bank's address is Meraner Strasse 8, 6020 Innsbruck. The present consolidated financial statements were prepared in accordance with the Austrian Banking Act article 59a, in combination with the Austrian Commercial Code article 245a and according to International Financial Re-porting Standards as applicable in EU countries. Apart from the consolidated balance sheet and the consolidat-ed profit and loss account and the comprehensive in-come statement, these financial statements also include equity changes, the cash flow statement and the notes. Seg-mental reports are included in the notes and illus-trated in note (52).

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

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

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

In the course of accounting and evaluating, all International Financial Reporting Standards required by the EU and applicable at the key date and during the reporting period are applied. Standards and interpretations which will become effective on 1 January 2018 or later, as well as standards and interpretations that are currently not mandatory in the EU have not been applied.

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

In November 2009, the IASB published **IFRS 9 "Financial Instruments"** which was the first step towards replac-ing IAS 39 "Financial Instruments: Recognition and Measurement". On 24 July 2014, the IASB published a re-vised version of the 2013 IFRS 9 version, which added new regulations of accounting and impairment of financial assets including revised regulations to classify and evaluate financial instruments. Apart from that, new disclosure regulations were introduced to provide users of financial statements with meaningful and relevant notes. The revised version of IFRS 9 was adopted into EU law in November 2016 and shall be applicable for the first time to reporting periods beginning on or after 1 January 2018. This first-time application is accompanied by several pro-visions regulating the transition of the final balance sheet according to IAS 39 to the opening balance sheet according to IFRS 9.

Moreover, on 1 January 2018 **IFRS 15 "Revenue from Contracts with Customers"** shall be applied for the first time. It completely replaces the existing regulations for revenue recognition according to IFRS. The core principle of IFRS 15 is that an entity recognises revenue at the time of the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This new standard shall be applied to all contracts with customers except for leases within the scope of IFRS 16, lease contracts according to IFRS 4 or financial instruments or other contractual rights and obligations in compliance with IFRS 9, IFRS 10, IFRS 11, IAS 27 and IAS 28. Based on IFRS 15, Hypo Tirol Bank AG has analysed its contracts with customers and has concluded that the new standard has no impact at all.

In addition, it is mandatory to apply the **"Annual Improvements to IFRS Standards 2014–2016 Cycle"** from 1 January 2018 onwards. Hypo Tirol Bank AG is not affected by the changes.

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

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

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

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

IFRS 9 "Financial Instruments"

In October 2017, the IASB published amendments to IFRS 9 "financial instruments". These amendments allow companies to measure prepayable financial assets with so-called negative compensation (two-way break claus-es) at amortised cost or at fair value through other comprehensive income if a such compensations represent material interest payments and debts in an appropriate amount. At the present time, such financial instruments do not pass the payment flow test and thus, are evaluated at fair value. These amendments will become effec-tive for business years beginning on or after 1 January 2019. These standards and the remaining standards, which have not been adopted by the EU, are already applied by Hypo Tirol Bank AG. However according to our actual estimation, they have no substantial influence on the profit situation and the financial position of Hypo Tirol Bank AG.

Standards and amendments that have not yet been adopted by the EU

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

Accounting Policy

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

(3) Accounting policy related changes

Since 2015, Hypo Tirol Bank AG has been running a centrally managed IFRS 9 programme, whose members directly report to the managing board. It comprises several subprojects such as business models and evalua-tions, modifications, impairment, hedge accounting and reporting. The IFRS 9 programme is supported by ex-perts working in the field of methodology, data acquisition, IT and financial reporting. Due to the implementation of IFRS 9, all financial instruments affected by classification and evaluation regulations pursuant to IFRS 9 were evaluated. Apart from that an impairment procedure was developed, which serves as a tool to classify and calculate expected default risk provisions.

Classification and Evaluation:
IFRS 9 introduces new classification and evaluation regulations ragarding 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 compa-ny for controlling its financial assets and the characteristics of payment flows of the respective financial assets. In accordance with this, a financial asset shall be measured on the basis of continuous acquisition costs, if the goal of the business model of the respective company foresees holding the financial assets, thereby bringing about contracted payment flows and fulfilling the contracted terms of the financial assets which exclusively show re-demptions 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 not affecting net income. Hypo Tirol Bank AG waives its right to illustrate equity instruments at fair value not affecting income.

The following chart illustrates the transition effect resulting from the change of evaluation category and other categories in relation to the accounting values of financial assets and liabilities in compliance with IAS 39 respec-tively IFRS 9 as of 1 January 2018. The illustration is based on the original illustration in compliance with IAS 39.

Classification IAS 39

in kEUR	Portfolio	Evalua-tion-method	IFRS 9 Classification	Account. value IAS 39	Account. value IFRS 9
Financial assets					
Cash reserve	Loans and receivables (L&R)	AC	AC	42,659	42,659
receivables from credit institutions after risk provision	Loans and receivables (L&R)	AC	AC	108,986	108,959
Receivables from clients after risk provision			AC	0	172,670
	Designated at fair value	FVPL	Designated at fair value	280,700	94,490
			AC	5,065,523	5,011,314
	Loans and receivables (L&R)	AC	Mandatory to FVPL	0	53,774
Positive market values from derivative hedging instruments	Trading assets	FVPL	Trading assets FVPL	11,446	11,446
Trading assets and derivatives	Trading assets	FVPL	Trading assets FVPL	70,413	70,413
			AC	0	0
			FVOCI	0	358,874
Financial assets - designated at fair value	Designated at fair value	FVPL	Designated at fair value	432,525	73,651
			AC	0	488,737
			FVOCI	824,835	260,995
Financial assets - AFS	Available for sale (AFS)	FVOCI	Mandatory to FVPL	0	68,798
			AC	19,888	13,758
			FVOCI	0	3,536
Financial assets - HTM	Held to maturity (HTM)	AC	Mandatory to FVPL	0	3,166
Financial liabilities					
	Designated at fair value	FVPL	Designated at fair value	10,465	0
Liabilities to credit institutions	Other liabilities	AC	AC	921,253	931,253
	Designated at fair value	FVPL	Designated at fair value	49,616	49,616
Liabilities to clients	Other liabilities	AC	AC	3,137,832	3,137,832
Liabilities evidenced by certificate	Other liabilities	AC	AC	1,325,859	1,325,859
Negative market values from derivative hedging instruments	Trading assets	FVPL	Trading assets FVPL	4,727	4,727
Derivatives	Trading assets	FVPL	Trading assets FVPL	91,209	91,209
			AC	0	167,461
Financial liabilities - designated at Fair Value	Designated at fair value	FVPL	Designated at fair value	795,785	615,379
Subordinate and supplementary capital	Other liabilities	AC	AC	75,715	75,715

The following overview illustrates the reclassification and evaluation effects resulting from the application of IFRS 9.

in kEUR	Account. value IAS 39	Re-classifica-tion	Evaluation	Account. value IFRS 9	Effect on retained income	OCI effect
Financial assets						
At amortised costs	**5,237,056**					
Inflows		**681,252**	**-21,128**	**660,124**	**-13,540**	**-7,588**
From IAS 39 receivables from clients designated at fair value		186,210	-13,540	172,670	-13,540	0
From IAS 39 financial assets - AFS		495,042	-7,588	487,454		-7,588
Outflows		**-59,083**	**0**	**-59,083**	**0**	**0**
To IFRS 9 receivables from clients mandatory at fair value		-52,943	0	-52,943		
To IFRS 9 financial assets FVOCI		-3,087	0	-3,087		
To IFRS 9 financial assets mandatory at fair value		-3,053	0	-3,053		
Total amortised costs	**5,237,056**	**622,169**	**-21,128**	**5,838,097**	**-13,540**	**-7,588**
Not affecting income at fair value	**824,835**					
Inflows		**361,961**	**449**	**362,410**	**-39,802**	**40,251**
From IAS 39 financial assets - designated at fair value		358,874	0	358,874	-39,802	39,802
From IAS 39 financial assets - HTM		3,087	449	3,536		449
Outflows		**-563,840**	**0**	**-563,840**	**0**	**0**
To IFRS 9 financial assets AC		-495,042	0	-495,042		
To IFRS 9 financial assets mandatory at fair value		-68,798	0	-68,798		
Total not affecting income at fair value	**824,835**	**-201,879**	**449**	**623,405**	**-39,802**	**40,251**
Affecting income at fair value	**795,084**					
Inflows		**124,794**	**944**	**125,738**	**4,717**	**-3,773**
From IAS 39 receivables from clients at cost		52,943	831	53,774	831	
From IAS 39 financial assets - AFS		68,798	0	68,798	3,773	-3,773
From IAS 39 financial assets - HTM		3,053	113	3,166	113	
Outflows		**-545,084**	**0**	**-545,084**	**0**	**0**
To IFRS 9 receivables from clients at cost		-186,210	0	-186,210		
To IFRS 9 financial assets FVOCI		-358,874	0	-358,874		
Total affecting income at fair value	**795,084**	**-420,290**	**944**	**375,738**	**4,717**	**-3,773**
Financial liabilities						
At amortised costs	**5,460,659**					
Inflows		**190,871**	**-13,410**	**177,461**	**13,410**	**0**
From IAS 39 liabilities to credit institutions at fair value		10,465	-465	10,000	465	
From IAS 39 financial liabilities - designated at fair value		180,406	-12,945	167,461	12,945	
Outflows		**0**	**0**	**0**	**0**	**0**
Total amortised costs	**5,460,659**	**190,871**	**-13,410**	**5,638,120**	**13,410**	**0**
Income affecting at fair value	**951,802**					
Inflows		**0**	**0**	**0**	**0**	**0**
Outflows		**-190,871**	**0**	**-190,871**	**297**	**-297**
To IFRS 9 liabilities to credit institutions at cost		-10,465	0	-10,465	28	-28
To IFRS 9 liabilities evidenced by certificate at cost		-180,406	0	-180,406	269	-269
Total income affecting at fair value	**951,802**	**-190,871**	**0**	**760,931**	**297**	**-297**

The effects on deferred tax are as follows:

in kEUR	Account. value IAS 39	Account. Value IFRS 9	Effect on retained income	Effect on OCI
Deferred income tax assets	10,658	11,911	-204	1,457
Deferred income tax liabilities	875	875	0	0

Accounting and impairment of financial assets:
The new regulations regarding the accounting of impairment fundamentally changes their recognition. According to this, companies shall measure risk provision by evaluating impairment or by creating provisions in the amount of the credit loss that is expected within the following 12 months (12 month expected credit loss) – (based on the probability of loss within the following 12 months). In the course of the subsequent measuring, credit loss, which is expected to occur within the following 12 months, shall be replaced by the credit loss expected for the entire term (lifetime expected credit loss criteria). In order to determine the extent of default risks several indicates are considered:

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

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

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

The amount of risk provision is calculated by multiplying the above mentioned parameters, whereas in stage 1 the period under review is 1 year, in stage 2 or 3 the period under review refers to the whole remining term of the financial instrument.

As far as non-performing loans over statistical significance limit are concerned, the adjustment is measured ac-cording to the scenario on the basis of expected future payments. In this respect, expected repayments and possible collaterals are considered. If one of the following criteria are met, the loan is classified as non-performing loan.

- 90 days delay
- Negative UTP test in the context of forbearance measures
- Repayment
- Application for the opening of insolvency proceedings
- Other risk indicators casting doubt on the repayment

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

In the context of the impairment sub-project in compliance with IFRS 9, special emphasis is put on the estimation of fundamental parameters. They particularly include LGD (loss given default) values for segments and types of collateral and probability of default data based on current ratings and modified expected migration probabilities – in consideration of possible macro-economic factors. The expected loss of the financial instrument is evaluated for the entire term. Expected secured and unsecured reflows are calculated via expected losses for the expected future date of loss. It will be required to validate the employed parameters on a regular basis. Besides, the speci-fication of theoretical principles and parameterisations, an IT solution to calculate and account risk provision by using the parameters mentioned above has been implemented.

Hedge Accounting:
In addition, the IASB introduced amendments in relation to hedge accounting, whereas the methods and the kind of illustration in the balance sheet remain unchanged. However, with regard to hedge accounting pursuant to IFRS 9, corporate risk management is emphasised on. For that reason, strict limits, which shall be effective within a hedge in order to illustrate it in the balance sheet, have been removed. Instead of that, there are new cumulative requirements in relation to efficiency, as it forms part of qualitative prerequisites for hedge accounting. This means that an economic link between basic transaction and hedge shall exist, default risk shall not be dom-inating, and the hedging rate shall be selected accordingly. The accounting of macro hedges was excluded from IFRS 9 and was converted into a separate project by the IASB. All other regulations under IAS 39 shall be appli-cable until further notice. IFRS 9 includes a right according to which hedges may still be illustrated according to IAS 39. Hypo Tirol Bank AG has waived this right and started to illustrate hedge accounting pursuant to IFRS 9 from 1 January 2018 onwards.

Transitional provisions und reporting
Hypo Tirol Bank AG does apply the regulations as stipulated in CRR section 473a. Therefore, the consequences from financial risk provision according to IFRS 9 have direct and full effect on regulatory capital. In general, IFRS 9 shall be applied on a retrospective basis. Hypo Tirol Bank AG will make use of the exception, not to adjust comparative information for previous periods according to IFRS in 2018.

In connection with the new provisions stipulated in IFRS 9, additional disclosure requirements regarding the notes shall be required on the basis of **IFRS 7 "Financial Instruments: Disclosures"**. The provisions shall be applicable to reporting periods beginning on or after 1 January 2018. Due to the significance of these standards for Hypo Tirol Bank AG, the implementation of these standards shall be guaranteed by their incorporation into the IFRS 9 project. Thus, the standards will be analysed in detail and consequently all required implementation measures will be taken accordingly.

(4) Essential decisions, assumptions and estimates

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

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

For further details regarding stress tests see sections: “financial risks and risk management”.

Credit risk provision
With regard to the 2017 fiscal year, individual allowance was evaluated on the basis of the cash value of the expected future cashflow in case objective evidence existed. The estimation of expected cash flows requires assumptions considering the amount and the time of future payments. This also applied to allowances on portfo-lio level. Since IFRS 9 came into force on 1 January 2018, allowances have generally been calculated and ac-counted on the level of financial instruments. In order to carry out such calculations, statistical procedures were implemented. In this respect, each financial instrument is evaluated on a monthly basis according to its respec-tive classification. Besides macroeconomic factors, the essential relevant values include contractual parameters (such as term, interest rate, type of business), current credit rating (and credit rating at the time the contract was concluded) and the segment. These assumptions, together with estimations and evaluations of indicators which lead to credit risk provision, are based on past experiences gained in the loan business and are regularly con-trolled and amended, if necessary, in order to diminish any possible differences between risk provision and actual credit loss. The introduction of IFRS 9 requires that in case objective evidence exists, receivables shall still be evaluated on the basis of the cash value of the expected future cashflow. In addition to the provisions stipulated in IAS 39, scenarios concerning the the estimation of the expected cash flow shall now be created. The amount and the development of risk provision are illustrated in note (21, 22 and 28).

Determining fair value by using evaluation methods
Financial instruments that are not quoted in an active market are evaluated in accordance with recognized and customary mathematical methods, such as the cash value method or other suitable evaluation methods (option price models). Such evaluation models are substantially influenced by underlying assumptions. Therefore, fair value shall be understood as a key-date related estimate. In case, the transaction price deviates from another observed market price at the time when the financial instrument is added, a "day-one profit or loss" (consistent with the following evaluation of the financial instrument) shall be illustrated. However, profit or loss after addition can only be recorded if it is based on the change of a factor which would be recognised by market participants in terms of pricing. Market values and accounting values of financial instruments are illustrated in note (47) “fair value”.

Limited prchase price components
In case Hypo Tirol Bank Ag is entitled to limited additional purchase price components, they will be analysed and activated as financial instrument, if applicable. If the financial instrument is not suitable for the capital market, because no liquid market and no observable market transactions are available, an internal model is used for evaluation purposes. In this internal model, a scenario analysis is established to evaluate and discount publicly accessible data in probability weighted manner. Internal assumptions regarding the debtor and the expected proceeds serve as the basic scenario. Apart from that, two further scenarios are employed which differ from the basic scenario in terms of recovery amount and time of payment. The goal is to consider all information and as-sumptions that are used by market participants in the context of price setting.

Provisions
Provisions are employed for uncertain liabilities against third parties in the amount of the expected claim. The provided amount represents the best possible estimate of the costs that are required to fulfil such an obligation. For detailed information regarding accounting values of provisions and their development please see note (42).

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

details regarding deferred income tax are de-scribed in note (35): "deferred tax assets and liabilities".

(5) Principles of consolidation

The principles of consolidation basically comprise the following methods to illustrate participating interest:

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

In compliance with IFRS 10.6 an investor has **control** over an associated company, if he or she is subject to fluc-tuating 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 depo-sition over the associated company

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

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

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

A) Subsidiaries

The consolidated financial statements include the financial statements of the parent company, and the financial statements of those companies influenced by the parent company, including structured companies (see subsidi-aries). 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 its exercising power.

In case facts and conditions indicate that one or more of the abo-ve mentioned three criteria of influence have changed Hypo Tirol Bank AG shall re-evaluate, 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 pro-cess, whether the voting rights are adequate with regard to the respective subsidiary, Hypo Tirol Bank AG con-siders 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 vot-ing 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 is included in the consolidated financial statements for a period starting from the point of time, at which Hypo Tirol Bank AG controls the subsidiary to the point of time at which the control exercised by Hypo Tirol Bank AG ends. In this context, the results of the subsidiary, which was acquired or sold in the course of the year, are recorded in the group's profit and loss account and in other income for the period from the actual date of acqui-sition to the actual date of sale.
The profit or loss and any component of other income shall be assigned to the shareholder of the parent com-pany 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 modi-fied in order to adjust the accounting and evalua-tion 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 con-solidation process. The balance sheet date (key date) of the bank's consolidated financial statements corresponds to the balance sheet date of all companies included in the consolidated financial statements.

Changes regarding the participation rate in relation to subsidiaries

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

In case Hypo Tirol Bank AG loses control over a subsidiary, the profit or loss from deconsolidation is recorded on a profit affec-ting basis. It is calculated from the difference between

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

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

Acquisition of subsidiaries

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

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

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

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

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

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

B) Joint arrangement

A joint arrangement is as an arrangement under which two or more contracting parties exercise joint control. IFRS 11 distinguishes between two types of joint arrangements (joint activities and joint ventures) and defines the dif-ferent 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 immedi-ate rights from assets and obligations from liabilities, we talk about joint activities. A joint venture is defined as joint agreement, under which the parties have joint control and have rights from net income of the company in which they hold a share. Balance sheets for joint activities differ from those of joint ventures. Holdings in joint ventures shall be reported by using the equity method. The balance sheet regarding joint activities is established in such a manner that each joint partner reports his or her financial assets (including the share in jointly held as-sets), liabilities (including the share in loss of liabilities) as well as income (including the share in income from sale of products or services offered by the joint arrangement) and expenses (including the share in jointly created expenses). In this respect, financial assets, liabilities, income and expenses shall be reported in accordance with the relevant International Financial Reporting Standards.

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

C) Shares in associated companies

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

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

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

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

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

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

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

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

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

D) Changes in the scope of consolidation in the 2018 fiscal year

Associated companies:

- In the fiscal year, Hypo Tirol Leasing GmbH gained substantial influence concerning the companies TKL VIII Grundverwertungsgesellschaft m.b.H. (51.02%) and Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H. (51.00%). Therefore, these two companies were fully consolidated in 2018t. Apart from that, there were no changes in relation to associated companies.

Fully-consolidated subsidiaries:

- **TKL VIII Grundverwertungsgesellschaft m.b.H.,Innsbruck** and **Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H., Innsbruck** were both integrated into the 2018 consolidated financial statements.

On 18 December 2018, Hypo Tirol Bank AG acquired 17.7% of the voting rights of TKL VIII Grundverwertung-sgesellschaft m.b.H. Innsbruck via its subsidiary Hypo Tirol Leasing GmbH for EUR 6.900. Thus, Hypo Tirol Bank holds 51.02% of the voting rights of TKL VIII Grundverwertungsgesellschaft m.b.H. which was integrated into the scope of consolidation as fully consolidated subsidiary. At the time of first-time consolidation, the opening bal-ance of TKL VIII Grundverwertungsgesellschaft m.b.H comprised the following IFRS fair values: receivables after risk provision accounting for EUR 59.7 million and shares in associated companies accounting for EUR 0.1 mil-lion. Subsequently, the balance sheet total amounted to EUR 59.8 million. On the other side, liabilities to credit institutions and clients amounted to EUR 54.3 million, provisions and other liabilities amounted to EUR 0.9 million, deferred tax amounted to EUR 1.0 million and equity capital amounted to EUR 3.6 million.

No contingent liabilities or contingent considerations and separate transactions in terms of IFRS 3 were identi-fied. In the 2018 fiscal year, the company generated a result after tax in the amount of EUR 0.1 million.

On 18 December 2018, Hypo Tirol Bank AG also gained substantial influence on Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H, Innsbruck via its subsidiary Hypo Tirol Leasing GmbH by acquiring 1.0% of the voting rights for EUR 350. Thus it holds 51% of the voting rights. Immorent-Hypo-Rent Grundverwertung-sgesellschaft m.b.H. was also integrated into the scope of consolidation as fully consolidated subsidiary. At the time of first-time consolidation, the opening balance of Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H. comprised the following IFRS fair values: on the assets side of the balance sheet there were only receiv-ables after risk provision in the amount of EUR 17.9 million. On the other side, liabilities to credit institution ac-counted for EUR 15.2 million, provisions accounted for EUR 0.1 million, deferred tax accounted for EUR 0.1 mil-lion and equity capital accounted for EUR 2.5 million.

Again, no contingent liabilities, contigent considerations and separate transactions in terms of IFRS 3 were iden-tified. In the 2018 fiscal year, the company generated a result after tax in the amount of EUR 0.2 million.

(6) Currency translation

The consolidated financial statements are prepared in Euro (EUR), which is the functional currency of all compa-nies of the corporate group. All financial statements of the companies that are included in the consolidated fi-nancial statements re also prepared in Euro (EUR). Monetary assets and liabilities denominated in foreign cur-rencies 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 ac-quisition. Non-monetary items at fair value are converted on an analogue basis to monetary items at the current rate at the balance sheet date. Income and expenses are converted at the rate on that date which they are recorded in the result for the period.

Notes on the Statement of Comprehensive Income

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

A) Net interest income

Net Interest income is depreciated in accordance with the effective interest method and is only recorded if there is sufficient probability that the amounts will accrue to the company and if the amount can be determined on a reliable basis. In this contest, income which mainly represents payment for the use of capital (interest-similar in-come) 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 illustrated in net interest income as soon as legal entitlement arises.

B) Risk provision

This item illustrates changes regarding allowances and provisions, as well as income subsequently received for receivables that have been depreciated in connection with loan business transactions.

C) Net commission income

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

D) Trading result

The item 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 in net interest income. Fur-thermore, in-come from trading with securities is also included.

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

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

F) Income from hedge accounting

Income from hedge accounting comprises income from hedged basic transactions and from derivatives used as hedging instruments. Thus, the emulation result from hedges is illustrated in the context of hedge accounting.

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

Income from financial instruments - at fair value through profit or loss shows the evaluation results from the cate-gories 'designated at fair value' as well as the evaluation results from bank book derivatives prior to changes in the bank's own credit risk. Interest and dividend income from financial assets and liabilities of this evaluation category are reported under net interest income. Furthermore, the results from trading with securities are also illustrated. Pursuant to IFRS 9.5.7.1.c, the evaluation effect resulting from changes to own credit risk were illus-trated directly in equity capital.

H) Income from other financial instruments

In the 2017 fiscal year, realised profits and losses resulting from the retirement and the impairment of financial instruments and participating interest were illustrated in the item.

I) Income from associated companies

Income from associated companies is illustrated in note (15).

J) Administrative expenses

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

K) Other income and expenses

This item shows effects from leasing transactions and rental agreements from investment property. For further details see note (17) or note (18).

Assets

A) Cash and Cash equivalents

Cash and cash equivalents designated in the cash flow statement correspond to the balance sheet item "'cash re-serves" and consist of cash balances and credit balances with central banks. The assets at central banks are dedicated to the minimum reserve which must be held as assets at the Austrian National Bank in accordance with ECB directives. The minimum reserves are part of the stock of payment instruments, which in the interpreta-tion 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.

B) Receivables from credit institutions and clients

In this balance sheet item, issued credits are assigned in accordance with the respective business partner as receivables from clients. At the time they are added, receivables are classified as loans and receivables or as receivables evaluated voluntarily at fair value. Impairments are illustrated as risk provisions.

C) Credit risk provision

Substantial risks in relation to the banking business are considered to an appropriate extent by means of allow-ances. In the 2017 fiscal year, the categories were still separated into individual and portfolio evaluation adjust-ments as well as lump sum allowances. Risks resulting from off-balance sheet credits are considered by means of provisions. In 2018, all allowances were evaluated and recorded on an individual basis. With regard to credit risk In relation to receivables from credit institutions and clients, individual allowances were made in accordance with consistent standards within the group. Significant receivables amounting to more than kEUR 200 are reviewed in compliance with IFRS) on a quarterly basis to verify impairment by using the expected cash flow procedure. Individual loans must be adjusted if observable events have occurred which suggest that not all interest and capital redemption liabilities can be met on time.

Such events include:

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

The degree of allowance depends on the difference between the accounting value and the cash value of the payments that are expected to be received for the respective receivable, in consideration of valuable collateral. This is calculated on the basis of the original interest rate. In general, the evaluation is based on three probability weighted cash-flow-scenarios.

With regard to insignificant receivables up to a value of kEUR 200, an individual allowance on the basis of de-fault probabilities, obtained from historical time series, is calculated. Unwinding (cash value effect) is shown in the profit and loss account - not as allowance but as interest income.

As far as the 2017 fiscal year is concerned, credit risks that had already occurred but were not identifiable, were considered in form of portfolio allowances. Such portfolio allowances are calculated for the entire “living” busi-ness. The extent of the portfolio allowance was based on default probabilities differentiated by rating classes. Due to the implementation if IFRS 9 on 1 January 2018, this procedure was replaced by the calculation on con-tract level. In this context, the stage to which the financial instrument is assigned to, is considered together with term, collateral, credit rating and segment.

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

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

D) Trading assets and derivatives

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

Evaluation and disposal results regarding trading assets are illustrated in the profit and loss account in trading result. Income from interest and dividends are presented in net interest income.

E) 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 an-other category, are usually assigned to this category. To a small extent, equity 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 fair value.

With regard to foreign capital instruments, the corporate group considers impairment of value as profit affecting, if there is objective evidence which permits the expectation of negative impact on future payment flows from the financial instrument. Only credit-rating induced decrease of fair value can be assigned. Objective evidence for such impairment 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, this is considered to be an indicator of credit risk-induced de-crease of fair value, and objective evidence of impairment in the corporate group shall be analysed.

As far as equity instruments are concerned, the assessment of impairment is primarily based on a significant or sustained decrease in market value below acquisition costs. If the market value of equity instruments drops by at least 10% of the acquisition costs, this 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 instrument may not be returned. A significant and sustained decrease is always assumed, if the market value in the course of one business year drops at least 20%, or in the course of 1 year drops at least 10% below acquisition costs.
An appreciation in value of such income affecting impairment is balanced under foreign capital instruments in income from financial instruments. For equity instruments, the appreciation in value is balanced under equity cap-ital in AFS reserves.

In connection with the disposal of financial assets, cumulative evaluation results reported under equity are dis-solved and reported in the profit and loss account under income from other financial instruments.

Interest and dividend income are illustrated in net interest income.

F) Financial assets – held to maturity (HTM)

This category contains non-derivative financial assets listed in an active market with fixed or determinable pay-ments 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 ex-pectations of future cash flows from an instrument decrease, impairment is recorded.

Effects on evaluation and disposal results from financial instruments are shown under result from other financial instruments. Interest is shown in net interest income.

G) Other financial assets after risk provision

In 2017, all financial assets and liabilities including all derivative financial assets were evaluated at fair value or assigned to an evaluation category at the time of their addition. Primarily, these balance sheet items corre-sponded to the evaluation categories of financial instruments. Excluded were receivables from and liabilities to clients. These balance sheet items also illustrated receivables and liabilities designated at fair value. Financial assets and liabilities are evaluated at the trading date. The subsequent evaluation is based on the respective categorisation.

Since the implementation if IFRS 9 and thus, since 1 January 2018, the evaluation has been implemented on the basis of the business model. If foreign capital instruments are added, an SPPI test is carried out in order to verify possible harmfulness. In case no harmfulness can be analysed and no fair value balancing has bee cho-sen, the financial instruments are assigned to a business model and thus evaluated on the basis of this respec-tive business model. The treasury department is responsible for this assignment. The objective of the “hold to collect” business model” is fo hold the financial asset of the portfolio until maturity in order to generate the agreed payment . Therefore, the willingness to implement an early disposal and thus realise profit does not com-ply with the “hold to collect” business model.

Debentures were assigned to the IFRS 9 business models by dividing the whole portfolio into several sub-portfolios. Sub-portfolio countries and covered bonds can be assigned to both, the “hold to collect” business model and the “hold to collect and sell” business model. At the time of addition it is decided and documented. to which category they are assigned. Reasons for differentiation are e.g. the debtor’s credit risk or the LCR maturity of debentures. Debentures included in the “financials and corporates” sub-portfolio can only be acquired n the “hold to collect and sell” business model. Further details regarding the stress-tests of financial instruments are explained in the notes on financial risks and risk management.

H) Investment properties

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

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

Asset depreciation range	years
Buildings	25–50

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

I) Intangible assets

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

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

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

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

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

J) 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 con-text, 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	
Factory and office equipment	5–10
Construction work in leased business premises	15
IT hardware	3–5

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

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

L) Impairment model for non-financial assets

In case impairment indicators are identified, the recoverable amount must be determined and compared with the accounting value. The recoverable amount is the higher amount resulting from both amounts from fair value less sales costs and value in use.

Fair value concerning **investment properties** is evaluated on the basis of annually updated evaluations of inter-nal, generally certified and qualified experts for real estate evaluation. As far as properties are concerned, 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 bas on similar rentals currently prevailing on the market. 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 manag-ers as well as market date from the corporate 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 facto-ry 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.

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

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

Generally, such assets or disposal groups are scheduled on the ba-sis of the lower value resulting from their ac-counting 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, finan-cial assets, deferred tax, assets in connection with employee bene-fits 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 com-pany is classified “held for sale” it is also no longer balanced in accordance with the equity method.

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

N) Current and deferred tax

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

Deferred income tax assets and liabilities are based on temporary differences between value approaches of as-sets and liabilities in the balance sheet in compliance with IFRS and value approaches which apply for taxation purposes. They are evaluated on the basis of the tax rate that is expected to be applied at the time they are dissolved. For further details please see note (35).

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

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

Actual income-based tax expenses are shown in the consolidated profit and loss account under “Income tax”. The effects of creating or dissolving deferred taxes are also included in this item, except they refer to items in-cluded in other results. In such a case they are created or dissolved against AFS reserves via illustration in other income.

Liabilities

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

All liabilities to credit institutions or clients as well as liabilities evidenced by certificate are either evaluated at ac-quisition cost or assigned to the category “designated at fair value”. As far as liabilities designated at fair value are concerned, the market value change resulting from own credit risk is illustrated in other income in compliance IFRS 9.7.1.2. in this context, the difference between the market value of the financial instrument and the market value based on current interest forward curves without risk surcharge is calculated.

B) 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 irrevoca-bly and volun-tarily at the time they are added (designated at fair value). In the corporate group, these are finan-cial instruments which are con-trolled as a corporate unit, based on economic hedge accosting with another fi-nancial 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 embed-ded derivatives, which should be separated, are also evaluated voluntarily on a fair value basis. The evaluation result from of own credit risk changes are shown (not affecting profit) in other income. The result from evaluation and sale are shown in the profit and loss account in the section “results from financial ins-truments – at fair value through profit or loss” in the profit and loss ac-count. Transfer of interest and dividends are illustrated in net interest income.

C) Provisions

Provisions for social capital comprise reserves for pensions, sever-ance payments, and length of service awards. These provisions are evaluated by the collective expectation method based on actuarial certificates. The liabili-ties 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 corpo-rate 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:
Several Hypo Tyrol Bank AGl pensioners and survivors are entitled to a performance-oriented bank pension. The pension scheme is based on the final salary defined in a company agreement. All entitled pensioners have already retired and thus do not pay any further contributions. It is not intended to end this agreement. Active staff members are not entitled to bank pensions.

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

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

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

- Domestic actuarial interest rate flow 1.95% (2017: 1.80%)
- Annual valorisations, collective agreement and career-based salary 2.5% (2017: 2.5%) regarding provisions for severance payments, length-of-service awards and occupational disability and invalidity risks
- Fluctuation rate according to separate chart, whereas length of service-related fluctuation probabilities of 13% in the first service year to up to 0% in the 15th service year have been considered.
- Annual valorisations 1.5% (2017: 1.5%) regarding provisions for pensions.
- Table values AVÖ 2008-P (generation related tables for employees in consideration of a surcharge due to out-dated values).

Actuarial assumptions are unprejudiced, coordinated with each other and represent the best possible estimation of the corporate group. Nevertheless, each assumption bears a risk in which changes of inflowing parameters would lead to a deviating balanced provision. In particular, in the context of calculating social capital, the corpo-rate group points out the sensitivity of severance payment and pension provision parameters. For that reason, distortions of substantial influencing variables (discount interest rate and salary and pension valorisation) are illustrated by way of a sensitivity analysis in note (42). 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 ac-tuarial parameters

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

Other provisions for contingent liabilities to third parties are made if there is a reliably assessable, legal or de fac-to 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 illustration of the provision development in the course of specific periods, and the above-mentioned sensitivity analyses can be found in note (42).

D) *Liabilities*

This balance sheet item includes financial liabilities that are not designated at fair value in the result for the peri-od. They are evaluated at acquisition cost. Premiums and disagios are evaluated according to the effective in-terest method over the term in the result for the period illustrated in net interest income.

E) *Other liabilities*

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

F) *Subordinate and Supplementary Capital*

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

G) *Trust transactions*

Assets and liabilities held by the 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.

H) *Equity*

Equity comprises capital provided to the bank (subscribed capital plus capital reserves) and earned capital (profit reserves, reserves from other income based on evaluations pursuant to IFRS 9 and consolidated profits and earnings brought forward). Available for sale reserves comprise evaluation changes of the AFS stock which are not income affecting after consideration of deferred tax. Due to the implementation of IFRS 9, this reserve is specified as FVOCI reserve and divided into evaluation effects and impairment effects. Actuarial gains and loss-es 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.

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

Other specifications

A) Offsetting financial assets and liabilities

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

According to IFRS 7, the corporate group is obliged to prepare statements concerning the netting out of financial instruments under Master Netting Agreement or similar agreements, even though the underlying instruments are not offset in the balance. Regarding instruments for which offsetting agreements have been made, but which are not offset in the balance, balancing effects are presented accordingly in note (49).

B) Derecognising financial assets and liabilities

The derecognition of a financial asset is considered when the contractually agreed claims relating to cash flows from the financial asset have been eliminated or transferred. Furthermore, the derecognition of a financial asset is considered when certain events occur, under which the corporate group has assumed the obligation to pay the cash flows from the asset to a third party.

The above-mentioned assets are derecognised when all major risks and opportunities which are associated with the ownership of such assets have been transferred.

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

The corporate group enters transactions in which it transfers assets that are recorded in balance sheet, but re-tains all major risks and opportunities associated with these assets. In the corporate group, such transactions are only repos. For further details please see note {58}

C) Fair value

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

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

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

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

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

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

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

Level 3 inputs: In some cases, the fair value of financial instruments cannot be calculated. Neither via market prices nor on the basis of valuation models which are completely based on observable market data. For such financial instruments, initial parameters are based on other relevant sources of information or must be estimated according to appropriate assumptions. In this category, the corporate group primarily evaluates customer re-quirements 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, who will carry out reclassifica-tions, if appropriate.

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

For further details regarding the fair value of financial instruments (fair value statements, level categorisation, transfer calculation of financial instruments in level 3 category, sensitivity analysis of non-observable parameters, and re-classifications) see note (47).

D) Fair value derivatives

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

E) Repos and securities lending

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

F) Hedge accounting

With regard to the fair value hedge of specified financial assets and liabilities, the corporate group employs de-rivatives. Hedging instruments may face one or more similar basic transactions. Hedge accounting relations may include basic transactions on both, the assets side and the liabilities side of the balance sheet, whereas on the assets side of the balance sheet only fixed-rate assets - evaluation category AFS can be considered as basic transaction, and on the liabilities side of the balance sheet only fixed-rate engagements can be considered as basic transaction. The in-tersest risk is the risk hedged. Only rate swaps are designated as hedges.
Hedges are documented at the time they are established. The documentation mainly covers the identification of the basic business and the hedging instrument and the nature of the risk being hedged. In addition, the method which is used to determine the effectiveness of hedging transactions is documented.

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

Derivatives used for hedging purposes are shown at their fair value as prevailing market values from derivative hedges and documented in note (40). The evaluation changes of hedges together with market changes of the basic business, which shall be added to the hedged risk, are included in profit or loss for the period as results from hedge accounting. The non-effective component of the evaluation change is shown in results from hedge accounting – see note (12). This is calculated on the basis of the net total, the changes in market value of the hedging instruments, which are underlying the risk hedged, and the basic business transaction.

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

G) 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 only offers financial leasing for the rental of both, movable property and investment properties. Leasing arrangements, in which the corporate group is the lessee, play a subordinate role in the 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 value (cash val-ue). Interest income is obtained on the basis of constant return which also includes the outstanding net invest-ment value. Interest income from such transactions is shown in net interest income.

Operating Leasing
Lessor: leased assets, which are assigned to the lessor, are designated under investment properties and are deter-mined in accordance with the described principles. Leasing profits are recorded on a straight-line basis over the con-tactual maturity.

Notes on the Profit and Loss Account

(7) Net interest income

in kEUR	2018	2017
Interests and similar income from receivables from credit institutions	4,999	675
Interests and similar income from receivables from clients	82,120	81,781
Interests and similar income from bonds	16,801	24,553
Interests and similar income from leasing receivables	6,260	6,818
Interest income from derivatives	331	11,469
Interest income from stage 3	2,424	N/A
Evaluation according to effective interest method	**112,935**	**125,296**
Income from cash value changes - modifications	10	N/A
Income from shares and other non-fixed securities	371	349
Income from participating interest in associated non-consolidated companies	603	N/A
Other income from participating interest	11,774	3,896
Other income	3,458	4,588
Other interest-like income	**16,215**	**8,834**
Interests and similar income	**129,151**	**134,129**
Interests and similar expenses for liabilities to credit institutions	-856	-1,525
Interests and similar expenses for liabilities to clients	-5,188	-16,780
Interest expenses for derivatives	-3,433	0
Interests and similar expenses for liabilities evidenced by certificate	-23,052	-30,968
Interests and similar expenses for supplementary/subordinate capital	-2,659	-3,211
Interests and similar expenses	-3,236	-5,103
Interest and similar expenses	**-38,424**	**-57,587**
Net interest income	**90,727**	**76,542**

Negative interest is illustrated in other income in the amount of kEUR 3,458 as well as in other expenses in the amount of kEUR 3,326. Negative interest effects for Hypo Tirol Bank resulted from receivables from/liabilities to credit institutions, derivatives and repos.

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

in kEUR	2018	2017
Trading assets and derivatives	3,363	16,917
Financial assets – designated at fair value	N/A	14,465
Financial assets not held for trading - at fair value income affecting	19,422	0
Financial assets – HTM	N/A	901
Financial assets – AFS	N/A	7,980
Loans and receivables	N/A	89,970
Financial assets at cost	94,104	0
Financial assets at fair value not income affecting	12,262	0
Participating interest	0	3,896
Interest income	**129,151**	**134,129**
Trading assets	-6,530	-3,722
Liabilities at fair value income affecting	-12,573	-24,516
Liabilities at cost	-19,321	-29,349
Interest expenses	**-38,424**	**-57,587**
Net interest income	**90,727**	**76,542**

* In contrast to the 2017 publication, the current table of net interest income by financial instrument categories also illustrates interest for derivatives.

Interest income from financial assets not evaluated on a fair value basis amounted to kEUR 94,103 (2017: kEUR 94,766). The corresponding interest expenses for financial liabilities amounted to kEUR 19,320 (2017: kEUR 29,349).

Interest from impaired assets amounted to kEUR 3,380 (2016: kEUR 3,428).

Interests from impaired assets accounted for kEUR 2,424 (2017: kEUR 3,380).
Interest income and expenses are not netted

(8) Credit risk provision

in kEUR	2018	2017
Addition to allowances	N/A	-36,568
Dissolutions of allowances	N/A	26,726
Changes in allowances - loans	-3,397	N/A
Changes in allowances - securities	-14	N/A
Direct depreciation of receivables	-1,462	-2,407
Income from inflow of depreciated receivabless	588	943
Addition to provisions	N/A	-3,478
Dissolution of provisions	N/A	4,131
Provision changes	-956	N/A
Credit risk provision	**-5,241**	**-10,653**

All income affecting items of credit provision refer to allowances for receivables from credit institutions or clients., other financial assets as well as credit risk provisions. For further information please see notes (21), (22) and (28).

The loss from credit business results from direct depreciation of receivables, income from depreciated receiva-bles, in-come from depreciated receivables and the use of generated provisions. In 2018, the loss amounted to kEUR 49,893 (2017: kEUR 46,114)

(9) Net commission income

in kEUR	2018	2017
Provisionserträge aus dem Kredit-/Leasinggeschäft	6,034	5,784
Provisionserträge aus dem Wertpapiergeschäft	8,797	10,399
Provisionserträge aus dem Girogeschäft und Zahlungsverkehr	12,134	12,067
Provisionserträge aus dem sonstigen Dienstleistungsgeschäft	3,325	3,303
Provisionserträge	**30,290**	**31,553**
Provisionsaufwendungen aus dem Kredit-/Leasinggeschäft	-583	-721
Provisionsaufwendungen aus dem Wertpapiergeschäft	-1,101	-1,681
Provisionsaufwendungen aus dem Girogeschäft und Zahlungsverkehr	-1,766	-1,572
Provisionsaufwendungen aus dem sonstigen Dienstleistungsgeschäft	-199	-1,212
Provisonsaufwendungen	**-3,649**	**-5,186**
Provisionsüberschuss	**26,641**	**26,367**

Net commission income included income from trust transactions in the amount of kEUR 99 (2017: kEUR 83). Commission expenses included expenses from trust transactions in the amount of kEUR 91 (2017: kEUR 75).

(10) Trading result

From 2018 onwards, the trading result will be part of financial assets and liabilities. Therefore, it is no longer illus-trated separa-tely. We refer to the specifications in note (11).

(11) Income from financial assets and liabilities

Income from financial assets and liabilities illustrates all disposal and evaluation results from financial assets and liabilities. This does not include disposal and evaluation result of financial assets evaluated at cost. They are illustrated in a separate profit and loss item.

Income from financial assets and liabilities correspond to the following profit and loss items: trading result, income from financial instruments at fair value through profit or loss and income from other financial instruments of the previous year.

For that reason, the following table illustrates the values of the previous year:

in kEUR	2018	2017
Share related businesses	N/A	-186
Currency related businesses	N/A	3,687
Interest related businesses	N/A	-3,157
Trading result	**N/A**	**344**

in kEUR	2018	2017
Evaluation result financial instruments "designated at fair value"	N/A	19,564
Evaluation result derivatives	N/A	-14,204
Income from financial instruments – at fair value through profit or loss	**N/A**	**5,360**

in kEUR	2018	2017
Realised profit from disposal of asset	N/A	2,642
Realised losses from disposal of asset	N/A	-5,091
Impairment financial instruments and participating interest	N/A	-352
Income from other financial instruments	**N/A**	**-2,801**

Now the profit and loss account item “income from financial assets” illustrates the following situation:

in kEUR	2018	2017
Disposal and evaluation result from price changes	469	N/A
Disposal and evaluation result from financial assets and liabilities at fair value affecting income	-1,410	N/A
Disposal and evaluation result from financial assets and liabilities at fair value not-affecting income	914	N/A
Profits/losses from derecognition of liabilities at cost	-1,612	N/A
Income from financial assets and liabilities	**-1,639**	**N/A**

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

in kEUR	2018	2017
Receivables from clients	-377	N/A
Designated at fair value	*-4,354*	*N/A*
Mandatory at fair value	*3,977*	*N/A*
Derivatives	-704	N/A
Financial assets	-5,615	N/A
Designated at fair value	*-2,132*	*N/A*
Mandatory at fair value	*-3,483*	*N/A*
Receivables from clients	837	N/A
Liabilities evidenced by certificate	4,449	N/A
Evaluation result from financial instruments designated at fair value	**-1,410**	**N/A**

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

The result from the repurchase of own issues amounted to kEUR -100 (2017: kEUR -102).

(12) Income from hedge accounting

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

The result is structured as follows:

in kEUR	2018	2017
Income from secured basic businesses	-1,880	2,284
Income from derivatives used as hedging instruments	9,134	-816
Income from hedge accounting	**7,254**	**1,468**

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

From 2018 onwards, the income from financial instruments at fair value through profit or loss is part of financial assets and liabilities. Therefore, it is no longer illustrated separately. We refer to the specifications in note (11).

(14) Income from other financial instruments

From 2018 onwards, the income from other financial instruments is part of financial assets and liabilities. There-fore, it is no longer illustrated separately. We refer to the specifications in note (11).

(15) Income from associated companies

in kEUR	2018	2017
Income from associated companies	364	427

(16) Administrative expenses

in kEUR	2018	2017
Personnel expenses	-45,412	-45,389
Material expenses	-22,092	-23,223
Depreciation on tangible and intangible assets	-4,002	-4,061
Administrative expenses	**-71,506**	**-72,673**

Personnel expenses

in kEUR	2018	2017
Salaries and wages	-33,507	-33,555
Legal social expenses	-8,796	-8,762
Voluntary social expenses	-637	-729
Pension scheme expenses	-1,465	-1,505
Expenses for severance payments and pensions	-1,007	-838
Personnel expenses	**-45,412**	**-45,389**

Expenses for severance payments and pensions include payments to the corporate staff and self-employment provision fund in the amount of kEUR 204 (2017: kEUR 197).

Material expenses

in kEUR	2018	2017
Building expenses	-3,192	-3,666
IT expenses	-7,515	-7,064
Communication expenses	-1,179	-1,306
Expenses for human resource development	-578	-432
Advertising and representation expenses	-3,223	-2,980
Legal and consulting expenses	-1,953	-3,021
Costs for legal structure	-1,665	-1,608
Other material expenses	-2,787	-3,146
Material expenses	**-22,092**	**-23,223**

Legal and consulting expenses and/or costs for legal structures include expenses for auditors (Ernst & Young chartered accountants Wirtschaftsprungsgesellschaftmbh, Wien) in the amount of kEUR 311 (2017: kEUR 274). Expenses for auditors were divided into expenses (costs for legal structures) for auditing the individual financial statements and the consolidated financial statements amounting to kEUR 277 (2017: kEUR 226) and into ex-penses for other confirmation services amounting to kEUR 34 (2017: kEUR 48).

Depreciation on tangible and intangible assets

in kEUR	2018	2017
Factory and office equipment	-1,218	-1,314
Real estate	-1,611	-1,678
Intangible assets	-1,173	-1,069
Depreciation on tangible and intangible assets	**-4,002**	**-4,061**

(17) Other income

Other income comprises the following items:

in kEUR	2018	2017
Income from leasing business	5,720	4,201
Income from real estate sales	2,270	468
Rental income from investment properties	6,904	6,691
Income from assets received as collateral	503	498
Other income	4,915	6,069
Other income	**20,312**	**17,927**

(18) Other expenses

Other expenses comprise the following items:

in kEUR	2018	2017
Leasing business expenses	-5,398	-4,452
Loss from real estate sales	-50	-34
Depreciation on investment properties	-4,631	-2,533
Expenses in connection with investment properties	-2,963	-3,966
in connection with real estate rented out	-2,957	-3,757
in connection with real estate not rented out	-6	-209
Expenses in connection with assets received as collaterals	-1,499	-572
Operational damages	-66	-191
Other expenses	-10,835	-8,545
Other expenses	**-25,442**	**-20,293**

Other expenses include stability fees in the amount of kEUR 1,296 (2017: kEUR 1,356). In addition, other ex-penses include expenses for deposit insurance in the amount of kEUR 1,768 (2017: kEUR 1,399) and expenses in relation to the resolution fund in the amount of kEUR 3,273 (2017: kEUR 3,030),

(19) Tax on income and profit

in kEUR	2018	2017
Current tax claims	-1,915	-2,051
Deferred tax	-7,518	-953
Tax on income and profit	**-9,433**	**-3,004**

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

in kEUR	2018	2017
Income before tax	-5,504	38,262
Applicable tax	25 %	25 %
Calculated tax on income	**-5,504**	**-9,566**
Tax effects		
from tax free income from participating interest	2,596	944
from investment benefits	0	0
from other tax-free income	896	3
from previous years	369	1,640
from goodwill depreciation	287	0
from pre-payments	0	0
from deviating tax rates abroad	89	355
from other non-deductible expenses	-364	-343
from other differences	-366	3,254
from non-active losses brought forward	-2,575	-3,353
Designated income tax	**-9,433**	**-3,004**

Deferred tax expenses in the fiscal year amounting to kEUR 7,518 and deferred tax expenses of the previous year amounting to kEUR 953 entirely resulted from creating or dissolving tempora-ry differences and the account-ing of deferred tax in relation to losses brought forward.

Notes on the Balance Sheet

(20) Cash reserve

in kEUR	2018	2017
Cash in hand	26,829	25,709
Deposits at central banks	101,723	16,950
Cash reserve	**128,552**	**42,659**

Pursuant to ECB directives, kEUR 93,327 (2017: kEUR 14,923) of the deposits at central banks are dedicated to the minimum reserve.

(21) Receivables from credit institutions after risk provision

A) Receivables from credit institutions

Receivables from credit institutions are assigned to the category "loans and receivables" and are evaluated on the basis of continuous acquisition costs.

Receivables from credit institutions by region

in kEUR	2018	2017
Austria	**44,099**	**48,769**
Foreign countries	**51,303**	**60,217**
Germany	42,209	36,238
Italy	7,156	5,885
Other foreign countries (incl. CEE)	1,938	18,094
Receivables from credit institutions before risk provision	**95,402**	**108,986**
Risk provision	-27	0
Receivables from credit institutions after risk provision	**95,375**	**108,986**

Receivables from credit institutions by maturity

in kEUR	2018	2017
Maturity: daily	50,607	59,219
Up to 3 months	34,730	36,059
3 months to 1 year	2,298	9,998
1 year to 5 years	3,886	1,855
More than 5 years	3,881	1,855
Receivables from credit institutions before risk prosivison	**95,402**	**108,986**
Risk provision	-27	0
Receivables from credit institutions after risk provision	**95,375**	**108,986**

Receivables from credit institutions by stages

in kEUR	Stage 1	Stage 2	Stage 3	POCI	Total
2017					
Receivables from credit institutions	N/A	N/A	N/A	N/A	N/A
Receivables from credit institutions	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
2018					
Receivables from credit institutions	48,654	46,748	0	0	95,402
Receivables from credit institutions	**48,654**	**46,748**	**0**	**0**	**95,402**

In the 2017 fiscal year, credit quality of receivables from credit institutions was divided by the internal rating clas-ses defined by the corporate group. In the 2018 fiscal year, the illustration also shows the division of gross value by stages.

	Receivables from credit institutions				
	2018				
in kEUR	Total	Stage 1	Stage 2	Stage 3	2017
Outstanding creditworthiness (rating class 1A–2B)	17,757	5,196	12,561	0	**28,800**
Very good creditworthiness (rating class 2C–2E)	53,428	19,241	34,187	0	**37,655**
Good creditworthiness (rating class 3A–3B)	20,588	20,588	0	0	**40,689**
Medium creditworthiness (rating class 3C–3E)	3,629	3,629		0	**1,842**
Weak creditworthiness (rating class 4A–4B)	0		0	0	**0**
Very weak creditworthiness (rating class 4C–4E)	0		0	0	**0**
In default	0		0	0	**0**
Total receivables	**95,402**	**48,654**	**46,748**	**0**	**108,986**

Stage transfer in relation to receivables from credit institutions

	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
Gross accounting value in k €	To stage 2 from stage 1	To stage 1 from stage 2	To stage 3 from stage 2	To stage 2 from stage 3	To stage 3 from stage 1	To stage 1 from stage 3
2017						
Credit institutions	N/A	N/A	N/A	N/A	N/A	N/A
Loans and credit	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
2018						
Credit institutions	0	3,720	0	0	0	0
Loans and credit	**0**	**3,720**	**0**	**0**	**0**	**0**

B) Risk provision for receivables from credit institutions

On 31 December 2017, risk provision for receivables from credit institutions accounted for kEUR 0. Due to the implementation of IFRS 9 on 1 January 2018 risk provision in the amount of kEUR 26 was established. The development of risk provision for receivables from credit institutions in the 2018 fiscal year can be illustrated as follows:

in kEUR	Opening balance	Increases due to origination and acquisition	Decreases due to derecognitions	Changes due to changed default risk (net)	Changes due to adjustments without derecognition (net)	Changes due to method update by the institute for estimation (net)	Decreases in the reconciliation account due to depreciations	Other adjustments	Final balance	Backflows of formerly depreciated amounts directly recorded in the profit and loss account	Amounts directly depreciated in the profit and loss account
2017											
Stage 1											
Credit institutions											
Risk provision stage 1	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Thereof: collectively evaluated allowances	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Thereof: individually evaluated allowances	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Stage 2											
Credit institutions											
Risk provision stage 2	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Thereof: collectively evaluated allowances	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Thereof: individually evaluated allowances	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Stage 3											
Credit institutions											
Risk provision stage 3	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Thereof: collectively evaluated allowances	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Thereof: individually evaluated allowances	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Risk provision for receivables from credit institutions	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
2018											
Stage 1											
Credit institutions	-10	-79	2	63	0	0	0	-1	-25	0	0
Risk provision stage 1	-10	-79	2	63	0	0	0	-1	-25	0	0
Thereof: collectively evaluated allowances	*-10*	*-79*	*2*	*63*	*0*	*0*	*0*	*-1*	*-25*	*0*	*0*
Thereof: individually evaluated allowances	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Stage 2											
Credit institutions	-16	-1	34	-19	0	0	0	0	-2	0	0
Risk provision stage 2	-16	-1	34	-19	0	0	0	0	-2	0	0
Thereof: collectively evaluated allowances	*-16*	*-1*	*34*	*-19*	*0*	*0*	*0*	*0*	*-2*	*0*	*0*
Thereof: individually evaluated allowances	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Stage 3											
Credit institutions	0	0	0	0	0	0	0	0	0	0	0
Risk provision stage 3	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Thereof: collectively evaluated allowances	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Thereof: individually evaluated allowances	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Risk provision for receivables from credit institutions	**-26**	**-80**	**36**	**44**	**0**	**0**	**0**	**-1**	**-27**	**0**	**0**

(22) Receivables from clients after risk provision

A) Receivables from clients

Receivables from clients by evaluation category

in kEUR	2018	2017
at continuous cost	5,612,348	5,205,296
Designated at fair value - affecting income	81,915	280,700
Mandatory at fair value - affecting income	40,252	N/A
Receivables from clients before risk provision	**5,734,515**	**5,485,996**
Risk provision	-92,472	-139,773
Receivables from clients after risk provision	**5,642,043**	**5,346,223**

Receivables from clients by business type

in kEUR	2018	2017
Current account	498,741	535,200
Cash	95,540	105,973
Credits	4,600,985	4,332,634
Leasing receivables	530,323	488,214
Other receivables	8,926	23,974
Receivables from clients before risk provision	**5,734,515**	**5,485,996**
Risk provision	-92,472	-139,773
Receivables from clients after risk provision	**5,642,043**	**5,346,223**

Receivables from clients by region

in kEUR	2018	2017
Austria	**5,068,323**	**4,723,819**
Foreign countries	**666,192**	**762,177**
Germany	118,867	125,102
Italy	517,850	603,881
Other foreign countries (incl. CEE)	29,475	33,194
Receivables from clients before risk provision	**5,734,515**	**5,485,996**
Risk provision	-92,472	-139,773
Receivables from clients after risk provision	**5,642,043**	**5,346,223**

Receivables from clients by maturity

in kEUR	2018	2017
Maturity: daily	153,281	134,250
Up to 3 months	305,379	333,052
3 months to 1 year	737,601	753,026
1 year to 5 years	1,777,025	1,733,138
More than 5 years	2,761,229	2,532,530
Receivables from clients before risk provision	**5,734,515**	**5,485,996**
Risk provision	-92,472	-139,773
Receivables from clients after risk provision	**5,642,043**	**5,346,223**

Receivables from clients by client sector

in kEUR	2018	2017
Central states and public sector	600,824	603,264
Corporate clients	3,882,207	3,666,629
Private households	1,251,484	1,216,103
Receivables from clients before risk provision	**5,734,515**	**5,485,996**
Risk provision	-92,472	-139,773
Receivables from clients after risk provision	**5,642,043**	**5,346,223**

Receivables from clients by stages

in kEUR	Stage 1	Stage 2	Stage 3	POCI	Total
2017					
Public sector incl. central states		N/A	N/A	N/A	N/A
Corporate clients		N/A	N/A	N/A	N/A
Private households		N/A	N/A	N/A	N/A
Receivables from clients		**N/A**	**N/A**	**N/A**	**N/A**
2018					
Public sector incl. central states		21,344	0	0	600,824
Corporate clients		390,843	202,903	0	3,882,207
Private households		44,395	23,352	0	1,251,484
Receivables from clients		**456,582**	**226,255**	**0**	**5,734,515**

In the 2017 fiscal year, the credit quality of receivables from clients was divided by the internal rating classes defined by the corporate group. In the 2018 fiscal year, the illustration also shows the division of gross value by stages.

	Receivables from clients				
	2018				
in kEUR	Total	Stage 1	Stage 2	Stage 3	2017
Outstanding creditworthiness (rating class 1A–2B)	1,663,878	1,538,567	125,311	0	**1,491,688**
Very good creditworthiness (rating class 2C–2E)	1,385,232	1,369,970	15,262	0	**1,145,223**
Good creditworthiness (rating class 3A–3B)	1,203,948	1,160,783	43,165	0	**1,277,072**
Medium creditworthiness (rating class 3C–3E)	1,140,319	982,358	157,961	0	**1,126,173**
Weak creditworthiness (rating class 4A–4B)	84,837	0	84,837	0	**56,835**
Very weak creditworthiness (rating class 4C–4E)	30,046	0	30,046	0	**79,154**
In default	226,255	0	0	226,255	**309,851**
Total receivables	**5,734,515**	**5,051,678**	**456,582**	**226,255**	**5,485,996**

Stage transfer in relation to receivables from clients

	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
Gross accounting value in k €	To stage 2 from stage 1	To stage 1 from stage 2	To stage 3 from stage 2	To stage 2 from stage 3	To stage 3 from stage 1	To stage 1 from stage 3
2017						
Public sector incl. central states	N/A	N/A	N/A	N/A	N/A	N/A
Corporate clients	N/A	N/A	N/A	N/A	N/A	N/A
Private households	N/A	N/A	N/A	N/A	N/A	N/A
Loans and credit	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
2018						
Public sector incl. central states	6,256	522	0	0	0	0
Corporate clients	66,358	73,996	9,040	15,080	4,901	748
Private households	39,923	32,146	2,073	5,478	1,391	1
Loans and credit	**112,537**	**106,664**	**11,113**	**20,558**	**6,292**	**749**

Net investment values in leasing business by maturity

in kEUR	2018	2017
Up to 3 months	16,501	12,009
3 months to 1 year	38,954	47,480
1 year to 5 years	187,412	183,804
More than 5 years	287,455	244,921
Net investment value	**530,322**	**488,214**

Gross investment values in leasing business by maturity

in kEUR	2018	2017
Up to 3 months	18,329	14,270
3 months to 1 year	43,948	55,055
1 year to 5 years	206,323	208,718
More than 5 years	303,720	257,842
Gross investment value	**572,320**	**535,885**

Accumulated allowances in leasing business are illustrated in the item “risk provisions for with receivables from clients”.

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

Development of risk provisions for receivables from clients

On 31 December 2017, risk provision for the category "loans and receivables" evaluated at continuous acquisi-tion costs accounted for kEUR 139,773. Due to the implementation of IFRS 9 on 1 January 2018 risk provision increased to kEUR 141,039. At the end of the 2018 business year risk provision for receivables from clients in the amount of kEUR 92,472 was established. The development of risk provision can be illustrated as follows:

in kEUR	Opening balance	Increases due to origination and acquisition	Decreases due to derecognitions	Changes due to changed default risk (net)	Changes due to adjustments without derecognition (net)	Changes due to method update by the institute for estimation (net)	Decreases in the reconciliation account due to depreciations	Other adjustments	Final balance	Backflows of formerly depreciated amounts directly recorded in the profit and loss account	Amounts directly depreciated in the profit and loss account
2017											
Stage 1											
Public sector	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other financial corporations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-financial corporations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Households	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Risk provision stage 1	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Thereof: collectively evaluated allowances	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Thereof: individually evaluated allowances	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Stage 2											
Public sector	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other financial corporations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-financial corporations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Households	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Risk provision stage 2	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Thereof: collectively evaluated allowances	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Thereof: individually evaluated allowances	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Stage 3											
Public sector	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other financial corporations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-financial corporations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Households	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Risk provision stage 3	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Thereof: collectively evaluated allowances	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Thereof: individually evaluated allowances	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Risk provision for receivables from clients	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**

in kEUR	Opening balance	Increases due to origination and acquisition	Decreases due to derecognitions	Changes due to changed default risk (net)	Changes due to adjustments without derecognition (net)	Changes due to method update by the institute for estimation (net)	Decreases in the reconciliation account due to depreciations	Other adjustments	Final balance	Backflows of formerly depreciated amounts directly recorded in the profit and loss account	Amounts directly depreciated in the profit and loss account
2018											
Stage 1											
Public sector	-9	-1	1	1	0	0	0	0	-8	0	0
Other financial corporations	-114	-15	3	46	0	0	0	0	-80	0	0
Non-financial corporations	-1,929	-565	135	278	0	0	0	-62	-2,143	0	0
Households	-822	-221	141	86	0	0	0	-3	-819	0	0
Risk provision stage 1	**-2,874**	**-802**	**280**	**411**	**0**	**0**	**0**	**-65**	**-3,050**	**0**	**0**
Thereof: collectively evaluated allowances	*-2,874*	*-802*	*280*	*411*	*0*	*0*	*0*	*-65*	*-3,050*	*0*	*0*
Thereof: individually evaluated allowances	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Stage 2											
Public sector	-2	0	0	0	0	0	0	0	-2	0	0
Other financial corporations	-207	0	1	204	0	0	0	-1	-3	0	0
Non-financial corporations	-6,818	-384	771	2,403	0	0	0	-3	-4,031	0	0
Households	-1,704	-244	268	-160	0	0	0	-4	-1,844	0	0
Risk provision stage 2	**-8,731**	**-628**	**1,040**	**2,447**	**0**	**0**	**0**	**-8**	**-5,880**	**0**	**0**
Thereof: collectively evaluated allowances	*-8,731*	*-628*	*1,040*	*2,447*	*0*	*0*	*0*	*-8*	*-5,880*	*0*	*0*
Thereof: individually evaluated allowances	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Stage 3											
Public sector	0	0	0	0	0	0	0	0	0	0	0
Other financial corporations	-19,681	0	0	-55	0	0	18,419	0	-1,317	0	-666
Non-financial corporations	-95,535	-1,702	1,307	-2,053	0	0	26,905	-18	-71,096	400	-2,170
Households	-14,218	-414	274	1,421	0	0	1,809	-1	-11,129	133	-457
Risk provision stage 3	**-129,434**	**-2,116**	**1,581**	**-687**	**0**	**0**	**47,133**	**-19**	**-83,542**	**533**	**-3,293**
Thereof: collectively evaluated allowances	*-7,942*	*-2,115*	*1,581*	*2,419*	*0*	*0*	*0*	*-1*	*-6,058*	*533*	*-3,293*
Thereof: individually evaluated allowances	*-121,492*	*-1*	*0*	*-3,106*	*0*	*0*	*47,133*	*-18*	*-77,484*	*0*	*0*
Risk provision for receivables from clients	**-141,039**	**-3,546**	**2,901**	**2,171**	**0**	**0**	**47,133**	**-92**	**-92,472**	**533**	**-3,293**

C) *Risk provision for receivables from clients pursuant to IAS 39*

Due to the implementation of IFRS 9 individual allowance is determined for each foreign capital instrument. The details regarding allowances pursuant to IAS 39 for 2017 can be illustrated as follows:

in kEUR	2018	2017
As at 01.01.	N/A	-174,654
Currency differences	N/A	73
Consumption	N/A	44,650
Liquidation	N/A	26,726
Addition	N/A	-36,568
Risk provision for receivables from clients	**N/A**	**-139,773**

Risk provision for receivables from clients by region

in kEUR	2018	2017
Austria	N/A	-30,215
Foreign countries	N/A	-109,558
Germany	N/A	-5,486
Italy	N/A	-103,795
Other foreign countries (incl. CEE)	N/A	-277
Risk provision for receivables from clients	**N/A**	**-139,773**

Development of risk provision for receivables from clients

in kEUR	As at 01.01.	Currency translation	Consumption	Liquidation	Additions	As at 31.12.
2017						
Credit risks – receivables > kEUR 200	-158,139	54	43,515	26,038	-34,685	-123,217
Credit risks – receivables < kEUR 200	-8,681	19	1,135	321	-1,189	-8,395
Portfolio provision	-7,834	0	0	367	-694	-8,161
Total	**-174,654**	**73**	**44,650**	**26,726**	**-36,568**	**-139,773**
2018						
Credit risks – receivables > kEUR 200	N/A	N/A	N/A	N/A	N/A	N/A
Credit risks – receivables < kEUR 200	N/A	N/A	N/A	N/A	N/A	N/A
Portfolio provision	N/A	N/A	N/A	N/A	N/A	N/A
Total	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**

Development of risk provision for receivables from clients by client sector

in kEUR	As at 01.01.	Currency translation	Consumption	Liquidation	Additions	As at 31.12.
2017						
Public sector	-4	0	1		0	-3
Corporate clients	-166,129	66	43,372	25,730	-34,274	-131,235
Private households	-8,382	7	1,219	979	-2,289	-8,466
Other	-139	0	58	17	-5	-69
Total	**-174,654**	**73**	**44,650**	**26,726**	**-36,568**	**-139,773**
2018						
Public sector	N/A	N/A	N/A	N/A	N/A	N/A
Corporate clients	N/A	N/A	N/A	N/A	N/A	N/A
Private households	N/A	N/A	N/A	N/A	N/A	N/A
Other	N/A	N/A	N/A	N/A	N/A	N/A
Total	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**

Additions include unwinding in the amount of kEUR 516 (2017: kEUR 404)) which was reclassified in the profit and loss account from risk costs to interest income.

In the 2017 fiscal year, allowances were created for the following gross accounting values:

	Receivables from clients		Receivables from credit institutions	
in kEUR	2018	2017	2018	2017
Receivables - no individual allowance	N/A	5,176,145	N/A	108,986
Overdue receivables - no allowance	N/A	4,558	N/A	0
Receivables - individual allowance	N/A	305,293	N/A	0
Risk provision	N/A	-139,773	N/A	0
Receivables	**N/A**	**5,346,223**	**N/A**	**108,986**

(23) Positive market values from derivative hedging instruments

From 2018 onwards, the balance sheet item “positive market values from derivative hedging instruments“ will be part of the balance sheet item “trading assets and derivatives“. Therefore, it is no longer illustrated separately. In this context, we refer to the specifications as stipulated in note (24).

(24) Trading assets and derivatives

The balance sheet item “trading assets and derivatives“ in 2018 contains values oft he balance sheet item “posi-tive market values from derivative hedging instruments” and “trading assets and derivatives“ The values corre-spond to the total of the previous year of both balance sheet item taken together.

Trading assets by business type

in kEUR	2018	2017
Investment share certificates	0	299
Positive market values from derivatives	30,158	70,114
Positive market values from derivative hedging instruments	26,786	11,446
Trading assets	**56,944**	**81,859**

Trading assets by maturity

in kEUR	2018	2017
Up to 3 months	729	8,615
3 months to 1 year	3,140	9,434
1 year to 5 years	32,037	27,112
More than 5 years	21,038	36,399
Without maturity	0	299
Trading assets	**56,944**	**81,859**

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

Derivatives without accrued interest

	Nominal value		Positive market values		Negative market values	
in kEUR	2018	2017	2018	2017	2018	2017
Derivatives "held for trading"						
FX-future transactions	294,406	370,076	150	13,430	4,257	1,307
FX-swaps	0	0	0	0	0	0
FX-options	0	0	0	0	0	0
Currency derivatives	**294,406**	**370,076**	**150**	**13,430**	**4,257**	**1,307**
Interest swaps	3,688,413	3,771,866	43,230	50,996	60,054	77,113
Cross-Currency-Swaps	52,356	0	0	0	3,747	0
Interest options	0	0	0	0	0	0
Future transactions	441,127	518,215	1,476	1,970	1,923	2,265
Futures	0	0	0	0	0	0
Interest derivatives	**4,181,896**	**4,290,081**	**44,706**	**52,966**	**65,724**	**79,378**
Futures	0	0	0	0	0	0
Credit default swaps	0	0	0	0	0	0
Options	0	0	0	0	0	0
Asset value dependent derivatives	**0**	**0**	**0**	**0**	**0**	**0**
Trading assets	**4,476,302**	**4,660,157**	**44,856**	**66,396**	**69,981**	**80,685**

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

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

In k € 2018-12-31	Receivables from clients	Other financial assets	Liabilities to credit institutions	Liabilities to clients	Liabilities evidenced by certificate
Accounting value of the hedged basic transaction included in the balance sheet	553,623	597,625	343,881	20,458	1,386,978
Accumulated amount of hedging adjustments, which is included in the balanced basic transaction	2,594	4,517	881	458	9,331
Value change of hedging adjustments regarding the basic transaction for the reporting period	2,677	3,598	856	458	6,840
Accumulated amount of hedging adjustments for basic transactions, which are no longer part of a hedging instrument	0	1,444	0	0	0

In k € 2017-12-31	Receivables from clients	Other financial assets	Liabilities to credit institutions	Liabilities to clients	Liabilities evidenced by certificate
Accounting value of the hedged basic transaction included in the balance sheet	160,249	246,350	333,024	0	1,112,026
Accumulated amount of hedging adjustments, which is included in the balanced basic transaction	-83	919	24	0	2,491
Value change of hedging adjustments regarding the basic transaction for the reporting period	-83	-2,485	45	0	4,811
Accumulated amount of hedging adjustments for basic transactions, which are no longer part of a hedging instrument	0	2,563	0	0	0

(25) Financial assets – designated at fair value

From the 2018 fiscal year onwards, the balance sheet item “financial assets – designated at fair value” will be part of the balance sheet item “other assets”. Therefore, it is no longer illustrated separately. In this context, we refer to the specifications as stipulated in note (28).

Financial assets – designated at fair value by business type

in kEUR	2018	2017
Bonds of public issuers	N/A	254,859
Bonds of other issuers	N/A	170,651
Interest accrued	N/A	7,015
Financial assets – designated at fair value	**N/A**	**432,525**

Financial assets – designated at fair value by maturity

in kEUR	2018	2017
Maturity: daily	N/A	0
Up to 3 months	N/A	12,494
3 months to 1 year	N/A	16,845
1 year to 5 years	N/A	270,343
More than 5 years	N/A	132,843
Without maturity	N/A	0
Financial assets - designated at fair value	**N/A**	**432,525**

(26) Financial assets – AFS

Pursuant to IFRS 9, the balance sheet item "financial assets – AFS" is no longer permitted. All items were evalu-ated according to IFRS 9, and from 2018 on onwards, they will be part of the balance sheet item "other financial assets". In this context, we refer to the specifications as stipulated in note (28).

Financial assets – AFS by business type

in kEUR	2018	2017
AFS bonds of public issuers	N/A	246,198
AFS bonds of other issuers	N/A	505,778
AFS shares	N/A	1,360
AFS other holding rights	N/A	25,839
Interest accrued regarding AFS-portfolio	N/A	4,382
Participating interest – other companies	N/A	38,622
Shares in associated companies	N/A	2,656
Financial assets - AFS	**N/A**	**824,835**

Financial assets – AFS by maturity

in kEUR	2018	2017
Maturity: daily	N/A	0
Up to 3 months	N/A	41,201
3 months to 1 year	N/A	50,276
1 year to 5 years	N/A	396,262
More than 5 years	N/A	268,619
Without maturity	N/A	68,477
Financial assets - AFS	**N/A**	**824,835**

(27) Financial assets – HTM

Pursuant to IFRS 9, the balance sheet item “financial assets – HTM” is no longer permitted. All items were evalu-ated according to IFRS 9, and from 2018 on onwards, they will be part of the balance sheet item “other financial assets”. In this context, we refer to the specifications as stipulated in note (28).

Financial assets – HTM by business type

in kEUR	2018	2017
HTM-bonds of public issuers	N/A	11,858
HTM-bonds of other issuers	N/A	7,496
Interest accrued regarding HTM-portfolio	N/A	534
Financial assets – HTM	**N/A**	**19,888**

Financial assets – HTM by maturity

in kEUR	2018	2017
Maturity: daily	N/A	0
Up to 3 months	N/A	10,354
3 months to 1 year	N/A	0
1 year to 5 years	N/A	8,644
More than 5 years	N/A	890
Without maturity	N/A	0
Financial assets - HTM	**N/A**	**19,888**

(28) Other financial assets after risk provision

A) *Other financial assets*

Other financial assets by business type and by evaluation category

in kEUR	2018	2017
Bonds at cost	556,665	N/A
Bonds at fair value - not income affecting	571,863	N/A
Bonds at fair value - income affecting	42,551	N/A
Bonds mandatory at fair value - income affecting	3,342	N/A
Shares at fair value - income affecting	892	N/A
Funds at fair value - income affecting	22,033	N/A
Participating interest at fair value - income affecting	26,351	N/A
Other financial assets before risk provision	**1,223,697**	**N/A**
Risk provision for bonds at cost	-20	N/A
Other financial assets after risk provision	**1,223,677**	**N/A**
Risk provision for bonds at fair value - not income affecting - before tax	-67	N/A

Other financial assets by maturity

in kEUR	2018	2017
Maturity: daily	0	N/A
Up to 3 months	105,374	N/A
3 months to 1 year	89,113	N/A
1 year to 5 years	656,433	N/A
More than 5 years	323,401	N/A
Without maturity	49,376	N/A
Other financial assets	**1,223,697**	**N/A**
Risk provision for bonds at cost	-20	N/A
Other financial assets before risk provision	**1,223,677**	**N/A**
Risk provision for bonds at fair value - not income affecting - before tax	-67	N/A

Bonds at cost by branches and stages

in kEUR	Stage 1	Stage 2	Stage 3	POCI	Total
2017					
Public sector incl. central states		N/A	N/A	N/A	N/A
Credit institutions		N/A	N/A	N/A	N/A
Corporate clients		N/A	N/A	N/A	N/A
Financial assets at cost		**N/A**	**N/A**	**N/A**	**N/A**
2018					
Public sector incl. central states		0	0	0	182,129
Credit institutions		0	0	0	335,901
Corporate clients		0	0	0	38,635
Financial assets at cost		**0**	**0**	**0**	**556,665**

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

in kEUR	Stage 1	Stage 2	Stage 3	POCI	Total
2017					
Public sector incl. central states	N/A	N/A	N/A	N/A	N/A
Credit institutions	N/A	N/A	N/A	N/A	N/A
Corporate clients	N/A	N/A	N/A	N/A	N/A
Financial assets FV OCI	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
2018					
Public sector incl. central states	299,722	0	0	0	299,722
Credit institutions	199,412	0	0	0	199,412
Corporate clients	72,729	0	0	0	72,729
Financial assets FV OCI	**571,863**	**0**	**0**	**0**	**571,863**

The credit quality of bonds at cost respectively bonds at fair value – not income affecting is illustrated in the following chart by internal rating classes and stages.

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

	2018				
in kEUR	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**2017**
Outstanding creditworthiness (rating class 1A–2B)	1,106,244	1,106,244	0	0	**N/A**
Very good creditworthiness (rating class 2C–2E)	22,284	22,284	0	0	**N/A**
Total receivables	**1,128,528**	**1,128,528**	**0**	**0**	**N/A**

Stage transfer regarding bonds at cost or bonds at fair value – not income affecting

	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
Bruttobuchwert in kEUR	**To stage 2 from stage 1**	**To stage 1 from stage 2**	**To stage 3 from stage 2**	**To stage 2 from stage 3**	**To stage 3 from stage 1**	**To stage 1 from stage 3**
2017						
Public sector incl. central states	N/A	N/A	N/A	N/A	N/A	N/A
Credit institutions	N/A	N/A	N/A	N/A	N/A	N/A
Corporate clients	N/A	N/A	N/A	N/A	N/A	N/A
Bonds	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
2018						
Public sector incl. central states	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0
Corporate clients	0	0	0	0	0	0
Bonds	**0**	**0**	**0**	**0**	**0**	**0**

B) Risk provision pursuant to IFRS 9

in kEUR	Opening balance	Increases due to origination and acquisition	Decreases due to derecognitions	Changes due to changed default risk (net)	Changes due to adjustments without derecognition (net)	Changes due to method update by the institute for estimation (net)	Decreases in the reconciliation account due to depreciations	Other adjustments	Final balance	Backflows of formerly depreciated amounts directly recorded in the profit and loss account	Amounts directly depreciated in the profit and loss account
2017											
Stage 1											
Central banks	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Credit institutions	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Public sector	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other financial corporations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-financial corporations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Risk provision stage 1	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Thereof: collectively evaluated allowances	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Therof: individually evaluated allowances	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Stage 2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Central banks	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Credit institutions	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Public sector	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other financial corporations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-financial corporations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Risk provision stage 2	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Thereof: collectively evaluated allowances	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Thereof: individually evaluated allowances	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Stage 3	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Central banks	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Credit institutions	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Public sector	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other financial corporations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-financial corporations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Risk provision stage 3	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Thereof: collectively evaluated allowances	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Thereof: individually evaluated allowances	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Risk provision for bonds	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**

in kEUR	Opening balance	Increases due to origination and acquisition	Decreases due to derecognitions	Changes due to changed default risk (net)	Changes due to adjustments without derecognition (net)	Changes due to method update by the institute for estimation (net)	Decreases in the reconciliation account due to depreciations	Other adjustments	Final balance	Backflows of formerly depreciated amounts directly recorded in the profit and loss account	Amounts directly depreciated in the profit and loss account
2018											
Stage 1											
Central banks	-1	0	0	1	0	0	0	0	0	0	0
Credit institutions	-33	-9	4	8	0	0	0	0	-30	0	0
Public sector	-29	-2	2	2	0	0	0	0	-27	0	0
Other financial corporations	-13	-3	1	-2	0	0	0	0	-17	0	0
Non-financial corporations	-14	-3	1	3	0	0	0	0	-13	0	0
Risk provision stage 1	**-90**	**-17**	**8**	**12**	**0**	**0**	**0**	**0**	**-87**	**0**	**0**
Thereof: collectively evaluated allowances	*-90*	*-17*	*8*	*12*	*0*	*0*	*0*	*0*	*-87*	*0*	*0*
Thereof: individually evaluated allowances	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Stage 2											
Central banks	0	0	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0	0	0
Public sector	0	0	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0	0	0	0	0
Risk provision stage 2	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Thereof: collectively evaluated allowances	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Thereof: individually evaluated allowances	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Stage 3											
Central banks	0	0	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0	0	0
Public sector	0	0	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0	0	0	0	0
Risk provision stage 3	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Thereof: collectively evaluated allowances	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Thereof: individually evaluated allowances	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Risk provision for bonds	**-90**	**-17**	**8**	**12**	**0**	**0**	**0**	**0**	**-87**	**0**	**0**

(29) Shares in associated companies

in kEUR	2018	2017
Anteile an assoziierten Unternehmen	**7,576**	**10,159**

Die Bilanzierung der assoziierten Unternehmen erfolgt nach der „At Equity"-Methode. Weitere Angaben zu den assoziierten Unternehmen gemäß IFRS 12.21 finden sich unter Punkt VII.

(30) Investment properties

Development of historical acquisition costs and comparison of accounting values

in kEUR	Acquisition value 01-01	Currency translation	Inflows in business year	Transfers consolid.	Outflows and recategoris. assets AFS in business year	Acquisition value 12-31	Accounting value 12-31	Accounting value 01-01
2017								
Undeveloped real estate	4,724	0	34	0	-80	4,678	3,600	3,566
Real estate/buildings rented out - land share	18,073	0	1,908	619	-2,823	17,777	16,096	14,399
Real estate/buildings rented out - building share	98,122	0	3,326	25,759	-11,246	115,961	67,854	55,621
Factory and office equipment rented out	462	0	43	447	-176	776	209	156
Facilities under construction	0	0	60	0	0	60	60	0
Investment properties	**121,381**	**0**	**5,371**	**26,825**	**-14,325**	**139,252**	**87,819**	**73,742**
2018								
Undeveloped real estate	4,678	0	7	0	-4,104	581	503	3,600
Real estate/buildings rented out - land share	17,777	0	1,801	2,456	-2,655	19,379	16,526	16,096
Real estate/buildings rented out - building share	115,961	0	2,428	8,194	-10,333	116,250	64,897	67,854
Factory and office equipment rented out	776	0	270	103	-12	1,137	481	209
Facilities under construction	60	0	52	0	-110	2	2	60
Investment properties	**139,252**	**0**	**4,558**	**10,753**	**-17,214**	**137,349**	**82,409**	**87,819**

Development of accumulated depreciation

in kEUR	Accumulated depreciation 01-01	Currency translation	Inflows in business year	Transfers consolid.	Outflows in business year	Accumulated depreciation 12-31
2017						
Undeveloped real estate	-1,158	0	0	0	80	**-1,078**
Real estate/buildings rented out - land share	-3,674	0	0	0	1,993	**-1,681**
Real estate/buildings rented out - building share	-42,501	0	-2,473	-10,670	7,537	**-48,107**
Factory and office equipment rented out	-306	0	-59	-248	46	**-567**
Facilities under construction	0	0	0	0	0	**0**
Investment properties	**-47,639**	**0**	**-2,532**	**-10,918**	**9,656**	**-51,433**
2018						
Undeveloped real estate	-1,078	0	0	0	1,000	**-78**
Real estate/buildings rented out - land share	-1,681	0	-530	-643	1	**-2,853**
Real estate/buildings rented out - building share	-48,107	0	-4,006	-3,089	3,849	**-51,353**
Factory and office equipment rented out	-567	0	-95	-6	12	**-656**
Facilities under construction	0	0	0	0	0	**0**
Investment properties	**-51,433**	**0**	**-4,631**	**-3,738**	**4,862**	**-54,940**

Inflows in the fiscal year resulted from 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 and no fundamental obligations regard-ing repairing, maintenance and improvements were existent at the balance sheet date.

On 31 December 2018, fair value of investment properties ac-counted for kEUR 102,832 (2017: kEUR 109,064). Fair value was measured on the basis of internal fair market value assessments at the balance sheet date. In the context of evaluating fair value of real estate, the current utilisation represents the most efficient and best possi-ble use. Within the corporate group, investment properties are evaluated at continuous acquisition costs. Fair value is calculated for the purpose of impairment tests and for preparing the notes, however, in case no impair-ment is required, fair value does not have any effect on the consolidated balance sheet or on the consolidated profit and loss account. Fair value of investment properties was classified as fair value level 3, based on inputs of the used evaluation method.

(31) Intangible assets

Development of historical acquisition costs and comparison of accounting values

in kEUR	Acquisition value 01-01	Currency translation	Inflows in business year	Transfers consolid.	outflows in business year	Acquisition value 12-31	Accounting value 12-31	Accounting value 01-01
2017								
Client base	1,557	0	0	0	0	1,557	6	76
Software	17,012	0	1,115	0	-528	17,599	1,887	1,773
Intangible assets	**18,569**	**0**	**1,115**	**0**	**-528**	**19,156**	**1,893**	**1,849**
2018								
Client base	1,557	0	0	0	0	1,557	1	6
Software	17,599	0	1,545	0	-14,157	4,987	2,226	1,887
Other	0	0	0	0	36	36	0	0
Intangible assets	**19,156**	**0**	**1,545**	**0**	**-14,121**	**6,580**	**2,227**	**1,893**

Development of accumulated depreciation

in kEUR	Accumulated depreciation 01-01	Currency translation	Inflows in business year	Transfers consolid.	Outflows in business year	Accumulated depreciation 12-31
2017						
Client base	-1,481	0	-70	0	0	**-1,551**
Software	-15,239	0	-999	0	526	**-15,712**
Intangible assets	**-16,720**	**0**	**-1,069**	**0**	**526**	**-17,263**
2018						
Client base	-1,551	0	-5	0	0	**-1,556**
Software	-15,712	0	-1,168	0	14,119	**-2,761**
Other	0	0	0	-36	0	**-36**
Intangible assets	**-17,263**	**0**	**-1,173**	**-36**	**14,119**	**-4,353**

Software inflows in the amount of kEUR 1,545 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 and no fundamental obligations regarding repairing, maintenance and improvements were existent at the balance.

(32) Tangible assets

Development of historical acquisition costs and comparison of accounting values

in kEUR	Acquisition value 01-01	Currency translation	Inflows in business year	Transfers consolid.	Outflows in business year	Acquisition value 12-31	Accounting value 12-31	Accounting value 01-01
2017								
Undeveloped real estate	483	0	0	0	0	483	483	483
Developed real estate owner-occupied – land value	10,516	0	24	0	0	10,540	9,864	9,840
Developed real estate owner-occupied - building value	74,554	0	26	132	-9	74,703	40,151	41,717
Factory and office equipment	38,740	55	1,007	5	-1,418	38,389	6,227	6,503
Facilities under construction	0	0	0	0	0	0	0	0
Tangible assets	**124,293**	**55**	**1,057**	**137**	**-1,427**	**124,115**	**56,725**	**58,543**
2018								
Undeveloped real estate	483	0	0	0	0	483	483	483
Developed real estate owner-occupied – land value	10,540	0	337	-2,357	-78	8,442	8,443	9,864
Developed real estate owner-occupied - building value	74,703	0	2,812	-7,809	-324	69,382	36,641	40,151
Factory and office equipment	38,389	0	2,748	0	-6,300	34,837	7,480	6,227
Facilities under construction	0	0	12	0	0	12	12	0
Tangible assets	**124,115**	**0**	**5,909**	**-10,166**	**-6,702**	**113,156**	**53,059**	**56,725**

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

Development of accumulated depreciation

in kEUR	Accumulated depreciation 01-01	Currency translation	Inflows in business year	Transfers consolid.	Outflows in business year	Accumulated depreciation 12-31
2017						
Developed real estate owner-occupied - land value	-676	0	0	0	0	**-676**
Developed real estate owner-occupied - building value	-32,837	0	-1,678	-37	0	**-34,552**
Factory and office equipment	-32,237	0	-1,314	0	1,389	**-32,162**
Facilities under construction	0	0	0	0	0	**0**
Tangible assets	**-65,750**	**0**	**-2,992**	**-37**	**1,389**	**-67,390**
2018						
Developed real estate owner-occupied - land value	-676	0	0	677	0	**1**
Developed real estate owner-occupied - building value	-34,552	0	-1,611	3,310	112	**-32,741**
Factory and office equipment	-32,162	0	-1,218	0	6,023	**-27,357**
Facilities under construction	0	0	0	0	0	**0**
Tangible assets	**-67,390**	**0**	**-2,829**	**3,987**	**6,135**	**-60,097**

(33) Other assets

in kEUR	2018	2017
Tax receivables	829	1,187
Accruals and deferrals	117	84
Other	17,201	16,630
Other assets	**18,147**	**17,901**

Tax receivables basically comprised current consumer taxes and activated corporate tax pre-payments of Hypo Tirol Bank AG in the amount of kEUR 615 for fiscal years that have not yet been assessed

In 2018, other assets included kEUR 6,950 (2017: kEUR 6,689 from offset accounts.

(34) Non-current assets held or sale

In 2018, assets and disposal groups held for sale accounted for a total of kEUR 9,396 (2017: kEUR 15,480).

Nun-current assets:

Non-current assets amounting to kEUR 9,396 comprised properties which will be sold in the 2019 fiscal year. The corporate group has already staeted looking for purchasers. Impairment was not determined, neither at the time of reclassification to "held for Sale" nor at the balance sheet date (31 December 2018). This is based on the management's assumption that fair value – based on latest market prices of similar properties in similar locations and current purchasing offers – less sales costs will be higher than the accounting value. The change in compar-ison to the previous year resulted from a portfolio change. Fair value is classified level 3 on the basis of inputs.

(35) Deferred tax assets and liabilities

in kEUR	2018	2017
Evaluation of receivables and liabilities clients covered by security at fair value and evaluation of risk provision	6,195	7,666
Evaluation of derivatives at fair value	26,064	34,523
Evaluation of financial assets – designated at fair value and AFS at fair value	0	17,492
Evaluation of financial assets	5,445	0
Application of evaluation method at first consolidation and application of different depreciation approaches for investment properties and tangible assets	1,093	852
Evaluation of provisions	0	179
Deferred tax assets concerning losses brought forward	7,703	9,121
Deferred tax assets	**46,500**	**69,833**
Evaluation of receivables and liabilities covered by securities clients at fair value and evaluation of risk provision	9,800	9,804
Evaluation of derivatives at fair value	18,103	25,452
Evaluation of financial assets – designated at fair value and financial assets – AFS at fair value	0	11,435
Evaluation of financial assets – HTM and L&R according to effective interest method	0	8
Evaluation of financial assets	413	0
Application of evaluation method at first consolidation and application of different depreciation approaches for investment properties and tangible assets	75	229
Evaluation of liabilities evidenced by certificate and financial liabilities - designated at fair value	10,685	13,122
Evaluation of provisions	2,443	0
Deferred tax liabilities	**41,519**	**60,050**
Deferred tax assets and liabilities per balance	**4,981**	**9,783**

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

in kEUR	2018	2017
Deferred tax assets	46,500	69,833
Balancing	-38,758	-59,175
Deferred tax assets per balance	**7,742**	**10,658**

in kEUR	2018	2017
Deferred tax liabilities	41,519	60,050
Balancing	-38,758	-59,175
Deferred tax liabilities per balance	**2,761**	**875**

in kEUR	2018	2017
Deferred tax assets	7,742	10,658
Deferred tax liabilities	2,761	875
Deferred tax assets and liabilities per balance	**4,981**	**9,783**

Deferred tax assets in the amount of kEUR 50,072 (2017: kEUR 47,497)) were not activated. They can be brought forward for an indefinite period of time.

(36) Liabilities to credit institutions

Liabilities to credit institutions are evaluated on the basis of continuous acquisitions costs.

Liabilities to credit institutions by region

in kEUR	2018	2017
Austria	**843,585**	**734,016**
Foreign countries	**74,420**	**197,702**
Germany	70,928	179,449
Italy	0	1
Other foreign countries (incl. CEE)	3,492	18,252
Liabilities to credit institutions	**918,005**	**931,718**

Liabilities to credit institutions by maturity

in kEUR	2018	2017
Maturity: daily	83,000	72,662
Up to 3 months	150,699	183,150
3 months to 1 year	10,589	417
1 year to 5 years	673,717	675,490
Liabilities to credit institutions	**918,005**	**931,718**

(37) Liabilities to clients

Liabilities to clients by evaluation category

in kEUR	2018	2017
at cost	3,313,626	3,137,832
at fair value - income affecting	50,106	49,616
Liabilities to clients	**3,363,732**	**3,187,448**

Liabilities to clients by business type

in kEUR	2018	2017
Current account	2,086,319	1,987,306
Time deposits	252,826	215,361
Other deposits	103,380	66,300
Savings deposits	744,864	729,202
Fixed-term savings pass books	176,343	189,279
Liabilities to clients	**3,363,732**	**3,187,448**

Liabilities to clients by region

in kEUR	2018	2017
Austria	**3,177,751**	**3,007,543**
Foreign countries	**185,981**	**179,905**
Germany	90,559	87,191
Italy	44,698	43,063
Other foreign countries (incl. CEE)	50,724	49,651
Liabilities to clients	**3,363,732**	**3,187,448**

Liabilities to clients by maturity

in kEUR	2018	2017
Maturity: daily	2,266,599	2,135,791
Up to 3 months	435,210	413,113
3 months to 1 year	439,372	431,909
1 year to 5 years	75,873	98,877
More than 5 years	146,678	107,758
Liabilities to clients	**3,363,732**	**3,187,448**

Liabilities to clients by sector

in kEUR	2018	2017
Public sector	661,087	491,788
Corporate clients	1,349,740	1,215,602
Private households	1,352,905	1,335,072
Other	0	144,986
Liabilities to clients	**3,363,732**	**3,187,448**

(38) Liabilities evidenced by certificate

In 2018, the balance sheet item "liabilities evidenced by certificate" includes values fom the balance sheet items "liabilities evidenced by certificate", "financial liabilities – designated at fair value" and "subordinate and supple-mentary capital". The values correspond to the total of all three balance sheet items of the previous year.

Liabilities evidenced by certificate by evaluation category

in kEUR	2018	2017
Evaluated at cost	1,744,689	1,401,574
Evaluated at fair value - income affecting	553,274	795,785
Liabilities evidenced by certificate	**2,297,963**	**2,197,359**

Liabilities evidenced by certificate at fair value – income affecting amounted to kEUR 538,867 (2017: kEUR 761,458), Thus, the difference between booking value and repayable amount accounts for kEUR 14,407 (2017: kEUR 34,327).

Liabilities evidenced by certificate by business type

in kEUR	2018	2017
Debentures	1,062,165	1,059,666
Communal debentures	367,559	377,686
Cash obligations	0	0
Bonds	595,576	491,601
Housing bonds	179,423	172,262
Subordinate capital	92,236	78,845
Supplementary capital	1,004	17,299
Liabilities evidenced by certificate	**2,297,963**	**2,197,359**

Development of liabilities evidenced by certificate

in kEUR	2018	2017
Accounting value changes due to first-time application of IFRS 9	-12,945	
as at 01-01	2,184,414	3,170,432
New assumption	319,174	360,841
Redemption	-213,215	-1,289,633
Currency changes	0	0
Changes accrued interest	-187	-9,193
Changes according to evaluation regulations	7,777	-35,088
Liabilities evidenced by certificate	**2,297,963**	**2,197,359**

Liabilities evidenced by certificate by maturity

in kEUR	2018	2017
Maturity: daily	313	331
Up to 3 months	161,685	47,315
3 months to 1 year	373,256	134,908
1 year to 5 years	1,059,502	1,366,694
More than 5 years	703,207	648,111
Liabilities evidenced by certificate	**2,297,963**	**2,197,359**

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

(39) Negative market values from derivative hedging instruments

From the 2018 fiscal year onwards, the balance sheet item "negative market values from derivative hedging instruments" will be part oft he balance sheet item "derivatives". Therefore, it is no longer illustrated separately. In this context, we refer to the specifications as stipulated in note (40).

(40) Derivatives

In 2018, the balance sheet item "derivatives" includes values from the balance sheet item "negative market values from derivative hedging instruments" The value of the previous year correspond to the total of both balance sheet items taken together.

in kEUR	2018	2017
Negative market values from derivative financial instruments	32,133	91,209
Negative market values from derivative hedging instruments	47,490	4,727
Derivatives	**79,623**	**95,936**

Derivatives by maturity

in kEUR	2018	2017
Up to 3 months	3,356	4,312
3 months to 1 year	3,584	3,533
1 year to 5 years	34,194	38,258
More than 5 years	38,489	49,833
Derivatives	**79,623**	**95,936**

Interest swaps are employed as hedging instruments.
For further details regarding basic transactions please see note (24).

(41) Financial liabilities – designated at fair value

From the 2018 fiscal year onwards, the balance sheet item "financial liabilities – designated at fair value" will be part of the balance sheet item "liabilities evidenced by certificate". Therefore, it is no longer illustrated separately. In this context, we refer to the specifications as stipulated in note (38).

(42) Provisions

in kEUR	2018	2017
Provision for severance payments	12,537	13,768
Pension provision	5,200	5,090
Length of service provision	2,130	2,014
Credit risk provision	4,231	3,718
Other provisions	9,762	9,439
Provisions	**33,860**	**34,029**

Credit risk provision includes provisions such as provisions for guarantees and liabilities and other obligations resulting from the granting of credits which are uncertain in terms of maturity and amount. Other provisions in-clude 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	Severance provision	Pension provision	Length-of-service provision
2017			
As at 01-01	13,796	5,619	2,087
Service costs	510	0	122
Interest expenses	232	91	34
Transfers	0	0	-24
Payments	-673	-530	-98
Actuarial profit/loss	-97	-90	-107
Actuarial profits and losses from changed demographic assumptions	0	0	0
Actuarial profits and losses from changed financial assumptions	-97	-90	-107
As at 12-31	**13,768**	**5,090**	**2,014**
2018			
As at 01-01	13,768	5,090	2,014
Service costs	488	0	118
Interest expenses	243	87	36
Transfers	0	0	0
Payments	-957	-409	-82
Actuarial profit/loss	-1,005	432	44
Actuarial profits and losses from changed demographic assumptions	-147	507	99
Actuarial profits and losses from changed financial assumptions	-858	-75	-55
As at 12-31	**12,537**	**5,200**	**2,130**

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

in kEUR	2018	2017	2016	2015	2014	2013
Severance provision	**12,537**	**13,768**	**13,796**	**12,776**	**13,625**	**11,589**
Actuarial profits/losses	-1,005	-97	1,078	-70	1,902	91
Actuarial profits and losses from changed demographic assumptions	*-147*	*0*	*0*	*0*	*0*	*0*
Actuarial profits and losses from changed financial assumptions	*-858*	*-97*	*1,078*	*-70*	*1,902*	*91*
Pension provision	**5,200**	**5,090**	**5,619**	**6,185**	**6,913**	**6,163**
Actuarial profits/losses	432	-90	-78	-141	1,315	106
Actuarial profits and losses from changed demographic assumptions	*507*	*0*	*0*	*0*	*0*	*0*
Actuarial profits and losses from changed financial assumptions	*-75*	*-90*	*-78*	*-141*	*1,315*	*106*
Length-of-service provision	**2,130**	**2,014**	**2,086**	**2,028**	**2,019**	**1,680**
Actuarial profits/losses	44	-107	32	-162	306	5
Actuarial profits and losses from changed demographic assumptions	*99*	*0*	*0*	*0*	*0*	*0*
Actuarial profits and losses from changed financial assumptions	*-55*	*-107*	*32*	*-162*	*306*	*5*

Sensitivity analysis of severance provision

Sensitivity discount rate

2017	CURRENT	+1 %	-1 %
Discount rate	1.80 %	2.80 %	0.80 %
Severance provision in kEUR	13,768	12,421	15,351
2018	**CURRENT**	**+1 %**	**-1 %**
Discount rate	1.95 %	2.95 %	0.95 %
Severance provision in kEUR	12,537	11,286	14,009

Sensivity pension valorisation

2017	CURRENT	+1 %	-1 %
Salary valorisation	2.50 %	3.50 %	1.50 %
Severance provision in kEUR	13,768	15,323	12,418
2018	**CURRENT**	**+1 %**	**-1 %**
Salary valorisation	2.50 %	3.50 %	1.50 %
Severance provision in in kEUR	12,537	13,985	11,281

Sensitivity analysis of pension provision

Sensitivity discount rate

2017	CURRENT	+1 %	-1 %
Discount rate	1.80 %	2.80 %	0.80 %
Pension provision in kEUR	5,090	4,699	5,552
2018	**CURRENT**	**+1 %**	**-1 %**
Discount rate	1.95 %	2.95 %	0.95 %
Pension provision in kEUR	5,200	4,789	5,686

Sensivity pension valorisation

2017	CURRENT	+1 %	-1 %
Pension valorisation	1.50 %	2.50 %	0.50 %
Pension provision in kEUR	5,090	5,549	4,694
2018	**CURRENT**	**+1 %**	**-1 %**
Pension valorisation	1.50 %	2.50 %	0.50 %
Pension provision in kEUR	5,200	5,683	4,784

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

Other provisions

in kEUR	2018	2017
Other personnel provisions	3,071	3,594
Provisions for legal costs	1,239	1,074
Liability provisions	1,291	541
Remaining other provisions	4,161	4,230
Other provisions	**9,762**	**9,439**

Other personnel provisions:

Other personnel provisions included, among others, provisions for occupational disability and survivorship annuity in the amount of kEUR 22 (2017: kEUR 112).

Development of provisions

in kEUR	Changes due to first-time aplication of IFRS 9	As at 01-01	Currency translation	Inflows	Deployment	Outflows	Other changes	As at 12-31
2017								
Severance provision	N/A	13,796	0	742	-673	-1	-96	13,768
Pension provision	N/A	5,619	0	91	-530	0	-90	5,090
Length-of-service provision	N/A	2,087	0	132	-98	0	-107	2,014
Credit risk provision	N/A	12,539	0	3,402	-8,068	0	-4,155	3,718
Other provisions	N/A	12,733	0	10,891	-12,790	-5,636	4,241	9,439
Provisions	**N/A**	**46,774**	**0**	**15,258**	**-22,159**	**-5,637**	**-207**	**34,029**
2018								
Severance provision	0	13,768	0	731	-957	0	-1,005	12,537
Pension provision	0	5,090	0	87	-409	0	432	5,200
Length-of-service provision	0	2,014	0	154	-82	0	44	2,130
Credit risk provision	0	3,718	0	1,776	-284	0	-979	4,231
Other provisions	37	9,476	0	1,415	-1,418	-742	1,031	9,762
Provisions	**37**	**34,066**	**0**	**4,163**	**-3,150**	**-742**	**-477**	**33,860**

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

Maturity-structure of provisions

in kEUR	Up to 1 year	More than 1 year
2017		
Severance provision	0	13,768
Pension provision	0	5,090
Length-of-service provision	0	2,014
Credit risk provision	2,527	1,089
Other provisions	6,175	3,366
Provisions	**8,702**	**25,327**
2018		
Severance provision	0	12,537
Pension provision	0	5,200
Length-of-service provision	0	2,130
Credit risk provision	1,130	3,101
Other provisions	7,388	2,374
Provisions	**8,518**	**25,342**

(43) Other liabilities

in kEUR	2018	2017
Associated non-consolidated companies	2	92
Deliveries and services	60,294	62,946
Other liabilities	1,252	1,252
Accruals and deferrals	591	566
Other liabilities	**62,139**	**64,856**

The amount of kEUR 1,179 included in “other liabilities” refers to liabilities against employees of Hypo Tirol Bank AG.

(44) Current income tax liabilities

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

(45) Subordinate and supplementary capital

From the 2018 fiscal year onares, the balance sheet item „subordinate and supplementary capital“ will be part oft he balance sheet item „liabilities evidenced by certificate”. Therefore, it is no longer illustrates separately. In this context, we refer tot he specifications as stipulated in note (38).

(46) Equity

in kEUR	2018	2017
Subscribed capital	50,000	50,000
Capital reserves	311,233	311,233
Tied up capital reserved thereof	150,033	150,033
Capital reserves not tied-up	161,200	161,200
AFS reserves after tax	N/A	12,990
FVOCI-reserves from fair value changes after tax	25,126	N/A
FVOCI-reserves from risk provision after tax	50	N/A
Actuarial proits/losses after tax	-3,978	-4,432
Credit risk induced fair value change own liabilities	14,215	13,749
Revenue reserves, corporate group profit/loss	167,402	160,865
Equity	**564,048**	**544,405**
This amount includes:		
Owner of the parent company	560,505	544,405
Participating interest without substantial influence	3,543	0

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

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

Additional IFRS Information

(47) Fair value

Fair Value of selected balance sheet items

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

ASSETS	Account. value	Fair Value	Account. value	Fair Value
in kEUR	**31.12,2018**	**31.12,2018**	**31.12,2017**	**31.12,2017**
Cash reserves	128,552	128,552	42,659	42,659
Receivables from credit institutions after risk provision	95,375	92,437	108,986	109,387
Receivables from clients after risk provision				
at fair value	122,167	122,167	280,700	280,700
at cost	5,519,876	5,549,890	5,065,523	5,071,395
Postive market values from derivative hedging instruments	N/A	N/A	11,446	11,446
Trading assets and derivatives	56,944	56,944	70,413	70,413
Financial assets - designated at fair value	N/A	N/A	432,525	432,525
Financial assets - AFS				
at fair value	N/A	N/A	819,361	819,361
Financial assets - HTM	N/A	N/A	19,888	21,161
Financial assets - L&R	N/A	N/A	0	0
Other financial assets after risk provision				
at fair value	667,032	667,032	N/A	N/A
at cost	556,645	560,450	N/A	N/A
Investment properties	82,409	102,832	87,819	109,064

LIABILITIES	Account. value	Fair Value	Account. value	Fair Value
in kEUR	31.12,2018	31.12,2018	31.12,2017	31.12,2017
Liabilities to credit institutions				
at fair value	0	0	10,465	10,465
at cost	918,005	898,573	921,253	920,669
Liabilities to clients				
at fair value	50,106	50,106	49,616	49,616
at cost	3,313,626	3,337,528	3,137,832	3,165,562
Liabilities evidenced by certificate				
at fair value	553,274	553,274	0	0
at cost	1,744,689	1,751,560	1,325,859	1,337,565
Negative market values from derivative hedging instrument	N/A	N/A	4,727	4,727
Derivatives	79,623	79,623	91,209	91,209
Financial liabilities - designated at fair value	N/A	N/A	795,785	795,785
Subordinate and supplementary capital	N/A	N/A	75,715	77,864

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

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

In the reporting year, evaluation methods not based on market data (level 3) were employed to evaluate receivables – designated at fair value by using the discounted-cash flow method. Future payments, deriving from the underlying nominal value, were based on the current market interest curve and were discounted by means of a risk adequate interest rate. Risk adequate interest charges derived from the corporate group's internal risk assessment and were assigned to different rating classes. Thus, the internal rating in terms of creditworthiness can be described as a significant, non-observable initial parameter. The better the rating, the lower the corresponding discount rate and the higher fair value is. This effect is illustrated in the sensitivity analysis.

Fair Value of financial instruments

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

2018

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 2018 **Financial assets designated at fair value**				
Receivables from clients – designated at Fair Value			122,167	122,167
Trading assets and derivatives	0	56,944		56,944
Financial assets	635,630	5,051	26,351	667,032
Financial assets designated at fair value total	**635,630**	**61,995**	**148,518**	**846,143**
LIABILITIES 2018 **Financial liabilities designated at fair value**				
Liabilities to clients – designated at Fair Value		50,106		50,106
Derivatives		79,623		79,623
Financial liabilities designated at fair value		553,274		553,274
Financial liabilities designated at fair value total	**0**	**683,003**	**0**	**683,003**

2017

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 2017 **Financial assets designated at fair value**				
Receivables from clients – designated at Fair Value			280,700	280,700
Positive market values from derivative hedging instruments		11,446		11,446
Trading assets and derivatives	299	70,114		70,413
Financial assets – designated at Fair Value	431,250	1,275		432,525
Financial assets – AFS	755,624	27,933	41,278	824,835
Financial assets designated at fair value total	**1,222,977**	**110,768**	**286,174**	**1,619,919**
LIABILITIES 2017 **Financial liabilities designated at fair value**				
Liabilities to credit institutions – designated at Fair Value		10,465		10,465
Liabilities to clients – designated at Fair Value		49,616		49,616
Negative market values from derivative hedging instruments		4,727		4,727
Derivatives		91,209		91,209
Financial liabilities designated at fair value	81,212	714,573		795,785
Financial liabilities designated at fair value total	**81,212**	**870,590**	**0**	**951,802**

Transfer of financial instruments to level 3

2018	Receivables from clients – designated at Fair Value	Other financial assets	Total
in kEUR			
Amount at the end of the period – previous year pursuant to IAS 39	**280,700**		**280,700**
Transfers first-time implementation of IFRS 9	-132,435		-132,435
Amount at the beginning of the period	**148,264**	**41,278**	**189,542**
Profit/loss total	-377	-1,879	-2,256
– in the profit and loss account	-377	-1,879	-2,256
– in other income	0	0	0
Purchase	12,801	0	12,801
Sale	-38,521	-13,048	-51,569
Issues	0	0	0
Impairments	0	0	0
Transfer to level 3	0	0	0
Transfer from level 3	0	0	0
Amount at the end of the period	**122,167**	**26,351**	**148,518**

2017	Receivables from clients – designated at Fair Value	Financial assets – AFS	Total
in kEUR			
Amount at the beginning of the period	**377,989**	**62,647**	**440,636**
Profit/loss total	-8,078	-4,495	-12,573
– in the profit and loss account	-8,078	-4,495	-12,573
– in other income	0	0	0
Purchase	4,107	1,739	5,846
Sale	-93,318	-18,613	-111,931
Issues	0	0	0
Impairments	0	0	0
Transfer to level 3	0	0	0
Transfer from level 3	0	0	0
Amount at the end of the period	**280,700**	**41,278**	**321,978**

At the balance sheet date, the column “profits/losses” included unrealised results in the amount of kEUR -377. The result is composed of unrealised profits in the amount of kEUR 0 and unrealised losses in the amount of kEUR -377.

Sensitivity analysis of non-observable parameters

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

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

Since the rating process is founded on subjective estimations, the corporate group points out the sensitivity of such evaluation parameters. Modifying the rating degree leads to adjustments of risk adequate interest charges and consequently to a changed discount rate, which has substantial influence on the evaluation of fair value. Sensitivity is illustrated within a positive and negative range by reclassification of rating upwards and downwards.
Reclassification of rating is simulated by positive or negative adjustment of the factors regarding the valid risk adequate interest sur by charge. Hypo Tirol Bank AG classifies all receivables from clients into rating levels rang-ing from 1A to 5E. All rating level 5 receivables from clients are defaulted receivables. In the context of calculat-ing fair values, the possibilities of default, which affect the risk surcharge of the discount rate, range from 0.01% of level 1A to 20.50% of level 4E. Beginning with level 5A a 100% possibility of default is taken into account.
Reclassification of ratings is simulated by adjusting the risk adequate interest surcharge by factor 1.5 upwards and downwards. The factor corresponds to the adjustment of possibility defaults regarding rating adjustment by one rating level.

in 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	80	-8
Total	**80**	**-8**

Credit risk induced changes of fair value

With regard to financial assets and liabilities designated at fair value (due to accounting mismatch), the change of creditworthiness resulted in the following profits and losses.
Credit risk induced fair value change of financial assets for the period amounted to kEUR 469 (2017: kEUR 4,343). The amount is illustrated in “income from financial assets and liabilities. The accumulated credit risk in-duced change accounted for kEUR 773 (2017: kEUR -5,156). The difference in comparison to the previous year is based on the reclassification due to the first-time application of IFRS 9.
Credit risk induced change is determined by using the differential calculation procedure. In this context, fair value change caused by market risk is deducted from the total fair value change on the basis of model calculations.

Fair value of financial instruments not designated at fair value

The evaluation criteria in order to measure the fair value of the corporate group’s financial instruments not desig-nated at fair value correspond to those described in note (4) “fair value”.
Financial instruments not designated at fair value are not controlled on a fair value basis. This applies to receiva-bles from or liabilities to credit institution as well as to receivables. Fair value for such instruments is only calculat-ed for the purpose of preparing the notes and has no influence on the corporate group’s balance sheet or on the corporate group’s profit and loss account. In addition, substantial estimates made by the management are required to determine fair value, because such instruments are not traded.

2018

in kEUR	Accounting 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 2018 **Financial assets not designated at fair value**					
Cash reserves	128,552	128,552	0	0	128,552
Receivables from credit institutions after risk provision	95,375	0	0	92,437	92,437
Receivables from clients after risk provision	5,519,876	0	0	5,549,890	5,549,890
Other financial assets after risk provision	556,665	531,818	28,632	0	560,450
LIABILITIES 2018 **Financial liabilities not designated at fair value**					
Liabilities to credit institutions	918,005	0	898,573	0	898,573
Liabilities to clients	3,313,626	0	3,239,593	97,935	3,337,528
Liabilities evidenced by certificate	1,744,689	1,058,334	693,226	0	1,751,560

2017

in kEUR					
ASSETS 2017 **Financial assets not designated at fair value**					
Cash reserve	42,659	42,659	0	0	42,659
Receivables from credit institutions after risk provision	108,986	0	0	109,387	109,387
Receivables from clients after risk provision	5,065,523	0	0	5,071,395	5,071,395
Financial assets - HTM	19,888	21,161	0	0	21,161
Financial assets - L&R	0	0	0	0	0
PASSIVA 2017 **Financial liabilities not designated at fair value**					
Liabilities to credit institutions	921,253	0	920,669	0	920,669
Liabilities to clients	3,137,832	0	3,106,916	58,646	3,165,562
Liabilities evidenced by certificate	1,325,859	953,188	384,377	0	1,337,565
Subordinate and supplementary capital	75,715	0	77,864	0	77,864

(48) Maximum default risk

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

2018

in kEUR	Loans and receivables	Debt capital instruments of the category trading assets, financial assets and derivatives	Maximales Ausfallsrisiko	Equity capital instruments of the category trading assets and financial assets	Accounting value
Receivables from credit institutions	**95,375**	**0**	**95,375**	**0**	**95,375**
Receivables from clients	**5,642,043**	**0**	**5,642,043**	**0**	**5,642,043**
– at cost	5,519,876	0	5,519,876	0	5,519,876
– at fair value - income affecting	122,167	0	122,167	0	122,167
Trading assets	**0**	**56,944**	**56,944**	**0**	**56,944**
Derivatives	0	56,944	56,944	0	56,945
Other financial assets	**0**	**1,174,401**	**1,174,401**	**49,276**	**1,223,677**
– at cost	0	556,645	556,645	0	556,645
– at fair value - income affecting	0	45,893	45,893	49,276	95,169
– at fair value - not income affecting	0	571,863	571,863	0	571,863

2017

in kEUR					
Receivables from credit institutions	**108,986**	**0**	**108,986**	**0**	**108,986**
Receivables from clients	**5,346,223**	**0**	**5,346,223**	**0**	**5,346,223**
– at cost	5,065,523	0	5,065,523	0	5,065,523
– at fair value	280,700	0	280,700	0	280,700
Hedging instruments	**0**	**11,446**	**11,446**	**0**	**11,446**
Trading assets	**0**	**70,114**	**70,114**	**299**	**70,413**
– for trading purposes	0	0	0	299	299
– derivatives	0	70,114	70,114	0	70,114
Financial assets	**0**	**1,208,772**	**1,208,772**	**68,478**	**1,277,248**
– designated at fair value	0	432,525	432,525	0	432,525
– AFS	0	756,359	756,359	68,478	824,835
– HTM	0	19,888	19,888	0	19,888

At the balance sheet date, the maximum default risk from loan commitments and financial guarantees amounted to kEUR 1,040,614 (2017: kEUR 946,886).

Risk-reducing measures are taken by demanding collateral, mainly by way of mortgages, guarantees and other assets.

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

in kEUR	2018	2017
Receivables from clients	**3,432,413**	**3,261,580**
– at cost	3,432,413	3,261,580
Derivatives	**14,300**	**21,240**

(49) 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 agreements were established with all contracting parties with whom derivative financial instruments were concluded and that no balancing prohibition was agreed. At the eval-uation date, balanced assets amounted to kEUR 17,155 (2017: kEUR 38,861), the remaining liabilities after balancing amounted to kEUR 42,643 (2017: kEUR 55,735).

Balancing derivative financial instruments - assets/liabilities

2018

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

2017

in kEUR	Financial assets (gross)	Added balanced amounts (gross)	Balanced financial assets (net)	Effects from netting agreements	Collateral in form of financial instruments	Net amount
Assets						
Derivative financial instruments	63,467	0	63,467	-24,606	-32,284	**6,577**
Liabilities						
Derivative financial instruments	80,341	0	80,341	-24,606	-47,960	**7,775**

(50) Specification regarding operating leasing agreements (lessee)

in kEUR	2018	2017
up to 1 year	656	628
1 to 5 years	2,885	2,800
more than 5 years	7,850	8,221
Future minimum leasing payments of non-redeemable leasing agreements	**11,391**	**11,649**

The minimum amount of leasing payments basically refers to properties.

(51) Specifications regarding associated individuals and companies

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

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

Hypo Tirol Bank AG acts as a service provider on behalf of the Province of the Tyrol and manages the residential construction support loans. In addition, the company provides financial services for the Province of the Tyrol at terms customary in the market. Due to technical reasons, the amounts resulting from such transactions cannot be recorded separately, and it is impossible to obtain the respective information within reasonable time or at reason-able expense. For that reason, the illustration of the respective amounts is omitted.
Advances and loans to directors, managers of companies included in the scope of consolidation and supervisory boards amounted to kEUR 611 (2017: kEUR 621 at the balance sheet date. This change entirely refers to addi-tional payments in connection with a new credit, redemptions, interest charges and exchange rate fluctuations of existing credits.

Within the corporate group, the Managing Board members of the parent company are defined as management members with key positions. The active remuneration of the Managing Board of the parent company amounted to kEUR 865 (2017: kEUR 837). Severance payments for active Managing Board members amounted to kEUR 536. The active remunerations entirely refer to the current remunerations and thus, are classified as short term due service expenses. Managing Board members are not entitled to other categories of remuneration in 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 479 (2017: kEUR 335).
The remunerations for Supervisory Board members in the 2018 fiscal year amounted to kEUR 90 (2017: kEUR 108).
Business relations with fully consolidated companies have been eliminated in the course of debt consolidation, and thus have not been disclosed under "transactions with associated companies". The amounts illustrated in "participating interest" refer to business relations with associated companies. Information contained in the table regarding "related parties" entirely refers to the owner, the Province of the Tyrol. Customary bank transactions concluded with companies being influenced by the Province are only contained in "receivables from clients" to an insubstantial extent.
Outstanding balances and the volume of business relations with associated companies in the past fiscal year are illustrated in the following charts.

Receivables from clients

	Associated companies		Participating interest		Related Parties	
in kEUR	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
As at 01-01	1,388	1,386	30,078	38,428	205,927	157,524
Credits granted during the year	0	0	279	0	0	77,000
Redemptions regarding receivables from credit transactions	-51	0	-1,606	-8,403	-40,894	-28,597
Disposal - Scope on consolidation	0	0	-21,107	0	0	0
Balance: redemptions, interest charges and exchange rate fluctuations of current credits	0	2	300	53	0	0
As at 12-31	**1,337**	**1,388**	**7,944**	**30,078**	**165,033**	**205,927**
Other credit risk transactions						
Assumptions of liability	0	0	0	0	0	0

For outstanding balances with associated individuals as at 31 December 2017 collateral in the amount of kEUR 160,896 (2017: kEUR 205,927) was available. Advances were not granted

Financial assets – designated at Fair Value

in kEUR	2018	2017
As at 01-01	1,239	2,529
Redemptions	-1,239	-1,290
As at 12-31	**0**	**1,239**

Liabilities to clients

	Associated companies		Participating interest		Related Parties	
in kEUR	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
As at 01-01	770	2,984	3,616	6,791	265,068	271,041
New credits	0	0	0	0	10	3,000
Redemptions	-34	-2,325	-323	-4,019	-9,726	-24,999
Disposal - scope of consolidation	0	0	-2,633	0	0	0
Balance: redemptions, interest charges and exchange rate fluctuations of current liabilities	119	111	362	844	81,064	16,026
As at 12-31	**855**	**770**	**1,022**	**3,616**	**336,416**	**265,068**

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

(52) Assets received as collateral

in kEUR	2018	2017
Actuarial reserve funds for debentures and communal debt securities	2,894,506	3,055,074
Financial assets	258,350	264,651
Assets received as collateral	**3,152,856**	**3,319,725**

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

(53) Segmental report

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

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

Corporate and key account clients in the Tyrol
This segment illustrates the results from businesses with corporate 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 business relations with public clients as well as the insurance transactions.

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

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

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

Leasing and Real Estate
All subsidiaries acting in the leasing sector are described in this segment. 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. The balance sheet items "non-current assets and disposal groups, held for sale" accounting for kEUR 9,396 (2017: 15,480)) is entirely recorded in the segment of leasing and real estate.

Corporate Centre
This segment illustrates income and expenses that cannot be classified elsewhere as well as consolidation items for eliminating the corporate group's internal profits and expenses. Internal support unit expenses are assigned to the profit generating segments via appropriate distribution keys.
Administration expenses included depreciation on owner-occupied assets in the amount of kEUR 1,611 (2017: kEUR 1,677). Tax on income and profit in 2018 amounted to kEUR -1,915 (2017: kEUR -2,051).

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

Trading result, income from hedging instruments and income from financial instruments – designated at fair value through profit or loss are illustrated separately in the consolidated profit and loss account. In the segmental re-port these items are all illustrated in the item "trading result".

Report by business type

2018	Private clients Tyrol	Corporate key account Tyrol	Vienna	Italy	Treasury	Leasing and real estate	Corporate centre	Total segments
in kEUR								
Net interest income	22,561	29,788	7,692	5,939	6,674	17,162	911	**90,727**
Credit risk provision	738	-901	-22	-5,109	-12	65	0	**-5,241**
Net commission income	16,447	7,985	2,037	838	-235	-579	148	**26,641**
Income from financial assets and liabilities incl. income from hedge accounting	0	0	0	169	7,427	-1,879	-114	**5,603**
Income from associated companies	0	0	0	0	0	364	0	**364**
Administration expenses	-38,455	-14,747	-4,120	-7,091	-6,588	-3,832	3,327	**-71,506**
Other operative income	2,077	0	0	2,734	0	15,164	337	**20,312**
Other operative expenses	-184	-51	0	-5,710	0	-12,384	-7,113	**-25,442**
Result before tax	**3,184**	**22,074**	**5,587**	**-8,230**	**7,266**	**14,081**	**-2,504**	**41,458**
Segmental assets	1,530,437	2,760,410	471,735	438,545	1,483,089	509,066	133,865	**7,327,147**
Segmental debts and segmental equity	1,814,022	1,213,608	187,283	82,785	3,757,694	156,744	115,011	**7,327,147**
Risk-adjusted assets	769,019	1,672,536	262,195	374,464	172,713	295,719	66,093	**3,612,739**

2017

in kEUR	Private clients Tyrol	Corporate key account Tyrol	Vienna	Italy	Treasury	Leasing and real estate	Corporate centre	Total segments
Net interest income	22,657	28,481	6,365	5,710	4,005	9,078	246	**76,542**
Credit risk provision	-872	4,489	688	-14,855	0	-103	0	**-10,653**
Net commission income	16,122	7,811	1,952	1,181	320	-581	-438	**26,367**
Trading result	0	0	0	179	6,993	0	0	**7,172**
Income from other financial instruments	0	0	0	0	1,551	-4,210	-142	**-2,801**
Income from associated companies	0	0	0	0	0	427	0	**427**
Administration expenses	-36,439	-13,891	-3,696	-10,339	-6,285	-3,654	1,631	**-72,673**
Other operative income	2,086	32	0	2,967	0	11,439	1,403	**17,927**
Other operative expenses	-276	-185	0	-3,600	0	-9,586	-6,646	**-20,293**
Result before tax	**3,278**	**26,737**	**5,309**	**-18,757**	**6,584**	**2,810**	**-3,946**	**22,015**
Segmental assets	1,460,560	2,635,684	410,921	469,348	1,446,142	513,956	120,999	**7,057,610**
Segmental debts and segmental equity	1,697,902	1,167,021	197,419	105,140	3,645,549	128,412	116,167	**7,057,610**
Risk-adjusted assets	754,852	1,557,969	236,072	424,587	188,352	330,502	84,805	**3,577,139**

Report by region

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

2018

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

2017

in kEUR	Austria	Italy	Corporate centre	Total segments
Net interest income	70,586	5,710	246	**76,542**
Credit risk provision	4,202	-14,855	0	**-10,653**
Net commission income	25,623	1,181	-437	**26,367**
Trading result	6,993	179	0	**7,172**
Result from other financial instruments	-2,659	0	-142	**-2,801**
Result from associated companies	427	0	0	**427**
Administration expenses	-63,965	-10,339	1,631	**-72,673**
Other income	13,557	2,967	1,403	**17,927**
Other expenses	-10,048	-3,600	-6,645	**-20,293**
Result before tax	**44,716**	**-18,757**	**-3,944**	**22,015**

(54) Foreign currency volume and foreign countries involved

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

in kEUR	EUR	USD	CHF	JPY	Other	Total
Assets 2017						
Cash reserves	39,775	247	2,300	18	319	42,659
Receivables from credit institutions	64,731	6,005	27,720	6,089	4,441	108,986
Risk provision for receivables from credit institution	0	0	0	0	0	0
Receivables from resolution unit of former credit institution	0	0	0	0	0	0
Risk provision for receivables from resolution unit of former credit institution	0	0	0	0	0	0
Receivables from clients	5,172,134	68	289,563	24,231	0	5,485,996
Risk provision for receivables from clients	-139,098	0	-669	-6	0	-139,773
Positive market values from derivative hedging instruments	11,446	0	0	0	0	11,446
Trading assets and derivatives	55,480	1,490	13,198	245	0	70,413
Financial assets						0
– designated at fair value	432,525	0	0	0	0	432,525
– AFS	821,895	2,293	283	107	257	824,835
– HTM	19,888	0	0	0	0	19,888
– L&R	0	0	0	0	0	0
Shares in associated companies	10,159	0	0	0	0	10,159
Investment properties	87,819	0	0	0	0	87,819
Intangible assets	1,893	0	0	0	0	1,893
Tangible assets	56,725	0	0	0	0	56,725
Other assets	17,901	0	0	0	0	17,901
Non-current assets and disposal groups held for sale	15,480	0	0	0	0	15,480
Deferred tax assets	10,658	0	0	0	0	10,658
Total assets	**6,679,411**	**10,103**	**332,395**	**30,684**	**5,017**	**7,057,610**
Liabilities and equity 2017						
Liabilities to credit institutions	927,016	2,780	320	686	916	931,718
Liabilities to clients	3,168,746	11,628	3,239	0	3,835	3,187,448
Liabilities evidenced by certificate	1,325,859	0	0	0	0	1,325,859
Negative market values from derivative hedging instruments	4,727	0	0	0	0	4,727
Derivatives	87,455	1,313	2,441	0	0	91,209
Financial liabilities						
– designated at fair value	795,785	0	0	0	0	795,785
Provisions	34,029	0	0	0	0	34,029
Other liabilities	64,856	0	0	0	0	64,856
Liabilities in disposal groups held for sale	0	0	0	0	0	0
Currant income tax liabilities	984	0	0	0	0	984
Deferred tax liabilities	875	0	0	0	0	875
Subordinate and supplementary capital	75,715	0	0	0	0	75,715
Equity	544,405	0	0	0	0	544,405
Total liabilities and equity	**7,205,844**	**21,811**	**220,540**	**178,195**	**5,782**	**7,057,610**

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 469 (2017: kEUR 3,366). In the profit or loss for the period kEUR 469 (2017: kEUR 3,687)) were recorded and kEUR 0 (2017: kEUR -321 in other income. The accumulative balance in equity capital accounted for kEUR 0 (2017: kEUR 156).
On 31 December 2018 the total of open foreign currency positions amounted to kEUR 448 (2017: kEUR 2,843).

in kEUR	2018	2017
Foreign assets	1,449,511	1,498,308
Foreign liabilities	280,385	407,054

(55) Subordinate assets

in kEUR	2018	2017
Receivables from credit institutions	0	0
Debt securities	0	0
Subordinate assets	**0**	**0**

(56) Trust transactions

Trust assets

in kEUR	2018	2017
Receivables from credit institutions	0	0
Receivables from clients	40,875	33,732
Trust assets	**40,875**	**33,732**

Trust liabilities

in kEUR	2018	2017
Liabilities to credit institutions	40,875	33,732
Liabilities to clients	0	0
Trust liabilities	**40,875**	**33,732**

The designated trust transactions 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.

(57) Contingent liabilities and credit risks

Contingent liabilities

in kEUR	2018	2017
Liabilities from debt guarantees	74,091	43,744
Other contingent liabilities	46,466	54,330
Contingent liabilities	**120,557**	**98,074**

Contingent liabilities by maturity

in kEUR	2018	2017
Up to 3 months	4,215	3,272
3 months to 1 year	8,310	4,449
1 year to 5 years	25,758	22,632
More than 5 years	82,274	67,721
Contingent liabilities	**120,557**	**98,074**

Credit risks pursuant to Banking Act article 51 section 14

in kEUR	2018	2017
Other credit risks	1,040,614	946,886
Credit risks	**1,040,614**	**946,886**

Credit risk by maturity

in kEUR	2018	2017
3 months to 1 year	673,477	441,649
1 year to 5 years	367,137	505,237
Credit risks	**1,040,614**	**946,886**

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

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

- Liabilities resulting from the mandatory membership of the deposit protection company "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 a deposit accepting 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 finan-cial means in the amount of at least 0.8% of the total of all covered deposits made by the member institutions. The membership contribution corresponds to the amount of all covered deposits based on pre-arranged risk fac-tors (risk-based contribution calculation).

As far as the 2017 fiscal year is concerned, the contribution paid to Hypo-Haftungs-Gesllschaft m.b.H. amounted to kEUR 1,768 (previous year: kEUR 1,399), From 1 January 2019 onwards, einlagensicherung Austria GmbH shall be liable - if financial means are not sufficiently available in order to cover claims - to levy special contribu-tions from its member institutions. In compliance with Deposit Insurance Act article 22 (1), such special contribu-tions may amount to an annual maximum of 0.50% of all covered deposits.

– 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 mem-ber 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 0 (2017: kEUR 71,625). This corresponds approximately to the total sum of liabilities of the Mortgage Bond Division until 31 December 2018. In consideration of financial means borrowed by the Mortgage Bond Division and forwarded to Hypo Tirol Bank AG in the amount of kEUR 0 (2017: kEUR 0) which were evaluated according to IFRS, the result to be recorded in compliance with the Austri-an Company Code article 237 Z 8a accounted for kEUR 0 (2017: kEUR 71,625. It shall be stated that on 15 January 2015, all business operations carried out the Mortgage Bond Division were transferred to Pfandbrief-bank (Österreich) AG on a retrospective basis (key date 31 December 2013). Pfandbriefstelle is the sole share-holder of Pfandbriefbank (Österreich) AG. Pfandbriefbank (Österreich) AG was dissolved on 31 May 2018 and integrated into Pfandbriefstelle-Verwertungsgesellschaft AG i.A. Currently, Pfandbriefstelle is the sole sharehol-der of Pfandbriefstelle Verwertungsgesellschaft AG i. A.

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.

(58) Repos

The accounting value of retired securities designated in the balance sheet item “other financial assets”amounted to kEUR 50,562 (2017: kEUR 153,019). The inflow of liquidity from such repos is shown in “liabilities to credit insti-tutions” and amounted to kEUR 50,000 (2017: kEUR 148,000).

(59) Personnel

Full-time equivalent

in kEUR	2018	2017
Full-time employees	403	396
Part-time employees	101	100
Apprentices	12	16
Employees	**516**	**512**

(60) Events that occurred after the balance sheet date

No special events with substantial influence on the assets, the financial position and the profit situation of the corporate group occurred between the end of the fiscal year and the preparation of the consolidated financial statements.

(61) Consolidated equity and supervisory requirements in relation equity

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

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

Consolidated equity pursuant to CRR/CRD IV

in kEUR	2018 CRR/CRD IV	2017 CRR/CRD IV
Subscribed capital	50,000	50,000
Reserves, differences, minority interests	497,858	484,757
Supervisory adjustments items acc. to art. 32 et seqq (prudential filter)	-15,755	-13,773
Intangible assets	-2,227	-1,893
Common equity	529,876	519,091
Additional capital	0	0
Core capital (Tier I)	**529,876**	**519,091**
Deductions due to interests acc. to art. 36 and art. 89 CRR	0	0
Accountable core capital	**529,876**	**519,091**
Capital instruments paid and subordinate loans	73,847	66,239
Supplementary equity, subordinate capital (tier II)	**73,847**	**66,239**
Deductions due to interests acc. to art. 66 CRR (own interests supplementary capital)	0	-689
Accountable supplementary equity (less deductions)	**73,847**	**65,550**
Total accountable equity	**603,723**	**584,641**
Required equity	**289,019**	**286,171**
Equity surplus	**314,704**	**298,470**
Core capital rate in % acc. to CRR/CRD IV on the basis of total equity capital requirements	14,67%	14,51%
Equity rate in % acc. to CRR/CRD IV on the basis of total equity capital requirements	16,71%	16,34%

Required equity according to CRR/CRD IV

Categories of receivables	RIsk adjusted assets	Required equity CRR/CRD IV	Required equity CRR/CRD IV
in kEUR		**2018**	**2017**
Receivables from central states	15,078	1,206	1,776
Receivables from regional administrative bodies	1,253	100	197
Receivables from public institutions	14,639	1,171	1,326
High risk receivables	1,680	135	187
Receivables from institutions	56,122	4,490	5,290
Receivables from companies	1,302,379	104,190	98,829
Retail-receivables	365,784	29,263	29,243
Receivables secured by real estate	1,161,991	92,959	84,689
Overdue receivables	152,221	12,178	16,718
Receivables in terms of covered debt securities	39,303	3,144	2,977
Securitisation items	0	0	0
Receivables in terms of investment fund shares	13,579	1,086	1,226
Participating interest items	23,028	1,842	3,017
Other items	242,617	19,410	21,691
Risk adjusted assets	**3,389,674**	**271,174**	**267,166**
Required equity for operational risk		17,384	18,119
CVA-Charge		461	886
Total required equity		**289,019**	**286,171**

Financial risks and risk management

Risk management

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

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

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

The objective of this systematic risk management process is to safeguard a capital- and liquidity adequacy which corresponds to the risk appetite.
In this context, the following major risks are quantified and actively controlled in order to guarantee such capital adequacy

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

Subsequently, these risks are aggregated (total risk) and compared with the risk capacity. The limits for single risks and risk capacity are determined by the Managing Board and monitored on a monthly basis. In case current developments or predictions require the implementation of measures, such measures are defined and imple-mented in terms of active risk control in a timely manner.

Credit risk and counter party credit risk

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

Division of the portfolio by creditworthiness
The regular evaluation of our debtors' creditworthiness is a systematic process and essential for controlling credit risk. The composition of the portfolio is evaluated on a quarterly basis and presented to the decision makers.
The proportion of the volume of receivables can be assigned to the above-mentioned creditworthiness segment with outstanding creditworthiness and good creditworthiness further increased in comparison to the previous years and currently amounts to roughly 74%.
The proportion of the default segment could be further decreased by managing the portfolio in consistent, sus-tainable and active manner; therefore, the non-performing loans rate developed positively and could be further reduced in the 2018 business year.

Division of the portfolio by market regions
In the 2018 business year, Hypo Tirol Bank AG succeeded in further expanding the volume of receivables in the defined core market and in reducing the volume outside the defined core market. This is particularly illustrated in note (22) receivables from clients by region.

Foreign currency proportion – receivables from clients
In 2018, The positive development of the previous years was achieved again, and thus foreign currency volume was further reduced. Due to the specifications defined in our foreign currency strategies, no new transactions in foreign currency with private clients and only to a very restricted extent with corporate clients is intended. Top priority is given to the further and consistent reduction of foreign currency volume. Foreign currency volumes di-vided by balance sheet items are illustrated in note (53).

Development of repayment vehicle loans
The strategy, which wad defined by Hypo Tirol Bank AG, to continuously reduce the portfolio of repayment vehi-cle loans was further pursued in 2018. The reduction was positively influenced by defined restriction in relation to the granting of new loans and the management of the existing portfolio.

Development of the Nostro securities portfolio
In 2018, Nostro securities constantly remained on the same level. This high-quality portfolio is primarily employed by Hypo Tirol Back AG for controlling liquidity. The development of Nostro securities is illustrated in note (28).

Reducing credit risk – collateral
In order to minimise the risk of loss, Hypo Tirol Bank AG aim at securing the volume of receivables in adequate manner. In this context, real estate collateral is the most important type of collateral. It is evaluated in compliance with the defined corporate standards and used in accordance with the existing catalogue in

order to secure credit exposures.
A respective monitoring process, which is carried out by an independent institution, was established to ensure recoverability. The high quality of mortgage cover funds is also reflected by the external rating (Aa2 according to Moody's).

Risk provision policy

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

Non-performing loans (NPL)
according to Hypo Tirol Bank AG, non-performing loans include loans in default in the supervisory category of receivables and restructuring and operating cases. Due to the consistent management of the Italian portfolio it was possible to achieve nearly the same positive result as last year, that is to say the NPL-rate within the corpo-rate group was significantly reduced again. At the key date (31 December 2017), the corporate group's NPL rate amounted to 5.8% and at the key date (31 December 2018) it amounted to 3.9%

Market risk and interest rate risk

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

- Interest rate risk
- Security price risk
- Foreign currency risk
- Credit spread risk
- •Credit valuation adjustment (CVA)
- Alternative investment risk
- Risk arising out of termination rights

Market risk control
Market risk control is managed by the treasury department. In this context, special attention is given to a bal-anced asset/liability management process in consideration of the resulting impact on the financial statement in accordance with the Austrian Commercial Code and IFRS. As far as interest rate risk is concerned, a risk report in connection with the bank's net interest income (NII) is evaluated beyond the cash value perspective
In order to reduce interest rate risk, Hypo Tirol Bank AG carries out hedge accounting, which allows to secure fixed interest loans, emissions and securities of the bank's own portfolio as well as fair value hedges. The foun-dation for market risk control is formed by the Interest rate positioning and the interest rate risk which are evaluated on a monthly basis.

Interest rate risk and plus 200 base points interest shock
Interest rate risk is divided in interest curve risk, interest rate re-fixing risk, base risk and interest option risk. Since Hypo Tirol ank AG does not keep a trading book at the moment, interest risk does not distinguish between posi-tions included in the trading book and positions not included in the trading book.
As far as fluctuation in profit or economical values as stipulated in section 448 b, CRR, are concerned, a change concerning the cash value of Hypo Tirol Bank AG is evaluated on the basis of a plus 200 base points upwards trend of the interest curve.

Liquidity risk

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

Liquidity risk control
Within Hypo Tirol Bank AG short-term liquidity risk is quantified and monitored on the basis of the key figures of liquidity coverage potential (A'LCP) and the supervisory key figures of liquidity coverage ratio (LCR). The LCR forecast is integrated into liquidity risk management as an early warning instrument. In addition, LCR, liquidity buffer and liquidity sensitive products are monitored on a daily basis by means of the liquidity risk data board. Refinancing risk is quantified via structural liquidity risk and the supervisory key figure of NSFR (Net Stable Fund-ing Ratio) and monitored via a refinancing monitoring system (comparison of planned/actual data). In 2018, the LCR key figure accounted for averagely 149%. Liquidity risk control is managed by the treasury department of Hypo Tirol Bank AG.

Operational risk

Definition
Within Hypo Tirol Bank AG operational risk is defined as the danger of loss caused by the inappropriateness or failure of internal procedures, individuals, systems or external events. Apart from that, risks arising out of infor-mation and or communication technologies (ICT) are also considered in relation to operational risk. Strategic risks and reputation risks are excluded, whereas legal risks are included.

The following instruments are employed to control operational risks:
- Damage date base
- Risk inventories (self-assessment)
- Communication and training programme

The use of these tools ensures a comprehensive control of operational risks within Hypo Tirol Bank AG. In addi-tion, the following methods are applied to minimise operational risks:

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

Real estate and participation risk

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

Excessive Debt Risk

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

Macro-economic risk

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

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

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

Risks from other assets

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

Risk management organisation

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

Procedure for quantifying risks and risk cover potentials

Types of risk/risk parameter	Going concern view	Liquidation view
Confidence level	95%	99.9%
Period of observation	1 year	1 year
Credit risk: classic credit risk	Modell strongly complies with IRB approach of CRR	Modell strongly complies with IRB approach of CRR
Credit risk: counter party credit risk	Liquidation view values are scaled to confidence level	Risk value from pillar I for CCR
Market risk: **Interest rate risk** **Price risk** **Foreign currency risk**	Historical value at risk	Historical value at risk
Market risk: **Credit spread risk**	Historical value at risk by using indices	Historical value at risk by using indices
Market risk: **Alternative risk**	Historical low	Historical low
Market risk: **CVA**	Risk value scaled to confidence level	Risk value scaled to confidence level
Liquidity risk	Increased refinancing under spread shock	Increased refinancing under spread shock
Macroeconomic risk	Stress tests on components of credit, market and liquidity risk	Stress tests on components of credit, market and liquidity risk
Operational risk	Liquidation view values are scaled to confidence level	Risk values from pillar I (base indicator approach)
Risk from other assets	Liquidation view values are scaled to confidence level	Risk values from pillar I (risk weight approach))
Risk capital from corporate participation	Mixed approaches: IRB approach, risk weight approach	Mixed approaches: IRB approach, risk weight approach
Concentration risk: **Concentration of names** **Concentration of sectors**	Granularity adjustment for con-centration of names Liquidation view values are scaled to confidence level for branch concentrations	Granularity adjustment for con-centration of names Risk value for branch concentra-tion evaluated by means of the Herfindahl-Hirschmann-Index.
Risk buffer **Unknown risks and model risk**	Percentage of other risks, minimum value	Percentage of other risks, minimum value

Risk report

Risk capacity
The quantification of risks and risk cover potentials is carried out on the basis of the going concern view and the liquidation view on a monthly basis. Internal monthly reports are presented in the bank-wide control meeting and by the defined reporting system.

Going concern view

Economic capital	ø 2018	ø 2017
Credit risk	23.2 %	22.1 %
Market risk	12.8 %	15.7 %
Liquidity risk	3.4 %	4.4 %
Macro-economic risk	6.9 %	5.3 %
Operational risk	7.7 %	5.9 %
Risk from other assets	5.5 %	4.4 %
Real estate and corporate participation risk	1.6 %	1.5 %
Concentration risk	0.7 %	0.2 %
Risk buffer	2.0 %	3.5 %
Economic risk total	**63.8 %**	**63.0 %**
Risk cover potential	100.0 %	100.0 %
Available cover assets	**36.2 %**	**37.0 %**

Liquidiation view

Economic capital	ø 2018	ø 2017
Credit risk	24.2 %	31.4 %
Market risk	5.3 %	10.5 %
Liquidity risk	1.4 %	2.5 %
Macro-economic risk	4.9 %	7.5 %
Operational risk	3.1 %	3.3 %
Risk from other assets	2.2 %	2.5 %
Real estate and corporate participation risk	2.0 %	2.2 %
Concentration risk	0.4 %	0.1 %
Risk buffer	1.3 %	2.5 %
Economic risk total	**44.8 %**	**62.5 %**
Risk cover potential	100.0 %	100.0 %
Available cover assets	**55.2 %**	**37.5 %**

Short-term Liquidity Risk
Short-term liquidity risk is quantified and monitored within one day (intraday liquidity) but also via the daily liquidity dashboard. In this respect, liquidity sensitive products, intraday liquidity, daily LCR as well as conditioning on the liabilities side are monitored and reported to the managing board and an extended list of recipients

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

Ad-hoc report
As far as special issues are concerned or in case separate reports are required for particular developments, the reports are established by the risk controlling department and thus made available for decision-makers.

Particular Developments in 2018 and Forecast for 2019
Despite increasing supervisory capital requirements and a challenging low-interest environment, Hypo Tirol Bank Ag was able to further strengthen its equity. In addition, it was possible to further reduce the NPL rate. This kind of sustainable success is also reflected in the rating upgrade by Standard & Poors.
In 2019, the cooperation with the general computing centre (ARZ) booking comm8nity concerning the jointly de-veloped rating tools will be further intensified. Moreover, risk capacity will be revised in terms of a normative and economic approach.

Information based on Austrian law

(62) Legal basis in Austria

In accordance with Banking Act, article 59a in conjunction with Austrian Commercial Code article 245a, sec. 1 compulsory consolidated financial statements shall be prepared in compliance with IFRS standards, as applicable in EU countries. On a supplementary basis, pursuant to Banking Act article 59a, the details according to Banking Act, article 64, sect. 1, lines 1-15 and sect. 2 as well as Austrian Commercial Code article 245a, sect. 1 and 3 must be included in the consolidated financial statements.
A full list of the corporate group's participating interest is illustrated in section VII (participating interests).

(63) Dividends and retrospective amendments

Hypo Tirol Bank AG is entitled to pay dividends not exceeding the profit as reported in the (individual) financial statements according to the Austrian Banking Act or Austrian Commercial Code in the amount of von kEUR 8,065 (2017: kEUR 5,166). In the expired fiscal year dividends in the amount of kEUR 5,000 were paid.

The annual net income generated in the 2018 fiscal year accounted for kEUR 16,605 (2017: kEUR 13,393). After endowment of reserves amounting to kEUR 8,700 (2017: kEUR 8,400) and after addition of profit brought forward in the amount of kEUR 160 (2017: kEUR 167) the usable net profit amounted to kEUR 8,065 (2017: kEUR 5,160).

The managing board of Hypo Tirol Bank AG gave its consent to publish the consolidated financial statement on 27 March 2019.

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

The following chart illustrates the classification of securities according to Banking Act article 64 sect. 1 no. 10 and no. 11, on 31 December 2018:

	not quoted		Quoted		Total	
in kEUR	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Debt securities and other fixed-interest securities	34,475	53,252	171,119	177,532	205,594	230,784
Shares and other non-fixed interest securities	17,685	19,108	4,511	6,424	22,196	25,532
Participating interest	6,120	6,534	0	0	6,120	6,534
Shares in associated companies	35,661	39,595	0	0	35,661	39,595
Financial assets	23,259	23,637	963,036	973,299	986,295	996,936
Total securities according to Banking Act	**117,200**	**142,126**	**1,138,666**	**1,157,255**	**1,255,866**	**1,299,381**

In compliance with Banking Act article 56, sec. 2, the difference of securities having properties of financial assets amounted to kEUR 1,338 (2017: kEUR 2,541) and in compliance with Banking Act article 56 sec. 3 it amounted to kEUR 306 (2017: kEUR 428). The predicted amortization for 2019 accounted for kEUR 391,859 (2018: kEUR 179588). Subordinate and supplementary capital amounted to kEUR 1,416 (2017: kEUR 689).

In the forthcoming year, liabilities evidenced by certificate with a nominal value in the amount of kEUR 703,780 (2018: kEUR 231,530) will mature and fall due.

(65) 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 in-vestment and property financing for private clients as well as in the field of real estate financing and leasing for companies.

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

in kEUR	2018	2017
Net interest income	5,826	5,679
Operating income	8,610	3,382
Annual result before tax	-5,056	-16,019
Tax on income and profit	-388	-310
Public aid received	-	-
	2018	**2017**
Number of employees	27	29

(66) 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
Other members		
	Dr. Ida HINTERMÜLLER	Innsbruck
	MMag. Daniel MAIRHOFER	München
	Mag. Beate OPPERER-PFLEIDERER	Telfs
	Ao. Univ.-Prof. Dr. Erich PUMMERER	Innsbruck
Delegated by the works council	Mag. Gabriele HILBER, Betriebsratsvorsitzende	Innsbruck
	Stefan KNOFLACH	Hall in Tirol
	Andreas PEINTNER	Ellbögen
	Peter PICHLER	Innsbruck

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

Representatives of the Supervisory Authority		
State Commissioner	MMag. Paul SCHIEDER	Wien
Deputy State Commissioner	Amtsdirektor Josef DORFINGER	Vienna

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

VII. Participating interest

Companies that are fully consolidated in the financial statements

Company name, location	Core business	Capital share in % 2018	Voting rights in % 2018	Capital share in % 2017	Voting rights in % 2017	Date of financial statements	Change in comp. to 2017
HYPO TIROL LEASING GMBH, Innsbruck	Leasing Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.18	
Hypo-Rent Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.18	
Hypo-Rent Gebäudeleasing 1987 Gesellschaft m.b.H., Innsbruck	Leasing Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.18	
Hypo-Rent Immobilienverwaltungs-Gesellschaft m.b.H., Innsbruck	Leasing Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.18	
Hypo-Tirol Mobilienleasing II Gesellschaft m.b.H., Innbruck	Leasing Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.18	
Hypo-Rent Liegenschaftsanlage-Gesellschaft m.b.H., Innsbruck	Leasing Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.18	
Hypo-Rent II Grundverwertung GmbH, Innsbruck	Leasing Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.18	
Hypo-Tirol Mobilienleasing Gesellschaft m.b.H., Innbruck	Leasing Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.18	
Beteiligungs-und Finanzierungsgesellschaft m.b.H., Innsbruck	Associated Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.18	
Hypo Tirol Versicherungsmakler GmbH, Innsbruck	Insurance Broker	100.00 %	100.00 %	100.00 %	100.00 %	31.12.18	
HYPO TIROL INVEST GmbH, Innsbruck	Associated Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.18	
Hypo Tirol Leasing Wiener Betriebsansiedlungen GmbH, Innsbruck	Leasing Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.18	
Liegenschaftstreuhand GmbH, Innsbruck	Leasing Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.18	
L2 Errichtungs- und Vermietungsgesellschaft mbH, Innsbruck	Leasing Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.18	
Autopark Grundverwertungs GmbH, Innsbruck	Realities Management	100.00 %	100.00 %	100.00 %	100.00 %	31.12.18	
Alpen Immobilieninvest GmbH, Innsbruck	Real Estate Rental	100.00 %	100.00 %	100.00 %	100.00 %	31.12.18	
HTL Deutschland GmbH, Kulmbach	Leasing Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.18	
ERFOLG Liegenschaftsvermietungs GmbH, Innsbruck	Leasing Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.18	
VBC 3 Errichtungs GmbH, Wien	Leasing Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.18	
Dienstleistungszentrum Kramsach Betriebsgesellschaft mbH, Innsbruck	Leasing Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.18	
Tirol Immobilien und Beteiligungs GmbH (IBG), Bozen	Associated Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.18	
Hebbel Projektentwicklung Gesellschaft mbH, Innsbruck	Leasing Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.18	
Hypo-Rent Betriebsansiedlungsgesellschaft m.b.H., Innsbruck	Leasing Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.18	
Hypo Tirol Beteiligungs GmbH in Liquidation, Innsbruck	Associated Company	0.00 %	0.00 %	100.00 %	100.00 %		2018 liquid.
Berger Truck Service Verwaltungs GmbH, Innsbruck	Leasing Company	100.00 %	100.00 %	100.00 %	100.00 %	31.12.18	
HTI Immobilienverwaltungs-GmbH, Innsbruck	Real Estate Rental	100.00 %	100.00 %	100.00 %	100.00 %	31.12.18	
Hypo Immobilien Betriebs GmbH, Innsbruck	Realities Management	100.00 %	100.00 %	100.00 %	100.00 %	31.12.18	
Landhausparkgaragen GmbH, Innsbruck	Real Estate Rental	100.00 %	100.00 %	100.00 %	100.00 %	31.12.18	
Landhausparkgaragen GmbH & Co.KG, Innsbruck	Real Estate Rental	100.00 %	100.00 %	100.00 %	100.00 %	31.12.18	
TKL VIII Grundverwertungsgesellschaft m.b.H., Innsbruck*	Leasing Company	51.02 %	51.02 %	33.33 %	33.33 %	31.12.18	NEW
Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H., Innsbruck**	Leasing Company	51.00 %	51.00 %	50.00 %	50.00 %	31.12.18	NEW

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

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

No quoted market price was available for any of the companies included in the consolidated financial statements in accordance with the equity method.
Immorent Hypo Rent Grundverwertungsgesellschaft m.b.H. was fully consolidated in 2018.
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 (sections a and b) confirm the classification "associated company".

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

Company name, location	Core business	Capital share in % 2018	Equity in k €	Date of financial statements
Tiroler Kommunalgebäudeleasing Gesellschaft m.b.H., Innsbruck	Leasing Company	33.33 %	802	31.12.17
TKL II Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing Company	33.33 %	-32	31.12.17
TKL V Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing Company	33.33 %	967	31.12.17
TKL VI Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing Company	33.33 %	237	31.12.17
TKL VII Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing Company	33.33 %	17	31.12.17
TKL VIII Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing Company	33.33 %	-28	31.12.17
Tiroler Landesprojekte Grundverwertungs GmbH, Innsbruck	Leasing Company	33.33 %	307	31.12.17
Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing Company	50.00 %	798	31.12.17
Seilbahnleasing GmbH, Innsbruck	Leasing Company	33.33 %	-316	31.12.17

Data in accordance with IFRS 12.B12

2018

in kEUR	Future assets	Non-current assets	current liabilities	Non-current liabilities	Turnover	Net income from continued business operations	Income from discontinued business operations after tax	Net income	Other income	Total income	Dividends received
Tiroler Kommunalgebäudeleasing Gesellschaft m.b.H., Innsbruck	0	3,627	244	3,348	164	14	0	14	0	0	0
TKL II Grundverwertungsgesellschaft m.b.H., Innsbruck	0	1,481	983	269	53	-3	0	-5	0	-5	0
TKL V Grundverwertungsgesellschaft m.b.H., Innsbruck	1,029	7,821	63	8,511	552	-58	0	-60	0	-60	0
TKL VI Grundverwertungsgesellschaft m.b.H., Innsbruck	52	15,487	9,277	6,133	584	-106	0	-108	0	-108	0
TKL VII Grundverwertungsgesellschaft m.b.H., Innsbruck	280	3,469	1,126	2,579	361	37	0	36	0	36	0
Tiroler Landesprojekte Grundverwertungs GmbH, Innsbruck	33	0	0	0	0	0	0	-6	0	-6	0
Seilbahnleasing GmbH, Innsbruck	258	4,298	944	3,643	1,315	303	0	285	0	285	0

2017

in kEUR	Future assets	Non-current assets	current liabilities	Non-current liabilities	Turnover	Net income from continued business operations	Income from discontinued business operations after tax	Net income	Other income	Total income	Dividends received
Tiroler Kommunalgebäudeleasing Gesellschaft m.b.H., Innsbruck	0	4,148	305	3,041	164	10	0	10	0	0	0
TKL II Grundverwertungsgesellschaft m.b.H., Innsbruck	0	1,519	966	585	53	-11	0	-12	0	-12	0
TKL V Grundverwertungsgesellschaft m.b.H., Innsbruck	1,234	8,298	63	8,502	551	-59	0	-60	0	-60	0
TKL VI Grundverwertungsgesellschaft m.b.H., Innsbruck	811	16,011	9,233	7,352	663	114	0	113	0	113	0
TKL VII Grundverwertungsgesellschaft m.b.H., Innsbruck	254	3,741	1,159	2,819	366	116	0	114	0	114	0
TKL VIII Grundverwertungsgesellschaft m.b.H., Innsbruck	2,090	59,018	45,523	15,613	2,940	-198	0	-186	0	-186	0
Tiroler Landesprojekte Grundverwertungs GmbH, Innsbruck	310	0	3	0	6	6	0	6	0	4	0
Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H., Innsbruck	784	17,874	623	17,237	2,176	291	0	258	0	258	0
Seilbahnleasing GmbH, Innsbruck	31	5,740	619	5,469	1,553	-853	0	-855	0	-855	0

Data in accordance with IFRS 12.B13

2018

Immorent-Hypo-Rent Grundverwertungsgesellschaft m. b. H., Innsbruck, is fully consolidated in 2018.

2017

in kEUR	Means of payment	Current debts	Non-current debts	Depreciation according to plan	Interest income	Interest expenses	Tax on income and profit
Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H., Innsbruck	783	0	17,237	1,248	0	93	-32

Current respectively non-current liabilities illustrated above refer to current or non-current financial liabilities ac-cording to IFRS 12.B13, except liabilities from delivery and service, other liabilities or provisions.

Companies that are not included in the consolidated financial statements

The following companies have not been integrated into the consolidated financial statements, as they are of minor importance, regarding both, the separate financial statements and the consolidated financial statements. None of the following non-consolidated companies is a structured company pursuant to IFRS 12.B21-B24.

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

Company name, location	Capital share in % in 2018	Note
HTW Holding GmbH, Innsbruck	100.00 %	Company of minor importance
HYPO Gastro GmbH, Innsbruck	100.00 %	Company of minor importance
HT Immobilien Investment GmbH, Innsbruck	100.00 %	Company of minor importance
ARZ Hypo-Holding GmbH, Innsbruck	99.24 %	Company of minor importance
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	33.30 %	Company of minor importance
ARZ Allgemeines Rechenzentrum GmbH, Innsbruck	32.70 %	No substantial influence
„Wohnungseigentum", Tiroler gemeinnützige Wohnbaugesellschaft m.b.H., Innsbruck	24.33 %	No substantial influence

Data concerning companies with a capital share more than 20% (2017 financial year)

Company name, location	Capital share in % in 2017	Note
HTW Holding GmbH, Innsbruck	100.00 %	Company of minor importance
HYPO Gastro GmbH, Innsbruck	100.00 %	Company of minor importance
HT Immobilien Investment GmbH, Innsbruck	100.00 %	Company of minor importance
ARZ Hypo-Holding GmbH, Innsbruck	99.24 %	Company of minor importance
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	33.30 %	Company of minor importance
ARZ Allgemeines Rechenzentrum GmbH, Innsbruck	32.70 %	No substantial influence
„Wohnungseigentum", Tiroler gemeinnützige Wohnbaugesellschaft m.b.H., Innsbruck	24.33 %	No substantial influence
C ZWEI Investment GmbH in Liqu., Innsbruck	0.00 %	Company was liquidated in 2017
EKZ Abwicklungs GmbH in Liqu., Völs	0.00 %	Company was liquidated in 2017
MC ZWEI Investment GmbH in Liqu., Wien	0.00 %	Company was liquidated in 2017
REB II Beteiligungs AG, Wien	0.00 %	Company was sold in 2017
HYPO EQUITY-Unternehmensbeteiligungen AG, Bregenz	0.00 %	Company was sold in 2017

Data concerning companies with a capital share less than 20 % (2017/2018 fiscal years)

Company name, location	Capital share in % 2018		Capital share in % 2017
GHS Immobilien AG, Wien	19.57 %		19.57 %
Tiroler gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H. (TIGEWOSI), Innsbruck	17.45 %		17.45 %
Lantech Innovationszentrum GesmbH, Landeck	16.36 %		16.36 %
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 %
Hypo-Haftungs-Gesellschaft m.b.H., Wien	12.50 %		12.50 %
Rathaus Passage GmbH, Innsbruck	11.23 %		11.23 %
Global Private Equity IV Holding AG, Wien	8.97 %		8.97 %
HP IT-Solutions Gesellschaft m.b.H., Innsbruck	8.33 %		8.33 %
Logistikzentrum Hallbergmoos GmbH in Liquidation, München	0.00 %	liquidated	6.00 %
Logistikzentrum Forchheim GmbH, München	6.00 %		6.00 %
Pflegeheim Wolfratshausen Grundstücks GmbH, München	0.00 %	sold	6.00 %
PensPlan Invest SGR Spa/AG, Bozen	0.00 %	sold	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 %
Austrian Reporting Services GmbH, Wien	1.25 %		1.25 %
Bergbahnen Kappl AG, Kappl	0.81 %	turned into plc	0.00 %
AAA Air Alps Aviation Alpenländisches Flugunternehmen Ges.m.b.H. in Liqu., Innsbruck	0.28 %		0.28 %
Einlagensicherung Austria GmbH	0.19 %		1.00 %
VB Verbundbeteiligung eG, Wien	0.00 %	sold	0.04 %
GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination GmbH, Wien	0.01 %		0.01 %
S.W.I.F.T. SCRL, Belgien	0.01 %		0.01 %

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 (Pfandbriefstelle) of the Austrian Landes- und Hypothekenbank (regional mortgage bank) – now "Anteilsverwaltung der Pfandbriefstelle der Österreichischen Landes Hypothekenbanken i.A.". The Mortgage Bond Division, more precisely, its legal successor, the Pfand-briefbank Österreich AG (Austrian mortgage lending bank) - since 31 May 2018 "Pfandbriefstelle-Verwertungsgesellschaft AG i.A." - represents the joint issuing institution of the Landes- und Hypothekenbank, whereas its main task is to lend mortgage bonds, public bonds and debenture bonds, and provide the member institutions with the financial means resulting thereof. Moreover, the Pfandbriefbank is responsible for credit 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 AKTIENGESELLSCHAFT
- 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. 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 Mortgage Bond Division were transferred to the Pfandbriefbank (Österreich) AG, with effect from 2015 on and in compli-ance 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 until 1 April 2007, the guaran-tors shall only be liable jointly if the defined terms do not exceed 30 September 2017. The guarantors shall not be liable for liabilities that accrued after 1 April 2007. Liabilities, for which the guarantors are not liable anymore, liability agreements 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 2018, the issuing volume of the Mortgage Bond Division/Pfandbriefbank, for which the member institutions and their guarantors are jointly liable, amounted to kEUR 0 (2017: kEUR 71,625). This amount in-cludes a proportion of Hypo Tirol Bank AG accounting for kEUR 0 (2017: kEUR 0). 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 Mortgage Bond Divi-sion/Pfandbriefbank. In case the Mortgage Bond Division/Pfandbriefbank shall not fulfil its obligations towards bond and debenture bond creditors, the creditors of the Mortgage Bond Division, in accordance with legal regu-lations 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 institutions, guaran-tors and/or the Mortgage Bond Division/Pfandbriefbank. Finally, the joint creditors that paid the dues can exer-cise 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 defi-ciency guarantor.

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

in kEUR	31.12,2018	31.12,2017
Liabilities evidenced by certificate	0	0
Financial liabilities – at fair value	0	0
Liabilities to Mortgage Bond Division	**0**	**0**

Interest expenses in relation to liabilities towards the Mortgage Bond Division:

in kEUR	31.12,2018	31.12,2017
liabilities evidenced by certificate	0	0
Interest expenses for financial liabilities – at fair value	0	246
Interest expenses from	**0**	**246**

HYPO TIROL BANK AG MANAGING BOARD

Innsbruck, 27 March 2019

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

Auditor’s report

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of HYPO TIROL BANK AG, Innsbruck, and of its subsidiaries (the Group) comprising the consolidated statement of fi nancial position as of December 31, 2018, the consolidated statement of profi t or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year then ended and the Notes to the consolidated financial statements.

Based on our audit the accompanying consolidated financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the fi nancial position of the Group as of December 31, 2018 and its fi nancial performance for the year then ended in accordance with the International Financial Reportings Standards (IFRS) as adopted by EU, and the additional requirements under Section 245a Austrian Company Code UGB and Section 59a Austrian Banking Act BWG.

Basis for Opinion

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

Key Audit Matters

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

In the following, we describe the key audit matters from our perspective:

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

1. *Credit risk provisions for the lending business with clients*

Description:
HYPO TIROL BANK AG records signifi cant risk provisions in its consolidated fi nancial statements as of December 31, 2018 in the form of impairments (2018: MEUR 92 / 2017: MEUR 140) and provisions (2018: MEUR 4 / 2017: MEUR 4) for loss risks from lending business with customers (receivables from clients after risk provision 2018: MEUR 5,642 / 2017: MEUR 5,346). These re-present the Management Board's best estimate of expected credit losses in the loan portfolio at the balance sheet date.

In accordance with the regulations of IFRS 9, which were applied for the fi rst time on January 1, 2018, receivables from clients are measured depended on the classifi cation of loans, which is based on the business model, and the characteristics of the contractual cash fl ows. In addition, the staging concept designed by the Company and its key assumptions for assessing a signifi -cant increase in credit risk (level 2) or default events (existence of objective evidence of impairment - level 3) are signifi cant for determining the amount of impairments or provisions for the lending business.

Impairments are calculated using the discounted cash fl ow method. The expected cash fl ows are estimated and also the expected income from the realisation of collateral. Estimates are made on an individual basis (signifi cant loan receivables) or on the basis of a collective estimate (rule-based approach for non-signifi cant loan receivables).

We refer in this regard to the information provided by the Company's Board of Managing Directors in the notes of the consolidated financial statements in notes (3) " Accounting policy related changes ", (4) " essential decisions, assumptions and estimates ", "Notes on the statement of comprehensive income", "Assets - (C) credit risk provision", (8) " Credit risk provision ", (22) " Receivables from clients after risk provision ", and (42) "Provisions".

The determination of the amount of impairments or provisions for lending business is subject to considerable scope for measurement on the basis of the assumptions and estimates used. In addition, the regulations of IFRS 9 were applied for the fi rst time in the 2018 fi nancial year, which led to signifi cant changes in processes and models in connection with the determination of va-luation allowances for receivables from clients. We have therefore identifi ed this area as a key audit matter.

How we addressed the matter in the context of the audit:

In order to evaluate the appropriateness of the valuation allowances and provisions recognized, we have identifi ed the signifi cant processes and models in credit risk management, paying particular attention to the provisions of IFRS 9 that were fi rst applied on 1 January 2018. In particular, we have surveyed the processes and models for classifying loans on the basis of the business model and determining the characteristics of the contractual cash fl ows. In addition, we have examined the staging concept designed by the Company and its key assumptions for evaluating the assessment of a significant increase in the credit risk or default events in order to determine whether these processes and models are suitable for recognising a signifi cant increase in the credit risk or default events and for determining the need for impairments or provisions.

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

On the basis of a selection of loans that had already defaulted, we checked whether suffi cient impairments had been made. For these loans, we critically assessed management's assessments of future cash flows expected from repayments and collateral.

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

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

In addition, we have checked whether the information provided by the Company's Management Board in the notes of the financial statements on the allowances for doubtful accounts and provisions for the credit business is complete and whether the content of the valuation procedure has been correctly reproduced.

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

Description:
HYPO TIROL BANK AG records in its consolidated fi nancial statements as at 31 December 2018 to a significant extent securities, own issues and derivatives allocated to Fair Value Level 2 and 3 of the Fair Value Hierarchy.

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

In this regard, we refer to the information provided by the Company's Management Board in the Notes of the Consolidated Financial Statements in the Notes "Notes on the Statement of Comprehensive Income", "Other Specifications - (C). (4) " Essential decisions, assumptions and estimates " and "Additional IFRS infor-mation", (47) "Fair value".

In the case of valuation using recognized valuation models, the selection of these valuation models and methods, the selection of the input parameters used as well as the discretionary decisions associated with the selection of the input parameters, which are associated with the valuation of the financial instruments, are taken into account. This is of decisive importance for the determination of the fair value to be attributed. For this reason, we have identified this area as an important audit issue.

How we addressed the matter in the context of the audit:

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

In addition, we have evaluated whether the disclosures on the measurement of securities, own issues and derivatives assigned to Fair Value Level 2 or 3 of the Fair Value Hierarchy are complete in the Notes and whether the content of the measurement procedure has been presented correctly.

Responsibilities of Management Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated fi nancial statements in accordance with IFRS as adopted by the EU, and the additional requirements under Section 245a Austrian Company Code UGB and Section 59a Austrian Banking Act BWG for them to present a true and fair view of the assets, the fi nancial position and the fi nancial performance of the Group and for such internal controls as management determines are necessary to enable the preparation of consolidated fi nancial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated fi nancial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated fi nancial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to infl uence the economic decisions of users taken on the basis of these fi nancial statements. As part of an audit in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate

in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated fi nancial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and signifi cant audit fi ndings, including any signifi cant defi ciencies in internal control that we identify during our audit.

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

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

Report on Other Legal and Regulatory Requirements

Comments on the Management Report for the Group

Pursuant to Austrian Generally Accepted Accounting Principles, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the management report for the Group was prepared in accordance with the applicable legal regulations.
Management is responsible for the preparation of the management report for the Group in accordance with Austrian Generally Accepted Accounting Principles and banking regulatory requirements.
We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report for the Group.

Opinion

In our opinion, the management report for the Group was prepared in accordance with the valid legal requirements, comprising the details in accordance with Section 243a Austrian Company Code UGB, and is consistent with the consolidated financial statements.

Statement

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

Other Information

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

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

Additional information in accordance with article 10 EU regulation

We were elected as auditor by the extraordinary general meeting at April 25, 2017. We were appointed by the Supervisory Board on May 2, 2017. We are auditors without cease since 2010.

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

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

Responsible Austrian Certified Public Accountant

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

Vienna, March 27, 2019

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Wolfgang Tobisch mp
Wirtschaftsprüfer / Certified Public Accountant

Mag. Ernst Schönhuber mp
Wirtschaftsprüfer / Certified Public Accountant

Statement of the Legal Representatives

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

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

Innsbruck, 27 March 2019

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 2018 fiscal year, all business activities carried out by the managing board were monitored by the supervisory board. In the context of rotational meetings and other reports, the supervisory board gained detailed information about the development of the company and all essential business cases. In addition, the chairman of the supervisory board regularly received information provided by the managing board and the head of the internal auditor's department.

Supervisory Board Meetings

In the 2018 fiscal year, five supervisory board meetings were held, at which fundamental issues of business policy, current profit development, compliance with budgetary targets and single business cases, which required the approval of the supervisory board due to legal or statutory provisions, were discussed with the managing board. The supervisory board particularly focused on the measures regarding the implementation of the bank's strategic realignment programme.

Supervisory Board Committees

The supervisory board appointed six committees.

The credit committee manages mortgages, loans, and large-scale investments. Five meetings were held by the Credit Committee in the 2018 fiscal year.

According to the Austrian Banking Act, article 63a, sec. 4, the audit committee is responsible for monitoring the preparation of the financial statements, 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 statements, the proposal concerning profit distribution, the financial report as well as the consolidated financial statements and the consolidated financial report. Altogether, five audit committee meetings were held in the 2018 fiscal year.

The committee on handling managing board issues 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 2018 fiscal year, one meeting was held by the committee on handling managing board issues.

The remuneration committee is responsible for all remuneration issues described in the Austrian Banking Act, articles 39 b and c with the exception of managing board remuneration. In the 2018 fiscal year, one meeting was held.

In the 2018 fiscal year, three meetings were held by the nomination committee, which is responsible for all matters in relation to the Austrian Banking Act, article 29.

In the 2018 fiscal year, the risk committee, which manages all matters regarding the Austrian Banking Act, article 39 d, held three meetings.

Financial Statements

The financial statements and the financial report as at 31 December 2018 were audited by the chartered accountants Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna. As no objections were proposed, the auditor's opinion was granted without any limitations or reservations.

The consolidated financial statements including the notes, which were prepared in compliance with the International Financial Reporting Standards (IFRS), as well as the consolidated financial report as at 31 December 2018, were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna.

Subsequent to the final audit of the 2018 financial statements and the 2018 consolidated financial statements, the notes, the financial report regarding the financial statements and the consolidated financial statements, no objections were raised. The supervisory board approves the present profit allocation proposal and the financial statements, submitted by the managing board, which have been prepared in accordance with the Companies Act, article 96, section 4, and it acknowledges the consolidated financial statements.

Innsbruck, 29 March 2019

Supervisory Board

Mag. Wilfried Stauder

2018 SUSTAIN-ABILITY REPORT

Inhalt

I. Introduction

From the economic point of view, Hypo Tirol Bank is built on a solid foundation. Both, our clients and the whole Tyrolean population benefit from the associated financial power – on economic and social level and in private and professional life. This kind of economic strength is of great importance to us. Nevertheless, it is not the only criterion by which our success is defined and measured. We are absolutely aware of that and therefore, we also acknowledge our ecological and social responsibility!
For that reason, preparing the 2018 sustainability report was more than implementing a legal provision: it represented an opportunity to prove that we are a reliable social and ecological financial partner for the people, the economy and the country as a whole. According to the Austrian Company Code, articles 243b and 267a, Hypo Bank Tirol AG fulfils all legal requirements defined for a large corporation of public interest with approximately 500 employees. This serves as the basis for the preparation of the present special and non-financial report, which comprises the scope of consolidation of Hypo Tirol Bank. For further information regarding the scope of consolidation please see the specifications as stipulated in the 2018 financial statements. If a separate illustration of the parent company and the subsidiaries of the group is considered appropriate or required for the better understanding of the report, it shall be performed for the respective case.
The report was prepared on the basis of GRI standards, published by the Global Reporting Initiative. In this context, selected standards are used in reference to GRI. The selected details are listed in the GRI content index.
The report comprises environmental and social aspects as well as matters concerning employees and it deals with the promotion of human rights and the combatting of corruption and bribery.

II. Hypo Tirol Bank introduces itself

Organisational profile

Hypo Tirol Bank AG is operated as a regional universal bank. The financial institution was founded in 1901. The purpose of the regional mortgage bank was to help all farmers, who had to cope with challenging economic situations, to get back on their feet. The tasks have considerably developed over time and have become multifaceted. Nevertheless, the social idea and the commitment to the country and its people have remained the same.
According to the motto: "we are the Tyrolean state bank and by providing the best service, we act as a modern bank for both, the people and the economy", it is our top priority to be economically successful and competitive in order to generate additional value for our clients, the Province of the Tyrol, our employees and the Tyrolean population. Supported by a strengthened capital base, Hypo Tirol Bank operates as a highly professional, effective, lean, customer-oriented company. Hence, it is a profitable financial service institution, which safeguards its independence on the long run. In addition, all business transactions carried out by Hypo Tirol Bank comply with high social and ecological standards as stipulated in this report; by doing so, it fosters a sustainable market economy.

Strategic alignment

The strategic commitment of a universal bank is to focus on the core market, in other words on North, East and South Tyrol and Vienna. On 31 December 2018, the Hypo Tyrol corporate group comprised 19 branch offices located in North Tyrol, one branch office located in East Tyrol, one in South Tyrol and another branch office located in Vienna.
The objective of Hypo Tirol Bank AG is to achieve controlled growth in the above-mentioned core markets. For that reason, special attention is given to private clients, corporate clients, public institutions such as non-profit residential building providers or local authorities. As a regional universal bank, Hypo Tirol Bank offers these clients a comprehensive portfolio, including savings and investment products, account systems, different card solutions and insurance and finance products.

Receivables from clients by business type

In k EUR	2018	2017
Central states and public sector	600.824	603.264
Corporate clients	3.882.114	3.666.478
Private households	1.251.484	1.191.211
Receivables from clients	**5.485.845**	**5.485.845**
Risk provision	- 92.472	- 139.773
Receivables from clients after risk provision	**5.641.950**	**5.346.223**

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

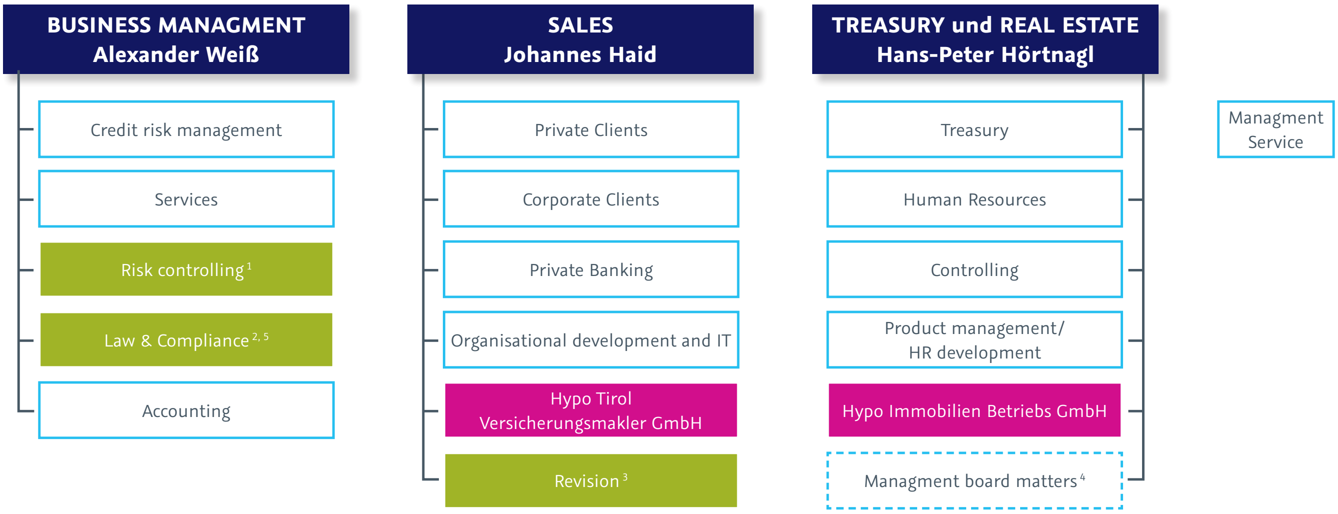
Shareholder structure

Being a company that is owned by the government, that is to say the Province of the Tyrol, Hypo Tirol Bank is aware of its responsibility to take care of both, the country and its people. Sustainable growth serves as the foundation for all business processes. These processes, which form part of the business strategy, are implemented by the managing board. The following illustration shows the shareholder structure of Hypo Tirol Bank AG on 31 December 2018:

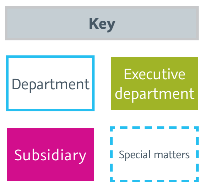
Committee structure

The committees established within the structure of Hypo Tirol Bank ensure that all reporting and information obligations are fulfilled.

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



Assignment:
1 ... obliged to report to General management
2 ... Compliance officer is subject to General Management
3 ... assigned to General Management incl. corporate group audit
4 ... Hypo association/rating agencies/bank specifications
5 ... Regulatory compliance is subject to General Management

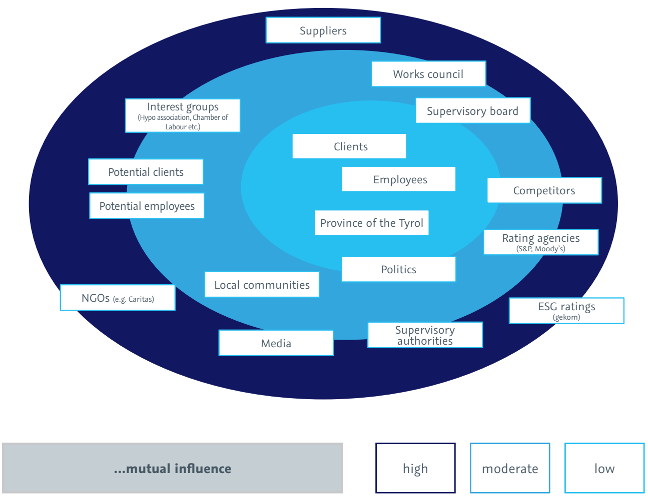


III. Partners and common values

To a certain extent, each entrepreneurship and all associated activities and relationships have impact on the environment of a company. Business activities and business relations bear risks and opportunities alike.
The partner-like cooperation with the regional population and numerous business partners combined with the well-known values of Hypo Tirol Bank form the perfect base for sustainable success. In the context of preparing the first sustainability report for the 2017 fiscal year, specific processes were implemented to determine the most essential stakeholders and the major fields of activities of the company. These processes were established by a group of experts coming from various sectors of the company, such as organisational development, treasury, marketing, law & compliance, real estate, human resources and risk control. In this connection, support was also provided by external experts.
The process results are illustrated hereinafter. With regard to the preparation of the report on the expired business year, the processes were evaluated by the internal team of experts. Hence, the results were analysed and compared with data gained in the previous year and adjusted, if appropriate.

3.1. Partners

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



As far as the most important stakeholders are concerned, it was analysed how their inclusion into the reporting process can be guaranteed. In addition, their primary objectives and key issues for the 2018 reporting year were evaluated.

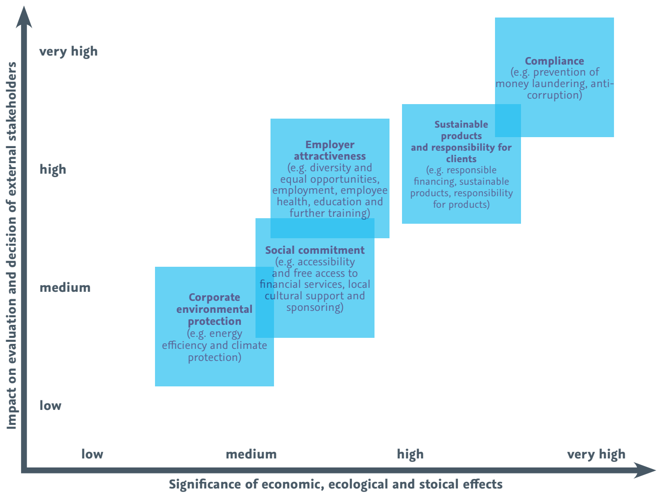
Works council/employees:

The works council organises meetings with the managing board on a quarterly basis. In the context of these meetings, important issues are identified and discussed. In addition, employee surveys are also carried on a regular basis; thus in 2017 two employee surveys were organised by the works council.

- Works council survey regarding flexitime (flexible breaks and start times)
- Target agreements (employer attractiveness)

To the benefit of our employees, the results of these surveys are implemented in timely manner.
Another tool that is used to integrate our employees in the business process is a corporate project called "IDEENREICH" . This platform, which enables employees to actively contribute to the further sustainable development of the company by proposing ideas, was established in 2015.

3.2. Major fields of activities



Hypo Tirol Bank has a well-defined mission: to use its resources in the best possible way in order to contribute to the personal and economic success of all the people living in the Tyrol – on professional and private level. Because it is the people, who have made the Tyrol, what it is today.
In order to fulfil this task, it is important that Hypo Tirol Bank understands that the performed business activities might lead to certain effects, and that these effects could have additional consequences on the behaviour of its stakeholders.
In the context of a well-established sustainability process a group of experts identifies the major areas of activities of Hypo Tirol Bank regarding environmental and social aspects as well as subjects which concern employees; it makes sure that human rights are promoted and protected, and that corruption and bribery are combatted. Consequently, the identified areas of activities are prioritised according to their economic and ecological effects and according to their impact on the evaluation and the decision-making process of external stakeholders. Thus, they are bundled into five essential clusters.

The following illustration shows the result of the internal analysis.

For Hypo Tirol Bank and its stakeholders each area of activity bears both, risks and opportunities. These risks and opportunities might result from business activities and from business relations alike. On the following pages, the subjects that were considered material, will be explained in detail.

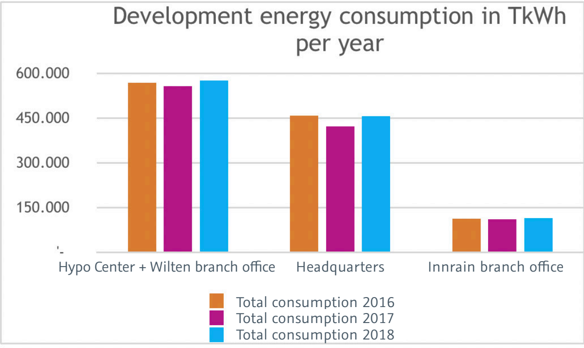
IV. Environmental policy

In comparison to manufacturing companies, a financial institution has only few opportunities to improve environmental protection. Nevertheless, it is crucial for Hypo Tirol Bank to contribute in this respect. Therefore, all employees endeavour to keep the environmental impact of their actions on a low level by managing all their tasks in a sustainable manner. As far as corporate environmental protection is concerned, no significant environmental risks can be detected at the moment.
The efficient use of energy and resources is accompanied by long-term cost-cuttings. Even though, investing into the environment means to spend money on the short-run, we are absolutely convinced that such investment will create additional social and financial value on the long run. This kind of additional value is particularly reflected in the field of material expenses. One of the possibilities to improve corporate environmental protection is to consistently save energy and materials and to reduce emissions. The digitalisation strategy, which was established in 2017 and which has been improved steadily ever since, aims at supporting the company and its employees to reach the defined savings goals.

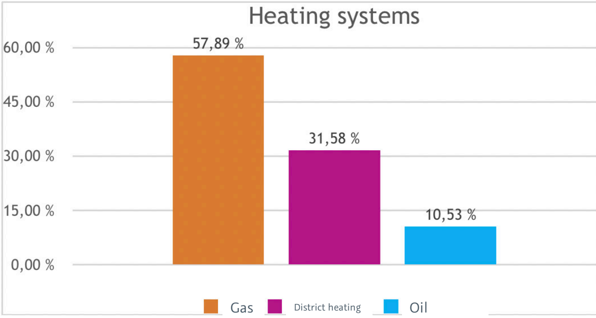
Investing in the bank's own properties guarantees the support of energy efficiency. As far as the enlargement, refurbishment or new establishment of branch offices is concerned, ecological aspects shall increasingly be considered, especially in the planning process and in relation to the selection of building materials. In this connection, the needs of both, clients and employees shall also be considered. Regional small- and medium-sized enterprises shall be employed to implement these projects. Moreover, we will use our available resources to realise climate innovations and to use renewable energies. Access to affordable, reliable, sustainable and modern energy sources shall be available for everyone. Whenever a project is launched, it is not enough to think about resistant infrastructure; the incorporation of diverse innovations in relation to energy efficiency and climate protection is of utmost importance as well.

Energy consumption:

68% of all employees work in the largest buildings such as the Hypo Center Tirol including the Wilten branch office, the Hypo Tirol headquarters and the Innrain branch office. In comparison to 2017, energy consumption slightly increased, which basically resulted from the high temperatures during summer and the use of air controlling units. However, material expenses illustrate that savings in relation to electricity consumption amounted to 23.93%. Due to current construction works and refurbishment, a comparison of all branch offices is not be informative, as the values differ a lot and thus, they can hardly be compared (different floor areas, different values regarding the power consumption on construction sites, relocations, etc.).



In 2019, the installation of the "Smart-Meter" system is intended. This system will facilitate the collection of data from the electric meter on December 31 and in addition, it will allow the fast analyses of energy peaks. In 2019, the objective is to reduce energy consumption and again reach the 2017 values.
Since we have terminated the agreement with the former facility management service provider, we have not received sufficient data regarding heat consumption. Consequently, a comparison of



the previous years is not possible. In 2019, the goal Is to collect, evaluate and analyse all key figures together with the new facility management.
In the context of new constructions or refurbishment, Hypo Tirol Bank AG attaches great importance to the installation of new heating systems. Currently, there are only two branch offices, which still use fuel oil. Hypo Tirol Bank AG operates 19 buildings, whereas 11 buildings are provided with gas and 6 buildings with district heat.

Mobility:

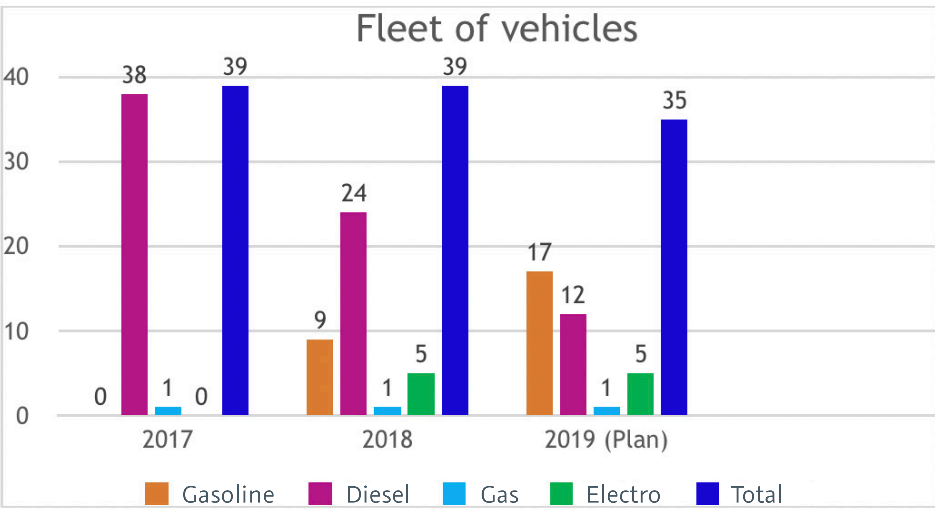
The mobility concept defined by Hypo Tirol Bank suggests the use of efficient and resource-saving means of transport. The short distances between the main buildings in Innsbruck shall be travelled by foot or bicycle. Not only does this concept have positive ecological effects, it is also for the benefit of our employees and their physical health.

Moreover, all employees are offered an attractive Austrian Railway Systems ticket, which also helps to reduce CO2 emissions in the context of long-distance journeys. Due to the fact that in the past year most business trips were taken by train, CO2 emissions amounting to 42.6 tons could already be saved. In the context of the " Green Event" a representative of the Austrian Railway Systems expressed the company's gratitude and awarded Hypo Tirol Bank AG an environmental prize for its eco-friendly commitment.

Another measure that was taken in terms of alternative mobility was the acquisition of five electric vehicles. This enables Hypo Tirol Bank AG to keep CO2 emissions on a low level. The plan for 2019 is to reduce the number of company vehicles and acquire two bicycles for Hypo Center Tirol and the Hypo headquarters.

All these measures were taken by Hypo Tirol Bank AG to reduce costs and, what is even more important, to mitigate climate change and leave a positive footprint.
The goal for 2019 is to guarantee further compliance with this standard and to further reduce the consumption of resources.

By sensitising our employees, introducing a consistent digitalisation strategy and by changing the printer settings in 2017, Hypo Tirol Bank AG was able to keep the number of printed documents on a low level in 2018 as well. In order to further reduce the number of printed documents, our corporate client consultants received a digital sign-pad. Thanks to this pad, agreements do not have to be printed anymore, as they can be signed digitally.



V. Social commitment

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

5.1. Sustainability in the core business

Hypo Tirol Bank does not tolerate any kind of discrimination. For that reason, sustainability in the core business focuses on the protection of human rights and a particular kind of product design that emphasises on creating additional social value.
The provision of unrestricted access to all services for all clients plays a decisive role. Especially in terms of accessibility, many actions have already been taken and will be taken to reach the standards that are beyond legal conformity. In this connection, we cooperate with several disabled people's organisations to benefit from their expertise in the best possible way.
Another component in terms of strengthening the Tyrol as a business location is to offer sustainable products that support the chances of underprivileged groups. The goal is to increase economic capacity.
If disabled people were not able to access Hypo Tirol Bank, they would not have the opportunity to freely choose from the financial services, let alone make use of them. This might jeopardise their economic development and consequently affect the social balance in a negative way. If Hypo Tyrol Bank did not offer products with social additional value, certain groups of people could hardly or not at all take part in the process of increasing the economic power of our country. In summary, the result would be a weakened business location. Whenever Hypo Tirol Bank expands or erects new business premises, the involved risks are militated by considering the needs of the users. In this connection, accessibility to and inside the branch offices is of great importance. The heart of our financial services – "hypo@home" online banking – was developed together with visually impaired people in compliance with the W3C standards for web accessibility.
In order to provide appropriate support for specific groups of people, Hypo Tirol Bank and its branch offices offer a wide range of products with additional social value. In the private client sector, the product range includes the refugee account, the "U25" account (for people under the age of 25), the account for doctors in training, the stage-of-life credit and housing loans.
The refugee account was developed in collaboration with the "Tiroler Soziale Dienste" (social service organisation). It allows cashless transactions of monetary services in relation to primary care for vulnerable foreigners, who are taken care of by the "Tiroler Soziale Dienste" organisation. The U25 account was developed for clients who are between 12 and 25 years old. Regardless of their profession, the account enables young people to manage their financial issues independently.
The account for doctors in training is a full-service account designed for this particular group of clients. Moreover, liability insurance (EUR 2 million) is taken by Hypo Tirol Bank for the first three years, which makes the beginning of a doctor's career a little bit easier and free from any worries. Apart from that, support is also provided in relation to the first tax declaration. This service allows young doctors to fully concentrate on their core business.
The Hypo-WohnVision-Lebensphasenkredit (stage-of-life credit) helps young people whose living situations might change during the credit period. The payment of instalments can be adapted to the respective living situation without any additional charges. Consequently, the founding of a family or finding a new job can easily be handled from the financial point of view.
Housing subsidy credits are granted in compliance with the housing subsidy regulations defined by the Province of the Tyrol. Housing subsidies were developed for people with lower income in order to enable them to acquire their own property. This project represents a major contribution to responsible financing.
With regard to corporate clients, Hypo Tirol Bank offers intensive consulting service and support in relation to the most common subsidised loans on regional and national level. Hence, smaller enterprises are also offered the opportunity to do business on an international level.
Besides specifically tailored consulting services, the account for new entrepreneurs is offered for the business sector of free professions. The monthly charges for this "all-inclusive-account" are very low and thus, the new entrepreneur is protected from unexpected expenses for three years. Usually, when this period expires, the payment behaviour has become stable and an appropriate solution can be found in collaboration with the consultant.
This wide range of products, which all generate additional value, allows different groups of people to meet the challenges of daily life. Possible risks can be reduced to calculable quantities. In doing so, Hypo Tirol Bank strengthens the business location.

Support provided for specific groups of people

	2017	2017	2018	2018	Change from 2017 to 2018
Total user accounts	46.787		47.844		2,26 %
U25 accounts	3.801	8,12 %	4.206	8,79 %	10,66 %
Refugee accounts	4.246	9,08 %	2.420	5,06 %	-43,01 %
Accounts for doctors in training	17	0,04 %	27	0,06 %	58,82 %
Total freelancer accounts	1.049	2,24 %	1.092	2,28 %	4,10 %
Accounts for new entrepreneurs	18	0,04 %	42	0,09 %	133,33 %
Housing free private total	8.257		8.584		3,96 %
Of which stage-of-life-credits	654	7,92 %	523	6,09 %	-20,03 %
Housing total (= free and subsidised) price	11.731		12.045		2,68 %
Housing subsidised	3.474	29,61 %	3.461	28,73 %	-0,37 %
Investment credit total (entrepreneuer)	3.261		3.303		1,29 %
Of which subsidised credits	24	0,74 %	24	0,73 %	

5.2. Sponsoring

Classic sponsoring is an important pillar for Hypo Tirol Bank as it is the most efficient way to give something in return. For that reason Hypo Tirol Bank focuses on educational, social and cultural projects as well as on sports. In this way, Hypo Tirol Bank strengthens the Tyrol as a business location. This enables all sponsoring partners to be economically successful and thus, all Tyrolean people can benefit from the offered programmes.
Without the effort of Hypo Tirol Bank, the activities offered by several initiatives and institutions in this sector would significantly be affected in a negative way.
In the social sector the provision of support mainly refers to institutions operating throughout the Tyrol, such as the Tyrolean network, the partnership of volunteers, the "Vinzenz" community or emergency service providers. In addition, local initiatives are also sponsoring partners. As far as university institutions

are concerned, Hypo Tirol Bank is also a committed partner by supporting both, science and education at the same time. Besides the foundation of a chair for the "Principles of Structural Engineering", other alumni projects, which are supposed to promote the Tyrolean network, are also fostered. Young students are awarded the "Research Grant for Innovative Approaches", which is donated by Hypo Tirol Bank. Furthermore, tourism and real-estate issues are also considered, as they have a strong influence on the Tyrolean population. Artistic and cultural projects are primarily supported on the local level. In this context, not only well-established institutions are included – young people also play a major role in this respect. By promoting the regional youth theatre, Hypo Tirol Bank clearly acknowledges the "next generation."

Since the Tyrol is known to be a country of sports enthusiasts, Hypo Tirol Bank is also a committed partner, whereas in this field sponsoring primarily focuses on mass sports. The sponsoring helps local clubs and associations to support young talents. Hence, as many Tyrolean people as possible can discover their passion for sports activities and finally do the preferred kind of sport.

VI. Employees

Hypo Tirol Bank AG is an important regional employer and is aware of the associated responsibility. The bank assumes social obligation for 587 employees (30 people employed with Hypo Immobilien Betriebs GmbH and 13 people employed with Hypo Tirol Versicherungsmakler GmbH (2017: 584 employees in total – 27 people employed with Hypo Immobilien Betriebs GmbH and 12 people employed with Hypo Tirol Versicherungsmakler GmbH). It offers interesting jobs with different perspectives and consequently contributes to the future success of the company by concentrating on human resource relations. Only if we work together, we can reach the company goals and provide the defined service – aspects that play a crucial role in relation to the success and competitiveness of a regional bank.
Partner-oriented cooperation helps Hypo Tirol Bank to generate an environment in which all employees can use their potential in an optimum way and therefore, they can create sustainable performance for the company. This cooperative philosophy also shapes the relationship with the representatives of the employees and the social partners who are actively integrated to handle all employee-related subjects and activities.

6.1. Human resource development

In order to guarantee that employees can use their full potential and to grant them the opportunity to create their careers in the best possible way, Hypo Tirol Bank AG promotes the continuous personal development of its employees. This is the only way to help them to meet the requirements of their clients, the market and to respond to the steadily changing conditions. In addition, the attractiveness of Hypo Tirol Bank AG as an employer is increased.

Vocational training and further education

As an employer, Hypo Tirol Bank AG emphasises on the strategic development of professional skills and social competences and offers interesting and versatile trainings and further education programmes. In this context, special attention is given to regulation and compliance.

A career model, which was especially designed for sales employees, opens a wide range of career chances and further education opportunities. An essential part of this career model is the enhancement of the Hypo Tirol Bank sales expertise, which serves as the foundation for training and development in the sales department. In addition to improving professional skills, special emphasis is also given to personal development, analytical capability or performance motivation. This guarantees that all employees can develop flexibly in the various sales units, and it enables them to switch between different careers.
From 2019 on, another career model will be established for internal units. The model was designed to strengthen the professional skills of our employees by offering smaller career channels and to foster the development of each single employee. The purpose of this career model is to accompany employees during their career process by means of vocational trainings and education programmes. Similar to the sales career model, professional and social competences serve as the foundation for education and development in the company.
MiFID II was one of the biggest challenges in 2018. It was perfectly mastered by offering a wide range of educational programmes such as internal and external trainings, a mandatory event about how to guarantee an optimum transfer of knowledge and e-learning sessions. In total, 171 employees attended these training programmes.
According to the strategic focus on investment, the "Advanced" investment college was structured and launched in 2018. Thus, the training level and the associated customer competence is increased by intensifying important skills. The training series is based on a modular structure. Special attention is given to the implementation of thermotical aspects in a practice-oriented manner, and consequently, everything that has been learned can be applied immediately.
In 2019, the trainings will be further developed, whereas special attention will be given to the investment sector. The goal is to train our employees to become investment experts. In this context, 30 training sessions are planned. Moreover, a "Financing Academy" will be established, which will be composed of a basic module and an advanced seminar.

Strengthening managing skills

Strengthening managing skills
As far as the development of managers is concerned, Hypo Tirol Bank follows a holistic approach, including the following elements: improvement of individual managing skills in line with the defined managing competences, personal development and life-long learning as a fundamental attitude and regular feedback interviews to identify development areas.

Prevention of money laundering and the funding of terror

A major concern for Hypo Tirol Bank is to acknowledge the development of each individual employee and to value the personal contribution to the success of the company. The management performance process comprises an interview at the beginning of the year, in which goals are set, an interview, in which the development of the employee is discussed in the middle of the year, and a comprehensive evaluation of the performance at the end of the year, with the self-evaluation of the employee playing an important role.

In 2018, 97.44% of all employees received regular appraisal reports on their performance and career development. Those employees, who did not receive an appraisal report (3.41%) were either in maternity leave, on long-term sick leave or were about to go on pension. The figures illustrated below do not include apprentices and managing board members. No data is available for the previous year. A comparison will be available in the forthcoming year.

	2018	
	Number	**Percent**
Total employees	587	100 %
Appraisal report – received	572	97,44 %
Appraisal report – not received	15	3,41 %

	2018	
	Number	**Percent**
Total employees evaluated	572	100 %
Women	266	46,50 %
Men	306	53,50 %

	2018	
	Number	**Percent**
Total employees evaluated	572	100 %
Managers	49	8,57 %
Internal departments	250	43,71 %
Sales	273	47,73 %

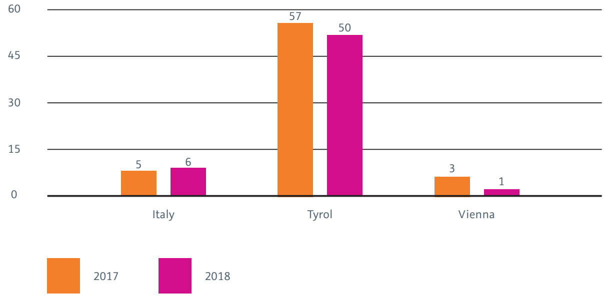
Promotion of junior employees

Each year, Hypo Tirol Bank offers young people the opportunity to take up a profession in the banking industry, either via apprenticeships or the internal trainee programme. In this way, young talents are attracted and educated, and jobs in the banking sector are made more appealing. The programmes are composed of practical training modules that are to be completed in the company and learning units that have to be attended in vocational schools for apprentices or in external educational institutions. Hypo Tirol Bank is always represented at education and career fairs, where it specifically advertises these programmes and consequently, it attracts employees. Since 2013, the regional bank has held the prestigious title "Awarded Tyrolean Training Employer", which is awarded by the Province of the Tyrol, the Chamber of Commerce and the Chamber of Labour. This award shall be understood as recognition and confirmation for the numerous activities that are offered in the context of apprenticeship.

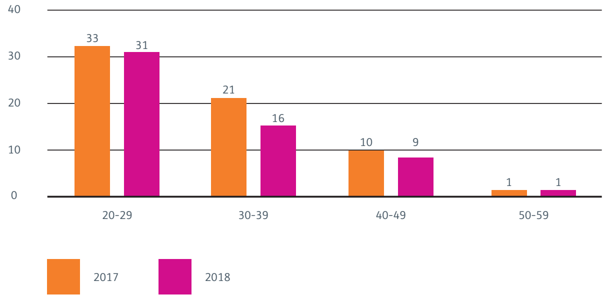
In 2017, the fluctuation of employees accounted for 10.55%. In 2018, it declined to 9.29%.

The numbers illustrated below do not include apprentices and holiday workers

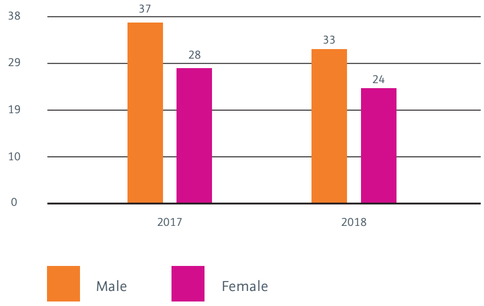
Number of new employees by region



Number of new employees by age group



Number of new employees by gender



6.2. Equal opportunities and diversity

Hypo Tirol Bank fosters a company structure which is characterised by mutual respect and appreciation. It is based on equal opportunities, social fairness, open communication and conflict ability. The defined goal is to attract the most suitable employees, to support and retain them on the long run – regardless of their cultural background, nationality, gender, religion and other diversity aspects. This is a major contribution regarding the respect for human rights.
As far as gender equality in the managing board and supervisory board is concerned, a women's quota of 25% was determined; in addition, a strategy to increase the proportion of women was established. Consequently, in case of new employment or replacement in the managing board or supervisory board not only personal and professional aspects are considered, but also a balanced composition of the board in terms of diversity.
With regard to vacancies, special attention is given to a balanced gender distribution regarding female and male candidates.

Moreover, a balanced relationship is also ensured in relation to the female and male employees who are already employed. The same applies to new experts, who contribute to the sustainable performance of the company due to their knowledge and expertise.
In this connection, Hypo Tirol Bank underscores that no charges were pressed in connection with any kind of discrimination, neither via the whistle-blower system (see section 7) nor via the complaints office established by the law & compliance department. In 2018, there were also no reports on any kind of discrimination submitted by the works council.

6.3. Reconciliation of professional and private life

Due to a flexible working time model, which does not include core working hours, and numerous part-time models, Hypo Tirol Bank helps its employees to find a well-adjusted work-life balance. In addition to our female employees, who return to the company after maternity or parental leave, an increasing number of male employees make use of this system as well. In 2018, 35 men and 32 women were entitled to maternity leave, whereas 2 men and 30 women made use of their right. In 2016, the return rate after maternity leave accounted for 58.33% and in 2017 it accounted for 50%.
In addition, more and more men also make use of what is called “Papamonat” (dad’s month). In 2017, only one employee made use of this special type of parental leave, whereas in 2018 already three men “took a month off”. We expect this special offer to become increasingly popular in the future.

6.4. Health care and work

Hypo Tirol Bank AG is perfectly aware that a health promoting working environment is the basic requirement to make sure that all employees are able to work and to do their job efficiently. This concept includes measures to guarantee occupational health and safety and to reduce physical and mental strains caused by work. The health care programme includes a company doctor, who provides help concerning medical questions for all employees during their working hours, vaccination campaigns, birthmark check-ups and specialist lectures, which are held in the context of the internal training and further education programmes. Moreover, it is possible to arrange a free coaching session with an external coach to tackle individual problems. This completes the activities to promote the physical and mental wellbeing of our employees.

In order to support physical activities and encourage people to exercise, Hypo Tirol Bank promotes regional and cross-regional events, organised by employees. Every year, various sports events such as tennis, football or skiing championships are held.

Investing into the future – vocational training and further education

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

Average number of hours – vocational training and further education per female employee	2016	2017	2018
Total number of hours - vocational training and further education for female employees	4.331	6.188	6.382
Total number of female employees	306	288	279
	14	**21**	**24**

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

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

Average number of hours – vocational training and further education per employee category	2016	2017	2018
Total number of hours – vocational training and further education: category “internal department”	3.483	5.619	5.447
Total number of employees in this category	296	277	225
	12	**20**	**21**

VII. Principles of ethics and integrity

According to Hypo Tirol Bank, financial markets and financial services in particular are based on the confidence of market participants and clients. All services and business transactions are provided or carried out by Hypo Tirol Bank in a fair manner that is transparent for other market participants. The success primarily results from Hypo Tirol Bank's solid and faithful relationship with its clients and employees.
For that reason, Hypo Tirol Bank has been doing business in accordance with comprehensive compliance directives for decades. By doing so, the bank demonstrates and guarantees that the bank itself, its organisations and employees act in consistence with all legal provisions and prohibitions.
The compliance directives are based on the regulations as stipulated in the European Market Abuse Directive, the EU provisions concerning the regulation of financial markets MiFID II/MiFIR, the Austrian Securities Supervision Act (WAG 2018), the Prevention of Money Laundering and Funding of Terrorism Regulations as well as the International Law Against Corruption.
The purpose of these provisions is to prevent insider dealing, market manipulation or market abuse, or to avoid conflicts of interest and any form of money laundering and funding of terrorism or corruption in the context of the business activities carried out by Hypo Tirol Bank. In addition, all compliance-related risks, resulting from any failure to act in accordance with laws, regulatory provisions, any other recommendations or internal guidelines shall be reduced.

7.1. Compliance organisation

In order to meet all above-mentioned legal requirements, Hypo Tirol Bank established a compliance facility with qualified employees and a supportive IT assessment system.
Since the re-integration of the former fully licensed bank of Italy on 1 October 2013, all compliance functions have been managed by the law & compliance department. The compliance representatives directly report to the managing board division for business transactions. The report is submitted to the managing board of the corporate group and to the supervisory board.

7.2. Prevention of money laundering and the funding of terrorism

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

7.3. Combatting corruption

Hypo Tirol Bank prevents and combats corruption by means of separate work instructions.
In order to facilitate the application of rules, and for the purpose of better understanding, both scenarios regarding "giving non-cash benefits – gift giving" and "accepting non-cash benefits – gift accepting" are explained in detail on the basis of a traffic-light system via specific examples. All employees of Hypo Tirol Bank are regularly informed about any update of these strict regulations via trainings and tests.
This process prevents any kind of failure and reduces the risk of unfair and unjustified enrichment via corruption and acts of bribery and all corresponding legal uncertainties and increased expenses.
In the reporting period, no case of corruption was identified.

7.4. The protection of human rights

The protection of human rights represents an essential part of Hypo Tirol Bank's identity. To avoid possible infringement of human rights, Hypo Tirol Bank assesses its business activities and thus guarantees the compliance with all applicable laws, regulations and external and internal directives.
Hypo Tirol Bank will never carry out transactions or implement projects if recognisable forced labour (including human trafficking and prostitution) or child labour is involved or if actions violate

- the European Convention on Human Rights,
- employment rights or social rights and obligations applicable in the respective country,
- applicable regulations of international organisations, in particular all corresponding UN conventions,
- the rights of the local population or minority rights.

7.5. Whistle-blower system

Besides the compliance facility, where perceptions can be reported, the web-based whistle-blower system created by Hypo Tirol Bank serves as an essential internal tool to detect possible misconduct.
Hypo Tirol Bank established a modern, web-based and – if the informant desires – absolutely anonymous internal whistle-blower system.
The structure of the whistle-blower system complies with the Austrian Banking Act section 99a and comprises three explicitly required features

- The whistle-blower is granted anonymity
- Any communication between whistle-blower and recipient remains strictly confidential
- The prevention of abuse is guaranteed

In the context of quarterly reports, the audit division regularly informs the managing board about the number and the content of possible reports and about the current state of prosecution of notifications. The managing board informs the works council about the current situation in the context of its quarterly meetings.
The internal guidelines designed for the whistle-blower system were integrated into the work instructions of Hypo Tirol Bank and ensure the following applications:

- Specified procedures regarding the receipt of reports on violations and their prosecution;
- Provision of appropriate protection for the employees who report violations within the bank, at least protection against retaliation, discrimination or other types of mobbing;
- Personal data are protected in accordance with the principles stipulated in the Data Protection Directive 95/46/EC concerning the person who reports the violation, as well as the natural person who is responsible for the violation;
- Clearly defined rules, which guarantee the non-disclosure of the identity of the person who reports the violation, unless such disclosure of the identity is compulsory in the context of preliminary investigations by public prosecution, legal proceedings or any other proceedings concerning administrative law.

7.6. Complaint management

The purpose of complaint management is to solve disputes or to act as a mediator between the complainant (client) and Hypo Tirol Bank concerning cases where no direct settlement with the consulting agent or the branch office or the respective department was reached.
A complaint is any kind of expressed discontent, raised by an entity or a natural person regarding a specified request in connection with a specified business matter, and addressed to Hypo Tirol Bank, provided that no other dispute is already pending before court or another arbitral tribunal or that a judgement has already been delivered in relation to the same matter.

Pursuant to the ESMA and EBA guidelines for handling consumer complaints in the securities and banking sector a complaint is an expressed discontent in connection with:

- the provision of services in the securities sector in connection with MiFID, the UCITS directive or AIFMD;
- banking services as stated in annex I of CRD;
- a service provided in relation to the common portfolio management in the context of the UCITS directive.

Any express of discontent is handled in the context of the complaint management process by Hypo Tirol Bank in a transparent manner.
The tasks of the complaint office in the law & compliance executive department are

- to accept the complaint submitted by the client,
- to classify the complaint,
- to evaluate the processes and the responsible units affected by the complaint,
- to ensure that the normative and operative conformity of the affected processes is assessed, and

to inform the responsible units of the processes in order to obtain clarifying explanations that are required by the complaint office.

7.7. Data protection

The provisions as stipulated in the General Data Protection Regulation (GDPR) and the provisions as stipulated in the Austrian Data Protection Act as amended in accordance with the 2018 Data Protection Adjustment Act and the 2018 Data Protection Deregulation Act have come into force on 25 May 2018.
Hypo Tirol Bank AG is well aware of its responsibility regarding any kind of personal data it has in its possession. In this context, data will be used with the utmost care and privacy is respected by taken all appropriate measures to guarantee the safety of all processed personal data.
For the purpose of protecting the privacy of our clients, the collection of personal data is only carried out to a limited extent. Data are processed in compliance with all legal provisions and the collection, use and protection of data will be disclosed.
Personal data are processed for a specific purpose only.
Pursuant to section 6 of the EU Data Protection Regulation Hypo Tirol Bank AG only processes data, if:

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

Further information in relation to data protection in accordance with the EU Data Protection Regulation section t 13 et seq. Are provided by Hypo Tirol Bank AG in paper form and online.

Please see: https://www.hypotirol.com/oesterreich/sicherheit-recht/datenschutzerklaerung/. If a party concerned asserts the right to obtain information, the claim shall be handled in compliance with the EU Data Protection Regulation section 15 and the respective information will be provided in a timely manner. Hypo In order to guarantee the implementation in compliance with all legal requirements of the EU-DPR, Hypo Tirol Bank AG established a data protection management system (EU-DPR sec. 24 et seq.), a concept to be used in the event of data protection violations (EU-DPR sec. 33 et seq.) and a data protection impact assessment.
In the 2017/2018 reporting period, no complaints regarding a violation of data protection were submitted. Apart from that, there was no case of data theft or data loss.

VIII. GRI content index

Based on the guidelines published by the Global Reporting Initiative (GRI standards: report on selected standards in accordance with the GRI referenced application option) the present report describes general information as well as economic, ecological and social aspects regarding all subjects that are considered to be relevant in accordance with the materiality analysis. The reporting period refers to the 2018 business year (1 January to 31 December 2018).

GRI standard	GRI specifications	Page(s) and/ or URL(s)	Omission/note
GRI 101: Basic principles 2016 General information			
Organisational profile			
GRI 102: General information 2016	102-1 Name of organisation	Legal notice	
	102-2 Activities, brands, products and services	3ff	
	102-3 Headquarters	Legal notice	
	102-4 Branch offices	3	
	102-5 Ownership and legal structure	3	
	102-6 Markets served	3	
Ethics and integrity			
GRI 102: General information 2016	102-17 Procedures regarding ethics consultations and concerns	12ff	
Management			
GRI 102: General information 2016	102-18 Management structure	4	
Inclusion of stakeholders			
GRI 102: General information 2016	102-40 List of stakeholder groups	5	
	102-42 Determination and selection of stakeholders	5	
Reporting approach			
GRI 102: General information 2016	102-46 Determination of content and subjects	5ff	
	102-47 List of fundamental subjects	5	
	102-50 Reporting period	3	
	102-51 Date of the current report	14	
	102-52 Reporting cycle	14	
	102-53 Contact information in case of questions regarding the report	Legal notice	
	102-55 GRI content index	14	
Fundamental subjects			
Combatting corruption			
GRI 103: Management approach 2016	101-1 Explanation of fundamental subjects and their differentiation	12	
GRI 103: Management approach 2016	103-2 The management approach and its components	12	
GRI 103: Management approach 2016	103-3 Assessment of the management approach	12	
GRI 205: Combatting corruption 2016	205-3 Confirmed cases of corruption and measures taken	12	
Energy			
GRI 103: Management approach 2016	101-1 Explanation of fundamental subjects and their differentiation	6	
GRI 103: Management approach 2016	103-2 The management approach and its components	6	
GRI 103: Management approach 2016	103-3 Assessment of the management approach	6	

GRI standard	GRI specifications	Page(s) and/ or URL(s)	Omission/note
Energy			
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	6	
GRI 302: Energy 2016	302-4 Reduction of energy consumption	6	
Vocational training and further education			
GRI 103: Management approach 2016	101-1 Explanation of fundamental subjects and their differentiation	9ff	
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