HYPO TIROL BANK

ANNUAL REPORT 2010

TO BREATHE NEW LIFE INTO THE FUTURE AND INTO THE PAST, CHANGE IS ESSENTIAL. THE KEY LIES IN GOING THROUGH THE CHANGE JOINTLY, WITH THE SELFSAME INTENSITY AND TARGET ORIENTATION. TO ACHIEVE THAT, WE ALL HAVE TO ACT IN CONCERT ... AND PULL TOGETHER.

WE WILL BE ACTIVE IN PRECISELY THE REGIONS WHERE WE KNOW THE MARKET AND KNOW OUR PARTNERS; WHERE WE CAN OFFER THE PRODUCTS AND SERVICES AT WHICH WE EXCEL. IN A CERTAIN SENSE, THIS IS THE DISTILLED ESSENCE OF TRADITIONAL AND MODERN COMPONENTS WHICH THE HYPO TIROL BANK EMBODIES AS A STATE BANK. WE STAND FOR THE VALUES WHICH LIE WITHIN AND BEHIND THIS ORIENTATION. MOREOVER, THEY ARE EXEMPLIFIED IN OUR MARKET PRESENCE AND FINANCIAL DECISIONS.

Mag. Wilfried Stauder

MORE THAN ANYTHING ELSE, IT IS THE WAY HYPO TIROL BANK DEALS AND WORKS TOGETHER WITH ITS OWN EMPLOYEES, CUSTOMERS AND BUSINESS ASSOCIATES WHICH IS OUR FOREMOST FACTOR FOR FUTURE SUCCESS. REGARDLESS WHETHER IN THE QUALITY OF OUR COUNSEL, THE HUMANE APPROACHABILITY OF OUR ADVISORS OR OUR ACTIVITIES IN SOCIAL AND SPONSORING SECTORS, IT IS THIS UNFLAGGING DEVOTION TO PEOPLE THAT WILL PROVIDE THE GREATEST THRUST FORWARD IN THE MONTHS AND YEARS AHEAD.

Dr. Markus Jochum

Johann Peter Hörtnagl

FOREWORD

SUPERVISORY BOARD

Dear Ladies and Gentlemen,

Looking back over the last business year of 2010, the image which arises is of a bank facing highly demanding and difficult conditions. The complexities at Hypo Tirol Bank are reflected in the figures as well. The company had to be positioned anew, strategically speaking, to empower it to act and react in more acute and aware ways to the prevailing risks. Only in this way was it possible to establish the background conditions required by a strong Tyrolean State Bank. This meant, before all else, resurrecting the original commission which a state bank is assigned to fulfil, namely, finding back to its roots in order to again be a strong and reliable partner for all the inhabitants of Tyrol, and at the same time, to serve the interests of the regional businesses. This trend reversal required replacements in personnel at Managing Board level in order to securely anchor the path realignment among the uppermost executives.

The strategic decision is reflected in the newfound concentration on the core market of Tyrol, which in its greater swathe includes the north-south axis and the region of South Tyrol/Trentino. We will be active in precisely the regions where we know the market and know our partners; where we can offer the products and services at which we excel. In a certain sense, this is the distilled essence of traditional and modern components which the Hypo Tirol Bank embodies as a state bank. We stand for the values which lie within and behind this orientation. Moreover, they are exemplified in our market presence and financial decisions.

Hypo Tirol Bank stands on the shoulders of a strong owner: the State of Tyrol is 100% behind its state bank and sets its sights and its focus of attention on maintaining the bank's independence. This enables us, in turn, to fulfil the assigned role of a universal services bank in its core market in the best ways possible; and to make our long-term contribution to strengthening the land and its economy.

Mag. Wilfried Stauder

Dear ladies and gentlemen,
Esteemed associates and partners!

Last year brought numerous changes to Hypo Tirol Bank. Above all else, a new strategic orientation with a reinforced focus on the core market of Tyrol and, as part of this, the region of South Tyrol/Trentino, called up intense efforts and flexibility of the entire concern and all its employees. The current situation is a great challenge for Hypo Tirol Bank. For the second year in sequence, enormous risk-covering costs were required. This development was a direct result of the overall economic situation. Yet to a large degree it was also a consequence of the prior strategic orientation of intensifed expansion policy.

The updated rating by the international rating agency Moody's which was assigned to Hypo Tirol Bank in the 3rd quarter of 2010 also has to be seen in this light. In the course of this process, a new rating was assigned, following the prior Aa1 rating from 2007. The current rating is A2. Although this result amounts to a downgrading, it remains an extremely good rating in comparison with other Austrian banks. The adjustment was anticipated. It corroborates the correctness of our approach, namely, with the focus on minimising risk and concentration on business activities which protect our own equity capital.

Apart from this, the public pfandbriefs of Hypo Tirol Bank were assigned the best possible grade - Aaa - at the end of the year. This rating was based on Moody's rating of Hypo Tirol Bank as an issuing bank and its evaluation of security of the covering funds. This result is highly gratifying, of course, and is in keeping with the security demands of many investors.

In spite of - perhaps even because of - the dizzying economic developments, we have done our homework, particularly as relates to costs. As a result of those efforts, we were able to achieve remarkable results on that front. Our reduction of administrative costs is clearly the outstanding achievement in this regard: they were 6% lower than in 2009. The positive rise of interest profits - 7% above the previous year - is equally pleasing.

FOREWORD

MANAGING BOARD

That we are on the right path is also corroborated by our clients. A representative survey of more than 500 private bank customers of Hypo Tirol Bank which was carried out last year brought highly positive reports. More than 80% are utterly satisfied with our business. This finds expression, among other things, in a high degree of word-of-mouth recommendations: the Net Promoter Score is 37%. The customers at Hypo Tirol Bank continue to manifest a high degree of loyalty. This profound client bonding is also evidenced by the fact that the percentage of customers who use Hypo Tirol Bank as their main bank has risen measurably over recent years.

Our greatest hallmark lies especially in the sector of personal customer care to our clients and supplying them with the best possible counsel and supervision of their financial concerns. In keeping with this orientation, we expend a great deal of time and energy in educating our employees. In the year 2010, more than 630 staff members participated in internal training sessions which focused both on specific departmental expertise and sales-specific themes.

More than anything else, it is the way Hypo Tirol Bank deals and works together with its own employees, customers and business associates which is our foremost factor for future success. Regardless whether in the quality of our counsel, the humane approachability of our advisors or our activities in social and sponsoring sectors, it is this unflagging devotion to people that will provide the greatest thrust forward in the months and years ahead.

With a mind towards this as our ultimate lodestar, we extend a profound debt of thanks to our customers for their ongoing trust and confidence in us; and to all our employees for their dedication and support.

Dr. Markus Jochum
Johann Peter Hörtnagl

HYPO TIROL BANK

CONSOLIDATED FINANCIAL STATEMENT

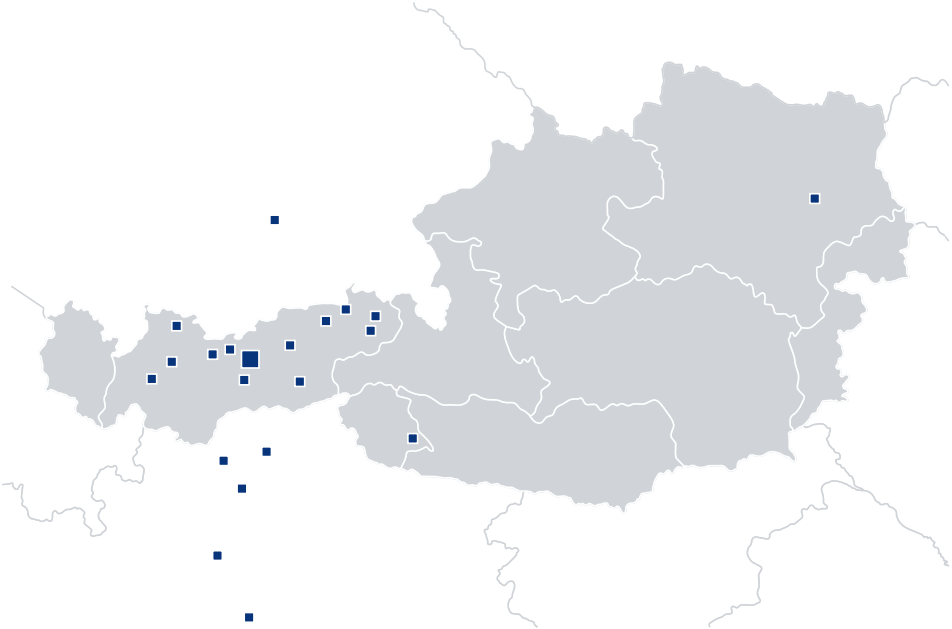
I. CORPORATE REPORT ON BUSINESS DEVELOPMENTS AND THE ECONOMIC SITUATION

I. 1. HYPO TIROL BANK – OUR STATE BANK

HYPO TIROL BANK AG sees itself in the historic context as the partner of the State of Tyrol, with its focus on the people of the region. This historic association and cooperation have grown naturally over time ever since the bank's founding in 1901. It is reflected not only in its business orientation, but also in its economic and social involvement. At the center are the needs of its customers and associates; the range of services and products as well as their quality are dictated specifically by customer expectations. The immediate market nearness and the independence of the bank are two major factors contributing to the fulfillment of these goals.

I. 2. REPORT ON THE BRANCHES

As a modern and innovative corporate enterprise with a sophisticated banking and financial structure, Hypo Tirol Bank, with locations between Munich and Verona, is active not only in Austria, but in Italy and southern Germany as well. Further, the bank is also represented in Zurich and Vienna. Its strategic engagement as a universal services bank is clearly focused on its core market of Tyrol. But beyond that, in South Tyrol, Trentino and Verona, together with greater Vienna and Munich, customers are also served with differentiated offerings and products. The Hypo concern comprises 20 branches in Tyrol, 3 business offices and 2 advisory centres in South Tyrol/Trentino and in Veneto, plus one representational office in Vienna and in Munich. Further, corporate clients are provided wide ranging advisory services at 4 locations in Tyrol and Vienna, and at 3 centres in northern Italy.



I. 3. THE STATE OF THE ECONOMY IN 2010

ECONOMIC RECOVERY AND NATIONAL RESCUE PACKAGES

In the year 2010, economic growth revived in many of the developed countries, thanks to far reaching measures designed to aid recovery from the sub-prime crisis, a crisis then negatively amplified by a general loss of public confidence. These effects were felt even more gravely in developing countries. Yet due to the consumer willingness to begin spending again, these developing countries are today responsible for approximately half of the global growth.

While the business cycle is now ticking quite well throughout the world, there are differing patterns of development from country to country, as well as within various countries. In Europe, a significant divergence between the strong countries of the north, e.g. Germany, Sweden and Austria, and the economically weak southern European countries is evident. Apart from traditional differences in competitiveness, the year 2010 brought on a national debt crisis which intensified already existing disparities. At the beginning of May, Greece capitulated in face of national debts which had grown to well over 100 % of the GDP in the last few years. Greece had to be shored up by an economic rescue package of the European Union and the International Monetary Fund. By November, the crisis had reached Ireland. The Irish had not lived beyond their means to quite the same degree as the Greeks, but the magnitude of the economic burden, exacerbated by the real estate crash, was simply too big. Ireland became the second country which had to be rescued from collapse by the EU. In Austria, on the back of the powerful economic recovery in 2010, particularly in Germany, the economy began to expand and grow significantly. During the third quarter, the Austrian GDP grew in real terms by 0.9 %.

In the U.S., numerous measures were taken by political bodies, as well as by the central bank, to jump start the faltering economy. The success attained to date, due to a persistently weak real estate market and an extremely high unemployment rate of about 10 %, has been only modest.

In the wake of the economic recovery, inflation rose towards about 2.0%. The major force behind this was the price rise of raw materials and food; core inflation played only a very minor part in this overall inflation. In the U.S., a major danger of deflation persisted into autumn 2010 and was ameliorated only after the second bond-purchasing programme was launched by the Fed. In Japan, the deflation continued unabated.

MARKET REVIEW 2010 – HIGH MARKET LIQUIDITY DRIVES THE MARKETS

It was conspicuous that in times of such economic insecurity, “riskier“ investments such as shares and raw materials, developed far more positively than apparently safe havens, such as cash and government bonds. From the beginning of September, the trend of falling yields on the capital markets was broken and we have been experiencing a significant upward trend since then, with falling bond prices. In comparison, corporate bonds and developing country bonds developed quite well, due to the worldwide search of investors for higher yields, as opposed to government bonds enjoying top creditworthiness.
The fluctuations on the currency markets in 2010 were extraordinary. Central banks and national governments made a devaluation of their respective currencies an expressed goal, in order to stoke up the economy further. For a certain interim there was even talk of a kind of “currency war“, particularly between the U.S. and China. By and large, however, the euro was burdened more than anything else by the national debts which were getting out of hand, as well as by speculations on the collapse of the currency union.

ECONOMIC DEVELOPMENT IN OUR OWN MARKETS

The year 2010 brought a marked recovery to our own market areas. This upward movement, following two crisis years, was reflected in the most important economic indicators, particularly by a return to moderate growth rates of economic performance. The regional statistics make clear that the recovery of the business cycle has been irregular and highly varied from region to region, just as the crisis itself in previous years had highly divergent effects in the various countries and regions.

AUSTRIA - MODEST GROWTH AND ENCOURAGING LABOUR MARKET FIGURES

Austria's economy grew by about 2.0 % in 2010, thus reversing the trend prevailing since 2009, when the GDP receded by nearly 4.0 %. This highly pleasing development also had a positive effect on labour, where unemployment dropped to 4.5 % (using the EU method of calculation). The rate of inflation grew within the expected range compared to the previous year; this was substantial, measuring 1.8 %, but was still beneath the 2.0% threshold.

THE STATE OF TYROL - POSITIVE DEVELOPMENT IN AUSTRIA'S MIDDLE RANGE

The fundamental data on the economic growth in Tyrol resemble in many ways the overall data for Austria for 2010. Economic growth in Tyrol was also just under 2.0 %. The exporting sectors played the leading role as important motor for the overall economy. Consumer prices increased, pushing the inflation to a rate of 1.9 %. As regards the workplace, Tyrol was able to maintain its strong position, ultimately showing an unemployment figure of 2.7%, according to the EU method of calculation, the second-lowest rate among all Austria's states, right behind Salzburg.

ITALY - SMALL ECONOMIC GROWTH AND HIGH UNEMPLOYMENT

Following the year 2009, when Italy's economy shrank by nearly 5.0 %, Italy manifested positive economic tendencies in 2010. The growth was modest - 1.1 % - yet it was positive growth. While demand from abroad was a major enhancing factor, domestic consumer restraint of private households weighed upon the forces of growth. Such consumer conduct reflected the ongoingly unease on the labour market: unemployment increased still further, reaching 8.6 %, according to the EU method of calculation. On other other hand, inflation was not problematic: it rose slightly, but at 1.6 % was well below the threshold value of 2.0 %.

SOUTH TYROL - MODEST GROWTH AND GRATIFYING EMPLOYMENT STATISTICS

Even if the economic crisis of the last few years did not hit South Tyrol as hard as most countries, the year 2010 showed clear tendencies towards a healthy economic recovery. The GDP grew by about 1.0 %, and unemployment dropped to 1.9 %, thus showing a very healthy comparison to the overall Italian labour market average. These developments were accompanied by an inflation rate of 2.2 %.

I. 4. BUSINESS DEVELOPMENT

BALANCE SHEET CHANGES

In the current year of reporting, the balance sheet total of 11.7 billion euros was about 2.1% lower than the balance sum of the previous year (previous year: 12.0 bil. euros). Ongoing developments pulling in the opposite direction were the factors which led to this change.

A major factor which had the effect of reducing the balance volume was our own strategy of consolidation in the shares and securities department. In the course of the planned reduction of our own portfolio, this decrease can be attributed mainly to redemptions of debentures. The book value of the securities in categories AFS, HTM and L&R was reduced by 798.2 mil. euros compared to the previous year, namely from 3.1 bil. euros to 2.3 bil. euros.

On the other hand, there was a rise in receivables from customers of 229.6 mil. to 7.4 bil. euros (previous year 7.2 bil euros), even if smaller in extent than the reductions in the securities sector. The movements of currency exchange rates, particularly of Swiss Franc against the euro, played a major role in this rise in volume of receivables. However, not only currency-related factors were responsible for the increase in receivables from customers. The first signs that our new strategic plans towards the expansion of the pfandbrief and communal-brief business were also evident.

Further, there was a rise in trading assets and derivatives of 177.1 mil. euros to 636.5 mil. euros (previous year: 459.4 mil. euros) as well as in financial assets designated at Fair Value by 230.0 mil. euros to 832.7 mil. euros (previous year: 602.7 mil. euros). These changes did not arise from a reduction in inventory of such assets, but largely from a positive cash value development.

On the liability side of the ledger, the decreased balance sheet total manifests a decrease in payables to credit institutes, to customers and a decrease of securitised liabilities.

With regard to payables to credit institutes, the decrease of 112.1 mil. euros to 649.7 mil. euros (previous year 761.9 mil. euros) can largely be explained by the decrease in money trading business.

A major factor in the decrease of payables to customers amounting to 106.0 mil. euros to 2.9 bil. euros (previous year: 3.0 bil. euros) is attributable, by and large, to the reduction of savings deposits.

Through new issues in the amount of 141.6 mil. euros, redemptions amounting to 345.4 mil. euros and the influence of other changes, exchange rate changes in particular, which caused a rise in book value amounting to 1.3 mil. euros, the amount of securitised liabilities decreased by 202.5 mil. euros. The book value of securitised liabilities at the cutoff date amounted to 1.8 bil. euros (previous year: 2.0 bil. euros).

CAPITAL RESOURCES

Creditable equity capital, in accordance with the banking laws with regard to the concern, decreased by 18.3 mil. euros compared to the previous year and, taking into consideration the deductible items, amounted to 646.0 mil. euros (previous year: 664.3 mil. euros) on 31.12.2010. The required capital resources decreased in this period by 17.0 mil. euros. The equity ratio thus amounts to 11.39% at the cutoff date (previous year: 11.29 %), 0.10% higher than

in the previous year. HYPO TIROL BANK AG thus fulfils the equity capital requirements as specified by the banking laws. The surplus of equity capital amounts to 192.4 mil. euros (previous year: 193.6 mil. euros).

Core capital amounts to 418.7 mil. euros at the cutoff date (previous year: 414.0 mil. euros). Non-core capital, taking the deductible items into consideration in accordance with the banking laws, amounted to 227.3 mil. euros (previous year: 250.3 mil. euros). This amount contains non-core capital at a nominal value of 80.9 mil. euros and subordinate capital at a creditable amount of 147.3 mil. euros. The core capital ratio at the cutoff date is 7.38 % (previous year: 7.04 %).

PROFIT DEVELOPMENT

A backdrop of difficult economic conditions left its stamp on business year 2010. The major factor in the loan business was to be found in the strains of the real economy, still palpable in the year of reporting. The result, just as in the year before, was noticeably burdened by risk provisions in the loan business. In equal measure, the net commissions profits and trading profits were down, due to the tense market conditions.

Positive profit developments in interest profits and, in particular, in administrative expenses, led to a balance of the negative results. This ultimately resulted in profits before taxes equal to the level of the previous year, amounting to 2.1 mil. euros.

The following explanatory notes make clear the major changes in the profit and loss accounting:

In this business year, the interest profits increased by 7.4 %, i.e. by 8.6 mil. euros to 124.3 mil. euros (previous year: 115.7 mil euros). After deducting the provision requirements for defaulted loans in customer business in the amount of 71.6 mil. euros (previous year: 72.5 mil. euros), the interest profits after provision requirements came to 52.7 mil euros (previous year: 43.2 mil. euros).

By exhausting all cost cutting measures which were possible, administrative expenses were reduced by 5.4 mil. euros, i.e. by 6.0%, down to 84.9 mil. euros (previous year: 90.3 mil. euros). In particular, cutbacks in material costs for legal and advisory costs made this development possible.

In spite of pleasing developments in interest profits and in administrative expenses, the major exacerbating items were decreased commission and trading profits, together with decreased other profits in the overall balance of the concern.

The net commissions profits decreased in the lapsed business year by 4.3 %, i.e. by 1.2 mil. euros, to 27.2 mil. euros (previous year: 28.4 mil. euros). Decreasing commissions profits from our running accounts business and monetary transactions, together with heightened commission expenses from the securities business, were the major factors responsible for this decrease.

Trading profits showed a decrease of 6.9 mil. euros to 1.9 mil. euros (previous year: 8.8 mil. euros).

The balance from other operating profits and other operating expenditures amounting to 3.4 mil. euros (previous year: 7.5 mil. euros) showed a decrease of 4.1 mil. euros compared to the previous business year.

All in all, therefore, business year 2010 shows profits before taxes amounting to 2.1 mil. euros (previous year: 2.1 mil. euros). After taxes of 82 tsd. euros are deducted, a concern profit of 2.0 mil. euros remains (previous year: 4.2 mil. euros).

I. 5. BUSINESS DEVELOPMENT IN INDIVIDUAL CORPORATE SECTORS

PRIVATE CUSTOMERS

As state bank for the State of Tyrol, it is our foremost purpose to care for our customers in optimum fashion and answer their financial needs through a custom-designed repertoire of services. To reinforce this regionally-oriented service philosophy, 6 investment centers and 5 WohnVison ("ResidenceVision") centers were opened in business year 2010. Apart from offering the entire range of banking services and products which is on offer in all branches of HYPO TIROL BANK AG as a regional, universal services bank, there are also specially trained advisors in these centers who can answer all customer enquiries with regard to investments and homebuilding or home purchasing.

WohnVision. Revolving around the theme of living, residing, building, this range of bank products was expanded through loan and interest upper limits and maturities of 20 years. This enables customers to invest and ascertain repayments which can be calculated with certainty. For many years, HYPO TIROL BANK AG has been the homebuilding bank of the state of Tyrol. Besides its own business as trustee for the State of Tyrol, it also manages outside its balance sheet the publicly granted loans for homebuilders.

Investment Center. Particularly when financial markets are going through turbulent times, it is important to know that one can still invest one's money safely. Our 17 investment specialists are ongoingly trained and updated, making them genuine specialists in fulfilling the wishes and needs of investors, creating the perfect, custom-designed investment mixture. In business year 2010, our motto "Invest Safely" was the lodestar. The range of products extended from tried-and-tested savings books to the classic "Tirol Bond" all the way to gilt pfandbriefs.

Hypo Asset Management. The Hypo Asset Management department was completely redesigned over the course of the year 2010. Technical models for shares and interest rates, together with fundamental estimates of the HYPO TIROL BANK AG, served as the core of our strategy. Through a success-dependent schedule of fees, our asset management department distinguishes itself from most other customary services of this kind.

Cooperation with Tyrolean Family Pass. As a way of supporting Tyrolean families, HYPO TIROL BANK AG entered a cooperative project with the State of Tyrol in the year 2010 with regard to the Tyrolean Family Pass. Those who have a Tyrolean Family Pass profit from inexpensive package-fee accounts. Of course there is a whole line of other family-oriented bank products as well, such as building accounts for babies and state-supported future planning.

Hypo New-Start Account. The responsiblity as State Bank inspires HYPO TIROL BANK AG's efforts to also support numerous charity projects and regional organisation. As of the end of 2010, an additional important step was taken in this direction. People who for whatever reason have slipped into a highly disadvantageous social or economic situation which in the end can even lead to losing their bank accounts are the target of support and attentive concern of the bank in the New Start project. The Hypo New Start account, which can be applied for via Caritas Tirol, gives those who have been hard hit a chance to regain control of their own economic situation, with the prospects of soon having "normal" bank accounts again.

New legal requirements. As of 11 June 2010, the new loan and credit law took effect. In order to implement this law in the best possible fashion and within the specified time limits, a specially designated project group was assigned the task. The most important changes are designed to provide more transparency in the loan area, enabling customers to be able to compare loan products better.

Ensuring the quality of counsel. In order to better ensure the highest possible quality of our advisory services, an After-Sales-Survey was initiated in 2010, and is carried out on a regular basis. Together with the Spectra company, customers are asked about their satisfaction, whether they would recommended these services to others and the quality of the overall process, from analysis to offers all the way to the treatment of their enquiries and the speed of handling them. The express goal of this project is to raise and maintain high customer satisfaction and thereby attain a high degree of our services and/or products being recommended to others.

Prospects 2011. In the year 2011 as well, the fulfillment of customer needs remains our uppermost priority. In keeping with this orientation, the path of After-Sales-Surveys and the introduction of need-oriented and market-oriented products will be continued.

CORPORATE CLIENTS

Thanks to the far reaching, hands-on involvement at the four centers for corporate clients in Tyrol and Vienna, HYPO TIROL BANK AG was able to entrench its already strong regional market position. Thus, the state bank of Tyrol can show large market share in this customer segment in particular: in Tyrol, every second large company and every third medium sized company has a business relationship with HYPO TIROL BANK AG. We also enjoy a longstanding partnership with tourism: every 4th Tyrolean hotel and every 2nd Tyrolean cablecar company is today a customer of HYPO TIROL BANK AG. Besides its support of the regional economy, a major hallmark lies in the public domain: for that reason, the great majority of Tyrolean towns and communities use and depend on the expertise of the state bank. As largest regional bank in western Austria, HYPO TIROL BANK AG scores points with its ease of access to all customers, its market experience, its expertise and know-how in specific sectors, its personal counsel and its ability to bundle competences at various locations.

Overall integrated counsel. The advisory concept known as PerLe Plus Business, which offers corporate clients an overall, integrated vantage point in all their needs with regard to liquidity, risk, investment and reinvestment spending, has undergone a further step of evolution: a building block known as "UnternehmerEnergie" ("ExecutiveEnergy"). This seminar was put on for the first time in Tyrol in 2010 with our network partner "business bestseller" in an exclusive cooperation with HYPO TIROL BANK AG. The quintessence of the seminar addresses companies and their most important fields: strategy, leadership, management and control. It offers individually realisable success strategies, optimizes structures and supplies suitable and usable tools to implement them for managers and executives. The outstanding feedback from the participating customers and corporate client advisors confirms our conviction about the need, and the high degree of interest, for this project.

Offers to towns and communities. By implementing the PerLe Communal, an advisory concept custom-tailored to the special needs of communities and public institutions, HYPO TIROL BANK AG truly embodies its special sense of responsibility as market leader for public institutions. The major thrust consists of supporting communities in their multi-faceted tasks and challenges through optimally designed financing of their requirements, locking in their calculated interest rates and minimizing their risks.

Energy Efficiency in Tourism. For touristic companies, one of our most important customer sectors, an initiative known as "Energy Counsel for Touristic Companies" was launched in collaboration with Tirol Werbung, Energy Tirol and the State Chamber of Commerce of Tyrol. Our corporate client advisors were specially schooled by energy advisors and experts in energy-efficient measures for touristic companies. Together with the clients they then carry out an overall check-list for potential energy measures which might be effected; they establish contact with the Chamber of Commerce for further energy counsel; and they support the clients in all their business financial grants.

Fit for the future. As early as 2009, HYPO TIROL BANK AG supported the regional economy right on the spot with capital packages amounting to 100 mil. euros, thereby making a significant contribution to medium sized companies and tourism. Due to the huge success of this effort, the initiative was continued in 2010. Under the motto "Fit for the Future", extremely precise steps are taken which support local companies particularly in investments, improvement in energy efficiency and modernisation.

Interest rate and exchange rate management. In the context of providing truly wide ranging interest rate and exchange rate management, the development of a scenario-calculator which showed the effects of interest rate fluctuations, then minimizing their concomitant risks through availing oneself of derivatives, was the focal point. Specially devised for companies, in addition, was a profit-and-loss calculator designed to depict the effects of interest rate changes on cash flow and the sustainable assurance of company success was integrated into the process. In order to tailor the project to the varying needs of each respective company and to public institutions, the scenario calculator also includes a budget calculation for planning the town budgets of communities.

Internet presence. In order to better reflect and fulfil the needs of corporate clients, the expansion of the already existing Company Website was launched in 2010. As of the start of 2011, this adapted Internet website is operative online. On the newly designed pages, companies can find interesting solutions for their management of investments, liquidity challenges, risk and asset management.

Focus in 2011. Also in the year 2011, HYPO TIROL BANK AG will continue its efforts to be a reliable financial partner to regional businesses, supporting them in the best ways possible. An important theme which is to receive special attention is leadership succession in companies.

Hypo Tirol Insurance Broker GmbH. The sector of insurance is handled at Hypo Tirol Bank as an independent insurance broker. The range of services extends from mediation and counsel all the way to developing special insurance products. The focal point in 2010 continued to be on expansion of the existing business among corporate clients and self-employed professionals.

Risk Matrix. The cooperation with alpS, the professional center for risk and management of nature catastrophe danger, was extended and the Hypo Tirol Risk Matrix further developed. This is an early warning system which permits companies to recognize risks in plenty of time, enabling customers to take the appropriate risk-combating measures and develop corresponding risk strategies before it is too late. This system is already in use by 140 clients.

Insurance solutions for medical doctors. For independent medical professionals, additional attractive conditions were able to be concluded with insurance businesses via the platform known as "Hypocrates - Association for the support of medical insurance programs". Thus, Hypo Tirol Insurance Brokers Gmbh now offers, apart from liability and legal protection insurance policies, also special solutions for automobile liability and collision insurance, as well as professional incapacity coverage. The new developments in law applicable to doctors has brought compulsory liability insurance coverage in its wake for all physicians. Through the Hypocrates liability insurance for physicians, we make the required insurance coverage available to all such independent professionals.

Prospects for 2011. The focal points in 2011 will lie in enlarging the Insurance projects for physicians, but also in establishing such services for other groups of independent professionals. In our corporate client sector, a further positioning of the Hypo Tirol Risk Matrix will also be in the foreground. In view of an increasingly centralised insurance market, we as Tyrolean insurance brokers with connections to and concrete agreements with nearly all insurance companies in Austria, act as the local contact for all insurance queries and situations. At the same time, our cooperation with Marsh provides us with a worldwide network in the international marketplace.

ITALY

Hypo Tirol Bank Italien AG is active in the sectors of asset management, real estate financing and real estate leasing. Our concentration is on the core market of South Tyrol and Trentino. The bank has its headquarters in Bozen (Bolzano), and boasts branches and commercial offices in Bozen, Trient and Verona, as well as advisory centers in Meran (Merano) and Brixen (Bressanone). Further, a network of investment advisors and eleven partner banks in northern Italy also have the Hypo Tyrol Bank's investment products on offer.

Business development. The completed business year of 2010 was a difficult year for Hypo Tirol Bank Italy AG. The goals with regard to interest profits and commission profits were achieved, but sizeable sums were necessary for non-performing loans and their valuation adjustments, and this had a measurable effect on the annual financial statement. Costs for personnel remained within the planned scope, material costs were slightly above the forecast. A pleasing increase was achieved in investment business: the volume of asset management rose by 15%. Hypo Tirol Bank Italy can thus provide positive yields in all managed investment strategies. Of particular note are the portfolio management lines "Hypo Tirol Alpha Creation", "Market Neutral" and "Long Only". These risk profiles dazzled with outstanding performance of +35%. With regard to loan volume, a slight decrease which was intentional, is in evidence. The granting of new loans is now concentrated on the core market.

New headquarters in Bozen. The construction of our new headquarters in the Schlachthofstrasse in Bozen was launched in 2009, and occupation of headquarters took place in November 2010. The bank is one of the very first companies which decided on top modern and highly flexible office space in the City Tower. The major influential factor in this decision was its central site and the highly representational quality of the office tower. The previous spaces of Hypo Tirol Bank italien at city center in Bozen were simply no longer sufficient, due to the growing business. In addition, the central departments were divided up over two different locations and had no possibility of expansion for future use. The four purchased floors in the City Tower comprise about 3.000 m² of office space and assure flexible working space for 70 staff members. They also include adequate consultation and event rooms, as well as a modern cafeteria.

Prospects for 2011. A major focus for the year 2011 is the re-working of the business strategy of Hypo Tirol Bank Italien, with the objective of ensuring a sustained positive profit result in our balance sheet. The risk policies and the risk management will be re-worked in 2011. Hypo Tirol Bank Italien will concentrate as a regional bank on the core markets of South Tyrol and Trentino. In those regions, the bank should make a marked impression on the regional economy as a financial and economic partner for both population and businesses. The bank has its roots in this market region and has people working on the spot who know everything there is to know about the region. Planning for 2011 comprises, more than anything else, a deepening of activities in the area of asset management and risk-aware financing of new activities within the core market.

TREASURY

Asset Management – substantial growth. After the trying years of 2008 and 2009, the mutual fund and asset management departments were again able to score significant growth figures. the dnamic management concepts in particular found great resonance among customers. Even the brand new Hypo Asset Management had a highly successful start. The focus of this innovative asset management strategy is on avoiding losses and dynamic control of risks in share prices and interest rate changes. Especially the success-contingent price models in which asset managers participate both in their own success as well as in results which lie below expectations, was positively accepted by customers. Also in 2011, this path of Hypo Asset Management will be continued. Particularly in times of low interest rates and

a profoundly insecure economic backdrop, this active strategy promises much success, since it takes advantage of the opportunities on the global markets and limits its backlash risks through early action-taking. In the area of fund management, the focus will lie on the Hypo Bank gilt funds offering the greatest amount of security. An additional objective is to further profile the benefits and advantges of the Hypo Tirol Fund Family in more transparent fashion in order to ensure that the customers are offered those products which best suit their own financial wishes, needs and goals.

Managing the bank book (turnover register) - friendly share markets. The loan risks in periphery nations of the euro zone were a determining factor in the markets throughout the entire business year. The chaos began in Greece, it continued by moving to Italy, then to Spain, to Portugal and to Ireland, ending in Belgium. As the economic data finally began to quiet and enter more tranquil waters, accompanied by generous rescue packages, insecurity and fear welled up again with regard to national collapses. The share markets, on the other hand, were highly attractive. What supported the bank book were the sustained low interest rates and the high yield premiums for liquid new investments, making the year 2010 the most successful since the beginning of the financial crisis.

Treasury Sales - managing the quality. The year 2010 was marked by a sustained improvement in the sales support on the part of Treasury Sales. Not only systems and, in connection with this, technical support were improved, such as through the development of our own offer tools, but also the quality of the daily collaboration with the sales areas was increased. This was achieved through the efforts of our longstanding staff with a wealth of experience. The expansion of a pro-active and swiftly reacting product management in the departments of securities and interest rate and exchange rate derivatives reflected the escalating sales statistics even further.

LEASING AND REAL ESTATE

The department of leasing and real estate possesses the know how and the responsibility for leasing and real estate business as well as for the investment holdings management. In detail, this comprises the task areas of managing holdings and the management of the properties we own at Hypo Tirol Bank, either by the bank itself or by property companies. This applies both to our own utilised properties and to properties used by others.

Real Estate and Investment Management. The use of real estate properties, despite conditions in a difficult market environment, were maintained in stable fashion. The office building "Maybachstrasse 14" in Friedrichshafen was completed and turned over to the renters. Hypo Tirol Bank indirectly holds 50% of this building. Further, individual sales transactions relating to office and business units, together with commercial properties, were successfully completed and concluded. In our participation portfolio, there were very few changes, although certain minor investments without strategic significance were divested. Deriving from the strategic changes of Hypo Tirol Bank, the real estate and investment participation strategy for the year 2011 will be newly defined in 2011.

Facility Management. In the area of real estate which is used for our own bank purposes, three projects spring into view in the year 2010. The Hypo Center Bozen, brand new in the City Tower, began operations in November. The branch in Lienz was renovated and underwent functional improvements. In Seefeld, construction began on a new branch, whose operational launch is planned for September 2011. In all these building projects, we set great store in budget discipline.

Hypo Tirol Leasing. Hypo Tirol Leasing GmbH is a 100 % subsidiary of Hypo Tirol Bank AG and has been a contact for custom-designed real estate and movable property leasing solutions for more than 20 years. As a legally independent company, Hypo Tirol Leasing is well positioned in Austria's leasing market, with its focus on real estate leasing and large volume leasing of movable property units.

With a small, highly qualified team of experts drawn from our own ranks in the sales division, in association with efficient administration and contract processing, complex financing solutions can be devised, depicted, offered and processed. Apart from standard leasing contracts, the immense expertise of this team and high professionality in the sector of real estate can design highly individual plans which completely accord with the specific needs of customers, both in the areas of business operations and of taxes. In such a way, solutions are devised and honed with the customer which far exceed the customary bounds of financing and tax challenges, and which also take the prospective balance sheet effects of the customer into consideration.

Synergy. Because of its close association with the Hypo Tirol Bank, the use of special banking expertise gives rise to additional financing components which can be incorporated into any individual leasing financing contract, such as interest rate hedging models, leasing in a foreign currency, insurance solutions, etc. In the sales division of the bank, leasing experts are involved in all questions of financing so that the optimum overall financing program can be worked out and offered to the customer.

Review 2010. Of the overall volume of financing, 85% came from real estate leasing and 15% from movable assets leasing. In the realm of real estate leasing, the greater part consisted of commercial and service properties in Tyrol and in greater Vienna, some individual properties were with longstanding leasing partners in the realm of commerce and with project developers. In community leasing, 2010 - under the influence of town elections in March 2010 - we financed fewer new building projects. In the realm of movable assets, property arrangements in the sector of cablecars (lifts, ski run machinery, etc.) were concluded, all of which were located in Tyrol.

Prospects 2011. The recovery of the economy is noticeable in the increased demand for leasing financing. In connection with the assessment that leasing financing will continue to be a viable alternative in the financing sector, we foresee positive development during 2011. Our activities will be concentrated particularly in the core market of Tyrol, where intensified customer care and supervision of projects for already existing customers of Hypo Tirol Bank will be realized in collaboration with the sales division of the bank, particularly in the area of leasing movable assets.

I. 6. EVENTS OF SIGNIFICANCE OCCURRING AFTER THE CUTOFF DATE FOR THIS REPORT

No events of significance with an effect on the Annual Financial Statement occurred after the closure of the business year 2010.

II. REPORT ON THE PROSPECTIVE CORPORATE DEVELOPMENT AND RISKS

II. 1. PROSPECTS FOR THE ECONOMY IN 2011

PROSPECTS 2011 – 3 POSSIBLE SCENARIOS

There is still great uncertainty in the marketplace over the question of how sustainable the economic upswing which occurred during 2010 really is. In our opinion, the likelihood of the anticipated basic scenario which we prognosticated in the beginning of 2010, namely, moderate growth with low inflationary danger, has increased still further. This is, in the main, to be attributed to the stabilising effects of the strengthening developing countries and the wide ranging monetary measures of the central banks. The biggest risk, in our eyes, lies in the danger of nations going bankrupt. With a high degree of probability, negative speculation with regard to the euro and the question of financing countries such as Portugal or Spain will accompany us throughout 2011 as well, which will bring about the corresponding amount of market turbulence.

Basic scenario: weak growth with moderate inflation - Probability >60 %

According to Eurostat calculations, the euro economies grew by 1.9 % in the third quarter of 2010, compared to the previous year. Thus, following a quarter with +2.0 % growth, this amount of growth entrenched itself to a certain degree. While Germany in particular scored good marks for the growth of its economy - through the expansion of shorter working hours, productivity could be quickly increased after the crisis and unemployment kept low - the economies on the European rim will suffer particularly under the weight of massive budget cuts and high interest rate payments. Due to the low competitiveness of southern European countries, the demand will probably suffer still further blows. For Austria, the WIFO anticipates 2.2 % growth in 2011. The main motor of growth in the business cycle will be exports, with manufacture of tangible, durable goods leading the pack. The upswing will make only modest impressions on investment activity, however. This thrust will help shore up the shares market and also help improve the state of public spending. In 2011, the budget deficit will probably decrease to 3.1 % of the GDP.

We anticipate slightly lower growth for the euro zone with enduringly high divergence between northern and southern countries. Thus, the tensions within the single currency zone will probably continue. For the European Central Bank, that entails walking a tightrope. In the end, however, they will have to be lenient towards the weaker economies and keep primary interest rates low. From the vantage point of 1-2 years, we see no seriously threatening inflation danger, since production capacities are far from exhausted. Outside of that, the European Central Bank, unlike the American Federal Reserve Bank, is quite attentive towards promptly withdrawing surplus money out of the marketplace again.

Effects on money markets, foreign exchange markets, capital markets

In view of the abidingly low money market interest rates, 2011 will in our opinion be marked by an ongoing search on the part of investors for investments with higher yields. We also expect further lowered ratings in creditworthiness of nations and negative headlines on the European peripheral states. However, in our assessment there is already a great deal of negative news built into the pricing levels. If the yields for long term engagements should rise again (and the difference in interest rates from the money market widen), an increase of average remaining maturity might make good sense. Due to the higher running interest, corporate bonds will probably develop more positively than

government bonds, even those of top creditworthiness. Many companies raised their efficiency after the crisis was unleashed and are now profiting from these measures. In addition, the rates of default are dropping substantially.

In the ongoing search for investments with attractive profits, shares and raw materials will profit, even though the prices have already risen a great deal during 2009 and 2010. Due to the low money market interest rates on the one hand, and the negative news with regard to highly indebted countries and their issued bonds on the other, fresh capital will surely flow into the markets for shares and raw materials. Particularly in the steadily rising prices of precious metals, e.g. silver and gold, the distrust of investors in many currencies of deep-in-debt nations is apparent. Apart from that, additional items to mix into a diversified portfolio are continually being sought. Thus, we believe that there is still upward potential in the raw materials prices, although backlash is predestined to occur as well. Also in the shares markets, high amounts of fluctuations can be expected, i.e. volatility will rise. The trigger for such backlash price movements might be a further intensification of the debt crisis or political-military events, such as the Korea conflict or the Iranian nuclear program.
In our evaluation, it will be important in 2011 to take advantage of the chances appearing in the markets through investing in shares and raw materials in highly specific ways. Yet, despite that, to react quickly to deteriorating market conditions and/or negative events in order to avoid losses.

The currency markets will keep up the pressure between euro and U.S. dollar at least until the EU has devised an adequate rescue plan for the over-indebted nations within its realm which goes a great distance beyond what it has done in this connection thus far, or extends beyond the year 2013. The substantial rise in the Swiss Franc towards the end of 2010 is an indicator of over-valuation against the euro. Yet the ongoing development is, in this area as well, heavily dependent on the euro nations' debt crisis and its solution. The tendencies towards a strengthening Swiss Franc will help preserve Switzerland as a "safe haven" for money in 2011 as well, partly due to the currency, partly due to its robust economy.

An alternative scenario: Depression - Probability <20 %

In this scenario, the trend towards falling core inflation, i.e. not counting costs for food and energy, will continue, since consumers and companies continue to cut back their spending, attributable to a high degree of insecurity towards the economic prospects and high debts both public and private. It is clear that the necessity for governments to save, i.e. cut costs, will have a significant dampening effect on European growth in particular, since a large part of the savings measures, e.g. higher taxes, will have their effect felt in 2011 for the first time. The sinking inflation might in the end unleash a negative chain reaction, namely if spending and investments are put off, which in turn will create new pressures for prices to drop.
In November, one mustn't forget, the U.S. Fed announced its second round of purchasing government bonds, amounting to 600 bil. dollars in order to fight the overly low inflation expectations and the high unemployment figures. Thus, the likelihood of a depression has in our opinion been lowered. Add to that the very positive growth rates from the Far East, particularly from China and India. And private spending is developing well, even if large scale investments are being postponed in many regions.

An alternative scenario: economic boom and high inflation - Probability <20 %

In this scenario, an overheated economy is posited. Due to the currently high liquidity in the marketplace, both private and corporate demand for goods rise sharply. This liquidity is removed from the market too slowly by the central banks, which in turn lays the foundation for rising inflation over the coming years. Subsequently, energy prices rise, which makes the inflation figures heat up still further. And in addition, the demand for investment goods also increases, especially in Germany. Due to the intensifed interdependence of an interwoven economy between Germany and Austria, the capacity utilisation in Austria would also rise, which would further push inflation. A doubling of the inflation to nearly 2.0 % would be a possible result.

In the immediate future, this scenario appears highly improbable, since capacity utilisation (despite recently positive signals from industry) is still below levels seen before the financial and economic crisis. On the other hand, over the last few months, the so-called "currency war" between China and the U.S. which was made so much of in the media might be a clue that nations with such high debts, such as the U.S., might stoke up their economy by means of controlled inflation in order to sink the level of their own debts.

Prospects for the economic development in our market regions in 2011

Our forecast for the year 2011 foresees a continuation in the economic recovery in our own market regions. For Austria, our forecast is quite a bit more optimistic - we foresee 2.1 % growth - than for Italy, where we anticipate growth just under 1.0%. With regard to the regional economic performance in our respective market regions, interval estimates foresee growth very near to the overall national performance levels. Thus, for Tyrol a growth rate of 2.0 - 2.3 % is anticipated; for South Tyrol between 0.5 and 1.5 %. This economic upswing should also have a positive effect on employment. The prognoses for all market regions expect stable to slightly lower unemployment figures. With regard to developments in the domain of consumer prices we expect a slight rise in the currently quite low inflation rate, in the direction of 2.0%. The Economic Research Institute also points out that this actually quite optimistic scenario of anticipated economic development is still burdened by substantial risks with regard to the economy and its predictions.

II. 2. OUR ANTICIPATED CORPORATE DEVELOPMENT

Despite difficult economic situations and highly negative presence in the media, coupled with major decisions with regard to our future goals and orientations at HYPO TIROL BANK AG, 2010 was a year which permits us to have high confidence towards the future. The Managing Board and the Supervisory Board with their new appointments have made a brand new start towards the overall goal, placing the original commission of HYPO TIROL BANK AG as Tyrol's state bank in the center of all considerations. This gives the bank not only specific guidelines, but a crystal clear strategy which all executives will be able to pursue in their decision making, and all staff members in their daily activities.

Against this backdrop and in the course of the annual planning for 2011, the focus was firmly placed on the core markets of Tyrol and South Tyrol/Trentino. Further, all business sectors will have reinforced commission business and increases in cost effectiveness as major targets for 2011. These targets have been specifically defined and quantitatively planned. The heightening of cost efficiency should be able to be achieved through cutting of material costs and in reducing the number of planning offices, together with optimizing our staff efficiency. Due to the after-effects of the economic crisis, the coming economic conditions cannot be predicted with any assuredness; nonetheless, we assume that 2011 will have difficult background conditions in the loan business and have drawn this prospect into our plans, which provide for a high amount of risk provision in the loan business. However, the anticipated developments should have positive effects in the financial and shares markets, from which our investments should profit. In the overall planning for 2011, each business area has qualitative targets for all measures foreseen which will be necessary for our goals to be met. And beyond these specific financial objectives for 2011, we have also spent efforts working on the new requirements coming from Basle III and the banking sums which will be necessary, working out initial scenarios and calculations which take future capital and liquidity regulations into consideration.

By successfully implementing both quantitative and qualitative goals, we also wish to work to stem the tide of the general insecurity still so evident in the public, which has burdened our customers and staff members over the last few years, due to events and recent business results. It is our expressed objective to strengthen and reinforce the confidence of our customers in our own high quality work. Since this goal can only be achieved through highly

dedicated efforts on the part of the staff, we wish to re-motivate them as well, and to reinforce their satisfaction with the bank as an employer. These are the foremost objectives.

Through this new strategic orientation as state bank and concentration on our core markets, we have taken an important initial step towards a successful future at the HYPO TIROL BANK AG. At the same time, we are highly aware that the path towards this new strategy first has to be ventured upon and worked away at; and that apart from the planning, consequential devotedness, flexibility and willingness for new approaches will be indispensable. Thus, also in 2011, numerous, sometimes difficult changes lie before us. Their realization is a demand which will call for a high degree of collaboration among all corporate departments and divisions and require a great deal of them. For that reason, we have placed the year 2011 under the motto "Going it Together". We are sure that a joint effort will lead to the desired success, so that HYPO TIROL BANK AG as the bank of all Tyroleans will prove to be, and remain, the most reliable partner for its customers well into the future.

II. 3. MAJOR RISKS AND UNCERTAINTIES

With regard to explanatory notes on the goals and methods in risk management; and to the overall financial risks at HYPO TIROL BANK AG, we refer readers to the financial risks and risk management sections in the Notes.

II. 4. REPORT ON MAJOR HALLMARKS OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM, WITH PARTICULAR EMPHASIS ON THE PROCESS OF RENDERING ACCOUNTS

DEFINITIONS

The risk management system at HYPO TIROL BANK AG includes all activities which help to identify business risks, to analyse them, assess them and set and take measures to combat them. Such risks include any and all things which impair the achievement of corporate goals. Extensive explanatory notes on this subjects can be found in the risk report in the Notes.
With regard to the internal control system (IKS), risk management gains its support mainly from the methodical evaluation of risks which forms the basis of the internal control system.

The internal control system includes the overall sum of all principles, processes and measures which contribute to the protection of the assets of the company, which assist the rendering of accounts and which maintain and assure the adherence to legal regulations applicable to the bank.

By the internal control and risk management system with regard to the rendering of accounts is meant: a system so devised and structured that the orderly process, the reliability and the timely availability of internal rendering of accounts, as well as the Financial Statement which must be delivered in accordance with legal regulations to external bodies, is assured with a high degree of security. The process of rendering of accounts is limited not only to regular reporting of interim and end-of-year financial statements, it also comprises orderly bookkeeping records of all relevant data, both of their origin, their processing and their recording in the internal company reports and in the end-of-year financial statement prepared for external bodies.

OBJECTIVES

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

In the exercise of this responsibility, an IKS coordinator has been installed. The area of responsibilities of this function includes the standardisation and systematisation of all existing internal controls and the summarising of individual measures into an overall and unified internal control system. The evaluation of the effectiveness of the internal control system is based on the criteria set down in the published working paper "Internal Control - Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The setting of objectives by the IKS with regards to the rendering of accounts consists of recognizing risks inherent to the process of rendering of accounts and ensuring the orderly generation of an annual financial statement which adheres to, i.e. fulfils all the regulations.

Thus, the IKS which has been established has tasks, directives and guidelines to fulfil which

- regulate the orderly recording of transactions and the keeping of orderly records in order to ensure the correct depiction of business cases
- ensure sufficient security of business cases being depicted and recorded in the required fashion in order to guarantee the compilation of the financial statement in accordance with the respective legal regulations, and
- ensure adequate security with regard to preventing, reducing and discovering errors and irregularities which might have substantial effect on the reporting of data in the financial statement.

The basis of these requirements, directives and guidelines are to be found in the IKS handbook, which provides and outlines a methodical approach for implementing a cross-departmental, unified internal control system. The focus of our internal control system is not primarily concentrated on creating additional controls which are aimed at implementing and maintaining supervisory banking or legal or other internal strictures. Rather, the issue at the center of this process is whether the controls add up to an overall, integrated system. Towards this end, a suitable model of processes, as presented in the IKS handbook, is essential. This process model is based on the international example of five components of the COSO Framework: control environment, risk assessment, control activities, information and communication, supervision.

Components of the IKS in the process of rendering of accounts

- The framework in which the IKS operates comprises the control field. The major instruments of the control field are the regulations of organisational structure and processes which adhere to the separation-of-functions principle and the four-eyes principle. The separation-of-functions and the four-eyes principles are core elements of the internal control system. The reasoning is as follows: placing several sensitive activities in one hand or depending exclusively on self control may be a stimulus to malversation. Through this structure and process, we endeavor to counteract such risks.

  Furthermore, standardised qualification and educational programmes provide staff members with the required levels of professional education and qualification for their given areas of responsibility. The foundations of the control field remain, nonetheless, the integrity and ethical conduct of each and every employee. In particular, the power of setting the right example on the part of managers and executives is accorded very great importance.

On top of the control field, which forms the basis of the other IKS components, the risk recognition and risk evaluation divisions are built. The point of departure 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 and the processes attendant to it are defined, recorded and processed. The risk evaluation with regard to the strategic aspects of the COSO model is then undertaken annually by the risk management division. Based on this risk evaluation, the IKS-relevant processes are defined in our corporate group.

Our corporate objectives of financial reporting also form the point of departure for effective risk evaluation in the rendering of accounts process. The foremost goal of financial reporting is defined as the purpose to sustain and to inform. The legally fixed principle of communicating as true and accurate a picture as possible of the assets, financial situation and earnings is accorded the uppermost importance.

In order to minimize the risk of material misstatements in reporting and describing transactions in the rendering of accounts, the following steps have been undertaken:

- first of all, the risks which should be minimized are identified,
- control objectives are defined for these risks, which must be covered by the appropriate conrol activities,
- the results of which are recorded in an area-oriented risk control matrix.

A detailed and comprehensive understanding of the rendering of accounts process is the foundation of identifying major risks. Thus, the process documentation (process flow charts) are accorded top priority as transparent and logical depictions of the various sectors of the rendering of accounts process. The process documentation also clearly regulates the areas of responsibility for each individual step and its interfaces.

The main business processes in the corporate group are the credit business and the bank's own financial investments portfolio. These have thus been defined as IKS-relevant processes. The rendering of accounts process, as another IKS-relevant field, is also the subject of statistical depiction of these business processes. In particular the depiction of the credit business and the inherent risks of the bank's own portfolio are accorded great importance. In accordance with the comments on financial risks and risk management, we define credit risk and market price risk as prime risks in these business processes.

To identify credit risk, quantitative and qualitative risk hallmarks already exist and are operative as indicators of early risk recognition. Should downgraded valuations of receivables unleash a part of the early warning system, balance sheet risk provisions are ensured through the coalescing of all IKS components. Among these, for example with regard to structure and process organisation, number the strict separation of credit and market risks; pursuant to risk evaluation, the annual re-definition of risk limits and, ultimately, the ongoing controls to maintain pre-set limits and regulations with regard to decision making. Diverse approaches for cases have been defined by working directives and range from downgraded credit ratings all the way to reflecting loan risk provisions in the accounts corresponding to these working directives, are also integral components of our internal control system.

Market risk, i. e. the danger of losses through diminishing prices due to market fluctuations, has gained in significance especially through the financial market crisis. The valuation of securities, based on stock market price curves, has exercised great influence on the development of earnings in recent years. With regard to rendering of accounts processes, it was of central importance to recognize as early as possible any need to devalue investment holdings; this in itself pointed to the immense significance of a well-tuned internal control division in the bank. Yet a precise analysis of the extent of necessary valuation adjustments was itself a great challenge. In

this connection, all IKS components make a strong contribution towards minimizing the danger of erroneous valuations in depicting this business branch. Directives for balance sheet entries and valuations are the final instance for identifying and assessing investment holdings.

- Control activities have as their objective ensuring that measures which the corporate group takes towards managing and supervising risks and attaining their given business goals are actually implemented. To guarantee their effectiveness, such control activities are integrated directly into the business processes themselves and are depicted in each respective process docimentation and the corresponding risk-control matrix. In addition, the documentation of the controls is itself a major integral element of the IKS. Depending on the time frame of the effects, we distinguish between control activities which aim to prevent errors and those which are intended to uncover errors. Examples of the former are regulations of areas of responsibility or limitations of system intervention in the form of user policies and/or password policies. Examples of the latter include controls of maintenance and agreement/approval.

  On the theme of computer/technical equipment and its development in the banking business, we are supported by the General Computing Centre (Allgemeine Rechenzentrum). We also use our own developments, based on state-of-the-art technology, as well as tried and tested standard products. The central host system for day-to-day banking business is the software solution ARCTIS. Standard solutions such as GEOS, SAP, etc. serve as sub-systems. As consolidation software, Cognos Consolidator supports the generating of financial statements. Regulations of access, strict pre-set requirements with regard to data security and automated approval controls are but a few examples our our control measures which are valid and applicable for the entire IT landscape.

- For the effectiveness of IKS, specifically designed and wide ranging information and communication channels are used for all important areas of business, permitting staff members to have available all the information they require in order to carry out effective controls. To this end, for purposes of transparency, the IKS Handbook is accessible via Intranet for all employees. What's more, through the explicit depiction of controls in the process documentation, i.e. process flow charts, working directives, etc., for the rendering of accounts, and also for all other risk-relevant and IKS-relevant processes, awareness of the risk control matrices is strengthened and anchored in the minds of all employees. Information channels have been designed in such a way that all relevant information can be distributed in reliable, timely and objective fashion. For internal communication, corresponding procedures and tools have been institutionalised, e.g. Portal News, Intranet, Managing Board E-mails, document distribution via Intranet platforms, as well as internal seminars and training workshops.

  In addition, institutional information channels for reports of the Managing Board provide transparency of our own business dealings and of the risks inherent in ongoing business transactions; and trace the development of the earnings situation. Information is made available to the members of the Managing Board and the Supervisory Board, i.e. business partners, in accordance with specified institutional standards. For the Managing Board, the quarterly reports to the Supervisory Board and the Examination Committee on the development of earnings and risks are a red letter day.

- An additional pre-requisite for the effectiveness of our IKS is the necessity for control measures to function in reliable fashion over the long term. Thus, the IKS of the corporate group is itself continually being watched and tested in order to guarantee the maintenance of the processes and controls as defined and to make the necessary adjustments as they become apparent, i.e. whenever the givens of the field of operations undergo changes. Bank executives play an important part in this connection.

  The supervision of the IKS is carried out on a variety of levels. Through organisational regulations within the

concern, the supervision of the IKS is assured on the level of process. Managers watch over the actual execution of the controls by making random tests, for example.

The Managing Board ensures comprehensive company-wide supervision of IKS by creating the requisite structural mechanisms for that purpose, e.g. directives regarding areas of responsibility, and defining suitable information systems, as well as carefully defining the reporting processes, e.g. depiction of control results.

Further, the bank's internal inspection examines the IKS in the course of its review. This internal examination department has the following responsibilities:

- independent, unbiased and objective inspections, as well as advisory and supervisory tasks with regard to securing and ensuring the quality of the IKS
- evaluation of the suitability and effectiveness of the IKS
- proposals for developing it further

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

CONCLUSION

The IKS is not a static system, it has to be altered and adjusted ongoingly to meet the requirements of changing background conditions. The identification of these necessities which arise due to new risks, as well as the continual supervision and assessment of its effectiveness, is viewed as the central task and uppermost priority of the bank.

III. REPORT ON RESEARCH AND DEVELOPMENT

With regard to research and development in the banking branch, no additional explanatory notes are necessary.

Innsbruck, 25 March 2011, HYPO TIROL BANK AG, The Managing Board

Dr. Markus Jochum *Johann Peter Hörtnagl*

KEY CORPORATE DATA 2010

in million €	2010	2009		Change in %
Total assets	11.710	11.963	-253	-2,11 %
Receivable from customers	7.205	7.024	181	2,58 %
Primary funds	2.939	3.045	-106	-3,48 %
Certified liabilities	7.091	7.163	-72	-1,01 %
Equity capital acc. to banking laws	646	664	-18	-2,71 %
of which tier 1	419	414	5	1,21 %

in Tsd €	2010	2009		Change in %
Net interest profit	52.671	43.186	9.485	21,96 %
Commission surplus	27.209	28.422	-1.213	-4,27 %
Commercial income	1.934	8.815	-6.881	-78,06 %
Administrative expenses	-84.861	-90.300	5.439	-6,02 %
Pre-tax profit from ordinary business operations	2.145	2.071	74	3,57 %

	2010	2009
Cost Income Ratio (CIR)	54,82 %	55,99 %
Equity quota	11,39 %	11,29 %
Return on equity (ROE)	0,48 %	0,57 %

Staff	2010	2009
Employees, annual average	715	749

Moody's rating	2010	2009
Long-term	A2	Aa1
Short-term	P - 1	P - 1

CONTENT

I. PROFIT AND LOSS ACCOUNT

Tsd. euros	Notes	2010	2009	Change	
				in TEUR	in %
Interest and similar earnings		382.279	416.820	-34.541	-8,3
Interest and similar expenses		-257.980	-301.128	43.148	-14,3
NET INTEREST PROFIT	**(35),(39)**	**124.299**	**115.692**	**8.607**	**7,4**
Loan risk provisions	(36),(40)	-71.628	-72.506	878	-1,2
NET INTEREST PROFIT AFTER RISK PROVISIONS		**52.671**	**43.186**	**9.485**	**22,0**
Commissions income		35.101	35.617	-516	-1,4
Commissions expenses		-7.892	-7.195	-697	9,7
Commissions profit	**(37),(41)**	**27.209**	**28.422**	**-1.213**	**-4,3**
Trading profit	(38),(42)	1.934	8.815	-6.881	-78,1
Profit from hedge accounting	(43)	-1.184	-109	-1.075	>100,0
Profit from other financial instruments	(44)	3.823	3.610	213	5,9
Administrative costs	(45)	-84.861	-90.300	5.439	-6,0
Other operating profits	(46)	24.037	25.687	-1.650	-6,4
Other operating expenditures	(47)	-20.675	-18.236	-2.439	13,4
Profit from associated companies	(48)	-809	996	-1.805	>-100,0
Gross profit		**2.145**	**2.071**	**74**	**3,6**
Taxes on income and profits	(49)	-82	2.080	-2.162	>-100,0
Net profit		**2.063**	**4.151**	**-2.088**	**-50,3**

II. OVERALL EARNINGS ACCOUNT

Tsd. euros	2010	2009	Change	
			in TEUR	in %
Consolidated profit as reflected in profit and loss account	**2.063**	**4.151**	-2.088	-50,3
Adjustments due to currency conversions	**128**	**-2**	**130**	**>-100,0**
Valuation of financial assets - AFS - recorded in accounting	6.414	43.510	-37.096	-85,3
Breakdown of valuation results of financial assets AFS - in period account	-4.527	-6.848	2.321	-33,9
Breakdown of downgrading results of financial assets AFS - in period account	4.698	2.512	2.186	87,0
Latent taxes from valuation of financial assets - AFS - recorded in accounting	-1.646	-9.793	8.147	-83,2
Valuation profit from financial assets - AFS	**4.939**	**29.381**	**-24.442**	**-83,2**
Other profits	**5.067**	**29.379**	**-24.312**	**-82,8**
Overall profits	**7.130**	**33.530**	**-26.400**	**-78,7**

See also accounting of changes in equity capital IV.

III. BALANCE SHEET

ASSETS

Tsd. euros	Notes	2010	2009	Change	
				in TEUR	in %
Cash balance	(16),(50)	**94.736**	**123.969**	**-29.233**	**-23,6**
Receivables from financial institutions	(17),(51)	294.579	313.614	-19.035	-6,1
Risk provisions	(18),(53)	-1.253	-1.253	0	0,0
Receivables from financial institutions after provisions		**293.326**	**312.361**	**-19.035**	**-6,1**
Receivables from customers	(17),(52)	7.409.126	7.179.560	229.566	3,2
Risk provisions	(18),(53)	-204.319	-155.127	-49.192	31,7
Receivables from customers after risk provisions		**7.204.807**	**7.024.433**	**180.374**	**2,6**
Positive market values from derivative hedging instruments	(11),(54)	**1.692**	**1.231**	**461**	**37,4**
Trading assets and derivatives	(8),(55)	**636.464**	**459.411**	**177.053**	**38,5**
Financial assets designated at fair value	(9),(56)	**832.687**	**602.665**	**230.022**	**38,2**
Financial assets - AFS	(12),(57)	**1.231.275**	**1.529.632**	**-298.357**	**-19,5**
Financial assets - HTM	(13),(58)	**923.885**	**1.397.613**	**-473.728**	**-33,9**
Financial assets - L&R	(14),(59)	**135.845**	**161.940**	**-26.095**	**-16,1**
Shares on associated companies	(5),(60)	**39.018**	**37.129**	**1.889**	**5,1**
Real estate held as financial investment	(20),(61)	**157.207**	**162.522**	**-5.315**	**-3,3**
Intangible assets	(21),(62)	**1.921**	**2.059**	**-138**	**-6,7**
Tangible assets	(22),(63)	**96.042**	**97.621**	**-1.579**	**-1,6**
Other assets	(24),(64)	**52.333**	**46.330**	**6.003**	**13,0**
Latent claims for income tax	(25),(65)	**8.274**	**3.705**	**4.569**	**<100,0**
TOTAL ASSETS		**11.709.512**	**11.962.621**	**-253.109**	**-2,1**

LIABILITIES

Tsd. euros	Notes	2010	2009	Change	
				in TEUR	in %
Payable to financial institutions	(26),(66)	**649.729**	**761.862**	**-112.133**	**-14,7**
Payable to customers	(26),(67)	**2.938.759**	**3.044.715**	**-105.956**	**-3,5**
Securitised liabilities	(26),(68)	**1.790.790**	**1.993.336**	**-202.546**	**-10,2**
Negative market values from derivative hedging instruments	(11),(69)	**32.222**	**22.672**	**9.550**	**42,1**
Derivatives	(8),(70)	**174.494**	**143.018**	**31.476**	**22,0**
Financial liabilities designated at fair value	(9),(71)	**5.446.888**	**5.325.034**	**121.854**	**2,3**
Reserves	(27),(72)	**30.619**	**26.360**	**4.259**	**16,2**
Other liabilities	(28),(73)	**50.653**	**55.407**	**-4.754**	**-8,6**
Running obligations for income tax	(25),(74)	**584**	**2.977**	**-2.393**	**-80,4**
Latent obligations for income tax	(25),(65)	**11.233**	**7.779**	**3.454**	**44,4**
Subordinate and non-core capital	(29),(75)	**128.466**	**128.775**	**-309**	**-0,2**
Equity	(IV),(31),(76)	**455.075**	**450.686**	**4.389**	**1,0**
TOTAL LIABILITIES		**11.709.512**	**11.962.621**	**-253.109**	**-2,1**

IV. CHANGES IN EQUITY CAPITAL ACCOUNT

in tsd. euros	subscribed capital	capital reserves	available-for-sale reserves	reserves from currency conversion	consolidated profit	total equity
per 01.01.2009	18.000	91.233	-42.468	34	295.968	**362.767**
Consolidated profit	0	0	0	0	4.151	**4.151**
Currency conversion	0	0	0	-2	0	**-2**
Evaluation AFS holdings	0	0	29.381	0	0	**29.381**
Breakdown	0	0	0	0	0	**0**
Total profit 2009	**0**	**0**	**29.381**	**-2**	**4.151**	**33.530**
Breakdown	32.000	0	0	0	-32.000	**0**
Participation capital issued	55.800	0	0	0	0	**55.800**
Dividend payments	0	0	0	0	-1.440	**-1.440**
Change in consolidation basis	0	0	0	0	29	**29**
per 31.12.2009	**105.800**	**91.233**	**-13.087**	**32**	**266.708**	**450.686**
per 01.01.2010	**105.800**	**91.233**	**-13.087**	**32**	**266.708**	**450.686**
Consolidated profit	0	0	0	0	2.063	**2.063**
Currency conversion	0	0	0	128	0	**128**
Evaluation AFS holdings	0	0	4.939	0	0	**4.939**
Breakdown	0	0	0	0	0	**0**
Total profit 2010	**0**	**0**	**4.939**	**128**	**2.063**	**7.130**
Participation capital issued	3.000	0	0	0	0	**3.000**
Dividend payments	0	0	0	0	-4.336	**-4.336**
Change in consolidation basis	0	0	0	0	-1.405	**-1.405**
per 31.12.2010	**108.800**	**91.233**	**-8.148**	**160**	**263.030**	**455.075**

For further details with regard to equity capital, please see Note no. 76.

V. CASH FLOW ACCOUNT

Tsd. euros	2010	2009
Consolidated net profit	**2.063**	**4.151**
Items and leadover to cash flow from operating business activity contained in annual report without effect on profit		
Depreciation/appreciation of property, financial and current assets	20.669	29.420
Allocation/dissolution of reserves and risk provisions	53.451	54.885
Profit from sales of financial and tangible assets	-10.351	-20.929
Taxes from income and profit	82	2.080
Correction of interest profit	-124.299	-115.692
Other adjustments	533	1.722
Change in assets and liabilities from current operating activities following correction of items without effect on overall profit		
Receivables from financial institutions	18.085	214.161
Receivables from customers	-229.254	-277.179
Positive market values from derivatives	0	149
Trading assets, derivative and financial assets at fair value	-399.940	-283.655
Other assets	-7.892	10.953
Payable to financial institutions	-111.655	240.985
Payable to customers	-101.240	-437.968
Securitised payables and financial payables at fair value	-65.016	-786.207
Negative market values from derivative hedging instruments	6.895	8.690
Derivatives	23.160	-16.235
Other liabilities	-8.391	-13.783
Received interest	385.651	490.271
Paid interest	-255.873	-376.580
Payments on income tax	-1.600	-1.600
Cash flow from current operating activities	**-804.923**	**-1.272.361**
Net cash gain from sale / redemption of		
Financial assets - HTM, AFS, L&R and shareholdings	1.104.559	1.577.523
Tangible assets, intangible assets, investment properties	20.415	15.923
Cash outflow from investment in		
Financial assets - HTM, AFS, L&R and shareholdings	-302.674	-270.529
Tangible assets, intangible assets, investment properties	-27.363	-20.841
Cash flow from investment activities	**794.937**	**1.302.076**
Profit-affecting changes in subordinate and non-core capital	-18.039	-21.056
Dividend payments	-4.336	-1.440
Issue of participation certificates	3.000	55.800
Cash flow from financing activities	**-19.375**	**33.304**
Cash balance at close of pre-fiscal period	**123.969**	**70.953**
Cash flow from operating activities	-804.923	-1.272.361
Cash flow from investment activities	794.937	1.302.076
Cash flow from financing activities	-19.375	33.304
Effects of changes in currency exchange rates, valuation, consolidation basis	128	-10.003
Cash balance at close of fiscal period	**94.736**	**123.969**

The payment instrument balance corresponds to cash balance {see Notes (16) and (50)}.

VI. APPENDIX (NOTES)

PRINCIPLES OF RENDERING OF ACCOUNTS

HYPO TIROL BANK AG and its subsidiaries offer their customers a comprehensive range of financial services. Our core businesses include business and private clients and leasing. We also offer a range of services in insurance and real estate. The group's core market is Tyrol, plus southern Germany and northern Italy. In eastern Austria, the bank is represented by its branch in Vienna.

The bank is a public limited company with its headquarters in Innsbruck and is entered in the corporate register of Innsbruck, Austria (FBN 171611w). The bank's address is Meraner Strasse 8, 6020 Innsbruck.

The HYPO TIROL BANK AG grup falls within the scope of consolidation of the Landes-Hypothekenbank Tirol Anteilsverwaltung, Innsbruck. The present consolidated financial statements are included in the consolidated financial statements of Landes-Hypothekenbank Tirol Anteilsverwaltung, Innsbruck.

This consolidated financial statement was produced in accordance with Article 59a of the Austrian banking laws, in conjunction with Art. 245a, section. 1 of the corporate laws of International Financial Reporting Standards as are valid and required in EU countries.

Apart from the condolidated balance sheet and consolidated profit and loss account, the consolidated financial statements also include the equity capital statement, cash flow statement and notes. Segment reports are included in the notes under Section (78).

The reporting currency is the euro (€). All amounts are shown in thousands of euros unless specifically stated otherwise.

REPORTING AND VALUATION METHODS

(1) Principles

The consolidated financial statements have been produced using the principle of valuation at historical acquisition or production costs, except that financial instruments in the categories of "Financial Instruments valued at fair value", "Financial instruments available for sale" and all derivative financial instruments are valued at their attributable fair value.

The consolidated financial statements have been produced on a going-concern basis. Income and expenditure are demarcated pro rata over time and charged to profits in the period to which they are attributable commercially.

The main reporting and valuation methods used in producing the present consolidated financial statements are presented below. The methods described are employed uniformly and consistently throughout the group unless stated otherwise.

The leadover from the profit of the consolidated profit and loss accounting to the overall consolidated profit with proof of the other profits is made in a special depiction (see part II, Consolidated Profit Accounting).

The cash flow from operating business activities is generated using the indirect method. That means that the consolidated profit is initially purged of all non-relevant-to-payment items, in particular valuations and allocation to reserves. The item "Other Adjustments" largely contains interest and income tax payments during the fiscal year which are shown from operating business activity in the cash flow accounting.

In cash flow from investment activity, payments into and out of the account are depicted whose purpose consists mainly in a long term investment and/or use.

Under "financing activity", cash flows from subordinate and non-core capital are depicted, besides equity capital.

(2) Changes in Rendering of Accounts regulations

Reporting and valuation are conducted in accordance with all the International Financial Reporting Standards current at the cutoff date and during the reporting period and which are required to be used in the EU.

With regard to the balance of latent taxes in this accounting, we call attention to our explanatory Note (65).

We have omitted applying standards and interpretations early, that is, which do not become effective until 1 January 2011 or later; as well as those which are not mandatory in the EU.

In principle, the concern applies standards as of the moment when they become mandatory. An exception to this rule is IAS 24. Please see explanatory notes below with regard to IAS 24.

Standards and Changes to standards effective 2010 onwards:

In November 2008, the IASB published a restructured version of the **IFRS 1 "First application of IFRS"** which was adopted by European law in November 2009. The published version of IFRS 1 retains the substance of the previous version in a modified organisation. Further, in addition to the IFRS 1 **"Additional easements for first users"**, a relief with regard to the limited exceptions of statistical rules in accordance with IFRS 7 was published. These changes are mandatory for reporting periods beginning on 01 January 2010. They have no effect on the consolidated profits.

In June 2009, changes in the **IFRS 2 "Share-based compensation"** guidelines were published by the IASB, with which the balance sheet details of share-based compensation in the concern which are made in cash are made increasingly clear. The date on which these changes take effect are all reporting as of 01 January 2010. In March 2010, these changes were adopted by European law. Since there are currently no transactions of share-based compensation in our concern, these changes have no effect on consolidated profits.

In January 2008, the IASB published a re-worked version of **IFRS 3 "Corporate mergers"** and an altered version of **IAS 27 "Consolidated annual reports"**. Whereas in IFRS 3 R, the application of acquisition methods of corporate mergers is further developed, IAS 27 R contains altered rules for the balance sheet depiction of minority share holdings and for balance sheet accounting in the case of loss of prevailing influence over a subsidiary. IFRS 3 and IAS 27, including the subsequent changes in IFRS 2, IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 and IAS 27 took effect on 1 July 2009. They were adopted by EU law in June 2009. These changes had no effect in the current year of reporting on the consolidated profit accounting, since the company Berger Truck Service Verwaltungs GmbH, Innsbruck, which is treated for the first

time in the consolidated accounting, was not purchased, but rather founded. IFRS 3 R and IAS 27 R may, in comparison with prior versions of these standards, have substantial effect on the consolidated financial statement, if acquisitions and sales are made. Currently, no such business transactions are being planned.

The change of **IAS 39 "Financial Instruments: Approach and Valuation"** - appropriate basic bank business was published in July 2008 and in September 2009 was adopted by EU law. With this change, it is clarified how the percentage of inflation of financial instruments and forward contracts used as a hedging instrument should be handled in the balance sheet depiction of hedging instruments. This clarification has no effect on this consolidated financial statement.

A re-worked version of **IAS 24 "Details on Closely Related Companies"** provides a partial exception to the publication rule for companies which operate under the prevalent influence or corporate direction of public bodies. The definition of closely related individuals or companies has been altered in order to more clearly delineate the circle of persons which is meant. The re-worked version takes effect for fiscal years which begin on or after 1 January 2011. The application of this change has been applied earlier than is necessary to the consolidated financial statement. Since the HYPO TIROL BANK AG lies in the sole ownership of the State of Tyrol, certain easements result due to the early application, particularly with regard to the publication obligations for companies under prevalent influence or corporate direction of public bodies. The details on closely related individuals and companies are to be found in Note (79).

IFRIC 17 "Tangible dividends to Owners" was published in November 2008. The interpretation regulates the valuation of assets which are not legal tender, by which a company transfers ownership als a form of profit dividend to the shareholder. IFRIC 17 takes effect in fiscal years which begin on or after 01 July 2009. These interpretory changes were adopted by EU law in November 2009. Since the concern makes no such tangible dividend payments to the owner, this change has had no effect on the consolidated financial statement.

IFRIC 18 "Transfer of assets by a customer" was published in January 2009. IFRIC 18 regulates the interpretation of identifying individually ascertainable services in exchange for transferred assets; the realization of revenues; and the balance sheet depiction of a transfer of an instrument of payment by a customer. IFRIC 18 is to be applied to transfers of assets which the company receives on or after 01 July 2009. Its adoption by European law was carried out by the EU in November 2009. IFRIC 18 has no effect on the consolidated financial statement.

Changes of IFRS ("Improvements to IFRS 2009")
In April 2009, the IASB, in the course of its Annual Improvements Project, published changed in already existing IFRS. They comprise both changes in various IFRS, with effect on the approach, the valuation and the identification of business incidents; as well as linguistic/terminology and editorial corrections. The changes take effect at latest for fiscal years which began on or after 1 January 2010 and were adopted by EU law in February 2011. The application of these changes had no substantial effect on the consolidated finanacial statement.

The following new and changed standards have already been published, but are not yet mandatory:

Through the change of **IAS 32 "Classification of Subscription Rights"**, the purchase rights and options and option certificates in foreign currencies, i.e. in a different currency from the functioning home currency, are regulated for issuers whose equity capital instruments apply to these rights. In the balance sheet, these are now to be depicted as equity capital, and no longer as liabilities. The change of IAS 32 is to be used for fiscal years which begin after 01 February 2010. Since the concern has issued no such options, this change will have no effect on the consolidated financial statement.

In November 2009, the IASB published **IFRS 9 "Financial Instruments"**, which is an initial step in a project towards replacing IAS 39 "Financial Instruments: approach and valuation". Through IFRS 9, new regulations for classifying and valuing financial assets which are in the area of application of IAS 39 are introduced. In accordance with this change, the classification of all financial assets is based on business models of the company towards controlling its financial assets and the characteristics of cash flow of the respective financial assets. In accordance with this, a financial asset is to be valued at ongoing acquisition costs if the objective of the business model of the company lies in holding the financial assets in order to maintain contracted cash flow and the contractual terms of the financial asset lead to a cash flow which comprise exclusively interest payment and redemption. A financial asset which does not fulfil both these criteria is to be valued, consequently, at the current value. IFRS 9 has in the meantime been replaced by a re-worked version, IFRS 9 R. The re-worked version was published by the IASB in October 2010. The reworked standard completes new regulations for the classification and valuation of financial obligations. IFRS 9 R takes effect in fiscal years which begin on or after 1 January 2013. **IFRS 9 R** was passed by the IASB, but has not yet been adopted by European law. The concern is currently examining the possible effects which its introduction and application may have on the consolidated financial statement.

In November 2009, the **IFRIC published the IFRIC Interpretation 19 "Debt retirement of financial liabilities with equity capital instruments"**. The interpretation contains guidelines on the balance sheet treatment of partial or complete debt retirement of financial liabilities by issuing shares or equity capital instruments of the company which is drawing up the balance sheet to its debtors. Since such transactions are not being planned in this concern, IFRIC 19 has no effect on the consolidated financial statement.

The changes in IFRIC 14 "IAS 19 - Uppermost limit of assets as performance-oriented plans, minimum financing requirements and their interaction" was adopted as European law in July 2010. Through these changes, future pre-payments of minimum contributions to a pension fund can be separately depicted as an asset. Since the concern makes no such payments, the changes in IFRIC 14 will have no effect on the consolidated financial statement.

Changes of IFRS 2010 ("Improvements to IFRS 2010")
In May 2010, the IASB, in the course of its Annual Improvements Project, published changes to existing IFRS. These comprise both changes in various IFRS with effect on the approach, the valuation and the identification of business incidents as well as linguistic/terminology and editorial corrections. Most of these changes take effect for fiscal years which begin on or after 01 January 2011. The changes have been passed by the IASB, and were adopted by European law in February 2011. The implementation of these changes is not expected to have any substantial effect on the consolidated financial statement.

(3) Estimates and judgments by the Managing Board

In the course of generating a Financial Statement, the Managing Board must make estimates and certain assumptions which influence the inclusion in the balance sheet for the period of reporting, the proof of profits and costs and the information in the Appendix. Major estimates and assumptions on future developments which might, from inherent uncertainties, lead to a material change in the inclusion in the balance sheet in the following fiscal year are: assessing the sustainability of financial assets, ascertaining the current value, valuing

reserves and the inclusion and valuation of latent income taxes. The methods with regard to such estimates, subjective judgments and assumptions are shown below. The depiction of the parameters used and the uncertainties in detail is explained in the notes on each respective balance sheet item.

The assumptions are founded on premises which are based on the latest available knowledge and information. With regard to expected future business developments, the conditions at the time of the Financial Statement as well as realistic prognoses of future developments of the global and branch-specific environment form the basis. Developments which deviate from these assumptions and changes in general background conditions which lie beyond the sphere of influence of management may cause the ultimate sums to deviate from the estimates originally made.

Information on stress tests can be found in the Notes on financial risks and risk management (see pp. 65-74)

A) Loan risk provisions

With regard to correction of individual items, a devaluation adjustment based on cash values of future expected cash flows is calculated when objective evidence {see Notes (18)} exists. In estimating anticipated cash flows, assumptions with regard to the amount and the time of future payments have to be made. This is equally valid for valuation corrections to portfolio items. These assumptions, together with estimates and judgments of indicators which lead to loan risk provisions, are based on concrete past experiences in the loan business and are regularly controlled and, when necessary, revised in order to minimize any possible divergencies between loan risk provisions and actual loan defaults.

The amount and the development of loan risk provisions are explained in Note (53).

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

A devaluation is undertaken if the current value which is supplied has materially or lastingly diminished below the costs of acquisition {see Notes (12)}. In case of a devaluation, the AFS reserves are adjusted in the AFS holdings by the amount of the devaluation and the sum is reflected in the profit and loss accounting. The estimate of the importance of a devaluation is based on assumptions. Pre-defined thresholds with regard to changed valuations of the current value which is supplied as well as with regard to the element of time serve as points of departure, i.e. reference points in assessing the extent of a significant or an enduring devaluation (see Note {12}).

A depiction of the book values of financial assets - AFS and the valuation adjustments can be found in Note (57).

C) Determining a current value via valuation techniques

For financial instruments which are not quoted on active markets, the valuation is made on the basis of recognized and customary finance-mathematical methods, such as the cash value method or other suitable valuation methods (option price models) {see Notes (7)}. These valuation models are materially influenced by the underlying assumptions. The current value which is supplied should thus be seen as a random estimate.

The market values and the book values of financial instruments are clarified in Note (77), Current value (Fair Value) of financial instruments.

D) Reserves

Reserves are provided for uncertain liabilities towards third parties in the amount of the expected claim {see Notes (27)}. The sum recorded as a reserve portrays the best possible estimate of the required costs to fulfil such an obligation.

A detailed depiction of book values of reserves and their development can be found in Note (72).

E) Latent income taxes

The valuation of latent tax obligations and latent tax claims reflects the tax consequences which result from the way which the concern expects to realize the book value of assets or fulfil its obligations by the cutoff date of the balance sheet. Such expectations are based on the best possible estimates.

The use of active latent taxes depends on the possibility, within the context of the given tax laws, of earning enough income to be taxable. In estimating the likelihood of future usefulness of active latent taxes, factors such as past earnings and tax strategies should be used. If the actual results deviate from these estimates or if these estimates have to be adjusted to future periods, the active latent taxes must be devalued in profit-affecting manner.

Quantitative details on latent income taxes are depicted in Note (65), Latent Tax Claims and Obligations.

(4) Consolidation Principles

If the concern exercises a prevailing influence over subsidiaries, such subsidiaries are depicted in the consolidated financial statement in the process of full consolidation. The concern exercises a prevailing influence over the subsidiary if it can determine the financial and business policies of the subsidiary. As a rule, this is assumed to be the case when there is a direct or indirect capital participation amounting to more than half of the voting rights. The existence of potential voting rights which can currently be exercised or converted is taken into consideration in the course of the examination as to whether the concern prevails in influence over another company.

Subsidiaries acquired are reported by the acquisition method as of the time they were first consolidated, all the subsidiaries' assets and liabilities being valued at their attributable fair value at the time it was acquired or when a controlling influence was achieved. Any differences arising out of setting the acquisition costs against the assets and liabilities valued at their attributable fair value is capitalised as goodwill. The book value of goodwill is reviewed at least once annually to verify that it has retained its value, or even during the year if there are indications it has lost in value. If it is found to have lost value, extraordinary depreciation is applied.

By and large, however, subsidiaries are not purchased, but rather newly established. For these newly established subsidiaries, IFRS 3 has no application. In case a subsidiary is founded, the individual assets and liabilities are balanced at acquisition cost.

During this fiscal year, Berger Truck Service Verwaltungs GmbH, Innsbruck, was drawn into the consolidated financial statement for the first time. This is a newly established company. Hypo-Rent Stanser Grundverwertungs-Gesellschaft has been spun off.

Intra-group receivables and liabilities and income, expenditures and intermediate results arising out of intra-group financial and service

business are eliminated as part of conslidating liabilities and profits.

The cutoff date for the consolidated bank accounts is the same as the cutoff date for all the companies included in the consolidated financial statements.

(5) Shares in related companies

A related company is a company over which the concern exercises a major , but no predominant influence over the financial and business policies. A major influence is assumed when the concern holds between 20% and 50% of the voting rights.

Associated companies are valued using the equity method and shown separately in the balance sheet and profit and loss account. Associated companies are those that the group does not control but in which it holds more than 20% of the shares. Shares are valued at the cost of acquisition when they are first included in the consolidated financial statements. When they are valued subsequently, their book value is extrapolated by the share of their profits or changes in equity capital accruing to the group. Insofar as an associated company uses different balancing and/or valuation methods, suitable adjustments to the IFRS consolidated data is effected through a secondary account. The cutoff date for the balance sheet of all associated companies corresponds to the cutoff date for the balance sheet of the mother company. Due to the insignificance of the transactions with associated companies, there was no elimination of interim profits. No other profits resulted from associated companies.

In the Profit and Loss Accounts, the share of the concern in the success of the related company is depicted and separately recorded.

A full accounting of the subsidiaries and related companies which have been drawn into our consolidated financial statement can be found in the Notes under point no. VII., Shareholdings. In this listing are four companies in which the concern holds a share of 75%. Since, due to contractural agreements with these companies, there is no prevailing influence exercised, these shareholdings are depicted according to the equity method in the consolidated financial statement.

(6) Currency conversion

The consolidated financial statement is depicted in euros, the functioning and operative currency of all companies belonging to the concern with the exception of Hypo Tirol Swiss AG.

The annual accounts of Hypo Tirol Swiss AG, Zurich, which are denominated in Swiss Francs, were converted in accordance with the modified cutoff date method. All assets and liabilities are converted at the European Central Bank's spot rate on the cutoff date for the balance sheet and at the average annual rate for the profit and loss accounting. Equity capital, with the exception of the annual profit resulting from the profit account is converted on the basis of past value ratios at the time of their acquisition from the point of view of the corporate group. The conversion difference which results is recorded in the reserves for foreign currency conversions.

Pecuniary assets and liablities denominated in foreign currencies are converted at the European Central Bank's spot rate for the balance sheet cutoff date.

Non-monetary items are converted in accordance with the valuation 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 supplied at the current value are converted in analogous fashion to monetary items at the current rate at the cutoff date for the balance sheet. Income and expenditure 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 recorded in the balance sheet valued as at their trading date and ordered into the valuation categories below. The balance sheet items largely correspond to the valuation categories of financial instruments. Thus, the explanations of the valuation categories are found in the corresponding balance sheet items. An exception to this, for example, are the receivables from and payables to customers. In these balance sheet items, the receivables and payables which are voluntarily valued at the current value are also recorded. The inclusion of financial assets and liabilities occurs at their trading date. The following valuation is oriented to the given category.

Information on stress tests of financial instruments can be found in the Notes on financial risks and risk management (see pp. 65-74).

(7) Fair Value

The fair value is defined as the price at which an asset or a liability can can change hands among experts and contractually willing partners or at which an obligation can be fulfilled. The fair value of financial instruments traded in active markets is determined based on the price quotation. An active market exists when prices for a financial instrument are regularly available from stock exchanges, brokerages or price agencies and when continual transactions take place at these prices; thus, the prices are representative for transactions between third parties unknown to one another. Indicators for an active market can be extrapolated in the corporate group by a judgment of the market liquidity and the transaction frequency. If such indicators are not evident, the market is considered inactive.

The financial instruments whose fair value in the corporate group is based on quoted market prices are: securities traded on stock exchanges and liquid government and corporate bonds.

If prices on active markets are not available, the fair value is based on valuation procedures. If there are recent, actual transactions for this very financial instrument, these transaction prices serve as indicators for the fair value which must be ascertained. If no transactions of identical financial instruments exist, the transaction prices of more or less identical financial instruments are used. In case of complex and highly individual products, extrapolating transaction prices of comparable financial instruments is not possible, so that valuation models based on observable market data must be used. In the corporate group, the fair value of financial instruments is calculated with fixed determinable payments based on the discounted cash flow method or for financial instruments with optional components, on the basis of option price models.

Insofar as the fair value is ascertained using the discounted cash flow method, the payments are discounted at the applicable market interest rate (actual swap curve) for the remaining time. In the corporate group, cash values are determined by discounting the cash flows for linear derivatives, e.g. interest rate swaps, cross currency swaps, forward rate agreements, and non-publicly noted bonds or bonds with very low liquidity.

For financial instruments with optional components, the Black/Scholes model (plain vanilla OTS options on interest rates and currencies) is

used to calculate fair value. Complex financial instruments are valued with the Hull White model.

In some cases, the fair value of financial instruments cannot be calculated either through market prices nor on the basis of valuation models which are themselves based on observable market data. For such financial instruments, it must be ascertained with parameters from other relevant information sources or must be estimated with suitably corresponding assumptions. During the financial crisis and the inactive markets which resulted from it, relatively significant changes in spreads were identified for which externally available prices were not indicative of a fair value calculation. For such financial assets and liabilities, the fair value was determined based on a modified discounted cash flow method. The discount interest rate which underlies this method was ascertained on the basis of current swap curves and historic spreads reflecting an interim creditworthiness downgrade, based in turn on external rating downgrades. Further, for calculating the fair value, recovery rates based on current studies of reputable rating agencies were used. This category has largely illiquid asset-backed securities in the corporate group.

For further information on fair value of financial instruments, see Notes (77).

(8) Trading liabilities and Derivatives

Securities acquired for trading purposes and all derivatives, insofar as they are not used for hedge accounting, are shown in this item. The valuation of trading liabilities and derivatives is at fair value.

The valuation and loss of all financial assets in this category are recorded in the profit and loss account. Interest and dividend earnings are shown in the interest profits.

(9) Financial assets and liabilities designated at fair value

Financial instruments in this category are divided into those held for trading and those that are valued at their attributable fair value irrevocably at the time they are acquired. These are financial instruments which are related to another financial instrument, which is designated at fair value, as a hedging instrument and are accounted for as one single unit in the corporate accounts, thus have no hedge accounting applied to them {see Notes (11)}. In order to avoid an accounting mismatch, these financial instruments are voluntarily valued at fair value.

Financial assets and liabilities with embedded derivatives are also valued voluntarily at their attributable fair value.

The results of valuation and loss are recorded in the trading profits. Interest and dividend earnings are shown in the interest profits.

(10) Embedded Derivatives

Embedded derivatives are those which are part of an original financial instrument and which are inseparably linked to it. In the group's case, these are essentially loans at indexed rates and, to a minor degree, stock loans (loans with a right to redemption in shares).

Embedded derivatives are separated from their original financial instruments and reported and valued separatedly as derivatives in their own right at fair value if:

- the financial characteristics and risks of the embedded derivative are not closely linked to the financial characteristics and risks of the basic contract, and
- an independent instrument in its own right with the same terms as the embedded derivative would meet the definition of a derivative, and
- the structured financial instrument is not valued with effect on profits at its attributable fair value.

At the balance sheet cutoff date, all financial instruments with embedded derivatives were valued at their attributable fair value.

(11) Hedge Accounting

The corporate group uses derivatives as a hedge against the attributable fair value of financial assets and liabilities. Hedging instruments may cover one or more similar underlying transactions. The only underlying transactions the group has are AFS category securities insofar as these involve fixed-rate assets. Only rate swaps are designated as hedges.

Hedges are recorded at the time they are devised and established. The documentation covers mainly the identity of the underlying transaction and hedge and the nature of the risk being hedged against. This method is also used to determine how effective hedging transactions are.

Hedges are reviewed to see how effective they are when they are first set up and subsequently, each month following. For the present purposes, 'effectiveness' is taken to mean the relationship between the change in attributable fair value arising out of the underlying transaction being hedged and how the attributable fair value of the hedging derivative itself has changed. The group only reports hedges as such if they are expected to be highly effective over their entire term. Hedging is deemed to be highly effective if the ratio of the changes in value of the underlying transaction and the hedge is between 0.8 and 1.25. If hedges cease to be highly effective, they are dissolved.

Derivatives used for hedging purposes are shown at their attributable fair value as prevailing market values from derivative hedges. The changes in valuation are included in the profit and loss account with effect on profits as net hedging income/expenditure. The non-effective component of the change in valuation is shown in trading profits. For the underlying transaction, the changes in attributable fair value arising from the risk being hedged are recorded in the balance sheet and are valued as a balance of the hedged risk based on the underlying changes in market value of the hedging instruments and of the basic business transaction.

(12) Financial Assets - Available for Sale (AFS)

The Available for Sale category covers all non-derivative financial instruments that are not already assigned to the categories designated at Fair Value, HTM, L&R. The group puts equity capital securities and investment fund certificates in this category as a general rule.

Financial instruments available for sale are valued at their attributable fair value. The valuation results are recorded under equity capital in AFS reserves without affecting profits, adjusted for latent tax.

Should their value decrease, either materially or lastingly, the AFS reserves are adjusted by the value lost and the amount recorded in the profit and loss account under earnings from financial assets. Debt instruments are considered to lose value significantly if their attributable fair value falls considerably through losing soundness. There may be objective indications of this, such as the issuer or debtor having major financial problems, being late in paying interest or capital, or not paying them at all, or if the debtor appears likely to become insolvent or other rescue operations are initiated. Equity capital instruments are

deemed to lose value if their market value falls materially or lastingly below their acquisition cost.

If debt instruments lose value, affecting profits, and then recover their value, this is booked with effect on profits via financial asset earnings. If equity instruments recover their value, this is booked to equity capital in the AFS reserves.

If financial assets are disposed of, the cumulative valuation earnings as reported under equity capital are dissolved and included in the profit and loss account under financial asset earnings.

Interest and dividend income are shown under net interest income/ expenditure.

(13) Financial Assets - Held to Maturity (HTM)

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

The fixed-rate securities shown are valued at extrapolated acquisitioin cost. Should their acquisition costs differ from their redemption value, the difference is absorbed or credited with effect on profits pro rata over time. Should an identifiable event occur which suggests that future cash flow expected from an instrument will be reduced, it is written down by the difference between its book value and the cash value of the future cash flow expected, discounted at the appropriate rate.

Effects on profits from valuing and selling financial instruments are shown under profits on financial assets. Interest is shown under net interest income/expenditure.

(14) Financial assets - Loans and Receivables (L&R)

This category is used for all non-derivative financial instruments with fixed, determinable payments, for which there is no active market, irrespective of whether those financial instruments are original or acquired in the secondary market. An active market is said to exist for a financial instrument if the group has prices for that instrument regularly from markets, brokers or pricing agencies, there are ongoing transactions at those prices and those prices are, therefore, representative of transactions between third parties unknown to one another.

Loans and receivables are valued at extrapolated acquisition cost. If they lose value {see Notes (11) Loan Risk Provisions}, the costs of acquiring them are adjusted, with effect on profits.

Demarcated interest is booked to net interest income/expenditure with effect on profits. Premiums/discounts are spread over their term with effect on profits and included under net interest income/expenditure.

(15) Other Liabilities

This category covers financial liabilities not valued voluntarily with effect on profits at their attributable fair value. These are valued at extrapolated acquisition costs. Premiums/discounts are booked to net interest income/expenditure with effect on profits over their maturity by the effective rate of return method.

(16) Cash and at bank

Cash and at bank as it appears in the cash flow statement is equal to the 'cash reserves' item in the balance sheet, and consists of cash balances and credit balances with central banks. The balance sums at Central Banks are attributed to the minimum reserve which must be held as balances at the Austrian National Bank in accordance with Central Bank Directives. The minimum reserves are counted by us as stock of instruments of payment, since in the interpretation of the Austrian National Bank, the minimum reserves can serve as fundament for current payment transations.

(17) Receivables from financial institutions and customers

This balance sheet item covers loans issued, sub-divided into receivables from financial institutions or from customers, depending on who they were issued to. At the time they are received, receivables are classified as loans and receivables or as receivables valued voluntarily at their attributable fair value. Writedowns are shown openly as provision for risks.

(18) Loan Risk Provisions

We respond to the particular risks involved in banking by making valuation adjustments accordingly. We divide provision for risks into individual, global valuation adjustments and portfolio valuation adjustments. We make provision for risks involved in off-balance sheet loans by making provisions.

We use individual valuation adjustments following consistent standards within the group to cover the solvency risks involved in receivables from customers and financial institutions. Significant receivables to the value in excess of TEUR 100 are reviewed annually to see if they have lost value. Individual loans must be adjusted if observable events have occurred which suggest that not all interest and capital redemption liabilities can be met on time. Such events may include:

- Deferring or waiving the borrower's payment obligations;
- Initiation of foreclosure;
- Late payments;
- Impending insolvency or over-indebtedness;
- Application for insolvency protection, or their being opened;
- Failure of rescue measures.

To what extent values must be adjusted depends on the difference between the outstanding receivables, included accrued interest, and the cash value of the payments that are expected to be received on that receivable, allowing for valuable collateral. This is calculated at the contractually agreed interest rate.

Insignificant receivables up to a value of TEUR 100 are covered by making a lump sum individual valuation adjustment based on default probabilities obtained from historical time series.

The unwinding (cash value effect) is shown in the P&L account not as a change to the valuation adjustment but as interest income.

We also make provision for credit risks that have already arisen but are undetectable as yet by way of portfolio valuation adjustments, based on default probabilities differentiated by rating classes.

Details on the likelihood of irrecoverability of loans according to rating classes and based on stress tests can be found in the explanation on financial risks and on risk management (see pages 65 - 74).

Insofar as doubts with regard to the recoverability of a receivable exist, they are reflected in the formation of risk provision, In case further payments cannot be expected, a receivable is classified as irrecoverable. An irrecoverable, already value-adjusted receivable is deleted from the accounts through means of using risk provision. If no individual

value adjustment exists for such a receivable, it is written down with direct effect on profits. Payments on receivables already written down are recorded in the period statement.

(19) True pension business (repo business) and securities loans

True pension transactions are combinations of cash purchases or sales of securities while at the same time selling to or buying from the same counterparty on a futures basis. Securities held on a repurchase basis in repo transactions (cash sales) continue to be reported and valued as securities stocks in the consolidated financial statements. The inflow of liquidity from repo business is shown as a liability to financial institutions or customers in the balance sheet, depending on who the counterparty is. Interest payments agreed are recorded as interest costs on maturity.

(20) Real estate held as financial investment

Real estate which is held as a financial investment, that is, real estate which is held long term with a view to obtaining rental income and/or increasing its value is shown here, and is valued at extrapolated acquisition cost. Rental income is included under other operating income. Should real estate property be differently used, i.e. the property no longer used for the bank's own business activities, but rather rented out, this real estate is then transferred from Tangible Assets to Real Estate Held as Financial Investment.

Real estate held as a financial investment is written down on a straight line basis over its expected working life. This depreciation is included under other operating income.

The customary expected working life in the current and in the previous fiscal year is as follows:

Expected working life in	Years
Buildings	25 - 50

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

Insofar as there are indications of a depreciation, the realizable sum is ascertained and compared with the book value. The realizable sum is the higher of the two amounts designated at fair value after deduction of sale costs and depreciation.

Determining the fair value for all real estate held as financial investments is based on annually updated valuations by internal bank experts. By and large, the determination of the current value which accompanies it is ascertained, in the case of property, by means of comparative processes and, for rental properties, handled via income value. The Fair Value is derived from the profits from these processes, taking into consideration the current market situation and, in case it is applicable, adjusted to it. The basis for the selected values are analyses in the property register, ongoing market observation, regular consultations with property and real estate brokers, construction companies and building managers, as well as our own assessment and management of real estate business and experiences coupled with the market data available. The corresponding capitalisation interest rates are derived and ascertained, based on the pertinent expert literature, currently published articles reflected against the backdrop of the current market situation, applicable location factors and the attributes of the given valuation practices of the specific property.

(21) Intangible Assets

"Intangible Assets" covers software, license rights and customer stock acquired. All intangible assets have a limited life expectancy.

These assets are valued at their acquisition cost less scheduled depreciation, based on their expected working life.

Commercial working life for the current and also the previous year is as follows:

Normal commercial working life	Years
Major projects, e.g. ARZ software, GEOS, SAP	8
Other software and license rights	4
Customer stock	7

At the cutoff date for each balance sheet, it is examined whether there is any basis for a valuation adjustment. For the current business year, no such basis could be identified.

Insofar as there is a basis for valuation adjustment, the adjustment is calculated corresponding to the explanations on adjustments for real estate held as financial investments (see Note {20}).

(22) Tangible Assets

Tangible assets are valued at acquisition/production cost less scheduled depreciation.

Scheduled depreciation is applied on a straight line basis over the asset's estimated working life, technical aging and legal and contractual limitations.
The normal commercial working life is taken to be as follows:

Normal commercial working life	Years
Buildings	25 - 50
Works and office equipment	5 - 10
Construction work in leased business premises	15
IT hardware	3 - 5

At the cutoff date for each balance sheet, any possible indicators of depreciation are examined. For the current fiscal year, no such indicators were identified.

Insofar as there is a basis for valuation adjustment, the adjustment is calculated corresponding to the explanations on adjustments for real estate held as financial investments (see Note {20}).

(23) Leasing

Leasing transactions are assessed on the basis of how the financial risks and opportunities in the assets leased are divided between lessor and lessee.
Leasing transactions are divided into financial and operating leasing. With financial leasing, all the risks and opportunities associated with the property pass to the lessee, which also shows the assets leased in its accounts. At present, as lessor, the group offers financial leasing only. If the assets leased are attributable to the lessor, on the other hand, that is operating leasing.

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

The leasing relationships in which the corporate group is the lessee are of subordinate importance in the corporate group.

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

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

Operating leasing:
Lessor: assets leased which are attributable to the lessor are shown under tangible assets and valued using the principles as described there. Leasing profits are recorded in linear fashion via the contractual maturity times.

(24) Other Assets

"Other Assets" includes mainly sales tax receivables from the Italian state from acquiring leasing properties and receivables other than from banking business.

Other assets also include land and buildings which borrowers originally used as collateral and which are now to be realised in disposing of impaired commitments (rescue acquisitions). These assets are shown as 'assets held for disposal'. Income and expenditure here are shown as income or expenditure on assets held for disposal under other operating income.

(25) Current and Latent Taxes

Current income tax claims and obligations are valued at the current tax rates at which payments to or refunds by the tax authorities are expected to be made.

Latent income tax claims and obligations derive from temporary differences between how assets and obligations are valued in the IFRS accounts and how they are valued for tax purposes. They are based on the tax rate expected to apply when they are settled. For further details, please see Note (65).

Active latent taxes are assumed if there are sufficient passive latent taxes within the same tax unit or it is sufficiently likely that taxable profits will arise within the same tax unit in the future. This also applies to setting active latent taxes against losses brought forward for tax purposes.

Actual profit-based tax costs are shown in the consolidated profit and loss account under „Taxes on earnings". This heading also includes the effects of creating or dissolved latent taxes, unless they refer to items which are valued on a profit-neutral basis, in which case they are created or dissolved on a profit-neutral basis against the AFS reserves through depiction under other profits.

(26) Liabilities

All liabilities to financial institutions are classified as "Other Liabilities". Liabilities to customers and also securitised liabilities are classified either under "Other Liabilities" or as "Designated at Fair Value".

(27) Provisions

Provisions for social capital cover provisions for pensions, severance payments, length of service awards and occupational and incapacity risks. These provisions are valued by the collective expectation method.

HYPO TIROL BANK AG has 25 pensioners and survivors who are entitled to final salary bank pensions. Active staff are no longer entitled to bank pensions. Staff who joined the company before 31.12.2002 may be entitled to severance payments under certain conditions, especially if they retire. Severance payment provisions are made to cover these claims. For staff who joined the company after 31.12.2002, monthly contributions are made to a staff pension fund.

Staff are entitled to one month's pay as a long-service award after 25 years of service and two months pay after 35 years of service.

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

- theoretical interest rate in Austria 5.0% (2009: 5.0%)
- annual valorisations, collective agreement and career salary increases 2.5% (2009: 2.5%) in making provisions for severance payments, long-service awards and occupational incapacity for employment risks
- turnover rates as per own table
- annual valorisations 1.5% (2009: 1.5%) in the case of pension reserves
- table values AVÖ 2008-P (generational tables for salaried staff, allowing for an increase as values are no longer current)

Changes to provisions for social capital are charged to profits in the profit and loss account.

No provisions are required for contribution-based pension schemes. The contributions agreed to a pension scheme for contribution-based schemes are recorded as ongoing costs; there are no other liabilities involved.

Other provisions for contingent liabilities towards third parties are made if there is a reliably assessable obligation towards third parties in fact or law. Provision is made at the value which would have to be paid on a reasonable consideration to meet the liability on the balance sheet date.

(28) Other Liabilities

"Other Liabilities" are mainly liabilities not arising out of banking business, i.e. largely payables of goods and services to customers.

(29) Subordinate and Non-Core Capital

This heading shows subordinate capital for purposes of Art. 23, sect. 8 of the banking laws and non-core capital for purposes of Art. 23, sect. 7 of the banking laws.

(30) Trustee Business

Assets and liabilities which the group holds in its own name but for another's account are not included in the balance sheet. Payments due under these transactions are shown as commission income in the profit and loss account.

(31) Equity Capital

Equity capital consists of the capital provided to the bank (subscribed capital plus capital reserves) plus earned capital (profit reserves, reserves from currency conversion and reserves formed on a profit-neutral basis from valuation to IAS 39 plus consolidated profits and earnings brought forward). The available-for-sale provisions cover changes in valuation of the AFS stock not affecting profits, allowing for latent tax.

Subscribed capital consists of 2,400,000 registered shares of EUR 7.50 each and hence amounts to EUR 18,000,000.00, as well as an increase in share capital amounting to EUR 32,000,000.00 from business funds in 2009. Further, participation certificates in the amount of EUR 60,000,000.00 were issued. From the issued participation capital, a nomminal value of EUR 1,200,000.00 is recorded as the HYPO TIROL BANK AG's own portfolio in the annual financial statement. This bank portfolio is balanced in the accounting through the issued participation certificates. A dividend for the participations certificates will be paid if the annual profit of the prior business year is covered by the annual financial statement of the HYPO TIROL BANK AG.

(32) Financial Guarantees

A financial guarantee is a contract under which the guarantor is bound to make certain payments compensating the beneficiary for losses incurred because a given debtor fails to meet their 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 party to the contract, that is, when it assumes the guarantee. They are valued in the first instance at their fair value at the time they are recorded. After that, the bank's liabilities are then valued at whichever is the higher of the initial valuation less straight line depreciation by which the guarantee provisions are spread over the term of the financial guarantee and obtained with effect on profits and provision for risk if they are taken up.

(33) Summing up financial assets and liabilities

Financial assets and liabilities are summed up, i.e. netted, and the balance shown in the balance sheet if we have an enforceable right to net the amounts against our business partner and transactions are settled on a net basis or liabilities are settled at the same time as assets are realised.

(34) Adjustments of financial assets and liabilites

The deletion of financial assets and liabilities is considered when the contractually agreed claims and cash flows from the financial asset have been eliminated or transferred. Further, the deletion of a financial asset is considered when the concern has assumed the obligation to pay the cash flows from the asset to a third party, when certain given conditions are met.

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

In case of transactions for which all major risks and opportunities associated with ownership of the financial asset have neither been retained nor transferred, the concern deletes the transferred asset value from the statement, if the power of doing so has been assigned.

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

The concern enters transactions in which the assets recorded in the balance sheet are transferred, but all major risks and opportunities connected with these assets are retained. In the concern, transactions of this type are exclusively share repurchase business (see Note {19} and Note {84})

EXPLANATIONS OF THE PROFIT AND LOSS ACCOUNT

Profits and the expenditures which are connected to them are recorded whenever it is likely that the business utility will accrue to the concern and the amount of the profits can be ascertained with a certain degree of certainty. This concept is applied to the major profit-generating activities of the concern as follows:

(35) Net interest income

Interest income is demarcated by the effective rate of return method and is only recorded if it is sufficiently likely that the amounts will accrue to the company and they can be calculated reliably. Income which mainly represents payment for the use of capital (interest-similar income) is booked to net interest income. This heading also includes income from holdings. Interest expenditure is shown in the same way as interest income.

Dividends are booked when they become due in law.

(36) Risk Provisions

This covers transfers to valuation adjustments and provisions and/ earnings from dissolving valuation adjustments and provisions and income subsequently received on receivables that were written off in connection with the loan business.

(37) Net Commission Profits

Net commission profits comprise the balance from revenues and expenditures in the service business. This includes, before all else, revenues and expenses for services from payment transactions, from share business, from loan and leasing businesses and from currency, foreign currency and precious metals business, as well as other service businesses. Net commission profits and expenditures are delineated for each given period and then recorded, after the specific services have been performed to completion.

(38) Trading Profit

Trading profit shows the valuation results for the Held for Trading and Designated at Fair Value categories. Interest and dividend income from financial assets and liabilities in these valuation categories are shown under net interest income. It also includes income from securities trading.

NOTES ON PROFIT AND LOSS ACCOUNT

(39) Net interest income

in Tsd €	2010	2009
Interest and similar earnings from receivables from financial institutions	3.314	14.093
Interest and similar earnings from receivables from customers	141.988	165.166
Interest and similar earnings from debentures	103.057	135.576
Interest and similar earnings from leasing receivables	15.255	22.481
Interest earnings from derivatives	115.089	76.011
Earnings from shares and other non-fixed interest rate securities	1.037	2.062
Earnings from holdings from associated, non-consolidated companies	614	274
Other earnings from holdings	1.925	1.157
Interest and similar expenses	**382.279**	**416.820**
Interest and similar expenses for payable to financial institutions	-5.038	-7.263
Interest and similar expenses for payable to customers	-46.654	-65.125
Interest and similar expenses for securitised liabilities	-197.643	-218.320
Interest and similar expenses for subordinate/non-core capital	-8.645	-10.420
Interest and similar expenses	**-257.980**	**-301.128**
Net interest income	**124.299**	**115.692**

Net interest income broken down by valuation categories for financial assets and liabilities as follows:

in Tsd €	2010	2009
Commercial assets and derivatives	281.882	312.043
Financial assets - designated at Fair Value	29.081	10.876
Financial assets - HTM	30.476	99.641
Financial assets - AFS	29.878	56.851
Credits and receivables	175.168	87.274
Investment holdings	2.539	1.431
Net earnings	**549.024**	**568.116**
Derivatives	-166.745	-235.877
Financial liabilities - designated at Fair Value	-176.877	-181.608
Securitised liabilities	-81.103	-34.939
Interest paid	**-424.725**	**-452.424**
Net interest income	**124.299**	**115.692**

The net interest income for financial assets which are not valued at Fair Value amount to TEUR 208,183 (2009: TEUR 188,346). The corresponding interest expenditure for financial liabilities amounts to TEUR 81,103 (2009: TEUR 34,939).

(40) Loan Risk Provisions

in Tsd €	2010	2009
Assignments to allowances	-88.601	-86.111
Dissolutions of allowances	19.548	13.661
Direct writedowns of receivables	-163	-885
Earnings from entry of written receivables	632	468
Assignments of reserves	-3.892	-1.210
Dissolutions of reserves	848	1.571
Loan Risk Provisions	**-71.628**	**-72.506**

In the assignment of allowances, an entry for loan risk provisions to financial institutions in the amount of TEUR 313 is made. In business year 2010, no profit-affecting change in risk reserves for credit institutes were made. All remaining profit-affecting items for loan risk provisions are allowances for receivables from customers {see Notes (53)}

The loss on the credit business isthe result of directly writing down receivables, income from receivables that were written off plus take-up of provisions made. In 2010, this loss was TEUR 20,487 (2009: TEUR 15,907).

(41) Net commission profits

in Tsd €	2010	2009
Commission earnings from credit/leasing business	4.946	6.107
Commission earnings from securities business	16.504	16.012
Commission earnings from current account and money transfer business	8.744	9.341
Commission earnings from other services	4.907	4.157
Commission earnings	**35.101**	**35.617**
Commission expenses from credit/leasing business	-1.007	-920
Commission expenses from securities business	-3.887	-3.484
Commission expenses from current account and money transfer business	-1.795	-1.517
Commission expenses from other services	-1.203	-1.274
Commission expenses	**-7.892**	**-7.195**
Commission profit	**27.209**	**28.422**

In Net commission profits are profits from trustee business amounting to TEUR 272,000 (2009: TEUR 218). The commissions expenditures contain expenses from turstee business in the amount of TEUR 22 (2009: TEUR 33).

(42) Trading profit

in Tsd €	2010	2009
Business based on intrinsic values	253	-158
Business based on currency values	1.590	-9
Interest-based business	3.432	19.409
Trading earnings, narrowly defined	**5.275**	**19.242**
Valuation result for securities at fair value	-178.434	-70.136
Valuation result of derivatives	175.093	59.709
Valuation result	**-3.341**	**-10.427**
Trading profit	**1.934**	**8.815**

The breakdown of the valuation results for financial instruments designated at fair value by the balance sheet headings under which financial assets and liabilities are shown is as follows:

in Tsd €	2010	2009
Receivables from customers	466	5.081
Financial assets - designated at Fair Value	8.202	-10.932
Payable from customers	-24.576	-14.968
Financial liabilities - designated at Fair Value	-162.526	-49.317
Valuation results for securities at fair value	**-178.434**	**-70.136**

(43) Net Hedging Profits

Net hedging results shows the valuationresults from effective hedging for hedge accounting purposes. These results are made up as follows:

in Tsd €	2010	2009
Profit from secured hedged items	-1.293	7.656
Profit from derivatives used as hedge accounting	109	-7.765
Profit from hedge accounting	**-1.184**	**-109**

(44) Profits from Financial Instruments

in Tsd €	2010	2009
Realised profits from outward movements	17.735	20.984
Realised losses from outward movements	-4.951	-4.064
Depreciated values of financial instruments and holdings	-8.961	-16.365
Other valuation results (currencies)	0	3.055
Financial instrument investment profits	**3.823**	**3.610**

The profit from financial instruments, broken down into valuation categories, comprises the following:

in € precisely	2010	2009
Profit/Loss from financial assets - AFS	13.876	1.595
Profit-affecting valuation changes via AFS provisions of financial assets - AFS	-5.819	808
Devaluations of financial assets - AFS	-4.698	-2.512
Profit/Loss from holdings and other	-137	6.740
Devaluations of holdings	-839	-3.160
Profit from financial assets - AFS	**2.383**	**3.471**
Profit/Loss from financial assets - HTM	3.291	10.682
Devaluations of financial assets - HTM	-528	-5.021
profit from financial assets - HTM	**2.763**	**5.661**
Profit/Loss from financial assets - L&R	1.573	150
Devaluations of financial assets - L&R	-2.896	-5.672
profit from financial assets - L&R	**-1.323**	**-5.522**
Profit from financial instruments	**3.823**	**3.610**

The profit from repurchase of our own bank issues amounts to TEUR 2,296 (2009: TEUR 2,365).

(45) Administrative Costs

in Tsd €	2010	2009
Personnel expenses	-53.762	-54.117
Material expenses	-24.887	-28.455
Writedowns on tangible assets andintangible assets	-6.212	-7.728
Administrative expenses	**-84.861**	**-90.300**

Personnel costs

in Tsd €	2010	2009
Salaries and wages	-38.543	-39.165
Legally prescribed social expenses	-10.251	-10.293
Voluntary social expenses	-1.034	-776
Expenses for old age provisions	-1.974	-2.000
Expenses for severance payments and pensions	-1.960	-1.883
Personnel expenses	**-53.762**	**-54.117**

Severance payments and pension costs also include payments to company staff pension funds amounting to TEUR 154 (2009: TEUR 153).

Material costs

in Tsd €	2010	2009
Buildings expenses	-4.643	-4.660
Computer systems expenses	-6.307	-6.817
Communications expenses	-1.513	-1.462
Personnel development expenses	-848	-948
Advertising and representation expenses	-4.211	-4.951
Legal and consulting expenses	-2.903	-4.971
Costs for legal structures	-1.221	-1.873
Other expenses on tangibles	-3.241	-2.773
Material expenses	**-24.887**	**-28.455**

Contained in the costs for legal and advisory expenses and/or costs for legal structures are expenses for auditors in the amount of TEUR 188 (2009: 314). The expenses for auditors are broken down into expenses (costs for legal structures) for examination of individual financial statements and the consolidated financial statement in the amount of TEUR 184 (2009: 284) and for expenses for other confirmation expertises in the amount of TEUR 4 (2009: TEUR 30).

Depreciation on tangible and intangible fixed assets

in Tsd €	2010	2009
Machinery and equipment	-2.890	-3.337
Real estate	-2.277	-3.388
Intangible assets	-1.045	-1.003
Writedowns of real estate and tangible assets	**-6.212**	**-7.728**

(46) Other operating income

Other operating income includes the following:

in Tsd €	2010	2009
Earnings from leasing business	6.992	5.736
Profits from real estate divestitures	1.160	4.148
Rental earnings from investment properties	10.692	10.734
Earnings from assets held for sale	3.594	370
Other earnings	1.599	4.699
Other operating income	**24.037**	**25.687**

(47) Other operating expenses

Other operating expenses include the following:

in Tsd €	2010	2009
Expenses from leasing business	-4.665	-5.773
Losses from real estate divestitures	-3.421	-148
Writedowns in connection with properties held as financial investments	-5.497	-5.327
Expenses in connection with properties held as financial investments	-4.456	-3.802
those connected with rented properties	-4.439	-3.778
those not connected with rented real estate	-17	-24
Expenses in connection with assets held for sale	-2.127	-435
Operational liability cases	-251	-324
Other expenses	-258	-2.427
Other operating expenses	**-20.675**	**-18.236**

(48) Profit from associated companies

in Tsd €	2010	2009
Profit from associated companies	**-809**	**996**

(49) Taxes on income and profits

in Tsd €	2010	2009
Running tax claims	-1.624	-1.927
Latent taxes	1.542	3.988
Running taxes from earlier periods	0	19
Taxes on income and earnings	**-82**	**2.080**

Current taxes are based on the taxable profits in this fiscal year at the local tax rates applicable to each group company. The overview below shows how theoretical taxes on earnings and those shown relate to each other. The applicable corporate tax for Austrian companies amounts to 25 percent. This tax rate underlies the following leadover account. The leadover depicts the connection between the calculated and the recorded income taxes.

in Tsd €	2010	2009
Earnings before taxes	2.146	2.071
Applicable tax rate	25 %	25 %
Calculable taxes on earnings	**-537**	**-518**
Tax effects		
from tax-free earnings on holdings	407	2.032
from investment privileges	-16	-22
from other tax-free earnings	5	500
from previous years	134	1.401
from pre-payments	78	-53
fromd eviating tax rates abroad	349	-103
from other non-deductible expenses	-1.308	647
from other discrepancies	533	-1.804
Disclosed taxes on earnings	**-82**	**2.080**

The amount of latent taxes in the amount of TEUR 1.542 of the current year and the latent taxes from the previous year in the amount of TEUR 3,988 result in their entirety from temporary divergencies or the elimination of such.

(50) Cash Reserves

in Tsd €	2010	2009
Cash balance	24.351	27.661
Credit balance at central banks	70.385	96.308
Cash reserves	**94.736**	**123.969**

Of the credit balances with central banks, TEUR 70,385 (2009: TEUR 96,308) are designated minimum reserves required by ECB laws.

(51) Receivables from financial institutions

Receivables from financial institutions come under "Loans and Receivables" and are valuated at extrapolated acquisition cost.

Receivables from financial institutions by transactiontypes

in Tsd €	2010	2009
Interbank accounts	39.530	35.813
Money market business	100.890	128.141
Loans to banks	153.468	148.305
Other receivables	691	1.355
Receivable from financial institutions	**294.579**	**313.614**

Receivables from financial institutions by region

in Tsd €	2010	2009
Austria	**213.490**	**228.730**
Other countries	**81.089**	**84.884**
Germany	23.312	33.025
Italy	29.406	29.781
Other countries, inc. CEE	28.371	22.078
Receivable from financial institutions	**294.579**	**313.614**

Receivables from financial institutions by maturity

in Tsd €	2010	2009
callable daily	104.125	107.272
up to 3 months	56.407	60.257
3 months - 1 year	59.974	36.295
1 - 5 years	59.646	51.867
more than 5 years	14.427	57.923
Receivable from financial institutions	**294.579**	**313.614**

(52) Receivables from customers

Receivables from customers, at TEUR 679,108 (2009: TEUR 586,846) are put under "financial assets valued effective on profits designated at fair value". Other receivables, at TEUR 6,730,018 (2009: TEUR 6,592,714) come under "Loans and Receivables".

Receivables from customers by transaction type (before risk provisions)

in Tsd €	2010	2009
Current account area	1.193.542	1.216.259
Cash	137.632	148.011
Credits	3.482.003	3.404.918
Draft credits	332	157
Communal covering loan	903.766	818.288
Coverd loan	495.759	460.326
Other loan	252.704	245.393
Leasing receivables	813.616	850.408
Other receivables	129.772	35.800
Receivable from customers	**7.409.126**	**7.179.560**

Receivables from customers by region

in Tsd €	2010	2009
Austria	**5.257.501**	**4.905.634**
Other countries	**2.151.625**	**2.273.926**
Germany	658.800	754.761
Italy	1.340.818	1.377.934
Other countries, inc. CEE	152.007	141.231
Receivable from customers	**7.409.126**	**7.179.560**

Receivables from customers by maturity

in Tsd €	2010	2009
callable daily	816.868	885.477
up to 3 months	447.891	406.245
3 months - 1 year	294.130	589.580
1 - 5 years	2.062.782	1.665.974
more than 5 years	3.787.455	3.632.284
Receivable from customers	**7.409.126**	**7.179.560**

Receivables from customers by sector

in Tsd €	2010	2009
Public sector	918.742	849.838
Corporate customers	5.242.360	5.086.595
Private households	1.163.313	1.077.971
Other	84.711	165.156
Receivable from customers	**7.409.126**	**7.179.560**

Gross and net investments in leasing

in Tsd €	2010	2009
Gross investment value	975.675	1.015.224
Unrealised earnings	-162.059	-164.816
Net investment value	**813.616**	**850.408**
Non-guaranteed remaining value	**157.208**	**167.505**
Accumulated value adjustments	**-10.290**	**11.212**

The accumulated revaluations in the leasing business are shown in the item risk provisions on receivables from customers.

In the current business year, no contingency payments are recorded as expenses.

Net investment in leasing by maturity

in Tsd €	2010	2009
up to 3 months	23.223	25.023
3 months - 1 year	43.446	37.995
1 - 5 years	272.772	163.191
more than 5 years	474.175	624.199
Leasing receivables	**813.616**	**850.408**

(53) Risk provisions on receivables from financial institutes and customers

Changes in risk provisions on receivables from financial institutions

in Tsd €	2010	2009
per 1 January	-1.253	-940
Assignment	0	-313
Provision for risk on receivables from financial institutions	**-1.253**	**-1.253**

Changes in provision for risk for receivables from customers

in Tsd €	2010	2009
per 1 January	-155.127	-98.509
Currency differences	-1.095	29
Use	20.956	15.490
Dissolution	19.548	13.661
Assignment	-88.601	-85.798
Provision for risk on receivables from customers	**-204.319**	**-155.127**

Provision for risk on receivables from customers by region

in Tsd €	2010	2009
Austria	**-103.031**	**-81.617**
Other countries	**-101.288**	**-73.510**
Germany	-36.791	-33.648
Italy	-63.890	-39.203
Other countries, inc. CEE	-607	-659
Provision for risk on receivables from customers	**-204.319**	**-155.127**

Changes in risk provisions for receivables from customers

in Tsd €	per 1.1	currency conversion	use	dissolution	assignment	per 31.12.
2009						
Credit risks - EWB	-80.510	31	15.631	11.167	-80.977	**-134.658**
Credit risks - package EWB	-12.504	-2	-141	1.730	-4.821	**-15.738**
Package precautions (portfolio)	-5.495	0	0	764	0	**-4.731**
Total	**-98.509**	**29**	**15.490**	**13.661**	**-85.798**	**-155.127**
2010						
Credit risks - EWB	-134.658	-1.078	18.644	17.260	-84.471	**-184.303**
Credit risks - package EWB	-15.738	3.848	2.312	1.447	-3.440	**-11.571**
Package precautions (portfolio)	-4.731	-3.865	0	841	-690	**-8.445**
Total	**-155.127**	**-1.095**	**20.956**	**19.548**	**-88.601**	**-204.319**

Changes in provision for risk for receivables from customers by sector

in Tsd €	per 1.1	currency conversion	use	dissolution	assignment	per 31.12.
2009						
Corporate customers	-83.491	23	13.048	11.829	-79.048	**-137.639**
Private households	-14.626	6	2.442	1.842	-6.590	**-16.926**
Other	-392	0	0	-10	-160	**-562**
Total	**-98.509**	**29**	**15.490**	**13.661**	**-85.798**	**-155.127**
2010						
Corporate customers	-137.639	-797	18.739	15.917	-78.501	**-182.281**
Private households	-16.926	-298	2.217	3.303	-9.857	**-21.561**
Other	-562	0	0	328	-243	**-477**
Total	**-155.127**	**-1.095**	**20.956**	**19.548**	**-88.601**	**-204.319**

The unwinding of TEUR 151 (2009: TEUR 333) was covered by risk costs under interest income in the P&L account.

Allowing for provision for risks, receivables from financial institutions and for customers break down as follows:

in Tsd €	Receivables from customers		Receivables from financial institutions	
	2010	**2009**	**2010**	**2009**
Non-individually revalued receivables	6.795.576	6.625.048	292.079	311.114
Overdue, but not value-adjusted receivables	19.596	35.482	0	0
Individually revalued receivables	593.954	519.030	2.500	2.500
Risk provision	-204.319	-155.127	-1.253	-1.253
Receivables	**7.204.807**	**7.024.433**	**293.326**	**312.361**

Receivables for which individual valuation adjustments were made are receivables for which individual valuation adjustments and a blanket individual adjustment were made

The quality of the loans for the receivables form financial institutions and receivables from customers for which no individual valuation adjustments were made may be gathered from our internal rating categories as follows:

in Tsd €	receivables from customers		receivables from financial institutions	
	2010	2009	2010	2009
Outstanding creditworthiness (ratings 1A-2B)	1.541.968	1.511.439	66.905	104.148
Very good creditworthiness (ratings 2C-2E)	1.571.208	1.363.387	74.397	17.024
Good creditworthiness (ratings 3A-3B)	1.683.110	1.499.528	24.097	88.064
Medium creditworthiness (ratings 3C-3E)	1.507.576	1.693.520	123.180	78.019
Weak creditworthiness (ratings 4A-4B)	262.069	313.544	0	23.859
Very weak creditworthiness (ratings 4C-4E)	229.645	243.630	3.500	0
Non-individually revalued receivables	**6.795.576**	**6.625.048**	**292.079**	**311.114**

Once payments are ninety days in arrears, we allocate receivables to our internal rating category 5A, i.e. "Receivables which are overdue but for which no valuation adjustment has been made". Should receivables be written down because they are overdue, they are put under individual valuation adjustments.
The sum of overdue receivables in rating level 5A amount to TEUR 19,596 (2009: TEUR 35,482).

Analysing the receivables overdue in the fiscal year 2009, we find as follows:

in Tsd €	receivables from customers	
	2010	2009
1 day - 3 months	**74.371**	**75.205**
3 - 6 months	19.231	33.301
6 months - 1 year	359	1.104
over 1 year	6	1.077
Overdue, but not revalued receivables	**19.596**	**35.482**
Total overdue receivables	**93.967**	**110.687**

If customers are unsound, and hence need writing down, this is reflected in our "Default" ratings, which is divided into categories 5B-5E. Ratings 5B to 5E run from commitments which start off at risk, though deferrals or withholding payments because customers are on the verge of becoming insolvent or over-indebted through to potential bad debts because insolvency proceedings have been opened.

The receivables for which individual valuation adjustments were required in the fiscal year 2009 were as follows:

in Tsd €	receivables from customers		receivables from financial institutions	
	2010	2009	2010	2009
Rating level 5B	322.357	294.497	0	0
Rating level 5C	221.852	173.926	0	0
Rating level 5D	49.718	50.587	2.500	2.500
Rating level 5E	27	20	0	0
Individually revalued receivables	**593.954**	**519.030**	**2.500**	**2.500**
Risk provisions	-204.319	-155.127	-1.253	-1.253
Net book value of individually revalued receivables	**389.635**	**363.903**	**1.247**	**1.247**

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

We take steps to reduce risks through demanding collateral in particular. The main forms of collateral used are mortgages, guarantees and other assets.

Attributable security - valued in accordance with regulatory law principles - reduce the default risks on receivables which are overdue but not written down and those which are written down individually as follows:

in Tsd €	2010	2009
Securities for overdue, but non-individually revalued receivables	13.362	28.386
Securities for individually revalued receivables	356.404	323.541

(54) Positive market value of derivative hedging instruments

The only hedging instruments used are rate swaps.

in Tsd €	2010	2009
Positive values from allocated effective fair value hedges	1.692	1.231

Basic transactions in this corporate group are only fixed rate securities in the category AFS. The book value of the securitised basic business on 31.12.2010 amounted to TEUR 17,115 (2009: TEUR 18,408).

(55) Trading Assets and Derivatives

Trading assets by transaction type

in Tsd €	2010	2009
Debentures of public issuers	0	8
Debentures of other issuers	0	44
Share certificates	137	7.859
Positive market values from derivatives	507.616	324.993
Interest deferral of commercial assets	128.711	126.507
Trading assets	**636.464**	**459.411**

Trading assets by maturity

in Tsd €	2010	2009
up to 3 months	33.273	32.073
3 months - 1 year	14.470	50.552
1 - 5 years	171.484	91.029
more than 5 years	417.100	277.898
uncallable	137	7.859
Trading assets	**636.464**	**459.411**

Derivatives

in Tsd €	Nominal		Positive market value		Negative market value	
	2010	2009	2010	2009	2010	2009
Derivatives held for trading						
FX-forward contracts	651.979	225.483	27.700	2.895	471	1.355
Currency derivatives	**651.979**	**225.483**	**27.700**	**2.895**	**471**	**1.355**
Interest swaps	10.971.944	9.777.730	467.586	311.540	117.482	93.670
Interest options	0	385.000	0	233	0	420
Forward contracts	1.534.585	877.841	12.330	10.080	3.096	2.674
Futures	0	50.000	0	176	0	364
Interest derivatives	**12.506.529**	**11.090.571**	**479.916**	**322.029**	**120.578**	**97.128**
Credit default swaps	51.920	253.631	0	69	2.890	2.296
net asset value dependent derivatives	**51.920**	**253.631**	**0**	**69**	**2.890**	**2.296**
Trading assets	**13.210.428**	**11.569.685**	**507.616**	**324.993**	**123.939**	**100.779**

The default risks on trading assets can be assessed using our internal rating system. Trading assets are rated inclusive of their interest demarcation. Our internal ratings correspond to the rating categories as stated in Notes (53) and which are used below for assessing the default risks for all financial assets and liabilities in standard fashion. "Top creditworthiness" is a sub-category of rating class "Outstanding creditworthiness" and corresponds to rating levels 1A to 1E.

2010

in Tsd €	for commercial purpose	Derivates	commercial assets
Outstanding creditworthiness	14	610.544	**610.558**
Very good creditworthiness	0	21.470	**21.470**
Good creditworthiness	123	1.139	**1.262**
Medium creditworthiness	0	1.347	**1.347**
Weak creditworthiness	0	1.741	**1.741**
Very weak creditworthiness	0	86	**86**
Total amount	**137**	**636.327**	**636.464**

2009

in Tsd €	for commercial purpose	Derivates	commercial assets
Outstanding creditworthiness	482	427.902	**428.384**
Very good creditworthiness	0	21.963	**21.963**
Good creditworthiness	7.429	402	**7.831**
Medium creditworthiness	0	407	**407**
Weak creditworthiness	0	787	**787**
Very weak creditworthiness	0	39	**39**
Total amount	**7.911**	**451.500**	**459.411**

(56) Financial assets - designated at Fair Value

Financial assets designated at fair value according to sector

in Tsd €	2010	2009
Debentures of public issuers	171.869	103.355
Deentures of other issuers	643.256	486.680
Interest deferral of trading assets	17.562	12.630
Financial assets - designated at fair value	**832.687**	**602.665**

Financial assets - designated at fair value, according to maturity

in Tsd €	2010	2009
up to 3 months	5.106	0
3 months - 1 year	55.353	39.796
1 - 5 years	337.772	271.954
more than 5 years	434.456	290.915
Trandining assets	**832.687**	**602.665**

The default risk of financial assets designated at fair value, assessed via our internal rating categories, manifests the following picture:

in Tsd €	2010	2009
Outstanding creditworthiness	795.990	564.760
Very good creditworthiness	1.047	10.750
Good creditworthiness	23.609	12.548
Medium creditworthiness	12.041	13.176
Weak creditworthiness	0	236
Very weak creditworthiness	0	1.195
Total amount	**832.687**	**602.665**

(57) Financial assets - AFS

Financial holdings and shares in associated companies are shown at extrapolated acquisition cost.

Financial assets - AFS, according to sector

in Tsd €	2010	2009
AFS debentures of public issuers	224.316	244.766
AFS debentures of other issuers	867.473	1.146.589
AFS shares	7.135	10.569
AFS other shareholder rights	41.396	36.548
Interest deferral of AFS holdings	11.971	12.681
Holdings - other companies	60.837	60.332
Shares in associated companies	18.147	18.147
Financial assets - AFS	**1.231.275**	**1.529.632**

Financial assets - AFS, according to maturity

in Tsd €	2010	2009
up to 3 months	75.772	70.974
3 months - 1 year	128.126	232.098
1 - 5 years	600.321	607.289
more than 5 years	298.491	490.755
uncallable	128.565	128.516
Financial assets - AFS	**1.231.275**	**1.529.632**

Changes in historical acquisition costs and comparative book values

in Tsd €	Acqui-sition value per 1.1.	Currency diversion	Entries in fiscal year	Con-version/ Con-solidation	Divesti-tures in fiscal year	Acqui-sition value per 31.12.	Book value per 31.12.	Book value per 1.1.
2009								
Debentures of public issuers	108.262	0	155.202	0	-24.334	**239.130**	244.766	106.238
Debentures of other issuers	1.532.128	0	106.034	0	-492.418	**1.145.744**	1.146.589	1.499.997
Shares	24.363	0	2.065	0	-10.843	**15.585**	10.569	14.542
Investment certificiates	67.603	0	2.450	0	-28.192	**41.861**	36.548	54.269
Holdings of other companies	62.955	0	3.741	-786	-239	**65.671**	60.332	60.776
Shares in associated companies	20.435	0	0	-36	0	**20.399**	18.147	18.183
Interest deferrals	0	0	0	0	0	**0**	12.681	17.300
Financial assets - AFS	**1.815.746**	**0**	**269.492**	**-822**	**-556.026**	**1.528.390**	**1.529.632**	**1.771.305**
2010								
Debentures of public issuers	239.130	0	40.613	0	-64.912	**214.831**	224.316	244.766
Debentures of other issuers	1.145.744	0	234.526	0	-509.897	**870.373**	867.473	1.146.589
Shares	15.585	0	2.361	0	-8.104	**9.842**	7.135	10.569
Investment certificiates	41.861	0	22.811	0	-19.084	**45.588**	41.396	36.548
Holdings of other companies	65.671	0	1.925	0	-581	**67.015**	60.837	60.332
Shares in associated companies	20.399	0	0	0	0	**20.399**	18.147	18.147
Interest deferrals	0	0	0	0	0	**0**	11.971	12.681
Financial assets - AFS	**1.528.390**	**0**	**302.236**	**0**	**-602.578**	**1.228.048**	**1.231.275**	**1.529.632**

The profit-affecting and profit-neutral changes in AFS provisions are shown under II. Consolidated Profit Account.

In the year of reporting, adjustments in the category AFS in the amount of TEUR 4,697 (2009: TEUR 2,512) from AFS provisions were redesignated to the profit and loss account. The changes in adjustments for financial assets - AFS which were shown in the profit and loss account are as follows:

in Tsd €	Depreciation per 1.1.	Currency diversion	Entries in fiscal year	Con-version/Con-solidation	Divesti-tures in fiscal year	Depreciation per 31.12.
2009						
Debentures of public issuers	0	0	0	0	0	**0**
Debentures of other issuers	-1.372	0	-852	0	1.372	**-852**
Shares	-8.271	0	-1.031	0	4.296	**-5.006**
Investment certificiates	-6.599	0	-629	0	5.264	**-1.964**
Holdings of other companies	-2.178	0	-3.160	0	0	**-5.338**
Shares in associated companies	-2.252	0	0	0	0	**-2.252**
Financial assets - AFS	**-20.672**	**0**	**-5.672**	**0**	**10.932**	**-15.412**
2010						
Debentures of public issuers	0	0	0	0	0	**0**
Debentures of other issuers	-852	0	-668	0	0	**-1.520**
Shares	-5.006	0	-291	0	2.669	**-2.628**
Investment certificiates	-1.964	0	-3.739	0	948	**-4.755**
Holdings of other companies	-5.338	0	-839	0	0	**-6.177**
Shares in associated companies	-2.252	0	0	0	0	**-2.252**
Financial assets - AFS	**-15.412**	**0**	**-5.537**	**0**	**3.617**	**-17.332**

The default risks in financial assets - AFS, using our internal rating system for assets shown as financial assets, are as follows.

in Tsd €	2010	2009
Outstanding creditworthiness	1.028.942	1.278.099
Very good creditworthiness	16.121	41.230
Good creditworthiness	89.840	113.988
Medium creditworthiness	4.253	15.128
Weak creditworthiness	11.335	908
Very weak creditworthiness	1.800	1.800
Holdings - other companies	60.837	60.332
Shares in associated companies	18.147	18.147
Total amount	**1.231.275**	**1.529.632**

(58) Financial assets - HTM

Financial assets - HTM, according to sector

in Tsd €	2010	2009
HTM Debentures of public issuers	255.656	474.810
HTM Debentures of other issuers	653.189	898.564
Interest limitations on HTM items	15.040	24.239
Financial assets - HTM	**923.885**	**1.397.613**

Financial assets - HTM, according to maturity

in Tsd €	2010	2009
callable daily	400	400
up to 3 months	93.319	157.546
3 months - 1 year	107.730	281.032
1 - 5 years	604.291	712.446
more than 5 years	118.145	246.189
Financial assets - HTM	**923.885**	**1.397.613**

Changes in historic acquisition costs and comparative book value

in Tsd €	Acquisition value per 1.1.	Currency diversion	Entries in fiscal year	Conversion/ Consolidation	Divestitures in fiscal year	Acquisition value per 31.12.	Book value per 31.12.	Book value per 1.1.
2009								
Debentures of public issuers	1.203.252	0	0	0	-721.614	**481.638**	474.810	1.190.268
Debentures of other issuers	1.184.976	0	0	0	-268.908	**916.068**	898.564	1.171.546
Interest deferrals	0	0	0	0	0	**0**	24.239	48.288
Financial assets - HTM	**2.388.228**	**0**	**0**	**0**	**-990.522**	**1.397.706**	**1.397.613**	**2.410.102**
2010								
Debentures of public issuers	481.638	0	0	0	-223.654	**257.984**	255.656	474.810
Debentures of other issuers	916.068	0	0	0	-250.912	**665.156**	653.189	898.564
Interest deferrals	0	0	0	0	0	**0**	15.040	24.239
Financial assets - HTM	**1.397.706**	**0**	**0**	**0**	**-474.566**	**923.140**	**923.885**	**1.397.613**

In the year of reporting, sales of HTM investments in insignificant amounts were undertaken, so that the regulations with regard to “Tainting Rules” were not applicable.

In the year of reporting, depreciations in the category AFS in the amount of TEUR 528 (2009: TEUR 5,021) from HTM provisions were shown in profit-affecting ways. The changes in depreciations are as follows:

in Tsd €	Depreciation per 1.1.	Currency diversion	Entries in fiscal year	Con-version/Con-solidation	Divesti-tures in fiscal year	Depreciation per 31.12.
2009						
Debentures of public issuers	0	0	-371	0	0	**-371**
Debentures of other issuers	-13.481	0	-4.650	0	0	**-18.131**
Financial assets - HTM	**-13.481**	**0**	**-5.021**	**0**	**0**	**-18.502**
2010						
Debentures of public issuers	-371	0	-89	0	371	**-89**
Debentures of other issuers	-18.131	0	-439	0	4.413	**-14.157**
Financial assets - HTM	**-18.502**	**0**	**-528**	**0**	**4.784**	**-14.246**

In terms of depreciation, which are shown in profit-affecting fashion in the profits from financial investments, financial assets in the HTM category can be broken down as follows:

in Tsd €	2010	2009
HTM financial investments not value-adjusted	910.035	1.384.821
HTM financial investments value-adjusted	28.096	31.294
Depreciation	-14.246	-18.502
Financial assets - HTM	**923.885**	**1.397.613**

The default risks in financial assets - HTM, using our internal rating system for assets shown as financial assets, are as follows.

in Tsd €	2010	2009
Outstanding creditworthiness	853.855	1.304.471
Very good creditworthiness	20.990	37.524
Good creditworthiness	35.002	40.695
Medium creditworthiness	1.932	6.754
Weak creditworthiness	8.706	3.769
Very weak creditworthiness	3.400	4.400
Total amount	**923.885**	**1.397.613**

(59) Financial assets - L&R

Financial assets - L&R, according to sector

in Tsd €	2010	2009
L&R debentures	135.452	161.495
Interest deferral of L&R investments	393	445
Financial assets - L&R	**135.845**	**161.940**

Financial assets - L&R, according to maturity

in Tsd €	2010	2009
up to 3 months	32.554	2.616
1 - 5 years	18.898	62.719
more than 5 years	84.393	96.605
Financial assets - L&R	**135.845**	**161.940**

Changes in historic acquisition costs and comparative book value

in Tsd €	Acqui-sition value per 1.1.	Currency diversion	Entries in fiscal year	Con-version/ Con-solidation	Divesti-tures in fiscal year	Acqui-sition value per 31.12.	Book value per 31.12.	Book value per 1.1.
2009								
Debentures	203.520	0	0	0	-32.972	**170.548**	161.495	205.273
Interest deferrals	0	0	0	0	0	**0**	445	1.662
Financial assets - L&R	**203.520**	**0**	**0**	**0**	**-32.972**	**170.548**	**161.940**	**206.935**
2010								
Debentures	170.548	0	438	0	-28.745	**142.241**	135.452	161.495
Interest deferrals	0	0	0	0	0	**0**	393	445
Financial assets - L&R	**170.548**	**0**	**438**	**0**	**-28.745**	**142.241**	**135.845**	**161.940**

In the year of reporting, depreciations for securities in the category "Loans & Receivables" in the amount of TEUR 2,896 (2009: TEUR 5,872) were reflected in profit-affecting fashion. The changes in depreciation are as follows:

in Tsd €	Depreciation per 1.1.	Currency diversion	Entries in fiscal year	Con-version/Con-solidation	Divesti-tures in fiscal year	Depreciation per 31.12.
2009						
Debentures	-500	0	-5.672	0	0	**-6.172**
Financial assets - L&R	**-500**	**0**	**-5.672**	**0**	**0**	**-6.172**
2010						
Debentures	-6.172	0	-2.896	0	3.306	**-5.762**
Financial assets - L&R	**-6.172**	**0**	**-2.896**	**0**	**3.306**	**-5.762**

In terms of depreciation, which are shown in profit-affecting fashion in the profits from financial investments, financial assets in the L&R category can be broken down as follows:

in Tsd €	2010	2009
L&R financial investments not value-adjusted	106.619	152.979
L&R financial investments value-adjusted	34.988	15.133
Depreciation L&R	-5.762	-6.172
Financial assets - L&R	**135.845**	**161.940**

The default risks in financial assets - L&R, using our internal rating system for assets shown as financial assets, are as follows.

in Tsd €	2010	2009
Outstanding creditworthiness	117.240	116.645
Very good creditworthiness	5.076	2.941
Good creditworthiness	4.653	34.203
Medium creditworthiness	2.296	2.790
Weak creditworthiness	6.068	3.093
Very weak creditworthiness	512	2.268
Total amount	**135.845**	**161.940**

(60) Shares in associated companies

Shares in associated companies are valued by the equity valuation method according to IAS 28.

in Tsd €	2010	2009
Shares in associated companies	**39.018**	**37.129**

For details of associated companies for the purposes of IFRS 28.37, please see Sec. VII.

(61) Real Estate held as a financial investment

Changes in historical acquisition costs and comparative book values

in Tsd €	Acquisition value per 1.1.	Currency diversion	Entries in fiscal year	Conversion/ Consolidation	Divestitures in fiscal year	Acquisition value per 31.12.	Book value per 31.12.	Book value per 1.1.
2009								
Land without buildings	14.596	0	379	4.286	-2.628	**16.633**	16.274	14.237
Land/buildings rented out - land share	26.795	0	0	360	-560	**26.595**	26.595	26.795
Land/buildings rented out - building share	161.727	0	4.855	7.476	-2.602	**171.456**	118.934	113.887
Equipment and machinery rented out	1.041	0	135	0	-27	**1.149**	456	408
Areas under construction	1.155	0	2.427	-2.486	-833	**263**	263	835
Investent properties	**205.314**	**0**	**7.796**	**9.636**	**-6.650**	**216.096**	**162.522**	**156.162**
2010								
Land without buildings	16.633	0	0	0	-2.635	**13.998**	13.518	16.274
Land/buildings rented out - land share	26.595	0	314	0	-952	**25.957**	25.943	26.595
Land/buildings rented out - building share	171.456	0	1.640	4.046	-3.634	**173.508**	116.992	118.934
Equipment and machinery rented out	1.149	0	86	3	-57	**1.181**	446	456
Areas under construction	263	0	4.100	-4.049	-6	**308**	308	263
Investent properties	**216.096**	**0**	**6.140**	**0**	**-7.284**	**214.952**	**157.207**	**162.522**

In the year ended, we reclassified assets not longer used for current business operations but rented out, from tangibles at historic acquisition costs in the amount of TEUR 9,636 to real estate held as financial investment. The cumulative writedown of these financial assets amounted to TEUR 405.

Changes in cumulative depreciation

in Tsd €	cumulative depreciation per 1.1.	Currency diversion	Entries in fiscal year	Conversion/Consolidation	Divestitures in fiscal year	cumulative depreciation per 31.12.
2009						
Land without buildings	-359	0	0	0	0	**-359**
Land/buildings rented out - land share	0	0	0	0	0	**0**
Land/buildings rented out - building share	-47.840	0	-5.240	-405	963	**-52.522**
Equipment and machinery rented out	-633	0	-87	0	27	**-693**
Areas under construction	-320	0	0	0	320	**0**
Investent properties	**-49.152**	**0**	**-5.327**	**-405**	**1.310**	**-53.574**
2010						
Land without buildings	-359	0	-121	0	0	**-480**
Land/buildings rented out - land share	0	0	-14	0	0	**-14**
Land/buildings rented out - building share	-52.522	0	-5.269	0	1.275	**-56.516**
Equipment and machinery rented out	-693	0	-93	0	51	**-735**
Areas under construction	0	0	0	0	0	**0**
Investent properties	**-53.574**	**0**	**-5.497**	**0**	**1.326**	**-57.745**

Where real estate is held as a financial investment, we agreed to provide works and office equipment as an ancillary service, so these assets are included here, too.

At the cutoff date for reporting, there are neither contractual obligations to purchase or generate financial investments in the form of real estate, nor substantial obligations with regard to repairs, maintenance or improvements.

The fair value of real estate held as financial investments per 31.12.2010 was TEUR 161,617 (2009: TEUR 165,865). Fair values are based on internal market valuations per balance sheet cutoff date.

(62) Intangible assets

Changes to historical acquisition costs and comparative book value

in Tsd €	Acquisition value per 1.1.	Currency diversion	Entries in fiscal year	Conversion/ Consolidation	Divestitures in fiscal year	Acquisition value per 31.12.	Book value per 31.12.	Book value per 1.1.
2009								
Intangible assets - clientele	0	0	215	809	0	**1.024**	603	0
Software	12.635	0	691	-809	0	**12.517**	1.456	2.156
Intangible assets	**12.635**	**0**	**906**	**0**	**0**	**13.541**	**2.059**	**2.156**
2010								
Intangible assets - clientele	1.024	0	77	0	0	**1.101**	528	603
Software	12.517	0	830	0	-86	**13.261**	1.393	1.456
Intangible assets	**13.541**	**0**	**907**	**0**	**-86**	**14.362**	**1.921**	**2.059**

Changes to cumulative depreciation

in Tsd €	cumulative depreciation per 1.1.	Currency diversion	Entries in fiscal year	Conversion/Consolidation	Divestitures in fiscal year	cumulative depreciation per 31.12.
2009						
Intangible assets - clientele	0	0	-146	-275	0	**-421**
Software	-10.479	0	-857	275	0	**-11.061**
Intangible assets	**-10.479**	**0**	**-1.003**	**0**	**0**	**-11.482**
2010						
Intangible assets - clientele	-421	0	-152	0	0	**-573**
Software	-11.061	0	-893	0	86	**-11.868**
Intangible assets	**-11.482**	**0**	**-1.045**	**0**	**86**	**-12.441**

The entries to intangible assets are for software in the amount of TEUR 830 indicate various software solutions which were acquired in the year of reporting by HYPO TIROL BANK AG in particular.

At the cutoff date for reporting, there are neither contractual obligations to purchase or generate financial investments in the form of real estate, nor substantial obligations with regard to repairs, maintenance or improvements.

(63) Tangible assets

Changes to historical acquisition costs and comparative book value

in Tsd €	Acqui-sition value per 1.1.	Currency diversion	Entries in fiscal year	Con-version/ Con-solidation	Divesti-tures in fiscal year	Acqui-sition value per 31.12.	Book value per 31.12.	Book value per 1.1.
2009								
Land without buildings	98	0	0	0	0	**98**	98	98
Land/buildings in bank use - land share	10.434	0	2.524	-360	-2.214	**10.384**	10.384	10.434
Land/buildings in bank use - building share	94.368	0	878	-1.940	-1.287	**92.019**	65.949	71.068
Equipment and machinery	46.129	0	1.518	5.441	-11.088	**42.000**	13.932	16.311
Areas under construction	41	0	7.217	0	0	**7.258**	7.258	41
Tangible assets	**151.070**	**0**	**12.137**	**3.141**	**-14.589**	**151.759**	**97.621**	**97.952**
2010								
Land without buildings	98	0	0	0	0	**98**	98	98
Land/buildings in bank use - land share	10.384	0	4.317	0	0	**14.701**	14.701	10.384
Land/buildings in bank use - building share	92.019	0	12.582	0	-9.111	**95.490**	67.143	65.949
Equipment and machinery	42.000	0	3.146	0	-922	**44.224**	13.823	13.932
Areas under construction	7.258	0	271	0	-7.252	**277**	277	7.258
Tangible assets	**151.759**	**0**	**20.316**	**0**	**-17.285**	**154.790**	**96.042**	**97.621**

In the previous year, assets not used for the bank's own operations but rented out were reclassified at historic purchase costs amounting to TEUR 9,636 into real estate held as financial investments. The accumulated writedown of these assets amounted TEUR 405. In the current year of reporting, no reclassifications were effected.

The entries of Areas under construction are largely the result of a new administrative building of the Hypo Tirol Bank Italia S.p.A. in Bolzano.

At the cutoff date for reporting, there are neither contractual obligations to purchase or generate financial investments in the form of real estate, nor substantial obligations with regard to repairs, maintenance or improvements.

Changes to cumulative depreciation

in Tsd €	cumulative depreciation per 1.1.	Currency diversion	Entries in fiscal year	Con-version/Con-solidation	Divesti-tures in fiscal year	cumulative depreciation per 31.12.
2009						
Land without buildings	0	0	0	0	0	**0**
Land/buildings in bank use - land share	0	0	0	0	0	**0**
Land/buildings in bank use - building share	-23.300	0	-3.388	405	213	**-26.070**
Equipment and machinery	-29.818	-5	-3.337	-2.711	7.803	**-28.068**
Areas under construction	0	0	0	0	0	**0**
Tangible assets	**-53.118**	**-5**	**-6.725**	**-2.306**	**8.016**	**-54.138**
2010						
Land without buildings	0	0	0	0	0	**0**
Land/buildings in bank use - land share	0	0	0	0	0	**0**
Land/buildings in bank use - building share	-26.070	0	-2.277	0	0	**-28.347**
Equipment and machinery	-28.068	-11	-2.890	0	568	**-30.401**
Areas under construction	0	0	0	0	0	**0**
Tangible assets	**-54.138**	**-11**	**-5.167**	**0**	**568**	**-58.748**

(64) Other assets

in Tsd €	2010	2009
Real estate	1.094	1.219
Assets held for sale	6.188	6.684
Tax receivables	21.754	22.581
Accounting deferral items	1.574	1.488
Other	21.723	14.358
Other assets	**52.333**	**46.330**

Other assets in 2010 comprised TEUR 18,677 on goods and services (2009: TEUR 8,753).

The tax receivables are mainly ongoing netting of consumption taxes and capitalised corporation tax prepayments to the value of TEUR 19,076 (2009: TEUR 19,604) for fiscal years for which no assessment has been made as yet.

With regard to assets held as security for non-performing loans, these are real estate properties whose sale by means of free-sale is intended.

(65) Latent income tax claims and tax obligations

in Tsd €	2010	2009
Receivable from financial institutions and customers	3.748	2.182
Financial assets - AFS	118.912	118.097
Financial assets - HTM	279	375
Real estate held as financial investments	321	294
Tangible assets	963	1.302
Other assets	49.235	59.875
Payable to credit institutes and customers	16.656	10.512
Negative market values from derivative hedging instruments	8.055	3.981
Derivatives	43.624	37.442
Financial payable - designated at Fair Value	22.376	0
Reserves	332	214
Other payables	83	12
Latent tax claims	**264.584**	**234.286**
Receivable from credit institutes and customers	15.658	16.378
Positive market values from derivatives	423	0
Trading assets and derivatives	159.082	113.183
Financial assets - designated at Fair Value	8.586	5.794
Financial assets - L & R	52	69
Real estate held as financial investments	789	669
Tangible assets	5	57
Certified liabilities	55.325	61.387
Financial liabilities - designated at Fair Value	0	15.031
Reserves	55	457
Other liabilities	20.503	18.356
Subordinate and non-core capital	7.065	6.979
Latent tax claims	**267.543**	**238.360**
Balance of latent tax claims	**2.959**	**4.074**

The changes in accounted latent tax claims and obligations are as follows:

in Tsd €	2010	2009
Latent tax claims	8.274	3.705
Latent tax obligations	11.233	7.779
Latent tax claims, balance	**2.959**	**4.074**

The changes in accounted latent tax claims and obligations are as follows:

in Tsd €	2010	2009
per 1.1.	**-4.074**	**1.731**
Latent taxes reflected in the P&L account	1.542	3.990
Profit-neutral latent taxes from valuation of financial assets - AFS		
Changes in valuation at fair value	-1.604	-10.878
Profit-affecting reclassification in P&L account	-43	1.083
Change in group	1.220	0
per 31.12.	**-2.959**	**-4.074**

In the latent tax claims from financial instruments, there are no latent tax claims associated with Available for Sale inventory recorded in business year 2010 and business year 2009.

The latent income tax claims and obligations were depicted as a final balance for the first time in business year 2010. The effects due to balancing on the amounts reported in the previous year are to be depicted as follows:

2008

in Tsd €	reported	balanced	following balance
Latent tax claims	102.985	96.619	**6.366**
Latent tax obligations	101.254	96.619	**4.635**
Latent tax claims, balance	**1.731**		**1.731**

2009

in Tsd €	reported	balanced	following balance
Latent tax claims	234.286	230.581	**3.705**
Latent tax obligations	238.360	230.581	**7.779**
Latent tax claims, balance	**4.074**		**4.074**

The balancing of latent taxes reduces correspondingly the amount in the balance sheet totals of the previous year's amounts. Due to this balancing, however, no substantial effects on the relevant business amounts occurs.

(66) Liabilities to financial institutions

Liabilities to financial institutions, according to transaction type

in Tsd €	2010	2009
Interbank accounts	400.316	320.053
Money market business	230.425	418.795
Trustee liabiities	18.579	22.127
Other liabilities	409	887
Liabilities to financial institutions	**649.729**	**761.862**

Liabilities to financial institutions, according to region

in Tsd €	2010	2009
Austria	**131.966**	**303.914**
Other countries	**517.763**	**457.948**
Germany	193.130	190.902
Italy	117	107
Other countries, inc. CEE	324.516	266.939
Liabilities to financial institutions	**649.729**	**761.862**

Liabilities to financial institutions, according to maturity

in Tsd €	2010	2009
callable daily	397.479	319.146
up to 3 months	122.625	98.863
3 months - 1 year	2.799	225.000
1 - 5 years	20.000	0
more than 5 years	106.826	118.853
Liabilities to financial institutions	**649.729**	**761.862**

(67) Payables to customers

Payables to customers in the amount of TEUR 1,001,520 (2009: TEUR 950,713) are classified as 'financial liabilities valued with effect on profits at attributable fair value'. The remaining liabilities of TEUR 1,937,239 (2009: TEUR 2,094,002) are classified as 'other liabilities'.

Payables to customers by transaction type

in Tsd €	2010	2009
Current accounts	783.841	784.258
Forward contracts	1.049.815	1.050.304
Other deposits	28.471	24.954
Savings accounts	662.596	806.049
Capital savings books	414.036	379.150
Liabilities to customers	**2.938.759**	**3.044.715**

Payables to customers by region

in Tsd €	2010	2009
Austria	**1.962.886**	**2.071.479**
Other countries	**975.873**	**973.236**
Germany	812.500	821.390
Italy	70.974	73.793
Other countries, inc. CEE	92.399	78.053
Liabilities to customers	**2.938.759**	**3.044.715**

Liabilities to customers, according to maturity

in Tsd €	2010	2009
callable daily	807.780	813.992
up to 3 months	181.145	211.469
3 months - 1 year	479.110	457.203
1 - 5 years	499.961	575.917
more than 5 years	970.763	986.134
Liabilities to customers	**2.938.759**	**3.044.715**

Liabilities to customers by sector

in Tsd €	2010	2009
Public sector	296.745	84.594
Corporate customers	1.033.954	1.019.638
Private households	1.524.884	1.642.875
Other	83.176	297.608
Liabilities to customers	**2.938.759**	**3.044.715**

(68) Securitised Liabilities

In November 2000, HYPO TIROL BANK AG underwrote an internationally recognized framework contract led by Deutsche Bank with a banking group acting as dealers, setting up a debt issuance program worth EUR 2 bn. As the volume of issues soared, this framework was increased to EUR 6.5 bn in June 2006. This program involves issuing bonds on the Luxemburg stock market or on any exchange agreed with the issuer.

The securitised liabilities are valued at extrapolated acquisition cost.

Securitised liabilities by transaction type

in Tsd €	2010	2009
Pfandbrief debentures	45.754	44.711
Communal debentures	30.114	30.114
Cash obligations	34.678	33.552
Bonds	1.425.559	1.612.032
Building society bank bonds	148.784	150.925
Bonds of the pfandbrief section	100.000	100.000
Deposit certificates	1.125	17.427
Interest deferrals	4.776	4.575
Securitised liabilities	**1.790.790**	**1.993.336**

Changes to securitised liabilities

in Tsd €	2010	2009
per 1.1	1.993.336	2.197.466
New	141.610	79.153
Repayments	-345.444	-271.592
Currency changes	1.087	-488
Interest deferral changes	201	-11.203
Securitised liabilities	**1.790.790**	**1.993.336**

Securitised liabilities, according to maturity

in Tsd €	2010	2009
callable daily	387	401
up to 3 months	26.576	12.906
3 months - 1 year	9.129	25.994
1 - 5 years	523.226	423.628
more than 5 years	1.231.472	1.530.407
Securitised liabilities	**1.790.790**	**1.993.336**

The liability maturity structure means that group's liquidity is adequately protected for the coming years.

(69) Negative market values from derivative hedging instruments

The only hedging instruments used are rate swaps.

in Tsd €	2010	2009
Negative market values from derivative financial instruments	32.222	22.672

Basic business in the corporate group comprise solely fixed interest rate securities in the AFS category. The book value of securitised basic business as of 31.12.2010 amounts to TEUR 17,115 (2009: TEUR 18,406).

(70) Derivatives

in Tsd €	2010	2009
Negative market values from derivative financial instruments	123.939	100.779
Interest deferrals	50.555	42.239
Derivatives	**174.494**	**143.018**

Derivatives by maturity

in Tsd €	2010	2009
up to 3 months	1.628	10.803
3 months - 1 year	6.234	16.491
more than 5 years	49.611	38.079
Derivatives	117.021	77.645
Derivate	**174.494**	**143.018**

(71) Financial liabilities designated at Fair Value

Financial liabilities designated at Fair Value by transaction type

in Tsd €	2010	2009
Pfandbrief debentures	138.429	126.464
Communal debentures	151.396	165.408
Cash obligations	29.204	1.661
Bonds	3.899.690	3.814.444
Building society bank bonds	239.656	235.658
Bonds of the pfandbrief section	756.597	736.876
Subordinate liabilities	118.968	129.657
Non-core capital	28.152	26.178
Interest deferrals	84.796	88.688
Financial liabilities designated at fair value	**5.446.888**	**5.325.034**

The repayment amount of financial liabilities designated at fair value amounts to TEUR 5,393,450 (2009: TEUR 5,085,985) which results in a difference between book value and repayment sum of TEUR 53,438 (2009: TEUR 239,049).

Changes to financial liabilities designated at fair value

in Tsd €	2010	2009
per 1.1.	5.325.034	5.932.780
New	191.811	181.383
Repayments	-578.344	-817.377
Currency changes	349.753	-14.488
Interest deferral changes	-3.892	-6.581
Financial liabilities designated at fair value	162.526	49.317
Finanzielle Verbindlichkeiten - designated at Fair Value	**5.446.888**	**5.325.034**

Changes to financial liabilities designated at fair value

in Tsd €	2010	2009
up to 3 months	271.266	90.907
3 months - 1 year	323.238	365.443
1-5 years	1.459.455	1.443.313
more than 5 years	3.392.929	3.425.371
Financial liabilities designated at fair value	**5.446.888**	**5.325.034**

(72) Provisions

in Tsd €	2010	2009
Provision for severance payments	9.323	8.548
Pension provision	6.860	6.691
Length-of-service provision	1.264	1.103
Loan risk provisions	7.910	5.673
Other provisions	5.262	4.345
Provisions	**30.619**	**26.360**

Changes in provisions for pensions, severance and length-of-service

in Tsd €	Severance provision	Pension provision	Length-of-service provision
2009			
per 1.1.	8.277	6.415	954
Service period expenses inc. ins. math. profit/loss	557	0	61
Interest expenses	784	347	53
Payments	-1.429	-757	-80
Actuarial profits/losses	359	686	115
of which, empirical adjustments	-393	330	36
per 31.12.	**8.548**	**6.691**	**1.103**
2010			
per 1.1.	8.548	6.691	1.103
Service period expenses inc. ins. math. profit/loss	406	0	72
Interest expenses	428	315	54
Payments	-738	-830	-35
Actuarial profits/losses	679	684	70
of which, empirical adjustments	-72	432	10
per 31.12.	**9.323**	**6.860**	**1.264**

Reserves for pensions, severance pay and length-of-service payments in last five years

in Tsd €	2010	2009	2008	2007	2006
Provision for severance payments	**9.323**	**8.548**	**8.277**	**8.429**	**9.202**
Pension provision	**6.860**	**6.691**	**6.415**	**6.839**	**7.489**
Length-of-service provision	**1.264**	**1.103**	**954**	**887**	**952**

The book value for provisions for pensions, severance pay and length-of-service correspond to the cash values for long-term personnel obligations. The results from creation and elimination of provisions for pensions, severance pay and length-of-service payments are depicted in personnel expenses. Equally so, the actuarial profits and losses are recorded directly in the period financial statement.

Other provisions

in Tsd €	2010	2009
Other personnel reserves	705	736
Provisions for legal actions	427	340
Provisions for liabilities	1.762	1.649
Remaining other provisions	2.368	1.620
Other provisions	**5.262**	**4.345**

Other personnel provisions include provsions for incapacity for work and survivors' entitlements of TEUR 126 (2008: TEUR 156).

Provisions for the credit business include, for example, provisions for guarantees and other obligations resulting from loans granted which are uncertain in due date or amount.

In the other provisions, TEUR 3,315 (2009: TEUR 3,085) are included which are expected to become due in business year 2011.

Changes to provisions

in Tsd €	per 1.1.	Currency conversion	Entries	Use	Debit	Other changes	per 31.12.
2009							
Provision for severance payments	8.277	0	1.007	-1.430	0	694	**8.548**
Pension provision	6.415	0	347	-757	0	686	**6.691**
Length-of-service provision	954	0	114	-80	0	115	**1.103**
Loan risk provisions	6.592	0	1.005	-375	-1.549	0	**5.673**
Other provisions	6.173	0	3.367	-3.693	-2.973	1.471	**4.345**
Provisions	**28.411**	**0**	**5.840**	**-6.335**	**-4.522**	**2.966**	**26.360**
2010							
Provision for severance payments	8.548	0	834	-738	0	679	**9.323**
Pension provision	6.691	0	315	-830	0	684	**6.860**
Length-of-service provision	1.103	0	126	-35	0	70	**1.264**
Loan risk provisions	5.673	0	3.233	-343	-653	0	**7.910**
Other provisions	4.345	0	3.895	-2.720	-207	-51	**5.262**
Provisions	**26.360**	**0**	**8.403**	**-4.666**	**-860**	**1.382**	**30.619**

(73) Other liabilities

in Tsd €	2010	2009
To associated, not consolidated companies	538	500
For other deliveries and services	49.727	54.584
Accounting deferrals	388	323
Other liabilities	**50.653**	**55.407**

(74) Current income tax obligations

Current income tax obligations concern by and large obligations from not yet paid corporate taxes.

(75) Subordinate and Non-core Capital

Subordinate and non-core capital by transaction type

in Tsd €	2010	2009
Subordinate capital	71.000	71.000
Non-core capital	56.854	57.184
Interest deferral	612	591
Subordinate and non-core capital	**128.466**	**128.775**

Changes to subordinate and non-core capital

in Tsd €	2010	2009
per 1.1.	128.775	144.058
Repayments	-330	-14.580
Changes in interest deferral	21	-703
Subordinate and non-core capital	**128.466**	**128.775**

Changes to subordinate and non-core capital by maturity

in Tsd €	2010	2009
1-5 years	2.407	2.408
more than 5 years	126.059	126.367
Subordinate and non-core capital	**128.466**	**128.775**

(76) Equity Capital

in Tsd €	2010	2009
Equity capital	50.000	50.000
Participation capital	58.800	55.800
Subscribed capital	**108.800**	**105.800**
Locked reserves	91.233	91.233
Capital reserves	**91.233**	**91.233**
Legally required profit reserves	5.000	1.744
Liability reserves acc. to Art. 23, sec.6 of banking laws	103.007	103.007
Difference from capital consolidation	6.540	8.807
Other profit reserves	134.856	143.473
Profit reserves	**249.403**	**257.031**
Available for sale reserves	-8.148	-13.087
Reserves for currency conversion	160	32
Effects from initial use	5.251	5.251
Consolidated profit	8.376	4.426
Equity capital	**455.075**	**450.686**

Capital reserves
The capital reserves shown are the result of converting the HYPO TIROL BANK to a publicly noted company (AG).

Profit reserves
Profit reserves are divided into statutory reserves, liability reserves under Art. 23, sec. 6 of the banking laws and other reserves. Both statutory and liability reserves are mandatory under national law.

(77) Fair values of financial instruments

Valuation in Tsd €	at ongoing acquisition costs				at fair value					
Valuation categories:	L&R other liabilities		HTM		Held for Trading hedging instruments		fair value option		AFS	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS 2010										
Cash reserves	94.736	94.736	0	0	0	0	0	0	0	0
Receivable from financial institutions	294.579	294.579	0	0	0	0	0	0	0	0
Receivable from customers	6.730.018	6.795.325	0	0	0	0	679.108	679.108	0	0
Risk provision	-205.572	-205.572	0	0	0	0	0	0	0	0
Hedging instruments	0	0	0	0	1.692	1.692	0	0	0	0
Trading assets	0	0	0	0	636.464	636.464	0	0	0	0
Financial investments -designated at fair value	0	0	0	0	0	0	832.687	832.687	0	0
- AFS	0	0	0	0	0	0	0	0	1.231.275	1.231.275
- HTM	0	0	923.885	913.351	0	0	0	0	0	0
- L&R	135.845	118.045	0	0	0	0	0	0	0	0
LIABILITIES 2010										
Payable to financial institutions	649.729	649.729	0	0	0	0	0	0	0	0
Payable to customers	1.937.239	1.937.239	0	0	0	0	1.001.520	1.001.520	0	0
Certified liabilities	1.790.790	1.993.350	0	0	0	0	0	0	0	0
Hedging instruments	0	0	0	0	32.222	32.222	0	0	0	0
Derivatives	0	0	0	0	174.494	174.494	0	0	0	0
Financial liabilities - designated at fair value	0	0	0	0	0	0	5.446.888	5.446.888	0	0
Subordinate and non-core capital	128.466	140.831	0	0	0	0	0	0	0	0

Valuation in Tsd €	at ongoing acquisition costs				at fair value					
Valuation categories:	L&R other liabilities		HTM		Held for Trading hedging instruments		fair value option		AFS	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS 2009										
Cash reserves	123.969	123.969	0	0	0	0	0	0	0	0
Receivable from financial institutions	313.614	313.614	0	0	0	0	0	0	0	0
Receivable from customers	6.592.714	6.660.040	0	0	0	0	586.846	586.846	0	0
Risk provision	-156.380	-156.380	0	0	0	0	0	0	0	0
Hedging instruments	0	0	0	0	1.231	1.231	0	0	0	0
Trading assets	0	0	0	0	459.411	459.411	0	0	0	0
Financial investments -designated at fair value	0	0	0	0	0	0	602.665	602.665	0	0
- AFS	0	0	0	0	0	0	0	0	1.529.632	1.529.632
- HTM	0	0	1.397.613	1.383.848	0	0	0	0	0	0
- L&R	161.940	135.860	0	0	0	0	0	0	0	0
LIABILITIES 2009										
Payable to financial institutions	761.862	761.862	0	0	0	0	0	0	0	0
Payable to customers	2.094.002	2.094.002	0	0	0	0	950.713	950.713	0	0
Certified liabilities	1.993.336	2.180.589	0	0	0	0	0	0	0	0
Hedging instruments	0	0	0	0	22.672	22.672	0	0	0	0
Derivatives	0	0	0	0	143.018	143.018	0	0	0	0
Financial liabilities										
- designated at fair value	0	0	0	0	0	0	5.325.034	5.325.034	0	0
Subordinate and non-core capital	128.775	149.097	0	0	0	0	0	0	0	0

The fair value of guarantees and securities, and irrevocable credit granted, is equal to their book value at any time. This is shown under (85) Contingent liabilities and credit risks.

The following table shows to what extent the fair value of financial instruments which are valued at fair value are ascertained directly through noted market prices on an active market or through a certain valuation procedure.

in Tsd €	quoted prices on active market	valuation procedure based on market data	valuation procedure not based on market data	book value
ASSETS 2009				
Receivable from customers - designated at fair value	0	586.846	0	**586.846**
Hedging instruments with positive market value	0	1.231	0	**1.231**
Trading assets and derivatives	7.911	451.500	0	**459.411**
Financial assets - designated at fair value	14.786	587.879	0	**602.665**
Financial assets - AFS	1.509.233	4.878	15.521	**1.529.632**
LIABILITIES 2009				
Payable to customers - designated at fair value	0	950.713	0	**950.713**
Hedging instruments with negative market value	0	22.672	0	**22.672**
Derivatives	0	143.018	0	**143.018**
Financial liabilities - designated at fair value	0	5.325.034	0	**5.325.034**

in Tsd €	quoted prices on active market	valuation procedure based on market data	valuation procedure not based on market data	book value
ASSETS 2010				
Receivable from customers - designated at fair value	0	679.108	0	**679.108**
Hedging instruments with positive market value	0	1.692	0	**1.692**
Trading assets and derivatives	137	636.327	0	**636.464**
Financial assets - designated at fair value	13.818	818.869	0	**832.687**
Financial assets - AFS	1.073.555	146.385	11.335	**1.231.275**
LIABILITIES 2010				
Payable to customers - designated at fair value	0	1.001.520	0	**1.001.520**
Hedging instruments with negative market value	0	32.222	0	**32.222**
Derivatives	0	174.494	0	**174.494**
Financial liabilities - designated at fair value	0	5.446.888	0	**5.446.888**

For market data of fair value based on discounted cash flow methods and for financial instruments with optional components, the Black/Scholes model is applied.

For valuation not based on market data, some fund shares were valuated. For the valuation, the ABS purchased from the funds were arrived at with current prevailing risk premiums in accordance with the respective rating class, e.g. AA, through historic accumulated default probabilities. This is followed by the cash flow of the ABS with respectively raised current risk premiums (spread) with interest for the anticipated maturity.

There were no significant transfers between the level “Quoted market prices in active markets” and “Valuation procedures based on market data” in fiscal year 2010.

Financial instruments whose fair value is not determined based on market data, have changed as follows:

in Tsd €	Financial assets - AFS shares
per 01.01.2009	19.168
Repayments	-1.065
Changed interest deferral	-13
Net profits reflected in AFS reserves	-2.569
per 31.12.2009	**15.521**

in Tsd €	Financial assets - AFS shares
per 01.01.2010	15.521
Repayments	-324
Changed interest deferral	-4
Net profits reflected in AFS reserves	-31
Reclassified, i.e. removed from level 3 of valuation hierarchy	-3.827
per 31.12.2010	**11.335**

For financial assets and liabilities which are voluntarily valued at fair value, the following profit or loss, which is shown in the trading profits, result:

The creditworthiness-induced fair value change to financial assets of the period amounts to TEUR -5,016 (2009: TEUR -5,001). Since designation, the cumulative creditworthiness-induced change amounts to TEUR -6,874 (2009: TEUR -1,858).

The creditworthiness-induced fair value change to financial liabilities of the period amounts to TEUR 1,874 (2009: TEUR -3,263). All in all, the cumulative creditworthiness-induced change since designation amounts to TEUR 35,400 (2009: TEUR 37,274).

The determination of creditworthiness-induced change is made via a difference calculation. With calculation models, the change in fair value determined by market risk is deducted from the overall change of fair value.

(78) Maximum Default Risk

The maximum default risk is presented by showing the book values of financial assets after correcting for valuation adjustments:

2010				
in Tsd €	credits and receivables	foreign capital instru-ments, category commercial assets, financial investments and derivatives	equity capital instru-ments category trading assets and financial investments	book value
Receivable from financial institutions	**293.326**	**0**	**0**	**293.326**
Receivable from customers	**7.204.807**	**0**	**0**	**7.204.807**
- at cost	6.525.699	0	0	6.525.699
- at fair value	679.108	0	0	679.108
Hedging instruments	**0**	**1.692**	**0**	**1.692**
Trading assets	**0**	**636.327**	**137**	**636.464**
- for commercial purposes	0	0	137	137
- designated at FV	0	636.327	0	636.327
Financial instruments	**0**	**2.996.177**	**127.516**	**3.123.692**
- designated at FV	0	832.687	0	832.687
- AFS	0	1.103.760	127.516	1.231.275
- HTM	0	923.885	0	923.885
- Loans & receivables	0	135.845	0	135.845

2009

in Tsd €	credits and receivables	foreign capital instru-ments, category commercial assets, financial investments and derivatives	equity capital instru-ments category trading assets and financial investments	book value
Receivable from financial institutions	**312.361**	**0**	**0**	**312.361**
Receivable from customers	**7.024.433**	**0**	**0**	**7.024.433**
- at cost	6.437.587	0	0	6.437.587
- at fair value	586.846	0	0	586.846
Hedging instruments	**0**	**1.231**	**0**	**1.231**
Trading assets	**0**	**451.552**	**7.859**	**459.411**
- for commercial purposes	0	52	7.859	7.911
- designated at FV	0	451.500	0	451.500
Financial instruments	**0**	**3.566.254**	**125.596**	**3.691.850**
- designated at FV	0	602.665	0	602.665
- AFS	0	1.404.036	125.596	1.529.632
- HTM	0	1.397.613	0	1.397.613
- Loans & receivables	0	161.940	0	161.940

The maximum default risk on loans granted and financial guarantees at the cutoff date for the balance sheet was TEUR 1,048,728 (2009: TEUR 1,153,011).

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

Allowable securities, valued from legal supervision standpoints, reduced the default risk to the following extent:

in Tsd €	2010	2009
Receivable from customers	**3.036.394**	**2.379.883**
- at cost	3.036.394	2.379.883
Derivatives	**366.200**	**259.500**

The change in collateral from 2008 to 2009 is attributed to the fact that in the year of reporting special concentration was given to the quality of data of allowable collateral according to Basle II. In addition, increased registrations of collateral were carried out.

(79) Closely related individuals and companies

The term 'closely related individuals and companies' comprises:

- the Managing Board and the Supervisory Board of HYPO TIROL BANK AG and their immediate families,
- Directors of consolidated subsidiaries and their immediate families,
- Lawful representatives and members of supervisory bodies of the main shareholders involved,
- Subsidiaries and other companies in which HYPO TIROL BANK AG has holdings,
- The State of Tyrol and/or Landes-Hypothekenbank Tirol Anteilsverwaltung.

Transactions with closely related companies and individuals form part of the ordinary course of business, and are conducted on prevailing market terms and conditions. The extent of these transactions is shown below.
Until the State of Tyrol ceases to be bear liability in 2017, it is paid liability commission TEUR 727 annually which is recorded under administrative costs.

HYPO TIROL BANK AG administers the residential construction support loans behalf of the State of Tyrol. The company also finances the State of Tyrol on prevailing market terms. These amounts are not shown spearately, as the margins on these business dealings are not recorded separately in the system and this information cannot 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 stood at TEUR 526 on the cutoff date for the balance sheet (2009: TEUR 335).

Active drawings by directors of the parent company stood at TEUR 876 (2009: TEUR 1,203). The bank's pension costs for ex-directors and their survivors, less ASVG payments, this fiscal year were TEUR 512 (2009: TEUR 512).

Supervisory board payments in 2009 were TEUR 63 (2008: TEUR 63).

Business relations with consolidated companies are being eliminated in the course of debt consolidation, thus are not depicted as 'business with closely related companies'. The amounts depicted as 'holdings' are of business relations with closely related companies. Customary bank business with companies within the state's circle of influence are only contained in the payables from customers to an insubstantial extent.

The outstanding balances and the volume of business relations in the current year of reporting with closely related companies are depicted in the following tables:

Payable from customers

	Holdings		Related Parties	
in € precisely	**2010**	**2009**	**2010**	**2009**
Amount 01.01.	120.907	124.618	333.285	320.409
Loans granted during year	45.572	7.733	85.500	90.230
Repayment of payables from loan business	-44	-4.192	-4.074	-31.828
Balance of repayments, interest obligations and exchange rate alterations of existing loans	3.663	-7.252	11.652	-45.526
Amount 31.12.	**170.098**	**120.907**	**426.363**	**333.285**
Other loan-risk transactions Assumption of liability	**7.977**	**8.850**	**0**	**0**

For the outstanding balances on 31.12.2010 with closely related individuals and companies, security amounting to TEUR 57,134 (2009: TEUR 24,186) were held. There were no advances made.

Trading assets

	Related Parties	
in € precisely	**2010**	**2009**
Amount 01.01.	9.450	11.180
Redemptions	-878	-1.730
Amount 31.12.	**8.572**	**9.450**

Payable to customers

	Holdings		Related Parties	
in € genau	**2010**	**2009**	**2010**	**2009**
Amount 01.01.	2.414	3.097	73.691	142.375
New	470	119	4.274	97
Repayments	-54	-2.141	-211	-1.226
Balance of repayments, interest obligations and exchange rate alterations of existing loans	1.324	1.339	-15.307	-67.555
Amount 31.12.	**4.154**	**2.414**	**62.447**	**73.691**

Valuation adjustments for doubtful claims made upon closely related individuals and companies were not effected. Also, in the current business year of reporting, no expenditures for doubtful or non-performing claims on closely related individuals or companies were recorded.

(80) Assets made over as security

in Tsd €	**2010**	**2009**
Covering stock for pfandbrief and communal debentures	1.476.815	1.392.334
Financial investments	471.338	359.862
Assets used as collateral	**1.948.153**	**1.752.196**

(81) Segment by segment reporting

The HYPO TIROL BANK AG group's segment-by-segment reporting is structured as follows:

Private client
This segment covers the results of the private client and self-employed business in different segments of the market and private banking business. It also includes the outcome of dealings with business and public sector clients where dealt with at branches.

Corporate client
This segment reflects the results from commercial client business in our various markets and our insurance business. This segment also includes dealings with public sector clients whom we deal with via our business centres.

Italy
This segment covers the results of business activities in Italy. After establishing a universal bank in Italy on 1 June 2009, this segment comprises the leasing business in Italy, as well as the activity of the EU branch as it existed up until now.

Treasury
This segment comprises financial assets, trading assets and liabilities, derivatives and issue business. It also covers business dealings with institutional clients and fund management operations. For 2010, net income from financial assets includes TEUR 8,961 of impairments on financial assets (2009: TEUR 17,541). In the secondary reporting format, the Treasury segment is shown closed under 'Austria'. For detailed information on how our securities portfolio is made up in geographical terms, see section (88) of the Notes.

Leasing and real estate
This segment covers our subsidiaries in the field of leasing, plus the activities of our real estate and holdings business units and results from associated companies reported by the equity method.

Corporate Centre
This segment is used for income and expenditure that cannot be classified elsewhere. Internal suport unit costs were attributed to the other segments insofar as it was possible to establish how they were broken down.

Compared to segment reporting according to IAS 14 until now, the new depiction according to IFRS 8 contains the following changes:

Administrative expenses contain the writedowns to our own investment assets in the amount of TEUR 6,212 (2009: TEUR 7,728). The income taxes in 2010 amounted to TEUR -3,823 (2009: TEUR 2,080).

Reporting by Operating Segments

2010

in Tsd €	Private clients	Corporate clients	Italy	Treasury	Leasing/ Real estate	Corporate Center	Sum of segments
Net interest profit	30.592	40.208	19.085	28.287	6.602	-475	**124.299**
Loan risk provisions	-10.279	-32.773	-28.552	0	5	-29	**-71.628**
Provision surplus	16.162	6.902	4.697	370	-24	-898	**27.209**
Commision surplus	-71	0	570	657	-406	0	**750**
Trading profits	0	-184	0	2.930	1.142	-65	**3.823**
Profits from financial instruments	-36.195	-18.491	-15.972	-5.641	-4.737	-3.825	**-84.861**
Administrative expenses	2.139	77	1.553	0	19.641	627	**24.037**
Other profits from operations	-262	-76	-1.553	0	-17.789	-995	**-20.675**
Profit from associated companies	0	0	0	0	-809	0	**-809**
Profit before taxes	**2.086**	**-4.337**	**-20.172**	**26.603**	**3.625**	**-5.660**	**2.145**
Segment assets	1.557.219	3.662.558	1.294.888	4.176.056	802.285	216.506	**11.709.512**
Balance sheet total liabilities	1.613.374	641.125	160.140	9.117.378	55.043	122.452	**11.709.512**
Risk-weighted assets	926.893	2.324.350	1.037.451	686.663	494.482	200.498	**5.670.337**

2009

in Tsd €	Private clients	Corporate clients	Italy	Treasury	Leasing/ Real estate	Corporate Center	Sum of segments
Net interest profit	31.842	41.139	20.174	15.590	4.818	2.129	**115.692**
Loan risk provisions	-6.931	-51.206	-13.029	-313	-1.437	410	**-72.506**
Provision surplus	15.869	8.641	3.659	1.273	-127	-893	**28.422**
Commision surplus	-1	-1.150	66	9.858	-67	0	**8.706**
Trading profits	0	-340	12	7.052	-3.067	-47	**3.610**
Profits from financial instruments	-37.492	-20.840	-16.791	-5.888	-5.338	-3.951	**-90.300**
Administrative expenses	2.103	156	1.309	0	21.370	749	**25.687**
Other profits from operations	-380	-222	-1.204	0	-15.905	-525	**-18.236**
Profit from associated companies	0	0	0	0	996	0	**996**
Profit before taxes	**5.010**	**-23.822**	**-5.804**	**27.572**	**1.243**	**-2.128**	**2.071**
Segment assets	1.399.994	3.584.751	1.415.548	4.600.927	764.576	196.825	**11.962.621**
Balance sheet total liabilities	1.709.013	675.507	177.943	9.238.822	52.907	108.429	**11.962.621**
Risk-weighted assets	904.955	2.455.765	1.139.418	756.002	466.507	160.792	**5.883.439**

(82) FX volumes and foreign drawings

in Tsd €	EUR	USD	CHF	JPY	Others	Total
ASSETS 2010						
Cash reserves	94.033	238	201	9	255	**94.736**
Receivable from financial institutions	105.615	9.422	168.251	9.023	2.268	**294.579**
Risk provision for receivables from financial institutions	-1.253	0	0	0	0	**-1.253**
Receivable from customers	5.996.685	51.734	1.227.625	112.062	21.020	**7.409.126**
Risk provision for receivables from customers	-188.419	-8	-10.933	-4.937	-22	**-204.319**
Positive market value from hedging instruments	1.692	0	0	0	0	**1.692**
Trading assets and derivatives	517.533	15.251	98.863	4.508	309	**636.464**
Financial assets - designated at Fair Value	803.621	7.870	21.196	0	0	**832.687**
- AFS	1.226.138	3.286	896	208	747	**1.231.275**
- HTM	908.915	3.724	11.246	0	0	**923.885**
- L&R	131.243	1.285	0	0	3.317	**135.845**
Shares in associated companies	39.018	0	0	0	0	**39.018**
Investment properties	157.207	0	0	0	0	**157.207**
Intangible assets	1.921	0	0	0	0	**1.921**
Tangible assets	96.040	0	2	0	0	**96.042**
Other assets	52.311	0	22	0	0	**52.333**
Latent tax claims	8.274	0	0	0	0	**8.274**
Sum Assets	**9.950.574**	**92.802**	**1.517.369**	**120.873**	**27.894**	**11.709.512**
LIABILITIES 2010						
Payable to financial institutions	578.459	421	65.744	19	5.086	**649.729**
Payable to customers	2.840.756	11.224	2.085	82.847	1.847	**2.938.759**
Securitised liabilities	1.775.764	14.976	0	0	50	**1.790.790**
Negative market values from derivatives	32.222	0	0	0	0	**32.222**
Derivatives	149.386	6.553	7.239	11.316	0	**174.494**
Financial liabilities - designated at fair value	2.548.776	78.307	2.180.262	639.543	0	**5.446.888**
Reserves	30.619	0	0	0	0	**30.619**
Other liabilities	50.632	0	21	0	0	**50.653**
Running income tax liabilities	584	0	0	0	0	**584**
Latent tax obligations	11.233	0	0	0	0	**11.233**
Subordinate and non-core capital	128.466	0	0	0	0	**128.466**
Equity capital	454.232	0	843	0	0	**455.075**
Sum Liabilities	**8.601.129**	**111.481**	**2.256.194**	**733.725**	**6.983**	**11.709.512**

in Tsd €	EUR	USD	CHF	JPY	Others	Total
ASSETS 2009						
Cash reserves	123.227	238	309	12	183	**123.969**
Receivable from financial institutions	98.029	5.963	192.520	10.208	6.894	**313.614**
Risk provision for receivables from financial institutions	-1.253	0	0	0	0	**-1.253**
Receivable from customers	5.948.783	48.032	1.091.145	91.310	290	**7.179.560**
Risk provision for receivables from customers	-149.003	-22	-4.156	-1.945	-1	**-155.127**
Positive market value from hedging instruments	1.231	0	0	0	0	**1.231**
Trading assets and derivatives	377.478	13.451	62.994	5.481	7	**459.411**
Financial assets - designated at Fair Value	584.889	236	17.540	0	0	**602.665**
- AFS	1.512.813	11.118	5.076	172	453	**1.529.632**
- HTM	1.371.034	3.447	23.132	0	0	**1.397.613**
- L&R	155.099	2.917	0	0	3.924	**161.940**
Shares in associated companies	37.129	0	0	0	0	**37.129**
Investment properties	162.522	0	0	0	0	**162.522**
Intangible assets	2.059	0	0	0	0	**2.059**
Tangible assets	97.618	0	3	0	0	**97.621**
Other assets	46.283	0	47	0	0	**46.330**
Latent tax claims	3.705	0	0	0	0	**3.705**
Sum Assets	**10.371.643**	**85.380**	**1.388.610**	**105.238**	**11.750**	**11.962.621**
LIABILITIES 2009						
Payable to financial institutions	687.499	608	73.154	11	590	**761.862**
Payable to customers	2.955.307	16.822	1.570	67.090	3.926	**3.044.715**
Securitised liabilities	1.978.716	14.442	0	0	178	**1.993.336**
Negative market values from derivatives	22.672	0	0	0	0	**22.672**
Derivatives	122.876	5.715	5.260	9.167	0	**143.018**
Financial liabilities - designated at fair value	2.823.838	71.847	1.907.594	521.755	0	**5.325.034**
Reserves	26.360	0	0	0	0	**26.360**
Other liabilities	55.397	0	10	0	0	**55.407**
Running income tax liabilities	2.977					**2.977**
Latent tax obligations	7.779	0	0	0	0	**7.779**
Subordinate and non-core capital	128.775	0	0	0	0	**128.775**
Equity capital	450.030	0	656	0	0	**450.686**
Sum Liabilities	**9.262.226**	**109.434**	**1.988.244**	**598.023**	**4.694**	**11.962.621**

The difference between assets and liabilities in the individual currencies does not represent the banking group's FX position for the purposes of Art. 26 of the banking laws. Open FX positions are hedged using derivative financial instruments such as currency and cross-currency swaps; but these hedges are shown at their market value, not their nominal value, in the IFRS accounts.

The balance from the currency account was TEUR 2,368 (2009: TEUR 3,492). Of this, TEUR 1,590 (2008: TEUR 3,046) was recorded in profit-affecting fashion in the P+L account, together with other profits of TEUR 778 (2009: TEUR 448). The cumulative balance of equity capital amounted to TEUR 463 (2009: TEUR -395).

The total of all open FX positions at 31.12.2010 was TEUR 1,215 (2009: TEUR 987).

in Tsd €	2010	2009
Foreign assets	4.320.775	4.883.523
Foreign liabilities	6.864.034	6.678.578

(83) Subordinate Assets

in Tsd €	2010	2009
Receivable from financial institutions	3.500	3.500
Debendures	12.053	20.337
Subordinate Assets	**15.553**	**23.837**

(84) Trustee Business

Trustee Assets

in Tsd €	2010	2009
Receivable from customers	18.585	22.131
Assets on trust	**18.585**	**22.131**

Trustee Liabilities

in Tsd €	2010	2009
Payable to financial institutions	18.581	22.127
Payable to customers	4	4
Trustee liabilities	**18.585**	**22.131**

The trustee business shown is export finance and/or funding via the ERP funding program under which HYPO TIROL BANK AG has assumed the default liability towards those institutions and has therefore included the assets and liabilities concerned in its accounts in financial terms.

(85) Contingent liabilities and credit risks

Contingent liabilities

in Tsd €	2010	2009
Payable from guarantees	135.044	273.310
Other contingent liabilities	52.297	52.681
Contingent liabilities	**187.341**	**325.991**

Contingent liabilities by maturity

in Tsd €	2010	2009
up to 3 months	2.393	94.913
3 months - 1 year	71.002	40.955
1 - 5 years	15.634	85.178
more than 5 years	98.312	104.945
Contingent liabilities	**187.341**	**325.991**

Credit risks acc. to Art. 51, sec. 14 of banking laws

in Tsd €	2010	2009
Other credit risks	1.048.728	1.153.011
Credit risks	**1.048.728**	**1.153.011**

Credit risks by maturity

in Tsd €	2010	2009
3 months - 1 year	668.260	765.888
1 - 5 years	380.468	387.123
Credit risks	**1.048.728**	**1.153.011**

These credit risks include loans which have been granted but which customers have not yet taken up; this is mainly promissory notes in the loan business, but also unused credit lines.

(86) Breakdown of financial instruments by issuer nationality

The following breakdown of financial instruments by issuer nationality is in book value.

	Available for Sale		Loans & Receivables		Held to Maturity	
in Tsd €	2010	2009	2010	2009	2010	2009
Austria	473.722	663.514	33.635	33.634	154.471	193.034
Germany	191.659	189.634	3.000	3.991	193.554	400.147
Italy	12.732	30.910	5.243	8.326	47.802	51.142
Spain	38.669	66.309	7.539	8.478	106.347	146.057
Netherlands	72.458	63.136	23.003	25.330	40.346	71.654
Great Britain	15.720	46.604	6.665	10.900	46.719	63.810
France	90.134	87.474	3.523	3.575	50.618	55.669
Finland	23.229	25.276	0	0	17.957	27.916
Ireland	20.820	32.546	29.206	33.364	35.806	48.051
Portugal	6.770	3.135	1.410	1.531	22.957	28.885
Remaining EU states	100.022	103.659	10.485	17.080	71.238	143.085
Remaining Europe	25.738	28.136	10.477	13.302	31.592	32.153
Outside Europe	68.647	98.139	1.266	1.984	89.438	111.771
Total	**1.140.320**	**1.438.472**	**135.452**	**161.495**	**908.845**	**1.373.374**

(87) True repurchase business

The fiscal year ended saw assets being transferred as part of true repurchase business. The book value of the securities put in repurchase which are shown under financial assets as held to maturity was TEUR 48,157 (2009: TEUR 65,230). The inflow of liquidity from this repurchase business is shown under liabilities to financial institutions.

(88) Personnel

Staff resources

	2010	2009
Employees full time	635	674
Employees part time	75	72
Apprentices	5	3
Personnel, annual average	**715**	**749**

(89) Events after the balance sheet cutoff date

There have not been any particular events of note worth reporting betgween the end of the fiscal year and when the consolidated financial statements were produced.

(90) Consolidated equity funds and banking regulation equity requirements

The tables below show what the HYPO BANK AG's equity requirements were under Art. 30 of the banking laws at the end of the 2008 and 2009 fiscal years, and how the consolidated equity funds were made up as of 31.12.2010 and 31.12.2009 respectively:

Consolidated equity acc. to Art. 23 in conjunction with Art. 24 of banking laws

in Tsd €	2010	2009
Paid in capital	108.800	105.800
Capital reserves	80.332	80.332
Revenue reserves	112.962	108.450
Liability reserves	103.007	103.007
Consolidation acc. to Art. 24, sec. 2 of banking laws	15.533	18.429
Intangible financial assets	-1.921	-2.059
Core capital (tier 1 capital)	**418.713**	**413.959**
Non-core capital	80.927	81.952
Subordinate capital	147.348	169.333
Non-core capital (tier 2 capital)	**228.275**	**251.285**
Deductions	**-973**	**-973**
Calculable equity capital (tier 2 + tier 2 minus deductions)	**646.015**	**664.271**
Core capital quota	**5.397.436**	**5.596.246**
Equity quota	7,38%	7,04%
Equity requirement for risk-weighted assets	11,39%	11,29%
Equity requirement for securities trading book	431.795	447.700
Equity requirement for open foreign currency positions	0	2.495
Equity requirement for operational risk	21.832	20.480
Total equity requirement	**453.627**	**470.675**

Consolidated equity requirement acc. to Art. 22 of banking laws

in Tsd € Receivable categories	weighted values	equity requirement
Receivables from central governments	5.000	400
Receivables from regional bodies	8.907	712
Receivables from administrative establishments	2.282	182
Receivables from multilateral development banks	372	30
Receivables from institutes	256.651	20.532
Receivables from corporate bodies	2.431.381	194.511
Retail receivables	518.098	41.448
Receivables secured with property	1.247.435	99.794
Delinquencies	236.495	18.920
Receivables in the form of covered debentures	89.546	7.164
Securitisation items	79.287	6.343
Receivables in the form of investment fund units	32.258	2.581
Other items	489.724	39.178
Risk-weighted assets	**5.397.436**	**431.795**
Equity requirement for operational risk		21.832
Total equity requirement		**453.627**

Introduction

The HYPO TIROL BANK AG group sees risk management as a division of the working business process, identifying, assessing, monitoring and managing risks at group level.

Appropriate quality risk management is seen as an essential success factor in the company's consistently successful growth. It thus corresponds to the requirements of the ICAAP (Internal Capital Adequacy Assessment Process).

There were no changes of methodology to the calculations used in the risk report in 2010, except in the calculation of liquidity statistics. Scenarios were extended and refined.

Principles and Organisation

Risk management
We promote and engage in active risk management: our risk management department, in the course of running processes, makes sure of the identification, valuation, control and supervision of risks. Further, regularly carried out check-ups ensure quality management.

The foundations of our risk management programme at the bank is the strict separation of market and market developments. The risk management functions are assigned to the board member responsible for risk management.

Risk Controlling at the bank is developed and carried out by the staff responsible for risk management in the concern. In special ways, the risk management department reflects the circle of decision making for the managing board ("committee") in the overall organisation.

The internal revision supervises all operative and business transactions at the bank, the appropriateness and the effectiveness of the measures taken by the concern's risk management department as well as the internal control systems. This department reports directly to the managing board.

Appropriateness
The risk management department operation is effected in such a way that the size of the bank and the risk taken remain in strictly measured proportion to one another.

- For the major risk types, we strive towards risk management on a level which compares to institutions of comparable size and structure. That means that we utilise complex measuring methods, e.g. value at risk method, for our major risks.
- Risk distribution and ICAAP are oriented towards target-organised goals for a going concern.
- Our personnel and tangible equipment as well as our technically organised appointments correspond both in quality and in quantity to the operative requirements, to the business activities, to the strategies and to the risk situation of the bank.

Current situation
The risk management department is seen as a continually transforming process which ongoingly adapts to the current situation and the givens of the moment.

- We re-work the overall risk strategy and its methods annually.
- Through ongoing training and education, we ensure that a level of quality in our staff is maintained which corresponds to the present state of developments.
- Documention are record keeping are continually adapted.

Transparency
The risk management department is conducted within the bank in ways which can be clearly followed.

- The overall risk strategy is communicated in the bank channels and also to the supervisory board, as well as to the control committee and discussed in its details with all these units.
- As regards the major parts of risk management, the documentation is devised and published (risk handbook) and the staff members have full access to it. This supports and enhances the systematic handling with risks on a daily basis.
- Risk limits are re-worked annually, making risks transparent and comparable. This enables us to control and navigate risks more actively.
- The managing board is continually informed with regard to the current and systematized reporting by the risk management department of the concern and the current risk developments. This reporting comprises both a platform for written reports and regular committee meetings on the theme of risk management. The core of this organisation was laid out in the „Concern Risk Committee" guidelines, which belongs to the Managing Board and all responsible members of the team responsible for risk management.

Cost effectiveness
We engage only in business which is cost effective.

- Our risk control processes are embedded in an integrated system targeting profit and risk management (Overall Bank Control).
- With regard to use of risk instruments, we strive towards overall solutions and develop special instruments only for those cases where the cost/benefit ratio makes it appear sensible.

Risk Willingness
When the risk situation is not transparent or methodical doubts arise, we lean towards prudence:

- We only enter into business which we thoroughly understand and can (technically) value. That means, we engage principally only in those fields in which we have the requisite expertise to judge the specific risks involved. Entering new sectors of business or dealing with new products requires previous and sufficient analysis of the business-specific risks involved which in the process „New products" regulates new markets for us.
- Businesses which we enter are described in Product Handbooks.
- We enter only those risks which we can also afford. Beyond that, we do not use our entire risk coverage sums for the risks we engage in and maintain provisions and reserves for extraordinary scenarios which might arise and not measured risks.
- Secondary terms, in particular those pertaining to the overview board, are underpinned with a security buffer zone.
- We see not only events which are more or less probable, but also take into consideration utterly extraordinary possibilities („stress tests").
- The risk management department is organised in such a way that conflicts of interest, both of personal and of organisation types, can be utterly avoided.

Risk distribution
The overall risk strategy is reviewed annually by the Managing Board, together with the risk management team, then referred to the Super-

[1] *Unless other references are specifically made, these are statistics based on our internal Managing Board information.*

visory Board and discussed with its members. This risk management team discusses the details of risk at the universal bank in Italy as well as for the other companies in which the bank has holdings. The overall risk strategy consts of a qualitative part, in which fundamentals of risk management are established, i.e. principles, risk management and control processes, organisation, etc. and a quantitative part which defines the communication and understanding of risk-bearing capability and the limits both of such capability and of risk concentration.

Risk limits are ongoingly inspected by the risk management team, supervised and communicated through reporting organs to the Managing Board using the so-called red-yellow-green light system. When a yellow light is triggered, i.e. the early warning step, the authorititave persons decide upon the measures to be taken in order to return to the green zone. This result is reported to the Managing Board. If a red light is triggered, i.e. when pre-defined limits are transgressed, the Managing Board themselves decide upon the measures to be taken.

We manage our risks via calculating our financial capital each month as part of our risk viability analysis. The Managing Board decides on overall risk strategy, which indluced allocating our risk coverage potential between the different kinds of risks. This governs the extent to which we are prepared to bear risks. Every quarter, we calculate the risk coverage assets we can call upon to cover losses: this tells us to what extent we can take on risks as part of our business policy.

The capital the group can use to take on risks is its equity funds, which consist of tier 1 and tier 2 capital; we also include some of our latent reserves when calculating our risk coverage assets {see Notes (87)}
We manage our equity by putting limits on our core capital and equity ration, on the one hand, and on the ratio of core capital and non-core equity on the other.

Our risk viability analysis compares the financial capital we need to meet unexpected losses with our risk coverage assets: the difference constitutes our equity reserves. It serves to protect our creditors, and is also essential for a good rating.

Risk viabilitiy
In calculating the financial capital required to meet our cridit risks, we follow the IRB approach in Basle II, the main criteria being exposure, security and debtor ratings. We calculate how much financial capital we need to cover market risks using the value at risk method, and the financial capital required for operational risks using the basic indicator method. Real estate risks and Holdings risks are classified in accordance with their risk substance and a risk weighting between 25.0% and 390.0% is derived.

The value at risk parameter permits us to compare and aggregate risks of different kinds. At the same time, the Managing Board has set the upper loss limit for assuming all typical business risks by limiting it to the risk coverage assets.

In our risk viability analysis, we calculate the group's risks to a level of confidence of 99.9% and a holding period of one year. As holding period for market risk, 22 days were selected, since risk is regularly supervised and can be counteracted immediately.

The risk coverage assets brings together allowable consolidated equity capital in acc. with Art. 23, sec. 14 of the banking laws; undisclosed reserves are not taken into consideration {see Notes (87)}

Economic capital in Tsd €	31.12.10	in %	31.12.09	in %	level of confidence	holding period
Credit risk	251.790	39,21 %	282.707	42,56 %	99,90 %	250
Market risk	27.857	4,34 %	25.695	3,87 %	99,90 %	22
Operational risk	20.480	3,19 %	20.480	3,08 %	99,90 %	250
Real estate risk	6.447	1,00 %	6.677	1,01 %	99,90 %	250
Holdings risk	5.301	0,83 %	4.830	0,73 %	99,90 %	250
Economic risk overall	311.876	49,41 %	340.390	52,13 %		
Risk coverage assets	**642.156**	**100,00 %**	**664.235**	**100,00 %**		
Risk buffer	**330.280**	**51,43 %**	**323.845**	**48,75 %**		

The credit risks of the corporate group receded in the year of reporting. This is attributable to the reduction of asset volume and to enhanced collateral. With regard to market risk tended in a sideways development. The interest change risk - including in market risk - was further reduced systematically. The exchange rate risk remained more or less unchanged.

From the vantage point of the concern, the Vollbank Italy, the transparency principle has been selected. Thus, the loan risks of individual customer claims is depicted and the participation risk remains unreflected.

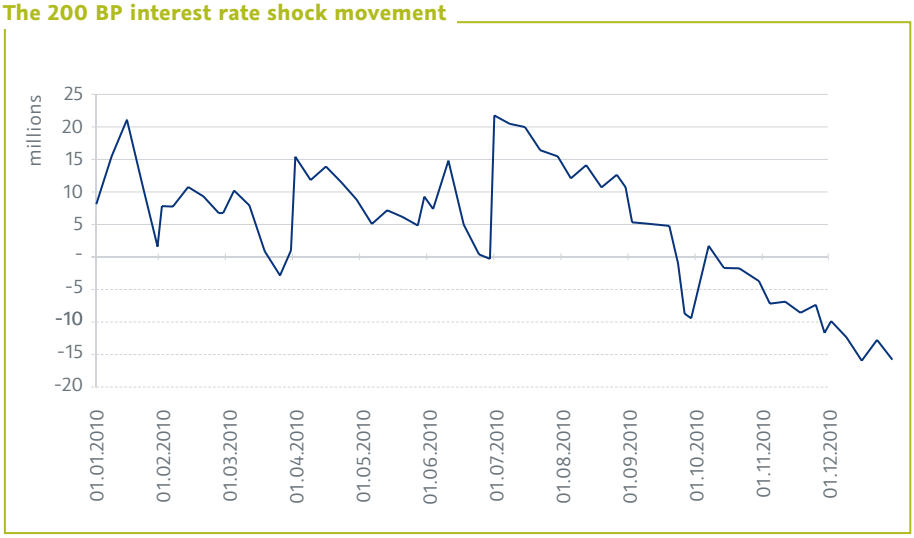
Besides the risk viability from the point of view of liquidity, the vantage point of the Going Concern is also calculated at HYPO TIROL BANK AG. In this case, the continuation even under negative scenarios, is examined. Possibilities in three different variants are drawn into the calculations (80%, 90%, 99%) and tested as to whether the risk coverage sums are sufficient. In the year 2010, the continuation of the bank was shown to be viable in all these tested scenarios.

Stress Tests
The term "stress test" is the overall term for all those methods which are used to examine and test the individual potential of endangerment to a bank. In particular, stress tests are intended to be applied to „normal" market situations, e.g. value at risk and to complete, i.e. supplement them and shore up their weak points.

200 base points of Interest Rate Shock
For the cash value of the corporate group, the change is calculated on the basis movements of 200 base points upwards or downwards in the interest rate curve. The overall cash value change under the 2010 shock hovered around a mean value of EUR 4.7 mil., a maximum value of EUR 22.7 mil. and a minimum value of EUR -17 mil. During the former part of the year, the risk values tended to stagnate. As of the middle of the year 2010, the risk level had decreased drastically, reaching a low point by the end of the year. The reason for this was, among other things, reduction of the remaining maturity from our own portfolio, as well as the consequential securing of the interest rate risk in purchasing new securities and shares.
Thus, the result of this stress test for the whole fiscal year turned out to be well below the threshold set by banking regulations at 20.0% of equity capital.

in Tsd €	31.12.10	31.12.09
200 BP interest rate shock	-16.788	22.051
Average over year	4.696	36.003
Minimum over year	22.739	87.031
Maximum over year	-16.951	-5.928

The 200 BP interest rate shock movement



Besides the 200 base point interest shock, we also consider other rate scenarios, such as the rate curve inverting and bulging out.

Analysis of market risk scenarios
HYPO TIROL BANK AG simulates market risks for the group as a whole and considers them in the light of certain scenarios. The impact on the profit and loss account and on equity capital is as follows:

in Tsd €	impact on P+L
Rate change risk (+40 BP shift)	1.345
Rate change risk (equities down 10%)	1.968
Credit spread widens	1.685
FX risks	10

Stress Test for Loan Risks
In connection with loan risks, we carry out two different types of stress tests. On the one hand, we examine whether the following secnarios have an effect on profits (EGT) and on the core capital ratio:

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

These scenarios are view individually and also in combination. The stress tests which are carried out resulted in the recognition that the EGT effect in our risk viability can be borne. Further, initial tests with inverse stress tests were careried out in order to test which changes the bank reacts particularly intensely to.

The second type of stress test in loan business treats risks from large-scale engagements. The point of departure is that at least one loan in our portfolio with high amount and high risk will default. The test shows that a major risk exists here. The stress test is carried out each quarter-year and measures have been taken to reduce this risk.

Stress test for real estate
This stress test considers and analyzes how falling real estate prices of HYPO TIROL BANK AG properties would affect profits (EGT) and our core capital ratio.
From the stress tests we have conducted, we can say that we can absorb the risks which a fall in property prices would have on our EGT (current results).

Loan risk

Loan risk is the major risk of the bank.

Definition
By loan risk, we mean the risk of default of non-securitzed receivables and certified receivables (securities and shares) on the part of a third party. The risks consists of such receivables not being able to perform as foreseen in the terms of the loan contract, i.e. amount, time. This can result from developments withing the purview of the contractual partners as well as from general developments which affect a large number of contractual partners. In equal measure, loan risks can also result from special forms of the loan product design or from the application of minimizing loan risks.

Managing credit risk
The methods we use in measuring and assessing credit risks are as follows:

- Expected loss ('standard risk costs') - Expected losses are calculated using a standard risk cost model. From our internal ratings, we calculate standard risk costs, using default probabilities and allowing for unsecured components and maturity, calculating future P&L risks based on experiential values from the past.
- Unforeseen losses (financial capital) - capital erosion.

Unforeseen losses are quantified using the cridit value at risk (CVaR) on the total portfolio for a year ahead and a confidence level of 99.9%. The group's credit value at risk is based on a model which in turn is based on the basic IRB approach, and takes a few assumptions from the standard approach, creating a risk-sensitive method for detecting credit risks. These are calculated on a quarterly basis and delivered to the management to enable it to manage the business.

On the one hand, the overall credit risk is limited; on the other, there are limits for individual concentration risks. By 'concentration risks' we mean the potential adverse consequences that could arise from concentrations of or interactions between risk factors or different kinds or risks, such as the risk from loans to the same counterparty, a group of associated counterparties or to counterparties from the same area or industry, or to counterparties offering the same goods and services, from using credit risk reduction methods and in particular from major credit risks.

To limit potential adverse effects that might arise out of concentrations of or interactions between similar and different risk factors and types of risk, we monitor our portfolio, limit individual variables and assess these on a quarterly basis, using the criteria below:

Breaking down portfolio by solvency
An evaluation of creditworthiness is a major factor in managing credit risk. For that reason, the solvency of our customers is continually supervised and the portfolio is inspected in its composition each quarter. The lower solvency segment, in addition, is equipped with a risk indicator which is itself ongoingly watched. Nearly 2/3 of our volume have been alloted outstanding or very good creditworthiness. Thus, the percentagle in these rating groups compared to the previous year has remained constant{see Notes (53)}.

Breaking down portfolio by business sector
A further part of credit risk management at Hypo Tirol Bank is the sub-division according to business sector. A large part lies in the sector of professional construction companies and tourism. In order to avoid an inordinately large concentration in these sectors, both are supervised by means of a risk indicator {see Notes (52)}.

Breaking down portfolio into market region
In 2009 in the context of the Honing our Strategy project, the market region and the business sector were re-defined. The core market comprises North and East Tyrol, where the Hypo Tirol Bank AG is active as a full bank. In the supplementary market regions of greater Vienna, South Tyrol, Trentino and Verona, as well as in greater Munich, we offer a selective range of products and services.
The risk indicators have been adapted to these new market region definitions. What business comes from what market region is carefully monitored {see Notes (52)}.

FX component, receivables from customers
The foreign currency component of receivables from customers was continuingly reduced through 2009. The Hypo Tirol Bank does not make any new transactions with private customers in foreign currencies, only with certain select corporate customers. Through ongoing redemptions, the foreign currency component is being further reduced {see Notes (52)}.

Movements in repayment vehicle loans
The group monitors its repayment vehicle risks based on the rules laid down by national regulatory authorities. The monitoring focuses on individual clients. Clients and their advisors are informed constantly how their repayment vehicle loans stand at any given time, and action taken accordingly if it appears necessary.

With fund values falling, the shortfall in repayment vehicle loans has increased. Short-term finance in particular was analysed closely, discussions held with clients and action taken accordingly.

Credit Default Swaps and Financial Guarantees
CDS and financial guarantees are managed via absolute portfolio limits and solvency limits.

Loan Risk Provisions
Making provision for risks means making provisions in the accounts, reviewing individual loan receivables to see if they retain their value. If we find they have lost value, we apply individual valuation adjustments accordingly {see Notes (53)}.

To identify potential risks in credit business early on, we need procedures to detect risks at an early stage, so we can take timely countermeasures. With this in mind, the group has deveoped indicators to identify risks promptly, based on quantitative and qualitative risk factors. The Hypo Tirol Bank AG group's provision for risks policy also includes managing overdue receivables (90 days in arrears).
The likelihood of default of Hypo Tirol Bank customers is in the rating class 1 between 0.01% and 0.05%; in rating class 2 between 0.07% and 0.354%; in rating class 3 between 0.532% and 2.7%; and in rating class 4 between 4.05% and 20.50%.

For purposes of calculating adjustments in portfolio value, receivables from customers are multiplied by the corresponding likelihood of default and shortened appropriately for the time span between the occurrence of the loan risk event and the actual risk arising.

Market price risks

Definition
Market price risks mean the danger of losses to HYPO TIROL BANK AG resulting from changes in market prices.
Risk statistics for market risk are calculated for the HYPO TIROL BANK AG concern. Since the risk strategy provides for subsidiaries assuming no market risk, and this stricture is also implemented through appropriate refinancing, we assume that risk statistics for the concern are also valid for the bank.

Management of Market Risks
Market price risks are calculated in principle by the value at risk method with historical simulation, using other special risk assessment methodsfor alternative risks and holding risks. The value at risk represents how much value a position could potentially lose in cash terms by the time it is secured or realised at a given probability.

This is measured by calculating a daily market value at risk, using the parameters below:

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

Risk values are scaled up to a holding period of one month for management purposes.

The quality of the value at risk model used is assured by retroactive-testing, which also includes FX risks, comparing the value at risk values for the last 250 trading days with how values have actually changed.

If there are too many 'strays' (actual loss greater than loss forecast by value-at-risk method), the value at risk model is adjusted using the Basle red-yellow-green light approach.

At year's end, 31.12.2010, the strays analysed did not indicate the value-at-risk approach needed to be adjusted using the factor from the Basle red-yellow-green light approach or the model used in calculating value at risk revised.

The graphics below show how the market risk has developed in historical terms:

	2010				2009*			
in Tsd €	**Year end**	**Average**	**Minimum**	**Maximum**	**Year end**	**Average**	**Minimum**	**Maximum**
Rate change risk	10.331	11.709	7.762	17.376	15.200	30.755	14.433	39.757
FX risk	12.311	9.088	3.726	15.515	6.456	11.513	6.456	14.743
Security price risk	4.747	3.808	1.851	5.913	3.430	6.981	3.042	10.039
Alternative risk	469	560	432	608	608	763	608	1.044
Market risk	**27.857**	**25.165**	**17.416**	**29.529**	**25.695**	**50.012**	**25.695**	**62.185**

* *The table from the Annual Report 2009 records values different from the above numbers. The reason for this is that as of the second business quarter in 2009, the confidence index was changed from 99 % to 99.9 %. In the above table, calculations were made uniformly with a confidence index of 99.9 %.*

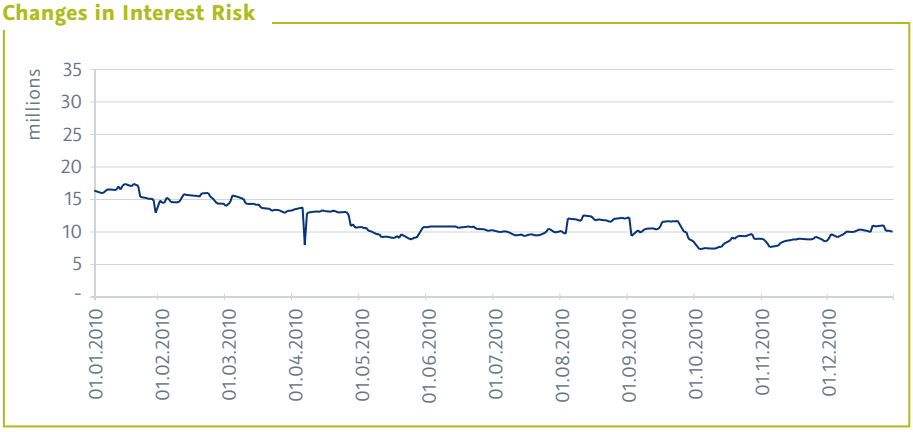
'Alternative Risk' means the market price risks arising out of hedge fund positions.

For information purposes, the table from the Annual Report 2009 is reprinted below:

	2009				2008			
in Tsd €	**Year end**	**Average**	**Minimum**	**Maximum**	**Year end**	**Average**	**Minimum**	**Maximum**
Rate change risk	15.200	28.699	14.433	39.589	27.485	29.142	17.667	37.300
FX risk	6.456	10.802	6.218	14.743	8.517	4.025	636	8.517
Security price risk	3.430	6.564	3.042	10.039	5.777	3.872	2.935	5.777
Alternative risk	608	763	608	1.044	806	1.519	801	1.803
Market risk	**25.695**	**46.827**	**25.695**	**62.185**	**42.585**	**38.559**	**24.880**	**45.881**
Limit capacity	**36,7 %**	**58,4 %**	**31,8 %**	**72,3 %**	**65,2 %**	**59,3 %**	**38,2 %**	**71,1 %**

Changes in Market Risk

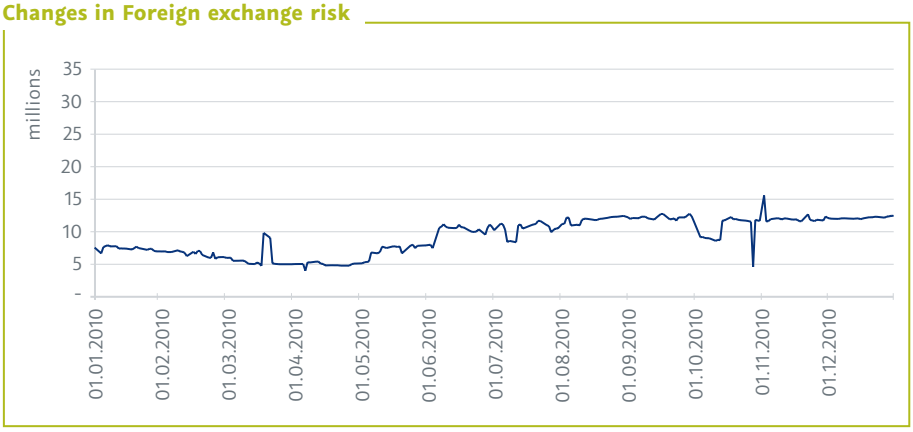
Changes in Interest Risk



By rate risk (synonymous with rate change risk), the group means the risk which may arise to the cash value of the bank from current rate trends in money and capital market rates.

The quieting of financial statistics has now led to a substantially more stable interest rate change risk. Also the interest risk-value at risk is thus significantly lower than in the previous year.

Changes in Foreign exchange risk



Open FX positions were hedged, as there was nothing specific for them defined in the strategy. This means the FX value at risk was due in practice to the FX risks of future FX cash flows from interest payments. Most of the FX value at risk is the currency value at risk in CHF, which has also increased, as the CHF exchange rate has become more volatile.

Changes in security price risk

By security price risks on asset values, we mean the risk of the prices of shares and unit trust holdings fluctuating. As well as value at risk, these risks are limited by putting limits on the volumes of sub-portfolios, such as pension funds, equities, ABS, etc. Security price risks are not a major risk, and moved sideways at a low level during 2009.

Liquidity risk

Definition
This term comprises the default risk and the timely repayment risk.

Default risk is the risk that current or future payment obligations cannot be fully met, or met in timely fashion or not met without having to suffer unaccaptably 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 disagio on the market (market liquidity risk).

The deadline transformation risk is the risk that a loss can arise due to a change in the bank's own refinancing curve (spread risk) from liquidity deadline transformation within a pre-defined period of time at a certain level of confidence.

Liquidity risk management
The main ways the group seeks to reduce liquidity risks are as follows:

- Holding sufficient liquid stocks by way of our own securities portfolio and interbank receivables
- Cultivating our own rating to ensure our issue viability and refinancing lines
- Ensuring our borrowers are spread widely enough by using individual borrower limits on credit risks
- Achieving diversification with financiers through:
  - cultivating relationships with a broad range of money trading counterparties
  - strengthening our market share in the retail market
  - supporting institutional clients via our Treasury Sales department
  - using a broad band width of arrangers when placing MTN issues

We measure liquidity risks through:

- Liquidity tie-up balance
- Liquidity ratio

Measuring how long it would take to realize assets and obligations (liabilities) and allowing for existing and potential outflows is thus extremely important, and is used on a regular basis.

By comparing when receivables and liabilities mature (after tied-up capital), we can assess our liquidity position and manage our liquidity risks (future and call-off risks).

Changes to liquidity ratio 2010
The liquidity ratio is the ratio of liquid assets to liquid liabilities. Such statistics have long been in use at HYPO TIROL BANK AG. In 2010, the calculation method was fundamentally re-worked and now sets out statistics which are reported by our bank each week to the Austrian Cental Bank. The advantage is that not only contractually-based payments, but also anticipated cash flow, e.g. outflow of savings accounts, anticipated grantings of loans, can also be taken into consideration.

This covers liquidity flows within three months, assuming conservative scenarios for uncertain liquidity flows for risk purposes. The liquidity ratio as of 31.12.2010 was 3.1: thus, the group's liquidity position may be descirbed as comfortable.

Liquidity index	2010	2009
End of year	3,1	4,7
Average	3,6	nonexistent

Numbers are based on those reported weekly.

Quality Management of Concern Data

In August 2010, as a measure stimulated by suggestions from the Austrian Central Bank, the department for Quality Management of Concern Data of the Concern Risk Management division was established with a focus on managing the risks, the risk controls and the reportable data. Since then, the newly created department has been busy with building up a data quality management system for the above described core themes. Already in October, the first report on data quality with its focus on rating was published, which is now updated each month and worked on by the responsible departments. Discussions have in the meantime been conducted with the sales departments as well. Quality targets for business year 2011 were defined, thus laying the cornerstone for sustainably improved security of data which attains and maintains a certain level of quality.

For business year 2011, the focus of the data under observation is being expanded and a data base established for a transparent and clear-cut method of reporting. Besides these necessary technical and substance-oriented themes, it is a matter of great importance to us to also sensitize and thematise the awareness of each and every member of our staff for the indispensability of high data quality.

Special Developments in 2010, Prospects for 2011

The business year 2010 was a big challenge for HYPO TIROL BANK AG from the point of view of risk. The later effects of the finance crisis on Tyrolean companies were evident through large-scale loan defaults. Also the change of managing board in the company created disquieting turbulence.

We have worked steadily at improving systems and processes. Our rating systems have been at the focal point of these efforts. Backtesting was carried out, appropriate analyses executed and measures taken. The results of the audio by the Austrian Central Bank were also worked on throughout business year 2010, efforts in risk control which were exceedingly time consuming. A series of individual thematic fields was also tackled, and the risk awareness placed in the center of all our thinking throughout the staff.

Business year 2010 also was marked by the development of an automatic scoring for private customers. The actual implementation of this measure is planned for business year 2011.
The liquidity risk management department was heavily re-worked in 2010. Besides developing new methods of reporting, stress scenarios were newly defined and calculated.

Basle III is coming. It will bring a bevy of new guidelines and regulations. This will occupy the entire bank, particularly the risk management department, over the coming years and hand us new challenges to meet.

(91) Principles of Austrian law

Under Art. 59a of the banking laws in conjunction with Art. 245a, sec. 1 of the UGB (corporate) laws, consolidated financial statements which have to be produced under Art. 59 of the banking laws must adhere to IFRS standards, whose use is required in EU countries. Under Art. 59a of the banking laws, the details under Art. 64, sect. 1, lines 1-15 and sect. 2 of the banking laws and Art. 245a, sect. 1 and 3 of the UGB laws must be included in the consolidated financial statements.

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

(92) Dividends and retrospective amendments

HYPO TIROL BANK AG can pay dividends up to the value of the profits as reported in the (individual) accounts under the banking laws and/or UGB laws of TEUR 8,274 (2009: TEUR 4,395). In the year of reporting, a divident amounting to TEUR 4,336 (2009: 1,440) was paid.

The profit made during fiscal year 2010 was TEUR 12,726 (2009: TEUR 7.849). After dissolving reserves of TEUR 4,512 (2009: TEUR 3,531) and including the profits brought forward of TEUR 60 (2009: TEUR 77), this gives available reported profits of TEUR 8,274 (2009: TEUR 4,396).

The Managing Board of HYPO TIROL BANK AG gave its consent on 25 March, 2011 to the present consolidated financial statements being published.

(93) Securities structure under banking law

The table below shows securities structured according to Art. 64, sec. 1, lines 10 and Z11 of the banking laws as of 31.12.2010:

	not public quoted		publicly quoted		total	
in Tsd €	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Debentures and other fixed interest securities	61.853	133.639	1.011.769	1.002.996	1.073.622	1.136.635
Shares and other non-fixed intereest securities	12.060	19.799	16.665	20.091	28.725	39.890
Holdings	19.454	19.454	2.703	2.703	22.157	22.157
Shares in associated companies	154.714	143.132	0	0	154.714	143.132
Financial investments	64.242	62.218	2.310.328	2.837.175	2.374.570	2.899.393
Total securities according to banking law	**312.323**	**378.242**	**3.341.465**	**3.862.965**	**3.653.788**	**4.241.207**

The difference in securities which are classified as financial assets acc. to Art. 56, sec. 2 of the banking laws is TEUR 1,456 (2009: TEUR 3,470) and acc. to Art. 56, sec.3 of the banking laws TEUR 2,560 (2009: TEUR 4,132). Forecast redemptions in 2011 are TEUR 516,033 (2010: TEUR 832,869). Non-core and subordinate capital in equity assets is TEUR 31,088 (2009: 28,595).

In the coming year, securitised liabilities at a nominal value of TEUR 637,380 (2009: TEUR 523,929) will mature and become due.

(94) Informational duty

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

At the address www.hypotirol.com/Unternehmen/Recht&Sicherheit under th sub-section entitled "Offenlegung § 26 BWG", the information can be downloaded.

EXECUTIVE BODIES

Members of the Supervisory Board			
Chairman	Mag. Wilfried **STAUDER**,	Innsbruck	from 21.04.2010
1st Deputy Chairman	Dr. Jürgen **BODENSEER**,	Innsbruck	from 21.04.2010
2nd Deputy Chairman	Dr. Toni **EBNER**,	Aldein	
Chairman	Ing. Helmut **MADER**,	Innsbruck	until 21.04.2010
1st Deputy Chairman	Dr. Simon **BRÜGGL**,	Kitzbühel	until 21.04.2010
other members			
	Mag. Eva **BEIHAMMER**,	Schwaz	from 21.04.2010
	Dr. Siegfried **DILLERSBERGER**,	Kufstein	until 21.04.2010
	Dr. Christoph **SWAROVSKI**,	Wattens	from 21.04.2010
	Mag. Bernd **GUGGENBERGER**,	Innsbruck	
	Dr. Ida **HINTERMÜLLER**,	Innsbruck	from 21.04.2010
	Mag. Franz **MAIR**,	Münster	from 21.04.2010
	Dkfm. Günter **ZOLLER**,	Innsbruck	until 21.04.2010
Delegates of the Works Council			
	Dr. Heinrich **LECHNER**, chairman of Works Council	Innsbruck	
	Andreas **PEINTNER**	Ellbögen	
	Peter **PICHLER**,	Innsbruck	
	Ingrid **WALCH**,	Inzing	

Members of the Managing Board			
Chairman	Dr. Markus **JOCHUM**,	Innsbruck	from 16.08.2010
Managing board member	Johann-Peter **HÖRTNAGL**,	Trins	from 26.11.2010
Managing board speaker	Werner **PFEIFER**,	Wattens	until 25.11.2010
Deputy Chairman	Dr. Günter **UNTERLEITNER**,	Innsbruck	until 25.11.2010

Representatives of the Supervisory Commission		
State commimssioner	MMag. Paul **SCHIEDER**	Vienna
Deputy state commissioner	Agency Director Josef **DORFINGER**	Vienna

Trustees		
Trustees acc. to Pfandbrief laws	Dr. Klaus-Dieter **GOSCH**	Innsbruck
Deputy Trustee acc. to Pfandbrief laws	Agency Director Hannes **EGERER**	Vienna

VII. SHAREHOLDINGS

Companies that were fully consolidated in the consolidated financial statements:

Business name, town	Percentage of capital	Date of completion
HYPO TIROL LEASING GMBH, Innsbruck	100,00 %	31.12.10
Hypo-Rent Grundverwertungsgesellschaft m.b.H., Innsbruck	100,00 %	31.12.10
Hypo-Rent Gebäudeleasing 1987 Gesellschaft m.b.H., Innsbruck	100,00 %	31.12.10
Hypo-Rent Immobilienverwaltungs-Gesellschaft m.b.H., Innsbruck	100,00 %	31.12.10
Hypo-Rent Projekterrichtungs-Gesellschaft m.b.H., Innsbruck	100,00 %	31.12.10
Hypo-Rent Liegenschaftsanlage-Gesellschaft m.b.H., Innsbruck	100,00 %	31.12.10
Hypo-Rent II Grundverwertung GmbH, Innsbruck	100,00 %	31.12.10
Hypo-Rent Stanser Grundverwertungs-Gesellschaft m.b.H., Innsbruck		deconsolidation 2010
Hypo-Rent Sole Grundverwertungs-GmbH, Innsbruck	100,00 %	31.12.10
Hypo-Tirol Mobilienleasing Gesellschaft m.b.H., Innbruck	100,00 %	31.12.10
Beteiligungs-und Finanzierungsgesellschaft m.b.H., Innsbruck	100,00 %	31.12.10
Grundverwertung GmbH, Innsbruck	100,00 %	31.12.10
Hypo Tirol Versicherungsmakler GmbH, Innsbruck	100,00 %	31.12.10
HYPO TIROL INVEST GmbH, Innsbruck	100,00 %	31.12.10
Hypo Tirol Leasing Wiener Betriebsansiedlungen GmbH, Innsbruck	100,00 %	31.12.10
Liegenschaftstreuhand GmbH, Innsbruck	100,00 %	31.12.10
L2 Errichtungs- und Vermietungsgesellschaft mbH, Innsbruck	100,00 %	31.12.10
Autopark Grundverwertungs GmbH, Innsbruck	100,00 %	31.12.10
CYTA-Errichtungs- und Management GmbH, Völs	100,00 %	31.12.10
CYTA-Errichtungs- und Management GmbH & CO KG, Völs	100,00 %	31.12.10
Alpen Immobilieninvest AG , Innsbruck	100,00 %	31.12.10
HTL Projektholding GmbH, Innsbruck	100,00 %	31.12.10
HTL Deutschland GmbH, München	100,00 %	31.12.10
ERFOLG Liegenschaftsvermietungs GmbH, Innsbruck	100,00 %	31.12.10
VBC 3 Errichtungs GmbH, Vienna	100,00 %	31.12.10
Dienstleistungszentrum Kramsach Betriebsgesellschaft mbH, Innsbruck	100,00 %	31.12.10
Hypo Tirol Bank Italia S.p.A., Bozen	100,00 %	31.12.10
Tirol Immobilien und Beteiligungs GmbH (IBG), Bozen	100,00 %	31.12.10
Hypo Tirol Swiss AG, Zürich	100,00 %	31.12.10
Hebbel Projektentwicklung Gesellschaft mbH, Innsbruck	100,00 %	31.12.10
Hypo-Rent Betriebsansiedlungsgesellschaft m.b.H., Innsbruck	100,00 %	31.12.10
Aaron Kantor AT 1 GmbH, Innsbruck	100,00 %	31.12.10
Hypo Tirol Beteiligungs GmbH, Innsbruck	100,00 %	31.12.10
Berger Truck Service Verwaltungs GmbH, Innsbruck	100,00 %	31.12.10

Companies consolidated according to the Equity Method in the Consolidated Financial Statement:

Business name, town	Percentage of capital	Equity capital in Tsd €	Date of completion
Tiroler Kommunalgebäudeleasing Gesellschaft m.b.H., Innsbruck	33,33 %	1.567	31.12.10
TKL II Grundverwertungsgesellschaft m.b.H., Innsbruck	33,33 %	-105	31.12.10
TKL III Grundverwertungsgesellschaft m.b.H., Innsbruck	33,33 %	0	31.12.10
TKL IV Grundverwertungsgesellschaft m.b.H., Innsbruck	33,33 %	166	31.12.10
TKL V Grundverwertungsgesellschaft m.b.H., Innsbruck	33,33 %	0	31.12.10
TKL VI Grundverwertungsgesellschaft m.b.H., Innsbruck	33,33 %	0	31.12.10
TKL VII Grundverwertungsgesellschaft m.b.H., Innsbruck	33,33 %	0	31.12.10
TKL VIII Grundverwertungsgesellschaft m.b.H., Innsbruck	33,33 %	0	31.12.10
Tiroler Landesprojekte Grundverwertungs GmbH, Innsbruck	33,33 %	-1.354	31.12.10
Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H., Innsbruck	50,00 %	-1.098	31.12.10
Seilbahnleasing GmbH, Innsbruck	33,33 %	0	31.12.10
Competence Park Investment Verwaltungs GmbH, Friedrichshafen	50,00 %	25	31.12.10
Competence Park Investment Verwaltungs GmbH & Co. KG, Friedrichshafen	50,00 %	5.702	31.12.10
SEE.STATT Investment Verwaltungs-GmbH, Friedrichshafen	50,00 %	25	31.12.10
SEE.STATT Investment Verwaltungs-GmbH & Co. KG, Friedrichshafen	50,00 %	2.597	31.12.10
C ZWEI Investment GmbH, Innsbruck	50,00 %	1.124	31.12.10
MC EINS Investment GmbH, Vienna	50,00 %	1.436	31.12.10
MC ZWEI Investment GmbH, Vienna	50,00 %	662	31.12.10
CS EINS Investment GmbH, Innsbruck	50,00 %	242	31.12.10
CS DREI Investment GmbH, Innsbruck	50,00 %	438	31.12.10
CS VIER Investment GmbH, Innsbruck	50,00 %	475	31.12.10
CS FÜNF Investment GmbH, Innsbruck	50,00 %	46	31.12.10
MS 14 Investment GmbH, Friedrichshafen	50,00 %	25	31.12.10
MS 14 Investment GmbH & Co. KG, Friedrichshafen	50,00 %	2.400	31.12.10
Projektentwicklungsges.m.b.H., Innsbruck	75,00 %	2.581	31.12.10
BIZ Business- und Innovationszentrum St.Pölten GmbH, St. Pölten	75,00 %	794	31.12.10
GTZ Gründer- und Technologiezentrum Wels GMBH, Wels	75,00 %	3.221	31.12.10
Bürocenter-Wienzeile GmbH, Vienna	75,00 %	169	31.12.10

Data in accordance with AIS 28:37:

Business name, town	Total assets in Tsd €	Liabilities in Tsd €	Revenues in Tsd €	Profit in Tsd €
Tiroler Kommunalgebäudeleasing Gesellschaft m.b.H., Innsbruck	11.739	10.172	645	180
TKL II Grundverwertungsgesellschaft m.b.H., Innsbruck	1.799	1.904	191	-58
TKL III Grundverwertungsgesellschaft m.b.H., Innsbruck				
TKL IV Grundverwertungsgesellschaft m.b.H., Innsbruck	1.299	1.133	197	49
TKL V Grundverwertungsgesellschaft m.b.H., Innsbruck				
TKL VI Grundverwertungsgesellschaft m.b.H., Innsbruck				
TKL VII Grundverwertungsgesellschaft m.b.H., Innsbruck				
TKL VIII Grundverwertungsgesellschaft m.b.H., Innsbruck				
Tiroler Landesprojekte Grundverwertungs GmbH, Innsbruck	19.281	20.635	870	56
Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H., Innsbruck	25.495	26.593	2.113	163
Seilbahnleasing GmbH, Innsbruck				
Competence Park Investment Verwaltungs GmbH, Friedrichshafen	25	0	1	0
Competence Park Investment Verwaltungs GmbH & Co. KG, Friedrichshafen	22.732	17.030	1.363	-202
SEE.STATT Investment Verwaltungs-GmbH, Friedrichshafen	26	1	1	0
SEE.STATT Investment Verwaltungs-GmbH & Co. KG, Friedrichshafen	8.278	5.681	620	83
C ZWEI Investment GmbH, Innsbruck	7.634	6.510	0	-410
MC EINS Investment GmbH, Vienna	7.944	6.508	43	-161
MC ZWEI Investment GmbH, Vienna	6.817	6.155	8	-197
CS EINS Investment GmbH, Innsbruck	2.587	2.345	48	-32
CS DREI Investment GmbH, Innsbruck	2.472	2.034	1	-34
CS VIER Investment GmbH, Innsbruck	3.896	3.421	35	-14
CS FÜNF Investment GmbH, Innsbruck	1.776	1.730	8	-24
MS 14 Investment GmbH, Friedrichshafen	25	0	1	0
MS 14 Investment GmbH & Co. KG, Friedrichshafen	13.426	11.026	522	175
Projektentwicklungsges.m.b.H., Innsbruck	27.207	24.626	3.623	-1.000
BIZ Business- und Innovationszentrum St.Pölten GmbH, St. Pölten	3.423	2.629	494	0
GTZ Gründer- und Technologiezentrum Wels GMBH, Wels	17.006	13.785	2.122	303
Bürocenter-Wienzeile GmbH, Vienna	20.250	20.081	1.833	198

Companies consolidated according to the Equity Method in the Consolidated Financial Statement:

Business name, town	Percentage of capital	Equity capital in Tsd €	Profit in Tsd €	Date of completion
Landhaus-Parkgaragen Gesellschaft m.b.H., Innsbruck	100,00 %	75	6	31.12.09
Landhaus-Parkgaragen Gesellschaft m.b.H. & Co. KG, Innsbruck	100,00 %	15.811	176	31.12.09
HYPO Gastro GmbH, Innsbruck	100,00 %	21	-121	31.12.09
HT Immobilien Investment GmbH, Innsbruck	100,00 %	989	-8	31.12.09
Kramsacher Betriebsansiedlungsgesellschaft m.b.H., Innsbruck	100,00 %	36	213	31.12.09
ARZ Hypo-Holding GmbH, Innsbruck	99,09 %	345	0	31.12.09
CS ZWEI Investment GmbH, Innsbruck	50,00 %	27	-4	31.12.09
CS SECHS Investment GmbH, Innsbruck	50,00 %	27	-4	31.12.09
HPS Standortservice GmbH, Innsbruck	50,00 %	37	2	31.12.09
Tyrol Equity AG, Innsbruck	33,33 %	6.999	-702	31.12.09
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	33,30 %	10.423	-549	31.12.09
ARZ Allgemeines Rechenzentrum GmbH, Innsbruck	32,90 %	8.350	32	31.12.09
Lantech Innovationszentrum GesmbH, Landeck	32,73 %	549	-13	31.12.09
A&B Ausgleichsenergie & Bilanzgruppen-Management AG, Innsbruck	25,92 %	1.430	235	31.12.09
REB II Beteiligungs AG, Vienna	25,64 %	795	-1.208	31.12.09
“Wohnungseigentum“, Tiroler gemeinnützige Wohnbaugesellschaft m.b.H., Innsbruck	24,33 %	46.334	-182	31.12.09
GHS Immobilien AG, Vienna	22,69 %	105.818	3.245	31.12.09
HYPO EQUITY-Unternehmensbeteiligungen AG, Bregenz	20,11 %	37.808	-3.639	31.12.09
Global Private Equity IV Holding AG, Vienna	17,94 %	2.729	-2.507	31.12.09
Tiroler gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H. (TIGEWOSI), Innsbruck	17,45 %	53.818	1.775	31.12.09
Masterinvest Kapitalanlage-Gesellschaft m.b.H., Vienna	12,50 %	3.639	315	31.12.09
Hypo-Wohnbaubank Aktiengesellschaft, Vienna	12,50 %	5.623	166	31.12.09
Hypo-Banken-Holding Gesellschaft m.b.H., Vienna	12,50 %	12.839	1.079	31.12.09
Rathaus Passage GmbH, Innsbruck	11,23 %	17.711	-2.090	31.12.09
HP IT-Solutions Gesellschaft m.b.H., Innsbruck	11,11 %	98	-4	31.12.09
Hypo-Haftungs-Gesellschaft m.b.H., Vienna	11,05 %	20	0	31.12.09
Merkur Bank KGaA, München	8,75 %	28.791	618	31.12.09
Logistikzentrum Hallbergmoos GmbH, München	6,00 %	992	-13	30.09.09
Logistikzentrum Forchheim GmbH, München	6,00 %	12.116	558	30.09.09
Pflegeheim Wolfratshausen Grundstücks GmbH, München	6,00 %	3.033	-54	30.09.09
PensPlan Invest SGR Spa/AG, Bozen	4,44 %	9.549	1	31.12.09
Innsbrucker Stadtmarketing GesmbH, Innsbruck	3,00 %	175	-330	31.12.09
Lienzer-Bergbahnen-Aktiengesellschaft, Lienz	2,13 %	7.156	-976	30.10.09
Bergbahnen Rosshütte – Seefeld – Tirol – Reith AG, Seefeld	1,62 %	-657	-2.717	30.04.09
VBV-Betriebliche Altersvorsorge Aktiengesellschaft, Vienna	1,28 %	45.749	3.616	31.12.09
AAA – Air Alps Aviation Alpenländisches Flugunternehmen Ges.m.b.H., Innsbruck	0,28 %	902	-4.838	31.12.09
GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination GmbH, Vienna	0,20 %	1.484	590	31.12.09
Allgemeine Bausparkasse registrierte Genossenschaft mit beschränkter Haftung, Vienna	0,08 %	55.660	775	31.12.09

HYPO TIROL BANK AG

THE MANAGING BOARD

Innsbruck, 25 March 2011

Dr. Markus Jochum

Johann Peter Hörtnagl

STATEMENT OF APPROVAL

AUDITOR'S REPORT OF THE GROUP FINANCIAL STATEMENT

We have audited the consolidated financial statement of the HYPO TIROL BANK AG, Innsbruck for the fiscal year from 1 January to 31 December 2010. This consolidated financial statement comprises the corporate group balance sheet as of the cutoff date of 31 December 2010, a separate profit and loss accounting, the consolidated profit account, the consolidated capital flow accounting and the accounting of changes in the corporate group's equity capital for the business year which ended on 31 December 2010, as well as an appendix.

Responsibility of the legal representatives of the company for financial statement and for the group's accounting department
The legal representatives of the company are responsible for the substance of this consolidated financial statement which in accordance with International Financial Reporting Standards (IFRS) as applied in the countries of the European Union, and corresponding to the supplementary banking and corporate regulations of the Austrian Banking Act, presents as true and accurate a picture as is possible of the assets, finances and profits of the corporate group. This responsibility includes: presentation, realization and maintenance of an internal control system insofar as this is of significance for generating a Consolidated Financial Statement and presenting as true and accurate a picture of the assets, finance and earnings situation as is possible, so that it is free any any significant errors or misleading depictions, regardless whether as a result of intended or unintended errors; the selection and application of suitable balance sheet and evaluation methods; undertaking valuations which appear objective and appropriate in reflecting the given framework conditions.

Responsibility of the auditor and description of type and range of the legally required auditor's report
It is our responsibility to present a judgment based on our examination of this Consolidated Financial Statement. We have conducted our audit in accordance with the auditing standards generally applied in Austria, as well as the principles of orderly auditing. These standards require that we perform the audit in accordance with the customary regulations and standards of this profession; that we both plan and perform the audit so as to obtain reasonable assurance about whether the Consolidated Financial Statement is free of material misstatement.

An audit consists of carrying out examinations to obtain proven evidence with regard to earnings and other recorded balance sheet entries in the Consolidated Financial Statement. The selection of examinations lies in the discretionary judgment of the auditor, taking into consideration the assessment of risk of any material misstatements, whether from intended or unintended errors. In evaluating that risk, the auditor takes into consideration the internal control system insofar as this is of significance for generating a Consolidated Financial Statement and presenting as true and accurate a picture of the assets, finance and earnings situation as is possible, in order to determine the necessary scope of auditing inspections, giving due consideration to all the background conditions; not, however, to come to any judgment with regard to the effectiveness of the corporate groups internal control system. The examination also includes an assessment of the appropriateness of the balancing and valuating methods which were used; of the major valuations which are legally required; as well as an overall judgment of the quality of the message of the Consolidated Financial Statement.
We are of the opinion that we have by this means obtained sufficient and suitable proofs, so that our examination provides a secure basis for the judgment which we have been asked to render.

Judgment of examination
Our audit has led to no objections, exceptions or reservations. In accordance with the facts obtained from this audit, the Consolidated Financial Statement corresponds in our judgment with all legal requirements and gives as true and accurate a picture as is possible of the assets and financial situation of the group as of 31 December 2010, as well as of the corporate group's earnings situation and money movements for the fiscal year from 1 January to 31 December 2010, in accord with the International Financial Reporting Standards as applied in the countries of the European Union.

COMMENTARY ON THE GROUP REPORT

The Group Report must also be examined and assessed in accordance with legal requirements, with regard to its general agreement in the major statements and whether or not they could evoke an incorrect picture of the corporate situation. The auditor's report must also contain a statement about whether the Group Report is essentially in keeping with the Consolidated Financial Statement and in accordance with Art. 243a, Sec. 2 of corporate laws.

In our judgment, the Group Report is consistent and in accordance with the Consolidated Financial Statement and in accordance with Art. 243a, Sect. 2 of corporate laws.

Vienna, 25 March 2011, ERNST & YOUNG WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT M.B.H

Mag. Ernst Schönhuber, *Wirtschaftsprüfer*
Dr. Elisabeth Glaser, *Wirtschaftsprüferin*

DECLARATION OF THE LEGAL REPRESENTATIVES

We confirm to the best of our knowledge and belief that the Consolidated Financial Statement drawn up in compliance with the applicable accounting standards represents a true and fair view of the assets, financial and earnings situation of the group, that the Consolidate Annual Report depicts a true and fair view of events, business performance and situation of the corporate group in such a way that a correct and accurate picture of the assets, financial and earnings situation of the group emerges and that the Consolidated Annual Report described the principal risks and uncertainties to which the group is exposed.

We confirm to the best of our knowledge and belief that the parent company's Annual Financial Statement drawn up in compliance with the applicable accounting standards represents a correct and accurate view of the assets, financial and earnings situation of the company, that the Annual Report depicts a true and fair view of events, business performance and situation of the company in such a way that a true and fair view of the assets, financial and earnings situation emerges and the the Annual Report describes the principal risks and uncertainties to which the company is exposed.

HYPO TIROL
BANK AG
THE MANAGING BOARD

Innsbruck, 25 March 2011

Dr. Markus Jochum

Johann Peter Hörtnagl

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board monitored the business activities of the Managing Board through the fiscal year 2010 and advised in depth and updated repeatedly on the development of the company and all important business activities, based on both the regular reports and the special memoranda prepared by the Managing Board. The Chairman of the Supervisory Board was also kept up to date on all pertinent matters by the Managing Board and by the person in charge of the Internal Inspection and Control.

Supervisory Board meetings
In fiscal year 2010, a total of five ordinary Supervisory Board meetings were convened at which fundamental issues of business policy were raised and discussed. Any individual business cases which required statutory approval by the Supervisory Board were dealt with and discussed with the Managing Board.

Supervisory Board committees
The Supervisory Board appointed three committees from its members.

The Credit Committee is concerned with mortgages, loans, and large-scale investments. During fiscal year 2010, the Credit Committee met for five ordinary and two extraordinary meetings.

Under Art. 63a, sec. 4 of banking law, the Audit Committee is responsible for the auditing and preparation of the Annual Financial Statement, the earnings distribution proposal, the Annual Report, as well as for the Consolidated Financial Statement and the Consolidated Annual Report. During fiscal year 2010, the Audit Committee met five times.
The Committee for Review of Matters for the Managing Board met on 21 June 2010 for purposes of appointing Dr. Markus Jochum as Chairman of the Managing Board.

Annual Financial Statement
The Annual Financial Statement and the Annual Report as of 31.12.2010 were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna. As no objections or corrections were proposed, the stamp of approval was granted without any limitations or reservations.

The final audit of the Annual Financial Statement and Consolidated Financial Statement for 2010 was carried out by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna in accordance with International Financial Reporting Standards (IFRS) on 31 December 2010. There are no grounds for objection or correction.

Following the final audit by the Supervisory Board and the Audit Committee of the Annual Financial Statement and Consolidated Financial Statement for 2010, the appendix, the Annual Report for the Annual Financial Statement and Consolidated Financial Statement and the profits distribution proposal, there are no grounds for objection or correction. The Supervisory Board approves the enclosed proposal for earnings distribution, approves the Annual Financial Statement submitted by the Managing Board, which has been prepared in accordance with Art. 96, section 4 of the shareholding laws; and approves the Consolidated Financial Statement.

HYPO TIROL BANK AG, The Supervisory Board
Innsbruck, 26 April 2011

Mag. Wilfried Stauder