Annual Report 2014

HYPO TIROL BANK

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Focussing – We focus on where we come from and who we are: the Tyrolean State Bank – a reliable partner for both, the people and the economy of our country. These are the roots – to fulfil the requirements is our ambition.

The golden eagle maintains a fix territory; very often it wide-ranging and as large as 150 km². While searching for food, eagles are circling in the sky for hours, focussing on prey from a great height and then catch it by surprise near the ground.

Dear Tyrolean people!
Dear clients of Hypo Tirol Bank!

Hypo Tirol Bank still has to cope with substantial challenges. The joint liability of all Austrian Hypo Banks towards the Austrian Mortgage Bond Division (Pfandbriefstelle Österreich) or more precisely, the liability regarding issues lent by Hypo Alpe Adria “becomes effective” and again places a burden on us. This is particularly painful, because actually we have already overcome the crisis resulting from the required impairment in Italy. Nevertheless, Hypo Bank Tirol is headed in the right direction in order to achieve economic success in the future, not only for the owner, the Province and the Tyrol, but also for all Tyrolean people. Going this way requires a lot of effort and we have not reached the end of this way by far. However, the signs point into the right direction: 2014 was – only considering the work of the bank – a very successful year for Hypo Tirol Bank, even though it was marked by strong competition and an enduring phase of low interest rates.

Without additional impairment in relation to HETA securities, the result from ordinary business activities would have increased by 19.60% compared to the previous year. However, our focused work is not only reflected in the company figures, the market itself and Moody’s credit rating agency were responsible for this development as well.

For the first time since 2007, Hypo Tirol Bank has traded its own international issues on the capital market. The volume amounting to EUR 360 million was subscribed within 1.5 hours.

At this point I actually wanted to tell you that the things we have accomplished give us space, time and power to look ahead and prepare the bank for all future challenges in the best possible way. Basically, this message has not changed, with the exception that the things we have accomplished now grant us the opportunity to overcome the challenges resulting from the payment moratorium in relation to HETA, which was enacted by the Ministry of Finance, together with the owner, the Province of the Tyrol. In this respect I would like to point out that our attitude has not changed at all. We will continue to do everything in our power to avoid future damages for the bank and to offer our clients a powerful, more service oriented and more productive Hypo Tirol Bank. All Tyrolean people and companies are of utmost importance to us.

I would like to thank our staff members for their support and for joining us on a way, which obviously is not always an easy one.
The Tyrol truly needs a successful state bank.

Yours,
Mag. Wilfried Stauder
Chairman of the Hypo Tirol Bank AG supervisory board

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In the course of a gliding flight golden eagles spread their wings. This reduces air drag and increases the gliding ratio by 11% in comparison to other birds. By doing so, the eagle saves energy.

Thriftiness – Saving money is considered to be a Tyrolean virtue and in addition it represents the core business of every credit institution. Saving is not only associated with money, saving refers to various areas of life. Saving is a subject of major concern - for our clients and for us. We pay attention that resources are used efficiently.

Dear sirs and madams!
Esteemed clients and partners!

Even though 2014 was a year full of challenges, it was also successful and satisfying in many aspects. The emphasis that was put on our core tasks and core competences required restructuring processes in many areas. On the other hand, re-dimensioning is the only way to achieve more efficiency and, above all, to safeguard our competiveness. This means that Hypo Tirol Bank should return to its traditional and historical values, its strengths and potentials. Tradition represents preserved progress and progress represents advanced tradition.

It is very pleasing to see that our clients appreciate the way we have chosen; it was revealed in a customer survey that had been conducted in 2014. The expertise of our staff members and personal service were evaluated extremely positive. A subject that required intensive service in 2014 was the pension plan. The slogan "lückenlos vorsorgen" (providing without a gap) helped us to deal with the worries and questions of our clients regarding the pension gap – holistically and individually. Another component of our service philosophy is to offer consultations in connection with the age of legal majority, especially developed for young adults. In the course of what is called a "chick-in" meeting, we respond to the wishes and questions of young people and support them with handy advice so that they can responsibly manage money matters on their own. Apart from that, some successful initiatives were launched which allowed us to address the concerns and interests of our fellow Tyroleans and to give some positive signals. In the context of a financing initiative entitled "Impulse für Tirol" (Impulse for the Tyrol) we provided EUR 300 million for small and medium sized enterprises in order to boost investment activities and safeguard the competitiveness of Tyrolean companies. The initiative entitled "Tirol spart" (the Tyrol is saving), which was implemented in autumn, encouraged all Tyrolean people to think about their savings behaviour and share their ideas in relation to savings possibilities in different areas of life. Not only is saving the core business of every bank, it is also a virtue, and without that virtue it would not be possible to create welfare.

In 2014, we succeeded in gaining about 5,000 new clients in the Tyrolean core market, which perfectly reflects that people appreciate our commitment. Moreover, the confidence of industrial investors could also be strengthened. The demand for the first large-volume issue since 2007 was overwhelming. Already two hours after the placing of the publicly secured bond the issuing volume amounting to EUR 300 million, was subscribed 1.5 times. Credit insitut8ons, insurance companies, and asset managers from various European countries provided themselves with the product. This symbolises the confidence in our state bank because there is no harder test concerning confidence into a bank than the market itself. The amount of €UR 300 million will be provided in form of local authority loans for investment projects in the Tyrol, e.g. schools, kindergartens or infrastructure.

In terms of media, 2014 – just like the previous years – was not an easy one. Hypo Tirol Bank hit the headlines at all times. At the end of the year, the publication of the Audit Court report, which had been ordered by the Province of the Tyrol in 2011, aroused public interest. At this point, the managing board would like to underscore that the criticism voiced in the report is correct in content and justified. Nevertheless, the strategic changes which were required because of the wrong developments in the years 2003 to 2010 have proven to be successful. All measures that were initiated and that have been implemented to a large extend are congruent with the recommendations given in the Audit Court report. Moody's credit rating agency also agreed in this respect and reacted with an upgrade to Baa2 in October 2014. By taking this step, Moody's acknowledged the consistent efforts that had been made over the past years with regard to cost cutting, improvement of risk management and the alteration to a smaller but more profitable business model.

The events and the public discussion in relation to "Hypo Alpe Adria" have had major impact on both, the reputation and the profit situation of the Tyrolean state bank, even though the business development can be described as consistently positive. Capital resources with a core capital rate of 10.80% are rather substantial. In addition, the development of the balance sheet total corresponds to the defined company goals. In 2014, it decreased by nearly EUR 647 million to EUR 8.30 billion. The loan provision calculated for 2014 developed according to plan. By consistently reducing high-risk loans in Italy together with the positive development in re-

Mag. Johann Kollreider and Johann Peter Hörtnagl

lation to new businesses we successfully achieved a reasonable ratio between profit and risk.

At the moment we have to cope with the situation that according to the payment moratorium enacted by the financial market authority, the successor of Hypo Alpe Adria, more precisely "HETA" shall no longer be liable for bonds issued by the mortgage bond division. In order to guarantee the continuance of the Pfandbriefbank Österreich AG and to avoid further damage for the Hypo sector and Austria as a financial centre, all participating Hypo bank institutions, in other words also Hypo Tirol Bank shall provide liquid assets. Because of the excellent liquidity situation of Hypo Tirol Bank the effects of this provision are noticeable but they can be absorbed easily. Unfortunately, due to the required provisions, the decision made by the government turns the positive development into the opposite. Hypo Tirol Bank had to complete the fiscal year 2014 with a negative result. However, what is more important is that our consistent restructuring process allows us to continue to unlimitedly safeguard our client's deposits and our liability regarding the bonds

Finally, it is important for us to express our gratitude to our clients and above all to our owner, the Province of the Tyrol and all employees for the comprehensive support and the loyalty towards "our state bank". Progress needs time. Many small steps must be taken to get back on track. Being decisive and having a common goal we can jointly work on the further development of our state bank.

Mag. Johann Kollreider **Johann Peter Hörtnagl**

Individual Initiative – we take up issues that are of relevance for both, the Tyrolean economy and the Tyrolean people. With project entitled "Tirol spart" and "impulse für Tirol" we initiated progress – for and together with our clients.

The golden eagle is perfectly equipped to survive in the Alpine region and it is an active predator. With a wingspan of up to 2.30 m it is one of the largest birds in Europe. Despite its size, it is a very agile bird with perfect flying skills.

Consolidated
Financial Report 2014

I. Report on Business Development and Economic Situation

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

Being the Tyrolean state bank, Hypo Tirol Bank has always focused on close relations with its clients. The central idea is to promote a strong country with a strong bank. The overall objective in this context is to strengthen customer confidence and to contribute to social and economic welfare.
Operating as a universal bank, Hypo Tirol Bank basically covers four strategic business sectors: private clients, private banking and liberal professions, corporate clients and public institutions. Due to comprehensive service, personal relations and cooperation on a partnership basis the client is put into the centre of attention.
Hypo Tirol Bank fulfils its responsibility to guarantee a positive development in the Province of the Tyrol in many respects. The service package of Hypo WohnVision allows Hypo Tirol Bank both, to support the creation of private housing and additionally make investments in commercial housing. By funding numerous small and medium sized enterprises, it promotes the competitiveness of the Tyrolean economy on national and international level. Due to the successful cooperation with Tyrolean communities, the Tyrolean population benefits from the implementation of manifold projects.
Apart from offering classic bank service, Hypo Tirol Bank is a convinced sponsor of cultural events and supports many projects in this context. By doing so, it safeguards cultural values and takes on responsibility to guarantee social justice.

I. 2. Report on the Branch Offices

Since its foundation in 1901, Hypo Tirol Bank has inseparably been associated with the country and above all with the people who live and work in this region. With 20 branch offices operated in all district capitals and important urban areas of North and East Tyrol, it is strongly rooted throughout the regions.
In the South Tyrol, Hypo Tirol Bank is represented by branch offices run in Bolzano, Bressanone and Merano. In addition, the Tyrolean state bank operates a branch office in Vienna, with the market presence being adapted to the core market.

I. 3. Economic Conditions in 2014

Market Review 2014

In 2014, the market was determined by the weakness of world economic growth, in particular by the divergence between the USA and Europe. While the economic situation overseas increasingly improved despite a weak first quarter that had been caused by bad weather conditions, the lack of economic dynamics in the Euro area lead to disappointment. In the second and third quarter, economic performance in the monetary union only increased slightly with +0,1% respectively +0,2% In comparison to the corresponding previous quarter. Some countries, such as Greece or Italy even found themselves in recession. This unpleasant development was caused by the gloomy economy in connection with continuing Ukraine crisis and by weak economic dynamics in developing countries.

Despite this situation and compared with historical standards, most prices on the international capital markets developed very well in 2014. A basket of diversified global stocks increased by +12.60%, and the development of government Euro bonds (in particular with a longer maturing time) with an increase +8% was also very positive. However, raw materials suffered clear losses with a dramatic price collapse regarding energy raw materials. The price of crude oil almost declined by half in the course of the year (based on the price of the leading European North Sea type Brent). In addition, due to the historically low money market interests, cash investment generated hardly any yields for the second year in a row.

The weak economy together with the drastic energy price reduction resulted in a clear decrease in the high cost of living. In November 2014, the increase in the consumer price index in the Euro area only amounted to +0.3% (year-on-year). In December, the index amounted to -0.2% (year-on-year) and thus even reached a negative level. The European Central Bank was increasingly alarmed by the extremely weak inflation, which endangered the bank's inflation goal to maintain inflation rates of "below, but close to 2%". In the course of the year, the monetary watchdogs cut the key interest rate to finally +0.05%. Additional unorthodox measures, such as the purchase of bond certificates or other asset backed securities (ABS) were supposed to counteract the stagnant granting of credit on the part of the credit institutions and call a halt to regressive inflation. For that reason, return rates of Euro bonds (government and corporate bonds) declined clearly in the course of the year, while the prices strongly increased. Negative news from Greece shortly before the turn of the year (regarding early elections and revived speculations about the exit from the euro area) resulted in a higher demand for government bonds considered safe.

In the middle of 2014, high yield bonds had to face increasing pressure, which resulted from extended spreads. The highly positive value change of government bonds in US Dollar was rather attributable to the positive dollar effect (revaluation against the Euro) than to a rise in prices.

Moreover, having a look at the regional stock market development, the very pleasing value development of North American stocks was prominent. Besides the positive Dollar effect, the strong performance of American stock exchanges in domestic currency was responsible for this progress. The Japanese stock market also showed a pleasing annual result. When the Japanese central bank announced to take new measures, the stock prices started rising. Europe however, presented itself relatively weak in this context. Due to the partial linking to the US Dollar, the value development of stock exchanges in Asia and threshold countries to a large extend also resulted from the strengthening of the US Dollar against the Euro.

Apart from the US Dollar, the British Pound and the Swiss Franc also revaluated against the Euro, because the interest rate cut and the intended increase in total assets by the European Central Bank made investments in the Euro area more attractive and thus weakened the Euro. This caused major problems for the Swiss central bank, which had to made investments in the foreign exchange market in order to defend the self-set price limit of 1.20 CHF/Euro.

Economic Development in our Market Areas – Review 2014

In 2014, the world economy faced rather paralysing dynamics. This situation was mainly caused by the Ukraine/Russia crisis and the missing stabilisation of the economic boost that had started in 2013. The effects also influenced our market areas noticeably.

In both, Austria and Italy, the growth speed in 2014 was slower than expected, which led to an intensification of the unemployment problem. The present, significant economic indicators of our market areas in 2014 showed an economic revival which was not strong enough. As far as 2015 is concerned, dynamics are supposed to increase, however, only in a restrained manner.

Austria – Weak Economic Growth and Worrying Situation regarding the Employment Market

In 2014, economic growth in Austria amounted to 0.3%. The Austrian economy has been suffering from weak growth since 2012. There was hardly any positive stimulus provided by the world economy. Only in the second half of 2013 the economy slightly recovered and the leading indicators showed a clear upwards trend. Contrary to these expectations, economic performance has stagnated since the beginning of 2014. Hence, in the forecasting period domestic growth was, on average, 0.2% lower than in the Euro area. The situation regarding the labour market remained difficult: in 2014, the unemployment rate increased to 5% (according to EU evaluation criteria). With regard to the inflation rate, the downward trend continued and it finally amounted to 1.7%.

Province of the Tyrol – Economic Growth and Unemployment Rate Showed no Improvement in Comparison to the Previous Year

Even though the graph of the current Tyrolean economic situation slightly points upwards, the condition will not improve compared to the previous year. This development had negative effects on the labour market: the number of unemployed increased by nearly 7%. Although the Tyrol is better off than the other provinces (comparison among Austrian provinces), the situation remains worrying. With regard to the development of the consumer price no inconsistencies compared to national average were indicated. It slightly decreased to 1.7%

Italy – Ongoing Recession Accompanied by Drastic Increase in Unemployment

In general, the economic situation in states suffering from the debt crisis definitely stabilised. The same applies to Italy. After GDP in 2013 had declined by -1.9%, economic performance in 2014 amounted to -0.4%. Even though this data indicates an upward trend, the unemployment rate increased again and reached a value of 12.6% (according to EU evaluation criteria). At the same time, the weak economic development resulted in the defusing of the problems related to the upsurge of prices. The inflation rate declined from 1.3% in 2013 to 0.2% in 2014.

South Tyrol – Another Year of Crisis in Italy – We got off cheaply

Due to the missing recovery in Italy, the South Tyrolean economy slowed down, however, this slowdown was less intensive than in Italy as a whole. Hence, the South Tyrol registered zero growth in 2014. The unemployment rate amounted to 4.2% (according to EU evaluation criteria). With regard to increasing consumer prices, the South Tyrol also registered recession: the inflation rate amounted to 1.2%

I. 4. Business Development

Balance Sheet Development

As expected, the balance sheet total of the past year amounted to 8.3 billion Euro, and thus was 7.3% below the balance sheet total of the year before (2013: EUR 8.9 billion). This development reflects the bank's newly taken approach.

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

Receivables from credit institutions after risk provision
On 31 December 2014, receivables from credit institutions accounted for EUR 309.5 million (previous year: EUR 477.1 million), thus they have decreased by EUR 167.7 million compared to the previous year. The decline primarily resulted from the reduction of investments in the Swiss National Bank.

Receivables from clients after risk provision
On the balance sheet date, receivables from clients after risk provision amounted to EUR 5,367.2 million (previous year: EUR 5,583.8 million). Therefore, the decline accounted for EUR 216.6 million with the amount being evenly distributed among all client segments.

Financial assets – AFS
This item's balance sheet total decreased by EUR 115.5 million to EUR 840.9 million (previous year: EUR 956.4 million. The decline primarily referred to bonds of public issuers.

Financial assets – HTM
The decline in financial assets – HTM accounted for EUR 48.4 million and primarily referred to bullet bonds of other issuers. Consequently, on 31 December 2014 financial assets – HTM in the amount of EUR 150.1 million (previous year: EUR 198.5 million) were designated.

Liabilities to credit institutions
The rise in interbank accounts basically led to an increase in this item, which accounted for EUR 16.7 million. On the balance sheet date liabilities to credit institutions amounted to EUR 470.3 million (previous year: EUR 453.6 million).

Liabilities to clients
The sum of savings deposits including fixed-term passbook savings accounts showed a decrease of EUR 40.9 million in 2014. Time deposits showed a decline in the amount of EUR 32.6 millon, whereas giro accounts increased by EUR 216.1 million. The entire item increased by EUR 142.6 million to EUR 2,811.6 million (previous year: EUR 2,669.0 million).

Liabilities evidenced by certificate
Issues in the amount of EUR 298.8 million and liquidations in the amount of EUR 291.1 million resulted in an increase in liabilities evidenced by certificate, which amounted to EUR 1,247.1 million (previous years: EUR 1,238,5 million).

Liabilities evidenced by certificate – designated at fair value
The item liabilities evidenced by certificate – designated at fair value included issues in the amount of EUR 151.3 million and liquidations in the amount of EUR 895.0 million. In addition, changes in valuation accounting for EUR 44.1 million resulted in a balance sheet total of EUR 2,740.3 million (previous year: EUR 3,556.5 million).

Capital Resources

From 2014 on, based on the new 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 BANK TIROL AG, the supervisory consolidation circle corresponds to the consolidations circle according to IFRS.

The following data disclose equity capital requirements of HYPO TIROL BANK AG according to CRR/CRD IV as of 31 December 2014, respectively according to Basel II as of 31 December 2013 and illustrate the components of the group's equity capital. The comparative figures as of 31 December 2013 have not been adapted to the current structure and method and correspond to the published figures.

Eligible equity capital in accordance with CRR/CRD IV decreased by EUR 5.6 million in comparison to the previous year; in consideration of all deduction items it amounted to EUR 561.6 million on 31 December 2013 (previous year: EUR 567.2 million). Required equity capital decreased by EUR 11.4 million within this period. On the balance sheet date, the equity capital ratio amounted to 13.52% (previous year: 13.20%) and thus increased by 0.32% in comparison to the previous year. Consequently, HYPO TIROL BANK AG fulfils all corporate group requirements regarding equity capital as stated in CRR/CRD IV. Equity capital surplus accounted for EUR 229.2 million (previous year: EUR 244.8 million).

On the balance sheet date, core capital (Tier 1) accounted for EUR 448.7 million (previous year: EUR 429.9 million. Supplementary equity capital (Tier 2) in consideration of deduction items according to Article 66 (own shares supplementary capital) amounted to EUR 112.9 million (previous year: EUR 137.8 million). On the balance sheet date, the core capital ratio amounted to 10.80% (previous year: 10.33%).

Achievements

In the financial year 2014, HYPO TIROL BANK AG once again followed the determined strategy to focus on the Tyrolean core market. Years of restructuring and cutting risk positions slowly started to show some positive effects. For that reason it was possible to clearly reduce risk management.

Due to the moratorium, issued by the Financial Market Authority (FMA) on 1 March 2015, HETA ASSET RESULUTION AG (formerly known as Hypo Alpe Adria Bank International AG) shall not be liable to pay outstanding receivables of the Mortgage Bond Division (Pfandbriefstelle) anymore. In order to continue the operation of Pfandbriefbank Österreich AG (Austrian mortgage bank) and to avoid further damage for the Hypo sector and Austria as a company location, all participating Hypo Bank institutions, that is to say Hypo Tirol Bank, shall provide liquid assets. With regard to the existing risk that the Mortgage Bond Division will not be able to pay the respective debts in whole, and HYPO TIROL BANK AG, all other mortgagee banks as well as the respective guarantors of the creditors of the Pfandbriefbank AG or Mortgage Bond division claim their rights in the legal framework of joint and several liability, financial means in the amount of EUR 38.7 million have been provided.

Prior to consideration of the provision for contingent losses in connection with HETA ASSET RESOLUTION AG, HYPO TIROL BANK AG achieved a very pleasing ordinary business result in the amount of EUR 23.5 million. After consideration of the provision for contingent losses the group designated a negative ordinary business result that accounted for EUR 15.2 million.
In the expired financial year 2014, HYPO TIROL BANK AG once again followed the determined strategy to focus on the Tyrolean core market. Years of restructuring and cutting risk positions slowly started to show some positive effects. For that reason it was possible to clearly reduce risk management. Consequently, a pleasing consolidated result prior to taxation in the amount of EUR 21.6 million could be achieved.

The following details illustrate substantial changes referring to the profit and loss account:

In the past fiscal year net interest income slightly increased by EUR 0.2 million to EUR 99.4 million (previous year EUR 99.2 million).

The precise target to cut risk positions allowed to considerably reduce risk provision regarding receivables from clients. Due to provisions in connection with HETA ASSET RESOLUTION AG, cumulative risk provision amounted to EUR 53.7 million (previous year: EUR 27.9 million), which corresponds to 0.94% of receivables from clients prior to risk provision (previous year: 0.47%)

Trading results increased by EUR 3.1 million to EUR -0.2 million in the fiscal year (previous year: EUR -3.3 million).

In 2014, administrative expenses amounted to a total of EUR 81.4 million (previous year: EUR 82.9 million). The diminution, which amounted to EUR 1.4 million, was caused by material expenses, which accounted for EUR 23.4 million in the reporting year (previous year: EUR 25.9 million). However, personnel expenses rose by EUR 3.4 million to EUR 53.6 million (previous year: EUR 50.2 million). This increase results from the altered interest rate to determine actuarial gains/losses as well as from the provision in context with the agreed objective to reduce the number of employees.

Hence, the business year 2014 showed a result in the amount of EUR -18.5 million prior to taxation (previous year: EUR 18 million) Subsequent to the deduction of current tax expenses, which amounted to EUR 7.3 million, the result after taxation accounted for EUR -25.8 million (previous year: EUR 15.0 million).
In consequence of the excellent liquid assets situation of Hypo Tirol Bank, the annual deficit, which solely resulted from the provision for contingent losses in connection with HETA ASSET RESOLUTION AG, does not impose a significant burden for the group.

I. 5. Business Development in Single Business Sectors

Private Clients

Providing high quality customer service and customer oriented support represent the paramount objective in the field of customer relations - confidence and close personal relationships have become more important than ever. In order to make it perceptible for all people living in the regions that Hypo Tirol Bank is "our federal state bank", regional emphasis was put on the branch offices and on public subjects.
Hypo Tirol Bank complemented its range of service by some attractive products and by doing so demonstrated innovative spirit and that it acts in line with requirements.

Asset management is a subject of major concern to all our clients. Having a look at the current interest level makes our investors frown. Considering the situation, the challenge is to find a balance between security and profit in the best possible way. Financial investment is not a gut decision anymore; it is a decision that should be made in a thoughtful and calm manner. In this context, comprehensive advice and support is required. Hypo Tirol Bank and its consultants are experts in terms of savings and investment and provide their entire knowledge to offer our customer best service quality.

As a result of the financial crisis, the demands of investors have changed severely. Instead of expecting returns above average, clients now prefer transparency and preservation of capital. Modern financial investment must be flexible, well-balanced and above all cost-efficient. For that reason, the securities experts of Hypo Tirol Bank cooperated with Professor DDr. Jürgen Huber of Innsbruck University to develop an attractive alternative to traditional investment products. “Profit Funds” convinces with a scientifically optimised return-risk-ratio and is based on Nobel Prize winning results achieved by Eugene Fama and Robert Shiller. Professional management allows the new product “Profit Funds” to use chances and avoid risks; moreover, only low costs are involved in order to optimise returns.

With regard to sophisticated investment (more than EUR 50,000) Hypo Tirol Bank also offers an interesting model. Hypo asset management includes all advantages of a professionally approved portfolio, that is to say temporal relief, experience, professional knowledge and high flexibility. By employing the most modern models, the experts of Hypo Tirol Bank daily observe market changes, react according to the respective investment strategy, manage all current investment decisions and regularly inform about the development of the assets. The service is charged on the basis of a transparent and attractive pricing scheme. Especially in this sector, Hypo Tirol Bank enjoyed growing popularity among its clients in 2014, which underscores the competence of the federal state bank in the field of modern investment.

Furthermore, Hypo Tirol Bank offers its current clients a fast, non-bureaucratic consumption loan – a product called “Fluxkredit“. The entire management including disbursement is handled within only 30 minutes. This new product now allows all clients of the federal state bank to fulfil their wishes in a fast and simple manner.

Since June 2014, many Tyrolean people have received letters from the Austrian Federal Pension Fund. Very often they are quite surprised about the amount of the first credit note mentioned in the letter. For the first time, all people concerned see their pension gap in cold print. A survey referring to pension funds, which was conducted by the Tyrolean state bank, showed that only one out of ten persons had already gained detailed information about the effects of the pension account. Two third of the people questioned believed that they could not or at least not sufficiently finance their remaining years by means of a state pension scheme. Nevertheless, less than half of the interviewees had a private pension fund. These figures clearly verify that the population is really worried and uncertain and that a lot of efforts must be made to create awareness and to throw light on the situation. Hypo Tirol Bank has dedicated itself to fulfil this task. In the context of holistic customer care and comprehensive future planning, the consultants of Hypo Tirol Bank determine the pension gap and illustrate wise possibilities regarding pension funds. This process must not necessarily involve a classic pension scheme product; it can also include a savings product or real estate investment – depending on the individual options and goals.

In order to improve consulting quality for the target group of young adults and to meet the special needs in connection with adulthood, Hypo Tirol Bank developed the “Check-in” Interview. Young people want to stand on their own feet and want to enjoy their independence. Freedom and flexibility play a vital role in this part of life, also in financial terms. Financial flexibility mans to create a life according to one’s individual ideas. A very important aspect in this context is to choose the right partner – also in financial matters. The customer consultants offer unique consulting service to support young people on their way to financial independence by providing information, experience and practical advice regarding money.

In times of steadily increasing cutthroat competition, the acquisition of new clients is of utmost importance. Hypo Tirol Bank welcomes its new clients by offering a wide range of attractive services, products and also activities.
Just like in the past two years, Hypo Tirol Bank succeeded in increasing the number of clients. This proves that the products and services offered by the federal state bank meet the expectation and requirements of the population and are accepted very well.

Autumn was dedicated to the subject “Tirol spart” (the Tyrol is saving) and consequently October 2014 became the world savings month. This initiative aimed at talking with all Tyrolean people about the subject saving and at creating a sustainable awareness for this Tyrolean virtue – not only in terms of money. The initiative was rather about contents than presents. People were asked to give us their personal piece of advice in connection with saving in the categories household, energy, mobility, environment, financial affairs, health and consumption. An additional motivator in this context was a lottery, where the participants had the chance to win 40 attractive prizes with a total value of EUR 23,000. The result was overwhelming: 2,191 pieces of advice were submitted and can be seen at: www.tirol-spart.at.

Being the bank of the Province of the Tyrol, Hypo Tirol Bank has always concentrated on social housing and the creation of home ownership. In 2014, Hypo Tirol Bank provided approximately EUR 150 million to support numerous Tyrolean people to appropriately finance their own home and make their dream come true. With the product and service range offered by Hypo WohnVision, Hypo Tirol Bank summarised its experience and competence regarding housing and by doing so has taken a leading role throughout the Tyrol.

Economic Forecast 2015

In the forthcoming year, the federal state bank will continue to improve consulting quality in the private client sector. This process will not only involve the intensity of consulting activities: with the help of new and convenient communication channels such as video and chat, it will be easier to get in touch and communication will be deepened as well.
The consistent implementation of the corporate strategy requires further focus on the business sectors housing and investment; this is the sector in which Hypo Tirol Bank sees its core competence and major task.

Private Banking and Free Professions

The employees of the newly established (2013) department join liberal professionals from the first step of becoming self-employed to retirement (e.g. handing over a medical practice) and beyond. As far as holistic investment is concerned, they are true experts. The needs and objectives of our clients are in the centre of attention. Together we will elaborate, implement and manage tailor made financial concepts that are suitable for various stages of life. Our experienced experts provide comprehensive expertise and support regarding relevant financial decisions and hence, create both professional and private scope for development.

Key success factors are strong customer relations with current clients and the acquisition of new clients due to the perfect market position.
The committed team members regularly organise well-frequented events dealing with interesting subjects; apart from that, such events serve as the perfect networking platform. This creates a value added besides financial consulting. The highlight in this context was an event in spring with Professor DDr. Jürgen Huber of Innsbruck University. The motto was "insights and outlooks regarding confident investment – old wisdoms and new results". Apart from that, a seminar for doctors to establish a practice was organised to which renowned speakers had been invited.

Economic Forecast 2015

The emphasis is put on acquiring new clients among the target groups of doctors, lawyers, tax accountants, chartered accountants and wealthy private clients in Innsbruck and its surroundings. Moreover, as and when required, the experts will also provide their knowledge for clients in the regions, who are taken care of in the branch offices or customer centres.

Corporate Clients

Being the federal state bank, it is the obligation of Hypo Tirol bank to join Tyrolean companies during various business phases – from the start up to succession management and successful continuity of the company - in the best possible and confident manner. Hypo Tirol Bank offers its clients a comprehensive service package comprising investment, liquidity, and risk and asset management. In addition, it operates as a hub for cross-sector cooperation and network partners throughout the Tyrol. The experienced representatives of the federal state bank are splendidly informed about the respective marketing situation and are reliable partners of the Tyrolean economy. Comprehensive service and support are decisive aspects for companies in connection with finding appropriate financing and funding options. The goal is to cooperate on a continuous basis – also in difficult times. Apart from that the regional roots of Hypo Bank Tirol and the local competence to make the right decision represent a major advantage. Being close to the market and offering a short decision making processes generate confidence and security.

More stringent risk-requirements, wide-ranging information regulations and increased equity capital requirements resulted in the fact that in 2014 many banks followed a restrictive loan policy. Consequently, companies operating on national and international level had to face major challenges. Very often voices of criticism were raised and mentioned a "credit crunch". In spring 2014, Hypo Tirol Bank launched a perceptible initiative ("Impulse for the Tyrol") with an overall budget of EUR 300 million. Not only do Investment activities safeguard the success of a company, investment also means to actively take on responsibility for the Tyrol as an economic location and responsibility for the Tyrolean population. Each investment creates and safeguards jobs and thus, serves as the basis of existence for many Tyrolean people. This package was tailored according to individual needs and employed where appropriate: especially to support local small and medium-sized enterprises.

At the end of the year it was time to draw the balance and to illustrate the success of the initiative. It was about putting spotlight on the leading force of companies, their courage to make investments and to implement innovations and their consequential role model effect for the future. Hence, for the first time, five companies were awarded a piece of art made by the internationally known Tyrolean artist Alois Schild, whose teacher had been Bruno Gironcole. The sculpture was entitled "Aussichtsreiche Festgirlande" (promising festivity garland); it served as the artistic base for smaller pieces of art, the fragments of the garland which were awarded to symbolise innovation, courage, artistic power, vision and creativity. "The independent elements of the garland are like a link in a chain. It represents a symbol of steel which illustrates that the awarded company is an important part of a unity. Only when a chain consists of interlocking links the (economic) cycle is closed." That is how the artist explained the symbolism of the sculpture.

Economic Forecast 2015

Due to the remarkable success, the initiative "Impulse für Tirol" (impulse for the Tyro.) will continue in 2015. In order to provide our corporate clients with better service, financing processes will regularly be optimised. Short decision making processes and above all fast transactions shall improve satisfaction and generate confidence. In accordance with the phrase "progress", the federal state bank will join Tyrolean companies on their way to a positive future – by providing capital for seminal investments or offering support in the context of transferring a business to the next generation.

Public Institutions

Hypo Tirol Bank is still fully owned (100%) by the Province of the Tyrol. It is in the nature of things to be closely related to Tyrolean communities because it has developed in the course of history. This is why a department comprising six representatives handles specific needs of both, Tyrolean communities and public institutions or communities that closely cooperate with the Province of the Tyrol.

In this context, the close cooperation with non-profit housing cooperatives in the Tyrol underscores the role of Hypo Tirol Bank in the field of homebuilding.

Our experts are perfectly informed about the economic situation of their clients and have appropriate knowledge of the respective industry and the market. Such knowledge does not only guarantee high consulting quality, it is also necessary to offer products and service packages that are tailored to the specific requirements: the service ranges from efficient interest and liquidity management, over tailored financial solutions and individual investment strategies to reasonable risk provision and modern checking account products. The offer of the federal state bank is wide ranging, but thanks to the packaged expertise you get everything from one source.

Owing to the successful cooperation with Tyrolean communities, Hypo Tirol Bank can fulfil its task and operates as a reliable and experienced financial partner who contributes to the positive development on local level

Economic Forecast 2015

Specific requirements of communities and public institutions will still be met by providing respective thorough consulting service. We will continue to focus on offering individual financial solutions. In particular, financial means from bond certificates will be used for municipal financing projects.

Hypo Tirol Versicherungsmakler GmbH – Insurance Broking Company

The insurance sector of Hypo Tirol Bank is represented by an independent insurance broker. The experts do not only broker insurance products; they see themselves as universal risk managers. The performance spectrum ranges from broking and consulting activities to developing new products. In terms of holistic customer service, insurance brokers are closely linked with the consultants working in the sectors private and corporate clients, private banking and liberal professions as well as public institutions. This guarantees high quality service and individual solutions in the field of financial security.

Economic Forecast 2015

Comprehensive risk management will still be one of the key issues. The continuous revision of existing contracts will guarantee the consideration of customer requirements in order to further develop our service. In 2015, the acquisition of new clients will particularly focus on the sector corporate clients and defined liberal professions.

Italian Branch Office

In Italy, Hypo Bank Tirol focuses on the core competences and operates as a specialist and strong partner in the sector property financing, sophisticated investment and corporate investment. By doing so, it clearly acknowledges both, the South Tyrolean economy and the population. The paramount objective is to offer high quality customer service and service oriented consulting assistance – in this context, the personal relationship between client and consultant plays a decisive role in order to find the appropriate solution in line with requirements.
In Italy, Hypo Tirol Bank operates branch offices in Bolzano, Bressanone and Merano. In addition, a network of freelance investment consultants and eleven partner bank institutions from the Northern Italian region sell investment products offered by the branch office.

It is the goal of Hypo Tirol Bank to position itself in the South Tyrol as a specialised bank for housing and property financing and establish itself as in expert in this sector. The adaption of the “stage of life loan” for the South Tyrolean market even strengthened the bank’s pioneering role in the field of modern and flexible home constructing financing solutions. For the first time, the “stage of life loan” grants the client the contractual right to adapt instalments to the respective personal and financial situation. In this context, the client is offered three options: two years of grace, halving instalments for two years and deferring instalments for two years. The credit user has the right to choose the kind of option and when it shall be employed – it is even possible to make use of all three options.

The focus will still be put on restructuring the loan business sector as well as managing the acquisition of risk-aware financing businesses in the South Tyrolean core market. Especially in a challenging environment it is of utmost importance to set positive stimulus. In the context of the campaign “Impulse for the South Tyrol” Hypo Tirol Bank becomes increasingly present in the South Tyrolean economy.

Economic Forecast 2015

Based on the fact that Hypo Tirol Bank is a regional bank, more emphasis will be put on the regional presence of the branch offices. The South Tyrolean population shall perceive Hypo Tirol Bank as an on-site competent and reliable financial partner. In this context it will be focused on the subjects private housing and financing for small and medium-sized enterprises. It is also intended to improve the market presence. In 2015, top priority is given to the strengthening of the private client sector. In the field of investment, Hypo Tirol Bank represents the ultimate expert regarding sophisticated investment; it aims at expanding its network of freelance investment consultants.

Vienna

With regard to the Viennese market, Hypo Bank Tirol does not only support Tyrolean people living in Vienna, it also acts as a niche player and specialised bank in the field real estate financing for sophisticated private clients such as free professionals.
Our investment experts attach great importance to a comprehensive and holistic consulting approach which also includes confident consecutive service. Perfectly skilled consultants, who have gained experience throughout the years, concentrate on personal contact and trustful customer relations, not only in the financing sector that focuses on private and industrial housing, also in the field of asset management.

Economic Forecast 2015

The clearly defined objective for 2015 is to optimise and specify the range of services and to expand the existing network. This will have positive impact, especially with regard to the acquisition of new clients and the employment of an active recommendation management.

Treasury

With regard to the development of interests, 2014 came up with some peculiarities:
Interests declined to an all-time low and consequently owners of fixed securities were rewarded. Negative yields, such as it was the case with German government bonds, were even considered to be the norm. The reasons and therefore “peculiarities” for that were excessive provisions of liquidity for central banks and the bond certificate purchasing programme by the European Central Bank (ECB), which will in the near future also be implemented for government bonds.
According to the ECB, weak economic data, declining crude oil prices and the associated low inflation as well as granting loans in a restrained manner were the reasons for these measures.
The consequence of the ECB measures together with the investor’s inherent focus on quality was the sharp drop of risk surcharges for covered investment types e.g. bond certificates or municipal bonds.
In this environment, the treasury sector found excellent conditions for the successful issuing of a municipal certificate with a volume of EUR 300 million.
The confidence of the investors was excellent and subsequent to a road show, which only lasted for one week, the municipal bond could be placed within two hours. A pleasant consequence in this context was that Hypo Tirol Bank was upgraded by Moodys approximately one month after the municipal bond had been issued. Hence, the municipal bond also improved and achieved atop position with an “Aa1” rating.
Unsecured liquidity raisings for Austrian banks on the capital market became more expensive, contrary to the previous trend in the second half of the year, caused by reports on the business of Austrian major banks in Eastern Europe in combination with the slump in prices regarding Eastern European currencies. In Austria the development somehow disconnected from the development on international level where risk surcharges further narrowed. However, this had no influence on the refinancing of Hypo Tirol Bank.

Turnover Register Control
The issuing of the municipal bond required several preparation works: Apart from the elaboration of the presentation for the investors in several languages, the implementation of legal documentation requirements and the coordination of all involved partners, an extensive road show was organised. In this context, the most significant facts regarding issuers and premium funds were illustrated in compliance with international quality standards. The quality of the organisation and the confidence of the investors were reflected in the extraordinary sales of the municipal fund.
Another valuable step was the successfully executed emergency test entitled “internal system failure in the bank book”. It was tested, whether the emergency concept would still work even in case of long-term power break down or network failure: the result showed that the risk-relevant operations - above all money market business – could seamlessly be handled.

Treasury Sales
The low interest level resulted in price gains for owners of bonds. As far as new investment was concerned, yields became increasingly unattractive in the course of the year. Risk aware investors therefore bought new issues with attractive minimum coupons or decided to buy our latest bond the “Karwendel Anleihe” which is very popular due to automatically rising interest surcharges. In total, we sold our own bonds in the amount of approximately EUR 120 million. In addition, the increase in asset management was very pleasing: Hypo Tirol Bank was able to increase the number of active contracts by 22% (annual comparison).
Because of their excellent performance, publicly offered mutual funds, managed by Hypo Tirol Bank, were very popular. The attractiveness was confirmed by the clients’ growing interest in the product.
Subsequent to intensive service activities provided for institutional clients, numerous new clients were attracted and thus, the money market contribution rose clearly.

Asset Management
The determining subject in the asset management sector in 2014 was the weak economic growth, in particular the divergence between USA and Europe. From the historical point of view, most prices on international capital markets developed quite well in 2014, whereas the trends concerning shares changed several times in the course of the year and subsequently very high fluctuations were the result. Throughout the entire year a basket comprising a wide range of global shares rose by 12.60%. The development of Euro government bonds (with a longer maturing time) was also quite pleasing and amounted to +8%. The environment of fund and asset management was perfect in order to achieve satisfying performance figures.

Economic Forecast 2015

The key issues in 2015 will obviously be negative interest rates and the government bonds purchasing programme of the European Central Bank. In the course of the year, the possible interest increase by the Federal Reserve Bank (FED) will result in market disturbances. Capital markets could be negatively influenced by trouble spots or by the heated debate concerning cost cutting measures in Greece. With regard to Austria, the ability of Austrian major banks to overcome the respective crisis will achieve international recognition.
Growth figures in the Euro zone that will be better than expected might have positive impact in general.

Immobilien Betriebs GmbH
Hypo Immobilien Betriebs GmbH was founded in 2013. It is a 100% subsidiary of Hypo Tirol Bank and is responsible for management, real estate and leasing activities of the Hypo Tirol Group.

The strategy to reduce real estate and participating interest goes according to plan. In 2014, a substantial part of the portfolio was sold. Due to income from rent and leasing the efficiency of the remaining real estate portfolio is kept on a high level.

In the field of leasing, potentials were increasingly used which was based on the cooperation with corporate client consultants. The number of real estate and car leasing contracts definitely grew.

The financing volume shall be kept on a consistent level in the leasing segment. By pointing out the specific fiscal advantages in connection with real estate leasing, sales shall be increased.

Economic Forecast 2015

Das Finanzierungsvolumen im Segment Leasing soll konstant gehalten werden. Durch einen Beratungsschwerpunkt hinsichtlich der steuerlichen Vorteile bei Mobilienleasing sollen die Verkaufserfolge gesteigert werden.

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

Swiss Francs Revaluation

On 15 January 2015, the Swiss National Bank suddenly cancelled the price limit for the Swiss Franc of 1.20 against the Euro, which had been valid for 3 years. This step was justified with the devaluation of the Euro (and consequently with the CHF) against the USD. Immediately after the decision by the central bank the EUR/CHF prices dropped sharply to 0.85. Afterwards the Euro recovered a little bit and now hovers between 1.05 and 1.07 in a volatile market. As a consequence of this unexpected and massive drop, stop-loss-orders were executed at the next tradable price. However, the price was far below the fixed limit. Being a customer oriented bank, which has always pointed out the currency and price risk in connection with foreign currency financing – at the time when the product is bought and also during further consulting activities - talks have been sought with clients who at that point had been granted a loan in Swiss Francs. In the course of individual consulting meetings, we are currently evaluating whether the clients want to make use of the stop-loss-order or keep the foreign currency.

Possible liabilities were covered with a provision in the amount of kEUR 543 which are illustrated in “other provisions”.

Payment Moratorium HETA ASSET RESOLUTION AG

In accordance with the Federal Act on the Recovery and Resolution of Banks (BaSAG; Bundesgesetz über die Sanierung und Abwicklung von Banken) article 3, section 1, FMA in its role as national resolution authority ordered resolution of HETA ASSET RESOLUTION AG (former Hypo Alpe Adria Bank International AG) and imposed a moratorium on its debts on 1 March 2015. Consequently all debt instruments issued by HETA ASSET RESOLUTION AG and all other liabilities including the dates when interests are to be paid shall be amended in compliance with the Federal Act on the Recovery and Resolution of banks article 58, section 1, no.

10 and thus, payment shall be suspended until 31 May 2016, with the exception of liabilities which are not admissible in compliance with article 86, section 2. Hence HETA ASSET RESOLUTION AG shall not pay for any claims against the Mortgage Bond Division accounting for kEUR 1,238,167, of which kEUR 796,931 fall due at the end of May 2016.

HYPO TIROL BANK AG shall be liable as a member institution of the Mortgage Bond Division of the Austrian regional mortgage banks in compliance with the Mortgage Bond Division Act, article 2, section 1 jointly with all other member institutions for all liabilities of the Mortgage Bond Division. Such liability applies equally for 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).

As it is in the interest of all parties concerned to guarantee the further operation of the Austrian mortgage bank (Pfandbriefbank Österreich AG) and to avoid further damages for the Hypo sector and Austria as a financial centre, all member institutions, that is to say also HYPO TIROL BANK AG and all other regional mortgage bands shall provide liquid assets. With regard to the existing risk that the Mortgage Bond Division will not be able to pay the respective debt instruments in whole, and HYPO TIROL BANK AG, all other mortgagee banks as well as the respective guarantors of the creditors of the Pfandbriefbank AG or the Mortgage Bond Division claim their rights in the legal framework of joint and several liability, financial means in the amount of kEUR 38,693 have been provided.

The probability and the amount of the anticipated cash outflow as well as the recoverability of potential claims against HETA ASSET RESOLUTION AG and the province of Carinthia are subject to uncertainty.
Further details in connection with the endowment of reserves are illustrated in notes (43) and (77) of the consolidated financial statement. For any further information regarding the bank's debt securities and bonded loans, issued by the Mortgage Bond Division, please see note (91) of the consolidated financial statement, or VII participating interests IFRS 12.24 data regarding shares in non-consolidated companies.

The moratorium concerning HETA ASSET RESOLUTION AG and all resulting discussions regarding the liability of the provinces might influence the rating of HYPO TIROL BANK AG, which currently is "under review".

D & O insurance company settlement

On 4 March 2015, HYPO TIROL BANK AG found an agreement with the Directors and Officers insurance company concerning the civil liability for damages of former board members.

II. Report on anticipated corporate developments and risks

II. 1. Economic Forecast 2015

In summer 2014, the economic recovery in the Euro area came to a halt, in particular because of the economic weakness in large countries such as Italy and France, and because of uncertainties concerning the further development of the Ukraine conflict between Russia and the Western countries. At the end of the year a slight recovery of the situation was indicated.

Our Basic Economic Scenario:
Euro Area: weak growth and deflationary tendencies due to price collapses

By the end of the year, the crude oil price, which acts like an economic package for consumers and companies alike, will sharply decrease, which will have positive impact on the economic development. This should particularly support consumption in the Euro area. In addition, the weak Euro increases competition possibilities for domestic export companies. However, the debts of both, states and consumers are still very high, which will lead to a decelerating development.

Considering that the inflation rate in the Euro area already reached negative grounds with -0.2% in December 2014 (annual comparison), a clearly negative inflation rate is also anticipated for the course of the first quarter in 2015, which will mainly be caused by the sharp decrease of crude oil prices in the recent past. Nevertheless, core inflation (inflation without energy and food) is supposed to stay on a low positive level. From the current point of view, the risk of real deflation – that is to say the decline of prices on a broad front – is low. The USA will still represent a crucial cornerstone for global economic development, and also Great Britain's economic growth is supposed to be very pleasing. In Asia there is a balance between positive tendencies (India) and scepticism regarding the further economic development (China).

Impact on money, currency and capital markets

In 2014, the measures taken by the European Central Bank initiated a clear movement to an even more expansive monetary policy. On the market it is strongly anticipated that in the first quarter of 2015, the ECB will extend its package of measures once again and that it will buy government bonds to boost the granting of loans by credit institutions and to combat the declining inflation expectations.

This implies two things: first, in 2015 money market interests will remain on a very low level caused by expansive monetary policy implemented by large central banks. This should make capital market investment more attractive. Second, at the moment we are facing a kind of devaluation competition; in other words, many counties try to boost the economy by weakening their domestic currency. For that reason, we anticipate that in 2015 the exchange rate effect will have major impact on the entire performance of various investment instruments. The US Dollar is expected to be the strongest currency.

Presumably, economic strength and positive labour market data will lead to the fact that the US Central Bank will raise the base rate for the first time in summer 2015. Further increases might follow. However, due to the low inflation worldwide, the headwind for capital markets will be rather limited. Even though we anticipate short term price downturns on the bond markets, we do not expect a sharp or sustainable increase in yields, until the global economy does not pick up speed clearly. Consequently, the bond prices will be supported, but they will be highly volatile.

As an addition to expensively evaluated government bonds we still consider corporate bond funds to be attractive for risk aware investors. They could benefit from a reduction of spreads to government bonds. According to our opinion, high yield bonds and bonds of threshold countries bear too many risks.

As far as stock markets are concerned we basically consider the situation positive. High liquidity and stronger growth in the Euro area should have positive impact on the price development. Nevertheless, the decisive aspect will be, whether the companies can fulfil the present high profit expectations. Larger price fluctuations on the stock markets must be anticipated.

As far as raw materials are concerned, there are no indicators for a reversal of the trend at the moment. However, in view of the massive losses in the past years, there might be some attractive opportunities in the course of 2015.

Economic Development in our Market Areas in 2015

According to current economic forecasts, in 2015 our market areas can expect a restrained virtuous circle. Therefore, the growth forecast was changed to 0.8%. Economic performance in Austria is not supposed to speed up until 2016, when it is anticipated to amount to 1.6% and thus correspond to potential growth. In the Province of the Tyrol, economic performance is also anticipated to increase in a rather restrained way in 2015. Italy should finally overcome recession: according to outlooks, the economy will return to a moderate growth path in the order of 0.1% - 0.6%, with the development in the South Tyrol being more favourable than the average Italian development. Nevertheless, the recovery in all market areas will still be too moderate in order to have positive impact on the labour market. For that reason the unemployment rates will presumably remain on the same level like in 2014. The development of the consumer prices indicates a slight increase in the inflation rates in Austria amounting to 1.7% and in Italy to 0.5%

To sum up the situation: economic performance will slightly increase, whereas geopolitical conflicts (Ukraine, Syria and Iraq) represent the highest risks in this context. An escalation of the Ukraine-Russia crisis would decelerate global trade noticeably, which would have negative effects on the corporate confidence and hence, might influence investment activities. Geopolitical conflicts could lead to a new rise of international energy prices. The risk of deflation in the Euro area is assessed as low. The US central bank does not follow a low interest policy anymore which could lead to distortion on the international currency and financial markets, especially when this step is implemented in the near future. The devaluation of the Euro against the US Dollar, however, should improve European competitiveness as far as prices are concerned and could lead to increased investments. Declining energy prices will strengthen the purchasing power of consumers.

II. 2. Anticipated Corporate Development

Being a universal regional bank, it is our responsibility to be a reliable partner for all Tyrolean people. We expressively commit ourselves to fulfil this task on behalf of the Province of the Tyrol and to implement all required processes with regard to risk minimization and re-dimensioning. These pillars of our corporate strategy have also been anchored in the planning for 2015 in form of precise qualifiable and quantifiable objectives. In particular, the review of the processes in relation to efficiency well be further emphasised on. The digitalization of operational processes will make a major contribution to the reduction of cost cutting potentials in this respect.

Moreover, in the forthcoming year we will further concentrate on creating appropriate conditions in order to respond to changing customer requirements even better. In this respect, we will focus on the appropriate qualification of our employees and the liberalisation of consulting times by means of implementing new time models. In addition, the corporate suggestion scheme will be newly aligned in order to build a platform for the innovative strength of our employees.

As far as the client sector is concerned, the year 2015 will be marked by placing more emphasis on customer service and by reducing operational processes in this context. State-of-the-art consulting standards and the expansion of our sales will enhance the status of our traditional competences and provide additional value for the clients. We will also focus on the account and turn it into a hub for all banking transactions, in order to better adapt our payment transaction service to individual customer requirements and to add some additional value which will be beneficial, especially for loyal clients.

Since we are a partner of domestic small and medium sized enterprises, we would like to further develop our consulting service and find new approaches in order to individualize the holistic consulting approach and to elaborate new perspectives in cooperation with the client.

With regard to the markets in Italy and Vienna, we will continue to follow the niche player strategy and consequently focus on private and commercial real estate financing as well as sophisticated investment. In this respect, new volumes in the lending and deposit business have been included in the planning process.

The sale of non-essential real estate and participations will be further carried out. Internal investments will be further decreased in compliance with the objective to consolidate the balance sheet total in terms of volumes and risks.

We consider the processing of the recent past not only a necessity and an important mission, but also a chance to align Hypo Tirol Bank especially with regard to a continuously growing competition. Efficiency, cost awareness and above all, customer orientation are vital criteria in order to be successful and competitive on the long.

II. 3. Major Risks and Uncertainties

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

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

Definitions

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

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

The **internal control system** represents all principles, procedures and measures which contribute to protect the assets of the company, to guarantee proper preparation of the financial statement and to ensure compliance with all legal provisions.
HYPO TIROL BANK AG describes the **internal control and risk management system concerning the preparation of financial statements** as a system that was designed to guarantee the proper, reliable and timely preparation of internal and external financial statements in accordance with all legal 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 in the internal company reports and in the end-of-year external financial statement.

Objective

The Managing Board of HYPO TIROL BANK AG is responsible for the establishment and maintenance of an appropriately equipped internal control and risk management system.
In the course of exercising this responsibility, an ICS coordinator has been appointed. The area of 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).

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.

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

- regulate the orderly recording of transactions and the keeping of orderly records in order to ensure the correct interpretation of business cases,
- ensure sufficient security so that business cases can be recorded as required in order to guarantee the preparation of the financial statement in accordance with the respective legal provisions, and
- ensure sufficient security with regard to preventing, reducing and discovering errors and irregularities which might have substantial effect on the financial reports.
- The ICS manual, which shall be understood as methodical approach for implementing a cross-department, unified internal control system, serves as the basis for these requirements, directives and guidelines. Our internal control system does not primarily focus on the establishment of additional controls which aim at implementing and maintaining legal or other internal requirements or requirements relating to the supervision of banks. The major issue in this respect is, whether the controls as a whole can build a system. To accomplish that, an appropriate process model is required, which is explained in the ICS manual. This process model is based on the international example of five components of the COSO Framework: control environment, risk assessment, control activities, information, communication and supervision.

The **control environment** serves as the framework 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. The separation-of-functions and the four-eye principles represent core elements of the internal control system. Placing several sensitive activities in one hand or depending exclusively on self-control may be a stimulus to abstraction. The structural and operational organisation helps us to counteract such risks

Furthermore, standardised qualification and training programmes held for staff members guarantee that the qualification level which is required for the respective position is guaranteed. The foundations of the control environment, however, are laid by integrity and the Code of Ethics and Conduct of each and every employee. In particular, the power of setting the right example on the part of managers and executives of HYPO TIROL BANK AG is of utmost importance in this context.
Risk recognition and risk assessment are both built on the control environment, which forms the basis for other IKS components. The point of origin for effective risk assessment is found in our bank’s corporate objectives. Pursuant to the overriding goals, the risks which are part and parcel of the selected business model, the processes are defined and recorded. Risk assessment with regard to the strategic dimensions of the COSO model is conducted by the risk management department on an annual basis. According to such risk assessment IKS-relevant processes are defined within HYPO TIROL BANK AG.

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 starting point. 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, the following steps have been taken:

- first of all, the risks which should be minimized have been identified,
- control objectives, which must be covered by the appropriate control activities, have been defined for such risks, and
- the resulting outcome has been recorded in a sectorial risk control matrix.

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

The key business processes of HYPO TIROL BANK AG are the loan business and the bank's financial investments portfolio. Consequently, these activities have been defined as ICS-relevant processes. The process of preparing financial statements, which is another ICS-relevant process, is responsible for the numerical illustration of these business processes. In particular, the presentation of inherent risks in connection with the loan business and the bank's own portfolio is of special importance. In accordance with the statements relating to financial risks and risk management, we define loan risk, market price risk and liquidity risk as primary risks in these business processes.

In order to identify **loan risk,** quantitative and qualitative risk characteristics already exist and act as indicators for early risk recognition. In the event that impaired receivables are detected due to the early warning system, balance sheet risk provisions are ensured through the coalescing of all ICS components.

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

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

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

Regarding the computerised processing of our business activities we are supported by the General Computing Centre (ARZ - Allgemeines Rechenzentrum). In this connection, we employ our own developments, based on state-of-the-art technology, as well as tried and tested standard products. ARCTIS software solution is the central host system, which is used for the daily banking business. Standard solutions such as GEOS, SAP, etc. serve as subsystems. Cognos Consolidator (consolidation software) supports the preparation of financial statements. In addition, access regulations, strict data security specifications and automatic adjustment controls are just a few examples our control measures which are applied in the entire IT landscape.

In order to use the ICS efficiently, specific and **wide ranging information and communication channels** have been designed for all important business areas, so that staff members are supplied with adequate information which is necessary to carry out the required controls. In this context and for transparency reasons, the ICS manual is accessible for all employees via Intranet. In particular, the explicit illustrations of controls in the process documentation (process flow charts, working directives, etc.), for the preparation of financial statements - and also for all other risk-relevant and ICS-relevant processes – and in the risk control matrices creates awareness in the minds of all involved employees. Information channels have been designed in such a way that all relevant information can be distributed in reliable, timely and objective manner. For internal communication, corresponding procedures and tools have been institutionalised, such as Portal News, Intranet, Managing Board e-mails, document distribution via Intranet platforms, as well as internal seminars and training 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. Members of the Managing and Supervisory Board or shareholders are provided with information in compliance with institutional standards. The Managing Board has the obligation to submit quarterly prepared reports on profit and risk situations to the Supervisory Board and the Auditing Committee.

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

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

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

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

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

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

III. Human Resources

On 31 December 2014 the number of employees of HYPO TIROL BANK AG amounted to 566 (measured by capacity), in comparison to the previous year with 582 staff members. 457 employees had a full-time job and 98 worked part-time. In addition, 11 apprentices were employed.

The past business year was characterized by the company-wide optimization of processes. Continuous and sustainable processes of improvement were anchored in all company and management levels.

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

IV. Report on Research and Development

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

Innsbruck, 27 March 2015

HYPO TIROL BANK AG – Managing Board

Johann Peter Hörtnagl

Mag. Johann Kollreider

Company Key Figures 2014

In million Euro	2014	2013	Change	in %
Balance sheet total	8.255	8.902	-647	-7,27 %
Receivables from clients	5.367	5.584	-217	-3,89 %
Primary capital	2.812	2.669	143	5,36 %
Liabilities evidenced by certificate	3.896	4.704	-808	-17,18 %
Equity capital according to Banking Act	562	567	-5	-0,88 %
of which Tier 1	449	430	19	4,42 %

In k Euro	2014	2013	Change	in %
Net interest income after risk provision	45.698	71.269	-25.571	-35,88 %
Net commission income	25.572	28.996	-3.424	-11,81 %
Administrative expenses	-81.444	-82.883	1.439	-1,74 %
Consolidated result before taxation	-18.485	18.016	-36.501	>-100,0 %

in %	2014	2013
Cost income ratio (CIR)	69,35 %	64,38 %
Equity capital ratio	13,52 %	13,20 %
Return on equity (ROE)	-4,00 %	4,00 %

Human resources	2014	2013
Number of employees – annual average	566	582

Rating Moody's	2014	2013
Long term	Baa 2	Baa 2
Short term	P - 1	P - 1

The eagle has always been the king of the skies. Being the heraldic animal of the Tyrol, it symbolises bravery, strength and freedom. The Tyrolean coat of arms dates back to the middle ages. It represents the region of the "ancient" Tyrol, while two similar versions stand for today's Province of the Tyrol and the South Tyrol, the autonomous province in Italy.

Tradition – We have been actively involved in creating our living space for 114 years. This is reflected by our commitment in the field of housing and by the close cooperation with the regional government and communities. We continuously develop our product range in keeping with the trend of time in order to perfectly meet the needs of our clients.

Table of contents

I. Profit and Loss Account

in k Euro	Notes	2014	2013 adapted	in k Euro	Change in %
Interest and similar income		236.336	256.739	-20.403	-7,9
Interest and similar expenses		-136.911	-157.541	20.630	-13,1
NET INTEREST INCOME		**99.425**	**99.198**	**227**	**0,2**
Loan risk provision		-53.727	-27.929	-25.798	92,4
NET INTEREST IINCOME AFTER RISK PROVISION		**45.698**	**71.269**	**-25.571**	**-35,9**
Commission income		31.869	35.676	-3.807	-10,7
Commission expenses		-6.297	-6.680	383	-5,7
Net commission income		**25.572**	**28.996**	**-3.424**	**-11,8**
Trading result		-217	-3.266	3.049	-93,4
Result from hedge accounting		319	710	-391	-55,1
Result from financial instruments – at fair value through profit or loss		-5.015	2.204	-7.219	>100
Results other financial instruments		-760	88	-848	>100
Administrative expenses		-81.444	-82.883	1.439	-1,7
Other income		23.035	25.615	-2.580	-10,1
Other expenses		-26.051	-26.548	497	-1,9
Result from associated companies		378	1.831	-1.453	-79,4
Result before taxation		**-18.485**	**18.016**	**-36.501**	**>100**
Tax on income and profit		-7.267	-3.034	-4.233	>100
Result after taxation		**-25.752**	**14.982**	**-40.734**	**>100**

II. Statement of Comprehensive Income

in k Euro	2014	2013	Change in k Euro	Change in %
Result after taxation	**-25.752**	**14.982**	**-40.734**	**>100**
Data which can be reclassified in the profit and loss account				
Evaluation of financial assets - AFS - included in other income	10.586	-12.587	23.173	>100
Reclassification of evaluation results from disposed of financial assets - AFS to net income for the period	6.193	11.235	-5.042	-44,9
Reclassification of evaluation results from impairment of financial assets - AFS to net income for the period	224	1.901	-1.677	-88,2
Deferred tax from evaluation of financial assets - AFS included in other income	-4.251	-137	-4.114	>100
	12.752	412	12.340	>100
Data which cannot be reclassified in the profit and loss account				
Actuarial profit/loss	-3.217	-197	-3.020	>100
Deferred tax from evaluation of actuarial profit/loss	804	49	755	>100
	-2.412	-148	-2.265	>100
Other result after taxation on income	**10.340**	**264**	**10.075**	**>100**
Total result	**-15.412**	**15.246**	**-30.659**	**>100**

III. Balance Sheet

Assets

in k Euro	Notes	2014	2013	in k Euro	Change in %
Cash assets reserve	(17), (54)	**105.918**	**42.882**	**63.036**	**>100**
Receivables from credit institutions	(18), (55)	*309.478*	*477.115*	*-167.637*	*-35,1*
Risk provision	(19), (57)	*0*	*0*	*0*	*0,0*
Receivables from credit institutions after risk provision		**309.478**	**477.115**	**-167.637**	**-35,1**
Receivables from clients	(18), (56)	*5.708.266*	*5.928.966*	*-220.700*	*-3,7*
Risk provision	(19), (57)	*-341.089*	*-345.192*	*4.103*	*-1,2*
Receivables from clients after risk provision		**5.367.177**	**5.583.774**	**-216.597**	**-3,9**
Positive market values from derivative hedging instruments		**1.458**	**225**	**1.233**	**>100**
Trading assets and derivatives		**319.343**	**398.543**	**-79.200**	**-19,9**
Financial assets – designated at fair value		**913.789**	**935.413**	**-21.624**	**-2,3**
Financial assets – AFS		**840.885**	**956.399**	**-115.514**	**-12,1**
Financial assets – HTM		**150.124**	**198.487**	**-48.363**	**-24,4**
Financial assets – L&R		**7.174**	**17.485**	**-10.311**	**-59,0**
Interests in associated companies		**11.068**	**33.836**	**-22.768**	**-67,3**
Real estate kept as financial investment		**110.160**	**118.568**	**-8.408**	**-7,1**
Intangible assets		**1.479**	**1.498**	**-19**	**-1,3**
Tangible assets		**72.913**	**76.022**	**-3.109**	**-4,1**
Other assets		**22.572**	**30.077**	**-7.505**	**-25,0**
Assets kept for sale		**5.937**	**11.712**	**-5.775**	**-49,3**
Deferred tax assets		**15.455**	**20.153**	**-4.698**	**-23,3**
TOTAL ASSETS		**8.254.930**	**8.902.189**	**-647.259**	**-7,3**

Liabilities and Equity Capital

in k Euro	Notes	2014	2013	Change in k Euro	Change in %
Liabilities to credit institutions		470.265	453.549	16.716	3,7
Liabilities to clients		2.811.570	2.669.013	142.557	5,3
Liabilities evidenced by certificate		1.247.149	1.238.447	8.702	0,7
Negative market values from derivative hedging instruments		19.688	23.643	-3.955	-16,7
Derivatives		209.560	200.913	8.647	4,3
Financial liabilities – designated at fair value		2.740.302	3.556.456	-816.154	-22,9
Provisions		78.021	37.660	40.361	>100
Other liabilities		71.233	74.981	-3.748	-5,0
Current tax liabilities		3.303	1.365	1.938	>100
Deferred tax liabilities		2.084	1.192	892	74,8
Subordinate and supplementary capital		99.371	99.388	-17	-0,0
Equity capital		502.384	545.582	-43.198	-7,9
TOTAL LIABILITIES AND TOTAL EQUITY CAPITAL		8.254.930	8.902.189	-647.259	-7,3

IV. Changes in Equity Capital

in k Euro	Subscribed capital	Capital reserves	New evaluation reserves (incl. AFS reserves)	Currency translation reserves	Cumulative income	Total equity capital
As at Jan 1st 2013	**50.000**	**311.233**	**-2.078**	**0**	**183.182**	**542.336**
Income after taxation	0	0	0	0	14.982	**14.982**
Other income after taxation	0	0	264	0	0	**264**
Total income 2013	**0**	**0**	**264**	**0**	**14.982**	**15.246**
Capital contribution	0		0	0	-12.000	**-12.000**
As at Dec 31st 2013	**50.000**	**311.233**	**-1.814**	**0**	**186.163**	**545.582**
As at Jan 1st 2014	**50.000**	**311.233**	**-1.814**	**0**	**186.163**	**545.582**
Income after taxation	0	0		0	-25.752	**-25.752**
Other income after taxation	0	0	10.340	0	0	**10.340**
Total income 2014	**0**	**0**	**10.340**	**0**	**-25.752**	**-15.412**
Other adjustments	0	0	0	0	214	**214**
Dividends paid	0	0	0	0	-28.000	**-28.000**
As at Dec 31st 2014	**50.000**	**311.233**	**8.526**	**0**	**132.625**	**502.384**

For further details regarding equity capital please see notes (33) and (81).

V. Cash Flow Statement

in k Euro	2014	2013
Result after taxation	-25.752	14.982
Items non-affecting cash flow and transfer to cash flow from operating business activities included in the result		
Depreciation and appreciation to assets	10.793	14.371
Allocation and dissolution of reserves and risk provisions	36.259	-419
Result from sale of assets	-3.294	-7.875
Tax from income and profit	-7.267	-3.034
Correction interest profit	-99.475	-102.043
Profits from associated companies	378	-1.831
Unrealised foreign currency profits and losses	28.557	-75.216
Change of assets and liabilities from current business activities after correction of items non-affecting cash flow		
Receivables from credit institutions	167.676	-224.639
Receivables from clients	204.031	584.587
Positive Marktwerte aus derivativen Sicherungsinstrumenten	-1.009	0
Trading assets and derivatives and financial assets at fair value	83.951	254.703
Other assets	35.654	20.306
Liabilities to credit institutions	16.714	-74.301
Liabilities to clients	144.543	-247.161
Liabilities evidenced by certificate and financial liabilities at fair value	-811.886	-573.085
Negative market values from derivative hedging instruments	-17.246	-22.934
Derivatives	14.954	-48.899
Other liabilities	8.438	17.530
Interests received	259.954	282.120
Interests paid	-144.489	-180.792
Net total from income tax payments and tax refunds	-7	10
Cash flow from current business activities	**-98.523**	**-373.620**
Cash inflow from sale/liquidation of		
Financial assets – HTM, AFS, L&R and interests	309.209	535.088
Tangible assets, intangible assets and investment properties	7.856	-6.278
Cash outflow due to investments in		
Financial assets – HTM, AFS, L&R and interests	-124.556	-209.670
Tangible assets and intangible assets	-2.950	14.626
Cash flow aus der Investitionstätigkeit		
Cash flow from investment activities	**189.559**	**333.766**
Cash flow-affecting changes in subordinated and supplementary capital	0	-8.568
Dividends paid	-28.000	-12.000
Called-in participation capital/capital contribution by the Province of the Tyrol	0	0
Cash flow from financing activities	**-28.000**	**-20.568**
Cash holdings at the end of the previous period	**42.882**	**103.304**
Cash flow from current business activities	-98.523	-373.620
Cash flow from investment activities	189.559	333.766
Cash flow from financing activities	-28.000	-20.568
Cash holdings at the end of the period	**105.918**	**42.882**

Cash holdings correspond to cash reserves: see notes (17) and (54).

VI. Appendix (Notes)

Principles of the Consolidated Financial Statement

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

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

The HYPO TIROL BANK AG Group is part of the scope of consolidation of the Landes-Hypothekenbank Tirol Anteilsverwaltung, seated in Innsbruck. The present consolidated financial statement is integrated in the consolidated financial statements of Landes-Hypothekenbank Tirol Anteilsverwaltung, Innsbruck.

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

Apart from the consolidated balance sheet and the consolidated profit and loss account and the comprehensive in-come statement, the financial statement also includes statement of changes in equity, the cash flow statement and the appendix (notes). Segment reports are included in the notes and illustrated under note (87).

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

Methods of Accounting and Evaluation

(1) Principles

The consolidated financial statement was prepared by using the principle of evaluation on the basis of historical ac-question and production costs, with the exception that financial instruments in the categories "designated at fair value", "available for sale" and all derivative financial instruments are evaluated on a fair value basis which can be attributed to them.

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

The fundamental accounting and evaluation methods, which have been used for preparing the present consolidated financial statement, are described in the following. Unless stated otherwise, the methods are consistently and continuously employed across the corporate group.

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

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

The section cash flow from investment activities illustrates payments into and out of the account from items, whereas the main purpose is the use for long term investment or employment.

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

(2) Changes in Financial Reporting Standards

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

Standards and interpretations which will become effective on 1 January 2015 or later, as well as standards and inter-predations that are not mandatory in the EU have not been applied.

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

From 2014 on, the following standards or amendments of standards shall be applied for the first time:

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

IFRS 10 "Consolidated Financial Statements" replaces IAS 27 "Consolidated and Single Statements" and SIC-12 "Consolidation - Special Purpose Entities" and creates a standardized definition for the term controlling, which shall apply to all companies, including the previously analysed special purpose entities under SIC-12. An investor controls a share if he or she is subject to varying return flow from the connection with this investment holding; and if the investor has the possibility to influence such return flow through management of the company. The control shall be deter-mined on the basis of all current details and circumstances; moreover it shall be assessed and analysed whenever such details and circumstances change. In addition IFRS 10 contains special regulations for investment businesses: in case a company fulfils the definition of an investment company, it shall not consolidate its subsidiaries and shall not apply IFRS 3 "business combinations" if it controls another company.

IFRS 11 "Joint Arrangements" replaces IAS 31 "Joint Venture" and SIC-13 "Jointly-Controlled Entities - Non-monetary Contributions by Venturers". A joint arrangement is as an arrangement under which two or more contracting parties exercise joint control. IFRS 11 now distinguishes between two types of joint arrangements (joint activities and joint ventures) and defines the different rights and obligations of the respective arrangements. In this context, the structure, the legal form of the arrangement, the terms of contract defined by the involved parties and other relevant facts and conditions, if appropriate shall be determined. If two or more companies find an arrangement under which they have immediate rights from assets and obligations from liabilities, we talk about joint activities. A joint venture is defined as joint agreement, under which the parties have joint control and have rights from net income of the company in which they hold a share. Balance sheets for joint activities differ from those of joint ventures. Holdings in joint ventures shall be reported by using the equity method (ratio consolidation shall not be permitted anymore). The balance sheet regarding joint activities is established in such a manner that each joint partner reports his or her financial assets (including the share in jointly held assets), liabilities (including the share in loss of liabilities) as well as income (including the share in income from sale of products or services offered by the joint arrangement) and expenses (in-cluding the share in jointly created expenses). In this respect, financial assets, liabilities, income and expenses shall be reported in accordance with all relevant International Financial Reporting Standards.

IFRS 12 "Disclosure of Interests in Other Entities" defines disclosure regulations for all disclosures in relation to the type, the connected risks and the financial effects of interests in subsidiaries, associated companies and joint arrangements, as well as disclosures regarding non-consolidated structural entities. In comparison to IAS 27 and SIC-12, IFRS requires more comprehensive disclosures and defines the minimum information that shall be provided in order to realise the objectives. It requires the disclosure of all essential exercises of discretion and assumptions concerning the determination of the type of interest in other entities or other joint arrangements and concerning the determination of the type of the joint arrangement. In addition, information regarding interests in subsidiaries, joint arrangements and associated companies as well as structural entities, which are not controlled by the corporate group, shall be disclosed.

The European Union adopted the standards of the consolidation package (IFRS 10, IFRS 11, IFRS 12, IAS 27 (2011), IAS 28 (2011) by publishing the provision in the Official Journal of the European Union on 29 December 2012. The consolidation package became effective on 1 January 2014.

The newly introduced, uniform definition of control does not lead to any adaptions of the consolidation cycle. Pursuant to IFRS 11 "Joint Arrangements", the assessment of the current interest situation has no effect on the consolidation cycle. From the present point of view, HYPO TIROL BANK AG only holds interests in associated companies. With regard to the more comprehensive disclosure requirements in compliance with IFRS 12, additional information is provided in notes (4) and (5) and in section VII Participating interest.

The IASB published amendments to **IAS 39** and IFRS 9 regarding the **"Novation of Derivatives and Continuation of Hedge Accounting"**. By doing so The IASB reacted to OTC derivatives, central counterparties and transaction registers. According to the current provisions of IAS 39 hedge accounting shall be discontinued, if the clearing obligation and the use of central counterparties as new contracting parties lead to the clearing of OTC derivatives. The amendment aims at facilitating the obligation to discontinue hedge accounting; thus, under certain circumstances, novation of hedging derivatives shall not imply the clearing of the hedge accounting. The amendments take effect for annual periods beginning on or after 1 January 2014. Up to now, the corporate group has not managed derivatives via central counterparties. In case novation of hedging derivatives shall be made in future, the hedge accounting shall not be discontinued.

IAS 32 "Offsetting Financial Assets and Financial Liabilities": The rules regarding offsetting financial instruments basically remain unchanged. Only the application guidelines described in IAS 32 "Financial Instruments - Presentation" were completed. Offsetting is required in case netting options are currently available and simultaneous use of financial assets and financial liabilities is intended. The terms "currently" and "simultaneous" are clarified. The amendments take effect for fiscal years beginning on or after 1 January 2014. In this context, the application shall be on a retrospective basis. These amendments shall have no impact on the consolidated financial statement.

The following amended standards have already been published; nonetheless, their application is not yet mandatory:

On 20 May 2013, the IFRS Committee adopted **IFRIC 21: Levies**, in order to eliminate differences in relation to the accounting for levies imposed by governments (charges in a broader sense). Charges in a broader sense are only imposed, if a company is active in the market at a particular point of time. The interpretation now clarifies, how companies shall set off such levies in the course of preparing a financial statement in accordance with IFRS, and in particular, at what time the liabilities resulting from the levy are to be set off for the first time. However, such levies do not refer to levies according to IAS 12 income tax. In accordance with IFRIC 21, the activity is identified as the obligatory event for a levy. IFRIC 21 shall be effective for annual periods beginning on or after 17 June 2014. In general, levies within HYPO BANK TIROL AG are stability charges, which have always been set off in accordance with IFRIC 21 (see note (51)) and consequently the amendment has not impact on the presentation of the consolidated financial statement.

The IASB issued **‚Defined Benefit Plans: Employee Contributions (Amendments to IAS 19 ‚Employee Benefits')'**. The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service. The amendments become effective in the course of the fiscal year 2015. These amendments have not impact on the presentation of the Group's result.

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

- **IFRS 2 "Share Based Payment":** The amendments include clarifications regarding the definitions "vesting condition" and "market condition".

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

All amendments of the 2010 - 2012 Cycle become effective in the course of the fiscal year 2015 and shall be implemented on a prospective or retrospective basis. The amendments have no impact on the present consolidated financial statement.

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

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

All amendments of the 2010 – 2012 Cycle become effective in the course of the fiscal year 2015 and shall be implemented on a prospective or retrospective basis. The amendments have no impact on the present consolidated financial statement.

The content of the IFRS Standards 14, amendments to IFRS 11 and IFRS 27 were assessed and were not considered relevant for HYPO TIROL BANK AG.

Standards that have not yet been adopted by the EU

On 28 May 2015, the IASB and the FASB simultaneously published a new standard for the recognition of revenue **IFRS 15 "Revenue from Contracts with Customers"**. Pursuant to IFRS 15, revenue is to be recognised, if the client gains power of disposition concerning the agreed goods and Services and draws profit from them. The transfer of significant opportunities and risks according to the former model IAS 18 Revenue Recognition.is not determining anymore. Revenue recognition shall be measured with the amount of the purchase consideration which is expected by the entity. The new standard provides a single, principles based five-step model to be applied. Frist, the contract with the customer and the respective performance obligations in the contract must be identified. Afterwards, the transaction price of the customer contract must be determined and allocated to the single performance obligations. Finally, according to the new model, revenue in the amount of the allocated proportional transaction price shall be recognised when (or as) the entity satisfies a performance obligation or the customer gains power of disposition. Based on the predetermined criteria it is distinguished whether revenue should be recognised at a point in time or over time. The rules and definitions of IFRS 15 shall replace the contents of IAS 18 Revenue Recognition and IAS 11 Construction Contracts. The new standard does not distinguish between different types of orders performances, but determines uniform criteria about when performance shall be recognised at a point in time or over time. The new regulations of IFRS 15 shall be applied in fiscal years beginning on or after 1 January 2017 in consideration of defined transition regulations on a retrospective basis. As a result of a present assessment, no significant effects on the accounting of revenue (commission business) are to be expected.

In November 2009, the IASB published **IFRS 9 "Financial Instruments"** which provided a first step in the project to replace IAS 39 "Financial Instruments: Recognition and Measurement". On 24 July 2014, the IASB published a revised version of IFRS 9, which adds new regulations for accounting and impairment of financial assets including revised regulations to classify and measure financial instruments.

Classification and Evaluation:
IFRS 9 introduces new classification and evaluation regulations of financial assets within the scope of IAS 39. According to this, all financial assets are classified on the basis of the given business model of a company for controlling its financial assets and the characteristics of payment flow of the respective financial assets. In accordance with this, a financial asset shall be measured on the basis of continuous costs of acquisition, if the goal of the business model of the respective company foresees holding the financial assets, thereby bringing about contracted payment flow and fulfilling the contracted terms of the financial assets which exclusively show redemptions and interest payments. If a financial asset is held to collect and to realise contractual payment flows of the financial asset, and if the contractual payment flows

of the financial asset only represent the return of the nominal value and the interest regarding the outstanding nominal value, measurement on a fair value basis via other income is applied. All instruments which cannot be assigned to one of the categories are consequently evaluated on a fair value basis with effect on net income.

Accounting and impairment of financial assets:
The new regulations regarding the accounting of impairment fundamentally change their recognition. According to this, companies shall measure risk provision by evaluating impairment or by creating provisions in the amount of the credit loss that is expected within the following 12 months (12 month expected credit loss) – (based on the probability of loss within the following 12 months). In the course of subsequent measurement credit loss, which is expected to occur within the following 12 months, shall be replaced by the credit loss expected for the entire term (lifetime expected credit loss criteria). Risk provision for credit loss is again measured on the basis of credit loss, which is expected to occur within the following 12 months, if credit quality has improved sustainably and lifetime expected loss criteria are no longer fulfilled. With regard to receivables from the delivery of goods and services or active contractual items as well as receivables from leasing business, a simplified procedure, which is based on the lifetime expected credit loss criteria, can be applied.

Hedge Accounting:
In addition, the IASB introduced amendments in relation to hedge accounting, whereas the methods and the kind of illustration on the balance sheet remain unchanged. However, corporate risk management is emphasised on. Furthermore, the hitherto existing strict limits which had to be effective within a hedge in order to illustrate it on the balance sheet, have been removed. Instead of that, there are new cumulative requirements in relation to the efficiency, as it forms part of qualitative prerequisites for hedge accounting. This means that an economic link between basic transaction and hedge shall exist, default risk shall not be dominating and the hedging rate shall be selected accordingly. The accounting of macro hedges was excluded from IFRS 9 and a separate project was focused on. All other regulations under IAS 39 shall be applicable until further notice.

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

(3) Essential Decisions, Assumptions and Estimates

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

The assumptions were based on propositions, which are founded on the latest available state of knowledge. The expected future business developments were based on the respective circumstances at the time of preparing the financial statement and on realistic prospects regarding the future developments of the global and branch-specific environment. Some amounts may deviate from original estimates due to deviating development assumptions and developments that are beyond the control of the management. For further details regarding stress tests see explanations on financial risks and risk management (pp. 75–83).

A) Loan Risk Provision

With regard to individual impairment possible impairment is formed on the basis of the cash value of the expected future cash flow in case objective evidence is available [see note (19)]. The estimation of expected cash flows requires assumptions considering the amount and the time of future payments. This also applies to impairment on port-folio level. These assumptions, together with estimates and evaluations of indicators which lead to loan risk provision, are based on past experiences gained in the loan business and are regularly controlled and amended, if necessary, in order to diminish any possible differences between loan risk management and actual loan default.

The amount and the development of loan risk provision are described under note (57).

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

Impairment will be anticipated if there is a significant and prolonged decline in fair value under acquisition costs. In case of impairment, AFS stock is adjusted and AFS reserves are adapted by the amount of impairment, thus the amount is considered in the profit and loss account. Estimates regarding the importance of impairment are based on assumptions. Defined thresholds concerning changes in fair value and time related aspects, serve as reference in terms of assessing a significant or prolonged impairment (see note (13)).

Accounting values of financial assets – AFS as well as impairment are illustrated in note (61).

C) Measuring Fair Value by Using Evaluation Methods

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

For further details regarding employed evaluation models and the influence of underlying assumption please see note (7).

Market values and accounting values of financial instruments are illustrated in note (82) fair value of financial instruments.

D) Provisions

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

For detailed information regarding account values of provisions and their development please see note (77).

E) Deferred Income Tax

The evaluation of deferred tax obligations and deferred tax assets considers the tax consequences resulting from the fact how the group expects to realise its assets at the balance sheet date or to fulfil its obligations. Such expectations represent the best possible estimates.

The use of active deferred taxes depends on the possibility to earn enough taxable income within the context of the respective tax law. In order to evaluate, how likely the future availability of active deferred taxes is, certain aspects such as past earnings and tax strategies should be taken into account. In case the actual results deviate from these estimates or if these estimates have to be adjusted to future periods, the active deferred taxes must be devalued in profit-affecting manner. Currently, the group's tax planning period amounts to five years.

Quantitative details regarding deferred income tax are described in note (70): deferred tax assets and obligations.

(4) Principles of Consolidation

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

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

In case facts and conditions indicate that one or more of the above mentioned three criteria of influence have changed HYPO TIROL BANK AG will 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 process, whether the voting rights are adequate with regard to the respective subsidiary, HYPO TIROL BANK AG considers all facts and conditions. These include:

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

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

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

All intragroup financial assets, debts, equity capital, income, expenses and cash flows in connection with business truncation between companies of the group are completely eliminated in the contact of the consolidation process.

The balance sheet date (key date) of the ban's consolidated financial statement corresponds to the balance sheet date of all companies included in the consolidated financial statement.

Changes regarding the participation rate in relation to subsidiaries:

Changes concerning the participation rate within the corporate group in relation to subsidiaries which do not result in the loss of control over the respective subsidiary are balanced as equity capital transaction. The accounting value of participations held by the corporate group and the participations which are not controlled are adjusted in such a way that the change reflects the existing participation rate regarding the subsidiary. 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.

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

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

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

Acquisition of subsidiaries:

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

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

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

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

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

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

(5) 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 is applied and they are balanced as “long-term assets held for sale and dissolved business sectors”.

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

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

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

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

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

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

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

A detailed list of all subsidiaries and associated companies included in our consolidated financial statement can be found in section VII Participating Interest.

(6) Currency Translation

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

Since 20011, all financial statements of the companies included in the consolidated financial statement have been prepared in Euro.

Monetary assets and liabilities denominated in foreign currencies are converted at the European Central Bank's rate at the balance sheet date.

Non-monetary items are converted in accordance with the evaluation standards of their respective category. Non-monetary items which are recorded at their historic acquisition costs are converted at the rate on the day of acquisition. Non-monetary items at fair value are converted on an analogue basis to monetary items at the current rate at the balance sheet date. Income and expenses are converted at the rate on that date which they affected profits.

Financial Instruments

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

For more detailed information regarding stress tests referring to financial instruments, please see financial risk and risk management pp. 75-83.

(7) Fair Value

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

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

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

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

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

Financial instruments with a fair value evaluated on the basis of input factor level 2 are hedging instruments with a positive respectively negative market value, derivatives, liabilities to clients, liabilities evidenced by certificate as well as subordinate and supplementary qqut8y capital each designated at fair value.

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

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

For further details regarding the fair value of financial inst-ruments (fair value statements, level categorisation, transfer calculation of financial instruments in level 3 category, sensitivity analysis of non-observable parameters, etc.) see note (82).

(8) Fair Value Derivatives

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

(9) Trading Assets and Derivatives

Securities acquired for trading purposes and all derivatives, unless they are used for hedge accounting, are illustrated in this item. Trading assets and derivatives are evaluated at fair value.
The results of evaluation and sale regarding the trading assets are illustrated in the profit and loss account in the trading result. Income from interest and dividends are presented in net interest income.

(10) Financial Assets and Liabilities – Designated at Fair Value

This balance sheet item illustrates financial assets and liabilities that are evaluated on a fair value basis irrevocably and voluntarily at the time they are acquired (designated at fair value). In the corporate group, these are financial instruments which are con-trolled as a corporate unit, based on economic hedge accosting with another financial instrument designated at fair value and for which hedge accounting is not applied {see note (12)}. In order to avoid accounting mismatch, these financial instruments are voluntarily evaluated at fair value.

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

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

(11) Embedded Derivatives

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

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

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

At the balance sheet date, all financial instruments with embed-ded derivatives were evaluated on a fair value basis.

(12) Hedge Accounting

With regard to the fair value hedge of specified financial assets and liabilities, the corporate group employs derivatives. Hedging instruments may face one or more similar basic transactions. Hedge accounting relations may include basic transactions on both the assets side and the liabilities side of the balance sheet, whereas on the assets side of the balance sheet only fixed-rate as-sets - evaluation category AFS can be considered as basic transac-tion, and on the liabilities side of the balance sheet only fixed-rate engagements can be considered as basic transaction. The interest risk is the risk hedged. Only rate swaps are designated as hedges. Hedges are documented at the time they are established. The documentation mainly covers the identification of the basic busi-ness 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 ef-fective they are and subsequently, they are reviewed on a monthly basis. In this context, effectiveness is the relationship between the change in fair value arising out of the basic business being hedged and the change of fair value of the hedging derivative itself (regar-ding the risk hedged). The corporate group only reports hedges, if they are expected to be highly efficient over their entire term. Hedging is deemed to be highly efficient if for the entire term the ratio of the changes in value of the basic business and the hedge is between 0.8 and 1.25. If hedges are no longer considered to be highly effective, they are dissolved.

Derivatives used for hedging purposes are shown at their fair value as prevailing market values from derivative hedges. 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 com-potent of the evaluation change is shown in results from hedge accounting. This is calculated on the basis of the net total, the changes in market value of the hedging instruments, which are underlying the risk hedged, and the basic business transaction.

(13) Financial Assets – Available for Sale (AFS)

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

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

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

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

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

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

Interest and dividend income are shown under net interest income.

(14) Financial Assets – Held to Maturity (HTM)

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

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

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

(15) Financial Assets – Loans and Receivables (L&R)

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

Loans and receivables are evaluated at continuous acquisition costs. In case of impairment of value {see note (19) loan risk provisions}, the acquisition costs are adjusted with effect on profits and presented in the profit and loss ac-count under section result from financial instruments.

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

(16) Other Liabilities

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

(17) Cash and Cash Equivalents

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

(18) Receivables from Credit Institutions and Clients

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

(19) Loan Risk Provision

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

Individual allowances were made in accordance with consistent standards within the group to cover the solvency risks involved in receivables from customers and credit institutions. Significant receivables amounting to more than kEUR 500 are reviewed annually to verify impairment of value. Individual loans must be adjusted if observable events have occurred which suggest that not all interest and capital redemption liabilities can be met on time.

Such events include:

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

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

With regard to insignificant receivables up to a value of kEUR 500, an allowance on the basis of default probabilities, obtained from historical time series, is calculated (general allowance).

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

In addition, credit risks that already occurred but are not identifiable, are considered in form of portfolio allowances, based on default probabilities differentiated by rating classes.
Details on default probabilities according to rating classes and regarding stress tests can be found in the notes on financial risks and on risk management (see pp. 75).

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

(20) Genuine Pension Transactions (repos) and Securities Businesses

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

(21) 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 transferred 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 – is described as follows:

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

Asset appreciation range in	years
Buildings	25–50

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

Evaluating fair value for all investment properties is based on annually updated evaluations by an internal general chartered accountant, certified in real estate evaluation.

Evaluating fair value for real estate is carried out via comparable evaluations based on actual sales prices in the same time and geographical vicinity. If such comparative values are not available in sufficient amounts, the land value is derived from the possible uses and burdens of the land in a 'residual value' analysing process.
Developed properties are rental objects. Determining the value is accomplished via income-process models based on actual rental income, provided that they comply with the market customs and are that they can be achieved on a sustainable basis. For empty buildings, values are gained from the market through comparable rental income which is then used as a fictitious value.
The fair value is derived from the results of these analytical-comparative processes, assessed with regard to respective market situation, and adjusted appropriately if necessary.
The chosen value approaches are based on property register investigations, continuous market observations, regular arrangements with real estate brokers, property developers, property

management officers and experience gained via the company's own real estate management and available market data.
The respectively appropriate capitalisation interest rate is evaluated on the basis of the regulation range published in relevant specialist literature, (e.g. real estate evaluations from the Austrian Association of Real Estate Experts) in consideration of the respectively applicable market situation, the essential property location factors and the characteristics of the property.

(22) Intangible Assets

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

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

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

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

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

In case there are indictors for impairment, the corporate group estimates the respective recoverable amount of the financial assets. The recoverable amount of a financial asset it the higher amount, that is to say the fair value of a financial asset and the value of use. If the accounting value of a financial asset is higher than the recoverable amount, the net asset value must be impaired and depreciated to the recoverable amount. Based on a pre-discount rate, which reflects current market expectations in relation to the interest effect and the specific risks of the asset value, all expected future cash flows are discounted to their cash value, in order to evaluate the value of use. In order to determine fair value minus sales costs, an appropriate evaluation model (in general expert assessments) is applied.

In case there are indictors for impairment, impairment is determined according to the notes on impairment for invest-mint properties [see note (21)].

(23) Tangible Assets

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

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

Asset depreciation range in	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 presence of possible indicators of depreciation is investigated. For the fiscal year, no such indicators were identified.

In case indictors for impairment are identified, impairment is determined according to the notes on impairment for investment properties (see note {22).

(24) Leasing

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

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

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

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

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

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

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

(25) Other Assets

The item "other assets" primarily includes value added tax receivables from the Italian state resulting from the acquisition of leasing properties and receivables other than from banking transactions.

Moreover, other assets also include real property and buildings which primarily were used as collateral by borrowers and which are now to be realised in disposing of impaired commitments (rescue acquisitions). These assets are shown as “assets held as collateral” and are evaluated as reserves in accordance with IAS 2. In this context, expenses and income are presented in other expenses and income as “income or expenses concerning assets held as collateral”.

(26) Non-Current Asset Held for Sale

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

Non-current assets and disposal groups, which are classified “held for sale”, are evaluated on the basis of the lowest amount of their original accounting value and on a fair value basis less sales costs.

(27) Current and Deferred Tax

Current income tax claims and obligations are evaluated at current tax rates at which payments to or refunds by tax authorities are expected. Receivables from current income tax are illustrated, due to their insignificance in the corporate group, under the item “other assets”. To a large extent, tax receivables assigned in other assets are consumer taxes. Current income tax obligations are illustrated separately under liabilities. For details please see note (79).

Deferred income tax claims and obligations are based on temporary differences between value approaches of assets and obligations in the balance sheet in compliance with IFRS and value approaches which apply for taxation purposes. They are evaluated on the basis of the tax rate that is expected to be applied at the time they are dissolved. For further details please see note (70).

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

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

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

(28) Liabilities

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

(29) Provisions

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

Pensions:
The number of pensioners and survivors who are entitled to a performance oriented bank pension at HYPO TIROL BANK AG amounts to 18. The pension scheme is based on the final salary defined in a company agreement. All entitled pensioners have already retired and thus do not pay any further contributions. It is intended to end this agreement. Active staff members are not entitled to bank pensions.

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

Length-of-service award:
Employees shall receive one month’s salary as a length-of-service award after 25 years of service and two months’ salary after 35 years of service. 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 a number of actuarial assumptions, such as:

- Domestic actuarial interest rate flow 2.25% (2013: 3.5%)
- Annual valorisations, collective agreement and career based salary 2.5% (2013: 2.5%) regarding provisions for severance payments, service awards and occupational incapacity for employment risks
- Fluctuation rate according to separate chart, whereas length of service related fluctuation probabilities of 13% in the first service year to up to 0% in the 15th service year have been considered.
- Annual valorisations 1.5% (2013: 1.5%) regarding provisions for pensions
- Table values AVÖ 2008-P (generation related tables for emplo-

yees in consideration of a surcharge due to out-dated values). Actuarial assumptions are unprejudiced, coordinated with each other and represent the best possible estimation of the corporate group. Nevertheless, each assumption bears a risk in which changes of inflowing parameters would lead to a deviating balanced provision. In particular, in the context of calculating social capital, the corporate group points out the sensitivity of severance payment and pension provision parameters. For that reason, distortions of substantial influencing variables (discount interest rate and salary and pension valorisation) are illustrated by way of a sensitivity analysis under note (77). Based on experience and observations, the remaining variables (fluctuation rate or death probability) can be weighted as valid parameters with low distortion potential. In addition, length of service provision can also be regarded riskless as it is projectable and provides reliable actuarial parameters

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

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

A detailed overview of balanced provisions as well as an illustration of the provision development in the course of specific periods, and the above mentioned sensitivity analyses can be found under note (77).

(30) Other Liabilities

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

(31) Subordinate and Supplementary Capital

This item shows subordinate capital (Tier II) in accordance with CRR/CRD IV. This position corresponds to subordinate capital which until 2013 was recorded under Basel II in accordance with Act article 23, section 8 and supplementary capital in accordance with Banking Act article 23, section 7. Capital is evaluated at continuous acquisition costs.

(32) Trust Transactions

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

(33) Equity Capital

Equity capital comprises capital provided to the bank (subscribed capital plus by capital reserves) and earned capital (profit reserves, reserves from currency translation and reserves formed on a profit-neutral basis from evaluations pursuant to IAS 39 and consolidated profits and earnings brought forward). Available for sale reserves summarize evaluation changes of the AFS stock which are not profit-affecting after consideration of deferred tax and the actuarial gains and losses are illustrated.
Subscribed capital comprises 2,400,000 registered shares with restricted transferability of EUR 7.50 each and hence amounts to EUR 18,000,000.00, as well as a capital contribution amounting to EUR 32,000,000.00 from business funds in 2009.

(34) Financial Guarantees

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

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

(35) Accumulation of Financial Assets and Liabilities

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

According to IFRS 7, the corporate group is obliged to prepare statements concerning the netting out of financial instruments under Master Netting Agreement or similar agreements, even though the underlying instruments are not offset in the balance. With regard to instruments for which offsetting agreements have been made, but which are not offset in the balance, balancing effects are presented accordingly in note (84).

(36) Retirement of Financial Assets and Liabilities

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

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

In case of transactions for which all major risks and opportunities associated with the ownership of the financial asset have neither been retained nor transferred, the corporate group deletes the transferred asset value from the statement, once the power of disposition has been transferred.

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

The corporate group enters transactions in which it transfers assets that are recorded in balance sheet, but retains all major risks and opportunities associated with these assets. In the corporate group, such transactions are only stock options (see note {20} and note {93})

Notes in Relation to the Statement of Comprehensive Income

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

(37) Net Interest Income

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

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

(38) Risk Provision

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

(39) Net Commission Income

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

(40) Trading Result

The trading result presents the evaluation results of the category “held for trading”. Interest and dividend profit from financial assets and liabilities of these evaluation categories are shown under net interest income. Furthermore, income from trading with securities is also included.

(41) Result from Financial Instruments – at Fair Value Through Profit or Loss

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

Notes on the Profit and Loss Account

(42) Net Interest Income

in k Euro	2014	2013
Interests and similar income from receivables from credit institutions	1.584	1.861
Interests and similar income from receivables from clients	110.128	113.693
Interests and similar income from bonds	53.448	65.817
Interests and similar income from leasing receivables	9.188	8.497
Interest gains from derivatives	57.767	60.915
Earnings from shares and other non-fixed securities	398	455
Earnings from holdings from associated non-consolidated companies	696	837
Other earnings from participating interest	3.127	4.664
Interests and similar income	**236.336**	**256.739**
Interests and similar expenses for liabilities to credit institutions	-1.065	-1.090
Interests and similar expenses for liabilities to clients	-32.938	-36.489
Interests and similar expenses for liabilities evidenced by certificate	-98.988	-115.761
Interests and similar expenses for supplementary/subordinate capital	-3.920	-4.201
Interests and similar expenses	**-136.911**	**-157.541**
Interest income	**99.425**	**99.198**

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

in k Euro	2014	2013
Trading assets and derivatives	147.598	164.959
Financial assets – designated at fair value	28.151	31.262
Financial assets – HTM	4.757	7.350
Financial assets – AFS	16.839	20.661
Loans and receivables	129.030	131.050
Interest earnings	**330.198**	**360.783**
Derivatives	-89.829	-104.044
Financial liabilities – designated at fair value	-89.037	-109.087
Liabilities evidenced by certificate	-51.907	-48.454
Interest expenses	**-230.773**	**-261.585**
Interest income	**99.425**	**99.198**

Interest income from financial assets not evaluated on a fair value basis amounted to kEUR 137,610 (2013: kEUR 143,900). The corresponding interest expenses for financial liabilities amounted to kEUR 51,907 (2013: kEUR 48,454).

Interest from impaired assets amounted to kEUR 8,179 (2013: kEUR 10,436).

(43) Loan Risk Provision

in k Euro	2014	2013
Allocation to allowances	-69.875	-71.055
Dissolutions of allowances	50.690	39.251
Direct depreciation of receivables	-900	-421
Earnings from income from depreciated receivables	485	873
Allocation to provisions	-40.229	-4.018
Dissolution of provisions	6.102	7.441
Loan risk provision	**-53.727**	**-27.929**

All profit affecting items of loan risk provision refer to allowances for receivables from clients [see note (57) and (77)].
The loss from credit business results from direct depreciation receivables, income from depreciated receivables, in-come from depreciated receivables and the use of generated provisions. In 2014 the loss amounted to kEUR 22,944 (2013: kEUR 28,069).

The increase in risk provision compared throughout the year re-sults from the endowment of provisions in connection with HETA ASSET RESOLUTION AG [see note (91) and note (95)]. With regard to the risk that the mortgage bond division shall not be able to fulfil its obligation to pay the respective debt instrument in whole, and if HYPO TIROL BANK AG, all other regional mortgage bank and the respective guarantors of creditors of Pfandbriefbank AG or Pfandbriefstelle Wien claim their rights in the course of legal joint and several liability, provisions in the amount of von kEUR 38,693 have been prepared.

(44) Net Commission Income

in k Euro	2014	2013
Commission income from loan/leasing businesses	5.644	7.458
Commission income from securities businesses	12.100	13.536
Commission income from paperless clearing businesses and money transactions	10.375	10.458
Commission income from other service businesses	3.750	4.224
Commission income	**31.869**	**35.676**
Commission expenses for credit/leasing businesses	-702	-661
Commission expenses for securities businesses	-2.324	-2.644
Commission expenses for paperless clearing businesses and money transactions	-1.726	-1.927
Commission expenses for other service businesses	-1.545	-1.448
Commission expenses	**-6.297**	**-6.680**
Commission income	**25.572**	**28.996**

Net commission income included earnings from trust transactions in the amount of kEUR 102 (2013: kEUR 126) Commission expenses included expenses from trust transactions in the amount kEUR 14 (2013: kEUR 26).

(45) Trading Result

in k Euro	2014	2013
Share related businesses	-62	-171
Currency related businesses	-214	208
Interest related businesses	59	-3.303
Trading result	**-217**	**-3.266**

The trading result, which refers to the result from financial instruments at fair value through profit or loss, illustrates a negative cumulative development throughout the year in the amount of kEUR 4,170. This is based on current market conditions (interest level), which have substantial influence on fair value evaluation.

(46) Result from Hedge Accounting

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

The result is structured as follows:

in k Euro	2014	2013
Result from secured basic businesses	-1.440	-11.551
Result from derivatives used as hedge accounting instruments	1.759	12.261
Result from hedge accounting	**319**	**710**

The year-on year result from hedge accounting decreased due to the maturing hedging relations at the end of the year 2014 by kEUR 391.

(47) Result from Financial Instruments – at Fair Value through Profit or Loss

in k Euro	2014	2013
Evaluation result financial instruments "designated at fair value"	41.016	130.503
Evaluation result derivatives	-46.031	-128.299
Result from financial instruments – at fair value through profit or loss	**-5.015**	**2.204**

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

in k Euro	2014	2013
Receivables from clients	9.147	-24.648
Financial assets – designated at Fair Value	32.143	-36.461
Liabilities to clients	-3.675	42.961
Financial liabilities – designated at Fair Value	3.401	148.651
Evaluation result for financial instruments designated at Fair Value	**41.016**	**130.503**

(48) Result from Other Financial Instruments

in k Euro	2014	2013
Realised profit from asset sale	3.346	5.499
Realised losses from asset sale	-2.020	-1.462
Additions	334	0
Allowances for financial instruments and share holdings	-2.420	-3.949
Result from other financial instruments	**-760**	**88**

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

in k Euro	2014	2013
Profit/loss from financial assets – AFS	213	2.073
Profit affecting changes in value via AFS reserves of financial assets – AFS	-221	-1.393
Allowances from financial assets – AFS	-224	-1.901
Profit/loss from participating interest and other	-397	1.278
Allowances from shareholdings	-332	-991
Result from financial assets – AFS	**-961**	**-934**
Profit/loss from financial assets – HTM	173	34
Allowances from financial assets – HTM	-1.438	-59
Result from financial assets – HTM	**-1.265**	**-25**
Profit/loss from financial assets – L&R	1.557	2.153
Allowances from financial assets – L&R	-91	-1.106
Result from financial assets – L&R	**1.466**	**1.047**
Result from other financial instruments	**-760**	**88**

The result from repurchase of issues from the banks own portfolio amounted to kEUR 229 (2013: kEUR 419). [1]

The year-on-year change and the resulting loss thereof amounting to kEUR 760 was primarily caused by reduced disposal of securities.

(49) Administrative Expenses

in k Euro	2014	2013
Personnel expenses	-53.554	-50.158
Material expenses	-23.442	-25.862
Depreciation on material expenses and intangible assets	-4.448	-6.863
Administrative expenses	**-81.444**	**-82.883**

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in k Euro	2014	2013
Salaries and wages	-40.354	-36.871
Legal social expenses	-9.340	-9.706
Voluntary social expenses	-891	-867
Pension scheme expenses	-1.865	-1.904
Expenses for severance payments and pensions	-1.104	-810
Personnel expenses	**-53.554**	**-50.158**

Expenses for severance payments and pensions include payments to the corporate staff and self-employment provision fund in the amount of kEUR 168 (2013: kEUR 172).

The increase in pension expenses results from the altered evaluation interest rate of actuarial profits/losses and from the endowment of provisions in connection with the objective to reduce the number of employees [see note (77)].

Material Expenses

in k Euro	2014	2013
Building expenses	-3.509	-3.621
IT expenses	-5.943	-6.222
Communication expenses	-1.429	-1.255
Expenses for human resource development	-452	-792
Advertising and representation expenses	-3.761	-3.675
Legal and consulting expenses	-4.001	-5.321
Costs for legal structure	-1.453	-1.860
Other material expenses	-2.894	-3.116
Material expenses	**-23.442**	**-25.862**

[1] The illustration of the statements were changed in 2014 and the figures of the previous year were adapted to the new structure.

Legal and consulting expenses and/or costs for legal structures included expenses for auditors (Ernst & Young chartered accountants Wirtschaftsprungsgesellschaftmbh, Wien) in the amount of kEUR 230 (2013: kEUR 210). Expenses for auditors were divided into expenses (costs for legal structures) for auditing the individual financial statement and the consolidated financial statement amounting to kEUR 222 (2013: kEUR 202) and into expenses for other confirmation services amounting to kEUR 8 (2013: kEUR 8).

Depreciation on tangible and intangible assets

in k Euro	2014	2013
Factory and office equipment	-1.854	-2.161
Real estate	-1.986	-3.992
Intangible assets	-608	-710
Depreciation on tangible and intangible assets	**-4.448**	**-6.863**

(50) Other Income

Other income comprises the following items:

in k Euro	2014	2013
Income from leasing business	6.360	5.942
Income from real estate sales	1.928	3.766
Rental income from investment properties	9.071	10.159
Income from assets received as collateral	43	78
Other income	5.633	5.670
Other income	**23.035**	**25.615**

(51) Other Expenses

Other expenses comprise the following items:

in k Euro	2014	2013
Leasing business expenses	-6.563	-5.050
Loss on real estate sales	-79	12
Depreciation on investment properties	-4.149	-5.352
Expenses in connection with investment properties	-4.358	-6.385
in connection with real estate rented out	-4.169	-6.340
in connection with real estate not rented out	-189	-45
Expenses in connection with assets received as collaterals	-264	-41
Operational damages	-108	-90
Other expenses	-10.530	-9.642
Other expenses	**-26.051**	**-26.548**

Other expenses include Austrian Stability Tax in the amount of kEUR 7,773.

(52) Result from Associated Companies

in k Euro	2014	2013
Result from associated companies	378	1.831

The decrease in the result from associated companies was caused the strategy to reduce participation ownership.

(53) Tax on Income and Profit

in k Euro	2014	2013
Current tax claims	-5.169	-4.099
Deferred tax	-2.098	1.065
Tex on income and profit	**-7.267**	**-3.034**

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

in k Euro	2014	2013
Result before taxation	-18.486	18.016
Applicable tax rate	25 %	25 %
Calculable income tax	**4.622**	**-4.504**
Tax effects		
from tax free income from participating interest	820	-1.197
from investment benefits	-10	-81
from other tax free income	3.048	2.367
from previous years	-5.667	-1.845
from goodwill depreciation	-3	72
from pre-payments	0	0
from deviating tax rates abroad	-76	-99
from other non-deductible expenses	-1.154	209
from other differences	184	2.044
from non-active losses brought forward	-9.030	0
Designated income tax	**-7.267**	**-3.034**

Deferred tax income in the fiscal year amounting to kEUR 2,098 and deferred tax income of the previous year amounting to kEUR 1, 065 entirely resulted from creating or dissolving temporary differences and the accounting of deferred tad in relation to losses brought forward.

Notes on the Balance Sheet

(54) Cash Reserve

in k Euro	2014	2013
Cash in hand	26.006	25.088
Deposits at central banks	79.912	17.794
Cash reserve	**105.918**	**42.882**

Pursuant to ECB directives, kEUR 79,912 (2013: kEUR 17,794) of the deposits at central banks are dedicated to the minimum reserve.

(55) Receivables from Credit Institutions

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

Receivables from credit institutions by business type

in k Euro	2014	2013
Interbank accounts	54.863	306.645
Money market business	189.301	75.714
Loans to banks	64.977	94.618
Other receivables	337	138
Receivables from credit institutions	**309.478**	**477.115**

Receivables from credit institutions by region

in k Euro	2014	2013
Austria	**181.162**	**202.714**
Foreign countries	**128.316**	**274.401**
Germany	37.853	23.221
Italy	24.638	29.869
Other foreign countries (incl. CEE)	65.825	221.311
Receivables from credit institutions	**309.478**	**477.115**

Receivables from credit institutions by maturity

in k Euro	2014	2013
Maturity: daily	51.728	107.670
Up to 3 months	92.945	71.649
3 months to 1 year	135.794	93.655
1 year to 5 years	21.650	100.618
More than 5 years	7.361	103.523
Receivables from credit institutions	**309.478**	**477.115**

(56) Receivables from Clients

Receivables from clients accounting for kEUR 467,955 (2013: kEUR 491,421) are assigned to the category „financial assets - designated at fair value". The remaining receivables in the amount of kEUR 5,240,311 (2013: kEUR 5,437,545) are recorded in the category "loans and receivables".

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

in k Euro	2014	2013
Current account	651.809	692.006
Cash	52.347	56.363
Loans	2.811.413	2.898.195
Credits on bill of exchange	109	196
Covered communal loans	792.841	861.732
Covered bond loans	694.879	707.351
Other loans	21.305	6.400
Leasing receivables	666.054	699.066
Other receivables	17.509	7.657
Receivables from clients	**5.708.266**	**5.928.966**

Receivables from clients by region

in k Euro	2014	2013
Austria	**4.458.781**	**4.542.506**
Foreign countries	**1.249.485**	**1.386.460**
Germany	258.800	311.878
Italy	956.252	1.016.298
Other foreign countries (incl. CEE)	34.433	58.284
Receivables from clients	**5.708.266**	**5.928.966**

Receivables from clients by maturity

in k Euro	2014	2013
Maturity: daily	213.912	252.394
Up to 3 months	339.197	389.016
3 months to 1 year	811.348	783.622
1 year to 5 years	1.798.132	1.837.998
More than 5 years	2.545.677	2.665.936
Receivables from clients	**5.708.266**	**5.928.966**

Receivables from clients by sector

in k Euro	2014	2013
Central state and public sector	688.020	718.908
Corporate clients	3.934.309	4.157.967
Private households	1.067.661	1.030.478
Other	18.276	21.613
Receivables from clients	**5.708.266**	**5.928.966**

Gross and net investment values in leasing business

in k Euro	2014	2013
Gross investment value	749.414	803.015
Financial income not realised	-83.360	-103.949
Net investment value	666.054	699.066
Non-guaranteed residual values	99.523	114.710
Accumulated depreciation	**-42.232**	**-39.115**

Accumulated depreciations in leasing business are designated in the item risk provisions in connection with receivables from clients.
In the expired fiscal year, no contingency payments were recorded as expenses.

Net investment values in leasing business by maturity

in k Euro	2014	2013
Up to 3 months	13.120	17.474
3 months to 1 year	107.123	68.571
1 year to 5 years	208.260	230.750
More than 5 years	337.551	382.271
Net investment value	**666.054**	**699.066**

Gross investment values in leasing business by maturity

in k Euro	2014	2013
Up to 3 months	16.317	21.115
3 months to 1 year	116.317	79.384
1 year to 5 years	246.433	276.435
More than 5 years	370.347	426.081
Gross investment value	**749.414**	**803.015**

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

(57) Risk Provision in Connection With Receivables From Credit Institutions and Clients

Development of risk provision in connection with receivables from credit institutions

in k Euro	2014	2013
As at 01.01.	0	-1.253
Currency differences	0	0
Consumption	0	225
Liquidation	0	1.028
Addition	0	0
Risk provision in connection with receivables from clients	**0**	**0**

Development of risk provision in connection with receivables from clients

Risk provision in connection with receivables from clients amounted kEUR 3,994 (2013: kEUR 3,102) and is assigned to the category "financial assets – designated at fair value". The remaining risk provision amounting kEUR 337,095 (2013: kEUR 342,090) is recorded in the category "loans and receivables", which is evaluated on the basis of continuous acquisition costs.

in k Euro	2014	2013
As at 01.01.	-345.192	-341.339
Currency differences	-71	458
Consumption	23.359	28.521
Liquidation	50.690	38.223
Addition	-69.875	-71.055
Risk provision in connection with receivables from clients	**-341.089**	**-345.192**

Risk provision in connection with receivables from clients by region

in k Euro	2014	2013
Austria	**-95.806**	**-105.452**
Foreign countries	**-245.283**	**-239.740**
Germany	-18.562	-29.887
Italy	-225.391	-208.318
Other foreign countries (incl. CEE)	-1.330	-1.535
Risk provision in connection with receivables from clients	**-341.089**	**-345.192**

Development of risk provision in connection with receivables from clients

in k Euro	As at 01.01.	Currency translation	Consumption	Liquidation	Additions	As at 31.12.
2013						
Reliability risks – receivables > kEUR 100	-314.765	456	23.561	32.582	-61.213	-319.379
Reliability risks – receivables < kEUR 100	-13.285	2	4.960	1.260	-7.554	-14.617
Portfolio provision	-13.289	0	0	4.381	-2.288	-11.196
Total	**-341.339**	**458**	**28.521**	**38.223**	**-71.055**	**-345.192**
2014						
Reliability risks – receivables > kEUR 100	-319.379	-60	39.333	39.797	-65.887	-306.196
Reliability risks – receivables < kEUR 100	-14.617	-11	-15.974	7.979	-3.988	-26.611
Portfolio provision	-11.196	0	0	2.914	0	-8.282
Total	**-345.192**	**-71**	**23.359**	**50.690**	**-69.875**	**-341.089**

Due to systematic adaptions, the year-on-year significance limit was raised from kEUR 100 to kEUR 500 in 2014. The adjustment of the specific allowance and the general allowance illustrated above is also a result of the adaptions.

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

in k Euro	As at 01.01.	Currency translation	Consumption	Liquidation	Additions	As at 31.12.
2013						
Corporate clients	-322.022	296	25.914	34.915	-67.950	-328.847
Private households	-19.264	162	2.607	3.304	-3.097	-16.288
Other	-53	0	0	4	-8	-57
Total	**-341.339**	**458**	**28.521**	**38.223**	**-71.055**	**-345.192**
2014						
Corporate clients	-328.847	-63	20.639	48.613	-68.108	-327.766
Private households	-16.288	-8	2.720	2.062	-1.768	-13.282
Other	-57	0	0	16	0	-41
Total	**-345.192**	**-71**	**23.359**	**50.691**	**-69.876**	**-341.089**

Additions include unwinding in the amount of kEUR 478 (2013: kEUR 567) which was reclassified in the profit and loss account from risk costs to income from interest.

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

in k Euro	Receivables from clients 2014	Receivables from clients 2013	Receivables from credit inst. 2014	Receivables from credit inst. 2013
Receivables with no specific allowance	4.995.105	5.141.693	309.478	477.115
Overdue receivables - no allowance	26.818	47.765	0	0
Individual allowance for receivables	686.343	739.508	0	0
Risk provision	-341.089	-345.192	0	0
Receivables	**5.367.177**	**5.583.774**	**309.478**	**477.115**

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

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

in k Euro	Receivables from clients 2014	Receivables from clients 2013	Receivables from credit inst. 2014	Receivables from credit inst. 2013
Outstanding creditworthiness (ratings 1A – 2B)	1.395.897	1.526.668	165.151	309.233
Very good creditworthiness (ratings 2C – 2E)	970.163	970.997	74.841	55.195
Good creditworthiness (ratings 3A – 3B)	1.364.558	1.336.416	30.244	27.109
Medium creditworthiness (ratings 3C – 3E)	1.068.104	1.003.929	33.840	81.886
Weak creditworthiness (ratings 4A – 4B)	140.311	180.415	5.402	43
Very weak creditworthiness (ratings 4C – 4E)	56.072	123.268	0	3.649
Receivables with no individual allowance	**4.995.105**	**5.141.693**	**309.478**	**477.115**

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

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

	Receivables from clients 2014	Receivables from clients 2013	Receivables from credit inst. 2014	Receivables from credit inst. 2013
3 months to 6 months	18.475	32.343	0	0
6 months to 1 year	8.093	7.245	0	0
more than 1 year	250	8.177	0	0
Overdue receivables - no allowance	**26.818**	**47.765**	**0**	**0**

In case of default payment less than 90 days, that is 1 day to 3 months, receivables are not assigned to this category; in the fiscal year they amounted to kEUR 67,650 (2013: kEUR 65,692).

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

The analysis of the fiscal year 2014 regarding specific allowance for receivables illustrates the following situation:

	Receivables from clients		Receivables from credit inst.	
in k Euro	**2014**	**2013**	**2014**	**2013**
Rating level 5 B	268.463	369.360	0	0
Rating level 5 C	371.899	314.336	0	0
Rating level 5 D	45.011	55.722	0	0
Rating level 5 E	970	90	0	0
Individual allowance for receivables	686.343	739.508	0	0
Risk provision	-341.089	-345.192	0	0
Net asset value of individual allowance for receivables	**345.254**	**394.316**	**0**	**0**

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

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

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

in k Euro	**2014**	**2013**
Collateral for overdue receivables - no specific allowance	29.454	27.752
Collateral for specific-allowance receivables	330.301	372.508

(58) Positive Market Values from Derivate Hedging Instruments

The only hedging instruments used are interest swaps.

in k Euro	**2014**	**2013**
Positive market values from assigned effective fair value hedges	1.458	225

On the liability side only basic transactions are only fixed rate securities businesses. The accounting value of hedged basic business on 31.12.2014 amounted to kEUR 259.922 (2013: kEUR 0). Positive market values have a maturity of more than one year. [2]

(59) Trading Assets and Derivatives

Trading assets by business type

in k Euro	**2014**	**2013**
Investment share certificates	665	332
Positive market values from derivatives	252.191	317.348
Accrued interest to trading assets	66.487	80.863
Trading assets by business type	**319.343**	**398.543**

[2] The illustration of the statement was changed in 2014 and the figures of the previous year were adapted to the new structure accordingly.

Trading assets by maturity

in k Euro	2014	2013
Up to 3 months	10.036	9.429
3 months to 1 year	3.717	7.390
1 year to 5 years	222.097	335.491
More than 5 years	82.790	45.901
Without maturity	703	332
Trading assets	**319.343**	**398.543**

Derivatives

	Nominal value		Positive market values		Negative market values	
in k Euro	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Derivatives "held for trading"						
FX-future transactions	284.875	103.641	363	2.350	1.276	1.162
FX-options	167	0	2	0	2	0
Currency derivatives	**285.042**	**103.641**	**365**	**2.350**	**1.278**	**1.162**
Interest swaps	5.790.214	7.317.570	247.463	308.507	175.666	161.261
Interest options	0	0	0	0	0	0
Future transactions	455.516	574.160	4.324	6.491	4.119	5.960
Futures	0	0	0	0	0	0
Interest derivatives	**6.245.730**	**7.891.729**	**251.787**	**314.998**	**179.784**	**167.221**
Credit default swaps	20.000	17.000	0	0	378	205
Options	0	0	38	0	0	0
Asset value dependant derivatives	**20.000**	**17.000**	**38**	**0**	**378**	**205**
Trading assets	**6.550.772**	**8.012.370**	**252.191**	**317.348**	**181.440**	**168.588**

Default risks of trading assets are assessed in the corporate group by using the internal rating system. Trading assets are rated inclusive of their interest demarcation. Internal rating levels correspond to the rating categories as stated in note (56) and are used to assess the default risks for all financial assets and liabilities on a standard basis. “Top creditworthiness” is a sub-category of rating class “outstanding creditworthiness” and corresponds to rating levels 1A to 1E.

2014

in k Euro	For trading purposes	Derivatives	Trading assets
Top creditworthiness	20	208.279	208.299
Outstanding creditworthiness	18	80.541	80.559
Very good creditworthiness	0	10.977	10.977
Good creditworthiness	0	3.622	3.622
Medium creditworthiness	0	2.793	2.793
Weak creditworthiness	627	12.466	13.093
Total	**665**	**318.678**	**319.343**

2013

in k Euro	For trading purposes	Derivatives	Trading assets
Top creditworthiness	20	317.936	317.956
Outstanding creditworthiness	18	31.798	31.816
Very good creditworthiness	294	43.889	44.183
Good creditworthiness	0	3.812	3.812
Medium creditworthiness	0	565	565
Weak creditworthiness	0	145	145
Total	**332**	**398.211**	**398.543**

(60) Financial Assets – Designated at Fair Value

Financial assets – designated at fair value by business type

in k Euro	2014	2013
Bonds of public issuers	357.202	342.639
Bonds of other issuers	540.971	575.183
Interest accrued	15.616	17.591
Financial assets – designated at fair value	**913.789**	**935.413**

Financial assets – designated at fair value by maturity

in k Euro	2014	2013
Up to 3 months	44.765	34.072
3 months to 1 year	73.577	42.506
1 year to 5 years	505.281	466.315
More than 5 years	290.166	392.520
Financial assets - designated at fair value	**913.789**	**935.413**

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

in k Euro	2014	2013
Top creditworthiness	829.641	844.062
Outstanding creditworthiness	11.584	5.286
Very good creditworthiness	47.548	64.821
Good creditworthiness	13.947	20.146
Weak creditworthiness	5.680	1.098
Total	**913.789**	**935.413**

(61) Financial Assets – AFS

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

Financial assets – AFS by business type

in k Euro	2014	2013
AFS bonds of public issuers	270.306	352.753
AFS bonds of other issuers	461.946	487.473
AFS shares	3.730	2.775
AFS other holding rights	25.739	30.017
Interest accrued regarding AFS - stocks	8.125	10.559
Participations – other companies	52.267	54.050
Shares in associated companies	18.772	18.772
Financial assets - AFS	**840.885**	**956.399**

Financial assets – AFS by maturity

in k Euro	2014	2013
Up to 3 months	50.699	49.627
3 months to 1 year	94.785	169.799
1 year to 5 years	498.303	466.753
More than 5 years	96.590	163.554
Without maturity	100.508	106.666
Financial assets - AFS	**840.885**	**956.399**

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

In the expired fiscal year, impairments for securities “AFS” in the amount of kEUR 224 (2013: kEUR 1,901) of AFS reserves were reclassified to the profit and loss account. The development of impairments for financial assets – AFS, which was considered in the profit and loss account, shows the following results:

in k Euro	Impairment on 01.01.	Currency translation	Inflows in business year	Transfers Consolidation	Outflows in business year	Impairment on 31.12
2013						
Bonds of other issuers	-5.784	0	-1.665	0	74	-7.375
Shares	-939	0	0	0	583	-356
Investment certificates	-1.070	0	-236	0	91	-1.215
Participating interest - other companies	-8.832	0	-476	0	3.042	-6.266
Shares in associated companies	-3.416	0	-515	0	0	-3.931
Financial assets – AFS	**-20.041**	**0**	**-2.892**	**0**	**3.790**	**-19.143**

in k Euro	Impairment on 01.01.	Currency translation	Inflows in business year	Transfers Consolidation	Outflows in business year	Impairment on 31.12
2014						
Bonds of other issuers	-7.375	0	-184	0	259	-7.300
Shares	-356	0	-40	0	175	-221
Investment certificates	-1.215	0	0	0	328	-887
Participating interest - other companies	-6.266	0	-666	0	1.133	-5.799
Shares in associated companies	-3.931	0	0	0	0	-3.931
Financial assets – AFS	**-19.143**	**0**	**-890**	**0**	**1.895**	**-18.138**

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

in k Euro	2014	2013
Top creditworthiness	707.121	815.984
Outstanding creditworthiness	8.463	14.382
Very good creditworthiness	27.907	25.358
Good creditworthiness	8.712	13.676
Medium creditworthiness	271	218
Weak creditworthiness	17.373	13.959
Holdings - other companies	52.266	54.050
Shares in associated companies	18.772	18.772
Total	**840.885**	**956.399**

(62) Financial Assets – HTM

Financial assets – HTM by business type

in k Euro	2014	2013
HTM-bonds of public issuers	55.861	69.137
HTM-bonds of other issuers	91.777	126.338
Interest accrued to HTM-stock	2.486	3.012
Financial assets – HTM	**150.124**	**198.487**

Financial assets – HTM by maturity

in k Euro	2014	2013
Up to 3 months	8.289	17.451
3 months to 1 year	60.556	24.297
1 year to 5 years	77.370	147.430
More than 5 years	3.909	9.309
Financial assets – HTM	**150.124**	**198.487**

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

In the expired fiscal year impairments for securities “HTM” in the amount of kEUR 1,438 (2013: kEUR 58) were considered on a profit affecting basis. The development of impairments illustrates the following situation:

in k Euro	Impairment on 01.01.	Currency translation	Inflows in business year	Transfers Consolidation	Outflows in business year	Impairment on 31.12
2013						
Bonds of public issuers	0	0	0	0	0	0
Bonds of other issuers	-2.013	0	-58	0	1.866	-206
Financial assets - HTM	**-2.013**	**0**	**-58**	**0**	**1.866**	**-206**
2014						
Bonds of public issuers	0	0	0	0	0	0
Bonds of other issuers	-206	0	-1.438	0	206	-1.438
Financial assets - HTM	**-206**	**0**	**-1.438**	**0**	**206**	**-1.438**

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

in k Euro	2014	2013
Non-impaired financial assets – HTM	146.602	189.693
Impaired financial assets – HTM	4.960	9.000
Impairment	-1.438	-206
Financial assets – HTM	**150.124**	**198.487**

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

in k Euro	2014	2013
Top creditworthiness	122.235	154.975
Outstanding creditworthiness	15.112	2.001
Very good creditworthiness	9.220	32.712
Good creditworthiness	0	3.857
Medium creditworthiness	0	4.942
Weak creditworthiness	3.557	0
Very weak creditworthiness	0	0
Total	**150.124**	**198.487**

(63) Financial Assets – L&R

Financial assets – L&R by business type

in k Euro	2014	2013
L&R bonds	7.164	17.468
Interest accrued regarding L&R-stock	10	17
Financial assets – L&R	**7.174**	**17.485**

Financial assets – L&R by maturity

in k Euro	2014	2013
3 months to 1 year	0	0
1 to 5 years	2.056	2.145
More than 5 years	5.118	15.340
Financial assets – L&R	**7.174**	**17.485**

In the past business year impairment for securities "Loans & Receivables" in the amount of kEUR 91 (2013: kEUR 1,106) were considered on a profit affecting basis. The development of impairment is described as follows:

in k Euro	Impairment on 01.01.	Currency translation	Inflows in business year	Transfers Consolidation	Outflows in business year	Impairment on 31.12
2013						
Bonds	-9.252	0	-1.106	0	6.836	-3.522
Financial assets - L&R	**-9.252**	**0**	**-1.106**	**0**	**6.836**	**-3.522**
2014						
Bonds	-3.522	0	-91	0	2.117	-1.496
Financial assets - L&R	**-3.522**	**0**	**-91**	**0**	**2.117**	**-1.496**

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

in k Euro	2014	2013
Non-impaired L&R	4.597	10.505
Impaired L&R	4.073	10.503
Impariment L&R	-1.496	-3.522
Loans & Receivables	**7.174**	**17.485**

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

in k Euro	2014	2013
Top creditworthiness	4.283	10.423
Outstanding creditworthiness	1.110	810
Very good creditworthiness	876	2.754
Good creditworthiness	277	1.051
Medium creditworthiness	526	857
Weak creditworthiness	70	1.590
Very weak creditworthiness	32	0
Total	**7.174**	**17.485**

(64) Shares in Associated Companies

in k Euro	2014	2013
Shares in Associated Companies	**11.068**	**33.836**

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

(65) Investment Properties

Development of historical acquisition cost and comparison of accounting value

in k Euro	Acquisition value 01.01.	Currency translation	Inflows in business year	Transfers consolid.	Outflows and recategoris. assets AFS in business year	Acquisition value 31.12.	Accounting value 31.12.	Accounting value 01.01.
2013								
Undeveloped real estate	8.463	0	242	0	-1.712	6.993	5.821	8.463
Real estate/buildings rented out - land share	18.330	0	2.621	13	-2.573	18.391	17.421	18.330
Real estate/buildings rented out - building share	153.453	0	10.831	1.027	-5.879	159.432	94.899	93.590
Factory and office equipment rented out	1.146	0	141	0	-25	1.262	407	350
Facilities under construction	16	0	894	-890	0	20	20	16
Investment properties	**181.408**	**0**	**14.729**	**150**	**-10.189**	**186.098**	**118.568**	**120.749**
2014								
Undeveloped real estate	6.993	0	38	15	-1.161	5.885	4.743	5.821
Real estate/buildings rented out - land share	18.391	0	0	-23	-2.084	16.284	15.287	17.421
Real estate/buildings rented out - building share	159.432	0	658	-58	-3.736	156.296	89.444	94.899
Factory and office equipment rented out	1.262	0	324	-1	-77	1.508	628	407
Facilities under construction	20	0	40	-2	0	58	58	20
Investment properties	**186.098**	**0**	**1.060**	**-69**	**-7.058**	**180.031**	**110.160**	**118.568**

Development of accumulated depreciation

in k Euro	Accumulated depreciation 01.01.	Currency translation	Inflows in business year	Transfers consolid.	Outflows in business year	Accumulated depreciation 31.12.
2013						
Undeveloped real estate	0	0	-1.000	-172	0	**-1.172**
Real estate/buildings rented out - land share	0	0	0	-970	0	**-970**
Real estate/buildings rented out - building share	-59.864	0	-4.267	-3.578	3.176	**-64.533**
Factory and office equipment rented out	-796	0	-85	0	26	**-855**
Facilities under construction	0	0	0	0	0	**0**
Investment properties	**-60.660**	**0**	**-5.352**	**-4.720**	**3.202**	**-67.530**
2014						
Undeveloped real estate	-1.172	0	0	0	30	**-1.142**
Real estate/buildings rented out - land share	-970	0	0	-27	0	**-997**
Real estate/buildings rented out - building share	-64.533	0	-4.048	264	1.465	**-66.852**
Factory and office equipment rented out	-855	0	-101	0	76	**-880**
Facilities under construction	0	0	0	0	0	**0**
Investment properties	**-67.530**	**0**	**-4.149**	**237**	**1.571**	**-69.871**

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

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

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

On 31.12.2014, fair value of investment properties accounted for kEUR 125,299 (2013: kEUR 129,954)). Fair value is evaluated on the basis of internal fair market value assessments at the balance sheet date. In the context of evaluating fair value of real estate, the current use represents the most efficient and best possible use. Within the corporate group investment properties are evaluated at continuous acquisition costs. Fair value is calculated for the purpose of impairment tests and in relation to the notes, however, in case no impairment is required – it does not have any effects on the consolidated balance sheet nor on the consolidated profit and loss account. Fair value of investment properties was classified as fair value level 3, based on input factors of the used evaluation method [see note (21)].

(66) Intangible Assets

Development of historical acquisition costs and comparison of accounting value

in k Euro	Acquisition value 01.01.	Currency translation	Inflows in business year	Transfers consolid.	outflows in business year	Acquisition value 31.12.	Accounting value 31.12.	Accounting value 01.01.
2013								
Client base	1.556	0	1	0	0	1.557	375	543
Software	14.176	0	643	0	-1	14.818	1.123	1.021
Intangible assets	**15.732**	**0**	**644**	**0**	**-1**	**16.375**	**1.498**	**1.564**
2014								
Client base	1.557	0	0	0	0	1.557	259	375
Software	14.818	0	592	0	-6	15.404	1.220	1.123
Intangible assets	**16.375**	**0**	**592**	**0**	**-6**	**16.961**	**1.479**	**1.498**

Development of accumulated depreciation

in k Euro	Accumulated depreciation 01.01.	Currency translation	Inflows in business year	Transfers consolid.	Outflows in business year	Accumulated depreciation 31.12.
2013						
Client base	-1.013	0	-169	0	0	**-1.182**
Software	-13.155	0	-541	0	1	**-13.695**
Intangible assets	**-14.168**	**0**	**-710**	**0**	**1**	**-14.877**
2014						
Client base	-1.182	0	-116	0	0	**-1.298**
Software	-13.695	0	-492	0	3	**-14.184**
Intangible assets	**-14.877**	**0**	**-608**	**0**	**3**	**-15.482**

Software inflows in the amount of kEUR 592 refer to various software solutions that were acquired in the expired business year – in particular by HYPO TIROL BANK AG.

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

(67) Tangible Assets

Development of historical acquisition costs and comparison of accounting value

in k Euro	Acquisition value 01.01.	Currency translation	Inflows in business year	Transfers consolid.	Outflows in business year	Acquisition value 31.12.	Accounting value 31.12.	Accounting value 01.01.
2013								
Undeveloped real estate	98	0	386	0	0	484	484	98
Developed real estate-owner occupied–land value	14.667	0	1.010	-13	-1.710	13.954	12.449	13.662
Developed real estate-owner occupied-build.value	95.549	0	2.983	-137	-11.341	86.054	53.882	62.346
Factory and office equipment	43.325	0	736	0	-394	42.667	9.137	10.607
Facilities under construction	75	0	0	0	-5	70	70	75
Tangible assets	**153.714**	**0**	**5.115**	**-150**	**-13.450**	**143.229**	**76.022**	**86.788**
2014								
Undeveloped real estate	484	0	0	0	0	484	484	484
Developed real estate-owner occupied–land value	13.954	0	54	103	0	14.111	12.606	12.449
Developed real estate-owner occupied-build.value	86.054	0	399	377	0	86.830	52.308	53.882
Factory and office equipment	42.667	0	838	0	-4.044	39.461	7.437	9.137
Facilities under construction	70	0	8	0	0	78	78	70
Tangible assets	**143.229**	**0**	**1.299**	**480**	**-4.044**	**140.964**	**72.913**	**76.022**

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 k Euro	Accumulated depreciation 01.01.	Currency translation	Inflows in business year	Transfers consolid.	Outflows in business year	Accumulated depreciation 31.12.
2013						
Developed real estate - owner occupied - land value	-1.005	0	-500	0	0	**-1.505**
Developed real estate- owner occupied - building value	-32.204	0	-3.492	109	3.415	**-32.172**
Factory and office equipment	-31.718	0	-2.161	0	349	**-33.530**
Facilities under construction	0	0	0	0	0	**0**
Tangible assets	**-64.927**	**0**	**-6.153**	**109**	**3.764**	**-67.207**
2014						
Developed real estate - owner occupied - land value	-1.505	0	0	0	0	**-1.505**
Developed real estate- owner occupied - building value	-32.172	0	-1.986	-364	0	**-34.522**
Factory and office equipment	-33.530	0	-1.854	0	3.360	**-32.024**
Facilities under construction	0	0	0	0	0	**0**
Tangible assets	**-67.207**	**0**	**-3.840**	**-364**	**3.360**	**-68.051**

(68) Other Assets

in k Euro	2014	2013
Assets held as collateral for non-performing loans	0	0
Tax receivables	1.642	1.492
Accruals and deferrals	332	489
Other	20.598	28.096
Other assets	**22.572**	**30.077**

Tax receivables basically comprised current consumer taxes and activated corporate tax pre-payments of Hypo Tirol Invest GmbH in the amount of kEUR 145 (2013: kEUR 601) for fiscal years that have not yet been assessed

In 2014, other assets included kEUR 11,369 (2013: kEUR 15,766) from accounts.

(69) Financial Assets Held for Sale

In 2014, financial assets held for sale accounted for kEUR 5,937 (2013 kEUR 11,712).) and concerned real estate that is supposed to be sold in the first part of the fiscal year 2015. We have already started to look for purchasers, Impairment was not recorded; neither at the time of reclassification to assets held for sale nor on 31 December 2014, because the management expects fair value less sales costs to be above accounting value (based on latest market prices of similar real estate in similar location and currently presented offers of purchase). Fair value is classified as fair value level 3 based on input factors of the employed evaluation method.

(70) Deferred Income Tax Assets and Obligations

in k Euro	2014	2013
Evaluation of receivables and liabilities clients covered by security at fair value and evaluation of risk provision	26.325	23.562
Evaluation of derivatives at fair value	79.113	82.778
Evaluation of financial assets – designated at fair value and AFS at fair value	52.546	44.079
Evaluation of financial assets – HTM and L&R according to effective interest method	28	16
Evaluation of shares in associated companies according to equity method	0	0
Application of evaluation method at first consolidation and application of different depreciation approaches for investment properties and tangible assets	734	799
Evaluation of liabilities evidenced by certificate and financial liabilities– designated at fair value	501	25.766
Evaluation of provisions	83	43
Deferred tax assets	**159.330**	**177.043**

in k Euro	2014	2013
Evaluation of receivables and liabilities covered by securities clients at fair value and evaluation of risk provision	17.897	16.261
Evaluation of derivatives at fair value	91.356	112.485
Evaluation of financial assets – designated at fair value and financial assets – AFS at fair value	22.732	15.172
Evaluation of financial assets – HTM and L&R according to effective interest method	0	5
Evaluation of shares in associated companies according to equity method	0	0
Application of evaluation method at first consolidation and application of different depreciation approaches for investment properties and tangible assets	1.090	846
Evaluation of liabilities evidenced by certificate and financial liabilities– designated at fair value	11.584	10.012
Evaluation of provisions	1.300	3.301
Deferred tax assets	**145.959**	**158.082**
Deferred tax assets and obligations, per balance	**13.371**	**18.961**

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

in k Euro	2014	2013
Deferred tax assets	159.330	177.043
Balancing	-143.875	-156.890
Deferred tax assets per balance	**15.455**	**20.153**

in k Euro	2014	2013
Deferred tax assets	145.959	158.082
Balancing	-143.875	-156.890
Deferred tax assets per balance	**2.084**	**1.192**

in k Euro	2014	2013
Deferred tax assets	15.455	20.153
Deferred tax obligations	2.084	1.192
Deferred tax assets/obligations per balance	**13.371**	**18.961**

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

in k Euro	2014	2013
As at 01.01.	**18.961**	**18.429**
Deferred tax considered in the profit and loss account	-2.098	1.065
Deferred tax from actuarial profits/losses	804	49
Deferred tax from the evaluation of financial assets - AFS considered in the profit or loss for the period:		
Change of evaluation at fair value	2.646	-3.147
Profit affecting re-categorisation to profit and loss account	-6.138	2.614
As at 31.12.	**13.371**	**18.961**

In the fiscal years 2014 and 2013, no deferred tax obligations in connection with AFS stocks were designated to deferred tax obligations from financial instruments.

Deferred tax assets in the amount of kEUR 35,728 (2013: kEUR 24,231) have not been activated. They can be brought forward without limitation.

(71) Liabilities to Credit Institutions

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

Liabilities to credit institutions by business type

in k Euro	2014	2013
Interbank accounts	149.211	314.783
Money market businesses	306.463	127.301
Trustee liabilities	9.396	11.249
Other liabilities	5.195	216
Liabilities to credit institutions	**470.265**	**453.549**

Liabilities to credit institutions by region

in k Euro	2014	2013
Austria	**187.161**	**180.921**
Foreign countries	**283.104**	**272.628**
Germany	118.827	127.894
Italy	51	0
Other foreign countries (incl. CEE)	164.226	144.734
Liabilities to credit institutions	**470.265**	**453.549**

Liabilities to credit institutions by maturity

in k Euro	2014	2013
Daily maturity	141.964	188.160
Up to 3 months	237.601	180.389
3 months to 1 year	5.700	0
1 year to 5 years	85.000	75.000
More than 5 years	0	10.000
Liabilities to credit institutions	**470.265**	**453.549**

(72) Liabilities to clients

Liabilities to clients amounting to kEUR 822,113 (2013: kEUR 852,455) were assigned to the category "financial liabilities evaluated at fair value on a profit affecting basis". The remaining liabilities amounting kEUR 1,989,457 (2013: kEUR 1,816,558) were dedicated to "other liabilities".

Liabilities to clients by business type

in k Euro	2014	2013
Current account	1.093.610	878.951
Time deposits	810.294	842.910
Other deposits	53.286	51.849
Savings deposits	627.469	593.251
Capital savings books	226.911	302.052
Liabilities to clients	**2.811.570**	**2.669.013**

Liabilities to clients by region

in k Euro	2014	2013
Austria	**2.047.152**	**1.895.378**
Foreign countries	**764.418**	**773.635**
Germany	673.109	679.715
Italy	33.124	34.742
Other foreign countries (incl. CEE)	58.185	59.178
Liabilities to clients	**2.811.570**	**2.669.013**

Liabilities to clients by maturity

in k Euro	2014	2013
Daily maturity	1.190.402	1.020.455
Up to 3 months	487.899	444.126
3 months to 1 year	366.121	345.547
1 year to 5 years	685.546	792.288
More than 5 years	81.602	66.597
Liabilities to clients	**2.811.570**	**2.669.013**

Liabilities to clients by sector

in k Euro	2014	2013
Public sector	355.164	194.398
Corporate clients	1.042.585	953.317
Private households	1.193.478	1.280.580
Other	220.343	240.718
Liabilities to clients	**2.811.570**	**2.669.013**

(73) Liabilities Evidenced by Certificate

Liabilities evidenced by certificate are evaluated at continuous acquisition costs.

Liabilities evidenced by certificate by business type

in k Euro	2014	2013
Debentures	65.982	66.259
Communal debentures	260.024	109
Cash obligations	0	0
Bonds	869.285	1.062.437
Housing bonds	23.856	58.201
Bonds of debentures section	27.000	50.000
Interest accrued	1.002	1.441
Liabilities evidenced by certificate	**1.247.149**	**1.238.447**

Liabilities evidenced by certificate by maturity

in k Euro	2014	2013
Daily maturity	335	349
Up to 3 months	31.317	74.448
3 months to 1 year	47.841	46.021
1 year to 5 years	1.131.951	1.079.097
More than 5 years	35.705	38.532
Liabilities evidenced by certificate	**1.247.149**	**1.238.447**

Development of liabilities evidenced by certificate

in k Euro	2014	2013
As at 01.01	1.238.447	1.411.172
New assumption	298.789	70.234
Redemption	-291.125	-241.213
Currency changes	0	-657
Changes accrued interest	-439	-1.089
Veränderung der Bewertung at Fair Value	1.477	0
Liabilities evidenced by certificate	**1.247.149**	**1.238.447**

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

(74) Negative Market Values from Derivative Hedging Instruments

Interest swaps are the only hedging instruments employed.

in k Euro	2014	2013
Negative market values from assigned effective fair value hedges	**19.688**	**23.643**

Basic transactions in the corporate group only comprise fixed rate securities category "AFS". The accounting value of basic businesses on 31.12.2014 accounted kEUR 152.160 (2013: kEUR 171.527). The maturity of all market values is more than one year.

(75) Derivatives

in k Euro	2014	2013
Negative market values from derivative financial instruments	181.440	168.588
Interest accrued	28.120	32.325
Derivatives	**209.560**	**200.913**

Derivatives by maturity

in k Euro	2014	2013
Up to 3 months	2.334	4.061
3 months to 1 year	8.144	11.910
1 year to 5 years	81.485	84.629
More than 5 years	117.597	100.313
Derivatives	**209.560**	**200.913**

(76) Financial liabilities – Designated at Fair Value

Financial liabilities – designated at fair value by business type

in k Euro	2014	2013
Debentures	204.200	199.823
Communal debentures	105.757	62.008
Cash obligations	0	859
Bonds	1.924.567	2.621.220
Housing bonds	247.251	230.555
Bonds in the debentures sector	121.040	293.467
Subordinate liabilities	67.438	66.339
Supplementary capital	23.998	23.673
Interest accrued	46.051	58.512
Financial liabilities - designated at fair value	**2.740.302**	**3.556.456**

The redemption amount of financial liabilities – designated at fair value accounted for kEUR 2,569,894 (2013: kEUR 3,393,790), The difference between accounting value and redemption amount accounted for kEUR 170,408 (2013: kEUR 162,666).

Development of financial liabilities – designated at fair value

in k Euro	2014	2013
As at 01.01	3.556.456	4.019.624
New assumption	151.289	101.806
Redemption	-894.955	-432.951
Currency changes	-15.911	30.951
Changes in interest accrued	-12.460	-8.018
Changes of evaluation at fair value	-44.117	-154.956
Financial liabilities - designated at fair value	**2.740.302**	**3.556.456**

Financial liabilities – designated at fair value by maturity

in k Euro	2014	2013
Up to 3 months	197.240	101.397
3 months to 1 year	75.146	149.302
1 year to 5 years	2.077.480	3.013.832
More than 5 years	390.436	291.924
Financial liabilities - designated at fair value	**2.740.302**	**3.556.456**

(77) Provisions

in k Euro	2014	2013
Provision for severance payments	13.625	11.589
Pension provision	6.913	6.163
Length of service provision	2.019	1.680
Loan risk provisions	3.806	9.516
Other provisions	51.658	8.712
Provisions	**78.021**	**37.660**

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

in k Euro	Severance payments provision	Pension provision	Length-of-service provision
2013			
As at 01.01.	11.505	6.643	1.614
Service costs	461	0	98
Interest expenses	416	233	59
Payments	-883	-819	-96
Actuarial profit/loss	91	106	5
Actuarial profits and losses from changed demographic assumptions	0	0	0
Actuarial profits and losses from changed financial assumptions	91	106	5
As at 31.12.	**11.589**	**6.163**	**1.680**
2014			
As at 01.01.	11.589	6.163	1.680
Service costs	484	0	117
Interest expenses	393	203	56
Payments	-743	-768	-140
Actuarial profit/loss	1.902	1.315	306
Actuarial profits and losses from changed demographic assumptions	0	0	0
Actuarial profits and losses from changed financial assumptions	1.902	1.315	306
As at 31.12.	**13.625**	**6.913**	**2.019**

Development of actuarial profits and losses include changed demographic and financial assumptions:

in k Euro	2014	2013	2012	2011
Severance provision	**13.625**	**11.589**	**11.505**	**9.658**
Actuarial profits/losses	1.902	91	1.023	-242
Actuarial profits and losses from changed demographic assumptions	*0*	*0*	*0*	*0*
Actuarial profits and losses from changed financial assumptions	*1.902*	*91*	*1.023*	*0*
Pension provision	**6.913**	**6.163**	**6.643**	**6.365**
Actuarial profits/losses	1.315	106	871	-96
Actuarial profits and losses from changed demographic assumptions	*0*	*0*	*0*	*0*
Actuarial profits and losses from changed financial assumptions	*1.315*	*106*	*871*	*0*
Length-of-service provision	**2.019**	**1.680**	**1.614**	**1.406**
Actuarial profits/losses	306	5	198	74
Actuarial profits and losses from changed demographic assumptions	*0*	*0*	*0*	*0*
Actuarial profits and losses from changed financial assumptions	*306*	*5*	*198*	*0*

Pursuant to IAS 19R the disclosure of contained experience-related information in actuarial profits and losses is no longer required. Instead, the records shall be divided into changes from demographic and financial assumptions. The corporate group complies with this amendment with retroactive effect for the fiscal year 2012.

As far as a review of the fiscal year 2011 is concerned, the corporate group points out that the actuarial profits/losses include experience-related adjustments. In the fiscal year 2011, actuarial profits/losses contained adjustments in the amount of kEUR 58 concerning severance provisions, kEUR 22 concerning pension provisions and kEUR 107 concerning length-of-service provisions.

Sensitivity analysis pension provision

Sensitivity discount rate

2013	ACTUAL	+1 %	-1 %
Discount rate	3,50 %	4,50 %	2,50 %
Pension provision in k €	6.163	5.747	6.647
2014	**ACTUAL**	**+1 %**	**-1 %**
Discount rate	2,25 %	3,25 %	1,25 %
Pension provision in k €	6.913	6.410	7.505

Sensitivity pension valorisation

2013	ACTUAL	+1 %	-1 %
Pension valorisation	1,50 %	2,50 %	0,50 %
Pension provision in k €	6.163	6.652	5.735
2014	**ACTUAL**	**+1 %**	**-1 %**
Pension valorisation	1,50 %	2,50 %	0,50 %
Pension provision in k €	6.913	7.504	6.402

Sensitivity analysis severance provision

Sensitivity discount rate

2013	ACTUAL	+1 %	-1 %
Discount rate	3,50 %	4,50 %	2,50 %
Severance provision in k €	11.589	10.302	13.156
2014	**ACTUAL**	**+1 %**	**-1 %**
Discount rate	2,25 %	3,25 %	1,25 %
Severance provision in k €	13.625	12.055	15.503

Sensitivity salary valorisation

2013	ACTUAL	+1 %	-1 %
Salary valorisation	2,50 %	3,50 %	1,50 %
Severance provision in k €	11.589	13.156	10.278
2014	**ACTUAL**	**+1 %**	**-1 %**
Salary valorisation	2,50 %	3,50 %	1,50 %
Severance provision in k €	13.625	12.044	15.478

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

Other provisions

in k Euro	2014	2013
Other personnel provisions	6.886	3.427
Provisions for legal costs	200	350
Liability provisions	891	2.170
Remaining other provisions	43.681	2.765
Other provisions	**51.658**	**8.712**

Other personnel provisions included, among others, provisions for occupational disability and survivorship annuity in the amount of kEUR 73 (2013: kEUR 77).

The corporate strategy of Hypo Tirol Bank aims at reducing the balance sheet total as well as the number of employees. In order to achieve the value of full time equivalents, the works council elaborated several measures, which thus were summarised in the context of an action plan. In the course of preparing the balance sheet, debts resulting from this action plan, were considered in form of a proviso amounting to kEUR 3,949 (2013: kEUR 1,033) presented in other pension provisions.

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

As it is in the interest of all parties concerned to guarantee the further operation of the Austrian mortgage bank (Pfandbriefbank Österreich AG) and to avoid further damages for the Hypo sector and Austria as a financial centre, all member institutions, that is to say also HYPO TIROL BANK AG shall provide liquid assets. With regard to the existing risk that the Mortgage Bond Division will not be able to pay the respective debt instruments in whole, and HYPO TIROL BANK AG, all other mortgagee banks as well as the respective guarantors of the creditors of the Pfandbriefbank AG or the Mortgage Bond Division claim their rights in the legal context of joint and several liability financial means in the amount of kEUR 38,693 have been provided. This explains the increase in other provisions (year-on-year).

The probability and the amount of the anticipated cash outflow as well as the recoverability of potential claims against HETA ASSET RESOLUTION AG and the province of Carinthia are subject to uncertainty.

Loan risk provisions contained e.g. provisions for guarantees and liabilities as well as other obligations resulting from lending transactions and which are uncertain in respect of their maturity and amount.

Development of provisions

in k Euro	As at 01.01.	Currency translation	Inflows	Deployment	Outflows	Other changes	As at 31.12.
2013							
Severance provision	11.505	0	1.560	-1.029	-589	142	11.589
Pension provision	6.643	0	233	-819	0	106	6.163
Length-of-service provision	1.614	0	98	-96	0	64	1.680
Loan risk provision	13.941	0	4.018	-70	-8.373	0	9.516
Other provisions	8.229	0	5.085	-3.648	-891	-63	8.712
Provisions	**41.932**	**0**	**10.994**	**-5.662**	**-9.853**	**249**	**37.660**
2014							
Severance provision	11.589	0	877	-743	0	1.902	13.625
Pension provision	6.163	0	203	-768	0	1.315	6.913
Length-of-service provision	1.680	0	341	-110	0	108	2.019
Loan risk provision	9.516	0	1.369	-84	-6.995	0	3.806
Other provisions	8.712	0	47.658	-3.587	-1.017	-108	51.658
Provisions	**37.660**	**0**	**50.448**	**-5.292**	**-8.012**	**3.217**	**78.021**

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

Maturity-structure of provisions

in k Euro	Up to 1 year	More than 1 year
2013		
Severance provision	0	11.589
Pension provision	0	6.163
Length-of-service provision	0	1.680
Loan risk provision	4.708	4.808
Steuerrückstellungen	1.486	7.226
Other provisions	**6.194**	**31.466**
2014		
Severance provision	0	13.625
Pension provision	0	6.913
Length-of-service provision	0	2.019
Loan risk provision	1.340	2.466
Steuerrückstellungen	3.384	48.274
Other provisions	**4.724**	**73.297**

(78) Other Liabilities

in k Euro	2014	2013
Associated non-consolidated companies	0	28
Deliveries and performances	70.905	74.542
Accruals and deferrals	328	411
Other liabilities	**71.233**	**74.981**

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

(79) Current Income Tax Obligations

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

(80) Subordinate and Supplementary Capital

Subordinate and supplementary capital by business type

in k Euro	2014	2013
Subordinate capital	71.000	71.000
Supplementary capital	28.111	28.111
Interest accrued	260	277
Subordinate and supplementary capital by business type	**99.371**	**99.388**

Development of subordinate and supplementary capital

in k Euro	2014	2013
As at 01.01.	99.388	106.184
Redemptions	0	-6.086
Changes in accrued interest	-17	-710
Subordinate and supplementary capital	**99.371**	**99.388**

Subordinate and supplementary capital by maturity

in k Euro	2014	2013
1 to 5 years	79.312	72.979
More than 5 years	20.059	26.409
Subordinate and supplementary capital	**99.371**	**99.388**

(81) Equity Capital

in k Euro	2014	2013
Subscribed capital	50.000	50.000
Capital reserves	311.233	311.233
Ted-up capital reserves thereof	150.033	150.033
Capital reserves not tied-up	161.200	161.200
Revaluation reserves (incl. AFS reserves)	8.526	-1.814
Revenue reserves, corporate group profit/loss	132.625	186.163
Equity capital	**502.384**	**545.582**

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

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

Additional IFRS Information

(82) Fair Value of Financial Instruments

As far as financial assets – AFS are concerned, the following table illustrates a total amount of kEUR 769,847 (2013: kEUR 883,577), whereas the sum in the corresponding balance sheet item amounts to kEUR 840,885 (2013: kEUR 956,399). This difference results from the fact that equity capital instruments which are not listed in stock markets are included in AFS stock. Consequently fair value of such equity capital instruments cannot be evaluated on a reliable basis. In accordance with IAS 39, these equity capital instruments are evaluated at acquisition costs in consideration of possible impairment losses if impairment indicators [see note (13)] are existent. In accordance with IFRS 7.29, for equity capital instruments that are not listed in a stock market (within the corporate group such instruments are other interests and shares in associated companies) no further information regarding fair value is required. The development of accounting values of such equity capital instruments is illustrated under note (61). At the evaluation date no purchase intention was existent.

Fair value of the remaining financial assets and financial liabilities is illustrated in the following chart and assigned to the three categories pursuant to IRFS fair value hierarchy [see note (7)].

2014

in k Euro	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 2014 **Financial assets evaluated on a fair value basis**				
Receivables from clients – designated at fair value			467.955	467.955
Hedging tools with positive market value		1.458		1.458
Trading assets and derivatives	703	318.640		319.343
Financial assets – designated at fair value	861.014	52.775		913.789
Financial assets – AFS	733.728	36.118		769.846
Total financial assets evaluated on a fair value basis	**1.595.445**	**408.991**	**467.955**	**2.472.391**
LIABILITIES 2014 **Financial liabilities evaluated on a fair level basis**				
Liabilities to clients – designated at fair value		822.113		822.113
Hedging tools with negative market value		19.688		19.688
Derivatives		209.560		209.560
Financial liabilities – designated at fair value	966.358	1.773.944		2.740.302
Total financial liabilities evaluated on a fair value basis	**966.358**	**2.825.305**		**3.791.663**

2013

in k Euro	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 2013 **Financial assets evaluated on a fair value basis**				
Receivables from clients – designated at fair value			491.421	491.421
Hedging tools with positive market value		225		225
Trading assets and derivatives	332	398.211		398.543
Financial assets – designated at fair value	841.945	93.468		935.413
Financial assets – AFS	881.313	2.264		883.577
Total financial assets evaluated on a fair value basis	**1.723.590**	**494.168**	**491.421**	**2.709.179**
LIABILITIES 2013 **Financial liabilities evaluated on a fair level basis**				
Liabilities to clients – designated at fair value		852.455		852.455
Hedging tools with negative market value		23.643		23.643
Derivatives		200.913		200.913
Financial liabilities – designated at fair value	1.614.607	1.941.849		3.556.456
Total financial liabilities evaluated on a fair value basis	**1.614.607**	**3.018.860**		**4.633.467**

Evaluation procedure

With regard to the financial instruments categorised in level 2 and 3, the corporate group refers to the evaluation methods described under note (7). In summary it can be stated that with regard to evaluation methods based on market data (level 2) fair value is evaluated by using the discounted-cash flow method, and as far as financial instrument with optional components are concerned, the Black/Scholes model is applied, with input factors being based on market data.

In the fiscal year 2014, 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 flows, deriving from the underlying nominal value, were based on the current market interest curve and were discounted by means of a risk adequate interest rate. Risk adequate interest charges derived from the group's internal risk assessment and were assigned to different rating classes. The group defined four different rating classes with different risk adequate interest charges. For that reason, rating substantially influences the discount rate which is necessary for the evaluation of fair value. Thus, the internal rating in terms of creditworthiness can be described as a significant, non-observable initial parameter. The better the rating the lower the corresponding discount rate and the higher fair value is. This effect is illustrated in the sensitivity analysis.

Transition of financial instruments to category level 3

2014	**Receivables from clients designated at fair value**	**Financial assets AFS**	**Total**
in k Euro			
Amount at the beginning of the period	**491.421**	**0**	**491.421**
Total profits/losses	1.834	0	1.834
- recorded in the profit and loss account	1.834	0	1.834
- recorded in other income	0	0	0
Purchases	15.849	0	15.849
Sales	-41.149	0	-41.149
Issues	0	0	0
Adjustments	0	0	0
Reclassification to level 3	0	0	0
Reclassification from level 3	0	0	0
Amount at the end of the period	**467.955**	**0**	**467.955**

2013	**Receivables from clients designated at fair value**	**Financial assets AFS**	**Total**
in k Euro			
Amount at the beginning of the period	**599.709**	**1.000**	**600.709**
Total profits/losses	-2.046	-1.000	-3.046
- recorded in the profit and loss account	-2.046	-1.000	-3.046
- recorded in other income	0	0	0
Purchases	18.786	0	18.786
Sales	-125.028	0	-125.028
Issues	0	0	0
Adjustments	0	0	0
Reclassification to level 3	0	0	0
Reclassification from level 3	0	0	0
Amount at the end of the period	**491.421**	**0**	**491.421**

The column “profits/losses“ includes an unrealised result in the amount of kEUR 1,834. This result is composed of unrealised profits amounting to kEUR 1,834 and unrealised losses amounting to kEUR 0.

Sensitivity analysis of non-observable parameters

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

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

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

in k Euro	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	494.570	486.834
Total	**494.570**	**486.834**

Credit risk induced changes of fair value

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

The fair value change of financial assets due to credit risk for the period amounted to kEUR 14,524 (2013: kEUR -13,765). Since designation, the accumulated change due to credit risk has amounted to kEUR -31,846 (2013: kEUR -46,370).

The fair value change of financial liabilities due to credit risk in the fiscal year amounted to kEUR -16,381 (2013: kEUR 11,273) In total, the accumulated change due to credit risk since designation has amounted to kEUR 48,082 (2013: kEUR 64,463).

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

Fair value of financial instruments not designated at fair value

The evaluation criteria in order to measure the fair value of the group’s financial instruments not designated at fair value correspond to those described in note (7) “fair value”.

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

2014

	Accounting value	Fair value			
		Prices quoted in active markets (level 1)	Evaluation method based on market data (level 2)	Evaluation method not based on market data (level 3)	Total
in k Euro					
ASSETS 2014 **Financial assets not evaluated on a fair value basis**					
Cash reserve	105.918	105.918	0	0	105.918
Receivables from credit institutions after risk provision	309.478	0	0	311.956	311.956
Receivables from clients after risk provision	4.899.222	0	0	4.824.402	4.824.402
Financial assets – HTM	150.124	153.785	0	0	153.785
Financial assets – L&R	7.174	0	7.587	0	7.587
LIABILITIES 2014 **Financial assets not evaluated on a fair value basis**					
Liabilities to credit institutions	470.265	0	457.451	0	457.451
Liabilities to clients	1.989.457	0	2.119.690	52.218	2.171.908
Liabilities evidenced by certificate	1.247.149	262.080	1.023.581	0	1.285.661
Subordinate and supplementary capital	99.371	0	87.675	0	87.675

2013

in k Euro					
ASSETS 2014 **Financial assets not evaluated on a fair value basis**					
Cash reserve	42.882	42.882	0	0	42.882
Receivables from credit institutions after risk provision	477.115	0	0	482.276	482.276
Receivables from clients after risk provision	5.092.353	0	0	5.033.696	5.033.696
Financial assets – HTM	198.487	198.487	0	0	198.487
Financial assets – L&R	17.485	0	17.468	0	17.468
LIABILITIES 2014 **Financial assets not evaluated on a fair value basis**					
Liabilities to credit institutions	453.549	0	355.390	0	355.390
Liabilities to clients	1.816.558	0	1.954.432	0	1.954.432
Liabilities evidenced by certificate	1.238.447	712.127	557.473	0	1.269.600
Subordinate and supplementary capital	99.388	49.582	35.655	0	85.237

(83) Maximum Default Risk

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

2014

in k Euro	Loans and receivables	Debt capital instruments of the category trading assets, financial assets and derivatives	Equity capital instruments of the category trading assets and financial assets	Accounting value
Receivables from credit institutions	**309.478**	**0**	**0**	**309.478**
Receivables from clients	**5.367.177**	**0**	**0**	**5.367.177**
– at cost	4.899.222	0	0	4.899.222
– at fair value	467.955	0	0	467.955
Hedging instruments	**0**	**1.458**	**0**	**1.458**
Trading assets	**0**	**318.640**	**703**	**319.343**
– for trading purposes	0	0	703	703
– derivatives	0	318.640	0	318.640
Financial assets	**0**	**1.811.465**	**100.508**	**1.911.972**
– designated at fair value	0	913.789	0	913.789
– AFS	0	740.378	100.508	840.885
– HTM	0	150.124	0	150.124
– Loans & Receivables	0	7.174	0	7.174

2013

in k Euro				
Receivables from credit institutions	**477.115**	**0**	**0**	**477.115**
Receivables from clients	**5.583.774**	**0**	**0**	**5.583.774**
– at cost	5.092.353	0	0	5.092.353
– at fair value	491.421	0	0	491.421
Hedging instruments	**0**	**225**	**0**	**225**
Trading assets	**0**	**398.211**	**332**	**398.543**
– for trading purposes	0	0	332	332
– derivatives	0	398.211	0	398.211
Financial assets	**0**	**2.002.171**	**105.613**	**2.107.784**
– designated at fair value	0	935.413	0	935.413
– AFS	0	850.786	105.613	956.399
– HTM	0	198.487	0	198.487
– Loans & Receivables	0	17.485	0	17.485

At the balance sheet date, the maximum default risk from loan commitments and financial guarantees amounted to kEUR 890,543 (2013: kEUR 923,913).

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

Creditable collaterals – evaluated in accordance with supervisory standards - reduce the default risk as follows:

in k Euro	2014	2013
Receivables from clients	2.846.131	2.886.349
– at cost	2.846.131	2.886.349
Derivatives	**102.890**	**175.500**

(84) Specifications Regarding the Balancing of Derivative Financial Instruments

According to IFRS 7 the effects of balancing derivative financial instruments with netting agreements are illustrated as follows. The corporate group points out that framework agreements have been established with all contracting parties with whom derivative financial instruments were concluded and that no balancing prohibition has been agreed. At the evaluation date, balanced asset amounted to kEUR 86,299 (2013: kEUR 138,823), and balanced liabilities amounted to kEUR 39,179 (2013: kEUR 20,491).

Balancing derivative financial instruments – assets/liabilities 2014

2014

in k Euro	Financial assets (gross)	Added balanced amounts (gross)	Balanced financial assets (net)	Effects from netting agreements	Collateral in form of financial instruments	Nettobetrag
Assets						
Derivative financial instruments	243.130	0	243.130	-156.831	-78.132	**8.167**
Liabilities						
Derivative financial instruments	196.010	0	196.010	-156.831	-33.160	**6.019**

2013

in k Euro	Financial assets (gross)	Added balanced amounts (gross)	Balanced financial assets (net)	Effects from netting agreements	Collateral in form of financial instruments	Nettobetrag
Assets						
Derivative financial instruments	287.626	0	287.626	-148.803	-128.175	**10.648**
Liabilities						
Derivative financial instruments	169.294	0	169.294	-148.803	-19.345	**1.146**

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

(85) Specifications Regarding Associated Individuals and Companies

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

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

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

As the liability of the Province of the Tyrol ceases in 2017, it receives an annual liability commission amounting to kEUR 727 which is recorded under commission expenses.
HYPO TIROL BANK AG acts as service provider on behalf of the Province of the Tyrol and manages the residential construction support loans. In addition, the company provides financial services to the Province of the Tyrol at terms customary in the market. These amounts are not shown separately, as such transactions cannot be recorded in the system separately and information in this respect be obtained within a reasonable amount of time or at reasonable expense.

Advances and loans to directors, managers of companies included in the scope of consolidation and supervisory boards amounted to kEUR 310 (2013: kEUR 219) at the balance sheet date. This change entirely refers to redemptions, interest charges and exchange rate fluctuations of existing loans.

Within the corporate group, the Managing Board members of the parent company are defined as management members with key positions. The active remuneration of the Managing Board of the parent company amounted to kEUR 680 (2013: kEUR 819). Severance payments for active Managing Board members amounted to kEUR 230. Pension entitlement for active Managing Board members does not exist. The active remunerations entirely refer to the current remunerations and thus, are classified as short term due performance cost. Managing Board members are not entitled to other categories of remuneration in accordance with IAS 24.17.

In the reporting year, the bank's pension-scheme expenses for former Managing Board members and their survivors, less payments in accordance with the General Social Insurance ACT amounted to kEUR 813 (2013: kEUR 533).

The remunerations for Supervisory Board members in the fiscal year 2014 amounted to kEUR 58 (2013: kEUR 58).

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

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

Receivables from clients

	Participating interest		Related Parties	
in k Euro	**2014**	**2013**	**2014**	**2013**
As at 01.01.	113.851	152.500	293.315	349.526
Loans granted during the year	0	4.025	0	0
Redemptions from receivables from loans	-147.896	-36.416	-10.000	-11
Balance: redemptions, interest charges and exchange rate fluctuations of current loans	125.529	-6.258	-39.897	-56.200
As at 31.12.	**91.484**	**113.851**	**243.418**	**293.315**
Other loan risk transactions				
Assumptions of liability	1.468	2.537	0	0

For outstanding balances with associated individuals as at 31.12.2014 hedging instruments in the amount of kEUR 4,838 (2013: kEUR 17,894) were provided. Advances were not granted.

Financial assets – designated at fair value

	Related Parties	
in k Euro	**2014**	**2013**
As at 01.01.	6.097	6.697
Redemptions	-1.096	-600
As at 31.12.	**5.001**	**6.097**

Liabilities to clients

in k Euro	Participating interest 2014	Participating interest 2013	Related Parties 2014	Related Parties 2013
As at 01.01.	14.013	17.345	165.155	143.046
New assumptions	0	0	61	194
Redemptions	-40	-4.562	-636	-5.482
Balance: redemptions, interest charges and exchange rate fluctuations of current liabilities	-895	1.230	89.746	27.397
As at 31.12.	**13.078**	**14.013**	**254.326**	**165.155**

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

(86) Assets Received as Collaterals

in k Euro	2014	2013
Actiaroal reserve funds for debentures and communal debt securities	2.744.489	2.449.187
Financial assets	247.564	231.165
Assets received as collaterals	**2.992.053**	**2.680.352**

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 Bank Act and the Debenture Act.

(87) Segmental Report

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

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

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

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

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

Treasury
This segment includes financial assets, trading assets and liabilities, derivatives and issue businesses. In addition, it covers business relations with institutional clients and fund management operations. As far as the fiscal year 2014 is concerned, the results from financial assets included impairment amounting to kEUR 1,438 (2013: kEUR 3,066)). For detailed information regarding the geographical composition of the securities stock please see note (92).

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

Corporate Centre
This segment illustrates income and expenses that cannot be 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 kEUR 2,420 (2013: kEUR 6,863). Tax on income and profit amounted to kEUR -7,267 (2013: kEUR -4,082) in 2014.

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

Report by business type

2014

in k Euro	Private clients Tyrol	Corporate key account Tyrol	Vienna	Italy	Treasury	Leasing and real estate	Corporate centre	Total segments
Net interest income	23.007	29.360	5.360	12.251	19.430	7.986	2.031	**99.425**
Loan risk provision	-654	3.473	-2.498	-17.101	0	-197	-36.750	**-53.727**
Net commission income	16.797	6.223	1.080	2.444	269	-507	-734	**25.572**
Trading result	0	0	0	463	-5.189	0	-187	**-4.913**
Result from other financial instruments	0	0	0	0	-812	52	0	**-760**
Administration expenses	-36.432	-15.520	-3.461	-12.975	-7.452	-4.654	-950	**-81.444**
Other income	2.251	0	0	3.737	0	17.210	-163	**23.035**
Other expenses	-258	-72	0	-3.169	0	-14.612	-7.940	**-26.051**
Result from associated companies	0	0	0	0	0	378	0	**378**
Result before taxation	**4.711**	**23.464**	**481**	**-14.350**	**6.246**	**5.656**	**-44.693**	**-18.485**
Segmental assets	1.342.274	2.494.463	310.126	833.953	2.650.732	549.371	74.010	**8.254.930**
Segmental debts and equity capital	1.358.161	785.288	114.372	116.245	5.544.160	90.223	246.481	**8.254.930**
Risk-adjusted assets	741.837	1.442.290	201.278	648.435	436.649	494.610	189.770	**4.154.870**

2013

in k Euro	Private clients Tyrol	Corporate key account Tyrol	Vienna	Italy	Treasury	Leasing and real estate	Corporate centre	Total segments
Net interest income	23.005	28.356	5.473	15.615	13.921	5.825	7.003	**99.198**
Loan risk provision	-960	3.708	-139	-30.899	0	361	0	**-27.929**
Net commission income	17.342	9.259	1.005	3.413	-47	-540	-1.436	**28.996**
Trading result	0	0	0	597	-143	0	-806	**-352**
Result from other financial instruments	0	0	0	0	148	101	-161	**88**
Administration expenses	-35.920	-15.105	-3.600	-16.940	-7.514	-4.777	973	**-82.883**
Other income	2.279	16	0	2.261	0	21.431	-372	**25.615**
Other expenses	-239	-205	0	-2.959	0	-16.563	-6.582	**-26.548**
Result from associated companies	0	0	0	0	0	1.831	0	**1.831**
Result before taxation	**5.507**	**26.029**	**2.739**	**-28.912**	**6.365**	**7.669**	**-1.381**	**18.016**
Segmental assets	1.241.146	2.480.197	334.159	780.662	3.102.782	580.517	382.726	**8.902.189**
Segmental debts and equity capital	1.320.617	753.429	116.000	113.001	6.376.518	71.586	151.038	**8.902.189**
Risk-adjusted assets	790.130	1.538.248	217.898	641.523	434.363	451.028	224.171	**4.297.361**

Report by Regions

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

2014

in k Euro	Austria	Italy	Corporate	Total segments
Net interest income			Centre	Summe Segmente
Loan risk provision	124	-17.101	-36.750	-53.727
Net commission income	23.862	2.444	-734	25.572
Trading result	-5.189	463	-187	-4.913
Result from other financial instruments	-760	0	0	-760
Administration expenses	-67.519	-12.975	-950	-81.444
Other income	19.461	3.737	-163	23.035
Other expenses	-14.942	-3.169	-7.940	-26.051
Result feom associated companies	378	0	0	378
Result before taxation	**40.558**	**-14.350**	**-44.693**	**-18.485**

2013

in k Euro	Austria	Italy	Corporate	Total segments
Net interest income	76.580	15.615	7.003	99.198
Loan risk provision	2.970	-30.899	0	-27.929
Net commission income	27.019	3.413	-1.436	28.996
Trading result	-143	597	-806	-352
Result from other financial instruments	249	0	-161	88
Administration expenses	-66.916	-16.940	973	-82.883
Other income	23.726	2.261	-372	25.615
Other expenses	-17.007	-2.959	-6.582	-26.548
Result feom associated companies	1.831	0	0	1.831
Result before taxation	**48.309**	**-28.912**	**-1.381**	**18.016**

(88) Foreign Currency Volume and Foreign Countries Involved

in k Euro	EUR	USD	CHF	JPY	Others	Total
Assets 2014						
Cash reserves	105.225	248	246	7	192	105.918
Receivables from credit institutions	130.357	47.795	119.374	7.091	4.861	309.478
Risk provision for receivables from credit institutions	0	0	0	0	0	0
Receivables from clients	5.037.643	488	641.186	28.844	105	5.708.266
Risk provision for receivables from clients	-337.139	-1	-3.537	-412	0	-341.089
Positive market values from derivative hedging instruments	1.458	0	0	0	0	1.458
Trading assets and derivatives	271.960	7.485	32.491	7.294	113	319.343
Financial assets						
– designated at fair value	879.662	8.336	25.791	0	0	913.789
– AFS	836.133	4.102	206	0	444	840.885
– HTM	150.124	0	0	0	0	150.124
– L&R	5.432	1.742	0	0	0	7.174
Shares in associated companies	11.068	0	0	0	0	11.068
Investment properties	110.160	0	0	0	0	110.160
Intangible assets	1.479	0	0	0	0	1.479
Tangible assets	72.913	0	0	0	0	72.913
Other assets	22.572	0	0	0	0	22.572
Assets available for sale	5.937	0	0	0	0	5.937
Deferred tax assets	15.455	0	0	0	0	15.455
Total assets	**7.320.439**	**70.195**	**815.757**	**42.824**	**5.715**	**8.254.930**
Liabilities and equity capital 2014						
Liabilities to credit institutions	369.955	4.133	88.495	0	7.682	470.265
Liabilities to clients	2.745.954	15.080	2.951	42.988	4.597	2.811.570
Liabilities evidenced by certificate	1.247.149	0	0	0	0	1.247.149
Negative market values from derivative hedging instruments	19.688	0	0	0	0	19.688
Derivatives	201.348	4.447	3.526	235	4	209.560
Financial liabilities						
– designated at fair value	1.970.990	43.968	538.506	186.838	0	2.740.302
Provisions	78.021	0	0	0	0	78.021
Other liabilities	71.233	0	0	0	0	71.233
Current income tax obligations	3.303	0	0	0	0	3.303
Deferred tax obligations	2.084	0	0	0	0	2.084
Subordinate and supplementary capital	99.371	0	0	0	0	99.371
Equity capital	502.384	0	0	0	0	502.384
Total liabilities and equity capital	**7.311.480**	**67.628**	**633.478**	**230.061**	**12.283**	**8.254.930**

in k Euro	EUR	USD	CHF	JPY	Others	Total
Assets 2013						
Cash reserves	42.141	224	330	8	179	42.882
Receivables from credit institutions	180.131	37.663	246.337	7.734	5.250	477.115
Risk provision for receivables from credit institutions	0	0	0	0	0	0
Receivables from clients	5.149.711	3.207	710.778	49.202	16.068	5.928.966
Risk provision for receivables from clients	-340.612	-2	-3.926	-608	-44	-345.192
Positive market values from derivative hedging instruments	225	0	0	0	0	225
Trading assets and derivatives	295.946	8.883	89.626	4.054	34	398.543
Financial assets						
– designated at fair value	907.075	7.538	20.800	0	0	935.413
– AFS	953.670	2.230	106	0	393	956.399
– HTM	197.036	1.451	0	0	0	198.487
– L&R	14.422	0	0	0	3.063	17.485
Shares in associated companies	33.836	0	0	0	0	33.836
Investment properties	118.568	0	0	0	0	118.568
Intangible assets	1.498	0	0	0	0	1.498
Tangible assets	76.022	0	0	0	0	76.022
Other assets	30.077	0	0	0	0	30.077
Assets available for sale	11.712	0	0	0	0	11.712
Deferred tax assets	20.153	0	0	0	0	20.153
Total assets	**7.691.611**	**61.194**	**1.064.051**	**60.390**	**24.943**	**8.902.189**
Liabilities and equity capital 2013						
Liabilities to credit institutions	444.786	1	4.511	227	4.024	453.549
Liabilities to clients	2.595.662	12.528	4.079	50.564	6.180	2.669.013
Liabilities evidenced by certificate	1.223.938	14.509	0	0	0	1.238.447
Negative market values from derivative hedging instruments	23.643	0	0	0	0	23.643
Derivatives	189.054	4.770	4.193	2.896	0	200.913
Financial liabilities						
– designated at fair value	2.127.056	40.284	1.193.181	195.935	0	3.556.456
Provisions	37.660	0	0	0	0	37.660
Other liabilities	74.981	0	0	0	0	74.981
Current income tax obligations	1.365	0	0	0	0	1.365
Deferred tax obligations	1.192	0	0	0	0	1.192
Subordinate and supplementary capital	99.388	0	0	0	0	99.388
Equity capital	545.582	0	0	0	0	545.582
Total liabilities and equity capital	**7.364.307**	**72.092**	**1.205.964**	**249.622**	**10.204**	**8.902.189**

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 187 (2013: kEUR 93). In the profit or loss for the period kEUR -214 (2013: kEUR 208) were recorded and kEUR 401 (2013: kEUR -115) in other income. The accumulated balance in equity capital amounted to kEUR 472 (2013: kEUR 61).

On 31 December 2014, the total of open foreign currency positions amounted to kEUR 4,293 (2013: kEUR 45,642).

in k Euro	2014	2013
Foreign assets	2.229.713	2.639.077
Foreign liabilities	3.210.711	4.164.740

(89) Subordinate Assets

in k Euro	2014	2013
Receivables from credit institutions	0	3.500
Debt securities	240	424
Subordinate assets	**240**	**3.924**

(90) Trust Transactions

Trust assets

in k Euro	2014	2013
Receivables from clients	9.405	11.252
Trust assets	**9.405**	**11.252**

Trust liabilities

in k Euro	2014	2013
Liabilities to credit institutions	9.402	11.249
Liabilities to clients	3	3
Trust liabilities	**9.405**	**11.252**

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

(91) Contingent Liabilities and Loan Risks

Contingent liabilities

in k Euro	2014	2013
Liabilities from debt guarantees	42.914	54.525
Other contingent liabilities	40.364	50.718
Contingent liabilities	**83.278**	**105.243**

Contingent liabilities by maturity

in k Euro	2014	2013
Up to 3 months	918	1.910
3 months to 1 year	3.512	7.147
1 year to 5 years	12.784	12.315
More than 5 years	66.064	83.871
Contingent liabilities	**83.278**	**105.243**

Loan risks pursuant to article 51 section 14 Banking Act

in k Euro	2014	2013
Other loan risks	890.543	923.913
Loan risks	**890.543**	**923.913**

Loan risks by maturity

in k Euro	2014	2013
3 months to 1 year	519.096	525.500
1 year to 5 years	371.447	398.413
Loan risks	**890.543**	**923.913**

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

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

- Liabilities resulting from the mandatory membership of the deposit protection company "Hypo-Haftungs-Gesellschaft m.b.H. "according to article 93 Banking Act.

If such deposit protection is claimed, the contribution to be paid by the single institution accounts for no more than 1.5% (2013: 1.5%) in accordance with article 93a, section 1, at the last balance sheet date according to Banking Act article 92, section 1 lit. a to c of the regulation (EU) 575/2013, consequently the banks contribution amounted to kEUR 52,371 (2013: TEUR 56.653, section4).

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

HYPO TIROL BANK AG shall be liable as a member institution of the Mortgage Bond Division of the Austrian regional mortgage banks in compliance with the Mortgage Bond Division Act, article 2, section 1 jointly with all other member institutions for all liabilities of the Mortgage Bond Division. Such liability applies equally for 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 5,538,652 (2013: kEUR 6,169,969). This corresponds approximately to the total sum of liabilities of the Mortgage Bond Division until 31 December 2014. In consideration of financial means borrowed by the Mortgage Bond Division and forwarded to HYPO TIROL BANK in the amount of kEUR 149,525 (2013: kEUR 325.120) AG which were evaluated according to IFRS, the result to be recorded in compliance with the Austrian Company Code article 237 Z 8a accounted for kEUR 5,389,127 (2013: kEUR 5,844,849).

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

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

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

(92) Structuring of Financial Instruments According to Issuing Country

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

	Available for Sale		Loans & Receivables		Held to Maturity	
in k Euro	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Austria	245.858	359.912	0	0	29.680	30.996
Germany	160.400	148.861	0	0	29.992	39.993
Italy	1.500	2.487	812	1.486	1.217	5.490
Spain	12.078	17.806	2.357	2.713	12.958	17.921
Netherlands	42.121	44.177	1.109	1.500	11.996	11.995
Great Britain	24.058	19.286	2.185	3.566	12.994	12.981
France	21.829	31.966	288	368	9.989	14.973
Finland	23.869	18.695	0	0	10.000	10.000
Ireland	4.861	3.563	124	4.373	0	0
Portugal	3.002	4.247	0	0	0	0
Sweden	33.295	50.655	0	0	0	4.000
Remaining EU countries	97.405	98.201	70	204	20.811	28.676
Remaining European countries	32.291	26.596	217	3.258	0	0
Outside Europe	59.153	46.566	0	0	8.000	18.450
Total accounting value	**761.720**	**873.018**	**7.162**	**17.468**	**147.637**	**195.475**

(93) Genuine Repos

The accounting value of retired securities designated in the balance sheet item “financial assets – Held to Maturity and “financial assets – designated at fair value” amounted to kEUR 83,167 (2013: kEUR 0).). The inflow of liquidity from such repos is shown in “liabilities to credit institutions”.

(94) Personnel

Full-time equivalent

in k Euro	2014	2013
Full-time employees	457	489
Part-time employees	98	84
Apprentices	11	9
Employees	**566**	**582**

(95) Events that Occurred after the Balance Sheet Date

Swiss Francs Revaluation

On 15 January 2015, the Swiss National Bank suddenly cancelled the price limit for the Swiss Franc of 1.20 against the Euro, which had been valid for 3 years. This step was justified with the devaluation of the Euro (and consequently the CHF) against the USD. Immediately after this decision, the EUR/CHF prices dropped sharply to 0.85. Afterwards the Euro recovered a little bit and now hovers between 1.05 and 1.07 in a volatile market. As a consequence of this unexpected and massive drop, stop-loss-orders were executed at the next tradable price. However, the price was far below the fixed limit. Being a customer oriented bank, which has always pointed out the currency and price risk in connection with foreign currency financing – at the time when the product is bought and also during further consulting activities - talks have been sought with clients who at that point had been granted a loan in Swiss Francs. In the course of individual consulting meetings, we are currently evaluating whether the clients want to make use of the stop-loss-order or keep the foreign currency.

Possible liabilities were covered with a provision in the amount of kEUR 543 which are illustrated in "other provisions".

Payment Moratorium HETA ASSET RESOLUTION AG

In accordance with the Federal Act on the Recovery and Resolution of Banks (BaSAG; Bundesgesetz über die Sanierung und Abwicklung von Banken) article 3, section 1, FMA in its role as national resolution authority ordered resolution of HETA ASSET RESOLUTION AG (former Hypo Alpe Adria Bank International AG) and imposed a moratorium on its debts on 1 March 2015. Consequently all debt instruments issued by HETA ASSET RESOLUTION AG and all other liabilities including the dates when interests are to be paid shall be amended in compliance with the Federal Act on the Recovery and Resolution of banks article 58, section 1, no. 10 and thus, payment shall be suspended until 31 May 2016, with the exception of liabilities which are not admissible in compliance with article 86, section 2. Hence HETA ASSET RESOLUTION AG shall not pay for any claims against the Pfandbriefstelle accounting for kEUR 1,238,167, of which kEUR 796,931 fall due at the end of May 2016.

HYPO TIROL BANK AG shall be liable as a member institution of the Mortgage Bond Division of the Austrian regional mortgage banks in compliance with the Mortgage Bond Division Act, article 2, section 1 jointly with all other member institutions for all liabilities of the Mortgage Bond Division. Such liability applies equally for 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).

As it is in the interest of all parties concerned to guarantee the further operation of the Austrian mortgage bank (Pfandbriefbank Österreich AG) and to avoid further damages for the Hypo sector and Austria as a financial centre, all member institutions, that is to say also HYPO TIROL BANK AG and all other regional mortgage bands shall provide liquid assets. With regard to the existing risk that the Mortgage Bond Division will not be able to pay the respective debt instruments in whole, and HYPO TIROL BANK AG, all other mortgagee banks as well as the respective guarantors of the creditors of the Pfandbriefbank AG or the Mortgage Bond Division claim their rights in the legal framework of joint and several liability financial means in the amount of kEUR 38,693 have been provided.

The probability and the amount of the anticipated cash outflow as well as the recoverability of potential claims against HETA ASSET RESOLUTION AG and the province of Carinthia are subject to uncertainty.

The moratorium concerning HETA ASSET RESOLUTION AG and all resulting discussions regarding the liability of the provinces might influence the rating of HYPO TIROL BANK AG, which currently is "under review".

D & O insurance company settlement

On 4 March 2015, HYPO TIROL BANK AG found an agreement with the Directors and Officers insurance company concerning the civil liability for damages of former board members.

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

For detailed information regarding capital control please see notes on financial risks and risk management (risk control p. 75).

Based on the new regulation (EU) Nr. 575/2013 (Capital Requirements Regulations – CRR) and the directive regarding the access to activities of credit institutions (Capital Requirements Directive 4 – CRD IV) consolidated equity capital and consolidates supervisory equity capital requirements shall be determined pursuant to IFRS, but based on the consolidation circle, commending in 2014. Within HYPO TIROL BANK AG the supervisory consolidation circle corresponds to the consolidation circle in compliance with IFRS.

The following charts demonstrate which equity requirements according to CRR/CRD IV existed for HYPO TIROL BANK AG as at 31. December 2014, respectively pursuant to Basel II as at 31 December 2013, and how equity capital of the corporate group was assembled as at 31 December 2014 and 31 December 2013:

The figures of 31 December 2013 were not adapted to the actual structure and methods and correspond to the published figures.

Consolidated equity capital according to CRR/ CRD IV (2014) and Basel II (2013)

in k Euro	2014 CRR/CRV IV	2013 Basel II
Subscribed capital	50.000	50.000
Reserves, differences, minority interests	447.737	381.406
Supervisory adjustments items acc. to art. 32 et seqq (prudential filter)	-47.533	-
Intangible assets	-1.479	-1.497
Common equity tier 1 capital	448.725	429.909
Additional tier 1 capital	0	-
Core capital (Tier I)	**448.725**	**429.909**
Deductions due to interests acc. to art. 36 and art. 89 CRR	0	-
Deductions pursuant to art. 23 sec. 13 and art. 29 sec. 1 and 2 Banking Act	0	-487
Accountable core capital	**448.725**	**429.422**
Capital instruments paid and subordinate loans	113.820	138.241
Supplementary equity capital, subordinate capital (tier II)	**113.820**	**138.241**
Deductions due to interests acc. to art. 36 and art. 89 CRR	-964	-
Deductions pursuant to art. 23 sec. 13 and art. 29 sec. 1 and 2 Banking Act	0	-486
Accountable supplementary equity capital (less deductions)	**112.856**	**137.755**
Total accountable equity capital	**561.580**	**567.177**
Required equity capital	**332.391**	**322.371**
Equity capital surplus	**229.190**	**244.806**
Tier 1 capital rate in % acc. to. Basel II on the bais of the risk-adjusted evaluation base for loan risk	-	10,33%
Tier 1 capital rate in % acc. to CRR/CRD IV on the basis of total equity capital requirements	10,80%	-
Tier 1 capital rate in % acc. to Basel II on the basis of the risk adjusted evaluation base for loan risk	-	13,20%
Tier 1 capital rate in % acc. to CRR/CRD IV on the basis of total equity capital requirements	13,52%	-

Equity capital requirements according to CRR/CRD IV (2014) and Basel II (2013)

Categories of receivables	Risk adjusted assets	Equity capital requirements CRR/CRD IV	Equity capital requirements Basel II 2013
in k Euro			
Receivables from central states	43.201	3.456	333
Receivables from regional administrative bodies	10.272	822	597
Receivables from public institutions	18.912	1.513	638
High risk receivables	31.458	2.517	2.412
Receivables from institutions	195.352	15.628	12.703
Receivables from companies	1.398.523	111.882	130.371
Retail-receivables	317.547	25.404	34.018
Receivables secured by real estate	973.014	77.841	77.945
Overdue receivables	417.332	33.387	19.622
Receivables in terms of covered debt securities	70.471	5.638	7.090
Securitisation items	9.436	755	2.903
Receivables in terms of investment fund shares	23.638	1.891	1.620
Participations	11.212	897	-
Other items	372.814	29.825	32.119
Risk adjusted assets	**3.893.182**	**311.456**	**322.371**
Equity capital requirements for operational risk		19.919	21.418
CVA-Charge		1.016	0
Total equity capital requirments		**332.391**	**343.789**

In October 2012 a restructuring agreement was concluded between HYPO TIROL BANK AG and the EU Commission. Among other regulations, this agreement includes the requirement that all capital components > 10% core capital rate shall be paid to the owner, the Province of the Tyrol.

In compliance with the Banking Act (Basel II), this agreement shall be fulfilled on corporate group level. Based on the data as at 31 December 2014 the equity capital requirements in the corporate group pursuant to the Banking Act amounted to kEUR 329,288 (risk-adjusted assets kEUR 4,116,095). Tier 1 equity capital pursuant to the Banking Act amounted to kEUR 403,320. The core capital rate based on the legal situation amounted to 9.80%, consequently the owner will not receive any payment regarding the fiscal year 2014.

Financial Risks and Risk Management

Risk Management

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

Principles and Organisation

Active Risk Management

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

Appropriateness

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

Current Situation

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

Transparency

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

Cost Effectiveness

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

Risk Willingness

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

Risk control

Every year, a risk strategy is prepared by the Managing Board and the strategic risk management department. This risk strategy comprises a qualitative part, defining general principles of risk management (principles, risk control and risk controlling processes, organisation, etc.) and a quantitative part, determining the evaluation of risk capacity and target values.
The Managing Board uses the annual planning process to define the core capital ratio that has to be achieved. Thus, the entire amount of free capital, which is available for the planning year, is calculated on the basis of the core capital rate and expected

amortisation. Free capital is allocated to the single sectors on the basis of business strategies and cost-effectiveness of businesses. In this context, risk-limits are defined and approved by the Managing Board.

The compliance with risk limits is continuously monitored by the risk management department and hence reported to management via reporting systems ("traffic light system"). In this respect the yellow light represents an early warning level. If this level is reached, it has to be decided and reported to the Managing Board, which measures are to be taken in order to return to the green light. If the red light is reached, that is to say, if defined limits are exceeded, the Managing Board decides which steps are to be taken.
Risk control is managed by means of monthly determinations of economic capital in the course of the risk capacity analysis. The Managing Board decides on the risk strategy, which includes the allocation of the risk coverage potential to the different risk factors. This governs the extent to what risks are assumed. Every month, the risk coverage capital, which can be used to cover losses, is determined; this demonstrates to what extent risks can be assumed in connection with business policies.
The capital, which is available for the assumption of risks, is equity capital, which comprises Tier 1 and Tier 2 capital (see I.4 business development – capital resources).

Equity capital is controlled to such a degree that there is a core capital rate limit, and that regulatory equity is allocated to the singe segments for controlling purposes.
The risk capacity analysis compares economically required capital for unexpected losses with the risk coverage capital: the difference represents the available equity capital reserves and serves as protection for creditors - and is also essential for good rating.

Risk capacity

In order to calculate economical capital from the Gone-Concern-View (liquidity view) a risk value is determined with a confidence rate of 99.9% for each type of risk and for a term of one year (details are described in the following). This allows comparison and aggregation of single risk types. The comparison of risk numbers with the risk cover provides information whether the bank is capable of bearing risks. Risk cover comprises attributably equity according to CRR/CRD IV less shortfall (overhand of expected loss via specific provision, secret reserves are not considered. Moreover, the Managing Board adjusts the upper loss limit for assuming all typical business risks by limiting it to the risk coverage assets.

Ökonomisches Kapital in k Euro	31.12.2014	In %	31.12.2013	In %
Loan risk	197.415	37,03%	215.500	39,56%
Market risk	28.192	5,29%	56.235	10,32%
Liquidity risk	15.714	2,95%	60.366	11,08%
Macro-economic risk	28.216	5,29%	29.751	5,46%
Operational risk	23.080	4,33%	24.816	4,56%
Risks from other assets	18.487	3,47%	18.524	3,40%
Real estate and participating interest risk	17.772	3,33%	20.307	3,73%
Risk buffer for non-evaluated risks and system errors	9.866	1,85%	12.000	2,20%
Total economic risk	**338.742**	**63,5%**	**437.498**	**80,3%**
Risk coverage capital	**533.058**	**100%**	**544.700**	**100%**
Free coverage capital	**194.317**	**36,5%**	**107.201**	**19,7%**

- Risk coverage capital is decreasing, because eligible capital also decreased. Moreover shortfall increased which is deducted from equity capital.
- Due to a declining volume of receivables, loan risk is decreasing.
- Market risk decreased due to reduced exposures and declining volatilities.
- The decrease in liquidity risk primarily resulted from the decline of the banks own issues.
- The risk value for macroeconomic risks illustrates possible effects of rating deterioration concerning the clients, loss of value in loan securities and the weakening of the Euro against other currencies.
- The risk value for other assets includes a risk value for deferred tax.
- The risk buffer is supposed to cover risks and model weaknesses which have not been considered yet.

Besides risk capacity from liquidity's point of view, going concern is also calculated at HYPO TIROL BANK AG. In this respect it is assessed, whether the continuity is guaranteed, even under negative circumstances.

Stress tests

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

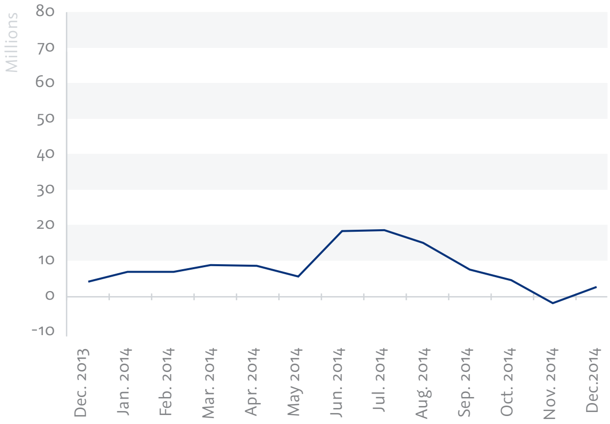
Plus-200 Base Points of Interest Rate Shock

Regarding the cash value of the bank, the change is calculated based on the assumption of a movement of 200 base points upwards or downwards in the interest rate curve. The non-interest-sensitive components of equity capital have not been considered. In 2015, The risk value under the upwards shock hovered round a medium value of EUR 8.2 million with a maximum of round EUR 19.1 million and a minimum of EUR -1.6 million. In comparison to the previous year, risk values slightly increased.

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

in k Euro	31.12.2014	31.12.2013
Plus-200 BP of Int.Rate Shock	2.858	4.437
Annual average value	8.219	3.731
Annual maximum value	19.072	16.200
Annual minimum value	-1.552	-9.064

Development Plus-200 Base Points of Interest Rate Shock



Scenario analyses for market risks

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

Impact on profit and loss account

in k Euro	31.12.2014
Interest rate change risk	1.777
Share price risk	2.278
Credit-Spread risk	5.942
Foreign currency risk	51

- In order to determine interest rate change risk, various interest curve scenarios are observed: sharp interest rate curve, inverting and bulging interest rate curve and increase in the short or long interest area. .
- Share price risk is calculated on the basis of historic value at risk.
- Credit spread risk is also calculated on the basis of historic value at risk. In this context, only Nostro securities measured on a fair value basis are considered.
- Foreign currency risk refers to outstanding foreign currency positions. The scenario value corresponds to the historic value at risk. Risk value is relatively low, because a strict limit was fixed for outstanding foreign currency positions.

Stress tests for loan risks

In connection with loan risks, two different types of stress tests are carried out including the following scenarios.

- Macroeconomic stress of the entire portfolio and
- Scenario calculation for one portfolio with higher exposures.

Macroeconomic stress tests involve the following scenarios:

- Price plunge in real estate and, thus, reduction of real estate collaterals
- Revaluation of foreign currencies against the Euro
- Deterioration of the creditworthiness structure of our loan debtors

These scenarios are considered both, individually and in combination. The stress tests showed that the EGT effect in our risk capacity can be collected. Furthermore, inverse stress tests were carried out in order to find out to which changes the bank reacts particularly.
With regard to scenarios for large-scale exposures it is assumed that at least one loan in our portfolio with high amount and high exposures will fail. The test showed a major risk involved in this context. The stress test is carried out quarterly; measures have already been taken to reduce this risk.

Loan Risk

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

Definition

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

Loan Risk Control

The following methods are employed to assess and evaluate loan risks:

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

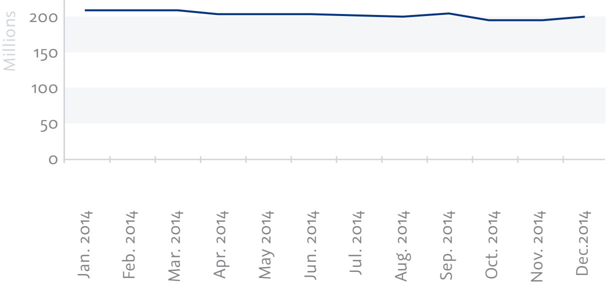
Unexpected loss is quantified via the credit value at risk (CVaR) method on the basis of the total portfolio for a year ahead and a confidence rate of 99.9 %. The credit value at risk method, which is used in the bank, is based on a model which in turn is based on the basic IRB approach. Thus, a risk-sensitive method for detecting credit risks has been introduced; the risks are regularly determined and delivered to the management for controlling purposes.

Loan risks arising out of loan commitments (promissory note) and financial guarantees are considered in loan risks. With regard to loan risk in connection with derivatives (counter party risks) those risks, which are resulting from derivatives with financial counterparties are currently determined. The consideration of risks from derivatives with nonfinancial counterparties is planned for 2015.

The following illustration demonstrates the development of loan risk:

in k Euro	2014	2013
End of the year	197.415	215.500
Average	202.111	202.258
Minimum	194.786	183.340
Maximum	208.616	224.492

Loan risk development



On the one hand, the overall credit risk is limited; on the other hand, there are limits for individual concentration risks. Concentration risks are potential adverse consequences that could result from concentrations or interactions between risk factors or different kinds of risks, such as the risk arising out of loans to the same counterparty, a group of associated counterparties or to counterparties from the same branch, or to counterparties providing the same goods and services, of using credit risk reduction methods and in particular of indirect large scale credits.

In order to restrict potential adverse effects resulting from concentrations or interactions between similar and different risk factors and types, the portfolio is monitored, individual variables are limited and thus they evaluated on a quarterly basis in correspondence to the following criteria:

Division of the portfolio by creditworthiness
The evaluation of creditworthiness of our debtors is essential for controlling loan risk. For that reason, the creditworthiness of our clients is continuously monitored and the composition of the portfolio is evaluated on a quarterly basis. More than 2/3 of the volume of receivables can be assigned to the upper creditworthiness segment with outstanding creditworthiness and good creditworthiness. The proportion in these rating groups has slightly increased compared to the previous year [see note (56)].
In comparison to the previous year, the non-performing loan ratio (NPL ratio) developed slightly positively.

Division of the portfolio by branches
HYPO TIROL BANK AG remains to be strongly represented in the "industrial construction companies" branch and in the "tourism industry". In these branches we provide the best of our knowledge. In order to avoid large concentrations in these sectors, the respective segments are monitored via risk indicators.

Division of the portfolio by market regions
In the fiscal year 2014, HYPO TIROL BANK AG continued to focus on the Tyrolean and South Tyrolean core market. By doing so, it succeeded in maintaining the high level of 2013 and in reducing further risk positions outside the defined core market. The current monitoring of the market regions will in future also contribute to the reduction of risks [see Note (56)].

Foreign currency proportion – receivables from clients
In 2014, foreign currency volume was again significantly reduced. The reduction of foreign currency volumes in Euro strongly depends on the respective price development in particular from the CHF price. Due to the specifications defined in our foreign currency strategies no new transactions in foreign currency with private clients or to a very restricted extent with corporate clients is intended; this strategy will be further pursued [see Note (88)].

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

Development of the Nostro securities portfolio
In 2014, Nostro securities were also reduced by EUR 230 million. In consideration of Basel III, investments are primarily made in highly liquid assets.

Risk provision policy

Risk provision includes the setup of risk provision in the balance sheet. The single components are assessed regarding their recoverability. In case impairments are detected, specific allowances in the corresponding amounts are made.
In order to identify risk potentials in loan business at an early stage, an early warning procedure is required to detect risks. In this way, countermeasures can be taken as soon as possible. Based on

qualitative and quantitative risk criteria, the bank has developed indicators, defined as early warning system, which allow premature identification of risks.
The HYPO TIROL BANK AG risk provision policy also includes managing overdue receivables (90 days delay).
Default probabilities relating to clients of HYPO TIROL BANK AG amount to 0.01% and 0.05% in rating class 1; between 0.07% and 0.35% in rating class 2; between 0.53% and 2.7% in rating class 3; and between 4.05% and 20.50% in rating class 4.

Market Price Risk

Definition

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

Another aspect of market risk is credit spread risk, which is the risk that the credit spread of a market participant changes to our disadvantage, e.g. in relation to credit default swaps. This risk is described with a "market risk character", because credit spreads evolve from the opinion of market participants. The underlying risk however, is not regarded a market but a loan risk.

Market price risk control

Basically, market price risks are calculated by using the value at risk method with historical simulation. Value at risk represents the potential cash value loss of a position, which is likely to occur until its realisation. For the assessment of interest, currency and security price risks, a daily market value at risk is determined on the basis of the following parameters.

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

The controlling involves the scaling of risk values to a holding period of one year and a confidence rate of 99.9%.

The quality of the applied value at risk model is assured by back testing (comparison), which also considers foreign currency risks. In this context, the values at risk of the last 250 trading days are compared with actually occurred value changes
In the event that too many 'strays' (actual loss greater than loss predicted by value-at-risk method) occur, the value at risk model is adapted in compliance with the Basel "traffic light approach".

Based on analysed strays, a moderate adaption of the value at risk model by means of factors from the Basel traffic-light approach respectively the revision of the value at risk calculations was required at the balance sheet date 31 December 2014.
As far as other alternative risks and participating interest risks are concerned, other specific risk evaluation methods are employed. Credit spread risk was evaluated on the basis of historical value at risk. Due to the lack of data available, the credit spread risk of single securities was approximated by means of respective indexes.

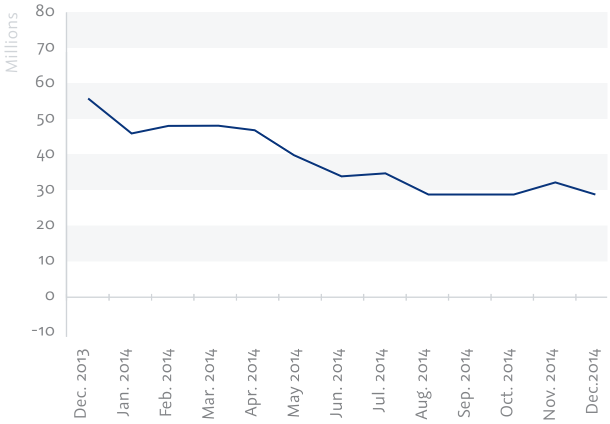
The charts below represent the historical development of market risks.

	2014				2013			
in k Euro	**End of year**	**Average**	**Minimum**	**Maximum**	**End of year**	**Average**	**Minimum**	**Maximum**
Interest change risk	11.369	20.975	11.369	30.518	30.518	28.336	17.752	39.039
Currency risk	8.061	11.275	6.521	19.499	19.499	14.197	4.806	23.280
Security price risk	7.678	4.939	3.907	7.678	4.836	5.808	4.801	9.243
Alternative risk	1.084	505	212	1.167	285	220	156	331
Credit Spread risk	0	6.796	0	13.658	11.055	13.030	-	36.767
Market risk	**28.192**	**38.506**	**28.192**	**56.235**	**56.235**	**52.199**	**31.439**	**75.855**

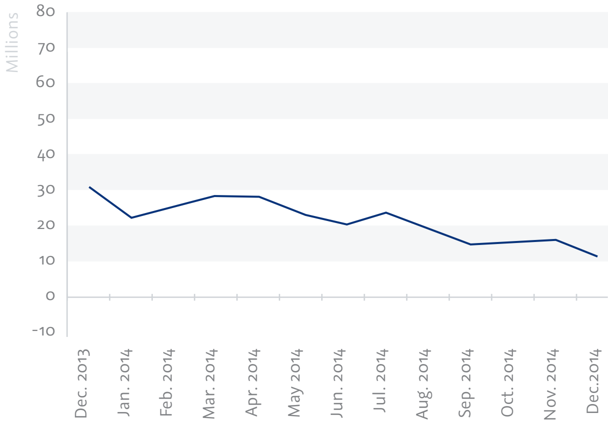
Alternative risks are market price risks resulting from hedge fund positions. Information concerning the aggregation of risks: it is anticipated that credit spread risks are uncorrelated in relation to other market risks.

- Interest risk (synonymous with risk of interest rate changes) is the danger that due to changes in the interest rate curve, cash values of interest intensive positions will change sustainably. In the reporting period, the interest rate change risk was kept on a relatively low level, due to unchanged and stable interest situations and conservative risk positioning.
- Open currency positions are extremely limited. Currency value at risk practically results from future foreign currency interest income. In this context, the Swiss Franc has a major influence on foreign currency risk. In 2014, volatility of foreign currency remained on a low level, which is reflected in the risk development.
- Security price risks from net asset values are fluctuations risks regarding the prices of shares and investment fund holdings. In addition to value at risk, these risks are restricted by setting limits on the volumes of sub-portfolios (e.g. pension funds, shares, ABS, etc.). Security price risks do not represent a major risk, and again developed sideways on a low level through the course of 2014.
- Credit spread risk declined in the course of 2014. The risk evaluation process concentrates on using the loan risk of the observed potions only once (in loan risk). To some extent, this procedure strongly reduces risk value, e.g. at the end of the year.

Market risk development

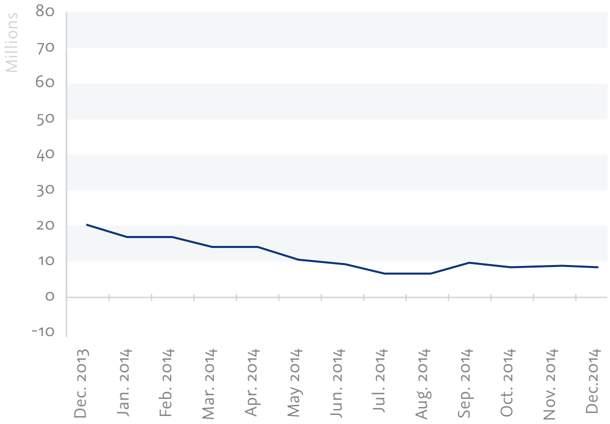


Interest risk development



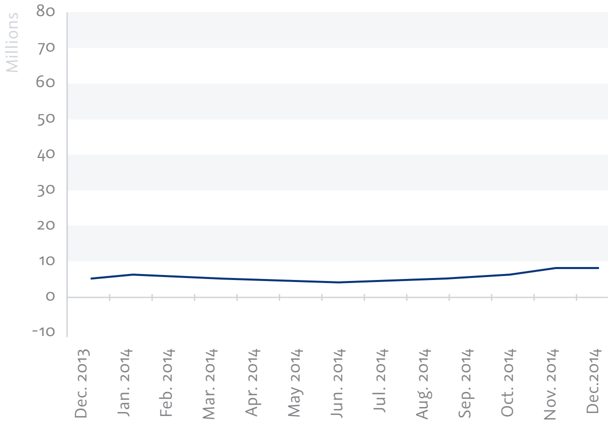
Interest risk (synonymous with risk of interest rate changes) is the danger that due to changes in the interest rate curve, cash values of interest intensive positions will change sustainably.

Currency risk development



Open currency positions are extremely limited. Currency value at risk practically results from future foreign currency interest income. In this context, the Swiss Franc has a major influence on foreign currency risk.

Securities risk development



Security price risks from net asset values are fluctuations risks regarding the prices of shares and investment fund holdings. In addition to value at risk, these risks are restricted by setting limits on the volumes of sub-portfolios (e.g. pension funds, shares, ABS, etc.).

Liquidity Risk

Definition

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

Liquidity risk control

The specifications regarding liquidity defined in Basel III (net stable funding ratio - NSFR and liquidity coverage ratio - LCR) are considered in liquidity risk control accordingly. LCR shall be legally applicable from 1 October 2015. Currently LCR is under observation, but not in a limited manner, because the figures had not exactly been defined until October 2014, when the Delegated act was established. An internal limit regarding LCR will be determined for 2015.

LCR was developed to absorb a stress case in the market. All financial institutions shall have an appropriate amount of liquidity assets, at least for 30 days, to manage client and institutional cash flows. The NSFR shall oblige financial institutions to establish refinancing structures in a timely manner. The figure aims at restricting the dependence on short term money sources and at putting more emphasis on liquidity risk management regarding "on-and-off" balance sheet items.

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

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

The following methods are applied for measuring liquidity risk:

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

Therefore, measuring the liquidity term of financial assets and obligations (liabilities) as well as considering existing and potential outflows is of major importance and is carried out on a regular basis.

By comparing the maturity of receivables and liabilities (by capital commitment) the respective liquidity situation can be estimated and liquidity risks (future and call-off risks) can be controlled.

Liquidity figure development 2013

The liquidity figure is calculated on the basis of the ratio of liquid assets to be expected and potential outflows. In this context, statistics are set out, which are reported by the bank to the Austrian Central Bank each week. The liquidity figure considers cash flows within a 3-month-scope and amounted to 3.7 on 31 December 2014. Thus, the bank's liquidity situation can be described as comfortable in the rating of outstanding creditworthiness which results from large Nostro positions.

Liquidity figure	2014	2013
End of year	3,7	4,1
Average value 2104	5,1	4,9

Cash reserve
In order to have a sufficient amount of liquid assets available in case of unexpected high outflows in the course of daily business, a cash reserve amount was defined, which shall be kept in any case. For evaluating the cash reserve, respective data are collected on a daily basis and processed by means of the liquidity at risk method to calculate the cash reserve amount.

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

Macro-economic Risk

Macro-economic risks are loss potentials resulting from exposure against macro-economic risk factors (unemployment rate, GDP development, etc.) Hypo Tirol Bank assumes, that risks from macro-economic environment are substantially reflected in the following:
- Currency risk
- Possibility of default on the part of the clients
- Recoverability of loan collaterals

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

Other Risks

The economic capital for operational risks is basically evaluated by using the basic indicator approach method. Real estate risks and participating interest risks are classified in correspondence to their risk content and a risk weight ranging from 25% to 290% is calculated thereof. Risks from other assets are also evaluated by using the basic indicator approach.

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

Quality Management of Corporate Group Data

Data quality has reached a very satisfactory level throughout the corporate group. In terms of sustainability, Based on the fact that a downstream reporting system depends on the accuracy of basic data, data quality will be given top priority in 2015 as well.

Specific Developments in 2014 and Forecast for 2015

In 2014, it was emphasised on achieving the goals defined in the restructuring plan that was agreed with EU. In 2015, this task will still be focused on.

Basel III represented another subject that was concentrated on in 2014, and it required some of the bank's resources. In cooperation with the datacentre all measures were taken to fulfil the reporting requirements. For Hypo Tirol Bank, Basel III also implied the management of EMIR. In 2014, EU regulations in connection with Basel III came into force. The implementation of BaSAG - Bundesgesetz über die Sanierung und Abwicklung von Banken (Federal Act on the Recovery and Resolution of Banks) is planned for 2015.

Information Based on Austrian Law

(97) The Legal Basis in Austria

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

A full list of the corporate group's holdings can be found in section VII (participating interests).

(98) Dividends and Subsequent Amendments

HYPO TIROL BANK AG is entitled to pay dividends not exceeding the profit as reported in the (individual) financial statement according to the Austrian Banking Act or Austrian Commercial Code in the amount of kEUR 28 (2013: kEUR 28,714)). In the expired fiscal year dividends in the amount of kEUR 28,000 were paid. The annual net income generated in the fiscal year 2014 accounted for kEUR 27,992 (2013: annual surplus kEUR 2,560). After deduction of reserves amounting to kEUR 27,306 (2013: kEUR 25,905) and after addition of profit brought forward in the amount of kEUR 714 (2013: kEUR 249) the usable net profit amounted to kEUR 28 (2013: kEUR 28.714).
The Managing Board of HYPO TIROL BANK AG gave its consent to publish the consolidated financial statement on 27 March 2015t.

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

The following chart illustrates the classification of securities according to Banking Act article 64 sect. 1 no. 10 and no. 11, at the balance sheet date (31 December 2014):

	Not quoted		Quoted		Total	
in k Euro	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Debt securities and other fixed-interest securities	94.039	58.970	610.252	610.700	704.291	669.670
Shares and other securities	3.710	3.353	7.227	11.577	10.937	14.930
Participating interest	16.641	17.641	0	0	16.641	17.641
Shares in associated companies	64.882	78.199	0	0	64.882	78.199
Financial assets	48.725	49.846	1.122.993	1.318.749	1.171.718	1.368.595
Total securities according to Banking Act	**227.997**	**208.009**	**1.740.472**	**1.941.026**	**1.968.469**	**2.149.035**

The difference in securities having properties of financial assets amounted to kEUR 861 (2013: kEUR 1,184) according to Banking Act article 56, sec. 2 and to kEUR 592 (2013: kEUR 745) according to Banking Act article 56, sec.3. Predicted amortization for 2015 amounted to kEUR 333,471 (2014: kEUR 332,354).). Subordinate and supplementary capital stock amounted kEUR 952 (2013: kEUR 952). [3]

In the forthcoming year, liabilities evidenced by certificate with a nominal value in the amount of kEUR 364,694 (2014: kEUR 253,264) will mature and thus become due.

(100) Country by Country Report

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

[3] The illustration of information was changed in 2014 and the numbers of the previous year were adapted to the new structure.

in k Euro	2014	2013
Net interest income	12.141	14.516
Operating income	6.293	5.821
Annual result prior to taxation	-13.549	-30.803
Income tax	1.970	-1.612
Public aid received	-	-
	2014	2013
Number of employees	56	63

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

(101) 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 information download 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	Dr. Toni EBNER	Aldein	
Other board members			
	Mag. Eva BEIHAMMER	Schwaz	
	Dr. Bernd GUGGENBERGER	Innsbruck	
	Dr. Ida HINTERMÜLLER	Innsbruck	
	Mag. Franz MAIR	Münster	
	Ao. Univ.-Prof. Dr. Erich PUMMERER	Innsbruck	
Delegated by the works council			
	Dr. Heinrich LECHNER, Chairman of the works council	Innsbruck	
	Andreas PEINTNER	Ellbögen	
	Peter PICHLER	Innsbruck	
	Ingrid WALCH	Inzing	

Managing Board Members			
Chairman	Dr. Markus JOCHUM	Innsbruck	until 2015-03-09
Managing Board Member	Johann Peter HÖRTNAGL	Trins	
Managing Board Member	Mag. Johann KOLLREIDER	Innsbruck	

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

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

VII. Participating Interest

Companies fully consolidated in the financial statement

Company name, location	Core business	Capital share in % 2014	Capital sharel in % 2013	Date of financial statement
HYPO TIROL LEASING GMBH, Innsbruck	Leasing company	100,00 %	100,00 %	31.12.14
Hypo-Rent Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	100,00 %	100,00 %	31.12.14
Hypo-Rent Gebäudeleasing 1987 Gesellschaft m.b.H., Innsbruck	Leasing company	100,00 %	100,00 %	31.12.14
Hypo-Rent Immobilienverwaltungs-Gesellschaft m.b.H., Innsbruck	Leasing company	100,00 %	100,00 %	31.12.14
Hypo-Rent Projekterrichtungs-Gesellschaft m.b.H., Innsbruck	Leasing company	100,00 %	100,00 %	31.12.14
Hypo-Rent Liegenschaftsanlage-Gesellschaft m.b.H., Innsbruck	Leasing company	100,00 %	100,00 %	31.12.14
Hypo-Rent II Grundverwertung GmbH, Innsbruck	Leasing company	100,00 %	100,00 %	31.12.14
Hypo-Rent Sole Grundverwertungs-GmbH, Innsbruck	Leasing company	100,00 %	100,00 %	31.12.14
Hypo-Tirol Mobilienleasing Gesellschaft m.b.H., Innbruck	Leasing company	100,00 %	100,00 %	31.12.14
Beteiligungs-und Finanzierungsgesellschaft m.b.H., Innsbruck	Associated company	100,00 %	100,00 %	31.12.14
Grundverwertung GmbH, Innsbruck	Administration of Realities	100,00 %	100,00 %	31.12.14
Hypo Tirol Versicherungsmakler GmbH, Innsbruck	Insurance broker	100,00 %	100,00 %	31.12.14
HYPO TIROL INVEST GmbH, Innsbruck	Associated company	100,00 %	100,00 %	31.12.14
Hypo Tirol Leasing Wiener Betriebsansiedlungen GmbH, Innsbruck	Leasing company	100,00 %	100,00 %	31.12.14
Liegenschaftstreuhand GmbH, Innsbruck	Leasing company	100,00 %	100,00 %	31.12.14
L2 Errichtungs- und Vermietungsgesellschaft mbH, Innsbruck	Leasing company	100,00 %	100,00 %	31.12.14
Autopark Grundverwertungs GmbH, Innsbruck	Administration of Realities	100,00 %	100,00 %	31.12.14
CYTA-Errichtungs- und Management GmbH, Völs	Trade	100,00 %	100,00 %	31.12.14
CYTA-Errichtungs- und Management GmbH & CO KG, Völs	Trade	100,00 %	100,00 %	31.12.14
Alpen Immobilieninvest GmbH , Innsbruck	Rental of real estate	100,00 %	100,00 %	31.12.14
HTL Projektholding GmbH, Innsbruck	Associated company	100,00 %	100,00 %	31.12.14
HTL Deutschland GmbH, Kulmbach	Leasing company	100,00 %	100,00 %	31.12.14
ERFOLG Liegenschaftsvermietungs GmbH, Innsbruck	Leasing company	100,00 %	100,00 %	31.12.14
VBC 3 Errichtungs GmbH, Wien	Leasing company	100,00 %	100,00 %	31.12.14
Dienstleistungszentrum Kramsach Betriebsgesellschaft mbH, Innsbruck	Leasing company	100,00 %	100,00 %	31.12.14
Tirol Immobilien und Beteiligungs GmbH (IBG), Bozen	Associated company	100,00 %	100,00 %	31.12.14
Hebbel Projektentwicklung Gesellschaft mbH, Innsbruck	Leasing company	100,00 %	100,00 %	31.12.14
Hypo-Rent Betriebsansiedlungsgesellschaft m.b.H., Innsbruck	Leasing company	100,00 %	100,00 %	31.12.14
Aaron Kantor AT 1 GmbH, Innsbruck	Leasing company	100,00 %	100,00 %	31.12.14
Hypo Tirol Beteiligungs GmbH, Innsbruck	Associated company	100,00 %	100,00 %	31.12.14
Berger Truck Service Verwaltungs GmbH, Innsbruck	Leasing company	100,00 %	100,00 %	31.12.14
HTI Immobilienverwaltungs-GmbH, Innsbruck	Rental of real estate	100,00 %	100,00 %	31.12.14
Hypo Immobilien Betriebs GmbH, Innsbruck	Administration of Realities	100,00 %	100,00 %	31.12.14

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

HYPO TIROL BANK AG points out, that all companies, which were consolidated in accordance with the equity method, are associated companies. No quoted market price is available for any of the associated shares.

Company name, location	Core business	Capital share in % 2014	Equity capital in k €	Date of financial statement
Tiroler Kommunalgebäudeleasing Gesellschaft m.b.H., Innsbruck	Leasing company	33,33 %	1.221	31.12.14
TKL II Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	33,33 %	32	31.12.14
TKL III Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	33,33 %	70	31.12.14
TKL IV Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	0,00 %	dissolved in 2014	
TKL V Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	33,33 %	1.887	31.12.14
TKL VI Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	33,33 %	261	31.12.14
TKL VII Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	33,33 %	-264	31.12.14
TKL VIII Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	33,33 %	-661	31.12.14
Tiroler Landesprojekte Grundverwertungs GmbH, Innsbruck	Leasing company	33,33 %	-953	31.12.14
Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	50,00 %	-574	31.12.14
Seilbahnleasing GmbH, Innsbruck	Leasing company	33,33 %	439	31.12.14
HTV KAPPA Immobilienleasing GmbH, Dornbirn	Leasing company	50,00 %	157	31.12.14
Projektentwicklungsges.m.b.H., Innsbruck	Rental of real estate	0,00 %	sold in 2014	
BIZ Business- und Innovationszentrum St.Pölten GmbH, St. Pölten	Rental of real estate	0,00 %	sold in 2014	
GTZ Gründer- und Technologiezentrum Wels GMBH, Wels	Rental of real estate	0,00 %	sold in 2014	
Bürocenter-Wienzeile GmbH, Wien	Rental of real estate	0,00 %	sold in 2014	

Company name, location	Core business	Capital share in % 2013	Equity capital in k €	Date of financial statement
Tiroler Kommunalgebäudeleasing Gesellschaft m.b.H., Innsbruck	Leasing company	33,33 %	1.205	31.12.13
TKL II Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	33,33 %	35	31.12.13
TKL III Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	33,33 %	67	31.12.13
TKL IV Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	33,33 %	33	31.12.13
TKL V Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	33,33 %	1.773	31.12.13
TKL VI Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	33,33 %	451	31.12.13
TKL VII Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	33,33 %	-380	31.12.13
TKL VIII Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	33,33 %	-752	31.12.13
Tiroler Landesprojekte Grundverwertungs GmbH, Innsbruck	Leasing company	33,33 %	-994	31.12.13
Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H., Innsbruck	Leasing company	50,00 %	-602	31.12.13
Seilbahnleasing GmbH, Innsbruck	Leasing company	33,33 %	355	31.12.13
Competence Park Investment Verwaltungs GmbH, Friedrichshafen	Rental of real estate	0,00 %	verkauft 2013	
Competence Park Investment Verwaltungs GmbH & Co. KG, Friedrichshafen	Rental of real estate	0,00 %	verkauft 2013	
MC EINS Investment GmbH, Wien	Rental of real estate	0,00 %	verkauft 2013	
HTV KAPPA Immobilienleasing GmbH, Dornbirn	Leasing company	50,00 %	80	31.12.13
Projektentwicklungsges.m.b.H., Innsbruck	Rental of real estate	75,00 %	4.916	31.12.13
BIZ Business- und Innovationszentrum St.Pölten GmbH, St. Pölten	Rental of real estate	75,00 %	1.022	31.12.13
GTZ Gründer- und Technologiezentrum Wels GMBH, Wels	Rental of real estate	75,00 %	3.825	31.12.13
Bürocenter-Wienzeile GmbH, Wien	Rental of real estate	75,00 %	1.139	31.12.13

The illustration of data regarding Gesellschaft Bürocenter-Wienzeile GmbH was changed in 2014 and the numbers of the previous year were adapted to the new structure.

Data in accordance with IFRS 12.B12

2014

in k Euro	Short-term assets	Long-term assets	Short-term liabilities	Long-term liabilities	Turnover	Annual profit from ongoing business sectors	Result after taxation from dissolved business sectors	Annual profit	Other results	Total result	Dividends received
Tiroler Kommunalgebäudeleasing Gesellschaft m.b.H., Innsbruck	34	5.927	4.668	72	291	51	0	30	0	30	0
TKL II Grundverwertungsgesellschaft m.b.H., Innsbruck	11	1.649	1.615	13	53	-4	0	-4	0	-4	0
TKL III Grundverwertungsgesellschaft m.b.H., Innsbruck	152	1	4	79	32	38	0	28	0	28	0
TKL V Grundverwertungsgesellschaft m.b.H., Innsbruck	2.859	9.727	10.659	40	725	115	0	114	0	114	0
TKL VI Grundverwertungsgesellschaft m.b.H., Innsbruck	1.685	20.326	21.650	100	696	-188	0	-189	0	-189	0
TKL VII Grundverwertungsgesellschaft m.b.H., Innsbruck	4.717	12.589	17.557	13	1.022	117	0	116	0	116	0
TKL VIII Grundverwertungsgesellschaft m.b.H., Innsbruck	5.131	71.054	76.006	839	3.209	366	0	407	0	407	0
Tiroler Landesprojekte Grundverwertungs GmbH, Innsbruck	2.154	11.253	14.357	3	591	42	0	40	0	40	0
Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H., Innsbruck	2.260	24.833	27.336	331	2.551	368	0	317	0	317	0
Seilbahnleasing GmbH, Innsbruck	1.163	14.507	13.792	1.439	2.844	89	0	83	0	83	0
HTV KAPPA Immobilienleasing GmbH, Dornbirn	1.236	30.278	31.333	24	1.876	103	0	77	0	77	0

2013

in k Euro	Short-term assets	Long-term assets	Short-term liabilities	Long-term liabilities	Turnover	Annual profit from ongoing business sectors	Result after taxation from dissolved business sectors	Annual profit	Other results	Total result	Dividends received
Tiroler Kommunalgebäudeleasing Gesellschaft m.b.H., Innsbruck	42	5.991	4.764	64	291	47	0	78	0	78	0
TKL II Grundverwertungsgesellschaft m.b.H., Innsbruck	0	1.673	1.633	5	53	-5	0	-5	0	-5	0
TKL III Grundverwertungsgesellschaft m.b.H., Innsbruck	80	0	10	3	32	27	0	27	0	27	0
TKL IV Grundverwertungsgesellschaft m.b.H., Innsbruck	33	0	0	0	0	-6	0	-6	0	-6	0
TKL V Grundverwertungsgesellschaft m.b.H., Innsbruck	2.555	12.214	12.972	24	746	-67	0	-68	0	-68	0
TKL VI Grundverwertungsgesellschaft m.b.H., Innsbruck	1.664	20.970	22.081	102	721	-172	0	-173	0	-173	0
TKL VII Grundverwertungsgesellschaft m.b.H., Innsbruck	3.711	14.540	18.619	12	1.052	67	0	64	0	64	0
TKL VIII Grundverwertungsgesellschaft m.b.H., Innsbruck	5.268	81.193	86.643	570	3.923	131	0	-3	0	-3	0
Tiroler Landesprojekte Grundverwertungs GmbH, Innsbruck	1.997	11.782	14.766	7	880	226	0	225	0	225	0
Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H., Innsbruck	2.096	26.259	28.908	49	2.537	381	0	321	0	321	0
Seilbahnleasing GmbH, Innsbruck	521	18.949	15.759	3.356	3.614	207	0	195	0	195	0
HTV KAPPA Immobilienleasing GmbH, Dornbirn	1.021	31.673	32.614	0	1.250	80	0	78	0	78	0
Projektentwicklungsges.m.b.H., Innsbruck	4.011	25.417	625	23.887	4.049	1.591	0	1.273	0	1.273	0
BIZ Business- und Innovationszentrum St. Pölten GmbH, St. Pölten	209	3.042	460	1.769	468	97	0	97	0	97	0
GTZ Gründer- und Technologiezentrum Wels GmbH, Wels	752	15.306	845	11.388	2.404	617	0	617	0	617	0
Bürocenter-Wienzeile GmbH, Wien	478	17.792	95	16.836	2.071	578	0	578	0	578	0

Companies not included in the consolidated financial statement

None of the following non-consolidated companies is a structured company pursuant t to IFRS 12.B21-B24. All companies are subsidiaries or associated companies.

Data concerning companies with a capital share more than 20% (financial year 2014) Company name, location	Capital share in % 2014	Note
HTW Holding GmbH, Innsbruck	100,00 %	Company of minor importance
Landhaus-Parkgaragen Gesellschaft m.b.H., Innsbruck	100,00 %	Company of minor importance
Landhaus-Parkgaragen Gesellschaft m.b.H. & Co. KG, Innsbruck	100,00 %	Company of minor importance
C ZWEI Investment GmbH, Innsbruck	100,00 %	Company of minor importance
HYPO Gastro GmbH, Innsbruck	100,00 %	Company of minor importance
HT Immobilien Investment GmbH, Innsbruck	100,00 %	Company of minor importance
Kramsacher Betriebsansiedlungsgesellschaft m.b.H., Innsbruck	100,00 %	Company of minor importance
HPS Standortservice GmbH, Innsbruck	100,00 %	Company of minor importance
ARZ Hypo-Holding GmbH, Innsbruck	99,09 %	Company of minor importance
MC ZWEI Investment GmbH, Wien	50,00 %	Company of minor importance
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	33,30 %	Company of minor importance
ARZ Allgemeines Rechenzentrum GmbH, Innsbruck	32,70 %	Company of minor importance
Lantech Innovationszentrum GesmbH, Landeck	32,73 %	Company of minor importance
REB II Beteiligungs AG, Wien	25,64 %	Company of minor importance
„Wohnungseigentum", Tiroler gemeinnützige Wohnbaugesellschaft m.b.H., Innsbruck	24,33 %	Company of minor importance
GHS Immobilien AG, Wien	22,69 %	Company of minor importance
HYPO EQUITY-Unternehmensbeteiligungen AG, Bregenz	21,78 %	Company of minor importance

Data concerning companies with a capital share more than 20% (financial year 2013) Company name, location	Capital share in % 2013	Note
HTW Holding GmbH, Innsbruck	100,00 %	Company of minor importance
Landhaus-Parkgaragen Gesellschaft m.b.H., Innsbruck	100,00 %	Company of minor importance
Landhaus-Parkgaragen Gesellschaft m.b.H. & Co. KG, Innsbruck	100,00 %	Company of minor importance
C ZWEI Investment GmbH, Innsbruck	100,00 %	Company of minor importance
HYPO Gastro GmbH, Innsbruck	100,00 %	Company of minor importance
HT Immobilien Investment GmbH, Innsbruck	100,00 %	Company of minor importance
Kramsacher Betriebsansiedlungsgesellschaft m.b.H., Innsbruck	100,00 %	Company of minor importance
HPS Standortservice GmbH, Innsbruck	100,00 %	Company of minor importance
ARZ Hypo-Holding GmbH, Innsbruck	99,09 %	Company of minor importance
MC ZWEI Investment GmbH, Wien	50,00 %	Company of minor importance
Tyrol Equity AG, Innsbruck	33,33 %	Sold in 2013
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	33,30 %	Company of minor importance
ARZ Allgemeines Rechenzentrum GmbH, Innsbruck	32,70 %	Company of minor importance
Lantech Innovationszentrum GesmbH, Landeck	32,73 %	Company of minor importance
REB II Beteiligungs AG, Wien	25,64 %	Company of minor importance
„Wohnungseigentum", Tiroler gemeinnützige Wohnbaugesellschaft m.b.H., Innsbruck	24,33 %	Company of minor importance
GHS Immobilien AG, Wien	22,69 %	Company of minor importance
HYPO EQUITY-Unternehmensbeteiligungen AG, Bregenz	21,78 %	Company of minor importance

Data concerning companies with a capital share less than 20 %

Company name, location	**Capital share in % 2014**	**Capital share in % 2013**
Global Private Equity IV Holding AG, Wien	18,74 %	18,74 %
Tiroler gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H. (TIGEWOSI), Innsbruck	17,45 %	17,45 %
Masterinvest Kapitalanlage-Gesellschaft m.b.H., Wien	12,50 %	12,50 %
Hypo-Wohnbaubank Aktiengesellschaft, Wien	12,50 %	12,50 %
Hypo-Banken-Holding Gesellschaft m.b.H., Wien	12,50 %	12,50 %
Rathaus Passage GmbH, Innsbruck	11,23 %	11,23 %
Hypo-Haftungs-Gesellschaft m.b.H., Wien	11,05 %	11,05 %
HP IT-Solutions Gesellschaft m.b.H., Innsbruck	10,00 %	11,11 %
Logistikzentrum Hallbergmoos GmbH, München	6,00 %	6,00 %
Logistikzentrum Forchheim GmbH, München	6,00 %	6,00 %
Pflegeheim Wolfratshausen Grundstücks GmbH, München	6,00 %	6,00 %
PensPlan Invest SGR Spa/AG, Bozen	4,44 %	4,44 %
Bergbahnen Rosshütte Seefeld Tirol Reith AG, Seefeld	1,62 %	1,62 %
Lienzer-Bergbahnen-Aktiengesellschaft, Lienz	1,58 %	1,58 %
VBV – Betriebliche Altersvorsorge Aktiengesellschaft, Wien	1,28 %	1,28 %
AAA Air Alps Aviation Alpenländisches Flugunternehmen Ges.m.b.H., Innsbruck	0,28 %	0,28 %
GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination GmbH, Wien	0,20 %	0,20 %
Allgemeine Bausparkasse registrierte Genossenschaft mit beschränkter Haftung, Wien	0,04 %	0,04 %

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

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

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

- HYPO-BANK BURGENLAND Aktiengesellschaft
- Austrian Anadi Bank AG
- HETA ASSET RESOLUTION AG
- HYPO NOE Gruppe Bank AG
- Oberösterreichische Landesbank Aktiengesellschaft
- SALZBURGER LANDES-HYPOTHEKENBANK 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 (one vote). Decisions require simple majority of the votes cast. In case of tie votes, the chairman has the deciding vote. Regarding the resolution of the articles of association or any amendment to the articles of association, the liquidation of the Mortgage Bond Division or the distribution of the income from liquidation a two-third majority of the votes cast is required.
The business activities of the Mortgage Bond Division will be transferred to the Pfandbriefbank (Österreich) AG, with effect from 2015 on and in compliance with Banking Act article 92 concerning the universal succession. The Mortgage Bond Division is the sole shareholder of the Pfandbriefbank.

Since 2004 the Mortgage Bond Division has been subject to the regulations of the Pfandbrief Act. Pursuant to Pfandbrief Act article 2, all member institutions shall be jointly liable for liabilities of the Mortgage Bond Division or in connection with Banking act article 92, section 6 for liabilities of the Pfandbriefbank. The guarantors of the member institutions shall be jointly liable for all liabilities of the Mortgage Bond Division/Pfandbriefbank that accrued before 2 April 2003. With regard to liabilities that accrued after 2 April 2003, the guarantors shall only be liable jointly, if the defined terms do not exceed 30 September 2017. The guarantors shall not be liable for 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 2014, the issuing volume of the Mortgage Bond Division/Pfandbriefbank, for which the member institutions and their guarantors are jointly liable, amounted to kEUR 5,538,652 (2013: 6,169,969). This amount includes a proportion of HYPO TIROL BANK AG accounting for kEUR 149,524 (2013: kEUR 325,120). 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 Division/ Pfandbriefbank. In case the Mortgage Bond Division/Pfandbriefbank shall not fulfil its obligations towards bond and debenture bond creditors, the creditors of the Mortgage Bon Division, in accordance with legal regulations on joint and several liability, are entitled to claim the due amount directly from the member institutions and/or the guarantors, Consequently, the member institutions and/or guarantors that paid the dues shall have the right, subject to special conditions, to exercise recourse clams against the other member institutions, guarantors and/or the Mortgage Bond Division/Pfandbriefbank. Finally, the joint creditors that paid the dues can exercise recourse claims against the respective member institution the issue refers to. In accordance with the regional legal provisions such recourse claims can also be asserted against the province involved, which serves as a deficiency guarantor [also see note (91)].

Liabilities towards the Mortgage Bond Division presented in the balance sheet

in k Euro	31.12.2014	31.12.2013
Liabilities evidenced by certificate	27.007	50.024
Financial liabilities - at fair value	122.518	275.096
Liabilities towards the Mortgage Bond Division	**149.525**	**325.120**

Interest expenses in relation to liabilities towards the Mortgage Bond Division

in k Euro	31.12.2014	31.12.2013
Interest expenses in relation to liabilities evidenced by certificate	147	134
Interest expenses in relation to financial liabilities - at fair value	6.979	7.956
Interest expenses in relation to liabilities towards the Mortgage Bond Division	**7.126**	**8.090**

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

As it is in the interest of all parties concerned to guarantee the further operation of the Pfandbriefbank Österreich AG and to avoid further damages for the Hypo sector and Austria as a financial centre, all member institutions, that is to say also HYPO TIROL BANK AG shall provide liquid assets. With regard to the existing risk that the Mortgage Bond Division will not be able to pay the respective debt instruments in whole, and HYPO TIROL BANK AG, all other mortgagee banks as well as the respective guarantors of the creditors of the Pfandbriefbank AG or the Mortgage Bond Division claim their rights in the legal framework of joint and several liability financial means in the amount of kEUR 38,693 have been provided (also see note (43) and note (77)].

HYPO TIROL BANK AG
MANAGING BOARD

Innsbruck, 27 March 2015

Johann Peter Hörtnagl

Mag. Johann Kollreider

Statement of approval

Auditor's report on the consolidated financial statement

We have audited the enclosed consolidated financial statement of HYPO TIROL BANK AG, Innsbruck for the fiscal year from 1 January 2014 to 31 December 2014. The consolidated financial statement comprises the consolidated balance sheet as at 31 December 2014, the consolidated profit and loss account, the consolidated comprehensive income statement, the consolidated cash flow statement, the consolidated statement of changes in equity capital for the fiscal year that ended on 31 December 2014, and a summary of the fundamental accounting and evaluation methods and other statements described in the appendix (notes).

Responsibilities of the legal representatives regarding the consolidated financial statement and the corporate group accounting

The legal representatives of the company are responsible for managing the corporate group accounting and for preparing a consolidated financial statement which gives a true and fair view of the assets, the financial position and the profit situation of the corporate group in compliance with the International Financial Reporting Standards (IFRS) as applicable in EU countries and the Austrian Commercial Code article 245a. This responsibility includes the preparation, implementation and maintenance of an internal control system, if this is of significance for preparing a consolidated financial statement and presenting a true and fair view of the assets, the financial position and the profit situation of the corporate group so that the consolidated financial statement is free of material misstatements, regardless of whether they result from intentional or unintentional errors; moreover the responsibilities comprise the selection and application of appropriate balance sheet and evaluation methods and the preparation of estimates, which seem to be appropriate in consideration of the existing conditions.

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

It is our responsibility to present a judgment based on the audit of this consolidated financial statement. For that reason, we have audited the financial statement in accordance with the legal provisions and principles of orderly auditing as applicable in Austria and in accordance with the International Standards on Auditing (ISAs) published by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). These principles require that we comply with the ethics of professions and that we plan and perform the audit as to obtain all the information we consider necessary in order to judge whether the consolidated financial statement is free of material misstatements.
An audit comprises the assessment process in order to obtain audit evidence with regard to income and other statements presented in the consolidated financial statement. The selection of assessment tools is at the obligatory discretion of the auditor, in consideration of estimates regarding risks of any material misstatements, regardless of whether they result from intentional or unintentional errors. In evaluating such risks, the auditor considers the internal control system, provided that it is of significance for preparing a consolidated financial statement and presenting a true and fair view of the assets, the financial position and the profit situation, in order to determine the necessary scope of auditing inspections, giving due consideration to all the background conditions; however, not to come to any judgment with regard to the effectiveness of the corporate group's internal controls. Furthermore, the audit includes the evaluation of the appropriateness of the applied balancing and evaluating methods, and the evaluation of major estimates made by the legal representatives as well as the appreciation of the entire consolidated financial statement.

In our opinion we have obtained sufficient and appropriate audit evidence and consequently our audit represents a secure basis for the judgment.

Audit opinion

Our audit has led to no objections. In accordance with the facts obtained from this audit, the consolidated financial statement complies with all legal requirements and gives a true and fair view of the assets and the financial position of the corporate group as at 31 December 2014, and a true and fair view of the corporate group's profit situation and cash flows for the fiscal year from 1 January to 31 December 2014, in compliance with the International Financial Reporting Standards as applicable in EU countries.
Concerning to the development in relation to Pfandbriefbank (Ösrerreich) AG, more precisely Heta Asset Resolution AG we point out that without restricting the statement of approval we refer to the statements made by the Managing Board included in the notes on the consolidated financial statement.

Statement regarding the Consolidated Financial Report

The consolidated financial report shall be audited on the basis of legal requirements and it shall be assessed whether it corresponds to consolidated financial statement and whether other statements contained in the consolidated financial report evoke an incorrect picture of the corporate situation. The auditor's statement of approval must also contain a statement about whether the consolidated financial report essentially corresponds to the consolidated financial statement and whether the statements, which were made in compliance with the Austrian Commercial Code, article 243a, sec. 2, are correct.

In our opinion, the consolidated financial report is consistent with the consolidated financial statement and the statements, which were made in compliance with the Austrian Commercial Code article 243a, sec. 2, are correct.

Vienna, 27 March 2015

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Ernst Schönhuber eh
chartered accountant

Mag. Andrea Stippl eh
chartered accountant

Statement of the legal representatives

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

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

Innsbruck, 31 March 2015

Managing Board

Johann Peter Hörtnagl

Mag. Johann Kollreider

Report of the Supervisory Board

In the course of the business fiscal year 2015, all business activities carried out by the Managing Board were monitored by the Supervisory Board. In the context of rotational and extraordinary meetings and other reports, the Supervisory Board gained detailed information about the development of the company and all essential business cases. In addition, the Chairman of the Supervisory Board regularly received information provided by the Managing Board and the Internal Auditors Department.

Supervisory Board Meetings

In the business fiscal year 2014, four ordinary Supervisory Board meetings were held, at which fundamental issues of business policy, current developments of investment income, compliance with budgetary requirements and single business cases, which required the approval of the Supervisory Board due to legal or statutory provisions, were discussed with the Managing Board. The Supervisory Board particularly focused on the measures regarding the implementation of the bank's strategic realignment programme.

Supervisory Board Committees

The Supervisory Board appointed six committees.
The Loan Committee manages mortgages, loans, and large-scale investments. Four ordinary meetings and one extraordinary meeting were held by the Credit Committee in the fiscal year 2014.
According to the Austrian Banking Act, article 63a, sec. 4, the Audit Committee is responsible for monitoring the preparation of the financial statement, the effectiveness of the internal control system, the internal audit system and the risk management system of the company; furthermore it manages the audit and the preparation of the approval of the financial statement, the proposal concerning profit distribution, the financial report as well as the consolidated financial statement and the consolidated financial report. Altogether, four Audit Committee meetings were held in the fiscal year 2014.
The Committee for Managing Board Matters regulates the relations between the company and the members of the Managing Board, except appointments or recall of appointments or granting share options of the bank. In the fiscal year 2014, one meeting was held by the Managing Board Matters Committee.
The Remuneration Committee is responsible for all remuneration issues described in the Austrian Banking Act, article 39 b and c with the exception of Managing Board remuneration. In the fiscal year 2014, one meeting was held.
The nomination committee, which is responsible for all matters in relation to the Austrian Banking Act, article 29, met once in the fiscal year 2014.

The risk committee manages all matters regarding the Austrian Banking Act, article 39 d and held one meeting in the fiscal year 2014.

Financial Statement

The financial statement and the financial report as at 31 December 2014 were audited by the chartered accountants Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna. As no objections were proposed, the auditor's opinion was granted without any limitations or reservations.
The consolidated financial statement including appendix (notes), which was prepared in compliance with the International Financial Reporting Standards (IFRS), as well as the consolidated financial report as at 31 December 2014 were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna.
Subsequent to the final audit of the 2014 financial statement and the 2014 consolidated financial statement, the appendix (notes), the financial report for the financial statement and the consolidated financial statement, no objections were raised. The Supervisory Board approves the profit distribution proposal, and the financial statement submitted by the Managing Board, which has been prepared in accordance with the Companies Act, article 96, section 4, and it acknowledges the consolidated financial statement.

Innsbruck, 31 March 2015

Supervisory Board

Mag. Wilfried Stauder

Vision – recognising chances, assessing risks and acting in an anticipatory manner are the principles of success. Vision also implies review – sometimes it is necessary to take one step back in order to take two steps forward.

To have eagle eyes can be taken literally. The eye of an eagle can process an image series as a sequence of approximately 150 images per second; the human eye only 20 to 25 images. Thus, the eagle can catch sight of its target from a distance of 3 km.

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