HYPO VORARLBERG BANK AG

ANNUAL REPORT 2020

KEY FIGURES 2020

Key figures of Hypo Vorarlberg Bank AG (Hypo Vorarlberg) – Group reporting per IFRS:

Balance sheet figures TEUR	Notes	31/12/2020	31/12/2019	Change in TEUR	Change in %
Total assets		15,296,768	13,979,941	1,316,827	9.4
Loans and advances to banks		227,250	116,743	110,507	94.7
Loans and advances to customers		10,340,227	10,042,455	297,772	3.0
Liabilities to banks		2,844,254	1,536,100	1,308,154	85.2
Liabilities to customers		5,646,971	5,434,969	212,002	3.9
Securitised liabilities		5,186,498	5,425,331	-238,833	-4.4

Income statement TEUR	Notes	2020	2019	Change in TEUR	Change in %
Net interest income	(6)	174,160	169,541	4,619	2.7
Net fee and commission income	(8)	34,647	36,466	-1,819	-5.0
Administrative expenses	(13)	-95,112	-96,291	1,179	-1.2
Earnings before taxes		48,825	91,692	-42,867	-46.8
Consolidated net income		37,331	70,376	-33,045	-47.0

Corporate figures	Notes	2020	2019	Change absolute	Change in %
Cost/Income ratio (CIR)		51.18 %	53.24 %	-2.06 %	-3.9
Return on equity (ROE)		4.07 %	8.13 %	-4.06 %	-49.9
Employees	(53)	694	719	-25	-3.5

Own funds TEUR	31/12/2020	31/12/2019	Change absolute	Change in %
Common equity tier 1 capital (CET1)	1,239,951	1,190,026	49,925	4.2
Additional tier 1 capital (AT1)	50,003	50,005	-2	0.0
Tier 1 capital (T1)	1,289,954	1,240,031	49,923	4.0
Tier 2 capital (T2)	249,973	269,642	-19,669	-7.3
Own funds	1,539,927	1,509,673	30,254	2.0
CET1 capital ratio (CET1)	14.34 %	14.07 %	0.27 %	1.9
Surplus of CET1 capital (CET1)	850,923	809,498	41,425	5.1
T1 capital ratio (T1)	14.92 %	14.66 %	0.26 %	1.8
Surplus of T1 capital	771,250	732,661	38,589	5.3
Total capital ratio	17.81 %	17.85 %	-0.04 %	-0.2
Surplus of total capital	848,321	833,179	15,142	1.8

The shareholders of Hypo Vorarlberg Bank AG (Hypo Vorarlberg) as at 31 Dezember 2020:

Shareholders	Total shareholding	Voting Rights
Vorarlberger Landesbank-Holding	76.8732 %	76.8732 %
Austria Beteiligungsgesellschaft mbH	23.1268 %	23.1268 %
- Landesbank Baden-Württemberg	15.4179 %	
- Landeskreditbank Baden-Württemberg Förderbank	7.7089 %	
Share capital	100.0000 %	100.0000 %

Ratings	Standard & Poor's	Moody's
Long-term senior debt	A+	A3
Short-term	A-1	P-2
Outlook	negativ	stable

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HYPO VORARLBERG

WILFRIED AMANN
MEMBER OF THE MANAGING BOARD

MICHEL HALLER
CHAIRMAN OF THE MANAGING BOARD

PHILIPP HÄMMERLE
MEMBER OF THE MANAGING BOARD

FOREWORD
OF THE MANAGING BOARD

Crises are best tackled together: Customers value Hypo Vorarlberg as a reliable and stable partner, particularly in economically challenging times.

Dear customers, business partners, shareholder representatives and employees,

Hypo Vorarlberg can look back on an extremely challenging financial year: The outbreak of the new coronavirus hit society and the economy around the globe with an intensity that few could have imagined. As expected, the economic effects of the COVID-19 pandemic in Hypo Vorarlberg's market areas had a negative impact on our results and the effects of the crisis will probably stay with us for years.

In this context, we are all the more pleased that we managed to bring in a good operating result in 2020. As at the end of 2020, loans and advances to customers were above the previous year's level, partly due to coronavirus-related measures, and net interest income was also higher than in the previous year (up 2.7%).

In addition to dealing with the effects of the pandemic, the ECB's low and even negative interest rate policy and increasing regulation kept us busy. Digitalisation also gained momentum significantly again and put the business model of entire sectors to the test. It will be even more important to seize these new opportunities in the future – as became very clear in the past year. The new Managing Board line-up introduced in May 2020 takes account of the new requirements for our banks.

A similar effect is generated by the growing trend towards sustainability. Social awareness of a more sustainable way of life does not stop when it comes to the financial world. Banks have a major influence in that they decide who to grant loans to: In future, it will therefore be important not just to look at companies' financial results, but also to assess whether they manufacture their products in a particularly climate-friendly way, for example. The way in which business is done is extremely important to us. For this reason, we have long defined ethical and sustainable criteria in our investment and financing business.

As a mindful advisory bank, sustainability is practically in Hypo Vorarlberg's genes, but we will nonetheless redouble our efforts in the future, as demand for sustainable financial products is increasing. The current EU regulation on disclosure requirements creates one thing above all – even more transparency for investors. It is therefore a key element for showing how and where the bank invests its customers' money. In any case, growing demand for sustainable financial instruments will further increase pressure – so the situation remains exciting.

In a difficult environment, it is particularly important to have a reliable and stable partner by your side. For us, stability means that we focus on our core business. But it also means that we are a long-term partner for our customers and not just a temporary one – especially when it comes to tackling crises.

Thank you to our nearly 900 employees for their particular ambition and commitment in the past financial year. We are confident that we will also overcome the challenges of 2021 – true to our motto of "Achieving great things together".

The members of the Managing Board

Michel Haller Chairman of the Managing Board	Wilfried Amann Member of the Managing Board	Philipp Hämmerle Member of the Managing Board

ORGANISATIONAL CHART

MANAGING BOARD

MICHEL HALLER
CHAIRMAN OF THE MANAGING BOARD

Credit Management – Corporate Customers
Stefan Germann
- Credit Management – Corporate Customers
- Credit Management Banks & Leasing
- Credit Management St. Gallen
- Financial Aids Department
- Balance Sheet Analysis

Credit Management -- Private Customers
Martin Heinzle
- Credit Management – Private Customers
- Certification / Collateralization
- Credit Service / Collateral Management
- Housing Construction Aids

Group Risk Controlling
Markus Seeger

Law
Klaus Diem
- Central Loan Monitoring Corporate /
- Private Customers
- Contract Law

Human Resources
Egon Helbok

Communication
Sabine Nigsch

Compliance & Outsourcing
Reinhard Kaindl

Strategic Bank Management
David Blum

Corporate and Internal Audit
Christoph Schwaninger

St. Gallen Branch Office
Thomas Reich

Hypo Vorarlberg Leasing, Italy
Michael Meyer (Backoffice/Risk Management)

Immo Italia, Italy
Alexander Ploner

WILFRIED AMANN
MEMBER OF THE MANAGING BOARD

Corporate Customers Sales
Stephan Sausgruber
- Branch Offices Corporate Customers
- International Services
- Syndication / Structured Financing

Private Customers Sales / Private Banking
Markus Felder
- Branch Offices Private Customers
- Private Banking
- Wealth Management (Bregenz)
- EU-Payment Transactions

Sales Vienna
Roswitha Klein
- Corporate Customers
- Private Customers / Mobile Sales Uni
- Wealth Management (Vienna)

Sales Support
Stephan Modler
- Product Management
- Customer Service Center
- Marketing Management

Treasury
Florian Gorbach
- Funding & Investor Relations
- APM & Investments
- Money- Foreign Exchange and Interest Derivatives Trading
- Securities Customer Trading

Marketing
Angelika Rimmele
- Youth Marketing
- Sponsoring and Events
- Creation

Participation Administration
Emmerich Schneider

St. Gallen Branch Office
Dieter Wildauer
Dipl.-Kfm. Walter Ernst

Hypo Vorarlberg Leasing, Italien
Christian Fischnaller (Sales)

Hypo Immobilien & Leasing GmbH
Wolfgang Bösch
Peter Scholz

PHILIPP HÄMMERLE
MEMBER OF THE MANAGING BOARD

Finance
Bernhard Egger
- Bookkeeping, Supervisory Reporting
- Account Management
- Data and Document Management

Controlling
Peter Holzer

Asset Management
Karl-Heinz Strube
- Asset Management
- Funds Management
- Financial Analysis / Research
- Active Advisory

Mid- and Backoffice Funds, Securities and Derivatives
Johannes Tschanhenz
- Swap Group
- Funds Service
- Securities Settlement

Data Protection
Daniel Oberauer

IT / Organisation
Johann Berchtold
- Organisation
- IT Governance
- International Payment Transactions

Jörg Ruwe
- Information Technology
- Digitisation

Logistics
Wilhelm Oberhauser
- Facility and Materials Administration
- Sustainability

AS OF APRIL 2021

BRANCH OFFICES OF HYPO VORARLBERG

Data Protection
Daniel Oberauer

Compliance & Outsourcing
Reinhard Kaindl

Ombudsperson
Martha Huster

Corporate and Internal Audit
Christoph Schwaninger

Vienna Branch Office
Roswitha Klein, RW
Roswitha Klein, HPB + HWM
Robert Glasner, BM
Hans-Jürgen Spitzer, HCC
Katharina Jantschgi, SPC

Graz Branch Office
Ernst Albegger, RM
Gerhard Vollmann, HPC BP

Wels Branch Office
Friedrich Hörtenhuber, RM
Iris Häuserer, HPC PB

Bludenz Branch Office
Peter Meyer, BOH
Walter Hartmann, BOH PC

Feldkirch Branch Office
Martin Schieder, BM
Stefan Kreiner, HPL

LKH-Feldkirch Branch Office
Martin Schieder, BM

Rankweil Branch Office
Katharina Woletz, SPC

Götzis Branch Office
Franz Altstätter, BM

Hohenems Branch Office
Andreas Fend, BOH

Lustenau Branch Office
Graham Fitz, BOH
Stefan Ritter, BM

Höchst Branch Office
Helgar Helbok, BM

Egg Branch Office
Markus Kohler, BM

Bregenz Private Customers Branch Office
Stephan Spies, SPC
Stephan Bohle, HPB
Alexander Walterskirchen, HPL

Bregenz Corporate Customers Branch Office
(inkl. Bregenzerwald)
Simon Ruff, BOH

Germany Corp. Customers Branch Office
Markus Schmid, BOH

Bregenz Wealth Management
Stefan Schmitt, HPB

Dornbirn Branch Office
Richard Karlinger, BOH
Egon Gunz, BOH PC

Messepark Branch Office
Lena-Maria Schuler, HSC

Riezlern Branch Office
Artur Klauser, BOH
Josef Wirth, SPC

Schruns Branch Office
Hannes Bodenlenz, BM

Lech Branch Office
Reinhard Zangerl, BOH + BM

RM	Regional Manager
BOH	Branch Office Head
BOH PC	Branch Office Head Private Customers
BM	Branch Manager Private Customers
HCC	Head of Corporate Customers
HWM	Head of Wealth Management
HPB	Head of Private Banking
HPC PB	Head of Private Customers and Private Banking
SPC	Head of Service and Private Customers
HSC	Head of Service Customers
HPL	Head of Private Loans

AS OF APRIL 2021

EXECUTIVE BOARDS

MANAGING BOARD

Michel Haller
Chairman of the Managing Board, Tettnang

Wilfried Amann
Member of the Managing Board, Bludesch

Johannes Hefel (until 30. April 2020)
Member of the Managing Board, Schwarzach

Philipp Hämmerle (from 01. Mai 2020)
Member of the Managing Board, Lustenau

SUPERVISORY BOARD

Jodok Simma
Chairman, Chairman of the Managing Board (retired), Bregenz

Alfred Geismayr
Deputy Chairman, Chartered Accountant, Dornbirn

Astrid Bischof
Entrepreneur, Göfis

Karl Fenkart
State official, Lustenau

Eduard Fischer
Entrepreneur, Offsetdruckerei Schwarzach Ges.m.b.H. (retired), Dornbirn

Michael Horn
Deputy Chairman of the Managing Board of Landesbank Baden-Württemberg (LBBW), Weingarten

Karlheinz Rüdisser
Deputy State Governor of Vorarlberg (retired), Lauterach

Birgit Sonnbichler
Entrepreneur, Dornbirn

Nicolas Stieger
Lawyer, Bregenz

Ulrich Theileis
Member of the Managing Board of Landeskreditbank Baden-Württemberg – Förderbank (L-Bank), Ettlingen

Veronika Moosbrugger
Chairwoman of the Works Council

Andreas Hinterauer
Works council delegate

Elmar Köck
Works council delegate

Gerhard Köhle
Works council delegate

Peter Niksic
Works council delegate

AS AT 30 MARCH 2021

COMMITTEES ESTABLISHED BY THE SUPERVISORY BOARD

Loan committee
Jodok Simma, Chairman
Alfred Geismayr, Deputy Chairman
Karl Fenkart
Eduard Fischer
Michael Horn
Veronika Moosbrugger
Elmar Köck

Risk committee
Karlheinz Rüdisser, Chairman
Karl Fenkart, Deputy Chairman
Jodok Simma
Nicolas Stieger
Veronika Moosbrugger
Gerhard Köhle

Audit committee
Alfred Geismayr, Chairman
Jodok Simma, Deputy Chairman
Astrid Bischof
Karl Fenkart
Veronika Moosbrugger
Gerhard Köhle

Nomination committee
Birgit Sonnbichler, Chairwoman
Ulrich Theileis, Deputy Chairman
Jodok Simma
Karl Fenkart
Veronika Moosbrugger
Gerhard Köhle

Remuneration committee
Birgit Sonnbichler, Chairwoman
Ulrich Theileis, Deputy Chairman
Jodok Simma
Karl Fenkart
Veronika Moosbrugger
Gerhard Köhle

STATE COMMISSIONER

Jutta Raunig

Matthias Ofner
Deputy

ESCROW AGENTS

Heinz Bildstein (until 31.7.2020)
President of the State Court, Feldkirch

Wilfried Marte (from 01.08.2020)
Head of the District Court, Bregenz

Daniela Steffl
Deputy, Federal Ministry of Finance, Vienna

AS AT 30 MARCH 2021

ADVISORY BOARD

Markus Wallner
Chairman, State Governor of Vorarlberg, Frastanz

Hans Dietmar Sauer
Deputy Chairman, Chairman of the Managing Board of Landesbank Baden-Württemberg (LBBW) (retired), Ravensburg

Alexander Abbrederis
Managing Director, pratopac GmbH, Rankweil

Gerhart Bachmann
President of Vorarlberg Dental Chamber, Feldkirch

Hubert Bertsch
Managing Director, Bertsch Holding GmbH, Bludenz

Ernst Bitsche
Entrepreneur, Thüringen

Christof Bitschi
Chairman of FPÖ Vorarlberg political party, Brand

Herbert Blum
Managing Director (retired)., Julius Blum GmbH, Höchst

Christian Brand
Chairman of the Managing Board of Landeskreditbank Baden-Württemberg – Förderbank (L-Bank) (retired), Ettlingen

Birgitt Breinbauer
President of Bar Association Vorarlberg
Lawyer, Dornbirn

Manfred Brunner
Chariman of Österreichische Gesundheitskasse*, Höchst

Guntram Drexel
Supervisory Board of Spar Österreichische Warenhandels AG, Lustenau

Verena Eugster
Chairwoman of Junge Wirtschaft Vorarlberg
Entrepreneur, W3 Marketing GmbH, Dornbirn

Kurt Fischer
Mayor, Lustenau

Stefan Fitz-Rankl
Managing Director, Fachhochschule Vorarlberg, Lustenau

Gerald Fleisch
Managing Director, Vorarlberger Krankenhaus-Betriebsgesellschaft.m.b.h., Dornbirn

Jutta Frick
Managing Director, Bad Reuthe Frick GmbH, Reuthe

Roland Frühstück
Chairman of ÖVP parliamentary group in the Vorarlberg State Parliament, Bregenz

Christof Germann
Member of the Managing Board, Illwerke VKW, Lochau

Heinz Hämmerle
Entrepreneur, Lustenau

Andreas Haid
Mayor, Riezlern

Robert Haller
Hotelier, Mittelberg

Dietmar Hefel
Managing Director, Hefel Textil GmbH, Dornbirn

Joachim Heinzl
Managing Director, Wirtschafts-Standort Vorarlberg GmbH (WISTO), Bludenz

Hans Hofstetter
Lawyer, Schoch, Auer & Partner Rechtsanwälte, St. Gallen

Thomas Hopfner
Klubobmann Sozialdemokratischer Landtagsclub, Dornbirn

Josef Huber
Entrepreneur, Huber Invest GmbH, Klaus

Robert Janschek
Managing Director, Walter Bösch GmbH & Co KG, Lustenau

Dr. Michael Jonas
President of Vorarlberg Medical Association, Dornbirn

Jürgen Kessler
Chariman of Österreichische Gesundheitskasse*, Wolfurt

Urs-Peter Koller
Entrepreneur, Wittenbach

Oswin Längle
Managing Director, Längle Glas GmbH, Dornbirn

Hans-Peter Lorenz
Geschäftsführer, VOGEWOSI (Vlbg. gemeinnützige Wohnungsbau- und Siedlungsges. mbH), Dornbirn

Hans-Peter Metzler
President of Vorarlberg Economic Chamber, Hittisau

*bi-annual change

AS AT 30 MARCH 2021

Josef Moosbrugger
President of Austrian Chamber of Agriculture, Bregenz

Martin Ohneberg
President of Vorarlberg Regional Group of the Federation of Austrian Industries
Managing Director, HENN GmbH & Co KG, Dornbirn

Johannes Rauch
State Councillor, Member of the Vorarlberg government, Rankweil

Jürgen Reiner
President of Vorarlberg Chamber of Tax Advisors and Public Accountants, Lochau

Michael Ritsch
Mayor, Bregenz

Sabine Scheffknecht
Chairwoman of NEOS Vorarlberg political party, Lustenau

Gerold Schneider
Hotelier, Lech

Thorsten Schönenberger
Member of the Managing Board, Landesbank Baden-Württemberg (LBBW), Stuttgart

Thomas Sohm
Managing Director, Etiketten Carini GmbH, Lustenau

Harald Sonderegger
President of Vorarlberg State Parliament, Schlins

Karl Stadler
Delegate of Administrative Board of POLYGENA-Group, Altstätten

Eduard Tschofen
Chartered Accountant, Feldkirch

Stefanie Walser
Managing Director, Walser Fashion & Lifestyle GmbH, Dornbirn

Daniel Zadra
Chairman of „Die Grünen“ parliamentary group in the Vorarlberg State Parliament, Lustenau

GROUP MANAGEMENT REPORT

MACROECONOMIC
CONDITIONS

Global economy and euro zone

At the beginning of 2020, on the basis of the leading economic indicators the global economy showed signs of bottoming out. The main purchasing manager indices stabilised at a low level. However, the global spread of the novel coronavirus successively led to a complete shutdown of economic activities in many areas. The service sector was hit particularly hard. While the purchasing manager index in China slowly returned to normal again, unemployment rates in Europe and the US climbed to record levels from March 2020 onward. In April, the ifo business climate index for Germany slumped again, marking a new record low. The GDP figures for the first quarter provided an initial overview of how substantial the impact on the global economy in 2020 would be. Central banks pulled out all the stops. For example, the US Federal Reserve (Fed) lowered its key interest rate range to between 0 % and 0.25 %. Both in China and in the US and the EU, support multi-billion packages were put together to boost the economy.

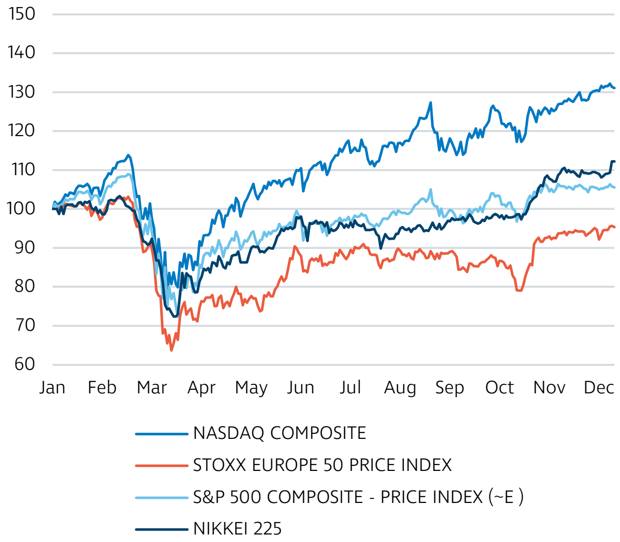
Over the course of the second quarter, the easing measures took effect, with leading indicators breaking away from their lows. The German ifo business climate index, for example, exceeded expectations in July and displayed a significant recovery trend. Capacity utilisation in Chinese industry rose significantly in the second quarter, and industrial production was up again on an annual basis. By contrast, the GDP figures for the second quarter showed the actual effects of the coronavirus lockdown. The eurozone countries and the US economy both saw a historic slump in the second quarter. GDP forecasts then improved in the summer.

In mid-August, the European Union resumed negotiations with the UK on a trade deal. And while the EU worked on its combined budget and recovery package to combat the effects of the lockdown, the number of new coronavirus infections increased again worldwide and impacted the financial markets. The US employment market improved in the autumn, but the unemployment rate remained at a high level. In China, purchasing manager indices and foreign trade showed continuing stabilisation. Japan also achieved a turnaround in industrial production in the autumn. The US economy continued its recovery in the final quarter, according to estimates. Shortly before the end of the year, the EU and the British government managed to avert a no-deal Brexit and agreed a trade deal.

Stock and bond markets

When the first cases of COVID-19 in China became known at the end of January, the stock markets reacted with increased volatility. A month later, the number of patients increased significantly and the global stock markets underwent drastic price corrections. At the end of March, investors increasingly gathered courage again: The second quarter was dominated by optimism on the financial markets, reflecting investors' long-term positive expectations. Although the focus was on dividend cuts and revised outlooks, the stock markets nonetheless continued their recovery surprisingly quickly. Technology stocks in particular emerged as winners in the crisis. The huge price increases prompted profit-taking in September and October. Growing fears of further lockdown measures considerably burdened the US S&P 500 and the German benchmark index DAX in October. From November onwards, the breakthrough with coronavirus vaccines boosted the development on the financial markets, and the key stock market indices rose further. By the end of the year, the German benchmark index DAX had reached its level from before the start of the pandemic again. The US technology index Nasdaq delivered an unparalleled rally in the second half of the year.

Global stock market development in 2020 (in EUR)



(Source: Thomson Reuters Datastream)

After the global spread of the coronavirus had also led to high volatility on the market for euro-denominated government bonds in March, the situation increasingly calmed down over the course of the year. The extensive government assistance measures supported the capital markets. In addition, there were soon signs of a rapid economic recovery in some regions and sectors. The major central banks kept to their expansionary policy. While the ECB left its key interest rate at zero, other central banks made key interest rate cuts. Fed Chair Powell also made it clear that interest rate hikes are not to be expected before the end of 2022. The central banks provided considerable quantities of liquidity. In the case of euro-denominated government bonds, the significant increase in risk premiums caused by the coronavirus crisis was completely eliminated. Other geopolitical issues, such as the ongoing Brexit negotiations, the trade conflicts originating from the US and the US presidential elections, had little impact on the market. A broad stabilisation could also be observed for euro-denominated corporate bonds as a result of the monetary and fiscal policy measures. Only companies that were particularly hard hit by the pandemic continued to record increased risk premiums.

Commodities and currencies

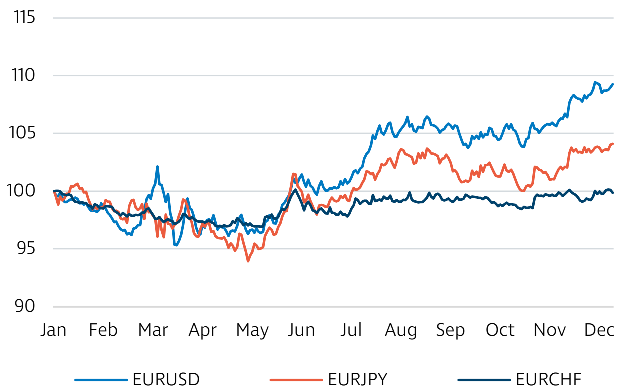
The commodities market saw a turbulent start to the year. At the end of March, the oil price fell to its lowest level since November 2002, while on the supply side there was no significant rapprochement between Saudi Arabia and Russia, despite mediation attempts by the US. After a brief recovery, prices decreased again. From the end of April onwards, a significant recovery was discernible again. However, the oil cartel OPEC and its cooperation partners extended the restriction on oil production by around ten million barrels per day until the end of July. By the end of the year, the oil price for the North Sea brand Brent had reached a level of around USD 50 again. The unexpected crash in the gold price showed the "cash is king" mentality of unsettled investors. At the end of the first quarter, the gold price reached the USD 1,600 mark again, then continued its recovery in the second quarter, peaked at well above USD 2,000 USD in August and settled at around USD 1,900 as of the end of the year.

Gold price development in 2020 (in USD)

(Source: Thomson Reuters Datastream)

With regard to currencies, both the US dollar and the Swiss franc benefited from being sought out as a safe haven at the beginning of the year. From mid-May onward, the US dollar decreased in value significantly against the euro. One reason for its depreciation was the decease in the interest rate differential. The depreciation trend in the US dollar intensified over the course of the year. The euro also gained strength against the Japanese yen on a sustained basis, particularly in the second half of the year. And last but not least, the euro also appreciated against the Swiss franc again in the second half of the year, almost reaching its level from the start of the year

Currencies against the euro in 2020



(Source: Thomson Reuters Datastream)

Austria

According to the December forecast by the Oesterreichische Nationalbank (OeNB), real GDP fell by 7.1 % in 2020 (2019: growth of 1.4 %). On the demand side, this decline was driven by weak consumer spending and exports, while on the supply side economic output was curbed primarily by the low level of activity in the service sectors particularly affected by government measures, such as hotels, catering and retail.

The measures to contain the COVID-19 pandemic had a significant impact on the employment market: The most difficult year for decades on the job market started off with falling unemployment figures until the end of February. However, the economic slump then decreased the work volume for employees by 8.8 % in 2020. Thanks to the massive use of reduced working hours, the decline in employment was comparatively moderate, however, at 2.3 %. According to the Austrian Public Employment Service (AMS), unemployment rose by 2.8 percentage points to 10.2 % in 2020 and is expected to remain at this level in 2021, too.

The OeNB forecasts that the HICP inflation rate will decrease slightly in 2020 compared to 2019 and come to 1.3 %. The pandemic and the associated general economic decline in demand put pressure on prices for industrial goods, while low energy prices also curbed inflation. In 2021, inflation is likely to increase only moderately in view of continued unused production capacity.

As a result of the sharp economic slump and the extensive fiscal support measures, there was a budget deficit of around 9.2 % of GDP in 2020, according to the OeNB forecast (after a surplus of 0.7 % of GDP in 2019). In the following years, the expiry of several discretionary measures (particularly reduced working hours, fixed cost subsidiaries and revenue compensation) and the economy recovery are expecting to allow for a gradual reduction of the deficit again.

According to calculations by Statistik Austria, public debt amounted to EUR 300.2 billion or 79.1 % of GDP at the end of the third quarter of 2020. The debt ratio had increased by 8.0 percentage points compared to the same quarter of the previous year (Q3 2019).

Vorarlberg

Despite the economic crisis due to the coronavirus, industry was still a stable factor for Vorarlberg's economic success in 2020. The results of the economic survey (business climate index) for the fourth quarter of 2020 showed a sound economic situation in Vorarlberg industry. However, industry representatives need more planning security and future prospects to continue operating successfully. In addition to dealing with the effects of the coronavirus pandemic, digitalisation is another key issue for companies.

The business climate index of Vorarlberg industry – an average of expectations for the current business situation and that in six months' time – improved from +19.5 % in the third quarter of 2020 to +24.6 % in the fourth quarter of 2020, thus almost reaching its pre-crisis level.

The current business situation was assessed as positive by the majority of respondents, with 51 % of the companies surveyed rating their current business situation as good, while 21 % spoke of a bad situation. The outlook for the first half of 2021 is cautiously positive: 77 % expect the situation to stay the same. With regard to employee numbers, the prospects are encouraging: 42 % of the companies surveyed intend to expand their workforce in the next three months, and 53 % intend to maintain the current level at least.

In view of the coronavirus crisis, companies are increasingly engaged in developing new business models and innovations, implementing new work models and re-organising operating procedures. Digitalisation is an overarching general topic in this context. The further development of the domestic economy will depend to a large extent on the availability of vaccines and on further easing of restrictions.

THE AUSTRIAN BANKING SECTOR
IN 2020

In addition to the continuing low or negative interest rates, the economic effects of the pandemic were also among the challenges for Austrian banks in the reporting year. This was reflected in a decline in the sector's profitability. The banks' net profit for the period (after taxes and minority interests) fell to EUR 2,535.8 million at the end of the third quarter of 2020 (30 September 2019: EUR 5,265.3 million). However, net interest income of Austrian-based banks increased slightly to EUR 11,636.9 million in the third quarter of 2020 (Q3 2019: EUR 11,598.2 million), and net fee and commission income was also increased somewhat from EUR 5,292.7 million to EUR 5,341.75 million.

As of the end of the third quarter of 2020, the CRR banks operating in Austria reported total assets of EUR 907,845.3 million, representing an increase as compared to the end of the fourth quarter of 2019 (EUR 834,689.0 million).

The Austrian savings rate, i.e. the ratio between savings and disposable income, increased again in 2020. According to the OeNB, the net savings rate of private households in the period from the fourth quarter of 2019 to the third quarter of 2020 was around 11.5 % of nominal disposable household income (8.19 % in the same period of the previous year).

Loans and advances to Austrian non-banks have consistently followed a slight upward trend in recent years and amounted to EUR 378,508.7 million in the fourth quarter of 2020 (31 December 2019: EUR 364,804.1 million). The measures taken in the area of foreign currency loans continued to have a positive effect, as shown by the declining volume to private households and non-financial enterprises since 2008. As at 30 December 2020, loans to private households in foreign currencies (primarily in Swiss francs) totalled EUR 11,583.0 million (31 December 2019: EUR 13,590.0 million). According to the OeNB, the foreign-currency loans no longer repre-sent a systemic risk to the banking system. Given that foreign-currency loans are usually bullet loans and the repayment vehicle's income is mainly determined by the low interest rate environment, the effects of the COVID-19 pandemic on this credit segment have remained within limits so far, according to the OeNB.

Solid capitalization

The capitalisation of Austrian banks has improved considerably since the outbreak of the financial crisis in 2008. In the third quarter of 2020, the figures increased again compared to the previous year. As at 30 September 2020, the Austrian banking system reported a common equity tier 1 (CET1) ratio of 15.6 % (Q3 2019: 15.2 %) and a total capital ratio of 18.9 % (Q3 2019: 18.3 %).

Consolidated earnings situation of Austrian banks:

In EUR million	Q3/2020	Q4/2019	Q3/2019	Q4/2018	Q3/2018
Net interest income	11,637	15,589	11,598	15,210	11,364
Operating profit	5,735	8,264	6,467	8,361	6,207
Income after taxes	2,536	6,713	5,265	6,916	5,453

(Source: OeNB)

Deposit protection

The Austrian Federal Act on Deposit Protection and Investor Compensation at Banks (ESAEG), which came into force in August 2015, removed the government protection for a portion of the deposits from 2019. The legal conditions are based on the principle that the financial consequences of a default are to be borne by the banks themselves, not by tax-payers. Any payments in the event of a default are financed from a deposit protection fund that is endowed annually – until 2024 – by the protection schemes' member banks. Since 1 January 2019, the deposit guarantee scheme for Austrian Raiffeisen banks, equity banks, cooperative banks and mortgage banks has been implemented by Einlagensicherung AUSTRIA Ges.m.b.H.

HYPO VORARLBERG'S
BUSINESS MODEL

For decades, the three pillars of "corporate bank", "housing bank"and "investment bank" have formed the basis on which Hypo Vorarlberg operates sustainably and successfully. The bank's core competencies consist particularly of residential construction financing, corporate customer business, investment advisory services and asset management. Whereas on its home market of Vorarlberg it acts as a universal bank offering its customers the full range of products and services, on its other core markets Hypo Vorarlberg focuses on selected niches.

Its clear business goal is to remain the number 1 on its home market of Vorarlberg. In the core markets outside Vorarlberg, the bank aims to achieve profitable growth. The Managing Board attaches great importance to a risk-conscious lending and business policy. Hypo Vorarlberg puts profitability and stability ahead of growth. The company takes care to ensure that value creation mostly remains in the regions in which it operates. Hypo Vorarlberg offers ist numerous employees secure jobs, thereby making an important contribution to the stability and performance of the economic system in its core markets.

In addition, Hypo Vorarlberg takes on social responsibility by supporting regional culture and sports with sponsorship and longterm partnerships. With the Hypo Vorarlberg charitable fund, the bank helps people who have experienced personal misfortunes to escape the worst financial hardship and supports various social institutions and regional cultural projects.

BUSINESS SEGMENTS

Corporate Customers
One focus of Hypo Vorarlberg's business activities is corporate customer business. Vorarlberg and the surrounding regions are characterised by a strong mid-market economic structure with a high export ratio. Hypo Vorarlberg supports these companies with all financial issues that are relevant to them. The bank has particular expertise in the areas of investment and project financing, subsidies, foreign services and working capital financing, as a provider of alternative forms of financing and in investment.

Private Customers
In the Private Customers segment, Hypo Vorarlberg offers extensive services with a focus on residential construction financing, pension advice and investment advice. Customers benefit from individual, flexible solutions as well as fair and transparent conditions. Regular customer recommendations motivate the bank to continue on the path it has taken in the future, too.

Private Banking and Wealth Management
Private Banking and Wealth Management supports wealthy individuals, their families and selected institutional customers. The varied product range is oriented towards customers' needs in all areas and offers contemporary solutions through use of flexible optimisation concepts adapted to the market situation in asset management, use of viable alternatives to the money market in the investment business, online banking enhancements in payment transactions and not least through tailored financing.

Treasury / Financial Markets
The Financial Markets segment is responsible for asset/liability management, refinancing of Hypo Vorarlberg and various services for customers and other groups within the bank. These include money, foreign exchange, interest rate derivatives and securities trading, for example. Hypo Vorarlberg does not engage in any significant proprietary trading that is not connected with customer business.

Corporate Center
The Corporate Center mainly groups together the subsidiaries and holdings that expand the bank's service range with banking-related products. These particularly include the real estate and leasing subsidiaries in Austria and Italy as well as the partidipations on comit Versicherungsmakler GmbH and Masterinvest Kapitalanlage GmbH.

CORE MARKETS

In addition to the headquarters in Bregenz and 14 other branches in Vorarlberg, Hypo Vorarlberg has additional locations in Vienna, Graz and Wels, as well as a branch in St. Gallen, Switzerland. The number of Hypo Vorarlberg branch offices remained unchanged as compared to 2019. Details on the existing branches can be found on the last page of the annual report.

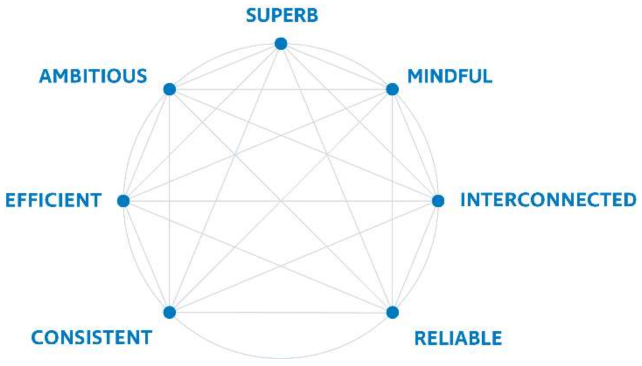
With these locations, the company is represented in the key economic regions of Austria and in eastern Switzerland. Other core markets are located in southern Germany (Bavaria and Baden-Württemberg). Outside Vorarlberg, Hypo Vorarlberg focuses on niches in corporate customer business, real estate financing and investment advisory services.

Neben den klassischen Bankprodukten können die Kunden weitere In addition to traditional banking products, customers can also use other banking-related products and services in the areas of real estate, leasing and insurance. The subsidiary Hypo Immobilien & Leasing GmbH, based in Dornbirn and Vienna, offers expertise under the Hypo Vorarlberg brand. Hypo Vorarlberg Leasing AG in Bolzano, Italy, develops leasing solutions and has additional branches in Como and Treviso. The subsidiary Hypo Versicherungsmakler GmbH was merged with EXACTA Versicherungsmakler GmbH retroactively as at 1 January 2020 to form the biggest regional insurance broker in Vorarlberg. With its new name comit Versicherungsmakler GmbH, the compa-ny offers customers independent insurance solutions.

VALUES

Hypo Vorarlberg's seven core brand values provide guidance foremployees, managers and members of the Managing Board.

Hypo Vorarlberg's brand values



AMBITIOUS
We are continuously developing further while pursuing demanding goals and striving for top performance in the process.

SUPERB
We offer excellent services every day and are delighted that they are recognised and recommended.

MINDFUL
We are attentive, have a genuine interest and ensure a stable environment thanks to our forward-looking approach. We only do business that we can present to the outside world.

CONSISTENT
From the beginning we have remained true to ourselves, focused on our core business and pursued continuous, sustainable growth.

EFFICIENT
We seek intelligent solutions to enable us to achieve the best possible results as efficiently as possible.

INTERCONNECTED
We are a key part of the region and make a specific contribution to the well-being of the people and companies in our markets. Internally, we are interconnected and operate as one bank

RELIABLE
We have been a trustworthy partner for our customers, our employees and the state for over 120 years

Together with its subsidiaries, Hypo Vorarlberg puts its identity and values into practice internally and externally. With a clear brand architecture and uniform design guidelines, it is expected that brand awareness in Vorarlberg and the other core markets will be strengthened and expanded.

Positioning
Based on its core competencies, Hypo Vorarlberg is positioned as follows: "As the entrepreneurial bank from Vorarlberg we offer corporate and private customers a forward-looking financial solution for those with purpose who are focused on achieving their objectives and aspirations through our proximity to people, our superior advice in a private setting and our excellent financial products."

MAJOR CHALLENGES
IN 2020

Persistently low and negative interest rates, new regulations and the ongoing digitalisation are putting the proven business model of Hypo Vorarlberg to the test. In this environment, the entire banking industry is particularly challenged to develop and find new profitable areas of business.

As expected, the economic effects of the COVID-19 pandemic had a negative impact on the economy in Hypo Vorarlberg's market areas and thus also on the Group's results in the 2020 financial year, even though operating business developed positively.

The most important foundation for the bank's sustainable economic development – particularly in this challenging environment – is its risk-conscious lending and business policy. The development of customer deposits and the financing volume conforms to Hypo Vorarlberg's strategy, which puts profitability and stability ahead of growth, while the bank responded flexibly to customer enquiries about bridge loans and deferrals. This is also reflected in total assets, which were up 9.4 % year-on-year at TEUR 15,296,768 as at 31 December 2020 (2019: TEUR 13,979,941).

INCOME DEVELOPMENT

The persistently low or negative interest rates are a big challenge for a bank that traditionally operates mainly in customer business. Companies and private customers have been benefiting from low financing costs for a long time now, as shown by stable demand for credit again in 2020. As at the end of 2020, loans and advances to customers were above the previous year's level, partly due to coronavirus-related measures. In this challenging environment, net interest income within the Hypo Vorarlberg Group rose by 2.7 % in 2020. By contrast, net fee and commission income fell by 5.0 % in the reporting year.

While Hypo Vorarlberg's operating result increased despite the COVID-19 crisis, valuations and higher loan loss provisions in particular brought about a significant decline in earnings. In 2020, the Group's earnings before taxes amounted to TEUR 48,825 (2019: TEUR 91,692). Net in-come after taxes amounted to TEUR 37,331 in 2020 (2019: TEUR 70,376).

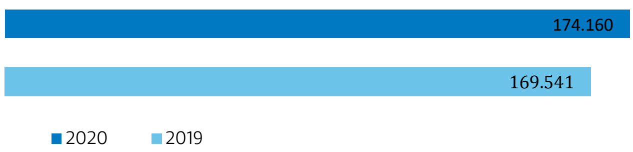
The individual items of the income statement in an annual comparison are as follows:

TEUR	2020	2019	Change
Net interest income	174,160	169,541	2.7 %
Net fee and commission in-	34,647	36,466	-5.0 %
Administrative expenses	-95,112	-96,291	-1.2 %
Loan loss provisions and impairment of financial assets	-41,443	-21,592	91.9 %
Impairment of non-financial assets	-2,808	-1,648	70.4 %
Earnings before taxes	48,825	91,692	-46.8 %
Annual net income	37,331	70,376	-47.0 %

Net interest income

As in the previous years, interest-related business made a significant contribution to earnings, although the low or negative interest rate situation was still unchanged and margins were under considerable pressure. Loans and advances to customers increased in the reporting year, partly due to coronavirus-related measures but also as a result of new lending. Loans and advances to banks increased as a result of higher cash collateral provided under collateral agreements and higher money market investments at banks with top credit ratings. Net interest income was higher than in the previous year, rising by 2.7 % to TEUR 174,160 (2019: TEUR 169,541).

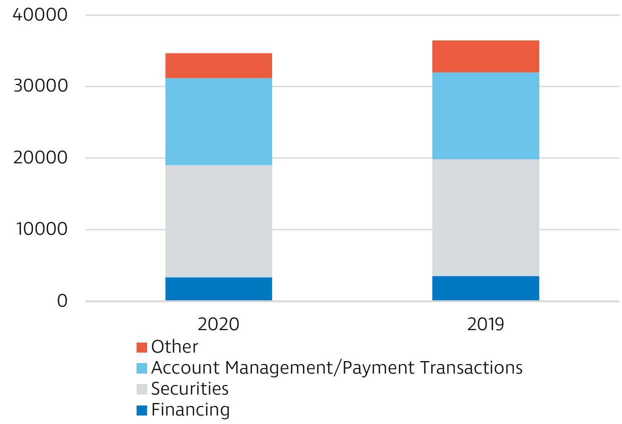
Net interest income
in TEUR



Net fee and commission income

Owing to the ongoing low interest rates, commission business plays an important role for the economic success of Hypo Vorarlberg. However, fee and commission income fell by 3.7 % from TEUR 43,357 in 2019 to TEUR 41,742 in 2020, whereas fee and commission expenses increased. The lower fee and commission income was primarily due to a decrease in the management fee in asset management, but there was also a decline in fee and commis-sion income in lending business.

Structure/development in net fee and commission income
in TEUR



Despite intensive sales efforts – particularly in securities business – Hypo Vorarlberg's net fee and commission income in the past financial year was 5.0 % weaker than in the previous year, amounting to TEUR 34,647 as at 31 December 2020 (2019: TEUR 36,466). This was partly attributable – in the amount of TEUR 926 – to the deconsolidation of Hypo Versicherungsmakler.

Other income/expenses

Other income includes income from operating leases, operating cost income or gains on the disposal of non-financial assets. As at 31 December 2020, total other income amounted to TEUR 17,057 (2019: TEUR 23,804). This decline was primarily due to the effect from the deconsolidation of Innovacell Biotechnologie AG in the previous year.

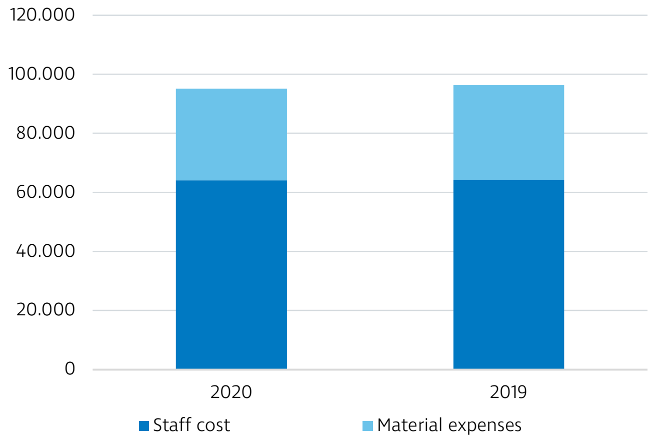
Other expenses were reduced slightly to TEUR 23,912 (2019: TEUR 24,923). This amount includes the stability fee of TEUR 2,428 (2019: TEUR 2,373).

Administrative expenses

The Managing Board pays great attention to keeping corporate structures as lean as possible in order to ensure that costs develop at a constant rate. Administrative expenses decreased slightly year-on-year by 1.2 % to TEUR 95,112 (2019: TEUR 96,291).

Material expenses also decreased by 3.5 % year-on-year. Staff costs remained on a par with the previous year at TEUR 64,100 in 2020 (2019: TEUR 64,160). The wages and salaries item included here decreased by 0.4 % from TEUR 48,134 to TEUR 47,950.

Structure / development in administrative expenses
in TEUR



The number of branches in Austria was unchanged year-on-year at 18 as at the end of 2020. Details on the existing branches and subsidiaries of Hypo Vorarlberg can be found on the last page of the annual report.

Employees
Hypo Vorarlberg is an advisory bank and stands out because of its high-quality consulting and support for customers. In the interest of sustainable staff development, great importance is therefore attached to sound employee training and development. As a major employer in its core markets, the Hypo Vorarlberg Group employs almost 900 people.

The decrease in the average number of employees (full-time equivalents) to 694 was partly due to the deconsolidation of Hypo Versicherungsmakler (decrease of 14 employees).

Key employee figures (Hypo Vorarlberg Group)

	2020	2019	Change
Average number of employees (weighted)	694	719	-3.5 %
of which apprentices	6	9	-33.3 %
of which part-time	112	102	9.8 %
Employees at end of year (headcount)	877	881	-0.5 %
of which women	494	502	-1.6 %
of which men	383	379	1.1 %
Proportion of women (incl. apprentices)	56.3 %	57.0 %	-1.1 %
Proportion of men (incl. apprentices)	43.7 %	43.0 %	1.5 %
Average period of employment in years	12.0	11.8	1.7 %
Average age in years	40.8	40.5	0.7 %

Depreciation and amortisation
In 2020, at TEUR 8,185 depreciation and amortisation were up 7.9 % on the previous year (2019: TEUR 7,585).

Loan loss provisions and impairment of financial assets
Hypo Vorarlberg concentrates on the business areas whose mechanisms and rules it understands and only takes risks that it can manage on its own. Hypo Vorarlberg's additions to loan loss provisions are generally at a low level, which reflects the good credit rating of the customers in the bank's market areas. Due to the COVID-19 crisis, however, global loan loss provisions for balance-sheet receivables and off-balance-sheet commitments (Stage 1 and Stage 2) increased by TEUR 22,530. Loan loss provisions for balance-sheet receivables already in default and off-balance-sheet commitments increased by TEUR 9,673.

The allocation for valuation allowances in lending business was higher in 2020 than in the previous year. Since 2018, loan loss provisions have been recognised in accordance with the accounting logic of IFRS 9, which requires an impairment of the credit portfolio even with good credit ratings. Net loan loss provisions and impair-ment of financial assets amounted to TEUR 41,443 in 2020, whereas in 2019 they were at only TEUR 21,592.

Impairment of non-financial assets
As at 31 December 2020, impairment of non-financial assets, including real estate valuation, amounted to TEUR 2,808 (2019: TEUR 1,648).

Income before/after taxes
Hypo Vorarlberg closed 2020 successfully on an operating basis. However, earnings before taxes declined to TEUR 48,825 as at 31 December 2020 (2019: TEUR 91,692). Adjusted for taxes, earnings amounted to TEUR 37,331, representing a year-on-year decrease of 47.0 % (2019: TEUR 70,376).

In addition to the current tax expense for corporate income tax, the amounts reported under taxes on income primarily relate to the deferred income tax assets and liabilities to be recognised under IFRS. Tax expenses for 2020 amounted to TEUR 11,494, down 46.1 % on the previous year (2019: TEUR 21,316).

Attributable to non-controlling interests
Of the net income after taxes of TEUR 37,331 (2019: TEUR 70,376), a total of TEUR 157 (2019: TEUR 1,263) is attributable to the minority shareholders of the Group subsidiaries.

Dividends of Hypo Vorarlberg Bank AG
Net profit according to UGB posted by Hypo Vorarlberg for the 2020 financial year amounted to TEUR 36,390 (2019: TEUR 56,112). After the allocation to reserves and by offsetting retained profit, accumulated profits available for appropriation totalled TEUR 6,335 (2019: TEUR 3,484). Subject to approval by the shareholders' meeting and taking account of further developments up until the time of this resolution, a dividend of EUR 20 per entitled share is proposed based on the share capital of TEUR 162,152. Total distribution is therefore TEUR 6,335 for 316,736 shares. Due to the COVID-19 crisis and on the Supervisory Board’s recommendation, no profit distribution for 2019 was carried out in 2020.

Key management indicators

	2020	2019	Change
Return on equity (RoE)	4.07 %	8.13 %	-49.9 %
Cost/income ratio (CIR)	51.18 %	53.24 %	-3.9 %
Return on total assets	0.33 %	0.66 %	-49.6 %
Tier 1 capital ratio	14.92 %	14.66 %	1.8 %
Total capital ratio	17.81 %	17.85 %	-0.2 %

Based on net profit, the return on equity (ROE) changed from 8.16 % in the previous year to4.07 % in 2020. The return on total assets decreased from 0.66 % in 2019 to 0.33 % in the reporting year. The cost/income ratio (CIR) of Hypo Vorarlberg stood at 51.18 % as at 31 December 2020 (2019: 53.24 %).

The total capital ratio in the Group fell slightly to 17.81 % as at 31 December 2020 (2019: 17.85 %), while the core capital ratio (T1) rose slightly to 14.92 % (2019: 14.66 %).

BALANCE SHEET DEVELOPMENT

Changes in assets

As a strong financing partner for the people and companies in its core markets, loans and advances to customers constituted the largest item of Hypo Vorarlberg's assets. In the 2020 financial year, Hypo Vorarlberg's total consolidated assets increased again and amounted to TEUR 15,296,768 as at 31 December 2020, representing an increase of 9.4 % compared to the previous year's reporting date (2019: TEUR 13,979,941). This was attributable not least to coronavirus-related deferrals and bridge loans.

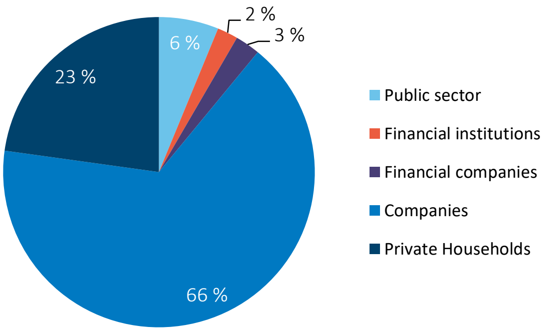
Financial Assets

As at 31 December 2020, loans and advances to customers across all measurement categories totalled TEUR 10,340,227 (2019: TEUR 10,042,455), of which the largest proportion was accounted for at amortized cost.

The total volume of financing with deferrals still granted amounted to TEUR 549,094 as at 31 December 2020. The volume of COVID-19-induced financing (new and bridge financing) came to TEUR 93,478 by the reporting date.

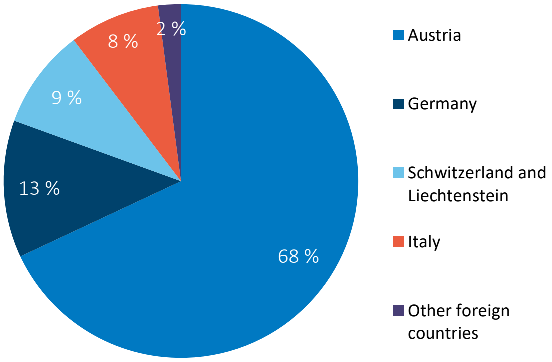
In the reporting year, loans and advances to banks increased by 94.7 % to TEUR 227,250 (2019: TEUR 116,743). Financial assets also include bonds, whose volume amounted to TEUR 2,825,583 (2019: TEUR 2,799,207) as at 31 December 2020.

Loans and advances to customers and banks – by sector



This item totalling TEUR 10,567,477 across all measurement categories primarily includes loans and advances to companies and private households and was 4.0 % higher than in the previous year (2019: TEUR 10,159,198). Loans and credits in the public sector and to financial companies decreased compared to 2019, while the other sectors saw an increase.

Loans and advances to customers and banks – by region



The largest part of the lending business of Hypo Vorarlberg is in Austria with a share of 68 %, followed by Germany with 13 %. The remaining loans and advances to customers are primarily aimed at customers from Switzerland and Italy.

The issue of Swiss franc loans has been severely limited in recent years, primarily in the Private Customers segment. As at 31 December 2020, Hypo Vorarlberg reported loans and advances to customers in Swiss francs totalling TEUR 1,315,429 (2019: TEUR 1,335,565). Most of these loans and advances to customers relate to the St. Gallen branch and thus do not represent a foreign currency risk. The cross-border commuters in Vorarlberg are also to be taken into account, which further reduces the economic view of this risk. The proportion of foreign-currency financing in the Private Customers (predominantly in CHF) and Corporate Customers segments is steadily decreasing.

Cash and balances

The cash reserve includes cash on hand and the balances with central banks. This item increased from TEUR 442,546 in the previous year to TEUR 1,338,622 in 2020, mainly due to higher balances with central banks.

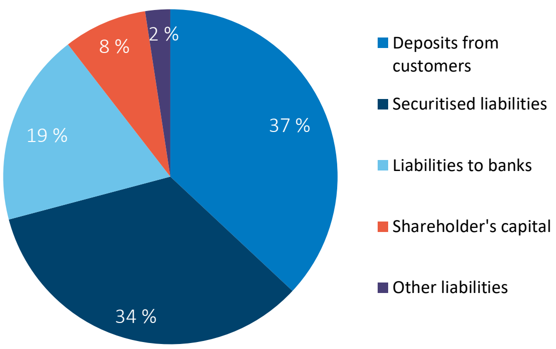
Trading assets

In the reporting year, trading assets decreased from TEUR 147,971 to TEUR 122,536 due to derivatives.

Changes in liabilities

There was an increase of 12.3 % in financial liabilities at amortized cost – which account for the largest part of the balance sheet liabilities – to TEUR 12,874,124 (2019: TEUR 11,467,794). This includes customer deposits, liabilities evidenced by certificates and liabilities to banks.

Balance sheet structure/balance sheet liabilities



This graph shows the sustainably established and balanced refinancing structure of Hypo Vorarlberg. Of the total balance-sheet liabilities of TEUR 15,296,768, a sum of TEUR 5,646,971 was attributable to deposits from customers (savings, demand and term deposits) as at 31 December 2020, representing a year-on-year increase of 3.9 %.

In the reporting year, liabilities evidenced by certificates – which are primarily mortgage bonds and bonds – decreased from TEUR 5,425,331 to TEUR 5,186,498.

For liquidity reasons, liabilities to banks increased significantly compared to the previous year and amounted to TEUR 2,844,254 as at 31 December 2020 (2019: TEUR 1,536,100).

Shareholders' equity increased year on year by 2.9 % to TEUR 1,233,232 (2019: TEUR 1,198,271). The remaining share of liabilities amounted to TEUR 385,813 (2019: TEUR 385,270).

CHANCES IN OWN FUNDS

Composition of own funds according to CRR and capital ratios

TEUR	2020	2019	Change
Total risk exposure amount	8,645,079	8,456,168	2.2 %
Common equity tier 1 capital (CET1)	1,239,951	1,190,026	4.2 %
Additional tier 1 capital (AT1)	50,003	50,005	0.0 %
Tier 1 capital (T1)	1,289,954	1,240,031	4.0 %
Tier 2 capital (T2)	249,973	269,642	-7.3 %
Own funds	1,539,927	1,509,673	2.0 %
CET1 capital ratio (CET1)	14.34 %	14.07 %	1.9 %
Surplus of CET1 capital (CET1)	850,923	809,498	5.1 %
T1 capital ratio (T1)	14.92 %	14.66 %	1.8 %
Surplus of T1 capital (T1)	771,250	732,661	5.3 %
Total capital ratio	17.81 %	17.85 %	-0.2 %
Surplus of total capital	848,321	833,179	1.8 %

The Managing Board is ensuring a sound and sustainable capital structure at Hypo Vorarlberg through ongoing optimisation measures. As at 31 December 2020, the share capital of Hypo Vorarlberg amounted to TEUR 162,152, as in the previous year.

Overall, the core capital (T1) increased to TEUR 1,289,954 as at 31 December 2020 (2019: TEUR 1,240,031). The eligible supplemen-tary capital (T2) fell to TEUR 249,973 in 2020 (2019: TEUR 269,642). This decline in the supplementary capital is attributable to reduced eligibility when the remaining term is less than five years.

As at 31 December 2020, total own funds of the Hypo Vorarlberg Group increased by 2.0 % compared to the previous year to TEUR 1,539,927. They were thus well in excess of the minimum required by law (CRR). The total capital ratio fell slightly to 17.81 % as at the end of 2020 (2019: 17.85 %). The core capital ratio (T1) rose to 14.92 % as at the end of year (2019: 14.66 %) and the com-mon equity tier 1 (CET1) ratio rose from 14.07 % to 14.34 %, alt-hough the total risk exposure increased from TEUR 8,456,168 to TEUR 8,645,079.

Hypo Vorarlberg also intends to increase its capitalisation further in the future in line with the Managing Board's plans for sustainable growth and the expectation of new regulatory requirements.

DISCLOSURE IN ACCORDANCE WITH SECTION 243A OF THE AUSTRIAN CORPORATE CODE (UGB)

Share capital, share denominations and participation capital

Hypo Vorarlberg's subscribed capital is unchanged at TEUR 162.152. As at 31 December 2020, the number of no-par value shares issued was unchanged at 316,736.

Shareholder structure

The percentage of Hypo Vorarlberg's capital as at 31 December 2020 is as follows.

Shareholders	Total shares
Vorarlberger Landesbank-Holding	76.8732 %
Austria Beteiligungsgesellschaft mbH	23.1268 %
- Landesbank Baden-Württemberg	15.4179 %
- Landeskreditbank Baden-Württemberg Förderbank	7.7089 %
Share capital	100.0000 %

DEPOSIT PROTECTION INCIDENT

With an announcement dated 28 July 2020, insolvency proceedings concerning Commerzialbank Mattersburg were opened. This resulted in a deposit protection incident. Hypo Vorarlberg – like all other banks affiliated with Einlagensicherung Austria – is affected by a requirement to provide additional endowments that will continue until 2024. The increased endowment expense amounts to TEUR 1,047 for 2020.

COVID-19 PANDEMIC / CRISIS MANAGEMENT

The outbreak of the coronavirus (COVID-19) at the start of 2020 and the associated national and international measures to contain the spread of the virus had a significant impact on the global economic development and led to declines on the financial, goods and services markets. Due to the very rapid spread of the virus, many governments were forced to adopt measures that even included lockdowns. In China, where the virus claimed its first victims at the end of 2019 already, economic output slumped sharply in the first two months of 2020.

The global stock and bond markets reacted particularly sensitively to the developments. On 16 March 2020, the American Dow Jones recorded its biggest losses since 1987, while the ATX dropped by almost half between the start of the year and mid-March. Over the year as a whole, however, the stock markets recovered again and clearly showed that the development of share prices is actually becoming less and less dependent on the current development of the economy.

Effects in Austria

As a result of the restrictions on movement imposed by the federal government with effect from 16 March 2020, public life in Austria came almost completely to a halt until mid-April. Just a few days or weeks after the growing spread of the coronavirus in Central Europe, clear effects on the domestic economy could be seen. After a short period of easing in the summer, the social restrictions to combat the pandemic were stepped up again in the autumn. A second hard lockdown was imposed in Austria as at 17 November 2020, which was subsequently eased or extended (in some areas). The restrictions in the neighbouring countries of Germany, Switzerland, Liechtenstein and Italy were also tightened.

Tourism, retail and services were among the economic sectors worst affected by the coronavirus crisis. Industry was also impacted by closures and disruptions to supply chains and production. For domestic companies, the Austrian federal government quickly adopted immediate and interim measures and issued relief packag-es including credit guarantees and warranties, default bonuses, fixed costs subsidies and revenue compensation, as well as tax deferrals. In addition, relief measures for companies have been adopted, such as coronavirus-related reduced working hours. A higher unemployment rate could already be observed in Austria at the end of March 2020. To stimulate the economy in these chal-lenging times, the investment premium with a particular focus on greening and digitalisation was established.

The extent and duration of the negative economic effects due to the pandemic cannot be reliably estimated at present.

Crisis management/measures at Hypo Vorarlberg
At Hypo Vorarlberg, the 2020 financial year was dominated by dealing with the global COVID-19 pandemic. To protect employees and customers, the crisis team at Hypo Vorarlberg addressed the COVID-19 situation at an early stage and adopted several measures to contain the further spread of the virus, to ensure that the Bank and the Group maintain their capacity to act, and to protect cus-tomers and employees. For this purpose, essential departments have been separated in spatial terms (team splitting) and a large number of employees could and still can work remotely/from home.

As banks are among the systemically relevant service providers, Hypo Vorarlberg's branches were particularly called upon to continue their operations despite the coronavirus restrictions. Immediately after the federal government's restrictions on movement came into effect in mid-March 2020, some Hypo Vorarlberg branches switched to limited operations (team splitting, shorter opening hours in some cases), while two smaller locations had to be closed temporarily due to the requirements.

The measures at the Bank were adapted to the respective situation so as to ensure maximum protection for customers and employees. Great attention was always paid to ensuring a functioning supply of banking services (especially cash) for customers and continuing operations. Personal contact and proximity to customers suffered from the restrictions in the past year. Nonetheless, Hypo Vorarlberg continued to succeed in supporting its customers well, and the advisors offered as many appointments as possible by telephone or video conference, which was well received by the customers. The bank's proactive communication policy has contributed to avoiding misunderstandings and retaining customers' trust.

In economic terms, the top priority for Hypo Vorarlberg's crisis management is to maintain its customers' and business partners' economic stability. Only then will it be possible to avoid permanent damage to companies and customers in the market areas and thus also to the Group's economic development. Together with the regional government, other regional banks, the Chamber of Commerce and the Chamber of Labour, Hypo Vorarlberg has adopted support measures with minimum bureaucracy, such as suspending loan repayments and offering bridge loans for companies and individuals affected by the crisis. Since March 2020, Hypo Vorarlberg has implemented several deferrals, mostly in the Corporate Customers segment.

Banks are the first port of call for companies with liquidity bottlenecks – particularly in this challenging situation. Hypo Vorarlberg will make use of all instruments provided to secure customers' liquidity. The Austrian government's measures, which include credit guarantees, also help banks. Based on government guarantees, bridge loans that meet certain criteria had to be backed by equity only for part of the amount of the loan.

Hypo Vorarlberg's crisis team still holds regular meetings to evaluate the situation and implement decisions at short notice.

Events of material importance after the reporting date
There were no events of material importance in relation to the companies in the Group between the reporting date and the preparation of the annual financial statements.

DEVELOPMENT
BY SEGMENT

CORPORATE CUSTOMERS

As an entrepreneurial bank, Hypo Vorarlberg primarily positions itself within the Corporate Customers segment as a banking partner for real estate companies, industrial companies and mid-sized businesses. This segment also supports self-employed persons and municipal customers. With its particular expertise in investment and project financing, real estate financing, developer financing, subsidies, foreign services and working capital financing, Hypo Vorarlberg has established itself in its core markets of Vorarlberg, Vienna, Styria, Upper Austria, Southern Germany and Eastern Switzerland and is the leading corporate bank in Vorarlberg.

Despite the COVID-19 pandemic, corporate customer business at Hypo Vorarlberg posted a satisfactory performance in the 2020 financial year. The lending volume and interest income were increased substantially. But at the same time, risk costs rose significantly in comparison to the previous years' below-average levels.

The requests received to grant coronavirus assistance loans or to allow grace periods and term extensions for existing loans were handled to the satisfaction of the corporate customers. Considerable staff resources were used for this. Hypo Vorarlberg is and remains a reliable partner for its corporate customers.

Overall, loans and advances to customers increased to TEUR 6,878,627 (2019: TEUR 6,620,883). Overall, the Corporate Customers segment generated earnings before taxes of TEUR 50,493 in 2020 (2019: TEUR 62,331). Net interest income amounted to TEUR 101,313 as at 31 December 2020, up 2.9 % as against the previous year (2019: TEUR 98,416). Net fee and commission income remained roughly stable as against 2019 at TEUR 14,459 (2019: TEUR 14,583).

PRIVATE CUSTOMERS

In the Private Customers segment, Hypo Vorarlberg offers extensive services with a focus on residential construction financing, securities investment, pension advice and investment advice. Customers benefit from individual, flexible solutions as well as fair and transparent conditions, as the bank's wide range of services is based on the needs in all areas. The focus is not on selling products, but rather on providing an individual overall solution that is tailored to the specific customer. Regular recommendations motivate the Managing Board to continue on the path it has taken in the future, too.

One focus of Hypo Vorarlberg's private customer business is residen-tial construction financing. The bank achieved an excellent result in this area in 2020, helping fulfil around 2,200 housing dreams in the reporting period – more than ever before. Compared to the previ-ous year, the total volume of loans to private individuals was in-creased by TEUR 109,105 to TEUR 2,152,521 (2019: TEUR 2,043,416).

In investment business, the historically low level of interest rates remained the central issue, still making it harder for investors to find returns. Many customers therefore increasingly invested in securities, some of them for the first time. Despite the coronavirus-related restrictions, Hypo Vorarlberg's sales activities were success-ful.

In 2020, Hypo Vorarlberg generated net interest income of TEUR 34,347 in the Private Customers segment, which represented a slight increase against the previous year (2019: TEUR 34,040). At TEUR 19,255, net fee and commission income in 2020 was lower than the previous year's figure of TEUR 21,020. Overall, Hypo Vor-arlberg generated earnings before taxes of TEUR 8,794 in the Private Customers segment in 2020 (2019: TEUR 9,032).

Ongoing digitalisation poses new challenges for business with private customers. Hypo Vorarlberg sees this development as an opportunity to adapt its range of products and services to customer requirements and to the latest technology. For example, since spring 2020 customers have been offered Apple Pay, which has been well received as a contactless payment option. At the same time, the bank is committed to its branches.

The special "FREIRAUM" branch opened in the third quarter of 2020 implements an innovative concept for experiencing the "Hypo Vorarlberg" brand. This location is also focusing on expanding digital tools (screens, iPads) to test new applications, etc. The Bank is planning further investments in competence centres in the future, i.e. in the expansion of larger locations and the integration of smaller branches so as to offer customers the best advice all in one place, as digital solutions still will not be able to replace personal advice in the future – particularly when it comes to large-scale financing or a major investment.

The FMVÖ Recommender 2020 award for "Excellent Customer Focus" is an endorsement of the path that Hypo Vorarlberg has taken as an advisory bank and reflects the high level of satisfaction among its customers and their willingness to recommend it.

Private Banking and Wealth Management

Private Banking and Wealth Management supports wealthy individuals, their families and selected institutional customers. The varied product range is oriented towards customers' needs in all areas and offers contemporary solutions through use of flexible concepts adapted to the market situation in asset management, use of viable alternatives to the money market in the investment business, online banking enhancements in payment transactions and not least through tailored financing. When it comes to the products and solutions, the greatest assets are the high degree of professional qualification and enthusiastic commitment of the consultants and employees.

Asset Management

Business in Asset Management developed very positively in the 2020 reporting year. At the end of 2020, total assets under management amounted to TEUR 740,713 (2019: TEUR 721,198). This year-on-year change was mainly due to price increases throughout the year. A total of 1,996 mandates were managed as at 31 Decem-ber 2020.

As a result of the increased awareness of sustainability among investors, they have a growing interest in evaluating their investments in terms of sustainability. Demand for investment products that incorporate ESG factors (environment, society, good governance) has increased in recent years. In wealth management, for example, Hypo Vorarlberg takes account of sustainability risks when selecting securities and this area is being steadily expanded.

All Hypo Vorarl-berg funds have now been awarded the yourSRI transparency seal (SRI = socially responsible investment), including one of Austria's biggest equity fund of funds, which is used in almost all of the Bank's wealth management strategies. This seal is awarded by the CSSP (Center for Social and Sustainable Products) in Liechtenstein, an independent consulting and research company with a focus on sustainable investments.

In November 2020, the Elite Report (Munich) awarded Hypo Vorarlberg's Wealth Management department the highest grade "summa cum laude" for the tenth time in a row. This accolade is an en-dorsement of our chosen path of being a bank that offers individual and high-quality advice while at the same time creating innovative, contemporary products and solutions to overcome the challenges of the capital markets and regulations as well as enormous overall cost pressure.

FINANCIAL MARKETS / TREASURY

The COVID-19 pandemic and its economic effects dominated the capital markets in 2020. The measures taken by central banks and national governments calmed the situation and had an important stabilising effect on the overall economy and the capital market. In the first half of the year, the slump in prices on the stock markets and the associated significant widening of credit spreads on the capital market were used to invest more and at better prices in proprietary investment in interest-bearing securities. In refinancing, the Bank decided against issuing a benchmark mortgage bond due to the market situation. By participating in the tender of the TLTRO III totalling TEUR 2,500,000, it secured the necessary liquidity and used this to replace maturing bonds and repay the funds from the TLTRO II early.

APM & Investments

A net volume of approximately TEUR 473,754 was invested in bonds by the APM & Investments unit in 2020. The weighted remaining term of these new investments was 4.7 years. The average asset-swap spread of the securities purchases was 42 basis points (bp), while the average rating for the new purchases was A+.

While margins widened considerably in March, the remainder of the year was characterised by narrower spreads again. The good margins in the first quarter and at the start of the second quarter in particular were used for purchases. Major decision-making criteria for new investments once again included LCR or ECB eligibility and eligibility for the public cover pool.

Funding & Investor Relations

In the reporting period, 37 new issues (not including retained covered bonds) with a total volume of around TEUR 485,077 were placed. These included two publicly placed bonds with a volume of approximately EUR 189 million. First and foremost, a CHF green bond of CHF 125 million was issued. The other public issue related to an increase in an existing bond in the amount of CHF 80 million.

A total of 35 private placements with a volume of around EUR 296 million were issued, 28 of which were documented via the EMTN programme, five as registered bonds and two via the retail prospectus.

Money, foreign exchange and interest rate derivatives trading

Between the end of 2019 and the end of 2020, readily accessible short-term liquidity increased significantly by around EUR 900 million to a level of around EUR 1,200 million. In addition, extensive collateral is available for repo and tender transactions in money market trading. Hypo Vorarlberg thus has strong liquidity buffers. Particularly due to issuing transactions (maturities and new issues) and participation in various ECB tender operations, the liquidity level fluctuated considerably in the first half of the year in particular. In foreign exchange and interest rate derivatives trading with customers, the number of transactions increased. This was probably chiefly due to the increase in volatility on the financial markets caused by the coronavirus crisis.

Securities Customer Trading

Customer securities turnover amounted to approximately EUR 1,702 million in 2020. Stock market developments in 2020 were dominated by the effects of the COVID-19 crisis, the Wirecard scandal and the US presidential elections. After the low in March, the stock markets started to rally and reached new highs by the end of the year. The highest securities turnover by far was generated in the initial months of the COVID-19 crisis, March and April.

Fund Service

The custodian bank volume under management increased from EUR 8,420 million to EUR 9,067 million on an annual basis, corre-sponding to growth of EUR 648 million or 7.69 %. In the past report-ing period, two special funds were acquired from other banks and one mutual fund was transferred to another bank. In addition, one AIF and three UCITS were closed, while four new UCITS and four new AIFs were launched.

Swap Group

As at 31 December 2020, the Swap Group managed 1,229 swaps, interest rate options and currency options. Their nominal volume amounted to approximately TEUR 9,953,244 at the end of 2020. In the same period, the volume of cash collateral provided rose from TEUR -25,102 to TEUR -30,985, with a negative balance indicating collateral provided at the counterparty.

CORPORATE CENTER

In addition to the business segments mentioned above, the Corporate Center item includes the refinancing of holdings. This segment's earnings contribution amounted to TEUR 705 (2019: TEUR 16,155).

SUBSIDIARIES
AND HOLDINGS

HYPO IMMOBILIEN & LEASING GMBH
Hypo Vorarlberg's entire Austrian and Swiss leasing and real estate business is combined in the subgroup Hypo Immobilien & Leasing. Hypo Immobilien & Leasing GmbH offers services within the Group and to its customers ranging from real estate brokerage through property valuations, construction and property management to facility management. It offers private customers and SMEs financing solutions in the areas of vehicle, movables and real estate leasing. Hypo Immobilien & Leasing GmbH has its headquarters at the Hypo Office in Dornbirn.

Real estate brokerage services are offered at the locations in Bregenz, Dornbirn, Bludenz and Feldkirch. Leasing customers are supported by specialists in Dornbirn and Vienna. Marketing activi-ties in the Austrian leasing market are carried out by consultants at the offices of Hypo Vorarlberg, while selected Austrian customers and the Swiss leasing market are managed by an in-house sales team. As at 31 December 2020, the company had a headcount of 47 employees (2019: 45).

The Vienna team at Hypo Immobilien & Leasing GmbH stepped up its cooperation with the advisors at the Vienna branch office in order to offer customers additional advisory services. There is also a property valuation team based in Vienna. The team carries out valuations for Hypo Vorarlberg, especially for financing purposes.

In 2020, Hypo Immobilien & Leasing GmbH stepped up its marketing activities, launching a new website and putting together a company film. The digitalisation project that had already been initiated was also continued. This involved further digitalising internal processes, improving services for customers and equipping the workplaces for modern, mobile work. The "Workplace of the Future" project is to be implemented in early 2021 and will ena-ble employees to work together even more easily in the future – including when working from home.

For 2020, Hypo Immobilien & Leasing GmbH reported earnings before taxes of TEUR 1,008 (2019: TEUR 736). The consolidated earnings before taxes of the companies included in the consolidat-ed financial statements and belonging to the real estate and leas-ing subgroup came to TEUR 3,526 as at 31 December 2020 (2019: TEUR 3,459).

HYPO VORARLBERG LEASING AG, BOLZANO
HYPO VORARLBERG IMMO ITALIA GMBH, BOLZANO
Hypo Vorarlberg Leasing AG is headquartered in Bolzano and develops leasing solutions in the real estate and mechanical engineering sectors. The company has offered its products and services on the Northern Italian market for 30 years. The subsidiary also has branches in Como and Treviso.

Due to the pandemic, new business on the Italian leasing market declined by 18 % to a total of EUR 22.9 billion in 2020. Real estate leasing, which is the most important area for Hypo Vorarlberg Leasing AG, saw a decline of 28.5 % throughout Italy. In this context, Hypo Vorarlberg Leasing generated a new volume of TEUR 60,942 in 2020 (2019: TEUR 94,076). As in previous years, particular emphasis was placed on top-quality lessees, valuable lease assets and appropriate advance payments and collateral. The focus was on real estate and movables leasing projects in Trenti-no/South Tyrol.

COVID-19 also posed major challenges for the Italian subsidiary. In March 2020, operations were successfully switched over to working from home thanks to corresponding preparations. The implementation of a new IT program to increase the automation and digitalisation of business processes was not completed until the end of 2020, partly due to the pandemic. The planned introduction of a digital customer portal that not only offers the benefits of direct web-based customer access, but also provides for the implementation of digital signatures for contractual documents, will be implemented at the beginning of 2021. Due to the pandemic, around 30 % customers requested a deferral of lease instalments in accordance with government decree Art. 56. These were ex-tended until 2021 in most cases.

In 2020, Hypo Vorarlberg Leasing AG generated net interest income of TEUR 15,780 (2019: TEUR 13,535). Profit before taxes amounted to TEUR 2,222 (2019: TEUR 1,710). The focus was on consistent management of the existing portfolio and efficient realisation of recovered lease assets.

A new volume of around TEUR 100,000 is targeted in 2021, taking account of strict risk criteria. Great attention will be paid to the management of the active contract portfolio after the expiry of the deferrals granted, as well as to the correct implementation of the new default definition and the prudential backstop regulations in the area of risk.

Hypo Vorarlberg Immo Italia GmbH
Uncertain future prospects led to a decline in demand for commercial real estate in Italy in 2020. In this difficult environment, Hypo Vorarlberg Immo Italia GmbH almost managed to reach the previous year's sales volume. A total of 30 commercial properties with a volume of TEUR 9,500 were sold in 2020.

There was also a lot of movement with regard to rented properties as a result of the pandemic. Overall, the number of new rental contracts concluded was higher than the number of contracts terminated early. The average rental yield was increased year-on-year. Existing tenants were granted a temporary rent reduction during the lockdown, thereby preventing vacancies.

As a result of the properties acquired by Hypo Vorarlberg Leasing AG in 2019, costs rose sharply. In addition, further provisions for properties held for sale were recognised in 2020. The company therefore posted negative earnings before taxes of TEUR -2,647 in 2020 (2019: TEUR -775).

COMIT VERSICHERUNGSMAKLER GMBH
By way of the merger agreement dated 22 June 2020, Hypo Versicherungsmakler GmbH was merged with "EXACTA"-Versicherungsmakler GmbH. At the same time, the company name was changed to comit Versicherungsmakler GmbH. The new com-pany is now the biggest regional insurance broker and can there-fore cope better with the growing market and competitive pres-sure and the stricter regulatory conditions. Hypo Vorarlberg still holds a 40 % share in comit Versicherungsmakler GmbH.

OUTLOOK
FOR THE 2021 FINANCIAL YEAR

COVID-19-PANDEMIC
As a result of the approval of several COVID-19 vaccines and the vaccinations carried out from December 2020 onwards in some countries, there are growing hopes of an end to the pandemic. The continued economic development will still depend to a large extent of the further development of infection rates.

The leading indicators from the Austrian Institute of Economic Research (WIFO) point to a sluggish economic development in the first quarter of 2021. Assuming that a third wave of infections in spring 2021 can be prevented, that the health policy measures can gradually be lifted on this basis in the first half of 2021 and that a medical solution is successfully implemented by the end of 2021, the OeNB anticipates a strong economic recovery process. A growth rate of 3.6 % is anticipated for 2021. Austria's GDP is not expected to reach its pre-crisis level again in real terms until the second half of 2022.

PRIORITIES FOR 2021
As things currently stand, it can be assumed that the 2021 financial year will also be dominated by handling the COVID-19 pandemic and its economic effects at the Hypo Vorarlberg Group. Hypo Vorarlberg's top priority is to maintain its customers' and business partners' economic stability – for example, with loan deferrals or bridge loans for companies and individuals affected by the crisis. In view of the difficult economic situation for many businesses, continued high demand for support measures is to be expected.

The Managing Board will continue to pursue the proven, broad-based business model, although the ongoing low and negative interest rates and new legal requirements – such as CRR II and CRD V and the implementation of the EU action plan for financing sustainable growth – pose a large challenge for the industry. Digi-talisation and changing customer requirements are also still requir-ing banks to adapt their services and products.

To ensure the profitability of Hypo Vorarlberg in the long term growth markets outside the home market Vorarlberg are to be increased. The bank also follows trends and new developments so that its services and processes can continuously be adapted to the new technological possibilities.

As the leading corporate bank in Vorarlberg, Hypo Vorarlberg will continue to supply financing to businesses in its core markets in the future. Credit demand grew again compared to the previous years. It remains to be seen whether this trend will continue. Increased sales of payment transaction services are anticipated, while investment business with entrepreneurs is to be expanded.

Hypo Vorarlberg is very popular in the private customers segment thanks to its competent and committed employees. Closeness to customers and personal consulting are an important part of the corporate philosophy – something that is also noted and appreciated by customers. To keep ensuring high-quality advice, the Group will also continue to invest in education and training for its employees in 2021. In private banking, Hypo Vorarlberg continues to focus on its in-house asset management.

The Managing Board remains committed to the branches as an important sales channel. At the same time, the bank is continuous-ly developing its online services and reflecting on how its locations can be structured sustainably. Due to the advancement of digitalisation and changing customer behaviour Hypo Vorarlberg is called upon to find the best possible way to link personal consulting with digital services.

Risk management at Hypo Vorarlberg is subject to a continuous development process. To take account of the anticipated effects of the pandemic, the Bank has developed a new rating strategy and established additional internal reporting for prompt, continuous monitoring. Due to government support measures and deferrals, there were no broad-based rating downgrades or payment defaults in the first half of the year. However, there was a significant increase in loan loss provisions overall in 2020, resulting in a negative impact on earnings. The coronavirus crisis is hitting Hypo Vorarlberg's market areas hard and its effects are likely to be felt for years to come. The volume of new business from 2021 onwards is expected to see a pandemic-driven decline, which is likely to be somewhat more moderate in the real estate financing segment. In economic terms, the top priority for the Managing Board is to maintain customers' stability.

EXPECTED EARNINGS DEVELOPMENT FOR HYPO VORARLBERG IN 2021
The economic crisis caused by the coronavirus can be expected to have an impact on all Hypo Vorarlberg's business segments in 2021, too. Insolvencies and losses of income will increasingly lead to loan defaults in the coming years, both in the directly affected sectors and further along the value chain. Due to the increasing loan loss provisions, considerable pressure on earnings is anticipat-ed at both Bank and Group level.

After valuation effects and staging in 2020, Hypo Vorarlberg's earnings will probably be impacted only later – possibly only in the following years – by actual defaults. The economic development of the Hypo Vorarlberg Group in the 2021 financial year will particularly depend on the duration of the crisis and the extent to which catch-up effects can compensate for its impact. The role of the public sector in managing the economic effects of the pandemic will continue to be extremely important.

In addition to a sound equity base, Hypo Vorarlberg also has sufficient liquidity reserves and a diversified funding structure, meaning that there are no significant cluster risks. Furthermore, there are no major maturities coming up in 2021. Thanks to the reserves it has recognised in the past years and its stable equity position, Hypo Vorarlberg can keep operating well even in the current difficult economic situation.

The Managing Board currently assumes that the company will continue to survive as a going concern based on the measures described above and the utilisation of facilitations and subsidies.

RISK MANAGEMENT
AT HYPO VORARLBERG

Hypo Vorarlberg addresses specific banking risks through conservative credit approval policies, strict valuation rules for loans and advances and appropriate recognition of valuation allowances. The subsidiaries generally use the same rating tools as the parent company. This guarantees a consistent rating procedure groupwide. Valuation allowances are recognised for credit risks in connection with loans and advances to customers and banks in accordance with uniform Group criteria.

The year under review was characterised by persistently low and even negative interest rates on the money and capital markets. Value at risk (99 %/10 days) reached monthly average levels of up to TEUR 25,112 (2019: TEUR 16,996).

The main market risks at the bank are interest rate risk and credit spread risk. Share price and foreign currency risks are of minor significance only. The bank does not have a significant trading book. Regarding the use of financial instruments in accordance with Section 243 (3) No. 5 UGB, please refer to the disclosures in the notes, section A (Accounting Policies), note (3).

Hypo Vorarlberg utilises the money market for refinancing only to a limited extent. The Bank participated in the ECB's medium-term refinancing operations.

Further explanations with regard to financial risks and risk management at Hypo Vorarlberg can be found in the notes. The full disclosure on the organisational structure, risk management and the riskcapital structure according to CRR are posted on the internet at www.hypovbg.at.

The uncertain economic consequences of the global COVID-19 pandemic also pose major challenges for risk management at Hypo Vorarlberg. For details, please refer to the information in the "Outlook for the 2021 financial year".

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN VIEW OF THE FINANCIAL REPORTING PROCESS

At Hypo Vorarlberg, responsibility for establishing and designing the internal control and risk management system (ICS) lies with the entire Managing Board. Hypo Vorarlberg is distinguished by a clear organisational, corporate, control and monitoring function, which includes in particular the dual-control principle, IT-assisted controls, and decision-making powers and monitoring instruments geared towards inherent risk.

The existing internal control system is optimised on a continuous-basis. Further/new processes are included in the documented ICS in accordance with an assessment of materiality and the level of risk for Hypo Vorarlberg.

Control environment

Hypo Vorarlberg's Accounting department, which simultaneously functions as the Group Accounting department, includes the bookkeeping, accounting, reporting, controlling and account management areas. The close cooperation between Group Accounting, Group Controlling and Group Risk Controlling allows standardised and coordinated internal and external reporting. The reporting processes and control measures are governed by work instructions, internal process descriptions, ICS documents and the Group manual.

Risk assessment and control measures

As part of the ICS, processes are checked for inherent risk and the existence of traceable, effective and efficient risk-mitigation measures and controls, adjusted and if necessary supplemented on an ongoing basis at least once a year. Moreover, a continuous control and effectiveness analysis is performed, and any potential improvement found is implemented.

The financial reporting process is not limited to internal and external reporting, but also uses guidelines and methods to govern the collection of data, creation of entries, recognition of transactions and valuation of business and is supported by various software solutions (Arctis, Geos, SAP, B&S, PMS, etc.) in the preliminary stages. These programs offer automatic assistance and checks for correct entry and use. In addition, ongoing manual checks are made in daily business. The regularity, transparency, effectiveness and efficiency of these checks are ensured by ICS monitoring.

Information and communication

Reporting is almost exclusively automated via upstream systems and automatic interfaces and guarantees current data for controlling, profit and loss accounts and other analyses. Due to the close cooperation between Accounting, Controlling and Group Risk Controlling, plan/actual analyses are carried out continually. Mutual control and coordination between the departments is guaranteed.

For the monitoring and control function, the Bank's decision makers periodically receive many reports, e.g. weekly returns, monthly performance previews with interest margin accounts, earnings projections at branch, segment and Bank level, plan/actual analyses of volumes and income, ALM reports, risk reports, treasury reports, quarterly cost accounts, various statistics and analyses..

On the basis of the above, periodic reports are issued to the Supervisory Board. At the end of the year, the Bank's annual financial statements are drawn up according to the Austrian Corporate Code (UGB)/Austrian Banking Act (BWG) and the Bank's consolidated financial statements are drawn up according to IFRS. There are also ongoing supervisory reporting obligations to the OeNB/FMA.

An ICS report is compiled every six months for the Managing Board and every year for the Audit Committee of the Supervisory Board and information provided on the operating principles of the ICS.ICS reporting follows the bottom-up approach: controls are recorded by those responsible for the process when put into operation. These records are pooled together with the results of the control and effectiveness analysis in the ICS report to provide information about the effectiveness of the ICS in conjunction with the findings of the audits by Internal Audit.

Monitoring

The quality of the ICS is continually assessed by Internal Audit regarding the reliability, regularity and legality of the accounting process and reporting. Internal Audit cooperates closely with the Managing Board members and managing directors of the subsidiaries and reports periodically to the Audit Committee of the Supervisory Board.

COMPLIANCE AND PREVENTION OF MONEY LAUNDERING

Hypo Vorarlberg's compliance department reports directly to the Managing Board and its task is to monitor compliance with statutory supervisory requirements, particularly those under the Austrian Banking Act (BWG), the Austrian Securities Supervision Act (WAG), the Austrian Stock Exchange Act (BoerseG) and the Federal Act on the Prevention of Money Laundering and Terrorist Financing in Financial Markets (FM-GwG).

Compliance

All employees are obliged to comply with the provisions of Hypo Vorarlberg's compliance guidelines. These guidelines are based on the Standard Compliance Code of the Austrian banking industry, WAG and BoerseG. Compliance with the regulations is ensured by way of regular, documented audits. New employees receive a comprehensive induction as part of the Hypo Basics which usually take place on the first two days of the first month of employment. All employees are trained on an ongoing basis, must take a brief test every year and are informed accordingly in the event of changes.

The compliance department regularly evaluates compliance with the provisions of MiFID II along with regulations which were also implemented in WAG and implements any necessary changes together with the specialist departments. These regulations protect investors and serve the efficiency and integrity of the market. Regular, documented checks are carried out here too.

Prevention of money laundering

Hypo Vorarlberg aims to prevent every form of money laundering and terrorist financing in connection with its business operations. To achieve this aim three computer programmes and additional audits are used to check for money laundering. These help employees when classifying customers with regard to the money laundering risk and flag suspicious payments. In addition, they ensure compliance with the legal requirements to carry out embargo checks and checks for politically exposed persons.

All employees complete a comprehensive training programme in which they are familiarised with the legal provisions regarding the prevention of money laundering and terrorist financing and reasons to suspect them. In addition, all new employees receive training in the basic induction. All employees who have contact with customers must pass a refresher test every year. In further training, employees are taught about specific provisions and types of money laundering so that suspicious transactions can be recognised. Regular checks are performed at the branch offices, including by internal audit.

Legal proceedings due to FMA investigation

Following the publication of the "Panama Papers" in early April 2016, the Austrian Financial Market Authority (FMA) examined Hypo Vorarlberg's offshore business as part of a special investiga-tion. On 21 March 2018, the FMA published a penal order against Hypo Vorarlberg in relation to this matter. The Austrian Federal Administrative Court (BVwG) upheld the FMA's penal order and Hypo Vorarlberg paid the fine but also filed an extraordinary ap-peal with the Austrian Administrative High Court (VwGH). The Austrian Administrative High Court subsequently repealed the order. In the second judicial procedure, the BVwG repealed the penal order without substitution, and the FMA filed an extraordi-nary appeal with the VwGH. The Managing Board and the legal representatives of the Bank remain of the opinion that all the bank's transactions complied with the legal situation prevailing in the years in question.

DATA PROCESSING/IT

Along with other Austrian banks, Hypo Vorarlberg has outsourced large parts of its IT systems to ARZ (Allgemeines Rechenzentrum GmbH) in Innsbruck. As a competence centre for IT services in the banking industry, ARZ supports key business processes of the affiliated banks, most of which are also owners with various different shares. The banks' joint strategy is to bundle key IT expertise to generate economies of scale and synergies and harness potential efficiencies through technology. This enables Hypo Vorarlberg, as well as the other participating banks, to reduce the complexity of its own IT infrastructure while also concentrating on its core business.

ARZ's central system for day-to-day banking business is its internally developed ARCTIS software solution, supplemented by standard solutions such as GEOS, SAP, B+S and others. ARZ is responsible for operating the core banking systems and IT infrastructure. New requirements for central IT systems are implemented by ARZ together with the banks.

As at 1 October 2020, Hypo Informatikgesellschaft m.b.H., which was previously a wholly owned subsidiary of Hypo Vorarlberg, was merged with Hypo Vorarlberg Bank AG. Together with the Digitalisation unit and the Organisation department, this former IT company now forms the new Hypo IT division. This merger takes account of the growing strategic importance of IT for banking business. Pooling expertise in this way not only increases operating efficiency, but also Hypo IT is expected to provide significant impetus for the Bank's digital transformation in the future. With over 60 highly qualified employees, Hypo IT has the necessary resources to respond to the challenges of digitalisation, identify risks and take advantage of opportunities.

In the 2020 financial year, COVID-19 placed high demands on IT but also proved its effectiveness. The necessary workstations and software tools for working from home were set up within a very short space of time, enabling Hypo Vorarlberg to work in this new, virtual organisation at all times, while also ensuring the necessary security measures. With the introduction of mobile payment methods for smartphones during the first lockdown, Hypo Vorarlberg's innovation capacity also had a positive impact on customers.

In addition to dealing with the effects of COVID-19, there was also a particular focus on the systematic further development of IT systems. This includes the modernisation of the IT architecture with the aim of opening up the core banking system via defined interfaces to become faster and more flexible for new solutions, particularly with regard to digitalisation. In addition, Hypo Vorarlberg started to introduce software tools that will enable it to model and optimise its key business processes faster and more flexibly itself in the future on the basis of such interfaces.

The rating software family was enhanced with additional functions and the existing functions were validated and calibrated. Internal regulations and processes for the control and risk management of IT systems were modified in line with the significantly wider-ranging requirements. The increased requirements for notification and reporting were supported with the use of new processes and systems for supplying and preparing the necessary data.

ARZ's systems and processes are regularly subject to audits by both internal audit and an external auditing company. These audits and control measures are carried out based on "ISAE 3402 – Type 2" and "IWP/PE 14 Type 2" (Institute of Austrian Auditors (IWP) standard for auditing outsourced functions) and are adapted in line with changing conditions on an ongoing basis. The audits did not give rise to any significant objections.

ARZ and the banks counter IT risks through backup systems, failover options, suitable security concepts and in-depth information for employees. Clear rules on responsibilities and access, the requirement of the dual-control principle and an internal monitoring system are in place. Hypo Vorarlberg also focuses on consistent use of standardisation, increasing cost efficiency and maintaining innovative capability.

IT operations at the St. Gallen branch are provided by a Swiss standard software solution comparable with the processes at ARZ. This is also audited by an external party and did not give rise to any objections. Standard software systems are also used at Hypo Immobilien & Leasing in Dornbirn and the leasing company in Bolzano.

DISCLOSURE OF INFORMATION
ON REMUNERATION POLICY AND PRACTICES IN 2020

In 2011, the remuneration policy of Hypo Vorarlberg was structured and redefined by the Managing Board in accordance with the statutory requirements and approved by the Supervisory Board. The revised remuneration policy principles came into force in 2017. The remuneration policy applies to all employees within the Hypo Vorarlberg Group. Special remuneration regulations apply to risk takers (identified staff). The remuneration policy was devel-oped in cooperation with experts from Wolf Theiss Rechtsanwälte GmbH & Co KG.

The principles of the remuneration policy were adopted with regard to robust and effective risk management in concordance with the business strategy. In 2020, a total of two meetings of the Remuneration Committee of Hypo Vorarlberg were held. In addi-tion to the Supervisory Board – specifically the Remuneration Committee headed by Birgit Sonnbichler – the internal audit department also acts as a controlling body for the bank's remuner-ation policy. On behalf of the Supervisory Board, this department is charged with auditing the implementation of the principles of the remuneration policy.

Employees at Hypo Vorarlberg are generally remunerated in line with the market with collectively agreed fixed salaries and any overpayment if necessary. In rare cases, bonus agreements may be concluded with managers and highly qualified employees. Any variable remuneration is only paid out via the salary. For the pay-ment of the variable component, certain criteria aligned to long-term success, which are individually defined in the employment contract in advance, must be met. Variable remuneration compo-nents, particularly for risk takers, are capped in accordance with the Austrian Banking Act.

Remuneration policy for Managing Board members
Chairman of the Managing Board Michel Haller and Managing Board members Wilfried Amann and Philipp Hämmerle, who replaced Johannes Hefel on the Managing Board as at 1 May 2020, received a fixed basic annual salary for 2020 which was paid out in 14 in-stalments. There are no bonus agreements in addition to the remuneration payments agreed in the Managing Board contracts.

A full disclosure on the remuneration policy pursuant to CRR Article 450 of Regulation (EU) No. 575/2013 on remuneration policy and practice can be found online at www.hypovbg.at.

MINDFUL BUSINESS –
SUSTAINABILITY AT HYPO VORARLBERG

The coronavirus crisis has raised many questions while also bringing plenty of impetus for further development – particularly in terms of the major issues of digitalisation and sustainability, which gath-ered momentum in 2020. The requirements of the EU action plan for financing sustainable growth are also becoming increasingly tangible. As banks in particular have a major influence on how their business partners behave, the action plan aims to guide cash flows in the EU in a sustainable direction and ensure that sustaina-bility risks are taken into consideration in banks' risk management.

Debate is now increasingly focused not on "whether" but on "how" to establish a climate-friendly economy. For this reason, the Managing Board of Hypo Vorarlberg continuously scrutinises the business model – because it really does matter who you do or do not do business with. The level of financial success and the manner in which the business is run are thus equally important. Therefore, criteria for Hypo Vorarlberg's business transactions – primarily in the areas of financing and investment – are set down in the "Ethi-cal and sustainable principles". The aim of this is to prevent trans-actions involving the potential risk of conflict – especially with regard to environmental and climate-related, social and societal matters – and ensure compliance with rules of good conduct.

The top priority is long-term and organic growth to secure the bank's continuing profitability rather than short-term profits. To achieve these objectives, the corporate strategy and policy, target planning and remuneration system are harmonised. Sustainability is also paramount in customer business: instead of speculation and profit maximisation the greatest attention is paid to security and conserving the value of customer funds.

Sustainability programme
Hypo Vorarlberg launched a sustainability programme for the planning and implementation of its sustainability targets at the beginning of 2016 and created a new position for this purpose. The company has been reporting on its sustainability activities since 2011 and has done so in the form of a separate sustainability re-port since 2016. Since the 2017 financial year, the Austrian Act for the Improvement of Sustainability and Diversity (NaDiVeG), which incorporates EU Directive 2014/95/EU in Austrian law, has required large public-interest entities to publish non-financial information relating to environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters. The respec-tive concepts and their results, the due diligence processes used, the main risks and the key performance indicators must be dis-closed in this context.

The non-financial statement may be published as part of the management report or in the form of a separate report. Hypo Vorarlberg has chosen to prepare a separate consolidated non-financial report. In conformity with the law, this report addresses environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters.

With the 2020 sustainability report prepared in accordance with the Global Reporting Initiative (GRI) standards ("Core" option), Hypo Vorarlberg meets the statutory requirements and provides a comprehensive overview of key sustainability issues and performance figures in the Group and at the parent company (= Bank). The special criteria for financial services providers (sector disclosures in accordance with G4, e.g. FS14) were also taken into account. Pursuant to Section 267a (6) UGB, the non-financial report of the Hypo Vorarlberg Bank AG Group is not included in the Group management report but rather in the consolidated non-financial report of Hypo Vorarlberg Bank AG, which is published as a sepa-rate sustainability report as well as on the company's website at www.hypovbg.at.

Research and development
With no independent planned investigation having been conducted to obtain new scientific or technical knowledge, and no upstream development work for commercial production or use having been carried out, Hypo Vorarlberg did not perform any research and development activities.

However, Hypo Vorarlberg reviews the effects of economic and market developments on the development of its net assets, financial position and results of operations on an ongoing basis. To survive among the competition, it is not enough just to know the current market conditions; it is also necessary to consider future scenarios. For years, there has been a close partnership with Vor-arlberg University of Applied Sciences for the purposes of research. The cooperation covers issues such as optimising calculation of the covered pool assets, optimum allocation of securities collateral and calculation of stress scenarios and restructuring measures in accordance with the Austrian Federal Act on the Restructuring and Resolution of Banks (BaSAG).

Hypo Vorarlberg is also represented in international networks and, for example, maintains a cooperation with the Business Engineering Institute St. Gallen, a leading institute in the German-speaking region that transfers knowledge gained from research and science into innovative solutions.

Before the detailed development of a new product or the inclusion of a third-party product in Hypo Vorarlberg's product range, a product and business introduction process is defined to guarantee an orderly approach and identify potential risks in advance.

Bregenz, 29 March 2021

Hypo Vorarlberg Bank AG
The members of the Managing Board

Michel Haller Chariman of the Managing Board	Wilfried Amann Member of the Managing Board	Philipp Hämmerle Member of the Managing Board

CONSOLIDATED FINANCIAL STATMENTS (IFRS)

CONSOLIDATED FINANCIAL STATEMENTS

IN ACCORDANCE WITH IFRS DATED 31. DECEMBER 2020

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I. STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2020

Income statement

TEUR	Notes	2020	2019	Change in TEUR	Change in %
Interest and similar income according to the effective interest method		209,594	201,679	7,915	3.9
Other interest and similar income		60,986	67,535	-6,549	-9.7
Interest and similar expenses according to the effective interest method		-61,453	-63,746	2,293	-3.6
Other interest and similar expenses		-34,967	-35,927	960	-2.7
Net interest income	(6)	174,160	169,541	4,619	2.7
Dividend income	(7)	688	1,451	-763	-52.6
Fee and commission income		41,742	43,357	-1,615	-3.7
Fee and commission expenses		-7,095	-6,891	-204	3.0
Net fee and commission income	(8)	34,647	36,466	-1,819	-5.0
Net result from financial instruments at amortized cost	(9)	1,518	-14	1,532	-
Net result from financial instruments at fair value	(10)	-8,234	12,436	-20,670	-
Other income	(11)	17,057	23,804	-6,747	-28.3
Other expenses	(12)	-23,912	-24,923	1,011	-4.1
Administrative expenses	(13)	-95,112	-96,291	1,179	-1.2
Depreciation and amortization	(14)	-8,185	-7,585	-600	7.9
Loan loss provisions and impairment of financial assets	(15)	-41,443	-21,592	-19,851	91.9
Impairment of non-financial assets	(16)	-2,808	-1,648	-1,160	70.4
Result from equity consolidation		449	52	397	>100.0
Result from non-current assets available for sale		0	-5	5	-
Earnings before taxes		48,825	91,692	-42,867	-46.8
Taxes on income	(17)	-11,494	-21,316	9,822	-46.1
Annual net income		37,331	70,376	-33,045	-47.0
of which attributable to owners of the parent company		37,174	69,113	-31,939	-46.2
of which attributable to non-controlling interests		157	1,263	-1,106	-87.6

Statement of comprehensive income

TEUR	2020	2019	Change in TEUR	Change in %
Annual net income	37,331	70,376	-33,045	-47.0
Other income (OCI)	-2,360	-3,937	1,577	-40.1
OCI w/o recycling	-2,343	-3,941	1,598	-40.5
Actuarial result IAS 19	-1,769	-1,822	53	-2.9
Measurement of own credit risks for liabilities at fair value	-1,357	-3,410	2,053	-60.2
Income tax effects	783	1,291	-508	-39.3
OCI with recyling	-17	4	-21	-
Foreign currency translation	-17	4	-21	-
Group statement of comprehensive income	34,971	66,439	-31,468	-47.4
of which attributable to owners of the parent company	34,814	65,176	-30,362	-46.6
of which attributable to non-controlling interests	157	1,263	-1,106	-87.6

II. BALANCE SHEET
DATED 31 DECEMBER 2020

Assets

TEUR	Notes	31.12.2020	31.12.2019	Change in TEUR	Change in %
Cash and balances with central banks	(18)	1,338,622	442,546	896,076	>100.0
Trading assets	(19)	122,536	147,971	-25,435	-17.2
Financial assets at fair value (non-SPPI)	(20)	750,899	830,791	-79,892	-9.6
of which equity instruments		23,897	27,893	-3,996	-14.3
of which debt securities		167,350	245,698	-78,348	-31.9
of which loans and advances to customers		559,652	557,200	2,452	0.4
Financial assets at fair value (option)	(21)	333,857	364,668	-30,811	-8.4
of which debt securities		59,554	65,806	-6,252	-9.5
of which loans and advances to customers		274,303	298,862	-24,559	-8.2
Financial assets at amortized cost	(23)	12,332,201	11,790,839	541,362	4.6
of which debt securities		2,598,679	2,487,703	110,976	4.5
of which loans and advances to banks		227,250	116,743	110,507	94.7
of which loans and advances to customers		9,506,272	9,186,393	319,879	3.5
Positive market values of hedges	(24)	191,377	155,053	36,324	23.4
Affiliates		968	1,534	-566	-36.9
Shares in companies valued at equity	(25)	3,325	1,806	1,519	84.1
Property, plant and equipment	(26)	82,305	84,127	-1,822	-2.2
Investment property	(27)	52,129	54,778	-2,649	-4.8
Intangible assets	(28)	1,843	2,796	-953	-34.1
Income tax assets		15,432	5,109	10,323	>100.0
Deferred income tax assets	(29)	15,319	11,204	4,115	36.7
Non-current assets available for sale	(30)	0	4,635	-4,635	-
Other assets	(31)	55,955	82,084	-26,129	-31.8
Total assets		15,296,768	13,979,941	1,316,827	9.4

Liabilities and shareholders' equity

TEUR	Notes	31.12.2020	31.12.2019	Change in TEUR	Change in %
Trading liabilities	(33)	117,353	139,044	-21,691	-15.6
Financial liabilities at fair value (option)	(34)	803,599	928,606	-125,007	-13.5
of which securitised liabilities		663,319	787,054	-123,735	-15.7
of which liabilities to banks		2,050	2,100	-50	-2.4
of which liabilities to customers		138,230	139,452	-1,222	-0.9
Financial liabilities at amortized cost	(35)	12,874,124	11,467,794	1,406,330	12.3
of which securitised liabilities		4,523,179	4,638,277	-115,098	-2.5
of which liabilities to banks		2,842,204	1,534,000	1,308,204	85.3
of which liabilities to customers		5,508,741	5,295,517	213,224	4.0
Negative market values of hedges	(36)	163,875	141,270	22,605	16.0
Provisions	(37)	60,814	44,790	16,024	35.8
Income tax liabilities	(38)	1,102	1,071	31	2.9
Deferred income tax liabilities	(39)	2,427	3,463	-1,036	-29.9
Other liabilities	(40)	40,242	55,632	-15,390	-27.7
Shareholders' equity	(41)	1,233,232	1,198,271	34,961	2.9
of which attributable to owners of the parent company		1,230,670	1,195,857	34,813	2.9
of which attributable to non-controlling interests		2,562	2,414	148	6.1
Total liabilities and shareholders' equity		15,296,768	13,979,941	1,316,827	9.4

III. STATEMENT OF CHANGES
IN SHAREHOLDERS' EQUITY

Statement of changes in shareholders' equity

TEUR	Subscribed capital	Capital reserve	Retained earnings and other reserves	Accumulated other income	Total parent company shareholders	Non-controlling interest	Total Shareholders' equity
Balance 01/01/2019	162,152	44,674	928,414	-1,503	1,133,737	-2,560	1,131,177
Consolidated net income	0	0	69,113	0	69,113	1,263	70,376
Other income	0	0	0	-3,937	-3,937	0	-3,937
Comprehensive income 31/12/2019	0	0	69,113	-3,937	65,176	1,263	66,439
Disposal from consolidation	0	0	0	0	0	3,719	3,719
Reclassifications	0	0	45	-45	0	-1	-1
Dividends	0	0	-3,056	0	-3,056	-7	-3,063
Balance 31/12/2019	162,152	44,674	994,516	-5,485	1,195,857	2,414	1,198,271
Balance 01/01/2020	162,152	44,674	994,516	-5,485	1,195,857	2,414	1,198,271
Consolidated net income	0	0	37,174	0	37,174	157	37,331
Other income	0	0	0	-2,360	-2,360	0	-2,360
Comprehensive income 31/12/2020	0	0	37,174	-2,360	34,814	157	34,971
Reclassifications	0	0	3	-4	-1	1	0
Dividends	0	0	0	0	0	-10	-10
Balance 31/12/2020	162,152	44,674	1,031,693	-7,849	1,230,670	2,562	1,233,232

Further details on equity and the composition of capital components – in particular accumulated other comprehensive income – are given in note (41).

IV. CASH FLOW STATEMENT

Cash flows from operating activities

TEUR	2020	2019
Consolidated net income	37,331	70,376
Non-cash items included in consolidated net income		
Impairments/reversals on property, plant and equipment	8,912	6,954
Impairments/reversals on financial instruments	17,834	-15,748
Allocations/reversals to/from reserves and loan loss provisions	42,990	21,959
Change in other non-cash items	-27,563	-73,566
Other adjustments (interest and income taxes)	-153,510	-152,227
Change in assets from operating activities		
Trading assets	27	-3,548
Loans and advances at fair value (non-SPPI)	12,949	-142,501
Loans and advances at fair value (option)	-15,231	21,156
Loans and advances at amortized cost	-443,078	-279,865
Income tax assets	0	-2,946
Non-current assets available for sale	4,635	0
Change in liabilities from operating activities	23,350	-10,067
Non-subordinated liabilities at fair value (option)		
Non-subordinated liabilities at amortized cost	-102,723	-249,794
Provisions	1,410,541	297,949
Income tax liabilities	-1,917	4,656
Other liabilities	-967	-3,234
Interest received	-15,312	5,453
Interest paid	232,504	225,958
Income tax paid	-76,763	-82,060
Cash flows from operating activities	-25,168	-26,384
Change in liabilities from operating activities	928,841	-387,479

Cash flows from investing activities

TEUR	2020	2019
Cash inflow from the sale/repayment of		
Financial instruments	719,581	540,502
Property, plant and equipment and intangible assets	3,518	3,303
Subsidiaries	0	190
Cash outflows for investments in		
Financial instruments	-765,820	-425,655
Property, plant and equipment and intangible assets	-4,018	-4,189
Interest received	29,509	35,888
Dividends and profit distributions received	688	1,451
Cash flows from investing activities	-16,542	151,490

Cash flows from financing activities

TEUR	2020	2019
Cash changes subordinated and tier 2 capital	-8,951	95,909
Lease payments from operating leases	-1,311	-1,404
Dividends	-10	-3,063
Interest paid	-13,620	-12,550
Cashflow aus der Finanzierungstätigkeit	-23,892	78,892

Reconciliation to cash and balances with central banks

TEUR	2020	2019
Cash and balances with central banks as at 1 January	442,546	589,720
Cash flows from operating activities	928,841	-387,479
Cash flows from investing activities	-16,542	151,490
Cash flows from financing activities	-23,892	78,892
Effects of changes in exchange rate	7,672	9,923
Effects of changes in scope of consolidation	-3	0
Cash and balances with central banks as at 31 December	1,338,622	442,546

Further disclosures on the cash flow statement are shown under note (44).

V. NOTES

A. ACCOUTING POLICIES

(1) GENERAL INFORMATION

Hypo Vorarlberg Bank AG and its subsidiaries offer customers a broad spectrum of financial services. The core businesses are the Corporate and Private Customer segments and Private Banking. A range of leasing, insurance and real estate services are additionally offered. The Group's core market is Vorarlberg, as well as Eastern Switzerland, Southern Germany and South Tyrol. In Eastern Austria the Bank has offices in Vienna, Graz and Wels.

The Bank is a stock corporation with its registered office in Bregenz, Austria, and is registered in Feldkirch, Austria, in the com-mercial register (FN145586y). The Bank is the ultimate parent company of the companies included in the consolidated financial statements. The shareholders of the Bank are presented under note (51). The Bank's address is Hypo-Passage 1, 6900 Bregenz.

The consolidated financial statements for the 2020 financial year and the comparative figures for 2019 were prepared in accord-ance with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) that are in force and published by the International Accounting Standards Board (IASB) and their interpretation by the International Financial Reporting Interpretations Committee (IFRIC, formerly SIC, Standing Interpretations Committee) – as applicable in the European Union – and therefore fulfil the requirements of Section 59a of the Austria Banking Act and Section 245a of the Austrian Commercial Code.

On 29 March 2021, the Managing Board of Hypo Vorarlberg Bank AG authorised release of these annual financial statements.

All amounts are stated in thousand Euro (TEUR) unless specified otherwise. The tables below may contain rounding differences.

(2) PRINCIPLES AND SCOPE OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Hypo Vorarlberg Bank AG and its subsidiaries as of 31 December 2020. Subsidiaries are fully consolidated from the acquisition date, i.e. from the date on which the Group obtains control. Consolidation ends as soon as the parent company ceases to control the subsidiary. The financial statements of the subsidiaries are prepared using the same accounting policies and reporting period as the financial statements of the parent company. On consolidation, intragroup expenses, income, receivables and liabilities are eliminated. Currency-related differences from debt consolidation and the elimination of income and expenses are recognised through profit and loss in the net trading result. The results of intragroup transactions are eliminated unless they are immaterial. The deferred taxes required by IAS 12 are recognised on temporary differences from consolidation. The amount of non-controlling interest is determined according to the interests of minority shareholders in the equity of the subsidiaries.

Business combinations are accounted for using the acquisition method. The costs of a business acquisition are measured at the sum of the consideration transferred measured at fair value as of the acquisition date and the non-controlling interest in the acquiree. For each business combination, the Group decides whether to measure the non-controlling interest in the acquire either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Costs incurred in connection with the business combination are recognised as an expense under administrative expenses.

When the Group acquires an entity, it assesses the appropriate classification and designation of the financial assets and liabilities assumed according to the terms of the contract, economic circumstances and the prevailing conditions on the acquisition date.

In addition to the parent company, the consolidated financial statements include 34 subsidiaries (2019: 39), in which Hypo Vorarlberg Bank AG directly or indirectly holds more than 50 % of the voting rights or otherwise exerts a controlling influence. Of these entities, 29 are headquartered in Austria (2019: 34) and five in other countries (2019: five).

By way of the merger agreement dated 22 June 2020, Hypo Versicherungsmakler GmbH was merged with "EXACTA"-Versicherungsmakler GmbH. The company name was changed to comit Versicherungsmakler GmbH in this context. The Group holds 40 % of the shares in comit. It thus no longer has a controlling position but still exercises significant influence. The company is therefore consolidated according to the equity method.

The merger was implemented without making equalisation payments or paying any other compensation. The share capital was increased to TEUR 100. A profit distribution of TEUR 550 from Hypo Versicherungsmakler GmbH for the 2019 financial year, which had already been resolved before the merger, was received by the Group. All costs and fees incurred in connection with the merger were borne by the acquiring company.

As part of the merger of Hypo Versicherungsmakler GmbH and "EXACTA"-Versicherungsmakler GmbH, a fair value measurement of the merged unit was performed in accordance with IFRS 10. The customer base contributed by each entity to the merged entity was also valued and hidden reserves were disclosed. This resulted in an effect on comprehensive income of TEUR 880 in the "Other income" item.

In 2020, Hypo Informatikgesellschaft m.b.H. and Immoleas IV Leasinggesellschaft m.b.H., which were both wholly owned by the Group, were merged with the companies that held the shares within the Group and deleted from the commercial register. These mergers do not have any impact on these consolidated financial statements.

The Group's shares in an associate are accounted for using the equity method. Associates are entities that are not controlled by Hypo Vorarlberg Bank AG, but in which a stake of at least 20 % and not more than 50 % is held, resulting in significant influence.

Four (2019: three) material Austrian associates are accounted for using the equity method.

According to the equity method, shares in an associate are recognised in the balance sheet at cost plus changes in the Group's share in the net assets of the associate arising after the acquisition. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor subjected to a separate impairment test.

The income statement includes the Group's share in the associate's net profit or loss for the period. Changes recognised directly in the associate's equity are reported by the Group in the amount of its share and if necessary in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated in line with the interest in the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss for its shares in an associate. At each reporting date, the Group determines whether there are objective indications that the share in an associate may be impaired. If this is the case, the difference between the recoverable amount of the share in the associate and the carrying amount of the share in the associate's profit or loss is recognised through profit or loss as an impairment loss.

On the loss of significant influence, the Group measures any investment it retains in the former associate at fair value. Differences between the carrying amount of the share in the associate when significant influence is lost, the fair value of any retained interest and the disposal proceeds are recognised in the income statement.

Based on the data in these financial statements, the (aggregated) total assets of the associated investment(s) not measured at equity amounted to TEUR 639 in the past financial year (2019: TEUR 20,386). The aggregated equity of the investment(s) amounted to TEUR 37 (2019: TEUR 4,806). No earnings after taxes were generated (2019: TEUR 313). If these investments were included in the consolidated financial statements using the equity method and based on balance sheet data as of 31 December 2020, the measurement effect on the items "Shares in companies valued at equity" and "Equity" would be TEUR -12 (2019: TEUR 471). Likewise, inclusion in the income statement would have no effect (2019: TEUR 94) in the "Result from equity consolidation" item. One company (2019: two companies) was not included in the consolidated financial statements due to reasons of immateriality and because data and information relating to the limited effects on the increased informational value were not available in due time.

The reporting date of the consolidated financial statements is the same as the reporting date of the fully consolidated companies in the consolidated financial statements with the exception of HYPO EQUITY Unternehmensbeteiligungen AG and other Group subsidiaries (see Part VII), which have a different reporting date of 30 September 2020 and prepare interim financial statements dated 30 December 20120.

A full presentation of the subsidiaries and associates included in the consolidated financial statements can be found in Part VII. of the consolidated financial statements.

(3) ACCOUNTING POLICIES

The significant accounting policies applied for the preparation of these consolidated financial statements are outlined below. Unless stated otherwise, the consolidated companies applied the policies described uniformly by and consistently to the reporting periods presented. Items were recognised and measured on a going concern basis. The consolidated financial statements were prepared in accordance with the historical cost principle. Except for those financial instruments that must be measured at fair value. Financial instruments in an effective hedging relationship (fair value hedge) and measured at amortized cost were adjusted for effective hedge changes. Income and expenses are recognised pro rata temporis in the period to which they relate.

The consolidated financial statements comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in shareholders' equity, the cash flow statement and the notes. Segment reporting is included in the notes in section E.

a) Currency translation

Assets and liabilities are measured in the currencies of the companies included in the consolidated financial statements that match their economic environments (functional currency).

These consolidated financial statements are published in EURO, which is both the functional and the reporting currency of the Group. Monetary assets and liabilities not denominated in Euro are translated into Euro at the closing rate on the reporting date.

Gains and losses from the settlement of transactions in foreign currencies are recognised in the income statement under net result from financial instruments at fair value. The translation differences from financial assets allocated to the category at fair value (non-SPPI) and fair value (option) are recognised through profit or loss in the income statement as gains or losses from changes under net result from other financial instruments at fair value. If a company in the Group uses a functional currency that differs from the reporting currency, the assets and liabilities are translated at the mean rate of exchange on the reporting date and the income statement at the average rate for the year. Equity is translated at historical exchange rates. Resulting translation gains and losses on capital consolidation are recognised in other comprehensive income and reported separately within shareholders' equity.

ECB exchange rates on the reporting date (amount in the currency for 1 Euro)

FX rates	31.12.2020	31.12.2019
CHF	1.0802	1.0854
JPY	126.4900	121.9400
USD	1.2271	1.1234
PLN	4.5597	4.2568
CZK	26.2420	25.4080
GBP	0.8990	0.8508

b) Cash

The item "Cash and balances with central banks" on the balance sheet comprises cash in hand and balances payable on demand with central banks and banks. For the purposes of the cash flow statement, cash and cash equivalents comprise the cash defined above. Cash and balances with central banks were measured at nominal value less any value adjustments.

c) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. According to IFRS 9, derivatives are also financial instruments. A financial instrument is recognised on the balance sheet when it is probable that the future economic benefits will flow to the entity and when its cost or another market value can be measured reliably. A liability is recognised on the balance sheet when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably. Financial instruments are recognised for the first time when the Group becomes a party to the contract for the financial instrument. Regular way purchases or sales of a financial asset are recognised at the settlement date, i.e. the date on which the asset is delivered.

Initial recognition and subsequent measurement

On initial recognition, financial instruments are measured at transaction price i.e. at fair value (= amortized cost) irrespective of the measurement category. Financial instruments are subsequently accounted for on the basis of the principles of categorisation and measurement stipulated by IFRS 9. With regard to the classification and valuation of financial instruments, IFRS 9 distinguishes between debt instruments, equity instruments and derivatives. On initial recognition, a financial instrument is categorised to a measurement category that determines subsequent measurement in the future. The table below shows the classifications of financial instruments.

Classifications of financial instruments	Abbreviation
Trading assets	HA
Financial assets at fair value (non-SPPI)	NON-SPPI
Financial assets at fair value (option)	FVO
Financial assets at fair value (OCI)	OCI
Financial assets at amortized cost	AC
Trading liabilities	HP
Financial liabilities at fair value (option)	LFVO
Financial liabilities at amortized cost	LAC

For allocation to the respective category, an allocation to the business models must be made for financial assets in advance depending on the intended business activity with this financial instrument. Determining and assessing the business model is based on portfolios. The portfolios cannot be freely allocated, but must be based on the management of the business activity. In addition, the allocation to the respective category depends on the cash flow criteria being met.

Hypo Vorarlberg's business models

- "Hold" business (hold to collect)
  The business model aims to hold the debt instrument to the end of its term, thereby generating contractual cash flows (i.e. interest income) and collecting the nominal value on maturity. However, it is possible to make sales from this business model to a certain extent. Thus, immaterial sales can generally be made in this business model, but also occasionally material transactions, but they are uncommon and occur rarely. Compliance with this regulation will be reviewed at regular ALM board meetings.
- "Trading book" business model
  The business model aims to generate cash flows by selling debt instruments. The acquisition takes place with the intention of generating short-term gains. The Bank maintains only a small trading book according to CRR for servicing the customer securities business. All debt securities that cannot be clearly assigned to one of the other business models must also be assigned to this business model.
- "Hold for sale" business model
  Debt instruments are held under a business model whose objective is to collect the contractual cash flows or sell the debt instruments. The Group does not use this business model.

Cash flow criteria of financial assets

In addition to the allocation of debt instruments to the business models, the contractual cash flow conditions also apply to the categorisation of financial instruments. If a contract of a financial instrument does not exclusively provide for the payment of interest and principal that is closely related to the underlying financial instrument, the payment criterion (SPPI - solely payment of principal and interest) will not be met and must subsequently be measured at fair value in accordance with IFRS 9.

The individual categories and their composition are outlined below.

Trading assets

This category recognises financial assets that have been allocated to the "trading book" business model. Derivative financial instruments of the banking book are also recognised in this category if they have a positive market value. The derivatives were mainly concluded to hedge market price risks of financial instruments of the banking book. Although there is therefore primarily no intention to trade, these derivatives must be recognised in this category in accordance with IFRS. Derivative financial instruments in the trading assets are recognised as of the trade date. Other financial instruments are carried as of the settlement date. Transaction costs are immediately recognised through profit or loss under commission expenses in the income statement. They are measured at fair value through profit or loss. Gains/losses on remeasurement and realised gains/losses are recognised in the net result from financial instruments at fair value. If there are published price quotations on an active market, these are used as fair value. Otherwise, fair value is determined using recognised measurement methods. Interest income and interest expenses from trading assets and derivatives are recognised in net interest income.

Financial assets – at fair value (non-SPPI)

Those financial instruments that have been allocated to the "hold" Business model but which do not meet the IFRS 9 cash flow criteria (non-SPPI – Non-solely payment of principal and interest) are allocated to this category. These are generally debt instruments whose interest rate conditions include a lever or financing arrangements in which the Group significantly contributes to the project risk. Owing to the nature of equity instruments, the cash flow criteria cannot generally be met by them. Thus, those equity instruments are included in this category that have not been allocated to the "trading book" business model and that are not measured voluntarily through "other comprehensive income". They are measured at fair value through profit or loss. Transaction costs are immediately recognised through profit or loss under commission expenses in the income statement. Changes in fair value are recognised through profit or loss in the net result from financial instruments at fair value. Impairment losses for the at fair value category (non-SPPI) are included implicitly in the fair value of the financial instrument and are therefore not shown separately.

Financial assets – at fair value (option)

This category includes those debt securities that have been allocated to the "hold" business model and that also meet the cash flow criteria, but which have been voluntarily designated at fair value. This option referred to as a fair value option may only be used if it eliminates or significantly reduces inconsistencies in the measurement. In our case, these are financial assets whose interest rate and currency risks have been hedged with an interest rate swap, currency swap or cross-currency swap and hedge accounting is not used for this economic hedge. They are measured at fair value through profit or loss. Transaction costs are immediately recognised through profit or loss under commission expenses in the income statement. Changes in fair value are recognised through profit or loss in the net result from financial instruments at fair value. Impairment losses for the at fair value category (non-SPPI) are included implicitly in the fair value of the financial instrument and are therefore not shown separately.

Financial assets at fair value (OCI)

This category includes assets measured at fair value through other comprehensive income. Debt securities of the "hold for sale" business model are allocated to this category. Equity instruments can be voluntarily allocated to this category. By utilising this irrevocable option, the subsequent measurement is directly carried out in profit or loss through "other comprehensive income". Dividends are recognised through profit or loss in dividend income. Even if the equity instrument is disposed of, gains/losses on remeasurement recognised in "other comprehensive income" remain. Impairment is recognised through profit or loss in the income statement. Reversals of impairment on debt securities are recognized in the income statement. If the financial asset is sold, the gains/ losses on remeasurement accumulated in other comprehensive income are reversed and transferred to the net result from financial instruments at amortized cost. In the consolidated financial statements for 2020 and in the previous year, no financial assets are allocated to this category

Financial assets at amortized cost

This category includes those debt securities that have been allocated to the "hold" business model and meet the cash flow criteria. The objective of these financial instruments is to collect contractual cash flows. They are measured at amortized cost. This is the amount resulting from historical cost including premiums, discounts and incidental acquisition costs. The differences between historical cost and repayment amounts are deferred, amortized according to the effective interest method and recognised through profit or loss in net interest income. Accrued interest on receivables and liabilities as well as premiums and discounts are shown with the respective receivables and liabilities under the relevant balance sheet line item. This category also includes trade receivables. The amount of these receivables is immaterial in absolute terms. They also do not include any financing elements, so these receivables are recognised at their nominal value.

Trading liabilities
Financial liabilities held for trading purposes are assigned to this category. Derivative financial instruments of the banking book are also recognised in this category if they have a negative market value. The derivatives were mainly concluded to hedge market price risks of financial instruments of the banking book. Although there is therefore primarily no intention to trade, these derivatives must be recognised in this category in accordance with IFRS. Derivative financial instruments in the trading assets are recognised as of the trade date. Other financial instruments are carried as of the settlement date. Transaction costs are immediately recognised through profit or loss under commission expenses in the income statement. They are measured at fair value through profit or loss. Gains/losses on remeasurement and realised gains/losses are recognised in net result from financial instruments at fair value. Interest expenses and interest income from trading liabilities and derivatives are recognised in net interest income.

Financial liabilities at fair value (option)
Those liabilities that were voluntarily designated at fair value are recognised in this category. This option referred to as a fair value option may only be used if it eliminates or significantly reduces inconsistencies in the measurement. The financial liabilities primarily relate to issues and time deposits from institutional investors, whose interest rates were fixed for the term. Interest rate swaps were concluded to hedge resulting interest rate risk. New issues containing embedded derivatives, fixed rate issues and time deposits are assigned to this category upon acquisition to avoid an accounting mismatch arising from the hedging derivative. These financial instruments are carried on the balance sheet at fair value as of the settlement date. Transaction costs are immediately recognised through profit or loss under commission expenses in the income statement. They are measured at fair value through profit or loss in net result from financial instruments at fair value, whereby the portion of the fair value attributable to the change in own credit rating is recognised in other comprehensive income (OCI). The interest income and interest expenses are reported in net interest income.

Financial liabilities at amortized cost
Those liabilities for which there is no intention to trade and for which the fair value option was not selected are recognised in this category. They are measured at amortized cost. This is the amount resulting from historical cost including premiums, discounts and incidental acquisition costs. The differences between historical cost and repayment amounts are deferred, amortized according to the effective interest method and recognised through profit or loss in net interest income. Accrued interest on receivables and liabilities as well as premiums and discounts are shown with the respective receivables and liabilities under the relevant balance sheet line item.

Derecognition of financial assets and financial liabilities
A financial asset is derecognised when the contractual rights to receive the cash flows of the financial asset have expired or the entity has transferred its contractual right to receive the cash flows of the financial asset or assumed a contractual obligation to pay the cash flows immediately to a third party under an agreement and has thereby either transferred substantially all of the risks and rewards associated with ownership of the financial asset or has neither transferred nor retained substantially all of the risks and rewards associated with ownership of the financial asset but has transferred control over the asset.

A financial liability is derecognised when the obligation is settled, cancelled, or otherwise expired. However, expired liabilities from the deposits business are not derecognised.

The measurement criteria for the individual categories are described below.

Measurement of financial assets	Measurement
Trading assets	Fair value in the income statement
Financial assets at fair value (non-SPPI)	Fair value in the income statement
Financial assets at fair value (option)	Fair value in the income statement
Financial assets at fair value (OCI)	Fair value in other comprehensive income
Financial assets at amortized cost	Amortized cost

Measurement of financial liabilities	Measurement
Trading assets	Fair value in the income statement
Financial liabilities at fair value (option)	Fair value in the income statement
Financial liabilities at amortized cost	Amortized cost

Fair value
Fair value is the amount at which an asset could be exchanged, or a liability settled in an orderly transaction between market participants on the measurement date.

Active market
Whether an active market exists for financial instruments is relevant for assessing the principles used in accounting for them. A market is considered active if transactions with the asset or liability occur at a sufficient frequency and volume to provide continuous price information. According to the provisions of IFRS 13, the active market is the principal market or the most advantageous market. The principal market is the market with the largest volume and highest level of activity for the asset or liability. For listed securities, this is usually the home exchange. The most advantageous market is defined as the market that would maximise the amount received when selling the asset after transaction and transport costs or minimise the amount paid when transferring the liability. However, as Hypo Vorarlberg acquires/issues securities mostly via OTC markets, it must be checked which market is the principal market for each individual security or, if this does not exist, which market is the most advantageous market.

The Group is guided by several indicators when assessing whether there is an active market. Firstly, certain asset classes are analysed to see if current price quotations are available. Further indicators include the currency-specific minimum size (issue volume) of a security and the trade score (BVAL score) offered by Bloomberg. Bloomberg's BVAL score indicates the level of availability, the quantity of transactions and thus also the reliability of the calculated market value. Securities that are actively traded at binding prices are given a high score.

Fair values on an active market
If a market price from an active market is available, it is used. If no current price quotations are available, the price of the last transaction indicates the fair value. However, if economic circumstances have changed significantly since the date of the last transaction, appropriate methods (e.g. premiums and discounts) are used to determine the current fair value. The primary sources of information for market prices of financial instruments are stock exchange listings, but also the Bloomberg and Reuters price information systems that are important for the OTC secondary market.

Measurement models in the event of an inactive or non-existent market
The measurement models (mark to model) used include deriving the fair value from the market value of a comparable financial instrument (reference bonds) or several comparable identical financial instruments (reference portfolio) as well as present value and option pricing models. For financial instruments with no active market, the fair value is determined according to the DCF model. The expected cash flows are discounted with an interest rate appropriate to the maturity and risk. The following distinction is made in the measurement process depending on the type of financial instrument.

- For interest-bearing instruments, such as receivables, liabilities and interest-bearing over-the-counter securities, the fair value is determined as the present value of future cash flows. The value of this group of financial instruments is therefore determined according to the recognised DCF method, in which the expected cash flows are first discounted using the risk-free swap curve. To measure credit risk, the credit spread is derived from a financial instrument that is comparable in terms of duration, currency and credit rating or, if necessary, using a credit-risk-adjusted credit spread matrix. Reuters calculates rating- and duration-specific credit spreads of corporate bonds. This data is used to create a spread matrix. Spreads for intermediate levels and lower ratings are calculated by linear interpolation (or extrapolation) on the basis of Moody's WARF table. If the current of a counterparty is unknown, the last known credit spread is used. These derivations and calculations are based on maximum input factors observable on the market. If there are no sufficiently usable input factors on the market, the calculation is based on internally measured input factors. These include internal ratings and internal probabilities of default. In the case of liabilities, own credit risk is measured using reference portfolios. The financial instruments to be measured are assigned to the categories of public placements, private placements and retail issues depending on their placement type. Furthermore, they are divided into senior unsecured, subordinated and covered bonds. Depending on the currency and remaining term, own credit risk is now derived taking into account the internal rating from the available reference portfolios with the same characteristics. An adjustment is made for private placements in order to accommodate the current issue level of private placements compared to public placements. If there is no market data for certain remaining terms, the calculation uses linear interpolation or extrapolation of market data.

- For equity securities the following hierarchy of valuation techniques may be derived for reliable fair value measurement:

  1. Market approach
     Calculation based on derivation from comparable input factors observable on the market
  2. Income approach
     Discounted cash flow (DCF) method based on the entity/equity approach

- For derivatives, fair value is determined using input factors observable on the market, such as yield curves and ex-change rates. Specifically, derivatives are discounted – especially in hedge accounting – using the OIS yield curve and the swap curve customary on the interbank market. For derivatives collateralised in euros, a swap curve based on the EONIA ("Euro Over Night Index Average") is used as the discount rate. The EONIA is to be replaced by the ESTR ("EURO Short Term Rate") as part of the EU Benchmarks Regulation. This changeover will lead to a change in discounting. The resulting valuation changes will be compensated for with equalisation payments. With regard to accounting for credit spreads, each counterparty's credit spread is measured on a net basis, provided that a corresponding netting agreement exists and in consideration of cash and/or securities collateral. Input factors observable on the market, such as CDS spreads, are also taken into account when determining credit spreads. If no CDS spread is available for our counterparty, the credit spread is measured using internal probabilities of default.

d) Financial guarantees
According to IFRS 9, a financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make

payment when due in accordance with the original or modified terms of a debt instrument. The obligation from a financial guarantee is recognised as soon as the issuer becomes a party to the contract, i.e. on the date the guarantee offer is accepted. Initial measurement is at fair value as of the recognition date. Generally, the fair value of a financial guarantee on inception is regularly zero, as the value of the agreed premium under fair market contracts equals the value of the obligation for the guarantee. If the guarantee premium is collected in full at the inception of the contract, the premium is initially recognised as a liability and distributed over the term pro rata temporis. If regular premiums are paid from the guarantee, these are deferred and reported in commission income. If there are indications of a deterioration of the guarantee holder's credit rating, provisions are recognised equalling the expected utilisation.

e) Embedded Derivatives

Embedded derivatives – derivatives that are part of and linked to a primary financial instrument – are separated from the primary financial instrument and recognised and measured separately like a standalone derivative at market value (fair value) if the characteristics and risks of the embedded derivative are not closely linked to those of the host contract and the host contract has not been assigned to the HA, non-SPPI or FVO categories. There is no requirement to separate financial assets. Owing to the cash flow criteria, they are measured at fair value. Liabilities are subject to separation and independent measurement of the embedded derivative if the host contract is not already measured at fair value. Owing to the reduction in interest rate risks, interest rate swaps are generally concluded to hedge financial liabilities with embedded structures. Due to the accounting mismatch, these liabilities are voluntarily designated at fair value. There is no longer a separation requirement in these cases. The Group also has embedded derivatives for bonds with conversion options, inflation, fund and equity-linked income payments, CMS steepeners, CMS floaters, reverse floaters, multitranches and PRDCs.

f) Repurchase and securities lending agreements

Repo agreements are a combination of regular way purchases or regular way sales of securities with a simultaneous agreement to forward sale or repurchase with the same counterparty. The securities sold in repo agreements (regular way sales) continue to be recognised and measured as securities in the pledgor's balance sheet, as all material risks and rewards remain with the pledgor. As pledgor, we thus continue to bear the credit, market price and liquidity risk of the securities sold in repo agreements. Inflows of liquidity from repo agreements are shown on the balance sheet as amounts owed either to banks or to customers depending on the counterparty. Agreed interest payments are recognised as interest expenses according to maturity. Outflows of liquidity resulting from reverse repos are recognised as loans and advances to banks or customers and measured accordingly. The securities received (regular way purchase) underlying the money transaction are not shown or measured on the balance sheet. Agreed interest from reverse repos is recognised as interest income according to maturity. Receivables from reverse repos and liabilities from repos with the same counterparty are not offset. It is very likely that securities may be collateralised on a net basis, meaning that in the case of reverse repos and repos with the same counterparty, the securities sold or received in repo agreements collateralise the net exposure arising from reverse repos and repos.

The Group accounts for securities lending transactions in the same way as securities from genuine repurchase agreements. Lent securities remain in the securities portfolio and are measured according to the rules of IFRS 9. Borrowed securities are not recognised or measured. Furthermore, collateral provided for securities lending transactions is shown as loans and advances on the balance sheet. The Group recognises securities received from securities lending transactions as liabilities.

As a rule, the Group generally uses internationally recognised clearing houses such as EUREX Clearing AG or the Swiss National Bank when concluding repurchase agreements. Settlement is standardised and secured to the highest possible degree, so no delivery risk is anticipated on the part of the counterparty. Settlement very often takes the form of a triparty repo agreement.

g) Impairment of financial assets

The impairment requirements of IFRS 9 comprise the following financial assets:

- Financial assets measured at amortized cost in accordance with IFRS 9
- Financial assets measured at fair value through OCI (that are not equity instruments)
- Lease receivables within the scope of IFRS 16
- Loan commitments, with the exception of loan commitments recognised at fair value through profit or loss (FVTPL) in accordance with IFRS 9
- Financial guarantees within the scope of IFRS 9 that are not measured at fair value through profit or loss
- Contract assets in accordance with IFRS 15

No impairment is recognised for trade receivables that are immaterial in terms of their amount and maturity. Outstanding items already due are written down directly.

Under IFRS 9, a loss provision shall be recognised at an amount equal to the expected losses over the remaining lifetime. For financial assets whose credit risk has not increased significantly since initial recognition (stage 1) and for financial assets whose credit risk is classified as low, the expected loss shall be recognised over the next 12 months. For financial assets whose credit risk has increased significantly since initial recognition (stage 2), the expected loss shall be recognised over the remaining lifetime. A loan loss provision shall be recognised based on estimated cash flows (estimated cash flow approach) for defaulted financial assets; expected losses are recognised over the remaining lifetime for defaulted financial assets below the significance threshold.

The following formula is generally used to calculate the expected losses:

Exposure at default (EAD) x probability of default (PD) x loss given default (LGD)

The expected losses shall be recognised at the present value and discounted at the relevant effective interest rate for a financial instrument.

The EAD for off-balance sheet items (especially open commitments) is estimated using the credit conversion factor (CCF).

The LGD amount depends on whether it relates to the unsecured portion of the financing or what collateral has been used to secure the financing. Collateral is accounted for using the internal lending value – the LGD is calibrated to this value. The calculation involves breaking a financial instrument down into EAD layers based on collateral and the uncovered portion – the relevant applicable LGD is then applied for each layer.

Exemption for financial assets with a low credit risk

For financial assets with a low credit risk at the reporting date, impairment is also recognised in the amount of the expected loss over the next 12 months if the credit risk has increased significantly since their addition. The Group applies this exemption exclusively to securities with an external investment grade rating (BBB- / Baa3 or higher).

Allocation to stages

A financial instrument is allocated to stage 1, unless the credit quality has deteriorated significantly since initial recognition or there is a reason for default.

A significant increase in the credit risk is determined based on quantitative and qualitative factors.

The quantitative increase in the credit risk is ascertained by comparing the forward lifetime PD of the original rating with the lifetime

PD of the current rating for the remaining lifetime of a financial instrument. When the quotient of the two values exceeds a certain level, the financial instrument is allocated to stage 2. This certain level is defined in such a way that the rating must have deteriorated by more than two notches on average since initial recognition. For information on the rating scale and the rating systems used, see section G. Financial risks and risk management.

The Group uses the following qualitative indicators to determine a significant increase in the credit risk:
- No original rating available
- No current rating available
- 30 days or more in arrears
- Forbearance measure active
- If a dunning level has been reached

The presumption that the credit risk has increased significantly since initial recognition if financial assets are more than 30 days past due is not rebutted.

Back transfer
When a financial instrument no longer exhibits a significant increase in credit risk, it is allocated to stage 1. In the event of a forbearance measure, there is a two-year good conduct period before the measure is erased. During this period, the customer remains in stage 2. There are no good conduct periods for transfers back from stage 2 to stage 1.

Original rating
The current rating when a financial instrument is initially recognised is recorded as the original rating of the financial instrument. This is normally the customer rating. Internal and external ratings are used. Issue ratings are also used for securities (for mortgage bonds, the issue rating may be better than the issuer's rating).

Identification of losses
The Bank uses various instruments to detect default characteristics and incurred losses early on. The corporate segment reassesses its significant customers every year based on up-to-date documents including customers' statements of account and budget calculations. For small liabilities from private and commercial customers, automated performance ratings are prepared on a quarterly basis. Customer ratings have to be as up to date as possible. There are control processes in place to ensure that the number of old ratings is kept to a minimum.

The qualitative indicators used in the staging process are intended to ensure a prompt transfer to stage 2; the 30 days in arrears indicator is a particularly important one. The measures taken are designed to ensure that there are no significant losses that have not yet been identified.

Stage 3: Credit-impaired financial instruments
All loans with a default rating that matches the definition of default in Article 178 CRR are allocated to stage 3 financial instruments. The Group has decided to adopt the regulatory definition of default for the IFRS impairment model. This applies equally to all financial instruments.

The Group uses the following approaches and indicators to determine whether a financial asset has defaulted:
- Fourth unsuccessful reminder
- 90 days in arrears
- Insolvency – daily requests and comparisons of newly registered insolvency proceedings
- Economic deterioration – continuous credit assessment within the scope of the review and rating process through operating credit risk management and sales units
- Customer "unlikely to pay" – insufficient estimated cash flows – identification through credit risk management
- Significant financial difficulty of the issuer or the borrower (need for restructuring)
- Eroded economic equity in connection with losses

Monitoring is either automated or ensured through close cooperation between sales units, credit risk management and restructuring management.

Impairment / reversals of impairment of financial assets in stage 3 is calculated using either a general approach or the estimated cash flow (ECF) approach. Both approaches are based at individual customer level. The general approach is used for non-significant customers. These are customers whose total exposure is less than TEUR 150. The calculation is performed in the same way as for stage 2, with the difference that it is calculated solely on a monthly basis and other LGDs on account of the 100 % probability of default (PD).

The ECF approach is used for significant defaulted customers in stage 3. A customer is classified as significant if their total loans and off-balance sheet items exceed a customer exposure of TEUR 150. The amount of the loan loss provision equates to the difference between the carrying amount of the asset and the present value of estimated future cash flows (contractual cash flows and collateral cash flows). The scenario-weighted impairment requirement is calculated based on the expected returns including the expected collateral.

Different scenarios must be presented and weighted accordingly when calculating the requirement for loan loss provisions based on the customer's status.

The Group has defined the following scenarios:

Contractual cash flow scenario
In this scenario, only capital and interest rate cash flows arising from contractual arrangements are applied over the entire lifetime. Any potential proceeds from the realisation of collateral are not taken into account. When estimating cash flow amount, it is assumed that these cash flows will be completely fulfilled over the remaining lifetime of the item. This also applies to off-balance sheet items. This scenario only applies to customers who are in a good conduct period following recovery.

Going concern scenario
In the going concern scenario, it is assumed that the customer is making all its interest and/or capital payments and realisation of available collateral is not necessary.

Gone concern scenario
The gone concern scenario is based on the assumption that the customer is no longer meeting its low contractual cash flows and is therefore only able to cover its outstanding loans largely through proceeds generated from the realisation of furnished collateral.

Loan loss provisions based on status
The going concern and gone concern scenarios are weighted differently based on the status (still undergoing restructuring or already in realisation phase). The closer the realisation status is, the higher the weighting of the gone concern scenario. This weighting based on status approach has been set out in a work instruction. Any change to this defined weighting is documented by the person responsible.

Recovery
Requirements for the return of an exposure to standard support include adhering to a good conduct period of at least 6 months. Requirements for the commencement of the good conduct period include the customer's recovery and:
- No arrears on accounts
- No impairment (except for global valuation allowances)
- No active forbearance measures
- There have been no (partial) loan write-downs

If there are objections during the good conduct period (see definition of good conduct below), the good conduct period will be ended. For the duration of the good conduct period, the customer remains in default and retains its default rating (5e rating).

Definition of good conduct:
- Repayments are made as agreed
- No new forbearance measures
- No new impairment (except for global valuation allowances)
- No new default event
- No third-party executive measures
- No returns on the account

If the customer is still in the probationary phase on account of a legitimate forbearance measure, the good conduct period can end on no earlier than the expiration date of the minimum forbearance observation period. Once the good conduct period expires, the customer receives the rating grade "NR" (not rated) until a performing rating is issued.

Derecognition
Loans or parts of loans and securities that are no longer likely to be recoverable shall be derecognised. An unrecoverable loan exists, for example, if at least two execution runs have been unsuccessful, the customer does not earn any seizable income in the long term or there are other liabilities in an equally high amount, meaning there is no prospect of the loan or parts of the loan being recoverable. Loans and securities shall also be derecognised, in part or in their entirety, if a part of or the full amount outstanding has been waived. This can occur within the context of insolvency proceedings (restructuring plan, payment schedule, absorption proceedings) or an out-of-court settlement.

Forbearance
Forborne exposures are exposures for which concessions have been made towards borrowers who are in danger of no longer meeting their payment obligations on account of financial difficulties. A forborne exposure exists only if both the following elements are covered:
- The modified/refinanced contract includes a concession and
- Payment difficulties are identified

Forbearance concessions can be granted to borrowers in the performing category (rating 1A to 4E) and in the non-performing category (rating 5A to 5E). A borrower is continued to be classified as performing if the forbearance measure does not lead to non-performing status and the borrower was in the performing range at the time of the forbearance measure.

All the following conditions must be met for the forbearance status to be discontinued:
- An economic circumstances analysis leads to the belief that the borrower is able to meet its payment obligations
- The loan is classified as performing
- At least two years (probation period) has passed since the contract has been classified within the performing range
- The borrower has met its payment obligations regularly to a significant extent and during at least half the probation period
- All the borrower's exposures are less than 30 days past due during and at the end of the probation period

Transactions involving forbearance measures that are within the performing range are monitored continuously. Furthermore, transactions involving forbearance measures undergo special observation to check for overdrafts exceeding 30 days.

These measures ensure that a transaction involving a forbearance measure is in the non-performing range as soon as the following occur:
- The desired outcome of the forbearance measure (re-establishing proper loan management as per the contract) does not materialise or is no longer guaranteed.
- There is a payment default exceeding 30 days.
- Another forbearance measure is granted during the probation period.
- The customer fulfils another stipulated default criterion.

Generally, a loan loss provision in stage 2 is calculated for all transactions involving a forbearance measure that are within the performing range. A loan loss provision in stage 3 is recognised for transactions involving a forbearance measure that are already in the non-performing range. Loans and advances with forbearance measures are shown in note (62).

Determining parameters for calculating expected loss
The starting point for determining the parameters are the through-the cycle (TTC) estimates for these parameters. A TTC estimate claims to be relatively stable over the business cycle.

TTC PD
PD for customer business is estimated on the basis of a history of the Bank's own defaults. The calculation takes into account portfolios of the Bank that are large enough for statistically stable assumptions and that have contained a sufficient number of defaults to estimate the default rates for the vast majority of current rating grades. This is the case for private and corporate customers of the Bank. This approach cannot be used for banks and states, as only very few defaults have been observed in these customer groups in the Bank's portfolio. For these two customer groups, PD curves are calculated using matrix multiplication based on publications from rating agencies.

LGD

For a description of the main types of collateral, see section G. Financial risks and risk management. LGD is defined as a workout LGD. The Bank's LGD is calculated based on its default data. It factors in proceeds and direct costs from realisation. The cash flows are discounted at the respective effective interest rate of a financial instrument. If this is not available, they are discounted at the average interest rate of the respective defaulted non-current financial instruments. To calculate unsecured and secured LGDs, the proceeds are distributed according to the waterfall principle. They are first allocated to the collateral starting with the collateral with the lowest LGD. This means that proceeds are first allocated to cash collateral and guarantees, followed by mortgage-backed securities. For this purpose, collateral is calculated at the time of default to determine the estimated proceeds. Proceeds not yet distributed are subsequently allocated to the unsecured portion. A mark-up is applied to ensure an undistorted estimate of the parameter over an economic cycle.

The real estate LGD is calculated using the same method for the leasing portfolio in Bolzano. A mark-up is applied to offset the effects of the declining property market in northern Italy on this key figure. In this way, an undistorted estimate over the economic cycle is to be obtained.

Data gathering is also used for the Swiss portfolio and the Austrian leasing portfolio. However, the number of defaults and realisations are much too low to be able to make an assumption on this basis.

The Group estimates its own LGDs for the unsecured portions of defaulted exposures. The ECF valuation allowance is used as the best estimate for the anticipated future loss. It is assumed that the LGDs depend on the different processing steps at the Bank.

CCF (credit conversion factor)

The Bank calculates the CCF of defaulted loans. The calculation measures the development of scope of use during the twelve months before a default. The results can vary greatly; the low data basis is a factor here. Hence the Bank (like internal risk management) uses the regulatory CCF in conjunction with the maturity profiles from internal risk management. This currently represents the best form of estimate.

Early repayments

Early repayments have little relevance over a twelve-month period in stage 1. It can be assumed that no significant early repayments are possible for stage 2 cases. Early repayment profiles are not taken into account.

Repayments of instruments with an indefinite term

For instruments with an indefinite term, maturity is estimated from the Bank's portfolio. The same maturity profiles are applied as for internal risk management. The estimated repayment profile is determined on the basis of an analysis of historic volume performance per relevant product.

Point-in-time (PIT) adjustment

PIT adjustment of parameters that were found to be dependent on macroeconomic variables is used to incorporate current and expected (forward-looking information, FLI) on the macroeconomic situation and to estimate the impact of such on the expected loss.

An assessment was carried out to determine whether the parameters PD, LGD and CCF are dependent on independent variables. For the CCF and the LGD, no significant dependencies with an economically explicable cause and effect could be identified.

For the PD, dependencies and models were identified for the segments formed. The approach for forming the segments is described below. Based on the Bank's customer segments, a consolidation was performed in line with these criteria:

- similar types of institution
- similar risk characteristics (PD, default rate, warranties)
- similar rating methods

This resulted in the following segments:

- banks
- states
- private customers
- corporate customers

Given that banks and states represent low-default portfolios, it does not make since to adjust the PIT on the basis of internal data. On the basis of external data, too, no suitable possibility could be identified to take account of the macroeconomic data without requiring disproportionate costs and effort. The TTC PD is therefore used as the best estimate for the PIT PD for these two segments.

For the private customers and corporate customers segments, the Group examined whether the default rates in the regions where it operates differ. Based on this examination, the Group differentiates between the segments of the leasing subsidiaries in Bolzano and the rest of the Group. This results in the following segments for which PIT models were estimated:

- corporate customers in Austria (and other countries except Italy)
- corporate customers in Italy
- private customers in Austria (and other countries except Italy)
- private customers in Italy

The model search was based on the linear regression method. This determines the dependency of certain variables (dependent variables, in this case default rates/loss rates) on other variables (independent variables, in this case a selection of macroeconomic parameters). To determine this dependency, time series of the variables in question covering the modelling period were compared against one another. Annual default rates in the period from 2007 to 2019 were used.

The following independent variables were used:

- Real GDP Austria, Italy – y-o-y change, real, in %
- HICP Austria, Italy – y-o-y change, in %
- Unemployment rates Austria, Italy, in % of labour force
- Unit labour costs Austria, Italy – y-o-y change, in %
- Private consumer spending Austria – y-o-y change, in real terms based on previous year's prices, in %
- Public-sector consumption Austria – y-o-y change, in real terms based on previous year's prices, in %
- Gross fixed capital formation (GFCF) Austria – y-o-y change, in real terms based on previous year's prices, in %
- Exports Austria – y-o-y change, in real terms based on previous year's prices, in %
- Imports Austria – y-o-y change, in real terms based on previous year's prices, in %
- Net exports Austria = exports Austria - imports Austria
- Housing price index Austria total – y-o-y change, in %

For the Italian regions of Lombardy, South Tyrol, Trento and Veneto, regional data on GDP and GFCF growth were used. The use of interest rates and credit spreads was reviewed. In economically uncertain times, an increase in interest rates would be expected here. Particularly in view of the central banks' low interest rate policy, the increase in interest rates due to an increased default risk is questionable at least. This is a problem in the PIT adjustment in particular, as when using interest rates the ECL results would fall instead of rising under certain conditions when the economic conditions are weak.

To take account of the fact that the Group's Italy exposure is concentrated in northern Italy and that the northern Italian economy tends to post better key figures than Italy as whole, synthetic macro-variables ("mix" variables) were created for northern Italy for use in the regional adjustment of the models for corporate customers and private customers.

Based on the model estimate, the following macro-variables are selected for each PIT model:

- Corporate customers in Austria (and other countries except Italy): GDP change Austria, lag of 1 year
- Corporate customers in Italy: GDP change mix, lag of 1 year
- Private customers in Austria (and other countries except Italy): HICP Austria, GFCF Austria
- Private customers in Italy: HICP Italy, GFCF mix

Regional differentiation was carried out such that the differences between the TTC default rate and the default rate of the estimated model were applied to the result.

When identifying and taking account of FLI in the PIT models, the following approach is taken:

- The forecasts used must come from independent, established institutions.
- The forecasts must be as up to date as possible.
- A substantiated adjustment of the forecasts is possible.
- If scenarios for individual variables are available, these can be used in conjunction with a scenario weighting.
- The FLI adjustment is to be applied for up to three years (36 months from the current reference date) if possible. At the end of this period at the latest (from month 37 onwards), the long-term average of the respective variables is used.
- However, forecasts generally relate to calendar years and are available for the current calendar year and the two subsequent calendar years at most. If the forecasts do not cover the full 36 months from the current reference date, then the long-term average is used instead of a forecast.
- The variables in the models must be used in line with the model estimate as far as possible. The model estimate was based on calendar years. An even distribution of defaults within the calendar years is assumed. This means that the value for a variable without a lag is calculated as the average from the six months before and the six months after the current reference date. A variable with a lag of one year is calculated as the average from the six months before and the six months after the date one year before the current reference date.
- Parameterisation is generally carried out in March and in September. In the event of significant changes in the variables, parameterisation may be carried out more frequently.
- The long-term average of a variable is calculated in line with the period that was used in the model estimate.

As of the end of 2020, the following weightings and macroeconomic parameters are used. The developments from 2021 onwards are based on forecasts from the Österreichische Nationalbank and the Banca d'Italia.

Country	Variable	2020	2021	2022	2023+
Austria	GDP: main scenario Weighting: 65 %	-7.10 %	3.60 %	4.00 %	1.32 %
	GDP: risk scenario Weighting: 35 %	-7.20 %	0.40 %	3.30 %	1.32 %
	HVPI: main scenario Weighting: 65 %	1.30 %	1.40 %	1.70 %	1.92 %
	HVPI: risk scenario Weighting: 35 %	1.20 %	0.80 %	1.50 %	1.92 %
	BAI: main scenario Weighting: 65 %	-4.10 %	4.00 %	4.70 %	1.72 %
	BAI: risk scenario Weighting: 35 %	-7.20 %	-2.60 %	4.80 %	1.72 %
Italy	GDP: main scenario Weighting: 65 %	-9.50 %	4.80 %	2.40 %	0.73 %
	GDP: risk scenario Weighting: 35 %	-9.70 %	1.40 %	0.00 %	0.73 %

Purchased or originated credit-impaired (POCI) financial instruments

POCI financial instruments are financial assets that already show objective evidence of impairment when they are initially recognised (credit-impaired assets). POCI assets can arise in three cases:

- Acquisition of POCI assets through the purchase of a significantly credit-impaired financial instrument (purchased credit impaired), such as acquiring a financial asset at a price that includes a significant credit discount.
- New transaction with a customer that has a default rating (fresh money and bridge loans). Additions that result in a significant increase in exposure of the uncovered portion and that are in the early phase of restructuring (recovery still uncertain).
- Substantial modification of a financial asset in stage 3 due to credit rating, which results in the reclassification of the original financial instrument and to the new addition of a modified and impaired financial instrument (originated credit impaired).

Steps are taken to ensure that POCI instruments at least always include an estimated loan loss provision over the remaining lifetime. In the case of a POCI instrument, the expected cash flows are discounted at the credit-risk-adjusted effective interest rate and the present value is recognised on initial measurement. Changes in the present value result in impairment or a reversal of impairment on subsequent measurement.

Financial assets at amortized cost

If there is objective evidence of impairment, the amount of the loss is given by the difference between the carrying amount of the asset and the present value of the estimated future cash flows. The calculation of the present value of the estimated future cash flows of collateralised financial assets reflects the cash flows resulting from realisation less costs for obtaining and selling the collateral.

For loans and receivables, impairment is netted with the underlying receivable in the respective balance sheet item. The loss (allocation) is reported in the income statement under loan loss provisions and impairment of financial assets. Interest income from impaired assets in stage 3 is deferred further on the basis of the reduced carrying amount, applying the interest rate used to discount the future cash flows for the purpose of calculating the impairment loss. This interest income is included under net interest income.

Loans are derecognised together with the associated impairment if there is no realistic prospect of future recovery and all collateral has been claimed and utilised. If the impairment increases or decreases in a subsequent period due to an event occurring after the recognition of impairment, the allowance account previously recognised for loans and receivables is increased or decreased by the amount of the difference. Reversals of impairment are reported in the income statement under the same item as the impairment loss itself.

Financial assets at fair value (OCI)
For debt instruments assigned to the "hold for sale" business model and thereby included in the financial assets at fair value (OCI) category, impairment shall be recognised in the same way as for financial assets at amortized cost. Impairment and reversal of impairment is recognised through profit and loss under loan loss provisions and impairment of financial assets. For financial assets at fair value (OCI), the recognised impairment is not deducted from the asset's carrying value, but rather the impairment reduces accumulated other comprehensive income (OCI).

Off-balance sheet items
Loan loss provisions for off-balance sheet items, such as warranties, guarantees and other loan commitments, are included under provisions; the associated expense is recognised through profit and loss under loan loss provisions and impairment of financial assets.

COVID-19
Accounting policies
Due to the spread of COVID-19, the governments of the countries in which Hypo Vorarlberg operates have taken various measures to mitigate the economic effects for individual market participants. These measures included public moratoriums for the repayment of loans, overdrafts and mortgages. Hypo Vorarlberg has offered renegotiations of repayment plans and deferrals on a voluntary basis for customers with liquidity shortages.

Public moratoriums relate only to performing loans whose risk exposure already existed before the COVID-19 crisis. Hypo Vorarlberg has granted accommodations for payment on request by customers. Where modifications have been made, they are reported under the "Result from contract adjustments". Contract modifications are handled in line with IFRS 9. The resulting modification gain or loss corresponds to the difference between the gross carrying amount before the modification and the present value of the cash flows of the modified asset, discounted at the original effective interest rate. There was an immaterial level of renewals in the 2020 financial year. The values resulting from modifications can be considered immaterial. The largest share of the increase in loan loss provisions and impairment is attributable to the increase in expected credit losses as a direct consequence of the change in macroeconomic conditions and the measures taken by the management. The effects of COVID-19-related credit losses on the estimate and on the credit portfolio are described in section G. Financial risks and risk management. The actual results may differ from the management's estimates. All effects that could be reliably estimated were taken into account. The Bank has not drawn any benefits for the use of reduced working hours. An investment grant was applied for, but is immaterial. The estimates for credit losses have been adjusted in line with the accounting policies. The outlook with regard to negative effects on the capital and liquidity situation due to the COVID-19 crisis is stable. The company's ability to continue as a going concern is not jeopardised by the COVID-19 crisis.

h) Hedge accounting
As part of risk management, Hypo Vorarlberg has identified risks that are hedged by derivative financial instruments. Derivative instruments that are concluded as part of the Group's hedging strategy but do not qualify for hedge accounting are recognised as held for trading in the financial statements. This is the case for customer derivatives and their offsetting hedge.

One of the main driving forces of fluctuations in the market value of fixed income financial instruments is the change in the relevant reference interest rate such as EURIBOR. In the Group, this interest rate risk is kept within the defined limits by the conclusion of hedging transactions in accordance with the risk management strategy. The hedging instruments transfer the fixed rate of return into a variable interest rate linked to the reference interest rate and thus enable a transfer of the interest-induced market price risk. In addition, changes in exchange rates result in fluctuations in the market value of financial instruments in foreign currencies. In the Group, this currency risk is kept within the defined limits by the conclusion of hedging transactions in accordance with the risk management strategy. The hedging instruments transfer payments in foreign currencies into fixed payments in Euro, thereby enabling a transfer of the currency-induced market price risk.

Underlying transactions are categorised as financial assets at amortized cost and financial liabilities at amortized cost. The Group uses derivative instruments to hedge against currency and interest rate risks, such as interest rate swaps, currency swaps and cross-currency swaps. As a result of the course of the hedge accounting in accordance with IFRS, formal documentation is provided which describes, among other things, the type of hedge, the hedged risk, the economic relationship, the risk management goal of the hedge and the manner in which the effectiveness is assessed. The effectiveness of the hedge is an essential condition for the application of hedge accounting. In many cases, the economic relationship is shown in a qualitative and future-looking way by documenting the compliance of the most important risk-relevant parameters between the underlying transactions and the hedging transactions at the time of the documentation. This test is referred to as critical terms match (CTM). If the material business parameters are not or, in the case of changed contracts, no longer sufficiently aligned close enough to each other in the usual extent of a usual economic hedge, a purely qualitative assessment would entail high uncertainty. In these cases, the final assessment may be based on the results of quantitative methods. Quantitative effectiveness is assessed prospectively using the dollar offset method.

Only fair value hedges have been used in the Group so far. A hedge exists if one or more hedges can be clearly allocated to a hedged item.

Fair Value Hedges
For underlying transactions measured at amortized cost, the change in the fair value in the hedged item resulting from the hedged risk is recognised in the income statement as part of the carrying amount of the underlying transaction (basis adjustment). The change in the fair value of the corresponding hedge is also recognised in the income statement. Any ineffectiveness will thus take direct effect in the income statement. If equity instruments for which the OCI option has been exercised are designated as hedges under hedge accounting, the change in the fair value of the derivative, including any ineffectiveness, is recognised in accumulated other comprehensive income.

Fair value hedges are employed to reduce market value risk. For designated and qualified fair value hedges, the change in the fair value of the hedging derivative is recognised through profit and loss under net result on financial instruments at fair value. In addition, the carrying amount of the hedged item is adjusted through profit or loss for the gain or loss that can be attributed to the hedged risk. Fair value hedges are primarily used to hedge interest rate risks. The main items hedged are therefore financial instruments with fixed and structured interest in the form of acquired and issued securities, loans and time deposits. In individual cases, interest rate and currency risks are hedged together.

If a hedging instrument expires, is sold, terminated or exercised, or if the hedge no longer meets the criteria for hedge accounting, the hedging relationship is terminated. In this case, the adjustment of the carrying amount of a hedged financial instrument is reversed through profit and loss under net result on hedge accounting until the maturity of the financial instrument.

i) Offsetting financial instruments
The Group has not offset any financial instruments in these consolidated financial statements as it does not intend to settle receivables and liabilities on a net basis. In connection with derivatives, in particular, the Group has concluded master netting agreements with the aim of bringing about settlement on a net basis in the event of a counterparty default, taking into account any collateral delivered or pledged. More detailed disclosures on offsetting financial instruments are shown in note (57).

j) Leases
A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. We classify a finance lease as a lease that transfers substantially all the risks and rewards incidental to ownership of the asset. All other leases in our Group are classified as operating leases.

Accounting as lessor
Leases are assessed according to whether the risks and rewards of ownership of the leased item are borne by the lessor or by the lessee and recognised accordingly as a finance or operating lease. Leased assets attributable to the lessee (finance leases) are shown at net investment in the lease (present value) under financial assets at amortized cost in note (23). The net investment in the lease comprises the present value of the contractually agreed payments taking into account any residual values. Finance lease income is shown as interest income under note (6). In the Group, receivables from finance leases under which the leased asset is attributable to the lessee primarily relate to real estate properties. In the case of operating leases, the leased assets are reported under property, plant and equipment under note (26) or as rented properties under investment property under note (27). Lease income is recognised on a straight-line basis over the lease term. Lease payments received in the period are reported under "Other income" in note (11), maintenance expenses and operating costs under "Other expenses" in note (12) and depreciation and amortization in the "Depreciation and amortization" item in note (14). Leases in which the Group acts as lessor are classified almost exclusively as finance leases.

Accounting as lessee
IFRS 16 stipulates that both the asset representing the right of use and the liability representing the lease payment obligation are to be shown in the lessee's balance sheet. At the start of the contract term, an assessment is made as to whether the contract constitutes a lease and whether the contract transfers control of the identified asset for a certain period in exchange for a fee. The right of use and the liability are recognised at the start of the term. The right of use is recognised at cost at the commencement date and is subsequently amortized over its useful life or over the contract term if shorter. In our Group, amortization is carried out on a straight-line basis and recognised as an expense in the "Depreciation and amortization" item.

When the leased asset is transferred to the lessee, the lease liability is measured. This is done at the present value of the remaining lease payments for the period of use anticipated by the management. It is discounted at the interest rate implicit in the lease, provided this can be determined on the basis of the contract. If this is not the case, it is discounted on the basis of a calculated borrowing rate. The Group calculates this rate using the risk-free yield curves adjusted by mark-ups based on its own credit risk, the amount of the loan, the term and, if necessary, existing collateral.

The standard provides for exemptions for the recognition of short-term leases and leases for which the value of the underlying asset is immaterial. Specifically, this relates to leases whose term does not exceed one year and whose equivalent value is less than TEUR 5. The Group makes use of the exemptions for short-term and low-value leases. Lease payments for short-term and immaterial leases are recognised as expense in the "Administrative expenses" item.

Lease payments consist of fixed lease payments, variable lease payments, which are generally index-linked, amounts to be paid under a residual value guarantee, the exercise price of a purchase option and compensation payments for termination of the lease.

On subsequent measurement, the carrying amount of the lease liability accrues interest at the relevant rate, is reduced by the lease payments already made and is remeasured to take account of adjustments or modifications, particularly in the case of leases with an indefinite contractual term.

The rights of use and disclosures on them are reported in the "Property, plant and equipment" item of the balance sheet in note (26). The lease liabilities and disclosures on them are reported in the "Financial liabilities at amortized cost" item in note (35).

There were no sale-and-leaseback transactions in the Group in 2020 or in the previous year.

k) Investment property
On initial recognition, investment property is measured at cost plus ancillary costs. Investment property is subsequently carried at cost less cumulative depreciation and/or cumulative impairment losses. Investment property includes properties held to earn rental income and/or for capital appreciation, not for providing services, for administrative purposes or for sale in the ordinary course of business. Leased properties are also reported under this balance sheet item if the leased assets are attributable to the lessor (operating leases). Lease income is recognised on a straight-line basis over the term of the contract.

A sworn and court-certified appraiser employed by Hypo Immobilien & Leasing GmbH regularly draws up valuation appraisals for investment property. The appraiser uses the income capitalisation approach, the market approach and other approaches to value these assets. The appraiser then compares the ascertained value with the real estate market and makes a further adjustment if necessary. For larger properties, appraisals are also prepared by independent third parties.

Rental income is recognised under other income (note (11)). Depreciation is reported under depreciation (note (14)) and maintenance expenses for these properties are reported under other expenses (note (12)). The balance sheet item investment property under note (27) includes buildings with finite useful lives. Depreciation is applied on the basis of the following typical operational useful lives.

Typical operational useful life	in years
Investment property	25 - 50

No contingent rentals were recognised as income in the reporting period. The statement of operating expenses for investment property for which no rental income was generated in the reporting period results in disproportionately high expenses without increasing the informational value of the financial statements with regard to the Group's core business.

l) Intangible assets
Intangible assets are recognised at cost on initial recognition and subsequently carried at cost less cumulative amortization and cumulative impairment. Intangible assets are recognised only if it is probable that the expected benefits will flow to the enterprise, and the cost can be determined reliably.

Intangible assets with finite useful lives are amortized on a straight-line basis over their economic lives and tested for potential impairment. The amortization period and the amortization method for intangible assets with finite useful lives are reviewed at least at the end of each reporting period.

Typical operational useful life	in years
Standard software	3
Other Software	4
Specialist software	10

g) Property, plant and equipment
Property, plant and equipment is carried at cost less cumulative depreciation and/or cumulative impairment losses. Depreciation is applied on a straight-line basis over the estimated useful life. Physical wear and tear, technical obsolescence and legal and contractual restrictions are considered when determining the useful life of property, plant and equipment. Land is not depreciated. Cost includes the costs for replacing parts of an item of property, plant and

equipment and the borrowing costs for major, long-term construction projects if the recognition criteria are met. As of the reporting date and in the previous-year period, there were no liabilities or obligations from asset purchases or the construction of plant. There were likewise no restrictions on title, and no items of property, plant and equipment were pledged as security for liabilities. Depreciation is applied on the basis of the following typical operational useful lives.

Typical operational useful life	in years
Buildings	25 - 50
Operational and office equipment	5 - 10
Construction on leased premises	10
IT-Hardware	3

In addition, impairment is recognised if the recoverable amount is lower than the carrying amount of the asset. Property, plant and equipment is derecognised either on disposal or when no more economic benefit is expected from the further use or sale of the recognised asset. Gains or losses arising from the disposal of the asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised through profit and loss in the period under other income or other expenses in the income statement.

n) Impairment of non-financial assets
At each reporting date, the Group determines whether there are indications of impairment of non-financial assets. If there are such indications, or an annual impairment test is required for an asset, the Group estimates the recoverable amount of the respective asset. The recoverable amount of an asset is the higher of the asset or cash-generating unit's fair value less costs to sell and the value in use. The recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If the carrying amount of an asset or cash-generating unit exceeds the recoverable amount, the asset is impaired and written down to its recoverable amount. To determine value in use, the estimated future cash flows are discounted to their present value on the basis of a pre-tax discount rate that reflects current market expectations regarding the time value of money and the specific risks of the asset. An appropriate measurement model is used to determine the fair value less costs to sell.

The Group bases its impairment testing on detailed budgets and forecasts prepared separately for each of its cash-generating units to which individual assets are attributable. Such budgets and forecasts usually cover a period of five years. Impairment losses of continuing operations are recognised through profit or loss in the expense categories corresponding to the impaired asset's function in the Group. This does not apply to previously remeasured assets if the increases in value resulting from remeasurement were recognised in other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount from a preceding remeasurement. Non-financial assets are tested for impairment once a year (as of 31 December). A test is also performed when circumstances indicate that the value could be impaired.

o) Income tax assets

Current taxes
Current income tax assets and liabilities are calculated on the basis of the tax provisions of each country using current tax rates, which determine the reimbursement from and payment to the respective tax authorities. Assets and liabilities are recognised only for expected claims against and obligations to the tax authorities. Current income tax assets and liabilities are set off only if the Group has a legally enforceable right to set off the reported amounts and actually intends to settle on a net basis. This occurs in the Group in particular in connection with group taxation. Performance-based current tax expenses are recognised in the Group's income statement under taxes on income.

Deferred taxes
Deferred taxes are recognised and measured according to the balance sheet-based liability method. The measurement for each taxable entity uses the tax rates applicable by law in the taxable period. Deferred taxes are not discounted. The effects of the recognition or reversal of deferred taxes are also including in the Group's income statement under taxes on income, unless deferred income tax assets and liabilities relate to items measured in other comprehensive income. In this case, the deferred taxes are recognised or reversed in other comprehensive income.

Deferred income tax assets reflect the potential tax benefits from temporary differences between the carrying amounts of assets and liabilities on the consolidated balance sheet according to IFRS and the tax base according to local tax provisions of Group companies. Deferred income tax assets are only recognised if there are sufficient deferred income tax liabilities within the same tax entity or it is sufficiently likely that taxable income will be generated in the same tax entity in the future. This also applies to the recognition of deferred income tax assets on tax loss carry forwards.

Deferred income tax liabilities reflect the potential tax expenses from temporary differences between the carrying amounts of assets and liabilities on the consolidated balance sheet according to IFRS and the tax base according to local tax provisions of Group companies.

p) Non-current assets available for sale and liabilities relating to assets available for sale
Non-current assets are classified as available for sale if they can be sold in their present condition and the sale is probable within 12 months of the classification. Assets available for sale are reported in the balance sheet item "non-current assets available for sale". Non-current assets classified as available for sale are measured at the lower of the carrying amount and fair value less costs to sell.

The item non-current assets available for sale may include properties that were subject to finance leases. These finance leases were terminated or cancelled prematurely. This item may also include leased assets that are to be sold after the expiry of the lease. In addition to properties, equity investments may also be recognised in this item. However, the Group assigns the assets to this balance sheet item only if there is a realistic possibility of a sale within 12 months. No regular depreciation is recognised for these assets, but impairment is recognised if the fair value less costs to sell falls below the carrying amount. If a sale is not possible in the medium term, the properties are usually rented out or let. In these cases, they are reclassified to investment property. If neither sale within 12 months nor medium-term rental appear realistic, they are reclassified to the other assets item of the balance sheet.

A disposal group is a group of assets, possibly with associated liabilities, that an entity intends to sell in a single transaction. The measurement basis and the criteria for the classification as available for sale is applied to the entire Group. Assets that are part of a disposal group are reported on the balance sheet under "non-current assets available for sale". Liabilities relating to assets available for sale that are part of a disposal group are reported on the balance sheet under "liabilities relating to non-current assets available for sale". There are no liabilities relating to non-current assets available for sale.

All income and expenses relating to assets available for sale are recognised in the income statement under the result from non-current assets available for sale.

q) Provisions
A provision is recognised if the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. We therefore recognise provisions for uncertain obligations to third parties and onerous contracts in the amount of the expected utilisation. The amount recognised for a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The estimate takes risks and uncertainties into account. Provisions are recognised at present value where the effect of the time value of money is material. Provisions under note (37) also include credit risk provisions for off-balance-sheet transactions (especially warranties and guarantees) and provisions for litigation. Expenses or income from the reversal of credit risk provisions for off-balance-sheet items are recognised in the income statement under loan loss provisions and impairment of financial assets (note (15)). All other expenses or income in connection with provisions are recognised in administrative expenses (note (13)) and under other expenses (note (12)).

The Group's social capital is also shown under provisions. Social capital means provisions for defined-benefit plans for employees. Social capital includes provisions for pensions, severance, anniversary bonuses and disability risk. The liability recognised from a defined-benefit plan equals the present value of the obligation less the fair value of the plan assets out of which the obligations are to be settled directly. The present value of the obligation exceeds the fair value of the plan assets in all plans.

Pensions
At Hypo Vorarlberg Bank AG 11 (2019: 12) pensioners and their surviving dependants are entitled to a defined-benefit bank pension. This is a final salary plan based on a works agreement. No (2019: 2) active employees are entitled to a disability pension. A defined-contribution pension agreement has been concluded with the active employees entitled to a pension. On the basis of the statutory requirement according to the Swiss Occupational Pensions Act (BVG), 24 Mitarbeiter employees (2019: 24) of the St. Gallen branch are entitled to a defined-benefit pension. The Group and the employees make contributions to the BVG collective foundation Swiss Life, which is managed by Swiss Life AG. There is no other constructive obligation from normal commercial practice.

Severance
Austrian labour law previously required a compensation payment to be made to employees on termination of their employment relationship under certain circumstances. Severance entitlements are governed by Section 23 of the Austrian Salaried Employees Act. This includes in particular the termination of employment due to retirement. All employees who joined the company before 1 January 2003 are entitled to this severance. Depending on the length of service, the maximum severance entitlement is one year's salary, calculated on the basis of final salary. This is a defined-benefit plan. The Group has recognised a severance provision for these entitlements.

Anniversary bonuses
After 25 and 40 years of service, every employee of Hypo Vorarlberg Bank AG is entitled to an anniversary bonus of one and two months' salary respectively. The entitlement to an anniversary bonus is based on a collective agreement, which stipulates both the conditions and the amount of the entitlement. The agreed payments to a pension fund for defined-contribution plans are expensed on an ongoing basis. The statutory "new severance" payment is likewise expensed on an ongoing basis. There are no further obligations.

Defined-contribution plans
The agreed payments to a pension fund for defined-contribution plans are expensed on an ongoing basis. The statutory "new severance" payment is likewise expensed on an ongoing basis. There are no further obligations.

r) Trust activities
Trust activities that involve the holding or placing of assets on behalf of third parties are not reported on the balance sheet. Commission payments for such activities are included in the income statement within net fee and commission income.

s) Recognition of income and expenses and description of income statement items
Income is recognised if it is probable that the economic benefit will flow to the company and the income can be measured reliably. The following designations and criteria are used for the recognition of income in the items of the income statement:

Net interest income
Interest income is recognised on an accrual basis as long as the interest is deemed collectible. Income that primarily constitutes consideration for the use of capital (usually interest or similar calculation according to timing or amount of the receivable) is allocated to similar income. Interest expenses are recognised in the same way as interest income. Differences arising from the sale and issue of securities are recognised in the income statement according to the effective interest method. Negative interest is reported openly in Note (6) under interest income for deposits and liabilities and under interest expenses for loans and debt securities. Negative interest amounts are applied in relation to derivatives. As derivatives that are not in a hedging relationship are generally used to hedge interest rate risks, the interest from derivatives is offset against that of the underlying transactions under the relevant interest item in order to take economic hedging into account when reporting net interest income.

Dividend income
Income from equity investments (dividends) and interest from non-fixed-income securities is recognised in this item. Dividends are recognised in the income statement only after the legal right to receive payment of the dividend is established.

Net fee and commission income
Income from the service business and expenses attributable to this income are reported under net fee and commission income. This item contains income and expenses primarily in connection with fees and commissions from payment transactions, securities business, lending business, insurance and real estate brokerage business and foreign exchange business. Lending fees relating to new loans are not recognised in net fee and commission income but instead in interest income as part of the effective interest rate.

Net result from financial instruments at amortized cost
This item includes generated gains and losses of financial instruments measured at amortized cost or at fair value through other comprehensive income.

Net result from financial instruments at fair value
This item comprises several components.
- Trading results
- Result from the valuation of derivatives
- Result from financial assets and liabilities measured at fair value through profit or loss
- Net result on hedge accounting

The fair values of trading assets and liabilities are measured on the basis of market prices. The fair values of non-listed products are measured according to the present value method or using suitable measurement models. As well as realised gains/losses, the net trading result also includes gains/losses on the remeasurement of trading activities. The net result from financial instruments at fair value also includes ineffective portions from hedging and currency gains and losses. The net result from financial instruments at fair value does not include interest and similar income or refinancing costs, which are shown in net interest income. The result from the use of the fair value option does not include the result from change in own credit risk, which is directly recognised in equity.

Other income
This item comprises income that is not directly attributable to the Bank's operating activities. This included rental income from leased properties, gains on the disposal of assets, other income from leasing business and operating cost income. Income from operating leases is recognised on a straight-line basis over the terms of the leases.

Other expenses
This item comprises expenses that are not directly attributable to the Bank's operating activities. These include losses on the disposal of assets, expenses from leasing business and operating cost expenses. This item also contains other tax expenses apart from taxes on income and expenses from loss events or operating risk.

Administrative expenses
Administrative expenses include the following expenses accrued in the reporting period and comprise both staff costs and material expenses.

The staff costs include wages and salaries, statutory and voluntary social benefits, employees taxes and levies. Expenses and income from severance, pension and service anniversary provisions are also partially included in this item if they are not included on other comprehensive income. In addition to IT expenses, material expenses also include building expenses, advertising and PR expenses, legal and consulting expenses, staff development expenses (training, recruiting) and other expenses required for running an office.

Depreciation and amortization
This item comprises depreciation and amortization of property, plant and equipment, intangible assets, investment property and rights of use from leases. Impairments from inventory write-downs are recognised in this item.

Loan loss provisions and impairment of financial assets
This item shows the recognition and reversal of valuation allowances and provisions in relation to financial instruments. Direct write-downs and amounts received on loans and advances are also reported in this item.

Impairment of non-financial assets
This item shows the recognition and reversal of valuation allowances in relation to non-financial assets. These impairments comprise the balance sheet items plant and equipment, investment property, intangible assets and other assets.

Taxes on income
This item includes all income-based taxes broken down into current tax expenses, deferred tax expenses and taxes from previous periods.

t) Material judgements, assumptions and estimates
To prepare the consolidated financial statements, the management has to make estimates and assumptions affecting disclosures on the balance sheet and in the notes and the recognition of income and expenses during the reporting period. They relate primarily to estimating the value of assets, determining standard economic lives for property, plant and equipment throughout the Group and recognising and measuring provisions. The estimates and judgements are based on assumptions reflecting the latest information available. Expected future business development is estimated on the basis of the prevailing circumstances as of the date the consolidated financial statements are prepared and realistic assumptions about the future development of the global and industry-specific environment. Developments in these conditions that deviate from these assumptions and lie outside of the management's sphere of influence can cause differences in actual amounts compared to the original estimates. Where substantial estimates were required, the assumptions made are described below.

Impairment of financial assets at amortized cost
The Group inspects the credit portfolio for impairment at least once a quarter. It assesses whether identifiable events reduce the expected future cash flows in the credit portfolio. Indicators of impairment include non-compliance with due dates and agreements, the monitoring and analysis of customers' financial circumstances and rating changes. The management takes assumptions based on historical default probabilities for similar credit portfolios into account when estimating future cash flows. A 1 % increase in the impairment ratio (ratio of risk provision to exposure) with respect to the underlying exposure would increase the risk provision by TEUR 1,207 (2019: TEUR 1,009). A 1 % reduction in the impairment ratio with respect to the underlying exposure would reduce the risk provision by TEUR 1,207 (2019: TEUR 1,009). The development of credit risk provisions is shown in note (58). The effects on the income statement are shown in note (15). The carrying amount of the assets underlying the judgements, assumptions and estimates amounts to TEUR 12,332,201 (2019: TEUR 11,790,839).

Fair values of financial instruments measured at fair value in measurement level 3
Many of the financial instruments measured at fair value are not traded on an active market. These fair values are determined using measurement models. When using measurement models, the Group refers to the prices of observable, current market transactions with similar instruments and, when available, uses observable market data in the measurement models. See note (56) for information on the sensitivities of the measurement models used. With regard to the income statement, these assumptions and estimates affect the net result from financial instruments at fair value in note (10). With regard to the measurement of OTC derivatives, credit risk is also taken into account when calculating fair value in the form of a credit value adjustment (CVA) or a debt value adjustment (DVA). In the event of netting agreements, CVAs and DVAs are calculated on the basis of the net position for each counterparty including collateral, probabilities of default and credit default swap spreads (CDS spreads) observable on the market. This is an accounting-related change in estimate. The effect of the approach of credit risk for financial assets and derivatives amounts to TEUR 25,996 (2019: TEUR 28,253) and was recorded in the net result from financial instruments at fair value. The effect from the approach of credit risk for financial liabilities amounted to TEUR -3,630 (2019: TEUR -5,824) and was recorded in the result from change in own credit risk. The carrying amount of the assets underlying the judgements, assumptions and estimates amounts to TEUR 936,107 (2019: TEUR 970,753) and of the liabilities TEUR 623,641 (2019: TEUR 646,864).

Income taxes
With regard income taxes, the Group is subject to several tax authorities. Material estimates are used in the calculation of the tax provision in note (38). The taxable income for each company is calculated on the basis of the local commercial result by reconciling financial and tax accounting. In addition, expected additional tax obligations in connection with ongoing or announced tax audits are recognised in the tax provision. After a completed tax audit, the difference between the expected and the actual payment of back taxes is recognised through profit or loss in the income statement under income taxes from previous periods and deferred taxes. Judgements are required to determine the amount of deferred income tax assets to be recognised based on the probable timing and amount of future taxable income and future tax planning strategies. Income tax assets are recognised on the basis of budgetary accounting over a period of five years. Disclosures relating to deferred taxes are provided in notes (29) and (39). The effects on the income statement are shown in note (17) as well as those of the Other Result on note (41). The carrying amount of the assets underlying the judgements, assumptions and estimates amounts to TEUR 30,751 (2019: TEUR 16,313) and of the liabilities TEUR 3,529 (2019: TEUR 4,534).

Provisions
The amount recognised for provisions is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The estimate takes risks and uncertainties into account. The provisions recognised on the balance sheet are shown in note (37). The effects on the income statement relating to liabilities and credit risks are shown under loan loss provisions and

impairment of financial assets in note (15) and in other cases under administrative expenses in note (13) and are recognised in other income and other expenses in notes (11) and (12). The carrying amount of the provisions – not including social capital – underlying the judgements, assumptions and estimates amounts to TEUR 32,774 (2019: TEUR 18,250).

Social capital
Provisions for pensions, former severance entitlements and anniversary bonuses relate to defined-benefit plans. The present values of social capital are calculated using the following actuarial assumptions:

- Provisions for defined-benefit obligations are recognised according to the accrued benefit method.
- The expected retirement age was calculated individually for each employee on the basis of the changes resolved in the 2003 Austrian Ancillary Budget Act with regard to raising the earliest possible Retirement age. The current regulation for incrementally raising the Retirement age to 65 for men and women was taken into account.
- Generation tables for employees: table values from "AVÖ 2008-P": Rechnungsgrundlagen für die Pensionsversicherung

Actuarial assumptions for the calculation of the present value of social capital	2020	2019
Interest rate/domestic	0.90 %	1.30 %
Annual indexing for pension provisions	2.20 %	2.00 %
Annual indexing (collective bargaining and performance based salary increases) for other provisions	2.10 %	2.00 %
Employee turnover rate for severance provisions	1.50 %	2.00 %
Employee turnover rate for other provisions	7.50 %	7.50 %
Individual career trend	1.90 %	1.80 %

The actuarial gains and losses from the adjustment of actuarial assumptions were recognised in other comprehensive income at TEUR -1,769 (2019: TEUR -1,822). The deferred taxes resulting from the recognition were also recognised directly in other comprehensive income at TEUR 443 (2019: TEUR 439). For 2021, pension payments of TEUR 358 (2019: TEUR 359), severance payments of TEUR 596 (2019: TEUR 412) and anniversary bonuses of TEUR 67 (2019: TEUR 111) are expected.

The amount of social capital provisions is based on actuarial calculations. The discount factor is a significant lever for the amount of social capital. A 0.5 % decline in the discount factor would increase staff costs by TEUR 1,538 (2019: TEUR 1,493), and a 0.5 % increase in the discount factor would reduce staff costs by TEUR 1,405 (2019: TEUR 1,363). A 0.5 % decline in the salary or pension trend would reduce staff costs by TEUR 1,366 (2019: TEUR 1,333), and a 0.5 % increase in the salary or pension trend would increase staff costs by TEUR 1,477 (2019: TEUR 1,444). A 0.5 % decline in employee turnover would increase staff costs by TEUR 103 (2019: TEUR 100), and a 0.5 % increase in employee turnover would reduce staff costs by TEUR 103 (2019: TEUR 100). The carrying amounts of social capital are shown in note (37). Effects on the income statement are reported under administrative expenses in note (13) and under other income in note (41). The carrying amount of the social capital underlying the judgements, assumptions and estimates amounts to TEUR 28,040 (2019: TEUR 26,540).

Leases
From the perspective of the lessor, judgements are required in particular to distinguish between finance leases and operating leases depending on the transfer of substantially all risks and rewards from the lessor to the lessee. The carrying amount of the finance leases underlying the judgements, assumptions and estimates amounts to TEUR 1,096,257 (2019: TEUR 1,114,722), while that of the operating leases amounts to TEUR 10,214 (2019: 10,673).

u) Benefits from public authorities
Government grants and grants from non-governmental organisations are recognised at fair value if it can be assumed with reasonable assurance that the grant will be awarded and the Group will fulfil the associated conditions. The grants were deducted when determining the carrying amount of the asset. The company did not directly benefit from any other form of government assistance. Likewise, there are no unfulfilled conditions or other contingencies attaching to government assistance.

(4) APPLICATION OF REVISED AND NEW IFRS AND IAS

IFRS rules with mandatory application as of the reporting date were applied to the consolidated financial statements.

a) **First-time application of new and revised standards and interpretations**
The International Accounting Standards Board (IASB) has made a number of changes to existing standards and issued new standards and interpretations, application of which is mandatory for 2020. These rules must also be observed in the EU and concern the following areas:

Amendments to IAS 1 and IAS 8 – Definition of "materiality"
On 31 October 2018, the IASB published amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments provide a uniform and more precise definition of the materiality of financial information in IFRS and supplement it with accompanying examples. The amendments have been applicable since 1 January 2020 and did not have any material effects on the consolidated financial statements.

Amendments to cross-references to the Conceptual Framework
Together with the revised conceptual framework, the IASB has issued amendments to the reference to the Conceptual Framework in IFRS standards. Some pronouncements were only updated to indicate which version of the framework concept they relate to, or to point out that the definitions of the standard are not in line with the new definitions developed in the revised framework. The amendments are to be applied for financial years beginning on or after 1 January 2020. The associated changes in recognition and disclosures in the notes were analysed in the Group. No material effects on the consolidated financial statements were identified.

Amendments to IFRS 3 – Definition of a Business
With the amendment, the IASB clarifies that a business comprises a set of activities and assets which, at a minimum, include an input and a substantive process that together significantly contribute to the creation of outputs. In terms of output, the focus is on the rendering of goods and services to customers. The changed definition should be applied to business combinations occurring on or after 1 January 2020. The amendment did not have any material effect on the consolidated financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform, Phase 1
In connection with the EU Benchmarks Regulation and the IBOR reform – effective since 1 January 2018 – the Group is affected with regard to derivative hedges in the currencies CHF, GBP, USD and JPY. In order to ensure a smooth transition to the alternative benchmarks in these currencies, the Group is endeavouring to reach contractual agreements on the follow-up interest rates with its trading partners at an early stage.

As Hypo Vorarlberg has concluded an ISDA master agreement with most partners, a large portion of the contractual changeovers are handled via their accession to the ISDA 2020 IBOR Fallbacks Protocol. This is expected to be completed in the first quarter of 2021. With the remaining partners, the respective framework agreement will be modified on a bilateral basis.

The CHF is the most affected currency, with a nominal volume of TEUR 1,614,002. The Group expects the CHF Libor to be replaced by the SARON ("Swiss Average Rate Overnight"). It should be noted here that the SARON represents a secured overnight rate that is set on the basis of actual transactions. Instead of a forward rate, this interest rate results from the individual overnight rates and therefore is not known until the end of the period. By contrast, the CHF Libor is an interest rate that relates to a future period and is published for a certain term at the start of the respective period. The new reference interest rates will therefore – based on the SARON – include premiums for maturities, credit risks and other differences in order to ensure economic equivalence.

In the EUR area, the IBOR reform will see the EONIA ("Euro Overnight Index Average"), which is no longer in line with the market, replaced by the ESTR ("EURO Short Term Rate"). The ESTR is based on all registered transactions by banks in the eurozone. The clearing houses LCH and EUREX already changed over to ESTR at the end of July 2020 for cash collateral for euro-denominated interest rate swaps. For existing contractual relationships, this means that the collateralisation annexes to the framework agreements need to be modified on a bilateral basis. The resulting valuation differences will be compensated for with corresponding equalisation payments. In 2020, equalisation payments of TEUR 121 were made. No changes are currently anticipated for transactions that contain the EURIBOR, as the EURIBOR has already been reformed and complies with the provisions of the EU Benchmarks Regulation.

As part of the amendments to IFRS 9, IAS 39 and IFRS 7, Phase 1 addresses accounting issues in relation to the presentation of financial instruments before an existing reference interest rate is replaced by a new interest rate. For hedges that are subject to uncertainty with regard to the Interest Rate Benchmark Reform, the amendments provide facilitations for the continuation of hedge accounting. The amendments are to be applied for financial years beginning on or after 1 January 2020. The amendments did not have any material effects on the consolidated financial statements.

Amendments to IFRS 16 – COVID-19-Related Rent Concessions
On 12 October 2020, the IASB pronouncement "COVID-19-Related Rent Concessions" from 28 May 2020 was endorsed by the EU for use in Europe. This regulation makes it easier to account for concessions such as deferrals of rent instalments or rent reductions that are directly connected to the outbreak of the coronavirus pandemic. Under certain conditions, the lessee has the option not to account for rent concessions as lease modifications, meaning that effects of a rent reduction can be recognised through profit or loss in the months affected. Lessors do not gain any relief from the current amendment to IFRS 16. The amendment is applicable from 1 June 2020 at the latest for financial years beginning on or after 1 January 2020. The option applies only to rent concessions that reduce rent instalments due up until 30 June 2021. This amendment had no material effects on the consolidated financial statements.

b) New standards and interpretations not yet applied
The IASB has issued further standards and revisions of standards that are not mandatory for the 2020 financial year. The listed standards and revisions of standards will only be applied once they have come into force in the EU.

Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 – Interest Rate Benchmark Reform, Phase 2
Phase 2 of the amendments to IFRS 9, IAS 39 and IFRS 7 entailed by the Interest Rate Benchmark Reform follows on directly from Phase 1 as described above. It addresses accounting issues in relation to the presentation of financial instruments when an existing reference interest rate is replaced by a new interest rate. For example, there is a simplification specifying that in the case of changes in contractual cash flows, the carrying amount of financial instruments does not have to be adjusted or derecognised. Instead, the effective interest rate can be adjusted under certain conditions to reflect the change in the new reference interest rate. The amendments are to be applied for financial years beginning on or after 1 January 2021. The Group does not expect the amendments to have any material effects on the consolidated financial statements.

Publication of IFRS 17 – Insurance contracts
In May 2017, the IASB published standard IFRS 17, which governs the accounting treatment of assets and liabilities resulting from insurance contracts. The standard will replace the previous IFRS 4 Insurance Contracts standard when it comes into force, which is expected to happen as of 1 January 2023. The Group does not expect this to have any effects on the consolidated financial statements.

(5) RESTATEMENT OF PREVIOUS YEAR'S FIGURES
There were no restatements to the previous year's figures in these consolidated financial statements.

B. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

(6) NET INTEREST INCOME

TEUR	2020	2019
Interest income from cash and balances with central banks	9	48
Interest income from financial assets at amortized cost	197,368	199,878
Interest income from liabilities	12,217	1,753
Interest and similar income according to effective interest method	**209,594**	**201,679**
Interest income from trading assets	5,572	7,576
Interest income from hedging instruments	40,163	44,024
Interest income from financial assets at fair value (non-SPPI)	13,315	13,607
Interest income from financial assets at fair value (option)	1,936	2,328
Interest and similar income other	**60,986**	**67,535**
Interest expenses financial liabilities at amortized cost	-54,794	-60,810
Interest expenses other financial liabilities	-30	-35
Interest expenses assets	-6,629	-2,901
Interest and similar expenses according to effective interest method	**-61,453**	**-63,746**
Interest expenses trading liabilities	-1,488	-1,174
Interest expenses hedging instruments	-29,208	-28,953
Interest expenses financial liabilities at fair value (option)	-4,271	-5,800
Interest and similar expenses other	**-34,967**	**-35,927**
Net interest income	**174,160**	**169,541**

Interest income from leasing business amounts to TEUR 21,751 (2019: TEUR 20,650).

(7) DIVIDEND INCOME

TEUR	2020	2019
Trading assets	2	0
Financial assets at fair value (non-SPPI)	489	494
Subsidiaries	197	957
Dividend income	**688**	**1,451**

(8) NET FEE AND COMMISSION INCOME

TEUR	2020	2019
Fee and commission income from financing	6,454	7,215
Fee and commission income from securities	17,978	17,823
Fee and commission income from account management/payment transactions	13,532	13,547
Other fee and commission income	3,778	4,772
Fee and commission income	**41,742**	**43,357**

TEUR	2020	2019
Fee and commission expenses from financing	-3,109	-3,692
Fee and commission expenses from securities	-2,302	-1,499
Fee and commission expenses from account management/payment transactions	-1,372	-1,415
Other fee and commission expenses	-312	-285
Fee and commission expenses	**-7,095**	**-6,891**

Fee and commission income from financial assets or liabilities not classified as at fair value through profit or loss amounts to TEUR 10,594 (2019: TEUR 11,051). Fee and commission expenses from financial assets or liabilities not classified as at fair value through profit or loss amounts to TEUR 65 (2019: TEUR 57). Fee and commission income from fiduciary activities amounts to TEUR 1,373 (2019: TEUR 1,353).

(9) NET RESULT FROM FINANCIAL INSTRUMENTS AT AMORTIZED COST

TEUR	2020	2019
Realised gains from financial assets at amortized cost	1,892	513
Realised losses from financial liabilities at amortized cost	-414	-803
Impairment losses on financial assets at amortized cost	-10	0
Realised gains from financial liabilities at amortized cost	99	1,467
Realised losses from financial liabilities at amortized cost	-49	-1,191
Net result from financial instruments at amortized cost	**1,518**	**-14**

(10) NET RESULT FROM FINANCIAL INSTRUMENTS AT FAIR VALUE

TEUR	2020	2019
Result from trading	1,104	4,098
Measurement of derivative financial instruments	-34,172	-5,156
Result from financial instruments at fair value (non-SPPI)	9,860	14,538
Result from financial instruments at fair value (option)	-4,714	-914
Result from financial liabilities at fair value (option)	21,131	-1,446
Result from hedging relationships	-1,443	1,316
Net result from financial instruments at fair value	**-8,234**	**12,436**

The trading result includes translation differences from financial instruments at amortised cost, which are recognised through profit or loss, in the amount of TEUR -27,487 (2019: TEUR 9,702) and translation differences from instruments measured at fair value through profit or loss in the amount of TEUR 28,584 (2019: TEUR -4,887).

Net Result on hedge accounting

TEUR	2020	2019
Measurement of hedging instruments - for financial assets at amortized cost	29,619	12,074
Measurement of hedging instruments - for financial liabilities at amortized cost	-43,962	-67,538
Result from hedging instruments	**-14,343**	**-55,464**
Measurement of underlying transactions - for financial assets at amortized cost	-32,901	-16,449
Measurement of underlying transactions - for financial liabilities at amortized cost	45,801	73,229
Result from underlying transactions	**12,900**	**56,780**
Net result on hedge accounting	**-1,443**	**1,316**

In the case of one hedging relationship, the hedging instrument was terminated in 2020. The basis adjustment to the underlying transaction of TEUR 1,558 was therefore distributed over the remaining term and recognised in the net result on hedge accounting.

(11) OTHER INCOME

TEUR	2020	2019
Income from operating leases	3,784	3,410
Other income from leasing business	1,110	1,622
Operating cost income	1,970	1,834
Income from the disposal of non-financial assets	3,086	2,826
Income from consultancy and other services	626	498
Income from consolidated subsidiaries and holdings	880	0
Miscellaneous other income	5,601	13,614
Other income	17,057	23,804

Income from operating leases constitutes rental income from let properties. The minimum lease income from non-terminable operating leases for future periods are shown in the table below.

Minimum lease payments from operating leases

TEUR	2020	2019
Up to 1 year	3,580	2,851
1 to 2 years	2,985	2,651
2 to 3 years	2,738	2,324
3 to 4 years	1,405	1,644
4 to 5 years	1,286	1,471
More than 5 years	2,101	3,091
Minimum lease payments from operating leases (lessor)	14,095	14,032

(12) OTHER EXPENSES

TEUR	2020	2019
Other expenses from leasing business	-1,170	-2,287
Operating cost expenses	-2,382	-2,338
Expenses resulting from losses	-2,237	-3,200
Other tax expenses	-3,457	-3,482
Losses on the disposal of non-financial assets	-818	-1,000
Amounts from resolution and deposit protection funds	-9,101	-7,129
Miscellaneous other expenses	-4,747	-5,487
Other expenses	-23,912	-24,923

Other tax expenses include the stability fee of TEUR 2,428 (2019: TEUR 2,373).

(13) ADMINISTRATIVE EXPENSES

Group administrative expenses consist of staff costs and material expenses.

TEUR	2020	2019
Staff costs	-64,100	-64,160
Material expenses	-31,012	-32,131
Administrative expenses	-95,112	-96,291

Of which staff costs

TEUR	2020	2019
Wages and salaries	-47,950	-48,134
Statutory social security contributions	-12,170	-12,165
Voluntary social benefits	-858	-755
Expenses for retirement benefits	-2,062	-1,989
Expenses for social capital	-346	-481
Compensations	-714	-636
Staff costs	-64,100	-64,160

Expenses for pensions include payments for defined contribution plans as part of an employee benefit fund and pension fund contributions of TEUR 1.631 (2019: TEUR 1.471).

Of which material expenses

TEUR	2020	2019
Building expenses	-4,027	-4,158
Leasing expenses	-140	-280
IT expenses	-12,807	-12,685
Advertising and PR expenses	-3,406	-4,265
Legal and advisory expenses	-2,996	-2,365
Communications expenses	-1,067	-1,210
Organisational form-related expenses	-2,489	-2,944
Staff development expenses	-1,020	-1,273
Other materials expenses	-3,060	-2,951
Material expenses	-31,012	-32,131

Minimum rental expenses of TEUR 1,345 (2020: TEUR 1,537) are expected for 2021 and TEUR 6,893 (2020: TEUR 7,917) for the next 5 years.

(14) DEPRECIATION AND AMORTIZATION

TEUR	2020	2019
Depreciation of property, plant and equipment	-3,886	-3,529
Impairments on investment property	-1,759	-1,610
Depreciation of intangible assets	-1,240	-1,147
Amortization of rights of use from leases	-1,300	-1,299
Depreciation and amortization	-8,185	-7,585

(15) LOAN LOSS PROVISIONS AND IMPAIRMENT OF FINANCIAL ASSETS

TEUR	2020	2019
Provision allocations for commitments/ guarantees	-14,346	-2,922
Reversals from provisions for commitments/guarantees	1,948	1,834
Allocations to other provisions in lending business	-931	-442
Reversals from other provisions in lending business	251	365
Provisions for financial assets	**-13,078**	**-1,165**
Allocation of impairment losses for financial assets at amortized cost	-49,701	-40,944
Reversal of impairment losses for financial assets at amortized cost	21,954	20,233
Direct write-downs on receivables	-2,082	-1,031
Recoveries on loans previously written-down	1,464	1,133
Impairment of financial assets	**-28,365**	**-20,609**
Allocation of impairment losses for investments	0	-175
Reversal of impairment losses for investments	0	357
Write-downs on investments	**0**	**182**
Loan loss provisions and impairment of financial assets	**-41,443**	**-21,592**

In 2020 the loss from the direct write-down and the utilisation of recognised loan loss provisions was TEUR 11,107 (2019: TEUR 9,815).

(16) IMPAIRMENT OF NON-FINANCIAL ASSETS

TEUR	2020	2019
Recognition of impairment of investment property	-404	-105
Impairment investment property	**-404**	**-105**
Recognition of impairment of other assets	-2,404	-1,543
Impairment of other assets	**-2,404**	**-1,543**
Impairment of non-financial assets	**-2,808**	**-1,648**

(17) TAXES ON INCOME

TEUR	2020	2019
Current income taxes	-15,843	-21,370
Deferred income taxes	4,448	701
Income taxes from previous periods	-99	-647
Taxes on income	**-11,494**	**-21,316**

Reconciliation of the tax rate (25 %) with taxes on income

TEUR	2020	2019
Earnings before taxes	48,825	91,692
Applicable tax rate	25 %	25 %
Income tax computed	**-12,206**	**-22,923**
Tax effects		
from tax-exempt investment income	900	1,854
from other tax-exempt income	4	4
from previous years and tax rate changes	306	13
from differing international tax rates	166	278
from other non-deductible expenses	-453	-686
from other differences	-211	144
Taxes on income	**-11,494**	**-21,316**

The change in social capital from defined benefit plans, which was recognised through other comprehensive income in the reporting year amounts to TEUR -1,7269 (2019: TEUR -1,822). The related deferred taxes amount to TEUR 443 (2019: TEUR 439).

The recording of the change in own credit risk outside profit or loss in 2020 in the amount of TEUR -1,357 (2019: TEUR -3,410) resulted in deferred tax of TEUR 340 (2019: TEUR 852).

C. NOTES TO THE BALANCE SHEET

(18) CASH AND BALANCES

TEUR	31.12.2020	31.12.2019
Cash on hand	23,155	26,433
Balances with central banks	1,283,491	382,643
Sight deposits with banks	31,976	33,470
Cash and balances with central banks	1,338,622	442,546

Balances with central banks include the minimum reserve in the amount of TEUR 44,294 (2019: TEUR 44,294) according to the ECB regulation. According to the OeNB's definition, the minimum reserve represents a working balance for ongoing payment transactions. For this reason, the minimum reserve meets the definition of cash and cash equivalents and is therefore reported under cash and balances with central banks.

(19) TRADING ASSETS

TEUR	31.12.2020	31.12.2019
Equity instruments	136	151
Derivatives with positive market values	122,400	147,820
Trading assets	122,536	147,971

Trading assets by region

TEUR	31.12.2020	31.12.2019
Austria	17,868	17,644
Germany	48,633	56,909
Switzerland and Liechtenstein	307	1,083
Other foreign countries	55,728	72,335
Trading assets	122,536	147,971

Nominal and market values from derivatives – breakdown by type of business

	Nominal values		Positive market values		Negative market values	
TEUR	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Interest rate swaps	2,000,732	2,383,697	110,060	136,468	92,411	93,060
Cross currency swaps	556,473	817,383	6,875	5,052	20,048	41,000
Interest rate options	104,258	132,162	1,078	2,549	707	1,185
Interest rate derivatives	2,661,463	3,333,242	118,013	144,069	113,166	135,245
FX forward transactions	489,782	289,060	4,083	3,428	3,693	3,062
FX swaps	45,928	84,735	111	256	298	212
FX options	15,577	26,692	193	67	196	525
Currency derivatives	551,287	400,487	4,387	3,751	4,187	3,799
Derivatives	3,212,750	3,733,729	122,400	147,820	117,353	139,044

The market values shown include the interest accrued.

(20) FINANCIAL ASSETS – AT FAIR VALUE (NON-SPPI)

TEUR	31.12.2020	31.12.2019
Equity instruments	23,897	27,893
Debt securities of public issuers	35,706	98,818
Debt securities of other issuers	131,644	146,880
Loans and advances to customers	559,652	557,200
Financial assets at fair value (non-SPPI)	750,899	830,791

Financial assets at fair value (non-SPPI) by product

TEUR	31.12.2020	31.12.2019
Shares	10,483	13,915
Investment certificates	3,307	3,411
Other equity interests	10,107	10,567
Total equity instruments	23,897	27,893
Debt securities of public issuers	35,706	98,818
Debt securities of other issuers	131,644	146,880
Total debt securities	167,350	245,698
Overdraft lines	79,575	75,873
Long-term loans	480,077	481,327
Total loans and credits	559,652	557,200
Financial assets at fair value (non-SPPI)	750,899	830,791

Financial assets at fair value (non-SPPI) by region

TEUR	31.12.2020	31.12.2019
Austria	554,861	601,854
Germany	79,084	90,463
Switzerland and Liechtenstein	0	6,752
Other foreign countries	116,954	131,722
Financial assets at fair value (non-SPPI)	750,899	830,791

Financial assets at fair value (non-SPPI) by business segment

TEUR	31.12.2020	31.12.2019
Corporate customers	557,020	555,537
Private customers	2,632	1,664
Financial markets	161,894	240,064
Corporate Center	29,353	33,526
Financial assets at fair value (non-SPPI)	750,899	830,791

Financial assets at fair value (non-SPPI) by sector

TEUR	31.12.2020	31.12.2019
Public sector	35,733	98,854
Financial institutions	122,294	133,626
Financial companies	20,921	19,120
Companies	570,487	577,389
Private households	1,464	1,802
Financial assets at fair value (non-SPPI)	750,899	830,791

Financial assets at fair value (non-SPPI) – company by branch

TEUR	31.12.2020	31.12.2019
Agriculture and forestry	114	245
Mining	0	3,279
Manufactoring	76,328	70,760
Construction industry	23	40
Trading	109	8,764
Transportation and storage	3,027	2,989
Accommodation and food service activities	12	12
Information and communication	16,985	9,270
Financial services	386,786	368,459
Housing	87,008	102,280
Public administration	1	1
Education	9	0
Other services	85	11,290
Financial assets at fair value (non-SPPI) – companies	570,487	577,389

Financial assets at fair value (non-SPPI) – disclosures on changes in fair value

TEUR	31.12.2020	31.12.2019
Credit exposure	750,899	830,791
Collateral	482,239	522,148
Total change in market value	33,302	28,874
of which due to market risk	8,150	1,996
of which due to credit risk	25,152	26,878
Change in market value in the reporting period	4,427	-32,642
of which due to market risk	6,154	-53,163
of which due to credit risk	-1,727	20,521

Four years ago, the bondholders of HETA ASSET RESOLUTION AG (HETA), the restructuring unit of the former Hypo Alpe-Adria-Bank International AG, agreed by a large majority to cede their papers, renouncing part of their claims to the province of Carinthia. In the course of accepting the exchange offer of the Kärntner Ausgleichszahlungs-Fonds, Hypo Vorarlberg has acquired a "letter of assurance", which is reflected in the so called "contingent additional purchase price". If the proceeds from realisation from HETA exceed the expected recovery value (plus premium) of the respective instrument, the selling investors receive a subsequent payment. The equalisation payment is not taken into account in the calculation of the letter of assurance. The range for the "contingent additional purchase price" is be-tween 0 % and 10 %.

Due to the proceeds from realisation that are currently above expectations, individual market participants are interested in purchasing the "letter of assurance". However, it is currently flexible whether or to what extent compensation payments may be paid. In particular, the recoverable proceeds generated from the realisation of HETA and the outcome of any legal disputes and agreements with investors will have a decisive influence on the recovery. The recovery anticipated on the part of HETA currently amounts to 79.03 % (2019: 87.00 %).

Based on the knowledge of individual transactions concluded and these current price indicators of other banks, Hypo Vorarlberg has recognised the "contingent additional purchase price" as a financial instrument in accordance with IAS 32.11 with a fair value of TEUR 7,635 (2019: TEUR 8.533) and allocated it to level 2. The change in fair value is recognised in profit or loss under "Net result from financial instruments at fair value" in note (10) in the income statement.

(21) FINANCIAL ASSETS – AT FAIR VALUE (OPTION)

TEUR	31.12.2020	31.12.2019
Debt securities of public issuers	59,554	59,801
Other debt securities	0	6,005
Loans and advances to customers	274,303	298,862
Financial assets at fair value (option)	333,857	364,668

Financial assets at fair value (option) by product

TEUR	31.12.2020	31.12.2019
Debt securities by public issuers	59,554	59,801
Debt securities by other issuers	0	6,005
Total debt securities	59,554	65,806
Long-term loans	274,303	298,862
Total loans and advances	274,303	298,862
Financial assets at fair value (option)	333,857	364,668

Financial assets at fair value (option) by region

TEUR	31.12.2020	31.12.2019
Austria	304,222	326,767
Switzerland and Liechtenstein	5,038	5,090
Other foreign countries	24,597	32,811
Financial assets at fair value (option)	333,857	364,668

Financial assets at fair value (option) by business segment

TEUR	31.12.2020	31.12.2019
Corporate customers	220,304	238,781
Private customers	4,877	5,350
Financial markets	94,455	106,362
Corporate Center	14,221	14,175
Financial assets at fair value (option)	333,857	364,668

Financial assets at fair value (option) by sector

TEUR	31.12.2020	31.12.2019
Public sector	312,858	336,913
Financial institutions	0	6,005
Financial companies	1,835	2,155
Companies	19,164	19,595
Financial assets at fair value (option)	333,857	364,668

Financial assets at fair value (option) – company by branch

TEUR	31.12.2020	31.12.2019
Housing	4,877	5,350
Liberal professionals	12,386	12,019
Administrative and support service activities	1,901	2,226
Financial assets at fair value (option) - companies	19,164	19,595

Financial assets at fair value (option) – disclosures on changes in fair value

TEUR	31.12.2020	31.12.2019
Credit exposure	333,857	364,668
Collateral	326,657	351,049
Total change in market value	58,580	61,718
of which due to market risk	55,796	55,768
of which due to credit risk	2,784	5,950
Change in market value in the reporting period	-3,138	-1,258
of which due to market risk	28	-3,321
of which due to credit risk	-3,166	2,063

(22) FINANCIAL ASSETS AT FAIR VALUE (OCI)

As at 31 December 2020 and in the previous year, there were no financial assets at fair value (OCI).

(23) FINANCIAL ASSETS AT AMORTIZED COST

TEUR	31.12.2020	31.12.2019
Debt securities of public issuers	679,583	697,344
Debt securities of other issuers	1,921,517	1,793,210
Loans and advances to financial institutions	227,271	116,791
Loans and advances to customers	9,623,819	9,282,851
Trade receivables	756	1,577
Gross exposure value	12,452,946	11,891,773
Valuation allowances for debt securities - stage 1	-377	-271
Valuation allowances for debt securities - stage 2	-1,024	-1,560
Valuation allowances for debt securities - stage 3	-1,020	-1,020
Valuation allowances for loans and advances to financial institutions - stage 1	-16	-8
Valuation allowances for loans and advances to financial institutions - stage 2	-5	-40
Valuation allowances for loans and advances to customers - stage 1	-19,683	-13,965
Valuation allowances for loans and advances to customers - stage 2	-30,591	-15,085
Valuation allowances for loans and advances to customers - stage 3	-68,029	-68,985
Valuation allowances	-120,745	-100,934
Financial assets at amortized cost	12,332,201	11,790,839

In the financial assets at amortized cost, the use of hedge accounting led to amortized costs of TEUR 2,872,318 (2019: TEUR 2,271,965) being adjusted by the hedged fair value of TEUR 148,095 (2019: TEUR 118,031).

Financial assets at amortized cost – by product

TEUR	31.12.2020	31.12.2019
Debt securities of public issuers	679,549	697,312
Debt securities of other issuers	1,919,130	1,790,391
Total debt securities	2,598,679	2,487,703
Interbank accounts	125,413	93,035
Money market investments	96,798	20,332
Overdraft lines	874,507	912,404
Cash advances	264,046	305,035
Acceptant credits	14,591	17,614
Long-term loans	7,261,130	6,838,387
Lease receivables	1,096,257	1,114,722
Trade receivables	780	1,607
Total loans and advances	9,733,522	9,303,136
Financial assets at amortized cost	12,332,201	11,790,839

Financial assets at amortized cost – by region

TEUR	31.12.2020	31.12.2019
Austria	7,136,993	6,868,861
Germany	1,506,417	1,415,003
Switzerland and Liechtenstein	977,401	857,656
Italy	878,225	889,704
Other foreign countries	1,833,165	1,759,615
Financial assets at amortized cost	12,332,201	11,790,839

Financial assets at amortized cost – by business segment

TEUR	31.12.2020	31.12.2019
Corporate customers	6,101,303	5,826,565
Private customers	2,145,002	2,036,402
Financial markets	2,982,778	2,806,935
Corporate Center	1,103,118	1,120,937
Financial assets at amortized cost	12,332,201	11,790,839

Financial assets at amortized cost – by sector

TEUR	31.12.2020	31.12.2019
Public sector	1,080,838	1,128,736
Financial institutions	1,965,985	1,750,028
Financial companies	278,248	303,837
Companies	6,599,607	6,309,107
Private households	2,407,523	2,299,131
Financial assets at amortized cost	12,332,201	11,790,839

Financial assets at amortized cost – company by branch

TEUR	31.12.2020	31.12.2019
Agriculture and forestry	34,298	41,327
Mining	21,885	21,891
Manufacturing	720,816	727,604
Energy supply	125,102	140,386
Water supply	42,178	57,298
Construction industry	687,366	562,497
Trading	533,921	505,377
Transportation and storage	233,142	246,715
Accommodation and food service activities	430,984	424,546
Information and communication	61,921	80,472
Financial services	224,564	191,671
Housing	2,745,753	2,453,984
Liberal professionals	487,357	581,749
Administrative and support service activities	57,926	65,735
Public administration	58,231	74,126
Education	3,060	2,620
Human health and social work activities	50,911	42,451
Arts, entertainment and recreation activities	23,428	28,968
Other services	56,764	59,690
Financial assets at amortized cost – companies	**6,599,607**	**6,309,107**

Gross and net investment in leases

The Group mainly leases real estate and to a lesser extent movables under finance leases. For the receivables from finance leases included in this item, gross investment is reconciled with the present value of the minimum lease payments as follows.

TEUR	31.12.2020	31.12.2019
Minimum lease payments	1,234,178	1,265,681
Non-guaranteed residual values	0	0
Gross total investment	**1,234,178**	**1,265,681**
Unrealised financial income	-137,921	-150,959
Net investment	**1,096,257**	**1,114,722**
Present value of non-guaranteed residual values	0	0
Present value of minimum lease payments	**1,096,257**	**1,114,722**

The cumulative valuation allowance on finance leases amounts to TEUR 33.572 (2019: TEUR 29.287).

Leases – breakdown by maturity

TEUR	31.12.2020	31.12.2019
Up to 1 year	148,232	183,071
2 to 3 years	160,318	150,833
3 to 4 years	139,191	136,557
4 to 5 years	119,705	117,782
5 to 6 years	104,245	102,083
More than 5 years	562,487	575,355
Gross total investment	**1,234,178**	**1,265,681**
Up to 1 year	121,521	154,829
2 to 3 years	137,806	125,705
3 to 4 years	119,528	115,975
4 to 5 years	103,160	100,056
5 to 6 years	90,396	87,086
More than 5 years	523,846	531,071
Present value of minimum lease payments	**1,096,257**	**1,114,722**

(24) POSITIVE MARKET VALUES OF HEDGES

Breakdown by type of hedge

TEUR	31.12.2020	31.12.2019
Positive market value of fair value hedges	191,377	155,053
Positive market values of hedges	**191,377**	**155,053**

Nominal and market values from fair value hedges – breakdown by type of business

TEUR	Nominalwerte		Positive Marktwerte		Negative Marktwerte	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Interest rate swaps	7,052,222	6,691,386	190,207	154,146	135,450	108,495
Cross currency swaps	223,982	216,381	1,170	907	28,425	32,775
Interes rate derivatives	**7,276,204**	**6,907,767**	**191,377**	**155,053**	**163,875**	**141,270**
Derivatives	**7,276,204**	**6,907,767**	**191,377**	**155,053**	**163,875**	**141,270**

The market values shown include the interest accrued. The Group did not enter into any cash flow hedge positions in the reporting year or the previous year.

(25) SHARES IN COMPANIES VALUED AT EQUITY

Development of carrying values of equity investments

TEUR	2020	2019
Carrying value of holding 1 January	1,806	2,381
Attributable profit/loss	449	52
Changes in the scope of consolidation	1,320	0
Changes of capital	20	0
Dividends	-270	-627
Carrying value of holding 31 December	3,325	1,806

The difference between the carrying amount of investments and the pro rata equity of associates included in the consolidated financial statements using the equity method is TEUR 1,854 (2019: TEUR 699). This difference was added to the value of the investments and to retained earnings. The gains and losses from these companies were recognised only on a pro rata basis through profit or loss in the income statement under the result from equity consolidation. In 2019, these gains and losses amounted to TEUR 449 (2019: TEUR 52).

Further information on equity investments and companies measured at equity is provided under Part VII.

(26) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment – breakdown by type

TEUR	31.12.2020	31.12.2019
Properties	10,725	10,748
Buildings	54,528	56,006
Operational and office equipment	5,307	5,000
Other Property, plant and equipment	1,531	1,700
Rights of use from leases	10,214	10,673
Property, plant and equipment	82,305	84,127

The gross carrying amount of fully depreciated property, plant and equipment that is still in use is TEUR 19,228 (2019: TEUR 14,296). The development of property, plant and equipment is shown in note (32).

Reconciliation of rights of use from leases by category

TEUR 2019	Opening Balance	Addition	Disposal	Revaluation	Depreciation / Amortization	Closing balance
Real estate	12,077	0	-547	0	-1,227	10,303
Parking spaces	338	0	-14	0	-34	290
Motor vehicles	89	23	0	6	-38	80
Rights of use from leases	12,504	23	-561	6	-1,299	10,673

TEUR 2020	Opening Balance	Addition	Disposal	Revaluation	Depreciation / Amortization	Closing balance
Real estate	10,303	0	0	662	-1,223	9,742
Parking spaces	290	0	-12	101	-38	341
Motor vehicles	80	101	-10	-1	-39	131
Rights of use from leases	10,673	101	-22	762	-1,300	10,214

Amortization of the right of use is recognised in the “Depreciation and amortization” item in note (14). Lease liabilities pursuant to IFRS 16 are reported in the “Financial liabilities at amortized cost” item of the balance sheet in note (35), while interest expenses relating to the lease liabilities are recognised in the “Net interest income” item in note (6).

(27) INVESTMENT PROPERTY

TEUR	31.12.2020	31.12.2019
Properties	12,858	13,452
Buildings	39,271	41,326
Investment property	52,129	54,778

In 2020, the property portfolio comprised 70 properties (2019: 73) properties in Austria, Switzerland, Germany and Italy. The portfolio includes both residential properties with a carrying amount of TEUR7,466 (2019: TEUR 8,486) and commercial properties with a carrying amount of TEUR 44,661 (2019: TEUR 46,290). The current market value of the property portfolio is TEUR 74,591 (2019: TEUR 77,572).

The properties are valued according to the key parameters shown below on the basis of internal appraisals. They therefore correspond to Level 3 in the fair value hierarchy.

Key parameters for real estate appraisal	2020	2019
Return in %	0.75 - 9.00	1.00 - 9.00
Inflation rate in %	0.50 - 2.00	1.50 - 2.00
Rental loss risk in %	1.50 - 8.00	1.50 - 8.00

There are no material restrictions on the disposal of these assets. Likewise, there are no contractual obligations to purchase, build or develop such properties. The development of investment property is shown in note (32). The rental payments reported for investment property are shown under other income in note (11).

(28) INTANGIBLE ASSETS

Intangible assets – breakdown by type

TEUR	31.12.2020	31.12.2019
Software acquired	1,626	2,471
Other intangible assets	217	325
Intangible assets	1,843	2,796

(29) DEFERRED INCOME TAX ASSETS

In the table below, the deferred income tax liabilities that on balance represent an asset in the respective tax entity are deducted from the income tax assets.

TEUR	31.12.2020	31.12.2019
Temporary differences from the measurement of financial instruments via the statement of comprehensive income	2,151	108
Temporary differences from writing-down assets	731	944
Temporary differences from provisions	423	1,681
Temporary differences from social capital	5,719	5,028
Temporary differences from impairments	8,293	11,936
Other temporary differences	1,238	1,004
Deferred income tax assets	18,555	20,701
Set-off of deferred taxes	-3,236	-9,497
Net deferred income tax assets	15,319	11,204

There are tax loss carry forwards of TEUR 10,942 (2019: TEUR 12,439) that can be carried forward indefinitely, but are not yet capitalised in the Group, as it is unlikely that taxable profits will be available. A breakdown of total deferred income tax assets by maturity is shown in note (43).

(30) NON-CURRENT ASSETS AVAILABLE FOR SALE

TEUR	31.12.2020	31.12.2019
Equity investments held for sale	0	4,635
Non-current assets available for sale	0	4,635

(31) OTHER ASSETS

TEUR	31.12.2020	31.12.2019
Accruals	295	314
Other tax assets	3,688	6,971
Other properties	29,799	37,284
Other assets	22,173	37,515
Other assets	55,955	82,084

Prepaid expenses and any assets not attributable to one of the other asset items are reported under other assets. This item also includes properties that are not property, plant and equipment according to IAS 16, investment property according to IAS 40, or non-current assets available for sale according to IFRS 5. These properties are closely associated with the realisation of collateral from the lending business. Other assets include accruals of income that the Group has not yet received. These include the accrual from asset management.

The breakdown by maturity is shown in note (43). Impairments on other properties are recognised under non-financial assets in note (16) and amounted to TEUR 2,404 in 2020 (2019: TEUR 1,543).

(32) STATEMENT OF CHANGES IN ASSETS

TEUR 2019	Acquisition Cost 01.01.	Currency translation	Acquisitions	Additions	Disposals	Reclassifi-cations and other	Acquisition cost 31.12.	Carrying amounts 31.12.
Software acquired	9,245	2	0	1,446	0	0	10,693	2,471
Internally generated intangible assets	31,352	1	-31,353	0	0	0	0	0
Other intangible assets	579	20	-1	0	0	0	598	325
Intangible assets	41,176	23	-31,354	1,446	0	0	11,291	2,796
Owner-occupied land and buildings	101,579	87	0	148	-1,823	5,378	105,369	66,754
Operational and office equipment	15,727	7	-98	2,055	-1,332	0	16,359	5,000
Other property, plant and equipment	1,804	0	0	270	-562	12,504	14,016	12,373
Property, plant and equipment	119,110	94	-98	2,473	-3,717	17,882	135,744	84,127
Investment property	90,485	0	0	269	-1,658	-166	88,930	54,778
Other property	59,759	-1	10	4,066	-4,381	-743	58,710	37,284
Total	310,530	116	-31,442	8,254	-9,756	16,973	294,675	178,985

TEUR 2019	Cumulative Depreciation/ amortization 01.01.	Currency translation	Acquisitions	Regular Amorti-zation	Disposals	Reclassifi-cations and other	Impair-ments	Cumulative Depreciiation amortization 31.12.
Software acquired	-7,210	0	0	-1,012	0	0	0	-8,222
Internally generated intangible assets	-31,352	0	31,352	0	0	0	0	0
Other intangible assets	-131	-7	0	-135	0	0	0	-273
Intangible assets	-38,693	-7	31,352	-1,147	0	0	0	-8,495
Owner-occupied land and buildings	-37,140	-67	0	-2,212	1,003	-199	0	-38,615
Operational and office equipment	-11,464	-4	84	-1,259	1,284	0	0	-11,359
Other property, plant and equipment	-289	0	0	-1,357	3	0	0	-1,643
Property, plant and equipment	-48,893	-71	84	-4,828	2,290	-199	0	-51,617
Investment property	-32,301	0	0	-1,610	511	-647	-105	-34,152
Other property	-20,979	0	-10	0	1,243	-137	-1,543	-21,426
Total	-140,866	-78	31,426	-7,585	4,044	-983	-1,648	-115,690

The right of use from leases is included in "Other property, plant and equipment". Other properties are included in the "Other assets" item in note (31).

TEUR 2020	Acquisition Cost 01.01.	Currency translation	Acquisitions	Additions	Disposals	Reclassifi-cations and other	Acquisition cost 31.12.	Carrying amounts 31.12.
Software acquired	10,693	0	-7	381	-102	6	10,971	1,626
Other intangible assets	598	2	0	0	0	0	600	217
Intangible assets	11,291	2	-7	381	-102	6	11,571	1,843
Owner-occupied land and buildings	105,369	10	-22	759	-583	-196	105,337	65,253
Operational and office equipment	16,359	0	-122	1,935	-508	23	17,687	5,307
Other property, plant and equipment	14,016	0	0	748	-7	-39	14,718	11,745
Property, plant and equipment	135,744	10	-144	3,442	-1,098	-212	137,742	82,305
Investment property	88,930	0	0	195	-5,246	4,678	88,557	52,129
Other property	58,710	0	0	1,237	-4,580	-5,341	50,026	29,799
Total	294,675	12	-151	5,255	-11,026	-869	287,896	166,076

TEUR 2020	Cumulative Depreciation/ amortization 01.01.	Currency translation	Acquisitions	Regular Amorti-zation	Disposals	Reclassifi-cations and other	Impair-ments	Cumulative Depreciation amortization 31.12.
Software acquired	-8,222	0	7	-1,130	0	0	0	-9,345
Other intangible assets	-273	0	0	-110	0	0	0	-383
Intangible assets	-8,495	0	7	-1,240	0	0	0	-9,728
Owner-occupied land and buildings	-38,615	-8	23	-2,285	583	218	0	-40,084
Operational and office equipment	-11,359	0	86	-1,540	433	0	0	-12,380
Other property, plant and equipment	-1,643	0	0	-1,361	31	0	0	-2,973
Property, plant and equipment	-51,617	-8	109	-5,186	1,047	218	0	-55,437
Investment property	-34,152	0	0	-1,759	1,553	-1,666	-404	-36,428
Other property	-21,426	0	0	0	1,474	2,129	-2,404	-20,227
Total	-115,690	-8	116	-8,185	4,074	681	-2,808	-121,820

The right of use from leases is included in “Other property, plant and equipment”. Other properties are included in the “Other assets” item in note (31).

(33) TRADING LIABILITIES

Trading liabilities and derivatives – breakdown by type of business

TEUR	31.12.2020	31.12.2019
Derivatives with negative market values	117,353	139,044
Trading liabilities	117,353	139,044

The nominal values and the negative market values of the derivative financial instruments are shown in note (19).

(34) FINANCIAL LIABILITIES AT FAIR VALUE (OPTION)

TEUR	31.12.2020	31.12.2019
Liabilities to financial institutions	2,050	2,100
Time deposits customers	138,230	139,452
Debt securities issued	663,319	787,054
Financial liabilities at fair value (option)	803,599	928,606

Financial liabilities at fair value (option) by product

TEUR	31.12.2020	31.12.2019
Mortgage bonds	24,714	25,303
Municipal bonds	307,355	371,302
Bonds	100,234	126,975
Housing construction bonds	207,376	231,443
Supplementary capital	23,640	32,031
Total debt securities issued	663,319	787,054
Money market borrowing	2,050	2,100
Promissory note loans	138,230	139,452
Total deposits	140,280	141,552
Financial liabilities at fair value (option)	803,599	928,606

Financial liabilities at fair value (option) by region

TEUR	31.12.2020	31.12.2019
Austria	660,144	779,968
Germany	143,455	148,638
Financial liabilities at fair value (option)	803,599	928,606

Financial liabilities at fair value (option) by segment

TEUR	31.12.2020	31.12.2019
Financial markets	779,959	896,575
Corporate Center	23,640	32,031
Financial liabilities at fair value (option)	803,599	928,606

Financial liabilities at fair value (option) by sector

TEUR	31.12.2020	31.12.2019
Financial institutions	665,368	789,154
Financial companies	138,231	139,452
Financial liabilities at fair value (option)	803,599	928,606

Disclosures on changes in fair value

TEUR	31.12.2020	31.12.2019
Carrying value	803,599	928,606
Amount repayable	775,248	899,695
Difference between carrying value and amount repayable	28,351	28,911
Total change in market value	89,220	106,581
of which due to market risk	84,548	102,603
of which due to credit risk	4,672	3,978
Change in market value in the reporting period	-17,361	4,066
of which due to market risk	-18,055	292
of which due to credit risk	694	3,774

In the calculation of the market value of "financial liabilities – LFVO", the credit spread is derived from market data. When determining the change in fair value due to credit risk, there is a nuanced assessment of financial instruments with regard to currency, maturity, placement type and collateral/risk structure. The change in fair value due to credit risk is determined using a model in which the change in fair value due to market risk is deducted from the total change in fair value.

Notes on the change in supplementary capital (LFVO)

TEUR	2020	2019
LFVO supplementary capital - balance 1 January	32,031	30,846
New intake	316	249
Repayments	-8,537	-130
Change in deferred interest	-137	-57
Change from measurement	-33	1,123
LFVO supplementary capital - balance 31 December	23,640	32,031

(35) FINANCIAL LIABILITIES AT AMORTIZED COST

TEUR	31.12.2020	31.12.2019
Liabilities to financial institutions	2,842,204	1,534,000
Demand deposits from customers	4,280,780	4,080,244
Savings deposits from customers	1,209,573	1,197,132
Debt securities issued	4,523,179	4,638,277
Trade payables	8,012	7,294
Other liabilities	88	90
Liabilities from leases	10,288	10,757
Financial liabilities at amortized cost	12,874,124	11,467,794

In financial liabilities at amortized cost, the use of hedge accounting led to amortized costs of TEUR 4,609,744 (2019: TEUR 4,812,090) being adjusted by the hedged fair value of TEUR 165,630 (2019: TEUR 122,044).

The "Liabilities to banks" item includes a volume of TEUR 2,500,000 that relates to a financing transaction from the TLTRO III programme of the European Central Bank (ECB).

Based on an analysis of the conditions that the Bank can observe on the market for refinancing with comparable collateral, the Bank has come to the conclusion that the conditions of the TLTRO III programme do not offer any significant advantage for it in comparison to the market. The liabilities were therefore recognised as financial instruments in accordance with IFRS 9.

The ECB financing transaction will last from 24 June 2020 until 28 June 2023. The interest rates for this financing transaction are variable, depending firstly on the achievement of credit growth within the specified periods and secondly on adjustments by the European Central Bank. For the first interest period from 24 June 2020 to 23 June 2021, the conditions for this financing stipulate an interest rate that is based on the ECB's main refinancing operations rate and includes a discount of 50 basis points. The main refinancing operations rate has been 0 % since 2016, so the interest rate for the first interest period is -0.50 %. If the required credit growth is achieved for the reference period from 1 March 2020 to 31 March 2021, then the interest rate for the ECB's deposit facility can also be added to the interest rate. The interest rate for the deposit facility is currently -0.50 %. If the required credit growth is achieved, this may therefore subsequently result in an interest rate of -1.0 % for the first interest period.

For the second interest period from 24 June 2021 to 28 June 2022, the interest rate will depend on net credit growth in another reference period. This additional reference period began on 1 October 2020 and will end on 31 December 2021. If the required net credit growth is achieved in this case, too, this may result in an interest rate of -1.0 % at best for the second interest period.

Owing to the stagnating credit volume since July, the Bank does not consider it sufficiently certain that the lending targets will be met as a result of the crisis-driven subdued demand for credit combined with the expected repayments. For this reason, the improvement in the interest rate from the achievement of the required net credit growth was not included when determining the effective interest rate for the financial instrument. If this assessment regarding the achievement of the lending targets changes, this will lead to an adjustment of the effective interest rate for the financial instrument in future periods.

In the 2020 financial year, the (negative) interest expense from the TLTRO III programme amounted to TEUR 6,563. This was recognised in line with the effective interest method in the "Interest income and similar income" item and deducted directly from the carrying amount of the liability.

Financial liabilities at amortized cost by product

TEUR	31.12.2020	31.12.2019
Mortgage bonds	2,239,424	2,815,051
Municipal bonds	45,342	44,227
Medium-term fixed-rate notes	188	694
Bonds	1,883,940	1,425,847
Supplementary capital (T2)	303,751	301,925
Additional core capital (AT1)	50,534	50,533
Total debt securities issued	4,523,179	4,638,277
Interbank accounts	179,251	179,401
Money market deposits	2,635,364	1,272,849
Demand deposits	3,584,832	3,309,393
Time deposits	461,410	531,295
Savings deposits	878,122	845,728
Capital savings accounts	331,451	351,404
Promissory note loans	262,127	321,306
Total deposits	8,332,557	6,811,376
Trade payables	8,012	7,294
Other financial liabilities	10,376	10,847
Total other financial liabilities	18,388	18,141
Financial liabilities at amortized cost	12,874,124	11,467,794

Financial liabilities at amortized cost by region

TEUR	31.12.2020	31.12.2019
Austria	10,323,181	8,950,114
Germany	852,910	892,610
Switzerland and Liechtenstein	1,164,408	1,007,934
Italy	167,145	245,151
Other foreign countries	366,480	371,985
Financial liabilities at amortized cost	12,874,124	11,467,794

Financial liabilities at amortized cost by business segment

TEUR	31.12.2020	31.12.2019
Corporate customers	1,881,007	1,806,057
Private customers	2,714,210	2,580,022
Financial markets	7,834,839	6,481,661
Corporate Center	444,068	600,054
Financial liabilities at amortized cost	12,874,124	11,467,794

Financial liabilities at amortized cost by sector

TEUR	31.12.2020	31.12.2019
Central banks	2,503,229	1,014,644
Public sector	273,015	300,513
Financial institutions	4,870,986	5,169,173
Financial companies	997,388	950,257
Companies	1,877,528	1,780,217
Private households	2,351,978	2,252,990
Financial liabilities at amortized cost	12,874,124	11,467,794

Financial liabilities at amortized cost – company by branch

TEUR	31.12.2020	31.12.2019
Agriculture and forestry	2,278	9,036
Mining	2,306	606
Manufacturing	327,998	240,972
Energy supply	78,285	83,796
Water supply	16,769	7,870
Construction industry	154,390	139,649
Trading	256,511	283,687
Transportation and storage	28,646	23,577
Accommodation and food service activities	37,389	36,608
Information and communication	47,094	20,473
Financial services	108,917	59,909
Housing	285,929	262,027
Liberal professionals	362,140	438,611
Administrative and support service activities	46,003	70,689
Public administration	16,843	13,789
Education	9,484	14,466
Human health and social work activities	66,203	44,003
Arts, entertainment and recreation activities	17,893	18,454
Other services	12,450	11,995
Financial liabilities at amortized cost - companies	1,877,528	1,780,217

Notes on the change in supplementary capital (LAC)

TEUR	2020	2019
LAC Tier 2 capital and additional Tier 1 capital - balance 1 January	352,458	262,450
New intake	606	94,413
Repayments	-902	-6,317
Change in deferred interest	1	131
Change from measurement	2,122	1,781
LAC Tier 2 capital and additional Tier 1 capital - balance 31 December	354,285	352,458

Disclosures on lease liabilities by remaining term

TEUR	31.12.2020	31.12.2019
Up to 3 months	333	379
More than 3 months to 12 months	1,001	1,132
More than 1 year to 5 years	4,705	4,936
More than 5 years	5,698	6,014
Lease liabilities	11,737	12,461

The lease liabilities shown here by remaining term are the undiscounted lease payments. Therefore, the total payments do not correspond to the present value of the lease liabilities shown in the table above. The weighted average interest rate is 1.45 %. Expenses for short-term leases, low-value leases and variable lease payments that were not included in the measurement of the lease liability total TEUR 316 (2019: 280).

Change in lease liabilities

TEUR	2020	2019
Lease liabilities – balance as at 01.01.	10,757	12,534
Interest expense	84	193
Revaluation	758	0
Disposals due to reversals	0	-566
Lease payments	-1,311	-1,404
Lease liabilities – balance as at 31.12.	10,288	10,757

(36) NEGATIVE MARKET VALUES OF HEDGES

Breakdown by type of hedge

TEUR	31.12.2020	31.12.2019
Negative market value of fair value hedges	163,875	141,270
Negative market values of hedges	163,875	141,270

The nominal values and the negative market values of the hedging instruments are shown in note (24). The Group did not enter into any cash flow hedge positions in the reporting year or the previous year.

(37) PROVISIONS

Provisions by type

TEUR	31.12.2020	31.12.2019
Severance provisions	18,200	17,677
Pension provisions	6,537	5,906
Service anniversary provisions	3,303	2,957
Social capital	28,040	26,540
Provisions for guarantees/liability agreements	16,378	3,990
Provisions for credit risks	1,056	849
Provisions for ongoing litigation	781	987
Staff provisions	361	380
Provisions for other expenses	14,198	12,044
Other provisions	32,774	18,250
Provisions	60,814	44,790

A breakdown by maturity or the expected terms of resulting outflows is shown in note (43).

Although guarantees and warranties are not shown on the balance sheet, the credit risk they pose is not insubstantial. To account for this default risk, provisions are recognised for customers with certain credit rating deterioration. If a contingent liability from a guarantee or warranty takes effect, we have the right to recourse from the guarantee holder. The collateral provided by the guarantee holder is therefore considered when recognising the provision. Therefore, an inflow of economic benefits in excess of the collateral is not expected.

Credit risk provisions are also intended to cover credit risk from undrawn borrowing facilities. Loans granted to customers but not yet drawn represent contingent liabilities. As these are not shown on the balance sheet, a loan loss provision is possible under provisions only. As they are loan commitments according to IFRS 9, they do not come under the scope of IAS 37. These provisions are therefore determined in accordance with IFRS 9.

Provisions for litigation include both the expected legal and consulting costs and the estimated payment obligations to the opposing party resulting from the proceedings.

No specific assets or funding are in place for social capital, apart from the pension agreement for employees of the St. Gallen branch. For employees of the St. Gallen branch, the fund assets are invested by Swiss Life AG, Zürich, within the framework of the BVG collective foundation Swiss Life. The fund assets are professionally managed by Swiss Life AG and diversifying the risk is part of the investment strategy.

Employers and employees both pay their contributions into this fund. The fund assets and thus their measurement effects are therefore not included in these consolidated financial statements. Therefore, the provision recognises the net obligation from the present value of the defined benefit obligations less the fair value of the fund assets. Gains and losses from the allocation or reversal of provisions are shown directly in administrative expenses and other comprehensive income. For pension provisions, we are required in Austria by law to hold fixed interest securities as collateral for pension recipients' pension entitlements.

Expected utilisation of social capital

TEUR	31.12.2020	31.12.2019
Up to 3 months	187	105
More than 3 up to 12 months	927	881
More than 1 up to 5 years	4,625	4,385
More than 5 years	22,301	21,166
Unlimited	0	3
Social capital	28,040	26,540

Development of social capital

TEUR 2019	Severence provisions	Pensions provisions	Service anniversary provisions	Total
Carrying value 1 January	16,258	5,549	2,555	24,362
Years of service expense	554	640	213	1,407
Interest expense	306	93	51	450
Contribution payments	0	-228	0	-228
Actuarial gains/losses of financial assumptions	1,247	508	193	1,948
Foreign currency risk	0	58	0	58
Benefit payments	-659	-714	-55	-1,428
Other changes	-29	0	0	-29
Carrying value 31 December	17,677	5,906	2,957	26,540

TEUR 2020	Severence provisions	Pensions provisions	Service anniversary provisions	Total
Barwert 01.01.	17,677	5,906	2,957	26,540
Changes in the scope of consolidation	-264	0	-135	-399
Years of service expense	550	84	240	874
Interest expense	212	57	38	307
Actuarial gains/losses of financial assumptions	799	927	311	2,037
Foreign currency risk	0	-64	0	-64
Benefit payments	-718	-373	-108	-1,199
Other changes	-56	0	0	-56
Carrying value 31 December	18,200	6,537	3,303	28,040

The actuarial gains/losses from severance and pension provisions of TEUR -1,769 (2019: TEUR -1,822) recognised in other comprehensive income are attributable to changes in financial assumptions.

For the defined benefit obligation for the employees of the St. Gallen branch, the components of the fund assets are described and the fund assets reconciled below.

Fund asset components

TEUR	31.12.2020	31.12.2019
Fair value of assets from defined benefit plans	4,954	3,992
of which equity instruments	588	451
of which debt securities	3,272	2,795
of which properties	1,005	681
of which other assets from defined benefit plans	89	65
Present value of obligations from defined benefit plans	7,236	5,698
Net defined benefit obligation – St. Gallen branch	2,282	1,706

Reconciliation of fund assets

TEUR	2020	2019
Fair value of assets from defined benefit plans on 1 January	3,992	3,026
Currency translation effects	19	116
Interest income from assets	10	27
Gain/loss on remeasurement of assets	-4	364
Employer contribution payments	272	234
Employee contribution payments	181	156
Plan participant contribution payments	772	425
Disbursements	-288	-356
Fair value of assets from defined benefit plans on 31 December	4,954	3,992

Changes in other provisions

TEUR 2019	Cuarantees and commitments	Credit risk	Ongoing itigation	Staff	Other	Total
Carrying value 1 January	2,901	766	1,914	380	11,719	17,680
Allocation	2,900	437	337	5	2,133	5,812
Use	0	0	-404	-5	-9	-418
Reversal	-1,812	-354	-623	0	-1,901	-4,690
Unwinding	-2	0	0	0	0	-2
Remaining adjustment	3	0	-237	0	102	-132
Carrying value 31 December	3,990	849	987	380	12,044	18,250

TEUR 2020	Cuarantees and commitments	Credit risk	Ongoing itigation	Staff	Other	Total
Carrying value 1 January	3,990	849	987	380	12,044	18,250
Allocation	14,319	458	329	5	2,322	17,433
Use	0	0	-111	-24	-100	-235
Reversal	-1,921	-251	-424	0	-68	-2,664
Unwinding	-5	0	0	0	0	-5
Remaining adjustment	-5	0	0	0	0	-5
Carrying value 31 December	16,378	1,056	781	361	14,198	32,774

(38) INCOME TAX LIABILITIES

Income tax liabilities – breakdown by type

TEUR	31.12.2020	31.12.2019
Tax provision	1,097	1,051
Income tax liabilities	5	20
Income tax liabilities	1,102	1,071

Development of the tax provision

TEUR	2020	2019
Carrying value 1 January	1,051	9,299
Currency translation	6	24
Allocation	1,057	1,029
Use	-1,017	-9,286
Reversal	0	-15
Carrying value 31 December	1,097	1,051

The breakdown by maturity is shown in note (43).

(39) DEFERRED TAX

In the table below, deferred income tax assets are deducted from income tax liabilities when they represent a liability in net terms in the respective tax entity. The breakdown by maturity is shown in note (43).

TEUR	31.12.2020	31.12.2019
Temporary differences from the measurement of financial instruments via the income statement	28	6,563
Temporary differences from writing down assets	4,897	4,766
Temporary differences from provisions	547	0
Temporary differences from impairments	4	0
Other temporary differences	188	1,631
Deferred income tax liabilities	5,664	12,960
Set-off of deferred taxes	-3,237	-9,497
Net deferred income tax liabilities	2,427	3,463

For the recognition of the actuarial gains and losses on defined benefit plans, TEUR -5,472 (2019: TEUR -3,704) was recognised in other comprehensive income. The related deferred taxes (tax liability) amount to TEUR 1,368 (2019: TEUR 926). Deferred taxes (tax liability) of TEUR 1,243 (2019: TEUR 904) were also recognised in other comprehensive income of TEUR -4,971 (2019: TEUR -3,614), which was recognised outside of profit or loss.

There are otherwise no outside basis differences within the Group.

(40) OTHER LIABILITIES

TEUR	31.12.2020	31.12.2019
Liabilities in connection with social security	1,652	1,521
Other tax liabilities	2,351	3,833
Accruals	9,298	10,377
Other accrued benefits	6,405	5,866
Remaining liabilitie	20,536	34,035
Other liabilities	**40,242**	**55,632**

(41) SHAREHOLDERS' EQUITY

Composition of equity by types

TEUR	31.12.2020	31.12.2019
Share capital	162,152	162,152
Capital reserve	44,674	44,674
Accumulated other comprehensive income	**-7,849**	**-5,485**
Total items without recycling	**-7,832**	**-5,489**
Measurement of pension plans	-4,104	-2,778
Measurement from own change in credit rating	-3,728	-2,711
Total items with recycling	**-17**	**4**
Foreign currency measurements	-17	4
Retained earnings	1,027,655	991,198
Reserves from equity consolidation	4,038	3,318
Total parent company shareholders	**1,230,670**	**1,195,857**
Non-controlling equity interests	2,562	2,414
Total equity	**1,233,232**	**1,198,271**

The subscribed capital consists of share capital of TEUR 162,152 (2019: TEUR 162,152), which was fully paid in. On 31 December 2020, 316,736 (2018: 316,736) shares with a nominal value of EUR 512 were issued.

Retained earnings include the legal reserve. The reversal of the legal reserve amounting to TEUR 10,601 (2019: TEUR 10,601) is connected to the UGB in conjunction with the AktG.

Liable capital as per Section 57 (5) of the Austrian Banking Act is also reported under retained earnings. Liable capital amounting to TEUR 134,924 (2019: TEUR 132,567) may only be reversed in as much as this is necessary to fulfil obligations in accordance with Section 93 of the Austrian Banking Act or to cover other losses to be reported in the annual financial statements. Liable capital must be replenished to the extent of the amount reversed within the following five financial years at the latest.

Reconciliation of accumulated other comprehensive income

TEUR	Measurement of pensions-plans	Measurement From own Change in Credit rating	Foreign currency measurement	Total
Balance 1 January 2019	-1,395	-153	45	-1,503
Equity transfer	0	0	-45	-45
OCI measurement, not recyclable	-1,822	-3,410	0	-5,232
Deferred taxes, not recyclable	439	852	0	1,291
OCI measurement, recyclable	0	0	4	4
Balance 31 December 2019	-2,778	-2,711	4	-5,485
Balance 1 January 2020	-2,778	-2,711	4	-5,485
Equity transfer	0	0	-4	-4
OCI measurement, not recyclable	-1,769	-1,357	0	-3,126
Deferred taxes, not recyclable	443	340	0	783
OCI measurement, recyclable	0	0	-17	-17
Balance 31 December 2020	-4,104	-3,728	-17	-7,849

Other comprehensive income includes a sum of TEUR -298 (2019: TEUR 364) attributable to financial instruments already repaid or sold that are voluntarily measured at fair value.

Dividends of Hypo Vorarlberg Bank AG
Hypo Vorarlberg Bank AG can distribute a dividend no larger than the unappropriated surplus of TEUR 6,335 (2019: TEUR 3,484) reported in the separate financial statements according to BWG and UGB.

The net profit according to UGB posted by Hypo Vorarlberg Bank AG for the 2020 financial year amounted to TEUR 36,390 (2019: TEUR 56,111). After the allocation to reserves of TEUR 33,539 (2019: TEUR 52,739) and the addition of the retained profit of TEUR 3,484 (2019: TEUR 111), accumulated profits available for appropriation totalled TEUR 6,335 (2019: TEUR 3,484). Subject to approval by the shareholders' meeting and taking account of further developments up until the time of this resolution, a dividend of EUR 20 per entitled share is proposed based on the shares and the associated share capital of TEUR 162,152. The dividend distribution will therefore be TEUR 6,335 for 316,736 shares. Due to the COVID-19 crisis and on the FMA's recommendation, no profit distribution for 2019 was carried out.

(42) FOREIGN CURRENCY VOLUME AND FOREIGN-DENOMINATED ASSETS

TEUR 31.12.2019	EUR	USD	CHF	JPY	Other	Total
Cash and balances with central banks	225,817	2,923	206,817	1,816	5,173	442,546
Trading assets	143,979	81	398	2,795	718	147,971
Financial assets at fair value (non-SPPI)	757,424	26,233	14,449	32,685	0	830,791
Financial assets at fair value (option)	346,046	0	5,090	0	13,532	364,668
Financial assets at amortized cost	9,975,610	126,870	1,464,137	16,794	207,428	11,790,839
Positive market values of hedges	143,658	21	10,572	0	802	155,053
Affiliates	1,534	0	0	0	0	1,534
Shares in companies valued at equity	1,806	0	0	0	0	1,806
Property, plant and equipment	77,634	0	6,493	0	0	84,127
Investment property	54,778	0	0	0	0	54,778
Intangible assets	2,472	0	324	0	0	2,796
Income tax assets	5,107	0	2	0	0	5,109
Deferred income tax assets	11,203	0	1	0	0	11,204
Non-current assets held for sale	4,635	0	0	0	0	4,635
Other assets	76,014	38	5,838	0	194	82,084
Total assets	11,827,717	156,166	1,714,121	54,090	227,847	13,979,941

TEUR 31.12.2019	EUR	USD	CHF	JPY	Other	Total
Trading liabilities	136,412	1,520	143	939	30	139,044
Financial liabilities at fair value (option)	919,056	0	0	9,550	0	928,606
Financial liabilities at amortized cost	10,395,340	133,060	839,786	3,955	95,653	11,467,794
Negative market values of hedges	124,455	2,687	10,439	0	3,689	141,270
Provisions	43,011	0	1,779	0	0	44,790
Income tax liabilities	310	0	761	0	0	1,071
Deferred income tax liabilities	3,373	0	90	0	0	3,463
Other liabilities	54,218	99	1,315	0	0	55,632
Shareholders' equity	1,198,050	0	3	0	218	1,198,271
Total liabilities and shareholders' equity	**12,874,225**	**137,366**	**854,316**	**14,444**	**99,590**	**13,979,941**

TEUR 31.12.2020	EUR	USD	CHF	JPY	Other	Total
Cash and balances with central banks	1,122,067	2,690	203,801	1,414	8,650	1,338,622
Trading assets	121,092	11	197	1,072	164	122,536
Financial assets at fair value (non-SPPI)	687,077	35,043	14,051	14,728	0	750,899
Financial assets at fair value (option)	315,015	0	5,038	0	13,804	333,857
Financial assets at amortized cost	10,598,673	153,035	1,411,918	14,970	153,605	12,332,201
Positive market values of hedges	177,401	0	12,925	0	1,051	191,377
Affiliates	968	0	0	0	0	968
Shares in companies valued at equity	3,325	0	0	0	0	3,325
Property, plant and equipment	75,987	0	6,318	0	0	82,305
Investment property	52,129	0	0	0	0	52,129
Intangible assets	1,627	0	216	0	0	1,843
Income tax assets	15,432	0	0	0	0	15,432
Deferred income tax assets	15,320	0	-1	0	0	15,319
Cash and balances with central banks	50,585	35	5,239	0	96	55,955
Total assets	**13,236,698**	**190,814**	**1,659,702**	**32,184**	**177,370**	**15,296,768**

TEUR 31.12.2020	EUR	USD	CHF	JPY	Other	Total
Trading liabilities	111,762	2,771	123	2,538	159	117,353
Financial liabilities at fair value (option)	798,601	0	0	4,998	0	803,599
Financial liabilities at amortized cost	11,548,038	187,964	1,034,392	4,447	99,283	12,874,124
Negative market values of hedges	148,922	2,910	8,549	0	3,494	163,875
Provisions	58,481	0	2,333	0	0	60,814
Income tax liabilities	621	0	481	0	0	1,102
Deferred income tax liabilities	2,330	0	97	0	0	2,427
Other liabilities	38,860	111	1,271	0	0	40,242
Shareholders' equity	1,233,194	0	27	0	11	1,233,232
Total liabilities and shareholders' equity	13,940,809	193,756	1,047,273	11,983	102,947	15,296,768

The difference between assets and liabilities in the individual currencies does not constitute the Group's open foreign exchange position according to Article 352 CRR. Open foreign exchange positions are hedged with derivative financial instruments such as currency swaps or cross-currency swaps. However, these hedges are not carried in the IFRS balance sheet at nominal value but at market value. The sum of all open foreign exchange positions according to Article 352 CRR as of 31 December 2020 was TEUR 2,820 (2019: TEUR 4,463).

Foreign-denominated assets and liabilities

TEUR	31.12.2020	31.12.2019
Foreign assets	5,119,150	5,753,866
Foreign liabilities	3,193,390	3,119,434

(43) MATURITIES

TEUR 31.12.2019	Payable on demand	Up to 3 months	Up to 1 year	Up to 5 years	More than 5 years	Without maturity	Total
Cash and balances with central banks	416,113	0	0	0	0	26,433	442,546
Trading assets	0	3,360	4,336	20,038	120,086	151	147,971
Financial assets at fair value (non-SPPI)	113,628	46,983	144,049	257,389	232,315	36,427	830,791
Financial assets at fair value (option)	0	5,040	25,816	111,485	222,327	0	364,668
Financial assets at amortized cost	644,401	906,832	1,231,297	4,380,013	4,541,532	86,764	11,790,839
Positive market values of hedges	0	0	8,431	29,178	117,444	0	155,053
Affiliates	0	0	0	0	0	1,534	1,534
Shares in companies valued at equity	0	0	0	0	0	1,806	1,806
Property, plant and equipment	0	0	0	0	0	84,127	84,127
Investment property	0	0	0	0	0	54,778	54,778
Intangible assets	0	0	0	0	0	2,796	2,796
Income tax assets	73	0	1,318	3,718	0	0	5,109
Deferred income tax assets	-974	2,266	-10,770	11,855	9,276	-449	11,204
Non-current assets held for sale	0	0	4,635	0	0	0	4,635
Other assets	32,058	2,767	1,786	5,222	2,226	38,025	82,084
Total assets	1,205,299	967,248	1,410,898	4,818,898	5,245,206	332,392	13,979,941

TEUR 31.12.2019	Payable on demand	Up to 3 months	Up to 1 year	Up to 5 years	More than 5 years	Without maturity	Total
Trading liabilities	0	4,331	24,323	22,456	87,934	0	139,044
Financial liabilities at fair value (option)	0	17,866	49,674	144,558	716,508	0	928,606
Financial liabilities at amortized cost	4,217,380	544,263	1,054,510	2,819,165	2,832,476	0	11,467,794
Negative market values of hedges	0	1,916	2,585	57,406	79,363	0	141,270
Provisions	1,960	211	1,365	18,431	22,370	453	44,790
Income tax liabilities	45	32	0	0	968	26	1,071
Deferred income tax liabilities	6	0	919	37	1,849	652	3,463
Other liabilities	37,873	5,514	6,999	3,321	1,741	184	55,632
Shareholders' equity	0	0	0	0	0	1,198,271	1,198,271
Total liabilities and shareholders' equity	4,257,264	574,133	1,140,375	3,065,374	3,743,209	1,199,586	13,979,941

TEUR 31.12.2020	Payable on demand	Up to 3 months	Up to 1 year	Up to 5 years	More than 5 years	Without maturity	Total
Cash and balances with central banks	1,315,467	0	0	0	0	23,155	1,338,622
Trading assets	0	3,135	3,567	19,473	96,225	136	122,536
Financial assets at fair value (non-SPPI)	146,321	74,042	29,561	263,837	223,614	13,524	750,899
Financial assets at fair value (option)	4	5,042	19,899	146,428	162,484	0	333,857
Financial assets at amortized cost	749,582	1,130,597	1,336,413	4,285,412	4,751,536	78,661	12,332,201
Positive market values of hedges	0	677	1,453	66,951	122,296	0	191,377
Affiliates	0	0	0	0	0	968	968
Shares in companies valued at equity	0	0	0	0	0	3,325	3,325
Property, plant and equipment	0	0	0	0	0	82,305	82,305
Investment property	0	0	0	0	0	52,129	52,129
Intangible assets	0	0	0	0	0	1,843	1,843
Income tax assets	0	0	14,879	553	0	0	15,432
Deferred income tax assets	-2,406	-366	-13,236	-1,188	32,544	-29	15,319
Cash and balances with central banks	12,735	3,713	1,353	6,270	1,393	30,491	55,955
Total assets	2,221,703	1,216,840	1,393,889	4,787,736	5,390,092	286,508	15,296,768

TEUR 31.12.2020	Payable on demand	Up to 3 months	Up to 1 year	Up to 5 years	More than 5 years	Without maturity	Total
Trading liabilities	0	1,987	3,305	27,317	84,744	0	117,353
Financial liabilities at fair value (option)	0	27,867	22,189	103,525	650,018	0	803,599
Financial liabilities at amortized cost	4,603,744	338,091	422,532	5,020,077	2,489,639	41	12,874,124
Negative market values of hedges	0	68	3,914	53,985	105,908	0	163,875
Provisions	2,646	288	11,061	21,313	24,188	1,318	60,814
Income tax liabilities	20	158	770	0	0	154	1,102
Deferred income tax liabilities	2	0	0	37	1,863	525	2,427
Other liabilities	22,152	6,465	8,383	2,772	470	0	40,242
Shareholders’ equity	0	0	0	0	0	1,233,232	1,233,232
Total liabilities and shareholders’ equity	4,628,564	374,924	472,154	5,229,026	3,356,830	1,235,270	15,296,768

D. FURTHER IFRS INFORMATION

(44) DISCLOSURES ON THE CASH FLOW STATEMENT

The cash flow statement is prepared according to the indirect method. The net cash flow from operating activities is calculated on the basis of consolidated net profit after adding expenses and deducting income that did not affect cash in the financial year. All expenses and income that did affect cash but are not attributable to operating activities are also eliminated. These payments are included in cash flow from investing or financing activities.

(45) CONTINGENT LIABILITIES AND CREDIT RISKS

Off-balance liabilities

TEUR	31.12.2020	31.12.2019
Loan commitments granted	2,298,319	1,999,128
Financial guarantees granted	426,162	404,989
Other guarantees granted	20,661	31,733
Off-balance liabilities	2,745,142	2,435,850

The loan commitments issued include loans granted but not yet drawn upon by customers. This primarily includes loan commitments but also unutilised credit lines. The credit risks were recognised at nominal value. Contingent liabilities from financial guarantees represent commitments to third parties to assume liability for our customers. If the guarantee holder fails to meet its contractual obligations, the beneficiary may utilise the Bank's financial guarantee. In turn, the Bank is able to claim recourse from its customers. The amounts shown represent the maximum amount that could lead to a payment in the event of utilisation. The recognition of contingent liabilities in connection with financial guarantees is difficult, because the utilisation of the commitment cannot be predicted or plausibly estimated. Other commitments issued constitute certain trust activities and documentary credit transactions.

Contingent liabilities -- breakdown by residual duration

TEUR	31.12.2020	31.12.2019
Repayable on demand	15,797	0
Up to 3 months	21,808	30,967
Up to 1 year	78,825	75,910
Up to 5 years	161,949	159,584
More than 5 years	72,194	65,694
Unlimited	96,250	104,567
Contingent liabilities	446,823	436,722

Besides the contingent liabilities described above, there are also the following contingent obligations.

Obligation from the membership of the deposit insurance company "Einlagensicherung AUSTRIA Ges.m.b.H. (ESA)" required under Section 8 of the Austrian Federal Act on Deposit Protection and Investor Compensation at Banks (ESAEG):

In accordance with Section 8 (1) ESAEG, Hypo Vorarlberg, as an institution that accepts deposits (CRR institution) based in Austria, is a member of the standard protection scheme pursuant to Section 1 (1) No. 1 ESAEG. Each protection scheme must establish a deposit protection fund based on available financial resources that is equivalent to at least 0.8 % of the total covered deposits of the member institutions (target level). The required contribution depends on the amount of deposits covered based on previously defined risk factors (risk-based contribution calculation). The share contributed by Hypo Vorarlberg was calculated at TEUR 2,852 (2019: TEUR 1,458). As a result of the insolvency proceedings concerning Commerzialbank Mattersburg, there was one deposit protection incident. The resulting requirement to provide additional endowments will continue until 2024 and amounts to TEUR 1,047 for 2020. In accordance with Section 22 (1) ESAEG, ESA must also stipulate special contributions of a maximum of 0.5 % of the total covered deposits of its member institutions and collect these from its member institutions in a timely manner each calendar year if the available financial resources of a protection scheme are not sufficient to compensate the depositors in the event of default or to fulfil obligations from lending operations.

(46) INTEREST-FREE LOANS AND ADVANCES

TEUR	31.12.2020	31.12.2019
Interest-free loans and advances to banks	1,718	181
Interest-free loans and advances to customers	104,791	108,848
Interest-free loans and advances	106,509	109,029

Interest-free loans and advances to banks mainly constitute non-interest-bearing balances at clearing houses and receivables from payment transactions. Loans and advances to customers are classified as interest-free when the collection of interest payments in future periods can no longer be expected. Sufficient valuation allowances have already been recognised for these loans and advances.

(47) COLLATERAL

Assets provided as collateral

TEUR	31.12.2020	31.12.2019
Financial assets at fair value (non-SPPI)	286,324	364,352
Financial assets at fair value (option)	302,316	324,899
Financial assets at amortized cost	7,106,213	6,843,019
Assets provided as collateral	7,694,853	7,532,270
of which covered pool for mortgage bonds	3,564,980	3,310,690
of which covered pool for public-sector mortgage bonds	646,456	705,368

Assignment of collateral

TEUR	31.12.2020	31.12.2019
Backing for refinancing with central banks	1,862,489	1,616,044
Covered pool for mortgage bonds	4,294,334	4,062,356
Covered pool for public-sector mortgage bonds	712,607	778,413
Surplus cover for mortgage bonds and municipal bonds	110,967	91,958
Covered pool for trust savings deposits	30,981	31,130
Cover for pension provisions	2,155	2,142
Genuine repurchase agreements, repos	488,641	769,633
Deposits, collateral, margins	192,679	180,594
Collateral – breakdown by assignment	7,694,853	7,532,270

Utilisation of collateral

TEUR	31.12.2020	31.12.2019
Backing for refinancing with central banks	2,503,232	1,014,643
Covered pool for mortgage bonds	3,258,701	3,008,142
Covered pool for public-sector mortgage bonds	484,330	327,646
Surplus cover for mortgage bonds and municipal bonds	110,967	91,958
Covered pool for trust savings deposits	25,350	24,874
Cover for pension provisions	2,155	2,142
Genuine repurchase agreements, repos	0	150,000
Deposits, collateral, margins	192,679	180,594
Collateral – breakdown by utilisation	6,577,414	4,799,999

The collateral holder is not entitled to sell or repledge the collateral listed. Therefore, there were no reclassifications on the balance sheet for the collateral provided.

As a collateral holder, the Bank does not hold collateral that it is permitted to sell in the absence of default by the owner or repledge without the owner's permission.

(48) SUBORDINATED ASSETS

TEUR	31.12.2020	31.12.2019
Financial assets at fair value (non-SPPI)	46,756	56,233
Financial assets at amortized cost	29,406	26,324
Subordinated assets	76,162	82,557
of which debt securities	72,953	82,557
of which loans and credits	3,209	0

(49) FIDUCIARY TRANSACTIONS ADVANCES

TEUR	31.12.2020	31.12.2019
Loans and advances to customers	128,210	108,361
Fiduciary assets	128,210	108,361
Amounts owed to banks	113,650	95,444
Amounts owed to customers	15,253	13,227
Fiduciary liabilities	128,903	108,671

(50) REPURCHASE AGREEMENTS

TEUR	31.12.2020	31.12.2019
Amounts owed to banks	0	150,000
Total deposits (repos)	0	150,000
Debt securities	0	145,667
Total provided collateral (repos)	0	145,667

(51) RELATED PARTY DISCLOSURES

Related parties include:

- The owners of Vorarlberger Landesbank-Holding and Austria Beteiligungsgesellschaft m.b.H. and their owners
- The Managing Board and Supervisory Board of Hypo Vorarlberg Bank AG and their next of kin
- Managing directors of consolidated subsidiaries and their next of kin
- Senior employees of Hypo Vorarlberg Bank AG as defined by Section 80 of the Austrian Stock Corporation Act (AktG) and their next of kin
- Senior employees of the subsidiaries of Hypo Vorarlberg Bank AG and their next of kin
- Legal representatives and members of the supervisory bodies of significant shareholders
- Subsidiaries and other companies in which Hypo Vorarlberg Bank AG holds a stake
- Companies over which related parties exert significant influence

Advances, loans and warranties

At the end of the year, the Managing Board members and managing directors and their next of kin had received advances, loans and warranties amounting to TEUR 2,090 (2019: TEUR 5,326) at the customary terms and conditions for Bank employees. At the end of the year, the Supervisory Board members and their next of kin had received advances, loans and warranties amounting to TEUR 20,938 (2019: TEUR 18,845) for themselves and for companies for which they are employees liable at the customary terms and conditions for the Bank or for Bank employees.

Remuneration

The remuneration for members of the Managing Board consists of only a fixed amount. There are no variable remuneration components. In some cases, variable remuneration determined individually by the Managing Board has been agreed for managing directors and senior employees due to individual targets. There are no share based remuneration schemes.

In 2020, Hypo Vorarlberg Bank AG spent the following amounts for the active Managing Board members:

TEUR	2020	2019
Michel Haller	353	334
Johannes Hefel	342	259
Wilfried Amann	294	282
Philipp Hämmerle	152	0
Managing Board remuneration	1,141	875

TEUR	2020	2019
Managing Board members and managing directors	1,918	1,945
Retired Managing Board members and survivors	69	68
Managerial personnel	4,591	5,154
Supervisory Board members	210	223
Remuneration paid to related parties	6,788	7,390

Severance and pensions

The expenses for severance and pensions to related parties comprise the amounts shown in the table below.

TEUR	2020	2019
Managing Board members and managing directors	279	131
Retired Managing Board members and survivors	57	71
Managerial personnel	1,214	1,181
Severance and pensions paid to related parties	1,550	1,383

The Group purchased services amounting to TEUR 52 (2019: TEUR 94) from companies in which parties related to the Group hold a significant interest.

Business relationships with affiliated companies

TEUR	31.12.2020	31.12.2019
Equity instruments	0	1,522
Loans and advances	6	0
Financial assets	6	1,522
Deposits	218	287
Financial liabilities	218	287

Apart from equity investments in affiliated, non-consolidated companies, business activities with affiliated companies comprise only business current accounts. The deposits currently have an interest rate of 0 % (2019: 0 %).

Income and expenses from affiliated companies

As in the previous year, income and expenses with affiliated companies came to less than TEUR 1 in the reporting year.

Business relationships with associated companies

TEUR	31.12.2020	31.12.2019
Equity instruments	12	4,647
Loans and advances	0	11,428
Financial assets	12	16,075
Deposits	2,363	2,276
Financial liabilities	2,363	2,276
Nominal values of derivatives	0	3,000

In addition to equity instruments, transactions with associated companies also include loans, cash advances, credits, business current accounts, savings deposits and time deposits. These transactions are concluded at standard market conditions. As at the reporting date, no warranties were assumed for associated companies, as in the previous year.

No derivative transactions were concluded with associated companies in 2020. In 2019, there was one derivative transaction with associated companies, which had a market value of TEUR 295.

Income and expenses from associated companies

TEUR	2020	2019
Interest income	0	207
Interest expenses	0	-1
Dividend earnings	821	627
Fee and commission income	2	7
Total income/expenses from associated companies	823	840

Business relationships with shareholders

TEUR	31.12.2020	31.12.2019
Equity instruments	10,021	10,481
Debt securities	11,373	2,963
Loans and advances	100,591	159,416
Financial assets	121,985	172,860
Deposits	31,786	19,136
Financial liabilities	31,786	19,136
Nominal values of off-balance-sheet items	269,434	117,931
Nominal values of derivatives	1,521,133	1,758,381

The term shareholder refers to the two holding companies with a direct equity holding in Hypo Vorarlberg Bank AG, as well as the indirect shareholders, the state of Vorarlberg, Landesbank Baden-Württemberg and Landeskreditbank Baden-Württemberg Förderbank. Transactions with shareholders with significant influence primarily include loans, cash advances, credits, business current accounts, savings deposits and time deposits. We have also concluded derivative transactions with Landesbank Baden-Württemberg with a total market value of TEUR 19,575 (2019: TEUR 9,186) to hedge against market price and interest rate risks. The positive market values of derivatives are partly hedged in connection with cash collateral. There is usually no collateral for the remaining loans and advances. All of these transactions were concluded at standard market conditions.

Income and expenses from significant shareholders

TEUR	2020	2019
Interest income	15,751	20,765
Interest expenses	-9,961	-11,205
Fee and commission income	1,831	1,800
Fee and commission expenses	-1	-1
Total income/expenses from significant shareholders	7,620	11,359

Shareholders of Hypo Vorarlberg Bank AG

Shareholders 31.12.2020	Total shares	Voting rights
Vorarlberger Landesbank-Holding	76.8732 %	76.8732 %
Austria Beteiligungsgesellschaft mbH	23.1268 %	23.1268 %
- Landesbank Baden-Württemberg	15.4179 %	
- Landeskreditbank Baden-Württemberg Förderbank	7.7089 %	
Share capital	100.0000 %	100.0000 %

Because of its competence as a housing bank, Hypo Vorarlberg Bank AG has been appointed by the state of Vorarlberg to administer the state housing construction fund. The Group is not in a permanent business relationship with Austria Beteiligungsgesellschaft m.b.H. Numerous transactions typical of a banking relationship have been conducted with Landesbank Baden-Württemberg.

Business relationship with state-related companies

TEUR	31.12.2020	31.12.2019
Loans and advances	97,369	77,318
Financial assets	97,369	77,318
Deposits	96,025	82,268
Financial liabilities	96,025	82,268
Nominal values of off-balance-sheet items	35,007	39,511

Transactions with state-related companies include loans and credits, business current accounts and time deposits. These transactions were concluded at standard market conditions.

Income and expenses from state-related companies

TEUR	2020	2019
Interest income	813	660
Interest expenses	-29	-31
Fee and commission income	436	309
Total income/expenses from state-related companies	1,220	938

There were no doubtful debts due from related parties in financial year 2020 or the comparative period. Therefore, neither provisions nor expenses were required for impairment or write-downs on debts due from related parties.

(52) SHARE-BASED PAY ARRANGEMENTS

There were no pay arrangements for participation certificates in the Group as at 31 December 2020.

(53) HUMAN RESOURCES

	2020	2019
Full-time salaried staff	573	605
Part-time salaried staff	112	102
Apprentices	6	9
Cleaning staff / workers	3	3
Average number of employees	694	719

(54) SIGNIFICANT EVENTS AFTER THE REPORTING DATE

There were no events of material importance for Hypo Vorarlberg between the reporting date and the preparation of the annual financial statements.

E. SEGMENT REPORTING

Reporting by business segment

TEUR		Corporate customers	Private customers	Financial Markets	Corporate Center	Total
Net interest income	2020	101,313	34,347	17,799	20,701	174,160
	2019	98,416	34,040	15,378	21,707	169,541
Dividend income	2020	0	0	472	216	688
	2019	0	0	552	899	1,451
Net fee and commission income	2020	14,459	19,255	1,950	-1,017	34,647
	2019	14,583	21,020	1,542	-679	36,466
Net result from financial instruments at amortized cost	2020	0	0	1,518	0	1,518
	2019	-2	0	1,039	-1,051	-14
Net result from financial instruments at fair value	2020	8,417	1,539	-16,883	-1,307	-8,234
	2019	3,270	910	801	7,455	12,436
Other income	2020	710	452	125	15,770	17,057
	2019	624	727	3	22,450	23,804
Other expenses	2020	-4,452	-3,988	-5,581	-9,891	-23,912
	2019	-2,412	-2,611	-4,942	-14,958	-24,923
Administrative expenses	2020	-35,998	-41,096	-11,089	-6,929	-95,112
	2019	-34,567	-42,556	-10,751	-8,417	-96,291
Depreciation and amortization	2020	-826	-867	-54	-6,438	-8,185
	2019	-735	-878	-36	-5,936	-7,585
Loan loss provisions and impairment of financial assets	2020	-33,130	-848	576	-8,041	-41,443
	2019	-16,846	-1,620	588	-3,714	-21,592
Impairment of non-financial assets	2020	0	0	0	-2,808	-2,808
	2019	0	0	0	-1,648	-1,648
Result from equity consolidation	2020	0	0	0	449	449
	2019	0	0	0	52	52
Result from non-current assets available for sale	2020	0	0	0	0	0
	2019	0	0	0	-5	-5
Earnings before taxes	2020	50,493	8,794	-11,167	705	48,825
	2019	62,331	9,032	4,174	16,155	91,692
Assets	2020	7,089,098	2,175,655	4,663,076	1,368,939	15,296,768
	2019	6,785,162	2,070,447	3,713,221	1,411,111	13,979,941
Liabilities and shareholders' equity	2020	1,883,949	2,719,328	8,939,410	1,754,081	15,296,768
	2019	1,810,779	2,585,469	7,719,519	1,864,174	13,979,941
Liabilities	2020	1,882,993	2,715,230	8,896,723	568,590	14,063,536
	2019	1,809,437	2,581,305	7,665,389	725,539	12,781,670

For the purposes of business management, the Group is organised into business units according to customer and product groups and has the four reportable business segments described below. No business segments have been combined to form these reportable business segments. The management monitors the business units' earnings before taxes separately in order to make decisions on the allocation of resources and to determine the profitability of the units. The segments' performance is assessed on the basis of earnings before taxes and measured in accordance with earnings before taxes in the consolidated financial statements.

Internal reporting is carried out according to these segments on the basis of both the Austrian Corporate Code (UGB) and International Financial Reporting Standards (IFRS). For this reason, no separate reconciliation is required. The liabilities shown in the segments include liabilities, provisions and social capital as well as subordinated capital. Revenue is not calculated per product and service or for groups of similar products and services because of the inordinately high implementation costs that would be required to ascertain this data.

Net interest income is determined per segment on the basis of the internationally accepted Schierenbeck market interest rate method. The effective interest rate is compared to a benchmark interest rate with regard to both receivables and liabilities. The resulting margin contribution is credited to the individual segments. The structure contribution determined from the maturity transformation is assigned to the Financial Markets segment. For this reason, it is not possible to show interest income and interest expenses separately. As the income and expenses per segment are determined directly, there are no transactions or allocations between the segments. In the Corporate Centre segment, an amount of TEUR 3,325 (2019: TEUR 1,806) was included in assets from consolidation according to the equity method.

Corporate customers
The Corporate Customers segment comprises customers active in the commercial, industrial and trade sectors. Both large customers and small- and medium-sized enterprises are covered by this segment. In addition, income and expenses arising in connection with business relationships with public institutions (federal, state and local governments) are recognised in this segment. Customers of the St. Gallen branch are also assigned to this segment irrespective of customer type or sector. However, self-employed persons whose businesses do not exceed the size of a sole proprietorship are not included. With regard to product groups, this segment includes loans, credits, cash advances, current accounts, demand deposits, term deposits and savings deposits vis-à-vis the above customer groups. Net fee and commission income also includes the income from custodian business with these customer groups.

Private customers
This segment covers all employees (private households) and some self-employed persons (freelancers). This segment does not include the private households and freelancers of the St. Gallen branch, as these are all covered by the Corporate Customers segment. In addition, earnings contributions from insurance companies and pension funds are also counted towards this segment. This segment does not include private persons closely associated with a business (corporate customers) as an owner or shareholder. With regard to product groups, this segment includes loans, credits, cash advances, current accounts, demand deposits, term deposits and savings deposits vis-à-vis the above customer groups. Net fee and commission income also includes the income from custodian business with these customer groups.

Financial markets
This segment includes financial assets, trading assets, derivative financial instruments, issuing business and profit or loss from interbank relations. The profit or loss from the custodian bank function is also allocated to this segment. With regard to product groups, this segment primarily includes financial assets in the form of securities and occasionally promissory note loans. Similarly, funds raised from issues of securities and a few large-volume term deposits are also allocated to the Financial Markets segment. Net fee and commission income also includes the income from custodian business in connection with the custodian bank function.

Corporate Centre
All banking transactions with our subsidiaries and associated companies are reported in this segment. In addition, income from activities that do not constitute banking business is also allocated to this segment, such as leasing business, insurance brokerage, leasing and utilisation of real estate, real estate brokerage, facility management services, other services and income from subsidiaries and investments.

Recognition and reversal of impairment

TEUR		Corporate customers	Private customers	Financial Markets	Corporate Center	Total
Recognition of impairments	2020	-34,587	-4,084	-416	-12,961	-52,048
	2019	-26,120	-4,920	-476	-10,410	-41,926
Reversals of impairments	2020	13,985	3,722	989	3,194	21,890
	2019	10,261	3,622	1,068	5,079	20,030

Reporting by region

TEUR		Austria	Third country	Total
Net interest income	2020	147,390	26,770	174,160
	2019	145,485	24,056	169,541
Dividend income	2020	688	0	688
	2019	1,451	0	1,451
Net fee and commission income	2020	34,268	379	34,647
	2019	36,013	453	36,466
Net result from financial instruments at amortized cost	2020	1,518	0	1,518
	2019	-11	-3	-14
Net result from financial instruments at fair value	2020	-8,552	318	-8,234
	2019	12,053	383	12,436
Other income	2020	12,640	4,417	17,057
	2019	18,503	5,301	23,804
Other expenses	2020	-20,199	-3,713	-23,912
	2019	-19,960	-4,963	-24,923
Administrative expenses	2020	-84,633	-10,479	-95,112
	2019	-86,664	-9,627	-96,291
Depreciation and amortization	2020	-6,533	-1,652	-8,185
	2019	-6,020	-1,565	-7,585
Result from contract adjustments	2020	0	0	0
	2019	0	0	0
Loan loss provisions and impairment of financial assets	2020	-31,553	-9,890	-41,443
	2019	-15,355	-6,237	-21,592
Impairment of non-financial assets	2020	0	-2,808	-2,808
	2019	0	-1,648	-1,648
Result from equity consolidation	2020	449	0	449
	2019	52	0	52
Result from non-current assets available for sale	2020	0	0	0
	2019	-5	0	-5
Earnings before taxes	2020	45,483	3,342	48,825
	2019	85,542	6,150	91,692
Assets	2020	13,539,408	1,757,360	15,296,768
	2019	12,293,957	1,685,984	13,979,941
Liabilities and shareholders' equity	2020	14,867,194	429,574	15,296,768
	2019	13,504,244	475,697	13,979,941
Liabilities	2020	13,783,361	280,175	14,063,536
	2019	12,457,539	324,131	12,781,670

F. SPECIAL DISCLOSURES ON FINANCIAL INSTRUMENTS

(55) EARNINGS BY MEASUREMENT CATEGORY

Result of financial assets

TEUR 2019	HA	NON-SPPI	FVO	AC	Total assets
Interest income	51,600	13,607	2,328	199,926	267,461
Interest expenses	0	0	0	-2,901	-2,901
Net interest income	51,600	13,607	2,328	197,025	264,560
Dividend earnings	0	1,451	0	0	1,451
Additions to loan loss provisions	0	0	0	-40,944	-40,944
Reversal of loan loss provisions	0	0	0	20,233	20,233
Write-ups	12,074	357	0	0	12,431
Depreciation	0	-175	0	-16,449	-16,624
Realised gains	1,499	15,788	7,885	513	25,685
Realised losses	-2,213	-1,250	-8,799	-803	-13,065
Comprehensive income	62,960	29,778	1,414	159,575	253,727

TEUR 2020	HA	NON-SPPI	FVO	AC	Total assets
Interest income	45,735	13,315	1,936	197,377	258,363
Interest expenses	0	0	0	-6,629	-6,629
Net interest income	45,735	13,315	1,936	190,748	251,734
Dividend earnings	2	686	0	0	688
Additions to loan loss provisions	0	0	0	-49,701	-49,701
Reversal of loan loss provisions	0	0	0	21,954	21,954
Write-ups	29,619	0	0	0	29,619
Depreciation	0	0	0	-32,901	-32,901
Realised gains	826	15,848	2,024	1,892	20,590
Realised losses	-851	-5,988	-6,738	-424	-14,001
Comprehensive income	75,331	23,861	-2,778	131,568	227,982

Result of financial liabilities

TEUR 2019	HP	LFVO	LAC	Total assets
Interest income	0	0	1,753	1,753
Interest expenses	-30,127	-5,800	-60,845	-96,772
Net interest income	-30,127	-5,800	-59,092	-95,019
Write-ups	0	0	73,229	73,229
Depreciation	-67,880	0	0	-67,880
Realised gains	0	15,708	1,467	17,175
Realised losses	0	-17,154	-1,191	-18,345
Comprehensive income	-98,007	-7,246	14,413	-90,840
Measurement	0	-3,410	0	-3,410

TEUR 2020	HP	LFVO	LAC	Total assets
Interest income	0	0	12,217	12,217
Interest expenses	-30,696	-4,271	-54,824	-89,791
Net interest income	-30,696	-4,271	-42,607	-77,574
Write-ups	0	0	45,801	45,801
Depreciation	-77,037	0	0	-77,037
Realised gains	32	30,653	99	30,784
Realised losses	0	-9,522	-49	-9,571
Comprehensive income	-107,701	16,860	3,244	-87,597
Measurement	0	-1,357	0	-1,357

(56) DISCLOSURES ON FAIR VALUE

TEUR	Notes	31.12.2020 Fair Value	31.12.2020 Carrying amount	31.12.2019 Fair Value	31.12.2019 Carrying amount
Trading assets	(19)	122,536	122,536	147,971	147,971
Financial assets at fair value (non-SPPI)	(20)	750,899	750,899	830,791	830,791
Financial assets at fair value (option)	(21)	333,857	333,857	364,668	364,668
Financial assets at amortized cost	(23)	13,652,533	12,332,201	12,477,712	11,790,839
Positive market values of hedges	(24)	191,377	191,377	155,053	155,053
Affiliates		968	968	1,534	1,534
Assets					
Trading liabilities	(33)	117,353	117,353	139,044	139,044
Financial liabilities at fair value (option)	(34)	803,599	803,599	928,606	928,606
Financial liabilities at amortized cost	(35)	12,958,013	12,874,124	11,526,413	11,467,794
Negative market values of hedges	(36)	163,875	163,875	141,270	141,270
Liabilities					

In the case of financial assets at amortized cost, the fair value of the fixed-interest transactions - provided they are loans and credits - was determined on the basis of the expected future cash flows taking into account the current market interest rates. In the case of bonds, the fair value was determined on the basis of available market prices and quotes. If no reliable market price was available for an asset as of the reporting date, the fair value was determined on the basis of market prices of similar financial instruments with comparable yields, credit risks and maturities.

For financial liabilities at amortized cost, the repayment amount recognised for deposits without agreed maturity and variable interest rates largely also corresponds to the current market value. The fair value of fixed-interest positions was determined on the basis discounted cash flows. The fair value of bonds was recognised on the basis of available market prices and quotes. If no market prices were available for this category, the fair value was measured on the basis of discounted future cash flows taking current market interest rates and credit spreads into account.

To the extent available, the fair values reported in the financial statements were determined exclusively using measurement techniques based on prices of similar instruments in observable market transactions.

Fair value hierarchy for financial instruments not recognised at fair value (at amortized cost)

TEUR 31.12.2019	Level 1	Level 2	Level 3	Total
Financial assets at amortized cost	2,490,923	24,863	9,961,926	12,477,712
Financial liabilities at amortized cost	3,768,760	51,362	7,706,291	11,526,413

TEUR 31.12.2020	Level 1	Level 2	Level 3	Total
Financial assets at amortized cost	2,623,616	25,363	11,003,554	13,652,533
Financial liabilities at amortized cost	3,379,258	51,887	9,526,868	12,958,013

The measurement techniques for financial instruments not carried at fair value do not usually differ from those use for financial instruments that are carried at fair value. The measurement techniques used are described in more detail in note (3c). Changes and enhancements of measurement techniques are also outlined there.

Fair value hierarchy for financial instruments recognised at fair value

TEUR 31.12.2019	Level 1	Level 2	Level 3	Total
Trading assets	151	91,341	56,479	147,971
Financial assets at fair value (non-SPPI)	107,393	114,245	609,153	830,791
Financial assets at fair value (option)	23,507	42,300	298,861	364,668
Positive market values of hedges	0	150,327	4,726	155,053
Affiliates	0	0	1,534	1,534
Assets measured at fair value	131,051	398,213	970,753	1,500,017
Reclassification of assets from level 2 and 3 to level 1	4,469	-4,468	-1	0
Reclassification of assets from level 1 and 3 to Level 2	-10,037	10,037	0	0
Trading liabilities	0	130,457	8,587	139,044
Financial liabilities at fair value (option)	0	302,997	625,609	928,606
Negative market values of hedges	0	128,602	12,668	141,270
Liabilities measured at fair value	0	562,056	646,864	1,208,920
Reclassification of liabilities from level 2 and 3 to Level 1	0	0	0	0
Reclassification of liabilities from level 1 and 3 to Level 2	-11,020	14,131	-3,111	0

TEUR 31.12.2020	Level 1	Level 2	Level 3	Total
Trading assets	136	78,651	43,749	122,536
Financial assets at fair value (non-SPPI)	73,133	69,066	608,700	750,899
Financial assets at fair value (option)	17,123	42,431	274,303	333,857
Positive market values of hedges	0	182,990	8,387	191,377
Affiliates	0	0	968	968
Assets measured at fair value	90,392	373,138	936,107	1,399,637
Reclassification of assets from level 2 and 3 to level 1	15,013	-15,013	0	0
Reclassification of assets from level 1 and 3 to Level 2	0	60	-60	0
Trading liabilities	0	85,206	32,147	117,353
Financial liabilities at fair value (option)	0	253,988	549,611	803,599
Negative market values of hedges	0	121,992	41,883	163,875
Liabilities measured at fair value	0	461,186	623,641	1,084,827
Reclassification of liabilities from level 2 and 3 to Level 1	0	0	0	0
Reclassification of liabilities from level 1 and 3 to Level 2	0	14,466	-14,466	0

In the case of financial assets and liabilities recognised in the financial statements on a recurring basis, the Group determines whether transfers have taken place between hierarchy levels by examining their classification – based on the input parameter of the lowest level that is essential for fair value measurement – at the end of each reporting period. To do so, the Group uses a decision tree defined in the internal measurement guidelines.

The Group has a valuation committee for financial instruments. This committee specifies guidelines and procedures for recurring and non-recurring fair value measurements. The Head of Asset and Liability Management, the Head of Group Risk Controlling, the Head of Debt Capital Markets and a financial mathematician belong to the valuation committee for financial instruments. Once a year, the valuation committee examines the performance of financial instruments that should be measured in accordance with the Group's accounting policies. The valuation committee reviews the key input factors that were applied during the last measurement by comparing the results of the measurement calculations with external sources in order to assess whether the internal input parameters or changes need to be implemented. The valuation committee will decide to adjust the internal input parameters if this is more in line with the aim of measuring financial instruments as objectively as possible.

The reclassifications in Level 1 and Level 2 described in the tables and text below are shown in the previous tables, while reclassifications in Level 3 are shown in the changes in financial instruments table in Level 3.

Reclassification of assets

From Level 1 to Level 2

TEUR	31.12.2020 Total number	31.12.2020 Carrying amount	31.12.2020 Carrying Amount Prev. year	31.12.2019 Total number	31.12.2019 Carrying amount	31.12.2019 Carrying Amount Prev. year
From Level 1 to Level 2	0	0	0	2	10,037	10,114
Financial assets at fair value (non-SPPI)	0	0	0	2	10,037	10,114

Because no secondary market price was available from Bloomberg, a derived market valuation was used for financial instruments in the non-SPPI category in the previous year.

From Level 1 to Level 3

TEUR	31.12.2020 Total number	31.12.2020 Carrying amount	31.12.2020 Carrying Amount Prev. year	31.12.2019 Total number	31.12.2019 Carrying amount	31.12.2019 Carrying Amount Prev. year
From Level 1 to Level 3	0	0	0	1	782	870
Financial assets at fair value (non-SPPI)	0	0	0	1	782	870

Due to the lack of tradability, the market value of the fund was determined based on the net asset value according to the fund report in the previous year. However, this does not constitute the redemption price.

From Level 2 to Level 1

TEUR	31.12.2020 Total number	31.12.2020 Carrying amount	31.12.2020 Carrying Amount Prev. year	31.12.2019 Total number	31.12.2019 Carrying amount	31.12.2019 Carrying Amount Prev. year
From Level 2 to Level 1	2	15,013	15,089	1	4,468	4,488
Financial assets at fair value (non-SPPI)	2	15,013	15,089	1	4,468	4,488

Instead of a derived market valuation, an available OTC secondary market source from Bloomberg was used to measure financial instruments in the non-SPPI category in both the current year and the previous year.

From Level 2 to Level 3

TEUR	31.12.2020 Total number	31.12.2020 Carrying amount	31.12.2020 Carrying Amount Prev. year	31.12.2019 Total number	31.12.2019 Carrying amount	31.12.2019 Carrying Amount Prev. year
From Level 2 to Level 3	7	11,084	10,148	4	5,178	4,683
Trading assets	4	5,206	5,029	3	4,161	3,949
Positive market values of hedges	3	5,878	5,119	1	1,017	734

As there were no observable credit spreads on the market for derivatives in the categories of trading assets and positive market values of hedges, these were measured on the basis of an internal measurement model. This applies to both the current year and the previous year.

From Level 3 to Level 1

TEUR	31.12.2020 Total number	31.12.2020 Carrying amount	31.12.2020 Carrying Amount Prev. year	31.12.2019 Total number	31.12.2019 Carrying amount	31.12.2019 Carrying Amount Prev. year
From Level 3 to Level 1	0	0	0	1	1	2
Financial assets at fair value (non-SPPI)	0	0	0	1	1	2

For one financial instrument in the non-SPPI category, a price available from Bloomberg could be used instead of an internal valuation model in the previous year.

From Level 3 to Level 2

TEUR	31.12.2020 Total number	31.12.2020 Carrying amount	31.12.2020 Carrying Amount Prev. year	31.12.2019 Total number	31.12.2019 Carrying amount	31.12.2019 Carrying Amount Prev. year
From Level 3 to Level 2	1	60	35	0	0	0
Trading assets	1	60	35	0	0	0

Relevant input factors observable on the market could be used for one derivative in the category of trading assets.

Reclassification of liabilities

From Level 1 to Level 2

TEUR	31.12.2020 Total number	31.12.2020 Carrying amount	31.12.2020 Carrying Amount Prev. year	31.12.2019 Total number	31.12.2019 Carrying amount	31.12.2019 Carrying Amount Prev. year
From Level 1 to Level 2	0	0	0	2	11,020	10,783
Financial liabilities at fair value (option)	0	0	0	2	11,020	10,783

No Bloomberg prices were available for the issue in the LFVO category in the previous year, so the measurement is based on comparable instruments and market data.

From Level 2 to Level 3

TEUR	31.12.2020 Total number	31.12.2020 Carrying amount	31.12.2020 Carrying Amount Prev. year	31.12.2019 Total number	31.12.2019 Carrying amount	31.12.2019 Carrying Amount Prev. year
From Level 2 to Level 3	12	30,943	35,083	4	4,775	3,762
Trading liabilities	5	23,634	25,562	3	3,259	2,546
Negative market values of hedges	7	7,309	9,521	1	1,516	1,216

In both the current year and the previous year, the reclassified derivatives in the categories of trading liabilities and negative market values of hedges were measured on the basis of an internal measurement model, as there were no credit spreads available on the market.

From Level 3 to Level 2

TEUR	31.12.2020 Total number	31.12.2020 Carrying amount	31.12.2020 Carrying Amount Prev. year	31.12.2019 Total number	31.12.2019 Carrying amount	31.12.2019 Carrying Amount Prev. year
From Level 3 to Level 2	3	14,466	14,031	1	3,111	2,708
Financial liabilities at fair value (option)	3	14,466	14,031	1	3,111	2,708

Input factors observable on the market could be used to measure the issues in the LFVO category, so the measurement is based on comparable instruments and market data.

Fair value hierarchy for financial assets and liabilities -- breakdown by class

TEUR 31.12.2019	Level 1	Level 2	Level 3	Total
Derivatives	0	91,341	56,479	147,820
Equity instruments	151	0	0	151
Trading assets	151	91,341	56,479	147,971
Equity instruments	0	0	27,893	27,893
Debt securities	107,393	114,245	24,061	245,699
Loans and advances	0	0	557,199	557,199
Financial assets at fair value (non-SPPI)	107,393	114,245	609,153	830,791
Debt securities	23,507	42,300	0	65,807
Loans and advances	0	0	298,861	298,861
Financial assets at fair value (option)	23,507	42,300	298,861	364,668
Positive market values of hedges	0	150,327	4,726	155,053
Affiliates	0	0	1,534	1,534
ASSETS	131,051	398,213	970,753	1,500,017
Derivatives	0	130,457	8,587	139,044
Trading liabilites	0	130,457	8,587	139,044
Deposits	0	0	141,552	141,552
Debt securities issued	0	302,997	484,057	787,054
Financial liabilities at fair value (option)	0	302,997	625,609	928,606
Negative markt values of hedges	0	128,602	12,668	141,270
LIABILITIES	0	562,056	646,864	1,208,920

TEUR 31.12.2020	Level 1	Level 2	Level 3	Total
Derivatives	0	78,651	43,749	122,400
Equity instruments	136	0	0	136
Trading assets	136	78,651	43,749	122,536
Equity instruments	0	0	23,897	23,897
Debt securities	73,133	69,066	25,151	167,350
Loans and advances	0	0	559,652	559,652
Financial assets at fair value (non-SPPI)	73,133	69,066	608,700	750,899
Debt securities	17,123	42,431	0	59,554
Loans and advances	0	0	274,303	274,303
Financial assets at fair value (option)	17,123	42,431	274,303	333,857
Positive market values of hedges	0	182,990	8,387	191,377
Affiliates	0	0	968	968
ASSETS	90,392	373,138	936,107	1,399,637
Derivatives	0	85,206	32,147	117,353
Trading liabilites	0	85,206	32,147	117,353
Deposits	0	0	140,280	140,280
Debt securities issued	0	253,988	409,331	663,319
Financial liabilities at fair value (option)	0	253,988	549,611	803,599
Negative markt values of hedges	0	121,992	41,883	163,875
LIABILITIES	0	461,186	623,641	1,084,827

Changes in Level 3 financial instruments

TEUR 2019	Opening balance	Purchases/ Issues	Sales/ Redemp-tions	Additions from Level 1 and Level 2	Reclassifica-tion to Level 1 and Level 2	Changes in Fair values	Closing balance
Trading assets	51,403	0	0	4,161	0	915	56,479
Financial assets at fair value (non-SPPI)	531,910	205,477	-148,150	782	-1	19,135	609,153
Financial assets at fair value (option)	325,049	0	-4,427	0	0	-21,761	298,861
Positive market values of hedges	5	0	0	1,017	0	3,704	4,726
Affiliates	1,814	0	-4,640	0	0	4,360	1,534
Assets measured at fair value in level 3	910,181	205,477	-157,217	5,960	-1	6,353	970,753
Trading liabilites	8,188	0	0	3,259	0	-2,860	8,587
Financial liabilities at fair value (option)	751,905	10,000	-140,237	0	-3,111	7,052	625,609
Negative markt values of hedges	5,881	0	0	1,516	0	5,271	12,668
Liabilities measured at fair value in level 3	765,974	10,000	-140,237	4,775	-3,111	9,463	646,864

TEUR 2020	Opening balance	Purchases/ Issues	Sales/ Redemp-tions	Additions from Level 1 and Level 2	Reclassifica-tion to Level 1 and Level 2	Changes in Fair values	Closing balance
Trading assets	56,479	0	0	5,206	-60	-17,876	43,749
Financial assets at fair value (non-SPPI)	609,153	55,079	-97,644	0	0	42,112	608,700
Financial assets at fair value (option)	298,861	0	0	0	0	-24,558	274,303
Positive market values of hedges	4,726	0	0	5,878	0	-2,217	8,387
Affiliates	1,534	0	-6	0	0	-560	968
Assets measured at fair value in level 3	970,753	55,079	-97,650	11,084	-60	-3,099	936,107
Trading liabilites	8,587	0	0	23,634	0	-74	32,147
Financial liabilities at fair value (option)	625,609	9,888	-69,840	0	-14,466	-1,580	549,611
Negative markt values of hedges	12,668	0	0	7,309	0	21,906	41,883
Liabilities measured at fair value in level 3	646,864	9,888	-69,840	30,943	-14,466	20,252	623,641

The changes in fair value given relate only to financial instruments that were still held in Level 3 at the end of the reporting period. The changes in fair value shown in the tables above represent gains/losses of financial instruments that were allocated to Level 3 at the end of the year. The fair value changes are recognised in the result from financial instruments at fair value.

Changes in the fair value in the financial liabilities at fair value (option) category amount to TEUR -1,580 (2019: TEUR 7,052), of which TEUR 1,428 (2019: TEUR -3,456) was recognised under the net result from financial instruments at fair value and TEUR 152 (2019: TEUR -3,596) in other comprehensive income recognised under measurement of own credit risk for liabilities at fair value.

Disclosures regarding sensitivity of internal input factors

TEUR	Positive fair value change with alternative measurement paramenters		Negative fair value change with alternative measurement paramenters	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Derivatives	113	103	-165	-152
Financial assets at fair value (non-SPPI)	2,851	1,991	-3,942	-2,782
of which issues	589	522	-752	-670
of which loans and advances	2,262	1,469	-3,190	-2,112
Financial assets at fair value (option)	10	10	-18	-18
of which loans and advances	10	10	-18	-18
Financial liabilities at fair value (option)	-3,008	-3,779	3,008	3,779
of which debt securities issued	-2,474	-3,127	2,474	3,127
of which deposits	-534	-652	534	652
Total	**-34**	**-1,675**	**-1,117**	**827**

The internal input factor that is relevant to financial assets is derived by calculating the credit risk, expressed as credit spread. If CDS spreads are available for a counterparty, the credit risk is measured based on these available input factors. However, if a CDS spread is not observable, the credit risk is measured using the internally calculated default probability combined with the internal rating. In the case of the above sensitivity, the internal ratings were each shifted by one level in parallel.

The internal input factor that is relevant to financial liabilities is derived by determining the current issue level of private placements compared to public placements.

In the case of the above sensitivity, the recognised credit spreads were each shifted in parallel by 10 basis points.

Based on the collateral management with institutional counterparties, two derivative hedging instruments in Level 3 were measured not by using the internal valuation models, but instead by taking over the counterparty's market values. If the internal valuation model had been used here, this would have resulted in a change in market values of TEUR 203 (2019: TEUR 588). This valuation was also applied to the underlying transactions, resulting in an opposing change in the valuation of TEUR -264 (2019: TEUR -644).

(57) DISCLOSURES ON OFFSETTING FINANCIAL INSTRUMENTS

TEUR	Financial instruments (gross)	Financial Instruments (net)	Effect of offsetting master agreement	Collateral	Net Amount
31.12.2019					
Positive market values of derivative financial instruments	302,873	302,873	-184,715	-92,735	25,423
Total assets	**302,873**	**302,873**	**-184,715**	**-92,735**	**25,423**
Negative market values of derivative financial instruments	280,314	280,314	-184,715	-117,822	-22,223
Total liabilities	**280,314**	**280,314**	**-184,715**	**-117,822**	**-22,223**

TEUR	Financial instruments (gross)	Financial Instruments (net)	Effect of offsetting master agreement	Collateral	Net Amount
31.12.2020					
Positive market values of derivative financial instruments	313,777	313,777	-180,651	-107,340	25,786
Total assets	**313,777**	**313,777**	**-180,651**	**-107,340**	**25,786**
Negative market values of derivative financial instruments	281,228	281,228	-180,651	-136,803	-36,226
Total liabilities	**281,228**	**281,228**	**-180,651**	**-136,803**	**-36,226**

(58) IMPAIRMENT ON FINANCIAL INSTRUMENTS

Amount of impairment and provisions per category and stage

TEUR 31.12.2019	Stage 1	Stage 2	Stage 3	Total
Loans and advances	13,973	15,125	68,985	98,083
Debt securities	271	1,560	1,020	2,851
Credit commitments, financial guarantees and other commitments	1,987	408	1,595	3,990
Impairment and provisions	16,231	17,093	71,600	104,924

TEUR 31.12.2020	Stage 1	Stage 2	Stage 3	Total
Loans and advances	19,703	30,596	68,029	118,328
Debt securities	377	1,024	1,020	2,421
Credit commitments, financial guarantees and other commitments	2,911	1,243	12,224	16,378
Impairment and provisions	22,991	32,863	81,273	137,127

Amount of maximum default risk for all financial instruments

TEUR 31.12.2019	Gross Carrying amount	Commitments and guarantees	Maximum default risk
Debt securities at fair value (non-SPPI)	245,698	0	245,698
Debt securities at fair value (option)	65,806	0	65,806
Debt securities at amortized cost	2,487,703	0	2,487,703
Debt securities	2,799,207	0	2,799,207
Loans and advances cash reserve	416,113	0	416,113
Loans and advances at fair value (non-SPPI)	557,200	110,310	667,510
Loans and advances at fair value (option)	298,862	0	298,862
Loans and advances at amortized cost	9,303,136	1,767,686	11,070,822
Loans and advances	10,575,311	1,877,996	12,453,307
Trading assets derivatives	147,820	0	147,820
Positive market values of hedges	155,053	0	155,053
Derivatives	302,873	0	302,873
Equity instruments trading assets	151	0	151
Equity instruments at fair value (non-SPPI)	27,893	0	27,893
Equity instruments	28,044	0	28,044
Sureties and guarantees	0	557,854	557,854
Overall exposure	13,705,435	2,435,850	16,141,285

TEUR 31.12.2020	Gross Carrying amount	Commitments and guarantees	Maximum default risk
Debt securities at fair value (non-SPPI)	167,350	0	167,350
Debt securities at fair value (option)	59,554	0	59,554
Debt securities at amortized cost	2,598,679	0	2,598,679
Debt securities	2,825,583	0	2,825,583
Loans and advances cash reserve	1,315,467	0	1,315,467
Loans and advances at fair value (non-SPPI)	559,652	47,790	607,442
Loans and advances at fair value (option)	274,303	0	274,303
Loans and advances at amortized cost	9,733,522	2,125,084	11,858,606
Loans and advances	11,882,944	2,172,874	14,055,818
Trading assets derivatives	122,400	0	122,400
Positive market values of hedges	191,377	0	191,377
Derivatives	313,777	0	313,777
Equity instruments trading assets	136	0	136
Equity instruments at fair value (non-SPPI)	23,897	0	23,897
Equity instruments	24,033	0	24,033
Sureties and guarantees	0	572,268	572,268
Overall exposure	15,046,337	2,745,142	17,791,479

Default risk of financial instruments subject to the provisions of impairment

TEUR 31.12.2019	Rating 1	Rating 2	Rating 3	Rating 4	Rating 5	Not rated	Total
Stage I - carrying amount	2,339,082	3,676,902	4,695,815	95,009	0	27,791	10,834,599
Stage I - off-balance-sheet transactions	162,342	846,263	1,262,387	7,215	0	3	2,278,210
Stage I - default risk	2,501,424	4,523,165	5,958,202	102,224	0	27,794	13,112,809
Stage II - carrying amount	15,988	153,393	502,521	201,261	0	70,944	944,107
Stage II - off-balance-sheet transactions	436	42,361	101,257	11,746	0	5,126	160,926
Stage II - default risk	16,424	195,754	603,778	213,007	0	76,070	1,105,033
Stage III - carrying amount	0	0	151	487	157,636	363	158,637
Stage III - off-balance-sheet transactions	0	0	0	0	7,094	0	7,094
Stage III - default risk	0	0	151	487	164,730	363	165,731
davon POCI - carrying amount	0	703	934	553	6,508	0	8,698
davon POCI - off-balance-sheet transactions	0	0	0	0	188	0	188
davon POCI - default risk	0	703	934	553	6,696	0	8,886
Summe - carrying amount	2,355,070	3,830,295	5,198,487	296,757	157,636	99,098	11,937,343
Summe - off-balance-sheet transactions	162,778	888,624	1,363,644	18,961	7,094	5,129	2,446,230
Summe - default risk	2,517,848	4,718,919	6,562,131	315,718	164,730	104,227	14,383,573

TEUR 31.12.2020	Rating 1	Rating 2	Rating 3	Rating 4	Rating 5	Not rated	Total
Stage I - carrying amount	2,575,025	3,042,966	5,025,636	135,200	0	36,838	10,815,665
Stage I - off-balance-sheet transactions	326,203	554,629	1,472,654	28,064	0	0	2,381,550
Stage I - default risk	2,901,228	3,597,595	6,498,290	163,264	0	36,838	13,197,215
Stage II - carrying amount	11,821	61,879	1,085,392	354,813	0	49,920	1,563,825
Stage II - off-balance-sheet transactions	3,380	39,684	284,980	16,720	0	1,174	345,938
Stage II - default risk	15,201	101,563	1,370,372	371,533	0	51,094	1,909,763
Stage III - carrying amount	0	0	315	115	144,966	1,013	146,409
Stage III - off-balance-sheet transactions	0	0	0	0	33,855	0	33,855
Stage III - default risk	0	0	315	115	178,821	1,013	180,264
davon POCI - carrying amount	0	21	1,459	245	8,504	0	10,229
davon POCI - off-balance-sheet transactions	0	0	32	0	3,976	0	4,008
davon POCI - default risk	0	21	1,491	245	12,480	0	14,237
Summe - carrying amount	2,586,846	3,104,845	6,111,343	490,128	144,966	87,771	12,525,899
Summe - off-balance-sheet transactions	329,583	594,313	1,757,634	44,784	33,855	1,174	2,761,343
Summe - default risk	2,916,429	3,699,158	7,868,977	534,912	178,821	88,945	15,287,242

Information on the default risk of impaired financial instruments

TEUR 31.12.2019	Gross Carrying amount	Valuation allowance	Other Collateral	Received guarantees
Debt securities	1,020	1,020	0	0
Loans and advances	238,160	69,702	126,102	1.610
Measured at amortized cost	239.180	70,722	126,102	1,610
Debt securities	1	0	0	0
Loans and advances	1,080	0	1,080	0
Measured at fair value	1.081	0	1,080	0

TEUR 31.12.2020	Gross Carrying amount	Valuation allowance	Other Collateral	Received guarantees
Debt securities	1,020	1,020	0	0
Loans and advances	225,389	68,158	107,908	7.364
Measured at amortized cost	226.409	69,178	107,908	7,364
Loans and advances	3,981	2,909	1,072	0
Measured at fair value	3.981	2,909	1,072	0

Financial liabilities of TEUR 243 (2019: TEUR 1,514) were written off during the reporting period and are still subject to enforcement activity.

Changes in valuation allowances per item and class

TEUR 2019	Opening balance	Additions	Utilisation	Reversals	Unwinding	Stage Transfer	Other Changes	Closing balance
Valuation allowances debt securities AC - Stage 1	224	123	0	-77	0	0	1	271
Valuation allowances debt securities AC - Stage 2	2,526	0	0	-966	0	0	0	1,560
Valuation allowances debt securities AC - Stage 3	1,020	0	0	0	0	0	0	1,020
Valuation allowances debt securities AC	3,770	123	0	-1,043	0	0	1	2,851
Valuation allowances loans and advances AC - Stage 1	11,243	2,114	0	-6,529	0	7,112	33	13,973
Valuation allowances loans and advances AC - Stage 2	15,019	12,908	0	-3,535	0	-9,356	89	15,125
Valuation allowances loans and advances AC - Stage 3	58,098	25,133	-8,881	-8,923	1,191	2,244	123	68,985
Valuation allowances loans and advances AC	84,360	40,155	-8,881	-18,987	1,191	0	245	98,083
Valuation allowances debt securities and loans and advances	88,130	40,278	-8,881	-20,030	1,191	0	246	100,934
Valuation allowances corporate customers	45,412	26,120	-4,008	-10,261	729	0	177	58,169
Valuation allowances private customers	9,832	4,920	-192	-3,622	60	0	66	11,064
Valuation allowances financial markets	2,843	476	0	-1,068	0	0	0	2,251
Valuation allowances Corporate Center	30,043	8,762	-4,681	-5,079	402	0	3	29,450
Valuation allowances POCI	244	2,092	0	-187	11	0	4	2,164

TEUR 2020	Opening balance	Additions	Utilisation	Reversals	Unwinding	Stage Transfer	Other Changes	Closing balance
Valuation allowances cash reserve - Stage 1	0	4	0	0	0	0	0	4
Valuation allowances cash reserve	**0**	**4**	**0**	**0**	**0**	**0**	**0**	**4**
Valuation allowances debt securities AC - Stage 1	271	194	0	-86	0	0	-2	377
Valuation allowances debt securities AC - Stage 2	1,560	0	0	-536	0	0	0	1,024
Valuation allowances debt securities AC - Stage 3	1,020	0	0	0	0	0	0	1,020
Valuation allowances debt securities AC	**2,851**	**194**	**0**	**-622**	**0**	**0**	**-2**	**2,421**
Valuation allowances loans and advances AC - Stage 1	13,973	11,861	0	-2,966	0	-3,171	2	19,699
Valuation allowances loans and advances AC - Stage 2	15,125	19,817	0	-5,650	0	1,306	-2	30,596
Valuation allowances loans and advances AC - Stage 3	68,985	17,368	-9,032	-12,652	1,494	1,865	1	68,029
Valuation allowances loans and advances AC	**98,083**	**49,046**	**-9,032**	**-21,268**	**1,494**	**0**	**1**	**118,324**
Valuation allowances debt securities and loans and advances	**100,934**	**49,240**	**-9,032**	**-21,890**	**1,494**	**0**	**-1**	**120,745**
Valuation allowances corporate customers	58,169	34,587	-5,139	-13,985	1,075	0	5	74,712
Valuation allowances private customers	11,064	4,084	-773	-3,722	64	0	8	10,725
Valuation allowances financial markets	2,251	416	0	-989	0	0	-7	1,671
Valuation allowances Corporate Center	29,450	10,153	-3,120	-3,194	355	0	-7	33,637
Valuation allowances POCI	2,164	1,576	-245	-764	18	0	110	2,859

(59) FINANCIAL INSTRUMENTS BY CATEGORY

Financial instruments are presented according to measurement category in the corresponding notes to the balance sheet items, as the measurement categories as per IAS 9 are already shown in detail on the balance sheet..

G. FINANCIAL RISKS AND RISK MANAGEMENT

The full disclosure on the organisational structure, risk management and the risk capital situation according to CRR are posted on the internet at www.hypovbg.at.

(60) OVERALL RISK MANAGEMENT

The Group's operations involve the following risks:

- Credit risk and counterparty default risk: This includes the counterparty default risk, as well as the risk of deteriorating credit standing. Risks may also result from the use of credit risk mitigation methods, currency or concentration risks in lending business and counterparty default risks. Risks can also arise in connection with securitisation activities.
- Market risks: The common characteristic of these risks is that they result from price changes in money and capital markets. Market price risks are categorised as interest rate, spread change, stock price, foreign currency or commodity risks.
- Liquidity risk: Liquidity risks can be broken down into maturity and retrieval risks, structural liquidity risk (rollover financing risk) and market liquidity risk. Maturity risk is an unplanned extension of maturities in the lending business. Retrieval risk is the risk that credit commitments are unexpectedly utilised or deposits withdrawn. As a result, a bank may no longer be able to fully meet its payment obligations. Structural liquidity risk arises from the possibility that the required roll-over financing may only be available at less favourable conditions, or not at all. Market liquidity risk is in evidence when positions can only be sold immediately by taking a loss.
- Operational risk: This includes the risk of direct or indirect losses caused by human error, process deficits, technological failure, or external influence. Operational risks also include legal risk.
- Shareholder risk: This covers items including private equity, mezzanine financing, subordinated financing and investments in funds with these components. This also includes subordinated banking securities.
- Real estate risk: This refers to the risk of fluctuations in the value of property owned by the Group. This especially includes properties which serve as collateral (including leased assets) and cannot be sold promptly to third parties as part of realisation ("foreclosed assets"). This does not include owner-occupied properties.
- Risk of excessive indebtedness: This means the risk of a total capital ratio that is too low.
- Money laundering and financing of terrorism: The Group continues to counter this risk by all countermeasures provided.
- Macroeconomic risk: macroeconomic risks are potential losses due to exposure to macroeconomic risk factors.
- Model risks: model risk is the risk of significantly underestimating the capital backing for material risks in the Capital Adequacy Process as a result of incorrect input parameters, incorrect assumptions, incorrect models or incorrect application of such models.
- Other risks: These include above all those types of risks for which only rudimentary or no quantification methods exist. Specifically, strategic, reputation, equity, performance and business risks and risks from repayment vehicles in the lending business may be classified as other risks.

The Group manages these risks in order to limit the overall bank risk. The Managing Board is responsible for the overall risk management of the Group. Accordingly, it approves the principles of risk control and the risk measurement procedures. Additionally, it determines the willingness to take risks and defines limits for all relevant types of risk based on risk-absorbing capacity.

The Group regularly reviews the effects of economic and market developments on its income statement and net assets.

The overall risk management of Hypo Vorarlberg is based on a strict separation between Front Office and Back Office. The risk management functions of Hypo Vorarlberg are bundled under the responsibility of the Managing Board member responsible for risk management. Risk controlling at Hypo Vorarlberg is developed and implemented by group risk controlling. This unit measures risks on a group level. The independent assessment and approval of credit applications is carried out by the credit management departments for corporate and private customers.

The Bank's risk situation and the Capital Adequacy Process are addressed by the Asset & Liability Management Committee (ALM). In this committee, the Managing Board decides on market risk measurement procedures, defines interfaces between Sales and Treasury with regard to the market interest rate method, and the level of market risk and liquidity limits. In addition to the Managing Board as a whole and Corporate and Private Customers Sales, Group Risk Controlling, Controlling, Strategic Bank Management and Treasury departments are also present at committee meetings.

The strategies, procedures and approaches adopted for the management of risks are documented in writing. The Group maintains a risk management manual and a credit manual, which are available to all employees. These manuals are updated on a regular basis. Additionally, the Bank has outlined all relevant work processes in written procedures that are likewise available to all employees.

COVID-19

COVID-19 is significantly influencing the amount of anticipated loan loss provisions. The crisis is affecting customers' creditworthiness and the assessment of the macroeconomic development. Government support measures have a major influence on customers' creditworthiness and the development of the crisis.

To take account of the effects on customers' creditworthiness, a rating strategy for 2020 that builds on the OeNB analysis "Impact of the COVID-19 pandemic on Austrian companies by sector" was adopted in June 2020. Here, the sectors are divided into three categories depending on how heavily impacted they are: the most heavily impacted 15 sectors (particularly restaurants and hotels, tour operators, cultural and entertainment facilities, automotive manufacturers and suppliers, and retail), 48 less heavily impacted sectors, and the sectors where there was little impact. Based on simulations and expert estimates, it was decided to take account of the influence of COVID-19 with a downgrade of two notches for the most heavily impacted sectors and one notch for the less heavily impacted sectors when preparing the ratings. As of the end of 2020, around 84 % of customers that were affected by a potential downgrade like this had been assigned a new rating.

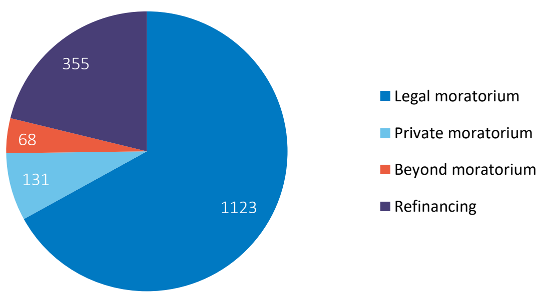
There were a few general exceptions to this basic assumption, for example for food retail and online retail. Individual different assessments are to be the exception and will only be possible in particularly substantiated cases that are backed up by figures.

In the Private Customers segment, there will be no individual rating action for consumers, but instead customers will continue to be rerated in a quarterly performance rating, with the expectation that this will also take account of any COVID-19-related deterioration. The assumed impact from the COVID-19 pandemic has been and will be taken into account by way of the global downgrade. In determining the downgrades, a certain degree of government support (in the form of bridge liquidity and other subsidies) was assumed, but the Bank does not expect this to result in improved credit ratings. The other support measures resolved as the year progressed in the form of revenue compensation payments or fixed cost subsidiaries ("lost subsidies") were classified as stabilising measures that did not lead to any adjustment of the rating strategy or of the global downgrades.

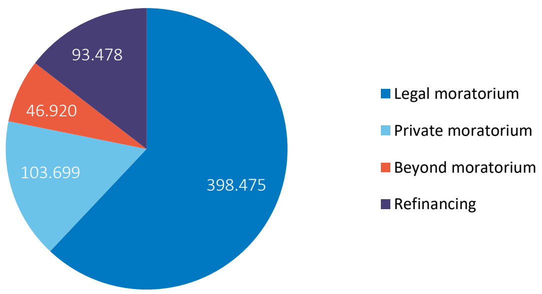
In the Private Customers segment, the Bank still trusts that the ongoing credit monitoring by the early warning and monitoring tools, and particularly the performance rating, will reflect the individual level of impact from the pandemic.

As of the end of 2020, the following deferral measures or new financing had been granted in connection with COVID-19:

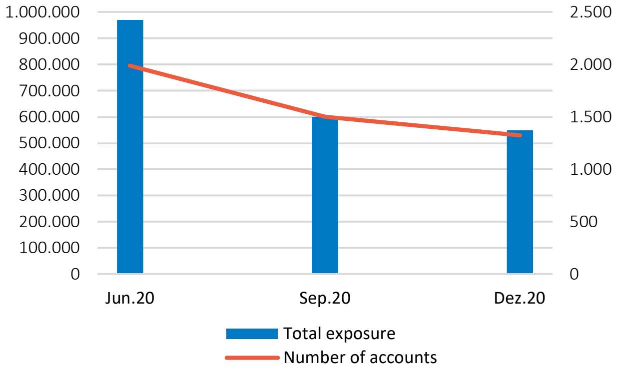
Number of deferrals



Volume of deferrals
in TEUR

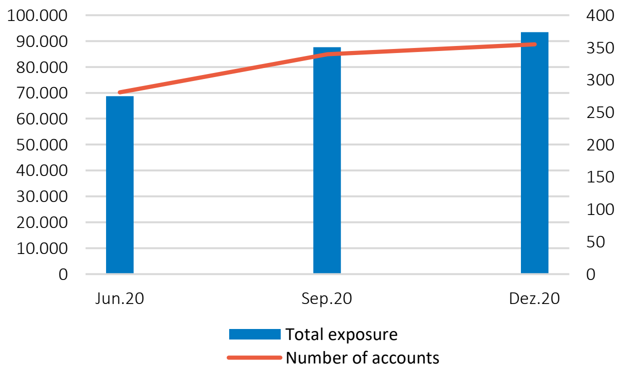


Deferrals over time



In addition, the Bank granted financing for "COVID-19 products". These are products that are fully or partially guaranteed by the Republic of Austria, the state of Vorarlberg or the Vorarlberg Chamber of Labour. The volume and number of financing commitments for such COVID-19 products developed as follows over the course of the year:

Products over time



Generally speaking, any request by a customer for a deferral or other form of accommodation for payment must be examined on a case-by-case basis. For this reason, each request for deferral in connection with a loan application has been examined individually at the Bank since the beginning of the pandemic already.

As part of this examination, it is determined whether the transaction in question represents a facilitation granted due to economic difficulties at the customer. If this is the case, then this transaction is classified as forbearance as defined in Article 47(b) CRR and is marked as such in the system.

Deferrals under the statutory moratorium were also granted on the basis of individual applications. These were not classified as forbearance (forbearance protection).

Regardless of whether or not the deferral measure was covered by a moratorium, a check as to whether the customer was unlikely to pay (UTP check) was always performed and if necessary the customer was classified as being in default as defined in Article 178 (3) d CRR. This also applies to all new requests for deferral measures to be granted or extended.

In the Corporate Customers segment, the principle of case-by-case examination still applies when extending deferrals or granting new deferrals. To assess whether a newly granted or extended deferral measure leads to a forbearance measure, the following guidelines have been set in the corporate customers segment:

There is no forbearance measure if one of the following points applies:
- The customer would be able to pay the instalments despite the COVID-19 crisis but is requesting a suspension of repayments because it wishes to build up/maintain liquidity reserves.
- Although the customer does not currently have the financial resources, it has a fundamentally viable business model that has been and still is significantly negatively impacted by the coronavirus. There must be a currently justified assumption that the company will probably not become insolvent with the requested suspension of repayments and other government assistance measures in the period up until the main effects of the pandemic are over (currently expected to be in mid-2021) and will be able to recover quickly after the pandemic is over.

In the private customers/small businesses segment, the statutory moratorium expired as at 31 January 2021. General forbearance protection therefore no longer applies to future deferral measures. The assessment as to whether a newly granted or extended deferral measure leads to a forbearance measure is therefore examined as part of an application according to the following criteria:

- A key factor when it comes to assessing whether an exemption from repayments represents a subjective facilitation is the question of customers' current and anticipated future economic situation and particularly their ability to meet existing loan commitments sustainably, taking account of the temporary deferral measures. In the case of employed persons, attention is generally focused on borrowers' current employment status (unrestricted continued employment, reduced working hours, already unemployed) and their employment prospects on the job market (sector, qualifications, mobility).

All customers, regardless of whether or not they are covered by the statutory moratorium, are generally subject to unrestricted use of all early warning and monitoring tools set up at the Bank (monitoring of arrears by early warning, event and recovery system, overdraft lists, dunning lists, performance rating).

Sensitivity analysis

The following section shows how the volume and the anticipated loan loss provisions in stages 1 and 2 would change if different PD curves were used. Three scenarios are applied:

- Main scenario
- Risk scenario
- Through-the-cycle (TTC) scenario

The through-the-cycle scenario uses the long-term averages for all parameters. At present, this represents an optimistic scenario (which can be ruled out) for the coming years.

Sensitivities by stage – volume

TEUR 2020	Main scenario	Risk scenario	TTC Scenario
Stage 1	129,380	-327,419	339,443
Stage 2	-129,380	327,419	-339,443

Sensitivities by stage – loan loss provisions

TEUR 2020	Main szenario	Risk scenario	TTC scenario
Stage 1	-2,160	3,336	-6,992
Stage 2	-3,395	7,001	-8,419

The volume in stage 2 would increase by TEUR 327,419 in the risk scenario. The loan loss provisions for stages 1 and 2 would increase by a total of TEUR 10,337. In the TTC scenario, the volume in stage 2 would decrease by TEUR 339,443 and the loss provisions for stages 1 and 2 would decrease by TEUR 15,411.

Sensitivities by stage – volume

TEUR	Main scenario		Risk scenario		TTC Scenario	
2020	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2
Corporate customers	125,851	-125,851	-316,516	316,516	332,480	-332,480
Private customers	3,529	-3,529	-10,903	10,903	6,964	-6,964
Financial institutes	0	0	0	0	0	0
States	0	0	0	0	0	0

Sensitivities by stage – loan loss provisions

TEUR	Main scenario		Risk scenario		TTC Scenario	
2020	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2
Corporate customers	-1,867	-3,211	2,796	6,625	-6,755	-7,997
Private customers	-293	-184	540	376	-237	-421
Financial institutes	0	0	0	0	0	0
States	0	0	0	0	0	0

With regard to the different segments, it is mainly in the Corporate Customers segment that the volume increases in the risk scenario (TEUR 316,516). The increase in loan loss provisions in this segment amounts to TEUR 9,420.

(61) MARKET RISK

The objective of the Group's Asset & Liability Management is the optimal management of market risks. The strict separation of trading units and risk control ensures the objective assessment of the risks incurred and the early detection of unfavourable developments. The risks are assessed on a daily basis by Group Risk Controlling, which reports the results of the analyses to the units responsible.

With a focus on better customer service the individual bank maintainsa small trading portfolio within the meaning of Article 94 CRR.

Asset and liability management is controlled via a standard reference interest rate system using the market interest rate method. The reference interest rate set determines the distribution of interest income and expenses among branch offices and treasury. Fixed interest rates are therefore determined annually by the Managing Board as a central controlling instrument

Measurement of market risk is based on three methods, which are all calculated centrally for the individual bank:

- Value at Risk (VaR)
- Change in the present value of equity in stress tests

Simulations of structural contribution as part of scenario analysis (earnings perspective)

Value at risk indicates the maximum loss at a given probability and holding period. The Bank measures value at risk using SAP software and a historical simulation with the following parameters:

Historical simulation parameters	
Historical period	250 trading days
Holding period	10 trading days
Confidence level	99 %

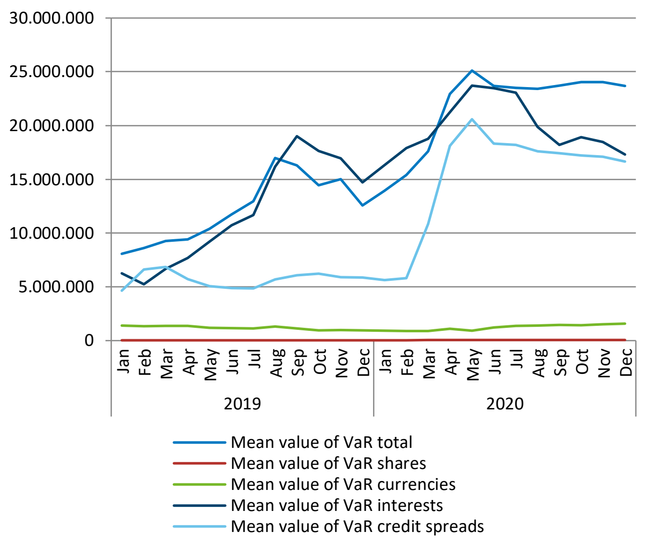
The VaR limit defines the maximum loss the Group is prepared to absorb under normal market conditions. The Managing Board defines the global VaR limit on an annual basis in line with the ICAAP. In addition, limits are defined for various yield curves, currency pairs, credit spread risks and equity position risks, for example.

The Group conducts stress tests in order to identify potential losses in the event of extreme market movements. The purpose of stress testing is to compensate for inadequacies of the value at risk concept. Stress test results for each risk type are added as absolute figures whether positive or negative to obtain an absolute worst case scenario. Stress test limits are derived from the Capital Adequacy Process calculation.

The Group uses risk-adjusted yield curves to calculate present value key figures. In addition to the present value key figures, the Group regularly carries out gap analyses to manage the fixed interest rates on the money and capital markets.

Foreign currency risk is relatively small, as open positions are generally closed. The Group only has a very small equity risk; in addition, the Group holds shares for the presentation of model portfolios in the context of asset management.

Development of mean VaR
in EUR



VaR for the individual risk types developed over the past two years as follows.

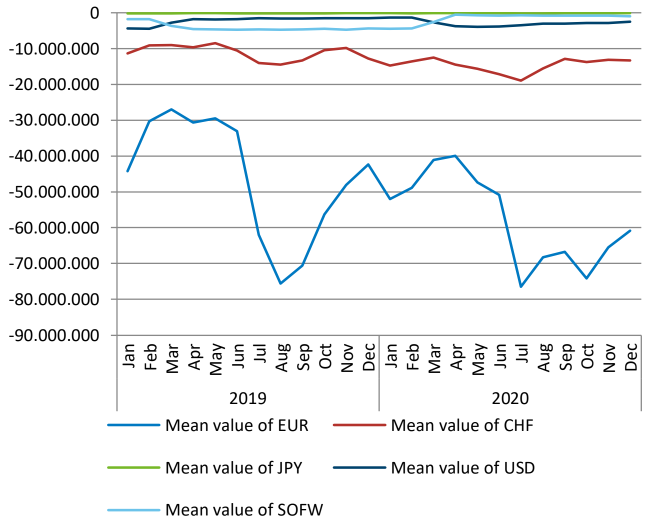
TEUR 2019	Mean Value of VaR total	Mean Value of VaR interest	Mean Value of VaR-FX	Mean Value of VaR shares	Mean Value of VAR credit-spreads
January	8,073	6,254	1,423	39	4,642
February	8,603	5,241	1,352	36	6,608
March	9,254	6,679	1,378	40	6,846
April	9,417	7,692	1,383	38	5,723
May	10,375	9,212	1,199	38	5,053
June	11,724	10,701	1,160	37	4,875
July	12,948	11,657	1,157	30	4,858
August	16,996	16,171	1,320	32	5,686
September	16,302	19,002	1,156	32	6,064
October	14,465	17,635	963	36	6,235
November	15,032	16,946	988	38	5,897
December	12,560	14,742	979	35	5,861

TEUR 2020	Mean Value of VaR total	Mean Value of VaR interest	Mean Value of VaR-FX	Mean Value of VaR shares	Mean Value of VAR credit-spreads
January	13,950	16,335	943	33	5,639
February	15,419	17,922	918	36	5,800
March	17,618	18,762	917	61	10,829
April	22,945	21,238	1,105	72	18,117
May	25,112	23,693	944	73	20,573
June	23,687	23,455	1,241	65	18,323
July	23,495	23,050	1,383	67	18,194
August	23,408	19,876	1,415	68	17,624
September	23,702	18,198	1,472	69	17,421
October	24,043	18,927	1,440	69	17,221
November	24,035	18,480	1,520	72	17,104
December	23,660	17,308	1,580	73	16,657

The VaR for the period from May to July 2020 does not include all reporting dates. This was due to incorrect calculation of the repayment cash flows in SAP.

The change in prevent value resulting from a 200-basis point shift in yield curves developed as follows over the past two years:

Development of present value loss due to 200 basis point shift



(62) CREDIT RISK

The Group's medium-term credit risk objectives and policies are set down in writing in the risk strategy. The analysis factors in the overall bank strategy, business policy requirements, risk adequacy and lending risks. This results in specific, medium-term objectives regarding the portfolio structure and clear limits for all relevant risks (large exposures, foreign currency components, etc.).

The principles of risk behaviour in the lending business are:

- Generally speaking, the borrowing capacity and creditworthiness of the customer must be examined for each decision regarding the assumption of credit risks and the recoverability of the loan documented where borrowing capacity is not sufficient. There is no mere name-lending without this requirement being met.
- Business relationships must comply with the ethics and sustainability principles for Hypo Vorarlberg's business transactions. Financing for customers and proprietary investments of Hypo Vorarlberg with a direct and substantial relation to the following industries or business practices can be decidedly excluded from new business at the time of conclusion:
    - violation of the United Nations Universal Declaration of Human Rights
    - production using primarily child labour
    - violation of labour rights under the ILO core labour standards
    - projects and enterprises in warring states in accordance with OEKB Coverage Guidelines (not including projects for humanitarian or primary public care purposes)
    - pornography and prostitution
    - banned weapons
    - installation and operation of nuclear power plants and coal mining
    - In general, business transactions should be reviewed for morality.
- The exact current definitions can be found in the sustainability strategy.
- In addition, Hypo Vorarlberg's employees examine whether new business in a sensitive business area takes place in a controversial way or harms the environment or the climate (e.g. oil and gas extraction by means of fracking, timber production from primary forests, use of genetically modified seeds in agriculture, or deep-sea fishing that endangers fish stocks).
- The Group wishes to avoid cluster risks in terms of sectors, regions, foreign currencies and individual customers.
- The pricing of loans should be commensurate with credit rating and risk.
- Attempts are made to obtain higher collateral for low rating classes.
- The objective is to reduce loans with a foreign currency risk for the customer both in absolute terms and in relation to total volume.
- The objective is to reduce loans with repayment vehicles and final maturity loans with the exception of defined products such as the Lebenszeitkredit und Lebenswertkredit.

The Group calculates the expected loss (EL) for its entire credit portfolio. The Bank has programmed its own IT tool based on the Basel III IRB approach to calculate economic capital or unexpected loss (UL).

The Bank wants to limit lending in countries where systemic or transfer risk cannot be ruled out. For this purpose, the Managing Board sets country limits that are monitored continuously and their utilisation is regularly reported to the Managing Board. The customer group "banks" is assigned separate volume limits. Banks are important business partners in money market and derivative trading, for example, to whom high-volume and sometimes very short-term loans are extended. These limits are also monitored and their utilisation is reported to the Managing Board on a regular basis. Limits and their utilisation are reported to the Supervisory Board once a year.

Various rating modules specifically configured for the different customer groups are employed in the corporate customer business to measure factors relevant to credit ratings in the different customer segments. These systems meet the requirements of the FMA's Minimum Standards for the Credit Business (FMA-MSK) for risk classification systems. As a result, borrowers are rated on a 25-level scale (1a to 5e), the last five ratings (5a to 5e) being default levels. The individual ratings are linked to estimated one-year default probabilities. Ratings 1a to 2e denote excellent to very good credit ratings, ratings 3a to 3e stand for medium credit ratings, and ratings 4a to 4e indicate increased default risk. The treasury generally has access to external ratings. If no external ratings are available for a business partner, the Back Office produces an internal rating. External ratings are allocated to the internal rating scale. Rating class 1 is only envisaged for business partners with a very good external rating from a rating agency.

Credit decisions are made according to the dual-control principle. Policies are in place for each area to govern rating and volume authorisations for Front Office and Back Office. A second opinion on the decision is usually required from Back Office.

The Bank uses the CRR definition of default to determine default events. All rating tools feature functions for recording default events. If a default event occurs, the customer in question is assigned a default rating (rating class 5). The Bank uses an early-warning event recovery system to clearly identify payments that are 90 days in arrears. The system initiates a standardised workflow that compels Front Office and Back Office to address cases of late payment. If a case is not resolved within 90 days, it is normally transferred to Central Credit Management (restructuring).

The Bank addresses specific banking risks through conservative credit approval policies, strict monitoring of loans and prudent recognition of specific valuation allowances. Specific valuation allowances are recognised for credit risks in connection with loans and advances to customers and banks in accordance with uniform Group criteria. Loan loss provisions for defaulted exposures are recognised on the basis of estimates regarding the amount of future credit losses and interest rebates. Individual loans are to be recognised as impaired when it is likely based on observable criteria that not all interest and repayment obligations will be met in accordance with the contract. The individual impairment amount equates to the difference between the carrying amount of the loan and the present value of estimated future cash flows including recoverable, discounted collateral. The total amount of loan loss provisions relating to balance sheet receivables is directly deducted from loans and advances. In contrast, loan loss provisions for off-balance sheet items (guarantees, endorsement liabilities, credit commitments) are shown as provisions for guarantees and commitments. Non-collectable receivables are written down directly. Recoveries on loans previously written down are recognised through profit or loss.

The subsidiaries generally use the same rating tools as the parent company. This provides for uniform credit ratings Group-wide.

The total exposure includes balance sheet receivables but also contingent liabilities such as open commitments or warranties.

Segments broken down by rating (maximum default risk)

TEUR 31.12.2019	Rating-class 1	Rating-class 2	Rating-class 3	Rating-class 4	Rating-class 5	Unrated	Total
Corporate customers	797,627	2,280,451	4,846,057	115,054	122,660	889	8.162.738
Private customers	329	956,431	1,172,417	58,018	27,814	29,119	2.244.128
Financial markets	2,982,941	537,540	78,465	0	0	56,757	3.655.703
Corporate Center	142,493	716,288	1,034,914	152,019	98,764	267,859	2.412.337
Total exposure	3.923.390	4,490,710	7,131,853	325,091	249,238	354,624	16,474,906

TEUR 31.12.2020	Rating-class 1	Rating-class 2	Rating-class 3	Rating-class 4	Rating-class 5	Unrated	Total
Corporate customers	914,810	1,399,900	5,941,208	277,471	129,620	1,537	8.664.546
Private customers	318	967,623	1,316,199	49,841	25,093	24,113	2.383.187
Financial markets	3,951,488	518,574	61,795	0	0	17,642	4.549.499
Corporate Center	201,670	553,146	1,097,510	243,505	101,364	262,793	2.459.988
Total exposure	5,068,286	3,439,243	8,416,712	570,817	256,077	306,085	18,057,220

Regions broken down by rating (maximum default risk)

TEUR 31.12.2019	Rating-class 1	Rating-class 2	Rating-class 3	Rating-class 4	Rating-class 5	Unrated	Total
Austria	1,767,537	2,771,907	4,747,948	160,789	114,001	48,270	9,610,452
Italy	3,484	177,064	664,426	128,666	90,175	5,189	1,069,004
Germany	200,393	552,446	1,023,887	5,645	23,000	43	1,805,414
Switzerland and Liechtenstein	230,453	443,847	465,148	27,072	18,883	23,245	1,208,648
Other foreign countries	1,721,523	545,446	230,444	2,919	3,179	277,877	2,781,388
Total exposure	3,923,390	4,490,710	7,131,853	325,091	249,238	354,624	16,474,906

TEUR 31.12.2020	Rating-class 1	Rating-class 2	Rating-class 3	Rating-class 4	Rating-class 5	Unrated	Total
Austria	2,723,402	2,062,391	5,869,785	258,747	115,196	19,132	11,048,653
Italy	3,398	122,943	583,293	214,595	91,397	30,699	1,046,325
Germany	256,858	470,116	1,155,897	36,557	26,175	8	1,945,611
Switzerland and Liechtenstein	334,095	397,701	512,204	54,198	19,251	1,055	1,318,504
Other foreign countries	1,750,533	386,092	295,533	6,720	4,058	255,191	2,698,127
Total exposure	5,068,286	3,439,243	8,416,712	570,817	256,077	306,085	18,057,220

The Group reports a concentration risk in Italy in the poor rating classes. In recent years, the property market in Italy has been characterised by falling prices. The Group conducts leasing business in Northern Italy, where the economic situation, in relative terms, is better than in the rest of the country.

Industries (maximum default risk)

TEUR	31.12.2020	31.12.2019
Financial intermediaries	4,648,801	3,653,468
Consumers/private customers	2,624,984	2,459,681
Public sector	1,816,886	1,803,374
Real estate	2,912,334	2,603,713
Services	2,088,859	1,923,040
Trading	822,335	780,989
Metals/machinery	330,282	368,982
Construction	677,574	640,470
Transport/communications	272,382	349,183
Tourism	543,487	527,950
Water and energy utilities	137,309	171,688
Other goods	122,317	115,519
Vehicle construction	186,028	180,158
Petroleum, plastics	127,275	111,815
Other industries	746,367	784,876
Total exposure	18,057,220	16,474,906

Exposure in rating class 5

TEUR	31.12.2020	31.12.2019
Corporate customers - exposure	129,620	122,660
Corporate customers – valuation allowance	40,655	41,123
Private customers - exposure	25,093	27,814
Private customers - valuation allowance	5,639	5,371
Corporate Center - exposure	101,364	98,764
Corporate Center - valuation allowance	22,759	23,409
Total – exposure	256,077	249,238
Total - valuation allowance	69,053	69,903

Non-performing loans

The Group designates loans in the regulatory asset class of loans in arrears (90-days in arrears, liability is unlikely to be settled) as non-performing loans. These amounted to TEUR 256,986 as at 31 December 2020 (2019: TEUR 248,726), accounting for 1.42 % (2019: 1.51 %) of the maximum default risk.

Collateral

A uniform and comprehensible collateral measurement policy governs the measurement and acceptance of collateral. During the terms of loans, the collateral is monitored on a regular basis to ensure that it retains value. Collateral is usually measured by the Back Office, or above a certain size by a body independent of the lending process.

The most important type of collateral is real estate. Valuations are reviewed regularly. The fulfilment of operating conditions for the eligibility of such collateral for capital backing is guaranteed. Loans above TEUR 3,000 are remeasured by independent specialists after three years at the most. The Hypo Immobilien & Leasing Group operates as a service provider in this business to ensure uniform, independent valuation. Real estate collateral is predominantly found in the market area of the bank. The largest volume of real estate collateral is in the domestic market of Vorarlberg, followed by Vienna. In Italy, the leased assets are in Northern Italy.

Personal guarantees can only be taken into account when the guarantor or liable party has an excellent credit rating. These are usually public bodies or banks. Discounts are applied to the current market value of financial collateral to account for unexpected fluctuations. In addition, such collateral must be sufficiently liquid to guarantee that it can be realised. There is no significant concentration of guarantors.

Other collateral is only accepted if it is recoverable and legally enforceable in every respect. The Hypo Immobilien & Leasing Group handles the liquidation of defaulted loans and advances backed by mortgages. In the reporting period, no properties (2019: no property) were acquired by the Hypo Immobilien & Leasing Group; 11 properties (2019: six properties) were sold at TEUR 2,162 (2019: TEUR 1,978).

Depending on the market situation, it may not be easy to convert the acquired properties into cash. Following acquisition, it is analysed whether a sale or a long-term let would be more advantageous. In the event of a sales strategy, an attempt will be made to implement the sale as quickly as possible, taking the proceeds into account. In the event of a letting strategy, the property will be permanently classified as investment property in the Group.

As a result of restructuring measures, no significant individual liability was rated sound in 2020 or in the reference year.

Past due but non-impaired receivables

TEUR	31.12.2020	31.12.2019
Length of time overdue		
Less than 1 day	17,549,145	15,927,557
1 to 60 days	156,298	188,953
61 to 90 days	1,279	2,385
More than 90 days	94,421	106,773
Total exposure	17,801,143	16,225,668

Loans and advances with forbearance measures

TEUR	31.12.2020	31.12.2019
Public sector	5,590	0
Non-financial companies	69,707	26,089
Private households	9,166	2,292
Loans and advances with forbearance measures on performing loans	84,463	28,381
Public sector	0	562
Non-financial companies	72,134	48,196
Private households	5,008	4,037
Loans and advances with forbearance measures on non-performing loans	77,142	52,795
Total loans and advances with forbearance measures	161,605	81,176

In December 2017, Hypo Vorarlberg concluded a synthetic securitisation in the form of a financial guarantee from the European Investment Fund (EIF). The main objective of this synthetic securitisation is to hedge credit risks. The EIF guarantee hedges the senior and mezzanine tranche of a reference portfolio of loans to small and medium-sized enterprises (SMEs) and mid caps in Austria and Germany. As of the end of 2017, the reference portfolio had a volume of TEUR 330,902, while a volume of TEUR 188,425 of the reference portfolio was still outstanding as of 31 December 2020.

TEUR	31.12.2020	31.12.2019
Senior tranche	146,635	198,350
Mezzanine tranche	38,727	52,385
First Loss tranche	3,063	3,353
Total reference portfolio	188,425	254,088

In November 2020, Hypo Vorarlberg concluded a new synthetic securitisation in the form of another financial guarantee from the European Investment Fund (EIF) for the mezzanine tranche of a reference portfolio of loans to mainly small and medium-sized enterprises (SMEs) and mid caps in Austria and Germany. As of the end of 2020, the reference portfolio had a volume of TEUR 330,000.

TEUR	31.12.2020	On conclusion
Senior tranche	269,280	269,280
Mezzanine tranche	56,100	56,100
First Loss tranche	4,620	4,620
Total reference portfolio	**330,000**	**330,000**

The reference portfolios were not sold and remain on Hypo Vorarlberg's books. The significant risk transfer under Articles 244 and 245 CRR leads to a reduction in risk-weighted assets and thus the own funds requirement. Hypo Vorarlberg has exercised its option and has deducted securitisation items with a risk weighting of 1,250 % from the capital and no longer recognises them under risk-weighted assets.

(63) LIQUIDITY RISK

Liquidity risk management is conducted to ensure the Bank's ability to pay its obligations at all times (operating liquidity) and simultaneously minimise costs associated with holding cash. The Group monitors its liquidity buffer on an ongoing basis. This includes instruments and markets available for refinancing and assets that are convertible into cash (tactical liquidity management). As part of strategic liquidity management, the Group manages the maturities of its assets and liabilities and defines a corresponding issuance strategy. Monitoring involves gap analyses and forecasting the issue volume required for the calendar year. The Group tries to identify potential risks by carrying out regular stress tests. Contingency plans are in place to ensure the Bank's continued solvency in the event of a liquidity crisis.

The Bank employs the following control instruments to identify and contain liquidity risks:

Operational
- Limiting weekly liquidity gaps on the money market
- Ratios of amounts payable and receivable within three months

Strategic
- Limiting cumulative annual liquidity gaps on the capital market
- Forecasting the issue volume required for the calendar year
- Liquidity value at risk

Stress tests
- Liquidity needs versus buffer in crisis situation

The Group is aware of the key significance of the capital market for funding. Relationships with investors are established and maintained through regular road shows. The Group aims for a diverse issuance policy with regard to markets, instruments and investors.

The Bank's liquidity buffer should be large enough at all times to accommodate the utilisation of credit commitments (call risk) and ensure that expected payments not received (time risk) do not compromise solvency. In addition, the Group currently hardly utilises the OeNB's or ECB's marginal lending facility, the SNB repo system and the money market. The Group participated in the ECB's long-term tenders. Therefore, there is sufficient available liquidity at all times to prevent bottlenecks in the event of a crisis.

Hypo Vorarlberg complies with the liquidity regulations outlined in the Austrian Banking Act (BWG) and the CRR. There are no other cash flow risks for the Group besides the risks described here. The information in the tables on development of maturities on the money and capital markets relate to financial instruments. The expected cash flows are as follows: The disclosures in the derivatives column relate to notes (19), (24), (33) and (36). The disclosures in the assets column relate to notes (18) and (20) to (23). The disclosures in the equity and liabilities column relate to notes (34) to (35), (37) and (40). The money market table shows maturities within the next 12 months. The capital market table shows maturities after the next 12 months.

Maturity profile money market

TEUR	Assets		Liabilities		Total
31.12.2019	Assets	Derivatives	Liabilities	Derivatives	
January 2020	1,047,010	187,706	-752,474	-189,089	293,153
February 2020	183,493	26,161	-128,612	-25,159	55,883
March 2020	380,749	87,740	-103,133	-88,608	276,748
April 2020	127,457	259,519	-698,232	-274,931	-586,187
May 2020	67,043	17,706	-90,895	-11,423	-17,569
June 2020	245,479	22,720	-146,576	-26,064	95,559
July 2020	123,005	27,736	-87,814	-21,605	41,322
August 2020	108,667	18,191	-74,200	-18,202	34,456
September 2020	202,399	13,046	-76,480	-14,386	124,579
October 2020	113,433	3,684	-91,272	-2,308	23,537
November 2020	79,129	22,785	-77,822	-16,830	7,262
December 2020	63,096	17,832	-320,053	-16,749	-255,874

TEUR	Assets		Liabilities		Total
31.12.2020	Assets	Derivatives	Liabilities	Assets	Derivatives
January 2021	2,042,188	153,148	-680,067	-153,247	1,362,022
February 2021	232,711	6,620	-72,543	-6,616	160,172
March 2021	464,528	206,770	-143,686	-206,321	321,291
April 2021	92,185	4,967	-96,275	-4,962	-4,085
May 2021	161,393	24,939	-101,904	-25,083	59,345
June 2021	207,317	52,351	-79,243	-52,337	128,088
July 2021	339,838	18,318	-345,506	-18,095	-5,445
August 2021	74,943	24,548	-67,950	-24,529	7,012
September 2021	140,316	219	-69,481	-219	70,835
October 2021	113,821	881	-285,416	-880	-171,594
November 2021	149,465	960	-76,105	-872	73,448
December 2021	283,944	17,972	-79,275	-17,968	204,673

Development of maturities on the capital market

TEUR	Assets		Liabilities		Total
31.12.2019	Assets	Derivatives	Liabilities	Assets	Derivatives
2020	3,056,868	708,447	-2,676,114	-711,364	377,837
2021	1,823,179	155,982	-2,131,412	-143,008	-295,259
2022	1,537,707	95,294	-1,239,912	-82,502	310,587
2023	1,196,671	71,701	-717,335	-63,293	487,744
2024	1,237,034	192,354	-1,187,723	-192,671	48,994
2025	772,061	354,769	-959,203	-346,050	-178,423
2026	728,629	92,500	-764,885	-88,665	-32,421
2027	557,095	43,300	-826,765	-34,964	-261,334
2028	565,466	57,082	-228,584	-49,557	344,407
2029	554,028	34,716	-538,501	-25,485	24,758
2030	323,413	27,107	-200,097	-17,703	132,720
2031	304,519	25,747	-249,686	-15,665	64,915

TEUR	Assets		Liabilities		Total
31.12.2020	Assets	Derivatives	Liabilities	Assets	Derivatives
2021	4,489,513	629,574	-2,164,157	-617,049	2,337,881
2022	1,657,266	192,111	-1,348,676	-175,239	325,462
2023	2,553,785	99,748	-4,376,052	-86,280	-1,808,799
2024	1,268,755	217,038	-1,385,556	-211,464	-111,227
2025	1,087,846	381,897	-1,288,518	-364,947	-183,722
2026	791,690	102,005	-850,395	-92,165	-48,865
2027	672,758	47,068	-898,173	-35,827	-214,174
2028	613,257	58,360	-265,950	-47,989	357,678
2029	609,803	34,591	-625,809	-22,419	-3,834
2030	450,730	27,608	-413,994	-14,361	49,983
2031	333,470	25,375	-281,401	-11,734	65,710
2032	306,627	39,902	-129,999	-29,555	186,975

(64) OPERATING RISK

Operating risks are minimised in the Bank in all divisions through the clear distribution of responsibilities and written procedural instructions. The Bank has written emergency plans in place, and a security and crisis management manual are made available to all employees. Employees receive regular training to prepare them for crisis events of all kinds. The Bank has critically studied all internal processes multiple times as part of functional analyses.

Loss events at the Bank are recorded in a loss event database. In this database, operating loss events are assigned to different categories. Quality assurance is performed by Operational Risk Managers who review each loss event. For example, the recording of loss events is guaranteed because it is a requirement for a necessary entry. The database is analysed for the quarterly OR report.

The Bank places great emphasis on data protection and security measures and conducts a large number of controls and monitoring processes to ensure that entrusted data remains confidential. Internal Audit conducts both regular and unannounced audits to ensure adherence to procedural instructions.

Material transactions and decisions are made exclusively in accordance with the dual-control principle. Well-trained and conscientious employees are of great importance to the Bank. The internal Legal Department designs contracts carefully to minimise legal risks, where necessary in consultation with specialist lawyers.

(65) CONSOLIDATED CAPITAL AND REGULATORY CAPITAL REQUIREMENTS

Capital management
The Group's capital management objectives and requirements include:
- Compliance with the regulatory capital requirements of CRR
- Maintaining a going concern
- Managing shareholder distributions
- Development of the capital base

Capital adequacy is monitored on an ongoing basis in accordance with CRR. These data are calculated every month and reported individually and at the level of the Group to Österreichische Nationalbank on a quarterly basis.

In 2020, CRR requires institutions to comply with a common equity tier 1 capital ratio (CET1) of 4.50 %, a tier 1 capital ratio (T1) of 6.00 % and a total capital ratio of 8.00 %. Among others, in 2020, an additional capital conservation buffer of 2.50 % (2019: 2.50 %) was created. Hypo Vorarlberg Bank AG met the regulatory capital requirements in accordance with CRR both in the year under review and the previous year.

The amount of regulatory capital held by the Bank Group is determined by Central Accounting and consists of three tiers. CRR provides appropriate transitional regulations for the period from 2014 to 2024.

Common equity tier 1 capital -- CET1
This includes the eligible and paid-in capital instruments, share premium accounts related to these instruments, retained earnings, eligible profit/ loss for the year, accumulated other comprehensive income, and other reserves. In addition, CRR provides for deductions, such as intangible assets, deferred income tax assets, measurement effects due to the institution's own credit risk, and common equity tier 1 (CET1) instruments of financial sector entities that exceed certain thresholds.

Additional Tier 1 capital -- AT1
This includes the eligible and paid-in capital instruments and share premium accounts related to these instruments. In addition, deductions are also included in CRR for these items.

Tier 1 capital (T1) is the total of common equity tier 1 capital (CET1) and Additional tier 1 capital (AT1)

Tier 2 capital -- T2
This includes the eligible tier 2 bonds and subordinated loans and share premium accounts related to these instruments. Tier 2 instruments in the last five years of their terms are only eligible to a certain extent. Tier 2 instruments of financial sector entities that exceed certain thresholds are also deductible here.

The sum of tier 1 (T1) and tier 2 (T2) capital gives the attributable own funds. The tables below show the capital requirements pursuant to CRR and the breakdown of the Bank Group's capital.

Pillar 2 of Basel III requires banks additionally to demonstrate their capital adequacy on the basis of internal models. This is to ensure in particular that risks are considered which receive no capital requirements under Pillar 1. Such risks include interest rate risk in the banking book. The Bank employs the Internal Capital Adequacy Assessment Process (ICAAP) to identify, quantify, aggregate and monitor all major risks. The Bank calculates economic capital requirements for each of these risks. The Bank allocates a capital buffer if economic capital requirements cannot be calculated. The available risk coverage potential is distributed across organisational units and risk types in annual planning.

By using the Capital Adequacy Process, the Bank ensures that risk limits are complied with and that risks taken are covered by existing coverage potential. The Bank applies a confidence level of 99.9 % for the Capital Adequacy Process on a liquidation basis. The holding period is one year in each case. Correlations between individual risk types are not taken into consideration. The Capital Adequacy Process calculation is performed monthly.

The Bank's credit risk calculation of economic capital is based on the Basel III IRB approach. With this approach, the consumption of economic capital depends on the type and amount of the liability, collateral and rating of the debtor. Value at risk is employed in the ICAAP for the management of market risk. The VaR limit defines the maximum loss the Bank is prepared to absorb under normal market conditions. The Managing Board defines the global VaR limit on an annual basis. In addition, limits are defined for various yield curves, currency pairs or equity position risks.

The Bank calculates economic capital for operational risk using the Pillar 1 basic indicator approach. To quantify structural liquidity risk, Hypo Vorarlberg calculates liquidity VaR based on the ICAAP guidelines of the Austria Financial Market Authority/Austrian National Bank. In-house methods are used for shareholder risk, real estate risk, foreign currency risk in the lending business, migration risk and counterparty default risk. A capital buffer is recognised for other risks.

Regulatory requirements according to CRR

Total risk exposure according to CRR

TEUR	31.12.2020	31.12.2019
Risk weighted exposure amounts	8,198,810	8,010,756
Risk exposure amount for settlement and delivery risks	1,196	25
Total risk exposure amount for position, foreign exchange and commodities risks	496	619
Total risk exposure amount for operational risk	419,334	420,969
Total risk exposure amount for credit valuation adjustment	25,243	23,799
Total risk exposure amount	8,645,079	8,456,168

Common equity tier 1 capital (CET1) according to CRR

TEUR	31.12.2020	31.12.2019
Capital instruments eligible as CET1 capital	206,826	206,826
Retained earnings	892,918	861,972
Accumulated other comprehensive income	-7,976	-5,568
Other reserves	132,567	132,567
Minority interests	15	27
Adjustments to CET1 due to prudential filters	-5,009	-3,002
Intangible assets	-1,843	-2,796
Other transitional adjustments to common equity tier 1	22,453	0
Common equity tier 1 capital (CET1)	1,239,951	1,190,026

Additional tier 1 capital (AT1) according to CRR

TEUR	31.12.2020	31.12.2019
Capital instruments eligible as AT1 capital	50,000	50,000
Instruments issued by subsidiaries that are given recognition in AT1 capital	3	5
Additional tier 1 capital (AT1)	**50,003**	**50,005**

Tier 2 capital (T2)

TEUR	31.12.2020	31.12.2019
Capital instruments and subordinated loans eligible as T2 capital	249,969	269,635
Instruments issued by subsidiaries that are given recognition in T2 capital	4	7
Tier 2 capital (T2)	**249,973**	**269,642**

Composition of own funds according to CRR and capital ratios

TEUR	31.12.2020	31.12.2019
Common equity tier 1 capital (CET1)	1,239,951	1,190,026
Additional tier 1 capital (AT1)	50,003	50,005
Tier 1 capital	**1,289,954**	**1,240,031**
Tier 2 capital (T2)	249,973	269,642
Own funds	**1,539,927**	**1,509,673**
CET1 capital ratio (CET1)	14.34 %	14.07 %
Surplus of CET1 capital	850,923	809,498
T1 capital ratio (T1)	14.92 %	14.66 %
Surplus of T1 capital	771,250	732,661
Total capital ratio	17.81 %	17.85 %
Surplus of total capital	848,321	833,179

H. DISCLOSURES PERTAINING TO AUSTRIAN LAW

(66) AUSTRIAN LAW

In line with Section 59a Austrian Banking Act in conjunction with Section 245a (1) Austrian Corporate Code (UGB), the consolidated financial statements were prepared in accordance with International Financial Reporting Standards applicable in the EU. In line with Section 59a Austrian Banking Act, the disclosures per Section 64 (1) No. 1–15 and (2) Austrian Banking Act and Section 245a (1) and (3) UGB are to be incorporated in the notes to the consolidated financial statements.

(67) ADDITIONAL DISCLOSURES IN LINE WITH THE AUSTRIAN BANKING ACT

The disclosure pursuant to Section 64 (1) No. 1 BWG on participation in the leasing business can be read in note (23).

The disclosure pursuant to Section 64 (1) No. 2 BWG on total assets and liabilities in foreign currencies can be read in note (42).

The disclosure pursuant to Section 64 (1) No. 3 BWG on forward transactions not yet settled on the reporting date can be read in notes (19) and (33).

The disclosure pursuant to Section 64 (1) No. 4 BWG on residual terms of loans and advances to banks and customers of liabilities to banks and customers can be read in note (43).

The balance sheet items "Financial liabilities at fair value (option)" and "Financial liabilities at amortized cost" include subordinated liabilities. The following table provides details in accordance with Section 64 (1) No. 5 to 6 BWG.

TEUR	Total number		Carrying value	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Tier 2 capital according to Part Two Title I Chapter 4 (EU Reg. 575/2013) – LFVO	2	4	23,640	32,031
Tier 2 capital according to Part Two Title I Chapter 4 (EU Reg. 575/2013) LAC	4	4	303,751	301,925
Additional tier 1 capital according to Part Two Title I Chapter 3 (EU-Reg. 575/2013) - LAC	2	2	50,534	50,533

	Average Interest		Average remaining term (in years)	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Tier 2 capital according to Part Two Title I Chapter 4 (EU Reg. 575/2013) – LFVO	0.540 %	1.760 %	10.3	8.6
Tier 2 capital according to Part Two Title I Chapter 4 (EU Reg. 575/2013) LAC	3.533 %	3.531 %	5.5	6.5
Additional tier 1 capital according to Part Two Title I Chapter 3 (EU-Reg. 575/2013) - LAC	6.074 %	6.074 %	No maturity	No maturity

The following subordinated liabilities exceed 10 % of the total amount of the above subordinated liabilities. The conditions of these issues in accordance with Section 64 No. 5 BWG are also given.

- Subordinated bond ISIN AT0000A0XB21, EUR 100,882,000 fixed interest rate 5.0%, term 2012 to 2022, no call or conversion option, repaid at end of term at nominal value
- Subordinated bond ISIN AT0000A1GTF4, EUR 50,000,000, fixed interest rate 4.5 %, term 2015 to 2025, no call or conversion option, repaid at end of term at nominal value.
- Subordinated bond ISIN AT0000A1YQ55, EUR 50,000,000, fixed interest rate 3.1 %, term 2017 to 2027, no call or conversion option, repaid at end of term at rate of 100.
- Subordinated bond ISIN CH0461238948, CHF 100,000,000, fixed interest rate 1.625 %, term 2019 to 2029, no call or conversion options, repaid at end of term at rate of 100.

Additional tier 1 capital was generated in the amount of EUR 10,000,000 in 2016 by issuing the Hypo Vorarlberg additional tier 1 bond 2016, ISIN AT0000A1LKA4. The distribution corresponds to 5.87 % p.a. for the first 10 years and subsequently to the six-month Euribor plus 5.30 % p.a. (annual payment). It can be called by the issuer after 10 years and subsequently on an annual basis. In 2018, additional tier 1 capital in the amount of EUR 40,000,000 was generated by issuing the Hypo Vorarlberg additional tier 1 bond 2018, ISIN AT0000A20DC3. The distribution corresponds to 6.125 % p.a. for the first 12 years and one month and subsequently to the six-month Euribor plus 5.00 % p.a. (semi-annual payment). It is redeemable for the first time at the issuer's discretion after 12 years and one month, and subsequently on an annual basis.

The accrued interest as at the reporting date amounts to TEUR 321 (2019: TEUR 320) for both bonds. The bonds are unsecured and subordinated and have an indefinite term.

In 2021, bonds and other fixed-income securities in accordance with Section 64 (1) No. 7 BWG totalling TEUR 413,618 (2020: TEUR 428,609) and issued bonds totalling TEUR 310,085 (2019: TEUR 687,809) will fall due for repayment.

The disclosure pursuant to Section 64 (1) No. 8 BWG on assets provided as collateral can be read in note (47).

The disclosure pursuant to Section 64 (1) No. 9 BWG is not made in terms of geographical markets, as these do not differ materially from the location of the Bank's organisation.

The disclosure pursuant to Section 64 (1) No. 12 BWG is already made in the individual notes of the consolidated financial statements where the amounts are significant.

In 2020, the interest expense for subordinated liabilities according to Section 64 (1) No. 13 BWG was TEUR 10,561 (2019: TEUR 9,497).

The disclosure pursuant to Section 64 (1) No. 15 BWG can be read in note (69). The Bank maintains a small trading portfolio per Article 94 CRR with a focus on customer service. As at 31 December 2020, the trading portfolio includes investment funds of TEUR 136 (2019: TEUR 151).

The disclosure pursuant to Section 64 (1) No. 16 and No. 17 BWG on the breakdown of tier 1 capital, supplementary capital and consolidated capital can be read in notes (41) and (65).

The financial information and key figures for each country of establishment pursuant to Section 64 (1) No. 18 BWG are disclosed in the following table.

TEUR 2019	Austria	Switzerland	Itay	Czech Republic
Net interest income	147,865	8,187	13,489	0
Dividend income	1,451	0	0	0
Net fee and commission income	36,055	597	-186	0
Net result from financial instruments at amortized cost	-12	-2	0	0
Net result from financial instruments at fair value	12,051	372	13	0
Administrative expenses	-86,299	-4,678	-5,306	-8
Impairments	-6,020	-284	-1,281	0
Earnings before taxes	87,004	3,823	875	-10
Taxes on income	-18,816	-666	-1,834	0
Number of full-time equivalent employees	660	19	40	0

TEUR 2020	Austria	Switzerland	Itay	Czech Republic
Net interest income	148,928	9,819	15,413	0
Dividend income	688	0	0	0
Net fee and commission income	34,313	478	-144	0
Net result from financial instruments at amortized cost	1.518	0	0	0
Net result from financial instruments at fair value	-8,550	315	1	0
Administrative expenses	-84,239	-5,217	-5,642	-14
Impairments	-6,534	-312	-1,339	0
Earnings before taxes	46,867	2,959	-987	-14
Taxes on income	-10,826	-428	-240	0
Number of full-time equivalent employees	633	19	42	0

Switzerland comprises the branch in St. Gallen. The branch in St. Gallen acts as a universal bank and it focuses on lending, asset management and investment advisory services. It operates in German-speaking Switzerland, especially Eastern Switzerland.

Italy comprises our subsidiaries Hypo Vorarlberg Holding (Italy) G.m.b.H, Hypo Vorarlberg Leasing AG and Hypo Vorarlberg Immo Italia srl. All companies are based in Bolzano. Hypo Vorarlberg Leasing AG conducts property leasing business and occasionally movables leasing business. Hypo Vorarlberg Leasing AG has branches in Como and Treviso. It operates in South Tyrol and Northern Italy. Hypo Vorarlberg Immo Italia srl manages and evaluates the Group's properties in Italy and provides property services for the Group. In addition, Hypo Vorarlberg Immo Italia srl manages and commercialises its own properties. Hypo Vorarlberg Holding (Italy) G.m.b.H. holds the stakes in the two other companies.

The Czech Republic comprises the companies Inprox Praha Michle – HIL s.r.o. and Inprox Praha Letnany – HIL s.r.o., both based in Prague. Both companies are no longer operational and are to be liquidated.

The return on total assets in accordance with Section 64 (1) No. 19 BWG is 0.33 % (2019: 0.66 %).

(68) AUDITOR'S FEE PER AUSTRIAN CORPORATE CODE (UGB)

The table below provides a breakdown of fees paid to Ernst & Young, Wirtschaftsprüfungsgesellschaft m.b.H., Wagramer Straße 19 – IZDTower, 1220 Vienna per Section 266 UGB.

TEUR	2020	2019
Expenses for auditing the consolidated financial statements	203	202
Expenses for other auditing services	0	38
Expenses for other services	74	11
Total fees	**277**	**251**

(69) DISCLOSURES ON STOCK-EXCHANGE LISTING

A breakdown of securities per Section 64 (1) No. 10 and No. 11 BWG is provided below.

TEUR	Not listed 31.12.2020	Listed 31.12.2020	Not listed 31.12.2019	Listed 31.12.2019	Total 31.12.2020	Total 31.12.2019
Debt securities at fair value (non-SPPI)	80,590	86,760	94,736	150,962	167,350	245,698
Debt securities at fair value (option)	59,554	0	65,806	0	59,554	65,806
Debt securities at amortized cost	2,497,146	101,533	2,404,159	83,544	2,598,679	2,487,703
Equity securities trading assets	136	0	151	0	136	151
Equity securities at fair value (non-SPPI)	23,897	0	27,893	0	23,897	27,893
Total securities	**2,661,323**	**188,293**	**2,592,745**	**234,506**	**2,849,616**	**2,827,251**
of which non-current assets	2,650,938	188,293	2,581,885	234,506	2,839,231	2,816,391
of which current assets	10,249	0	10,709	0	10,249	10,709
of which trading assets	136	0	151	0	136	151

In the interest of improved transparency and informational value of the breakdown of securities, loans and credits were not taken into account.

The difference between cost and the lower repayment amount per Section 56 (2) Austrian Banking Act was TEUR 65,280 (2019: TEUR 51,511). The difference between the repayment amount and the lower cost per Section 56 (3) Austrian Banking Act was TEUR 10,829 (2019: TEUR 15,199). At 31 December 2020, subordinated capital in the portfolio securities had a nominal value of TEUR 882 (2019: TEUR 468).

(70) SUBSIDIARIES AND HOLDINGS NOT INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

The following subsidiaries were not included in the consolidated financial statements as they are of minor importance to the informational value of the consolidated financial statements, both when considered individually and when taken together. In most cases, these companies are project companies which do not undertake business operations and are instead responsible for the realisation of individual assets.

Company name, place TEUR	Percentage Of capital	UGB Share- Holder's equityl	UGB Net result	UGB Total assets	Date of Financial statements
HV-Finanzdienstleistungs- und Immobilien GmbH, DE-Kempten	100.00 %	225	50	229	31/12/2020
Hotel Widderstein Besitz & Verwaltungs GmbH, Dornbirn	100.00 %	88	-16	94	31/12/2020
Summe		**313**	**34**	**323**	

The following holdings over which the Group can exert significant influence are not included in the consolidated financial statements, because inclusion would lead to a disproportionately long delay to the consolidated financial statements and also because reconciliation would involve disproportionately high costs, due to IFRS, without significantly increasing the informational value with regard to the Group's net assets and liabilities, financial condition, and results of operations.

Company name, place TEUR	Percentage Of capital	UGB Share- Holder's equityl	UGB Net result	UGB Total assets	Date of Financial statements
„Wirtschafts-Standort Vorarlberg" Betriebsansiedlungs GmbH, Dornbirn	33.00 %	37	0	639	31/12/2020

VI. MANAGING BOARD
AND SUPERVISORY BOARD

MANAGING BOARD

Michel Haller
Chairman of the Managing Board, Tettnang

Wilfried Amann
Member of the Managing Board, Bludesch

Johannes Hefel (until 30 April 2020)
Member of the Managing Board, Schwarzach

Philipp Hämmerle (from 1 May 2020)
Member of the Managing Board, Lustenau

SUPERVISORY BOARD

Jodok Simma
Chairman, Chairman of the Managing Board (retired), Bregenz

Alfred Geismayr
Deputy Chairman, Chartered Accountant, Dornbirn

Astrid Bischof
Entrepreneur, Göfis

Karl Fenkart
State official, Lustenau

Eduard Fischer
Entrepreneur (retired), Offsetdruckerei Schwarzach Ges.m.b.H., Dornbirn

Michael Horn
Deputy Chairman of the Managing Board of Landesbank Baden-Württemberg (LBBW) (retired), Weingarten

Karlheinz Rüdisser
Deputy State Governor of Vorarlberg (retired), Lauterach

Birgit Sonnbichler
Entrepreneur, Dornbirn

Nicolas Stieger
Lawyer, Bregenz

Ulrich Theileis
Member of the Managing Board of Landeskreditbank Baden-Württemberg – Förderbank (L-Bank), Ettlingen

Veronika Moosbrugger
Chairwoman of the Works Council

Andreas Hinterauer
Works council delegate

Elmar Köck
Works council delegate

Gerhard Köhle
Works council delegate

Peter Niksic
Works council delegate

As of March 2021

VII. SUBSIDIARIES AND HOLDINGS

a) Companies fully consolidated in the consolidated financial statement:
The shareholdings listed in the following table did not change in the financial year 2020. The share of voting rights corresponds to the equity interest.

Company name, place	Percentage of capital	Date of financial statement
"Hypo-Rent" Leasing- und Beteiligungsgesellschaft mbH, Bregenz	100.00 %	31/12/2020
LD-Leasing GmbH, Dornbirn	100.00 %	31/12/2020
Hypo Vorarlberg Leasing AG, IT-Bolzano	100.00 %	31/12/2020
HYPO VORARLBERG HOLDING (ITALIEN) G.m.b.H, IT-Bolzano	100.00 %	31/12/2020
Hypo Vorarlberg Immo Italia srl, IT-Bolzano	100.00 %	31/12/2020
IMMOLEAS Grundstücksverwaltungsgesellschaft m.b.H., Dornbirn	100.00 %	31/12/2020
Hypo Immobilien Besitz GmbH, Dornbirn	100.00 %	31/12/2020
Hypo Immobilienleasing Gesellschaft m.b.H., Dornbirn	100.00 %	31/12/2020
"HERA" Grundstücksverwaltungsgesellschaft m.b.H., Dornbirn	100.00 %	31/12/2020
Hypo Immobilien Bankgebäudemanagement GmbH, Dornbirn	100.00 %	31/12/2020
Hypo Immobilien Investment GmbH, Dornbirn	100.00 %	31/12/2020
Hypo Immobilien & Leasing GmbH, Dornbirn	100.00 %	31/12/2020
HIL Mobilienleasing GmbH & Co KG, Dornbirn	100.00 %	31/12/2020
HIL Immobilien GmbH, Dornbirn	100.00 %	31/12/2020
HIL BETA Mobilienverwertung GmbH, Dornbirn	100.00 %	31/12/2020
HIL EPSILON Mobilienleasing GmbH, Dornbirn	100.00 %	31/12/2020
HIL Baumarkt Triester Straße Immobilienleasing GmbH, Dornbirn	100.00 %	31/12/2020
HIL Real Estate alpha GmbH, Dornbirn	100.00 %	31/12/2020
HIL Real Estate International Holding GmbH, Dornbirn	100.00 %	31/12/2020
INPROX Praha Michle - HIL s.r.o., CZ-Prague	100.00 %	31/12/2020
INPROX Praha Letnany - HIL s.r.o., CZ-Prague	100.00 %	31/12/2020
"POSEIDON" Grundstücksverwaltungsgesellschaft m.b.H., Dornbirn	100.00 %	31/12/2020
Hypo Immobilien Cinemabetriebs GmbH, Dornbirn	100.00 %	31/12/2020
Edeltraut Lampe GmbH & Co KG, Dornbirn	100.00 %	31/12/2020
D. TSCHERNE Gesellschaft m.b.H., Vinna	100.00 %	31/12/2020
VKL IV Leasinggesellschaft mbH, Dornbirn	100.00 %	31/12/2020
VKL V Immobilien Leasinggesellschaft m.b.H., Dornbirn	100.00 %	31/12/2020
HYPO EQUITY Beteiligungs GmbH, Bregenz*) formerly: HYPO EQUITY Beteiligungs AG	100.00 %	30/09/2020
KUFA GmbH, Bregenz*)	100.00 %	30/09/2020
HYPO EQUITY Unternehmensbeteiligungen AG, Bregenz*)	79.19 %	30/09/2020
ECOS Venture Capital Beteiligungs GmbH, Vienna*)	79.19 %	30/09/2020
METIS - Beteiligungs und Verwaltungs GmbH, Bregenz*)	79.19 %	30/09/2020
PAXO - Beteiligungs und Verwaltungs GmbH, Bregenz*)	79.19 %	30/09/2020
"HSL-Lindner" Traktorenleasing GmbH, Dornbirn	76.00 %	31/12/2020

*) The separate financial statements of these companies were prepared on 30 September 2020, as these companies' financial years differ from the calendar year. The financial figures for the fourth quarter have been taken into consideration.

b) Companies consolidated in the consolidated financial statements according to the equity method
The shareholdings listed in the following table did not change in the financial year 2020. The share of voting rights corresponds to the equity interest in each case.

Company name, place TEUR	Percentage Of capital	Shareholder's equity	Total assets	Liabilities	Revenues
comit Versicherungsmakler GmbH, Dornbirn	40.00 %	3,461	4,537	1,076	0
MASTERINVEST Kapitalanlage GmbH, Vienna	37.50 %	5,018	9,012	3,994	1
Vorarlberger Kommunalgebäudeleasing Gesellschaft m.b.H., Dornbirn	33.33 %	143	1,490	1,347	0
VKL III Gebäudeleasing-Gesellschaft m.b.H. in Liqu., Dornbirn	33.33 %	34	34	0	0

comit Versicherungsmakler GmbH is a financial services company that advises and supports industrial, commercial and private customers with insurance matters and insurance solutions. Vorarlberger Kommunalgebäudeleasing Gesellschaft m.b.H. and IVKL III Gebäudeleasing Gesellschaft m.b.H. are property companies whose tasks involve either the letting, sale or administration of properties. The business activity of MASTERINVEST Kapitalanlage G.m.b.H. involves the management of investment funds in accordance with the Austrian Investment Fund Act.

All companies included in the consolidated financial statements according to the equity method are based on separate financial statements as at 31 December 2019. For the companies, net interest income is shown under revenues.

(71) DISCLOSURES ON NON-CONTROLLING INTERESTS

There are non-controlling interests in "HSL-Lindner" Traktorenleasing GmbH, based in Dornbirn, and HYPO EQUITY Unternehmensbeteiligungen AG, based in Bregenz. These companies' financial information is presented in the tables below.

"HSL-Lindner" Traktorenleasing GmbH, Dornbirn

TEUR	31.12.2020	31.12.2019
Assets	988	1,595
Financial assets	984	1,592
of which current	716	1,032
of which non-current	268	560
Other assets	4	3
Liabilities	753	1,367
Financial liabilities	725	1,351
of which current	30	41
of which non-current	695	1,310
Other liabilities	28	16
Shareholders' equity	235	228
of which non-controlling interests	56	55

TEUR	2020	2019
Net interest income	43	57
Other income	474	461
Other expenses	-473	-458
Earnings before taxes	62	21
Taxes on income	-15	-5
Income after taxes	47	16
of which non-controlling interests	11	4
Dividends/distributions	40	30
of which non-controlling interests	10	7

HYPO EQUITY Unternehmensbeteiligungen AG, Bregenz

TEUR	31.12.2020	31.12.2019
Assets	12,236	11,394
Financial assets	10,168	11,141
of which current	10,083	10,480
of which non-current	85	661
Other assets	2,068	253
Liabilities	198	57
Financial liabilities	174	28
of which current	174	28
Other liabilities	24	29
Shareholders' equity	12,038	11,337
of which non-controlling interests	2,506	2,360

TEUR	2020	2019
Net interest income	0	-971
Dividend income	0	2
Other income	0	7,502
Other expenses	-1	-6
Earnings before taxes	702	7,590
Taxes on income	-1	-3
Income after taxes	701	7,587
of which non-controlling interests	146	1,259

(72) DISCLOSURES ON MATERIAL JOINT VENTURES AND ASSOCIATES

Financial information on material joint ventures and associates is presented in the tables below.

comit Versicherungsmakler GmbH, Dornbirn

TEUR	31.12.2020	31.12.2019
Assets	4,537	N.A.
Financial assets	2,227	N.A.
of which current	2,227	N.A.
Other assets	2,310	N.A.
Liabilities	1,076	N.A.
Financial liabilities	36	N.A.
of which current	36	N.A.
Provisions	258	N.A.
Other liabilities	782	N.A.
Shareholders' equity	3,461	N.A.

TEUR	2020	2019
Other income	1,399	N.A.
Other expenses	-48	N.A.
Earnings before taxes	2,002	N.A.
Taxes on income	-228	N.A.
Income after taxes	1,774	N.A.
Dividends/distributions	550	N.A.

comit Versicherungsmakler GmbH was created by the merger of Hypo Versicherungsmakler GmbH and "EXACTA"-Versicherungsmakler GmbH. The merger took effect retroactively as at 1 January 2020. For this reason, no prior-year figures as of 31 December 2019 or for 2019 are available.

MASTERINVEST Kapitalanlage GmbH, Vienna

TEUR	31.12.2020	31.12.2019
Assets	9,012	8,881
Financial assets	6,286	5,704
of which current	3,540	2,613
of which non-current	2,746	3,091
Other assets	2,726	3,177
Liabilities	3,994	4,280
Financial liabilities	2,897	2,724
of which current	2,897	2,724
Provisions	162	153
Other liabilities	935	1,403
Shareholders' equity	5,018	4,601

TEUR	2020	2019
Net interest income	1	1
Dividend income	25	37
Other income	735	508
Other expenses	-431	-439
Earnings before taxes	1,442	789
Taxes on income	-345	-220
Income after taxes	1,097	569
Dividends/distributions	680	645

Below, Vorarlberger Kommunalgebäudeleasing Gesellschaft m.b.H and VKL III Gebäudeleasing-Gesellschaft m.b.H. are aggregated in the presentation of financial information, because these two companies pursue the same objective, and the shareholder structure and shareholdings in all these companies are identical.

Vorarlberger Kommunalgebäudeleasing Gesellschaften

TEUR	31.12.2020	31.12.2019
Assets	1,524	1,591
Financial assets	1,524	1,591
of which current	1,524	126
of which non-current	0	1,465
Liabilities	1,347	1,348
Financial liabilities	1,346	1,346
of which current	1,346	0
of which non-current	0	1,346
Other liabilities	1	2
Shareholders' equity	177	243

TEUR	2020	2019
Net interest income	0	-6
Other income	10	178
Other expenses	-9	-632
Earnings before taxes	-15	-480
Taxes on income	-4	-4
Income after taxes	-18	-484
Dividends/distributions	47	1,154

MANAGING BOARD
DECLARATION

We confirm that to the best of our knowledge the consolidated financial statements prepared in accordance with applicable accounting standards provide a true and fair view of the Group's assets and liabilities, financial condition, and results of operation, and that the Group management report presents business events, business results and the Group's position so as to provide a true and fair view of the Group's assets and liabilities, financial condition, and results of operation, and that the Group management report outlines the principal risks and uncertainties to which the Group is exposed.

We confirm that to the best of our knowledge the parent company's financial statements prepared in accordance with applicable accounting standards provide a true and fair view of the parent company's assets and liabilities, financial condition, and results of operation, and that the management report presents business events, business results and the parent company's position so as to provide a true and fair view of its assets and liabilities, financial condition, and results of operation, and that the management report outlines the principal risks and uncertainties to which the parent company is exposed.

Bregenz, 29 March 2021

Hypo Vorarlberg Bank AG

The member of the Managing Board

Michel Haller
Chariman of the Managing Board

Risk Management

Wilfried Amann
Member of the Managing Board

Sales Private and Corporate Customers

Philipp Hämmerle
Member of the Managing Board

Organization, IT and Finance

REPORT
OF THE SUPERVISORY BOARD

On an ongoing basis, the Supervisory Board monitors the man-ageri-al activities of the Managing Board within the framework es-tab-lished by law, the articles of association and the Supervisory Board rules of procedure. The Supervisory Board convened for five meet-ings at which it discussed the Managing Board reports per-taining to important plans and relevant events, the position and develop-ment of the Bank, its subsidiaries and holdings. The Super-visory Board adopted the planning for financial years 2020 and 2021, taking into consideration the Bank's strategic alignment jointly determined by the Supervisory Board and the Managing Board, and adopted the necessary resolutions. In addition, the Su-pervisory Board dealt with the changes in connection with the on-going COVID-19 pandemic. The topic of diversity was addressed both on the Nomination Committee and on the Supervisory Board and various measures were discussed with the Managing Board.

Supervisory Board committees
The Audit Committee met three times in 2020 and performed its control tasks to monitor the effectiveness of the internal control system, the risk management system and Internal Audit. The Audit Committee dealt particularly intensively with financial reporting in the annual and quarterly financial statements.

The Risk Committee met twice in 2020. Among other matters, it conducted the review of the restructuring plan and advised the Managing Board with regard to the current and future risk appetite and risk strategy.

The Loan Committee met thirteen times in the 2020 reporting year. It examined the loans and credits that required its consent. The main features of the lending policy were also agreed with the Loan Committee.

The Remuneration Committee fulfilled its responsibilities pursuant to Section 39c of the Austrian Banking Act (BWG) and met twice in 2020.

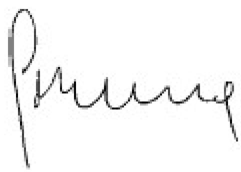
The Nomination Committee met once in 2020 and fulfilled its re-sponsibilities pursuant to Section 29 BWG.

Corporate Governance Code
The Supervisory Board reviewed and discussed with the Managing Board business events requiring Supervisory Board approval pursu-ant to laws, the articles of association and/or the rules of proce-dure, granting approval accordingly. The Supervisory Board em-ployed the Corporate Governance Code as a guideline in its activi-ties.

Audit
The 2020 financial statements and management report were au-dited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vi-enna, appointed by the annual meeting of shareholders to audit the financial statements. As indicated by the unqualified audit opinion given by this company, the financial statements and man-agement report conform to legal requirements. The consolidated financial statements for 2020 were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. They were also audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, and issued with an unqualified audit opinion. The Supervisory Board will formally adopt the relevant resolutions following detailed discussions.

Thanks and recognition
The Supervisory Board would like to express its thanks and recogni-tion towards the members of the Managing Board, the managers and above all the employees for their excellent achievements in the financial year 2020.

Bregenz, March 2021



Chairman of the Supervisory Board

Jodok Simma

AUDITOR'S REPORT

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS – AUDIT OPINION

We have audited the consolidated financial statements of

Hypo Vorarlberg Bank AG, Bregenz,

and of its subsidiaries (the Group) comprising the consolidated balance sheet as of 31 December 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated cash flow statement for the fiscal year then ended and the notes to the consolidated financial statements.

Based on our audit the accompanying consolidated financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Group as of 31 December 2020 and its financial performance for the year then ended in accordance with the International Financial Reporting Standards as adopted by EU (IFRS), and the additional requirements under Section 245a Austrian Company Code UGB and Section 59a Austrian Banking Act BWG.

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

Key Audit Matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the fiscal year 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

1. Valuation allowances for financial assets at amortized cost

2. Fair Values of financial instruments, that are categorized in the fair value level 3 of the fair value hierarchy

1. VALUATION ALLOWANCES FOR FINANCIAL ASSETS AT AMORTIZED COST

Description:
To reflect the risk of losses in the portfolio of financial assets at amortized Cost (EUR 12,453 million), the company recognised significant valuation allowances in its consolidated financial statements as at 31 December 2020 (EUR 121 million). These represent the Managing Board's best estimate of expected credit losses in the portfolio of financial assets at amortized Cost at the balance sheet date.

In accordance with the regulations of IFRS 9, financial assets are measured at amortized Cost depending on the classification of debt securities, loans, credits, and trade receivables on the basis of the business model and the characteristics of the contractual cash flows. In addition, the level allocation designed by the company and its key assumptions for assessing the assessment of a significant increase in the default risk (level 2) or default events (existence of objective evidence of impairment - level 3) are significant for determining the amount of valuation allowances.

Valuation allowances are calculated using the discounted cash flow method. The expected cash flows are estimated in the same way as the expected proceeds from the realisation of collateral. Estimates are made on an individual basis (significant level 3 loan receivables) or on the basis of a collective estimate (rule-based approach for level 1 and 2 loan receivables and for non-significant level 3 loan receivables).

In this regard, we refer to the information provided by the company's Managing Board in the notes to the Consolidated Financial Statements in notes (3) "Accounting Policies", (23) "Financial Assets at amortized Cost" and (62) "Credit Risk".

The determination of the amount of valuation allowances is subject to considerable discretionary scope on the basis of the assumptions and estimates used. We have therefore identified this area as a material audit issue.

How we addressed the matter in the context of the audit:
In order to assess the appropriateness of the valuation allowances recognized, we have assessed the significant processes and models in credit risk management, taking into account in particular the regulations of IFRS 9. In particular, we have used the processes and models for classifying debt securities, loans, credits and trade receivables on the basis of the business model and determining the characteristics of the contractual cash flows. In addition, we have examined the level allocation designed by the company and its key assumptions for the assessment of a significant increase in the default risk or default events in order to assess whether these processes and models are suitable for identifying a significant increase in the default risk or default events and determining the need for valuation allowances.

We have identified the internal control system, in particular the key controls for the purchase of debt securities and the granting of loans and credits, in ongoing monitoring and in the early warning process, and tested it in some areas. We have reviewed the internal control system in the area of credit management, in particular with regard to the correct handling of rating models and collateral valuation.

On the basis of a selection of already defaulted debt securities, loans, credits and trade receivables, we examined whether sufficient valuation allowances had been recognised. For these, we critically assessed management's estimates of future cash flows expected from repayments and collateral.

In addition to compliance with the internal rules regarding rating and collateral assignment, we examined a sample of debt securities, loans, credits and trade receivables that were not yet identified as defaulted to determine whether significant increases in default risk or loss events were fully identified.

When reviewing the valuation allowances on the basis of a collective estimate, we assessed the valuation models used and the parameters applied to determine whether they were suitable for determining appropriate allowances. We also examined the underlying data basis for its data quality and reconstructed the arithmetical accuracy of the valuation allowances.

In addition, we have examined whether the information provided by the company's Managing Board in the notes is complete and applicable.

2. FAIR VALUES OF FINANCIAL INSTRUMENTS, THAT ARE CATEGORIZED IN THE FAIR VALUE LEVEL 3 OF THE FAIR VALUE HIERARCHY

Description:
In its consolidated financial statements for the year ended 31 December 2020, the company records to a significant extent financial instruments at fair value that are assigned to level 3 of the fair value hierarchy. The carrying amounts of these financial instruments correspond to assets of EUR 971 million and liabilities of EUR 647 million as at 31 December 2020.

The valuation of these financial instruments requires the fair value to be determined using recognised valuation models and methods, as no market or stock exchange prices are available in an active market.

When using recognised valuation models, the selection of these valuation models and methods, the input parameters used and the discretionary decisions associated with them, which are subject to estimation uncertainties, are of decisive importance for determining the fair value to be applied.

Due to the fact that the financial instruments which are assigned to level 3 of the fair value hierarchy make up a significant amount of the company's total assets and that estimation uncertainties may arise with respect to the input parameters relevant to measurement, we have selected this area as a material audit issue.

In this regard, we refer to the information provided by the company's Managing Board in the notes to the Consolidated Financial Statements in note (56) "Disclosures on Fair Value" and note (3) "Accounting Policies".

How we addressed the matter in the context of the audit:
We have reviewed the valuation processes and the design and effectiveness of the Group's key controls with respect to data inputs for the valuation of financial instruments assigned to Fair Value Level 3 of the fair value hierarchy. In measuring these financial instruments, we have assessed the assumptions and methods used by the company's Managing Board to determine whether they are appropriate for determining correct values. On a sample basis, we assessed the valuation of these financial instruments and their recognition in accordance with the IFRS 9 categorisation.

The valuation results were reconstructed with our own calculations on the basis of selected samples, with the involvement of internal specialists at EY. We also checked whether the information provided by the company's Managing Board in the notes was complete and accurate.

Other Information
Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the management report for the Group and the auditor's report thereon.

The annual report is estimated to be provided to us after the date of the auditor's report.

Our opinion on the consolidated financial statements does not cover this other information and we will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, we have the responsibility of reading this other information as soon as it is available and assessing whether this other information shows any material inconsistencies with the consolidated financial statements or with the knowledge we obtained from the audit of the financial statements or otherwise appears to be misstated.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements
Management is responsible for the preparation of the consolidated financial statements in accordance with IFRS as adopted by the EU, and the additional requirements under Section 245a Austrian Company Code UGB and Section 59a Austrian Banking Act BWG for them to present a true and fair view of the assets, the financial position and the financial performance of the Group and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:
- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are in-

adequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Comments on the Group Management Report

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

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report for the Group.

Opinion

In our opinion, the management report for the Group was prepared in accordance with the applicable legal requirements, contains accurate information in accordance with Section 243a UGB and is consistent with the consolidated financial statements.

Statement

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

Additional information in accordance with article 10 EU regulation

We were elected as auditor by the shareholders' meeting on 28 May 2019. We were appointed by the Supervisory Board on 2 September 2019. In addition, we were already elected as the auditor for the following financial year by the shareholders' meeting on 28 October 2020 and were appointed by the Supervisory Board on 20 November 2020 to audit the consolidated financial statements. We have been the auditors continuously since 2010.

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

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

Responsible Austrian Certified Public Accountant

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

Vienna, 29 March 2021

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Ernst Schönhuber	**ppa Mag. Georg Fikar**
Austrian Certified	Austrian Certified
Public Accountant	Public Accountant

BRANCHES AND CONTACT

BRANCH OFFICES
AND SUBSIDIARIES

HEADQUARTERS

Bregenz, Headquarters
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Bregenz Corporate Customers Branch Office
Simon Ruff
Branch Office Head, Bregenz Corporate Customers

Markus Schmid
Head of Corporate Customers Centre Germany

Bregenz Private Customers Branch Office
Stephan Spies
Head of Service and Private Customers

Stephan Bohle
Head of Private Banking

Alexander Walterskirchen
Head of Private Loans

Bregenz Wealth Management Branch Office
Stefan Schmitt
Head of Wealth Management Bregenz

INTERNAL DEPARTMENTS

Johann Berchtold
Head of IT

David Blum
Head of Strategic Bank Management

Klaus Diem
Head of Legal Department

Bernhard Egger
Head of Finance

Markus Felder
Head of Private Customers

Stefan Germann
Head of Credit Management Corporate Customers

Florian Gorbach
Head of Treasury

Prokurist Mag. Martin Heinzle
Leiter Kreditmanagement Privatkunden

Egon Helbok
Head of Human Resources

Peter Holzer
Head of Controlling

Martha Huster
Ombudsperson

Reinhard Kaindl
Head of Compliance & Outsourcing

Stephan Modler
Head of Sales Support

Sabine Nigsch
Head of Communications

Daniel Oberauer
Data Protection Officer

Wilhelm Oberhauser
Head of Logistics, Sustainability

Angelika Rimmele
Head of Marketing

Jörg Ruwe
Head of IT

Stephan Sausgruber
Head of Corporate Customers

Christoph Schwaninger
Head of Corporate and Internal Audit

Emmerich Schneider
Head of Participation Administration

Markus Seeger
Head of Group Risk Controlling

Karl-Heinz Strube
Head of Asset Management

Johannes Tschanhenz
Head of Mid- and Backoffice Funds, Securities and Derivatives

BRANCH OFFICES

Bludenz, Am Postplatz 2
Peter Meyer, Branch Office Head and Head of Corporate Customers
Walter Hartmann, Branch Office Head Private Customers
Christoph Gebhard, Head of Private Banking

Dornbirn, Rathausplatz 6
Richard Karlinger, Branch Office Head and Head of Corporate Customers
Egon Gunz, Branch Office Head Private Customers and Head of Private Banking

Dornbirn, Messepark, Messestraße 2
Lena-Maria Schuler, Head of Service Customers

Egg, Wälderpark, HNr. 940
Markus Kohler, Branch Office Manager

Feldkirch, Neustadt 23
Martin Schieder, Branch Office Manager Private Customers
Stefan Kreiner, Head of Private Loans

Feldkirch, LKH Feldkirch Carinagasse 47–49
Martin Schieder, Branch Office Manager Private Customers

Götzis, Hauptstraße 4
Franz Altstätter, Branch Office Manager Private Customers

Graz, Joanneumring 7
Ernst Albegger, Regional Manager Styria and Head of Corporate Customers
Daniel Gerhold, Deputy Regional Manager Styria
Gerhard Vollmann, Head of Private Customers and Private Banking

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Helgar Helbok, Branch Office Manager

Hohenems, Bahnhofstraße 19
Andreas Fend, Branch Office Head

Lech, Dorf 138
Reinhard Zangerl, Branch Office Head and Head of Corporate Customers

Lustenau, Kaiser-Franz-Josef-Straße 4a
Graham Fitz, Branch Office Head and Head of Corporate Customers
Stefan Ritter, Branch Office Head Private Customers
Jürgen Rehmann, Head of Private Banking

Rankweil, Ringstraße 11
Katharina Woletz, Head of Service and Private Customers

Riezlern, Walserstraße 31
Artur Klauser, Branch Office Head Kleinwalsertal
Josef Wirth, Head of Service and Private Customers

Schruns, Jakob-Stemer-Weg 2
Hannes Bodenlenz, Branch Office Manager

Wels, Kaiser-Josef-Platz 49
Friedrich Hörtenhuber,
Regional Manager Upper Austria and Head of Corporate Customers
Iris Häuserer, Head of Private Customers and Private Banking

Vienna, Brandstätte 6
Mag. Roswitha Klein, Regional Manager Vienna / Head of Wealth Management
Hans-Jürgen Spitzer,
Head of Corporate Customers Vienna
Robert Glasner, Branch Office Manager Private Customers
Katharina Jantschgi, Head of Service and Private Customers

REGIONAL HEAD OFFICE

St. Gallen, Schweiz, Bankgasse 1
Dieter Wildauer
Regional Manager Switzerland
Thomas Reich, Head of Back Office
Walter Ernst, Head of Private Banking

SUBSIDIARIES IN AUSTRIA

Hypo Immobilien & Leasing GmbH
Dornbirn, Poststraße 11
Wolfgang Bösch, Managing Director
Peter Scholz, Managing Director

comit Versicherungsmakler GmbH
Dornbirn, Poststraße 11

MASTERINVEST Kapitalanlage GmbH
Wien, Landstraße 1, Top 27

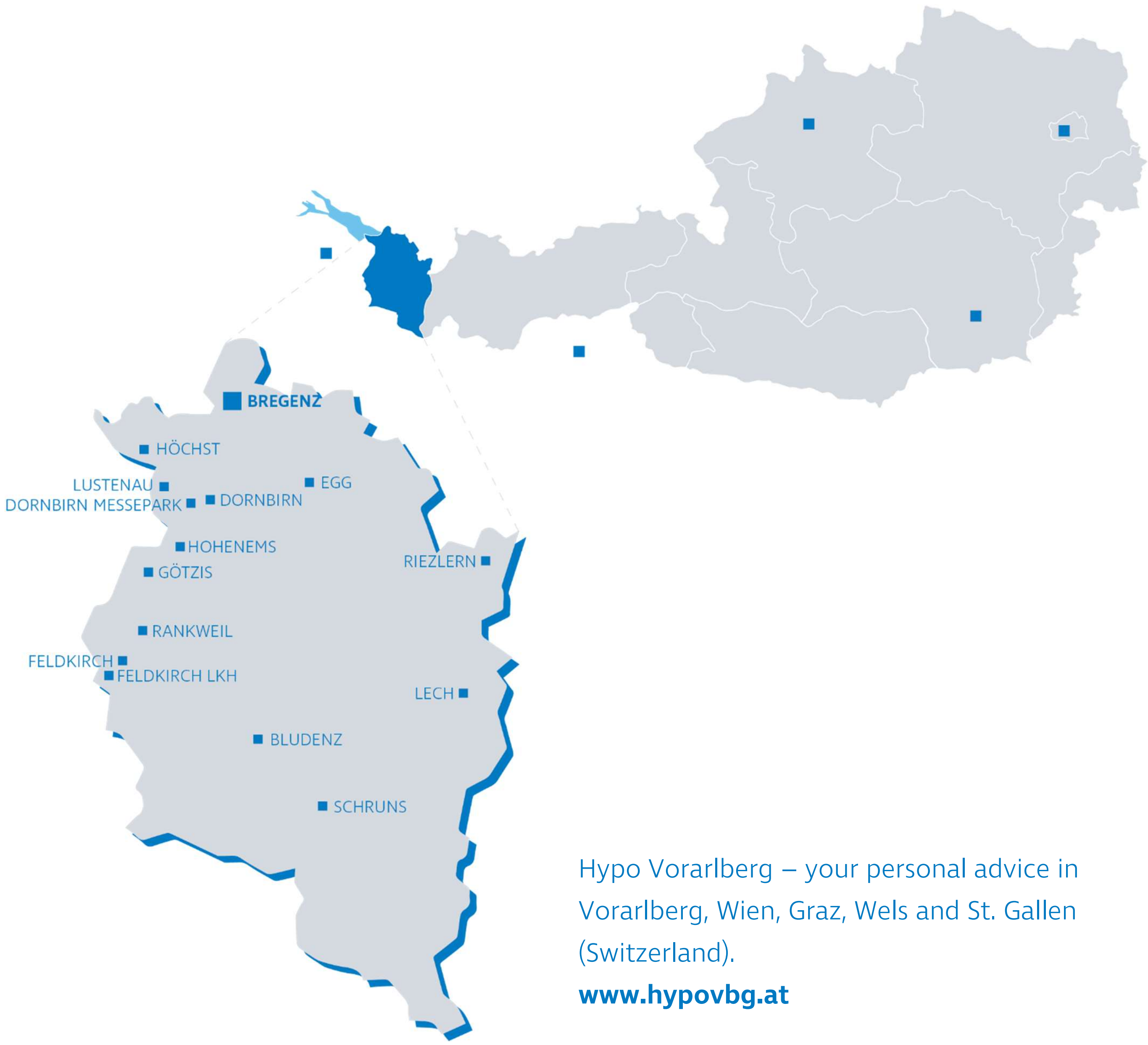
SUBSIDIARIES IN ITALY

Hypo Vorarlberg Leasing AG
Bozen, Galileo-Galilei-Straße 10 H
Como, Via F.lli Rosselli 14
Treviso, Vicolo Paolo Veronese 6
Michael Meyer, Delegate of the Board of Directors

Hypo Vorarlberg Immo Italia GmbH
Bozen, Galileo-Galilei-Straße 10 H
Alexander Ploner, Delegate of the Board of Directors

ALWAYS CLOSE BY
LOCATIONS AND BRANCHES

In addition to our branches in Vorarlberg, we also have locations in the most important economic centres in Austria and in Eastern Switzerland. This way we can take care of our customers outside of Vorarlberg and, at the same time, personally convince others of the quality of our performance.



Hypo Vorarlberg – your personal advice in Vorarlberg, Wien, Graz, Wels and St. Gallen (Switzerland).

www.hypovbg.at

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