HYPO VORARLBERG BANK AG

ANNUAL REPORT

2023

KEY FIGURES 2023

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

Balance sheet figures TEUR	Notes	31.12.2023	31.12.2022	Change in TEUR	Change in %
Total assets		15,726,535	15,305,475	421,060	2.8
Loans and advances to banks		418,305	464,585	-46,280	-10.0
Loans and advances to customers		11,089,798	10,644,719	445,079	4.2
Liabilities to banks		783,867	1,668,142	-884,275	-53.0
Liabilities to customers		5,259,166	5,645,274	-386,108	-6.8
Securitised liabilities		7,618,734	5,782,637	1,836,097	31.8

Income statement TEUR	Notes	2023	2022	Change in TEUR	Change in %
Net interest income	(6)	233,661	167,803	65,858	39.2
Net fee and commission income	(8)	35,403	34,128	1,275	3.7
Administrative expenses	(13)	-116,507	-105,941	-10,566	10.0
Earnings before taxes		53,057	160,659	-107,602	-67.0
Consolidated net income		40,099	120,096	-79,997	-66.6

Corporate figures	Notes	2023	2022	Change absolute	Change in %
Cost-Income-Ratio (CIR)		41.81 %	59.72 %	-17.91 %	-30.0
Return on Equity (ROE)		3.75 %	12.49 %	-8.74 %	-70.0
Employees	(53)	739	729	10	1,4

Own funds TEUR	31.12.2023	31.12.2022	Change absolute	Change in %
Common equity tier 1 capital (CET1)	1,434,202	1,411,567	22,635	1.6
Additional tier 1 capital (AT1)	50,002	50,001	1	0.0
Tier 1 capital (T1)	1,484,204	1,461,568	22,636	1.5
Tier 2 capital (T2)	223,732	241,308	-17,576	-7.3
Own funds	1,707,936	1,702,876	5,060	0.3
CET1 capital ratio (CET1)	16.09 %	16.17 %	-0.08 %	-0.5
Surplus of CET1 capital (CET1)	1,033,070	1,018,808	14,262	1.4
T1 capital ratio (T1)	16.65 %	16.75 %	-0.10 %	-0.6
Surplus of T1 capital	949,361	937,890	11,471	1.2
Total capital ratio	19.16 %	19.51 %	-0.35 %	-1.8
Surplus of total capital	994,812	1,004,639	-9,827	-1.0

The shareholders of Hypo Vorarlberg Bank AG as of 31 December 2023:

Aktionäre	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	negative	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
BY THE MANAGING BOARD

Hypo Vorarlberg stands for solidarity, reliability and ambition. It has been there as a strong partner to its customers for more than 125 years.

Dear customers, business partners, shareholder representatives and employees,

Hypo Vorarlberg – originally founded in 1897 with the goal of long-term debt reduction for local agriculture – is now successfully positioned with three cornerstones: As a corporate bank, a residential construction bank and an investment bank, we are a reliable partner to the people and companies in our core markets. The Bank started expanding beyond the borders of Vorarlberg back in the 1980s, accompanying the local industry and economy. This structure firstly allowed for further development of its business activities and secondly facilitated steady growth, as a certain size is necessary to be able to operate successfully as an independent bank without a central institution. In this way, we have become a local partner for customers in the region and built up stable, long-term customer relationships at all locations.

2023 was characterised by a very challenging economic, social and geopolitical environment. The following key indicators show that we are on the right track with our strategy: For the 2023 financial year, we reported earnings of EUR 53.01 million before taxes, while total assets increased to EUR 15.73 billion. Our core capital and total capital are at high levels of 16.65 % and 19.16 % respectively.

Digitalisation and IT security
The challenges of the past few years have also produced positive developments and accelerated the advance of key areas such as digitalisation. Handling customer data is becoming increasingly important, but the banks' biggest asset is still the trust of their customers. Hypo Vorarlberg is therefore making extensive investments in IT security and cyber resilience in order to remain well equipped. To be able to make good use of the opportunities presented by digitalisation, suitable digital services combined with proven personal advice are crucial. The acquisition of ARZ by Accenture at the end of 2022/start of 2023 laid vital foundations for this.

Award-winning advice
Our position as an outstanding name among Austrian asset managers was underscored again. With another "summa cum laude" from the German trade journal Elite Report, we reinforced our position as an investment bank. The criteria assessed included asset analysis, investment strategy and yield. In addition, several Hypo Vorarlberg funds achieved top places again in the Austrian Fund of Funds Awards with their performance.

Mindful business
The issue of sustainability has gained further momentum in the financial sector, leading to strong interest in green investment products. The focus here is on the EU Corporate Sustainability Reporting Directive, effective from 2024, which covers the three areas of environmental, social, and governance aspects – or ESG for short. For companies, the Directive means more regulations and stricter compliance requirements. At the same time, sustainability plays a crucial role in many companies' strategic alignment.

Over its history, Hypo Vorarlberg has repeatedly been called on to tackle major challenges together with the economy and the people. In the current consistently volatile environment as well, it is important to us to be a reliable and stable partner. We would like to take this opportunity to thank our approximately 900 employees for their commitment and hard work in the past financial year. We are confident that we will also successfully handle the issues of the future – 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

HYPO VORARLBERG

MICHEL HALLER
CHAIRMAN OF THE MANAGING BOARD

Credit Management – Corporate Customers
Stefan Germann
- Credit Management FK / St. Gallen
- Credit Management Banks & Leasing
- Balance Sheet Analysis
- Credit support

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

Ombudsperson
Martha Huster

Human Resources
Bianca Dünser
- HR development

Communication & Marketing
Sabine Nigsch-Gaethke
- Sponsoring / Events

Compliance & Outsourcing*
Reinhard Kaindl
- BWG Compliance & Outsourcing
- WAG Compliance
- Prevention of money laundering and terrorist financing
- ICS

Strategic Bank Management
David Blum

Corporate and Internal Audit*
Christoph Schwaninger

St. Gallen Branch Office
Thomas Reich
Eliane Knellwolf

Hypo Vorarlberg Leasing, Italy
Michael Meyer (market succession)

Hypo Vorarlberg Immo Italia, Italy
Alexander Ploner

WILFRIED AMANN
MEMBER OF THE MANAGING BOARD

Corporate Customers Sales
Stephan Sausgruber
- Branch Offices Corporate Customers
- International Services / Correspondent Banking
- Syndication / Structured Financing
- Financial Aids Department

Private Customers Sales / Private Banking
Markus Felder
- Branch Offices Private Customers / Private Banking

Sales Vienna
Roswitha Klein
- Corporate Customers
- Private Customers / Private Banking

Sales Support
Stephan Modler
- Product Management
- Marketing Management
- CSC – Banking Applications
- CSC – Payment Transactions
- CSC – Sales Department

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

Participation Administration
Emmerich Schneider

St. Gallen Branch Office
Walter Ernst, RM
Simon Schier
Geradino Lamorte

Hypo Vorarlberg Leasing, Italy
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

Sustainability
Susanne Fünck

Asset Management
Karl-Heinz Strube
- Portfolio Management
- Back Office Asset Management
- Advisory Desk

Mid- and Backoffice Funds, Securities and Derivatives
Johannes Tschanhenz
- OTC Derivatives and Money Market Management
- Fonds Service
- Securities Settlement

IT
Jörg Ruwe
- Application Development
- Bank Steering
- Project Management Office

Johannes Lutz
- Banking Application
- Infrastructure

IT GRC
Ferdinand Gabriel

Data Protection*
Daniel Oberauer

Logistics
Wilhelm Oberhauser
- Facility and Materials Administration

BRANCH OFFICES OF HYPO VORARLBERG

Vienna Branch Office
Roswitha Klein, RM
Robert Glasner, HPC CC
Hans-Jürgen Spitzer, HCC
Katharina Jantschgi, HPC PB
Christine Staber, HSC

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

Wels Branch Office
Thomas Hofer, RM
Iris Paar, HPC PB

Salzburg Branch Office
Peter Gassner, RM

Bludenz Branch Office
Martin Flachsmann, BOH
Hannes Bodenlenz, BM
Christoph Gebhard, HPB

Feldkirch Branch Office
Martin Schieder, BM
Stefan Kreiner, HPL
Katharina Woletz, SPC

LKH-Feldkirch Branch Office

Rankweil Branch Office

Götzis Branch Office
Franz Altstätter, BM

Hohenems Branch Office
Andreas Fend, BOH

Lustenau Branch Office
Graham Fitz, BOH
Stefan Ritter, BM

Höchst Branch Office
Klaus Meusburger, BM

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

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

Germany Corp. Customers Branch Office
Markus Schmid, BOH

Dornbirn Branch Office
Richard Karlinger, BOH
Egon Gunz, BOH PC
Simone Küng, SPC

Messepark Branch Office

Riezlern Branch Office
Artur Klauser, BOH
Josef Wirth, SPC

Schruns Branch Office
Hannes Bodenlenz, BM

Lech Branch Office
Michael Fritz, BOH + BM

Egg Branch Office
Wolfgang Fend, 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
HPC CC	Head of Private and Commercial Customers

* Subordinate to the Board of Directors

As of April 2024

EXECUTIVE BOARDS

MANAGING BOARD

Michel Haller
Chairman of the Managing Board, Tettnang

Wilfried Amann
Member of the Managing Board, Bludesch

Philipp Hämmerle
Member of the Managing Board, Lustenau

SUPERVISORY BOARD

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

Alfred Geismayr
Deputy Chairman, Certified Public Accountant and Tax Consultant, Dornbirn

Astrid Bischof
Entrepreneur, Göfis

Karl Fenkart
State official, Lustenau

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

Johannes Heinloth
Member of the Board of Managing Directors of L-Bank, Karlsruhe

Karl Manfred Lochner (from AGM, 31.05.2023)
Member of the Management Board of Landesbank Baden-Württemberg (LBBW), Burgthann

Karlheinz Rüdisser
State Governor (ret.), Lauterach

Birgit Sonnbichler
Entrepreneur, Dornbirn

Petra Winder (from AGM, 31.05.2023)
Managing Director, Bregenz

Michael Horn (until AGM, 31.05.2023)
Deputy Chairman of the Board of Management of Landesbank Baden-Württemberg (LBBW) (ret.), Weingarten

Nicolas Stieger (until AGM, 31.05.2023)
Lawyer, Bregenz

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

COMITTEES ESTABLISHED BY THE SUPERVISORY BOARD

Loan committee
Jodok Simma, Chairman
Alfred Geismayr, Deputy Chairman
Karl Fenkart
Eduard Fischer
Michael Horn (until AGM, 31.05.2023)
Johannes Heinloth (from AGM, 31.05.2023)

Risk committee
Karlheinz Rüdisser, Chairman
Karl Fenkart, Deputy Chairman
Jodok Simma
Nicolas Stieger (until AGM, 31.05.2023)
Petra Winder (from AGM, 31.05.2023)

Audit committee
Alfred Geismayr, Chairman
Jodok Simma, Deputy Chairman
Karl Fenkart
Astrid Bischof
Karl Manfred Lochner (from AGM, 31.05.2023)

Nomination committee
Birgit Sonnbichler, Chairwoman
Karl Manfred Lochner, Deputy Chairman (from AGM, 31.05.2023)
Jodok Simma
Karl Fenkart
Johannes Heinloth (until AGM, 31.05.2023)

Remuneration committee
Birgit Sonnbichler, Chairwoman
Karl Manfred Lochner, Deputy Chairman (from AGM, 31.05.2023)
Jodok Simma
Karl Fenkart
Johannes Heinloth (until AGM, 31.05.2023)

GROUP MANAGEMENT REPORT

MACROECONOMIC
CONDITIONS

Global economy and euro area
At the beginning of 2023, the focus shifted from macroeconomic data to the banking sector. The collapse of Silicon Valley Bank shook the financial markets on both sides of the Atlantic. The Californian bank with a focus on supporting start-ups fell victim to the sharp rise in interest rates. It inevitably conjured up memories of the Lehman collapse and the financial and economic crisis some 15 years ago. In the US, other regional banks also had to close down, while in Europe the renowned Credit Suisse was affected. Although the major Swiss bank had already drawn attention with negative reports, until recently it had been considered solvent and liquid. The consequences were firstly a general increase in risk aversion – especially with regard to the banking sector – and secondly significant price fluctuations in view of potential overarching effects on financial stability and the economy.

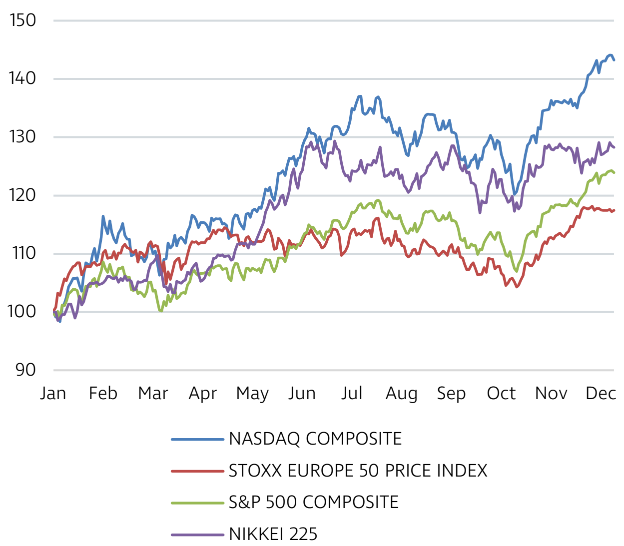
Despite falling inflation rates, central banks still kept to their path of interest rate hikes. In March 2023, the US Federal Reserve (Fed) resolved to raise its key interest rate for the ninth consecutive time since March 2022. The European Central Bank (ECB) also raised its key rate despite the turbulence on the financial markets. The ECB particularly emphasised the need to decide on future steps from "meeting to meeting" and assured market participants that it would keep an eye on both price and financial stability risks. In the second quarter, the dispute over raising the debt ceiling in the US caused uncertainty on the markets. Various sentiment indicators also worsened. For example, the ISM index for the manufacturing industry in the US slipped below the growth threshold again after a number of increases. The ifo Business Climate Index, a sentiment indicator for the German economy, also fell again after several increases. The month of June was again dominated by central bank meetings in the US and Europe. In the US, considerable progress had been made in tackling inflation. At the same time, it was apparent that US core inflation had not fallen as much in May as expected by the market consensus. Not least, price pressure in the service sector was still easing only slowly. Although the Fed kept its key interest rate range unchanged at 5 % to 5.25 %, it unexpectedly opened the door for further rate hikes. The Fed thus gained more time and room to take action.

On this side of the Atlantic, short-term monetary policy seemed more clearly defined than in the US even before the ECB Governing Council meeting. The ECB largely confirmed the associated expectations, raising its key rate by 25 basis points in June and holding out the firm prospect of repeating this step at its July meeting. Constant alternation between hope and fear with regard to inflation and economic development, combined with the annual summer break, meant that no real momentum emerged on the financial markets. The ECB took the next step in September, while the Fed hit pause. At the same time, however, the Fed reiterated that it was leaning towards another key interest rate hike. The weak leading indicators in the euro area resulted in GDP forecasts being lowered. Similarly, there was little positive stimulus from the economic development in China. Fears over the Chinese property sector persisted. Data on US economic growth in the third quarter came as a positive surprise, with forecasts of recession proving inaccurate. In the euro area, there was an unexpectedly sharp decrease in the inflation rate in October. By contrast, US inflation settled at 3.70 %. Employment in the US experienced unexpectedly strong growth in November as compared to the previous month. Interest rates thus peaked in the final interest rate decisions of 2023, reaching 5.50 % in the US and 4.50 % in the euro area.

Stock and bond markets
The stock market got off to an extremely positive start in the period under review. Shareholders already showed more confidence in the first few weeks of 2023 – not least on account of fading fears of recession. Initial price corrections and increased volatility then followed in February, but the main euro area stock indices in particular posted sizeable gains as at the end of February. By contrast, the significant move in bank share prices was not least a reflex reaction to their previous significant performance. In view of the consistently high inflation rates, the trend of rising interest rates initially gained considerable further momentum on the bond market. However, fears of a banking crisis brought this to an abrupt end, leading to a significant decline in yields along with high volatility. There was a positive trend on the stock markets in the second quarter as well.

In Europe in particular, they reacted calmly to the recurring discussion of the debt ceiling in the US. This was also reflected in the figures. Frankfurt's DAX marked a new all-time high in June. However, it was striking that in the US this price movement was not observed across the market as a whole. In particular, it was the boom in major growth stocks which benefited from the euphoria surrounding artificial intelligence that raised the market as a whole. Megacaps achieved almost 30 % of market capitalisation on the US stock market. Not only in the US but in Europe as well, tech stocks remained in demand over the remainder of the year. In view of the announcement of further interest rate hikes by the central banks, the trend of yield curve inversion gained considerable momentum on the bond market again. The movement was driven by a rise in short-term interest rates, while long-term interest rates remained largely stable.

Global stock market development in 2023 (in EUR)



(Source: Thomson Reuters Datastream)

Yields on 10-year US government bonds shot up to a new cyclical high as a result of the damper put on hopes of interest rate cuts, and at the end of September they moved past 4.50 %. In both the US and the euro area, the prevailing trend since the start of the decade of slowly but steadily rising interest rates continued. The stock markets had a weak start to the fourth quarter. It was only later that hopes of interest rate cuts brought euphoria to the stock markets, resulting in significant price increases and new records. For example, the German DAX index temporarily broke past 17,000 points to achieve a new all-time high. There was a marked drop in yields on the bond market in the final quarter. Risk premiums for corporate bonds also narrowed considerably.

Commodities and currencies

In the wake of the turbulence in March 2023, the price of gold rose significantly, once again living up to its reputation as a safe haven in unsettled times. In May, the price of gold even briefly reached USD 2,000. The precious metals gold and silver shone in the final quarter as well, with the price of gold reaching a new all-time high of USD 2,081.93 on 27 December 2023 according to Bloomberg.

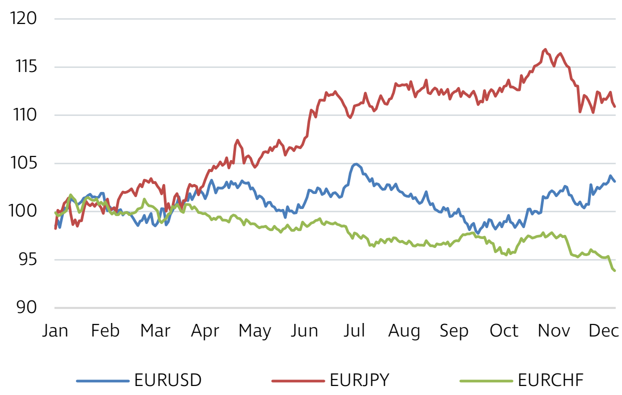
By contrast, the price of Brent oil was driven down by fears of a banking crisis, temporarily falling below USD 70. An economic downturn would have had drastic effects on demand for oil. Prices recovered sustainably again in the third quarter. In September, the Bloomberg Commodity Index was around 10 % above its low for the year, which it had reached at the end of May. Brent crude oil rose to around USD 95 at the end of September, its highest level since November 2022. In the final quarter, the weak economy triggered a slump on the commodity market. After the terrorist attacks on Israel by Hamas, the price of Brent oil rose sharply for a short time but the risk premium disappeared again fairly quickly.

Gold price development in 2023 (in USD)

(Source: Thomson Reuters Datastream)

The general market uncertainty initially had little impact on the euro, as the trouble spots of the US and Switzerland are generally regarded as safe havens. Later, the euro depreciated against various currencies, only regaining ground after restrictive statements by the European Central Bank. Upward and downward trends then alternated until the end of the year. The Swiss franc once again showed itself to be a safe currency in times of crisis in 2023, continuously appreciating against the euro. In December, the euro fell to its lowest level against the Swiss franc since the single currency was first introduced in 1999. The Japanese yen depreciated significantly against the euro despite a brief countermovement in December, thus continuing a downward trend lasting several years.

Currencies against the euro in 2023



(Source: Thomson Reuters Datastream)

Austria

According to a forecast by the Austrian Institute for Economic Research (WIFO) from December 2023, Austria's economic output contracted by 0.8 % in 2023 (2022: +4.7 %). The domestic economy thus experienced a considerably weaker development than the euro area. There was a particularly significant downturn in trade, industry and transport services.

The global slump in production and goods trade combined with the aftermath of the energy price shock also impacted Austrian industry, which underwent a marked decline in value added in 2023. WIFO does not anticipate a significant improvement in orders until the second half of 2024. In the construction sector, the sharp rise in lending rates and construction costs led to a 1.5 % decline in gross value added in 2023. A further decrease of 3.5 % is expected in 2024.

The sovereign debt ratio also developed slightly positively, falling to 78.2 % of GDP in the third quarter of 2023 (2022: 78.5 %).

Despite a strained situation, the domestic labour market remained stable. The unemployment rate according to the national definition increased slightly to 6.4 % (2022: 6.3 %). WIFO expects the unemployment rate to remain at this level in 2024 before dropping to 6.0 % only in 2025.

Inflation had a negative impact on private households' purchasing power in 2023, leading to stagnation in consumer spending. An increase in consumer prices of 7.9 % (WIFO) or 7.8 % (IHS) is anticipated for 2023 (2022: 8.6 %, Statistik Austria). This would put inflation in Austria around 2 percentage points above the euro area average. The interim forecast by the Austrian National Bank (OeNB) calculates an HICP inflation rate of 7.5 % for the year as a whole. A further decline in the rate of inflation can be expected in the years ahead.

Vorarlberg

The fact that local industry is dominated by mechanical engineering and metalworking companies contributes to the stability of the region. However, owing to the interdependence of international markets, industry is more dependent than other sectors on being internationally competitive, which remains a challenge in view of the sharp rises in energy and raw materials prices and the skills shortage.

The results of the quarterly survey of the industrial sector of the Vorarlberg Chamber of Commerce and the Vorarlberg Federation of Industries for the fourth quarter of 2023 showed that sentiment in Vorarlberg's industry remained gloomy. The business climate index of Vorarlberg's industry – an average of assessments of the current business situation and that in six months' time – has been below the zero line almost continuously since the third quarter of 2022. A year and a half of "permafrost" had never been seen before since these economic surveys of the Chamber of Commerce and the Federation of Industries first began in 2001. The latest figure represents a slight rise in the curve from -20.9 to -18.3.

In assessing the business situation in six months' time, 86 % of companies anticipate an unchanged (i.e. bad) situation, 11 % anticipate even more difficult times and only 3 % anticipate better times. Expectations for earnings in six months' time show a similar pattern: 41 % of companies expect them to get worse and only 2 % anticipate better earnings. An improvement does not seem realistic until the end of 2024 or early 2025.

THE AUSTRIAN BANKING SECTOR
IN 2023

Austrian banks withstood the macroeconomic challenges of 2023 well – higher inflation and the associated rise in interest rates, low growth in real GDP, Russia's war of aggression in Ukraine and the long-term effects of the pandemic. In this challenging environment, the banks even managed to increase their resilience and profitability.

According to the OeNB, the consolidated total assets of the Austrian banking system amounted to approximately EUR 1.2 trillion in the first half of 2023. Net profit for the period more than doubled year-on-year to EUR 7.3 billion in the first half of 2023. The consolidated ratio of non-performing loans (NPL ratio) remained at a low level of 2.0 %.

Since the global financial crisis of 2008/09, the Austrian banking market's capitalisation has more than doubled, thereby strengthening its resilience. The Austrian banks' common equity tier 1 (CET1) ratio was 16.6 % as at the end of June 2023. In view of the worsening macroeconomic conditions, caution must be exercised when handling profit distributions.

Until the middle of 2022, bank lending in Austria was driven by demand for residential property and corporate liquidity. Since then, however, credit growth has slowed, as demand for mortgage loans has declined in view of rising interest rates and companies' financing requirements have also diminished. Corporate loans grew by 4.7 % as at the end of August 2023 (compared to the previous year), while loans to private households fell by 1.3 %.

Effective 1 August 2022, the Austrian Financial Market Authority (FMA) enacted the Bank Real Estate Financing Measures Regulation (KIM-V) to ensure sustainable lending standards in residential property financing with the aim of reducing the systemic risks of residential property financing and protecting private households from excessive debt. These standards include caps for loan-to-value ratios (90 %), debt service ratios (40 %) and loans terms (35 years), though the banks have been granted a certain degree of operational flexibility in the form of exceptions.

The net interest income of Austria-based banks increased to EUR 18,889.90 million in the third quarter of 2023 (Q3 2022: EUR 13,670.50 million), while net fee and commission income declined from EUR 7,309.39 million to EUR 7,077.13 million in the same period. By contrast, banks' net profit for the period (after taxes and non-controlling interests) was higher than in the same period of the previous year, amounting to EUR 11,493.63 million as at the end of the third quarter of 2023 (Q3 2022: EUR 5,544.10 million).

As at the third quarter of 2023, the total assets of Austrian banks had fallen to EUR 1,228.4 billion in total (30 September 2022: EUR 1,251.4 billion).

The financial assets of private households have lost significant value in real terms as a result of high inflation. At the same time, increased consumer spending limited the potential for financial investment, and around a fifth less was invested in 2023 than in the previous year.

According to the OeNB, the ratio of savings to disposable income – which had recently been very high on account of the pandemic – approached its pre-pandemic level again at 9.5 % as at the end of 2022, but dropped back slightly to 9.1 % by the third quarter of 2023.

The measures taken in the area of foreign currency loans continued to have a positive effect, as shown by the declining volume of these loans to private households and non-financial enterprises since 2008. As at 30 September 2023, loans to private households in foreign currencies (predominantly in Swiss francs) amounted to EUR 7,519.62 million in total (30 September 2022: EUR 9,175.04 million). According to the OeNB, the foreign currency loans no longer represent a systemic risk to the banking system.

Solid capitalisation
The capitalisation of Austrian banks has steadily improved since the outbreak of the financial crisis in 2008. The figures remained stable year-on-year in the third quarter of 2023. As at 30 September 2023, the banks subject to reporting requirements in Austria reported a common equity tier 1 (CET1) ratio of 16.36 % (Q3 2022: 15.80 %) and a total capital ratio of 19.36 % (Q3 2022: 18.77 %).

Consolidated earnings situation of Austrian banks:

In EUR million	Q3/2023	Q3/2022	Q4/2021	Q3/2021	Q4/2020
Net interest income	18,890	13,671	15,659	11,774	15,458
Operating profit	14,039	7,045	9,022	7,480	8,220
Income after taxes	11,494	5,544	6,085	5,899	3,668

(Source: OeNB)

Deposit protection
The Austrian Federal Act on Deposit Protection and Investor Compensation at Banks (ESAEG), which became effective 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.

BUSINESS MODEL
OF HYPO VORARLBERG

For decades, the three cornerstones "corporate bank", "residential construction bank" and "investment bank" have formed the basis on which Hypo Vorarlberg Bank AG (hereinafter: Hypo Vorarlberg) operates sustainably and successfully. The Bank's core expertise relates in particular to residential construction financing, corporate customer business, investment advice and asset management. While Vorarlberg it operates as a universal bank offering its customers the full range of products and services on its home market, on its core markets outside Vorarlberg it focuses on selected niches.

The Bank's clear objective is to remain the number one in its home market of Vorarlberg. In its core markets outside Vorarlberg, the Group aims to achieve profitable growth. The Managing Board attaches great importance to a risk-conscious lending and business policy. Profitability and stability take precedence over growth at Hypo Vorarlberg. The company takes care to ensure that value added predominantly stays in the regions where it operates. Hypo Vorarlberg offers its employees secure jobs, thereby making an important contribution to the stability and effectiveness of the economic system in its core markets.

In addition, Hypo Vorarlberg assumes its social responsibility by supporting culture and sport in its market areas with sponsorships and long-term partnerships. With the Hypo Vorarlberg donation fund, the Bank also provides financial assistance to people experiencing personal 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 very SME-dominated 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, working capital financing and as a provider of alternative forms of financing and in investment.

Private Customers and Private Banking
Hypo Vorarlberg offers private customers extensive services with a focus on residential construction financing, pension advice and investment advice. Customers benefit from individual, flexible solutions as well as fair, transparent conditions. Regular recommendations by customers motivate the Bank to continue on the path it has taken moving forward as well.

The varied product range for wealthy individuals and institutional customers is oriented towards customers' needs in all areas and offers contemporary solutions through the use of flexible optimisation concepts adapted to the market situation in asset management, the use of viable alternatives to the money market in the investment business, further developments in online banking in payment transactions and, not least, through customised financing.

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

Corporate Centre
The Corporate Centre essentially bundles the subsidiaries and holdings that expand the Bank's service range with banking-related products. In particular, it includes the property and leasing subsidiaries in Austria and Italy and the holdings in 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, Wels and Salzburg, as well as a branch in St. Gallen, Switzerland. Details on the branches can be found on the last page of the annual report.

Through these locations, Hypo Vorarlberg is represented in the main economic regions of Austria and in eastern Switzerland. Other core markets are located in southern Germany (Bavaria, Baden-Württemberg). Outside Vorarlberg, Hypo Vorarlberg focuses on niches in corporate customer business, property financing and investment advice.

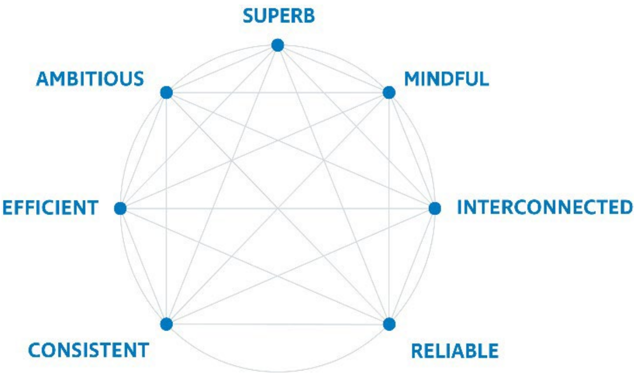
In addition to the traditional banking products, customers can also use other banking-related products and services in the property, leasing and insurance sectors. The subsidiary Hypo Immobilien & Leasing GmbH, based in Dornbirn and Vienna, offers expert knowledge under the Hypo Vorarlberg brand. Hypo Vorarlberg Leasing AG in Bolzano, Italy, develops leasing solutions and also has a branch in Como. Hypo Vorarlberg Immo Italia GmbH offers commercial properties in northern Italy and a range of services in the property sector, including property valuation.

Through its shareholding in comit Versicherungsmakler GmbH, Hypo Vorarlberg's customers benefit from independent insurance solutions. In investment business, Masterinvest KAG acts as a partner and fund manager for Hypo Vorarlberg. The company has been managing investment funds for over 30 years, with customers benefiting from its expertise in fund administration, risk management and reporting.

VALUES

Hypo Vorarlberg's seven core brand values provide guidance for employees, 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.

EFFICENT
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 125 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."

SUCCESSFUL BUSINESS DEVELOPMENT
STRONG OPERATING INCOME IN 2023

INCOME DEVELOPMENT

Hypo Vorarlberg's operating income continued to be affected by the ECB's steady stream of key interest rate hikes in the reporting year. Net interest income was considerably higher than in the previous year, and net fee and commission income also rose year-on-year in the past financial year.

The biggest change as against the previous year was in the net result from financial instruments at fair value. This substantial change was mainly due to measurement effects for instruments hedging against interest rate risks. In 2022, the rise in interest rates led to valuation gains of TEUR 92,436 for these hedging instruments. Long-term interest rates were down as at the end of 2023, which in turn led to measurement losses of TEUR -15,778 for these instruments in the reporting year.

Administrative expenses increased by around 10.0 % year-on-year. While loan loss provisions were reversed in the previous year, a higher allocation of loan loss provisions was required in the 2023 financial year due to the rise in interest rates, the situation on the property market and high inflation.

In 2023, the Group's earnings before taxes amounted to TEUR 53,057 (2022: TEUR 160,659). Net income after taxes amounted to TEUR 40,099 in 2023 (2022: TEUR 120,096). This drop was mainly due to the offsetting measurement effects of the net result from financial instruments at fair value and from loan loss provisions and impairment of financial assets in 2022 and 2023.

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

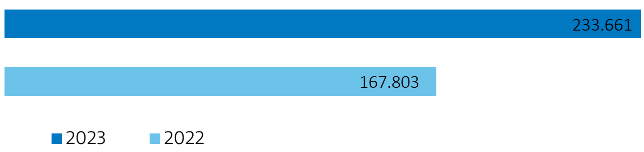
TEUR	2023	2022	Change
Net interest income	233,661	167,803	39.2 %
Net fee and commission income	35,403	34,128	3.7 %
Administrative expenses	-116,507	-105,941	10.0 %
Loan loss provisions and impairment of financial assets	-78,486	10,003	>-100.0 %
Impairment of non-financial assets	-1,006	-1,021	-1.5 %
Earnings before taxes	53,057	160,659	-67.0 %
Annual net income	40,099	120,096	-66.6 %

Net interest income

After many years of low or negative interest rates, 2023 was also particularly characterised by multiple increases in key interest rates by the ECB as a result of combating high inflation. Both interest income and interest expenses increased at Hypo Vorarlberg.

Net interest income was therefore higher overall than in the previous year, rising by 39.2 % to TEUR 233,661 (2022: TEUR 167,803).

Net interest income
in TEUR



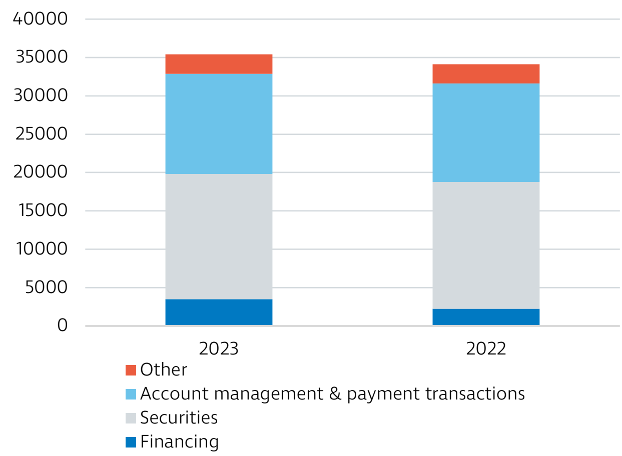
Net fee and commission income

Hypo Vorarlberg's net fee and commission income increased by 3.7 % year-on-year to TEUR 35,403 in 2023 (2022: TEUR 34,128).

Due to a somewhat lower business volume, fee and commission income in lending business was down on the previous year's level in terms of guarantee commission, falling by 5.0 % to TEUR 5,856 (2022: TEUR 6,164). Fee and commission income from securities business also declined due to a smaller number of securities transactions by our customers. At TEUR 18,571 in 2023, it was slightly lower than the previous year's level by 1.7 % (2022: TEUR 18,898). Fee and commission income from account management and payment transactions was almost unchanged compared to the previous year at TEUR 14,457 (2022: TEUR 14,416). Total fee and commission income fell by 1.5 % from TEUR 42,219 in 2022 to TEUR 41,571 in 2023.

At the same time, fee and commission expenses were down as well. This was due to lower guarantee commission for the synthetic securitisation of Hypo Vorarlberg's loans and advances. Due to repayments, the securitisation portfolio was maturing, which also resulted in lower guarantee commission.

Structure/development in net fee and commission income
in TEUR



Net result from financial instruments at fair value

The net result from financial instruments at fair value was massively influenced by the change in interest rates and the associated offsetting measurement effects. At the end of 2021, large-volume fixed-interest items were hedged against interest rate risks using interest rate swaps and options. As the Group did not yet apply the provisions of International Accounting Standards (IAS) 39 with regard to macro-hedge accounting in 2022, only the measurements of hedging instruments in the amount of TEUR 92,436 were included in the income statement in the previous year. The hedged items with the

fixed interest risk exposure are still measured at amortised cost and therefore do not show the opposite measurement effect.
This related to interest rate swaps with a volume of TEUR 406,059 and terms until 2052. The market value of the interest rate swaps was TEUR 62,573 as at 31 December 2022. In addition, collars with a volume of TEUR 199,296 and terms until 2044 have been entered into to hedge interest limit loans. The market value of these interest rate options amounted to TEUR 29,432 as at 31 December 2022.

Since 1 January 2023, the Group has applied the provisions of macro-hedge accounting for interest rate risks, under which measurement effects from the hedging instruments are eliminated in the income statement. A decline in long-term interest rates was observed in the last quarter of 2023. This led to offsetting measurement effects in the reporting year for interest rate hedging instruments that were not designated under macro-hedge accounting. The negative measurement effect from the hedging instruments amounted to TEUR -15,778 in 2023. The measurement effects for interest rate swaps not included in macro-hedge accounting amounted to TEUR -6,914 in 2023. Interest rate options entered into to hedge interest limit loans also are not included in macro-hedge accounting. The volume of collars was TEUR 235,894 as at 31 December 2023. The measurement effect for interest rate options entered into to hedge against interest rate risks was TEUR -8,911 in 2023.

In addition to instruments hedging against interest rate risks, the change in credit spreads for financial assets measured at fair value through profit or loss led to another negative measurement effect of TEUR -16,903 in 2023. The net result on hedge accounting in 2023 was negatively influenced by the pull-to-par effect from macro-hedge accounting, among other factors.

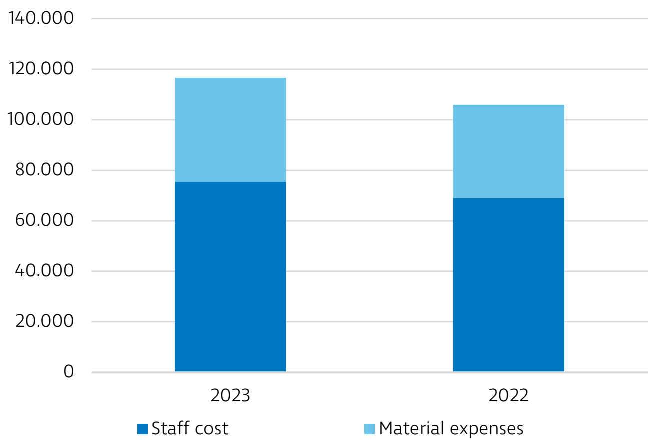
Other income/expenses
Other income includes income from operating leases, operating cost income or gains on the disposal of non-financial assets. Total other income amounted to TEUR 53,482 as at 31 December 2023 (2022: TEUR 35,796).

Other expenses decreased significantly year-on-year to TEUR 30,304 (2022: TEUR 53,521). This amount includes the stability fee of TEUR 2,895 (2022: TEUR 2,749). The decrease in other expenses related to the allocation of provisions for operational risks in the previous year.

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. Nonetheless, administrative expenses increased by 10.0 % year-on-year to TEUR 116,507 (2022: TEUR 105,941) as a result of inflation.

Staff costs in the reporting year were also higher than the previous year's level at TEUR 75,386 (2022: TEUR 68,965). The wages and salaries item included here increased from TEUR 52,106 to TEUR 56,641. Materials expenses rose faster than staff costs with growth of 11.2 % year-on-year. This increase was due to higher expenses in the areas of building expenses, data processing, infrastructure and security.

Structure/development in administrative expenses
in TEUR



The number of branches and locations in Austria did not change in the reporting year and was 19 as at the end of 2023. There is also a branch in St. Gallen, Switzerland. Details on Hypo Vorarlberg's existing locations 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, importance is attached to sound training and development. As a major employer in its core markets, the Hypo Vorarlberg Group employs almost 900 people. The average number of employees (full-time equivalents) in 2023 increased from 729 to 739.

Key employee figures (Hypo Vorarlberg Group)

	2023	2022	Change
Average number of employees (full-time equivalents)	739	729	1.4 %
of which apprentices	7	7	0.0 %
of which part-time	148	138	7.2 %
Employees at end of year (headcount)	897	896	0.1 %
of which women	510	507	0.6 %
of which men	387	389	-0.5 %
Proportion of women (incl. apprentices)	56.9 %	56.6 %	0.5 %
Proportion of men (incl. apprentices)	43.1 %	43.4 %	-0.6 %
Average period of employment in years	12.1	12.0	0.8 %
Average age in years	42.5	41.4	2.7 %

Depreciation and amortisation
At TEUR 8,180, depreciation and amortisation in 2023 were up 4.0 % compared to the previous year (2022: TEUR 7,862).

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. The Group has made adequate provisions for all discernible risks.

As a result of the rise in interest rates, the situation on the property market and high inflation, expenses for loan loss provisions in lending business were significantly higher in 2023 than in the previous year, when some provisions had also been reversed. 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. An allocation of TEUR -78,486 was required for loan loss provisions and impairment of financial assets in 2023, while there had been a reversal of TEUR 10,003 in 2022.

Impairment of non-financial assets
Impairment of non-financial assets, including the valuation of properties in South Tyrol, decreased slightly year-on-year to TEUR -1,006 as at 31 December 2023 (2022: TEUR -1,021).

Income before/after taxes
The Hypo Vorarlberg Group closed 2023 successfully. However, as a result the effects described above – particularly from the measurement of financial instruments at fair value and the increased loan loss provisions in lending business – earnings before taxes declined by 67.0 % to TEUR 53,057 as at 31 December 2023 (2022: TEUR 160,659). Adjusted for taxes, earnings amounted to TEUR 40,099, representing a year-on-year decline of 66.6 % (2022: TEUR 120,096).

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. Tax expenses for 2023 amounted to TEUR 12,958 (2022: TEUR 40,563).

Attributable to non-controlling interests
In total, TEUR 2 (2022: TEUR 8) of the net income after taxes of TEUR 40,099 (2022: TEUR 120,096) is attributable to the minority shareholders of the Group subsidiaries.

Dividends of Hypo Vorarlberg
Net profit according to UGB posted by Hypo Vorarlberg for the 2023 financial year amounted to TEUR 54,441 (2022: TEUR 50,332). After the allocation to reserves and by offsetting retained profit, net retained profits available for appropriation amounted to TEUR 4,434 (2022: TEUR 4,434). Subject to approval by the shareholders' meeting and taking further developments up until the time of this resolution into account, a dividend of EUR 14 per entitled share is proposed based on the share capital of TEUR 162,152. The total distribution will therefore be TEUR 4,434 for 316,736 shares.

Key management indicators

	2023	2022	Change
Return on Equity (ROE)	3.75 %	12.49 %	-70.0 %
Cost-Income-Ratio (CIR)	41.81 %	59.72 %	-30.0 %
Return on total assets	0.26 %	0.78 %	-66.7 %
Tier 1 capital ratio	16.65 %	16.75 %	-0.6 %
Total capital ratio	19.16 %	19.51 %	-1.8 %

In its financial reporting, the Group also uses alternative key indicators that are not defined in the IFRS or CRR regulations to present its financial position and results of operations. These key indicators should not be considered in isolation, but rather as supplementary information. They are often used in the financial sector to analyse and describe the financial position and results of operations. It should be noted that the definitions can vary from company to company. For this reason, the key indicators used by the Group are defined below.

Cost-Income-Ratio (CIR) – This shows a company's costs in relation to its income, thus providing a clear picture of its operating efficiency. Banks use this key indicator for corporate management and to compare their efficiency with that of other banks. The CIR is calculated as the ratio of administrative expenses and depreciation and amortisation to operating income. In order to reflect operating efficiency as accurately as possible, measurement effects from financial instruments are largely excluded from this calculation based on the method in accordance with the Austrian Banking Act (BWG). The figure for the previous year has changed from 66.99 % to 59.72 % due to the adjustment of the calculation method. This adjustment was made in the interests of better comparability, as many banks offset other income against other expenses in their calculation of key indicators in relation to recognising revenues not associated with banking operations, and measurement effects within the group are also excluded. Hypo Vorarlberg now also uses this method.

Return on Equity (ROE) – This is a profitability indicator for management and investors that is calculated as the ratio of earnings before taxes as reported in the income statement to available equity at the beginning of the financial year less the planned distribution amount. The ROE shows the Bank's profitability in relation to the available equity for the year.

Return on Assets (ROA) – This is a profitability indicator that measures how effectively a company can manage its assets in a given period. It represents the ratio of earnings before taxes to average assets (based on the average of total assets at the current reporting date and at the time of the last consolidated financial statements).

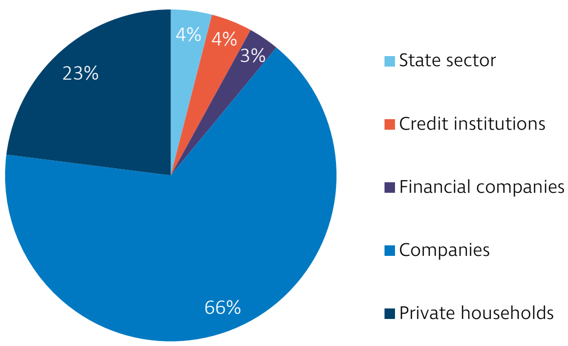
DEVELOPMENT OF THE STATEMENT OF FINANCIAL POSITION

Changes in assets
As a strong financing partner for the people and companies of its core markets, loans and advances to customers constituted the largest item of Hypo Vorarlberg's assets. In the 2023 financial year, Hypo Vorarlberg's total consolidated assets increased slightly and amounted to TEUR 15,726,535 as at 31 December 2023, representing growth of 2.8 % compared to the end of the previous year (2022: TEUR 15,305,475). The increase in total assets mainly related to higher credit demand and lending to customers.

Financial assets
As at 31 December 2023, loans and advances to customers across all measurement categories amounted to TEUR 11,089,798 in total (2022: TEUR 10,644,719), most of which was accounted for at amortised cost.

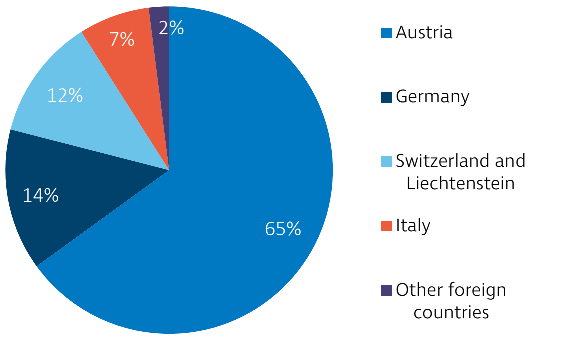
In the reporting year, loans and advances to banks decreased by 10.0 % to TEUR 418,305 (2022: TEUR 464,585). This was due to a decline in cash collateral provided to counterparties, which was no longer required on account of the lower market values of derivatives. Financial assets also include bonds, whose volume amounted to TEUR 2,547,763 (2022: TEUR 2,499,910) as at 31 December 2023.

Loans and advances to customers and banks – by sector

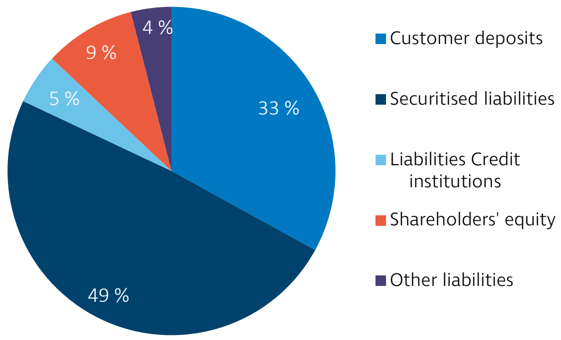


Loans and advances of TEUR 11,508,103 in total across all measurement categories predominantly consist of loans and advances to companies and private households and were 3.6 % higher than in the previous year (2022: TEUR 11,109,304). While financing for companies increased, there was a decline in loans and advances to private households.

Loans and advances to customers and banks – by region



Balance sheet structure / balance sheet liabilities



The largest part of the lending business of Hypo Vorarlberg is in Austria with a share of 65 %, followed by Germany with 14 %. The remaining loans and advances to customers predominantly relate to customers from Switzerland and Italy (mainly leasing).

The issue of Swiss franc loans at locations other than the St. Gallen branch has been severely limited in recent years, primarily in the Private Customers segment. As at 31 December 2023, Hypo Vorarlberg reported loans and advances to customers in Swiss francs of TEUR 1,536,043 (2022: TEUR 1,403,957). 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 share of foreign currency financing in the Private Customers segment (predominantly in CHF) is steadily decreasing, with the increase in the reporting year being due to credit growth at the branch in St. Gallen.

Cash and balances

The cash reserve includes cash on hand and the balances with central banks. This item increased from TEUR 869,021 in the previous year to TEUR 976,271 as at 31 December 2023, mainly on account of a higher balance at the OeNB.

Trading assets

In the reporting year, trading assets decreased from TEUR 182,211 to TEUR 117,735 due to the valuation of derivatives. This decline in market values was related to the drop in long-term interest rates that was observed towards the end of 2023.

Changes in liabilities

There was an increase of 3.3 % in financial liabilities at amortised cost – which account for the largest share of the liabilities in the statement of financial position – to TEUR 12,872,355 (2022: TEUR 12,462,872). While deposits from customers were down by 7.1 % at TEUR 5,136,135, liabilities evidenced by certificates experienced particular growth due to increased issuing activity.

This graph shows the sustainably established and balanced refinancing structure of Hypo Vorarlberg. TEUR 5,259,166 of the total liabilities of TEUR 15,726,535 related to deposits from customers (savings, demand and term deposits) as at 31 December 2023, representing a year-on-year reduction of 6.8 % across all measurement categories.

In the reporting year, liabilities evidenced by certificates – which are predominantly mortgage bonds and bonds – increased from TEUR 5,782,637 to TEUR 7,618,734.

Equity increased by year-on-year 3.1 % to TEUR 1,463,532 (2022: TEUR 1,419,073). The remaining share of liabilities amounted to TEUR 601,236 (2022: TEUR 790,349). This decrease also predominantly related to measurement effects in relation to derivatives as a result of the flattening yield curve.

CHANGES IN OWN FUNDS

Composition of own funds according to CRR and capital ratios

TEUR	2023	2022	Change
Total risk exposure amount	**8,914,050**	**8,727,967**	**2.1 %**
Common equity tier 1 capital (CET1)	1,434,202	1,411,567	1.6 %
Additional tier 1 capital (AT1)	50,002	50,001	0.0 %
Tier 1 capital (T1)	**1,484,204**	**1,461,568**	**1.5 %**
Tier 2 capital (T2)	223,732	241,308	-7.3 %
Own funds	**1,707,936**	**1,702,876**	**0.3 %**
CET1 capital ratio (CET1)	16.09 %	16.17 %	-0.5 %
Surplus of CET1 capital (CET1)	1,033,070	1,018,808	1.4 %
T1 capital ratio (T1)	16.65 %	16.75 %	-0.6 %
Surplus of T1 capital (T1)	949,361	937,890	1.2 %
Total capital ratio	19.16 %	19.51 %	-1.8 %
Surplus of total capital	994,812	1,004,639	-1.0 %

The Managing Board is ensuring a sound and sustainable capital structure at Hypo Vorarlberg through ongoing optimisation measures.

Overall, the core capital (T1) increased to TEUR 1,484,204 as at 31 December 2023 (2022: TEUR 1,461,568), while the eligible supplementary capital (T2) fell to TEUR 223,732 (2022: TEUR 241,308) as capital instruments are only partly eligible during the last five years of their remaining term. As at 31 December 2023, Hypo Vorarlberg's total own funds increased by 0.3 % compared to the previous year to TEUR 1,707,936 (2022: TEUR 1,702,876). They were thus well in excess of the minimum required by law (CRR). The total capital ratio was down slightly at 19.16 % (2022: 19.51 %) due to the increase in total risk exposure. There was also a small reduction in the core capital (T1) ratio to 16.65 % as at the end of year (2022: 16.75 %) and in the common equity tier 1 (CET1) ratio, which fell from 16.17 % to 16.09 %. The total risk exposure increased from TEUR 8,727,967 to TEUR 8,914,050. Hypo Vorarlberg also intends to further increase its capitalisation moving ahead 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 and share denominations

Hypo Vorarlberg's subscribed capital is unchanged at TEUR 162,152. As at 31 December 2023, the number of no-par value shares issued was unchanged at 316,736.

Shareholder structure

The percentage breakdown of Hypo Vorarlberg's capital as at 31 December 2023 is unchanged against the previous year 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 %

HYPO VORARLBERG RATINGS

Moody's

Since February 2018, the rating agency Moody's has rated Hypo Vorarlberg as A3 (outlook: stable). This rating was confirmed again on 14 July 2022. The Bank's satisfactory asset quality, its sound capital ratios backed up by good leverage indicators and its good profitability compared to other Austrian competitor banks were emphasised as positive factors. A subordinated debt rating of Baa3 has been issued, while the short-term rating is P-2.

Standard & Poor's

Standard & Poor's (S&P) has been rating the Bank's creditworthiness since October 2015. In May 2018, S&P assigned Hypo Vorarlberg an "A+" rating for non-current liabilities and an "A-1" rating for current liabilities. The rating agency evaluated its stable ownership structure positively, as well as the clear commitment of its majority owner (the state of Vorarlberg). Hypo Vorarlberg is classified as a government-related entity, so the very good credit rating of the state of Vorarlberg, which is rated AA+ by S&P, is also a positive factor.

Owing to the risks and anticipated negative effects in connection with COVID-19, S&P issued a negative outlook for Hypo Vorarlberg and various other Austrian banks on 29 April 2020. In its rating report from 24 February 2022, however, it emphasised that the Bank had weathered the pandemic well thanks to its prudent risk management approach. The outlook was improved (to stable) on 24 February 2023, not least due to the stable industry risk.

On 12 December 2023, the outlook was downgraded to negative again. This rating step was taken due to the increased risks for European commercial properties and the associated risk of higher loan losses. S&P cited Hypo Vorarlberg's considerable exposures in the construction industry and property development. However, its research update also emphasised that the Bank still had a strong equity base and sound asset quality.

With both these ratings, Hypo Vorarlberg remains one of Austria's best-rated banks.

Hypo Vorarlberg has also been given a very good assessment in terms of sustainability. ESG ratings in particular play an important role here and are used by investors to compare companies' sustainability assessments.

ISS ESG

In its rating process, the sustainability rating agency ISS ESG gathers and assesses information on companies' social and environmental performance. In May 2017, Hypo Vorarlberg improved its grade to "C" and no controversies were identified by ISS ESG in any relevant business activities. Since then, the underlying score has steadily improved. Hypo Vorarlberg is thus in the prime segment and among the top 10 % in the "public-sector and regional banks" sector. This very good rating shows Hypo Vorarlberg's sustainability performance in a quantified form, which can help investors in making investment decisions. Regular updates ensure that the ratings remain current.

A detailed list of all ratings in this area can be found in Hypo Vorarlberg's sustainability report.

Events of particular importance after the end of the reporting period

No events of particular importance occurred after the balance sheet date.

DEVELOPMENT
BY SEGMENT

COPORATE COSTUMERS
As a corporate 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, Lower Austria, Styria, Upper Austria, Salzburg, Southern Germany and Eastern Switzerland and is the leading corporate bank in Vorarlberg.

The 2023 financial year was a difficult one for the Corporate Customers segment at Hypo Vorarlberg. The unexpectedly fast raising of interest rates by central banks around the world significantly curbed economic development and thus investment activity. Demand for credit declined considerably over the course of 2023. The introduction of the Bank Real Estate Financing Measures Regulation in Austria also significantly curbed demand for residential properties. The relevant property markets for Hypo Vorarlberg in Austria and Germany were particularly affected by this development, with property project developers and building contractors coming under considerable pressure at present.

Despite these negative developments, the Corporate Customers segment increased its lending volume. Loans and advances to customers increased to TEUR 7,598,150 in total (2022: TEUR 7,108,831). Net interest income amounted to TEUR 110,953 as at 31 December 2023, up 3.7 % as against the previous year (2022: TEUR 107,016). Net fee and commission income decreased slightly year-on-year to TEUR 14,255 (2022: TEUR 14,316). However, loan loss provisions increased at a faster rate year-on-year. In particular, this was due to the slump on the property market. Overall, earnings before taxes in the Corporate Customers segment were therefore negative, amounting to TEUR -15,490 in 2023 (2022: TEUR 97,675).

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. The focus is not on selling products, but rather on providing an overall solution that is tailored to the customer. With the claim “Best advice for everyone with a plan”, the Bank wants to emphasise its consistent customer focus. These efforts were also recognised externally in the FMVÖ Recommender Awards presented in May 2023. The Bank scooped up the award in the “Regional banks” category as the most likely to be recommended by its customers. In addition, the Bank was awarded the quality seal for excellent customer focus.

One key area of Hypo Vorarlberg’s private customer business is residential construction financing. However, lending for housing finance was limited significantly due to the Bank Real Estate Financing Measures Regulation effective since summer 2022. Higher interest rates and uncertain environment also led to a significant year-on-year decline in the 2023 financial year. Around 810 housing dreams were fulfilled in the reporting period. Compared to the previous year, the total volume of loans in the Private Customers segment was down by TEUR -62,654 at TEUR 2,286,097 (2022: TEUR 2,348,751).

Investment business was successful in 2023 thanks to the significant rise in interest rates. As a result, Hypo Vorarlberg was more prominent again on the retail market as an issuer of its own bonds, which were placed very successfully. Customers also benefited from considerably better conditions again for fixed term deposits.

In 2023, Hypo Vorarlberg generated net interest income of TEUR 80,219 in the Private Customers segment, which represented a significant increase against the previous year (2022: TEUR 43,108). Net fee and commission income in 2023 was up slightly year-on-year at TEUR 20,298 (2022: TEUR 20,204). Overall, Hypo Vorarlberg generated earnings before taxes of TEUR 51,149 in the Private Customers segment in 2023 (2022: TEUR 3,051).

To cater to customers’ changing needs and requirements, Hypo Vorarlberg also offers supplementary online services in addition to its regionally differentiated physical presence on the market. It does this using an omnichannel strategy, i.e. online solutions are available to supplement branch operations. Hypo Vorarlberg continues to put customer satisfaction at the heart of its work, as is also reflected by its customers’ high level of willingness to recommend the Bank.

Private Banking and Wealth Management
Private Banking supports wealthy individuals, their families and selected institutional customers. The varied product range is geared towards customers’ needs in all areas and offers contemporary solutions through the use of flexible concepts adapted to the market situation in asset management and the use of viable alternatives to the money market in investment business. In terms of products and solutions, the greatest assets are the high degree of professional qualification and dedication of the consultants and employees.

Hypo Vorarlberg was thus among the leading asset managers in the German-speaking region again in 2023 and was awarded the highest grade “summa cum laude” by the trade journal Elite Report for the thirteenth time in a row. This accolade is an endorsement of our chosen path of being a bank that provides individual and high-quality advice while at the same time offering innovative, contemporary products and solutions to overcome the challenges of the capital markets and regulations as well as enormous overall cost pressure.

Asset Management
Despite turbulent stock markets, Asset Management business developed positively in 2023. The attractive interest rates meant that customer demand was more focussed on fixed-income investments, which led to an outflow of TEUR -6,004 in 2023. 2,372 mandates were managed in total as at 31 December 2023 (2022: 2,461). However, total assets under management increased on the basis of good portfolio management services and a generally positive capital market, amounting to TEUR 983,516 at the end of 2023 (2022: TEUR 905,287).

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) increased further in the past year. As an asset manager, Hypo Vorarlberg has set itself the goal of taking account of criteria with regard to environmental, social and governance-related sustainability (ESG). Hypo Vermögensverwaltung integrates these ESG factors in its selection of target funds and of individual securities. Predominantly exclusion and quality criteria are applied when selecting securities, hence the asset management strategies and Hypo

Vorarlberg funds currently on offer take environmental and social aspects as defined in Article 8 of Regulation (EU) No. 2019/2088 into account. To this end, Asset Management has prepared and published its own ESG investment approach.

All Hypo Vorarlberg funds and asset management AIFs also carry the yourSRI transparency seal (SRI = socially responsible investment). This seal is awarded by FE Fundinfo in Liechtenstein, an independent consulting and research company with a focus on sustainable investments.

FINANCIAL MARKETS/TREASURY

2023 was marked by several crises and very volatile capital markets. Refinancing on the capital market was highly successful thanks to a good choice of issue dates, although the costs for both secured and unsecured refinancing increased significantly over the course of the year. Thanks to extensive hedging measures in relation to interest rate risks, the target for the interest rate structure result was significantly exceeded. Despite the difficult market environment, the operating result in the "Financial Markets" segment was well above target overall in 2023 as a result of higher margin contributions.

APM & Investments A net volume of approximately TEUR 420,900 (TEUR 489,994) was invested in bonds by the APM & Investments unit in 2023 as a whole. The weighted remaining term of these new investments is 6.8 years (2022: 6.7). The average asset swap spread of the securities purchases was 42 bp (2022: 60), while the average rating for the new purchases was AA-.

The 2023 reporting period was dominated by uncertainty in connection with turbulence in the banking industry and the takeover of Credit Suisse by UBS. In addition, there were fears with regard to the general economic and property market developments. Major decision-making criteria for new investments included LCR or ECB eligibility and eligibility for the public cover pool.

Funding & Investor Relations
In the reporting period, 21 new issues not including retained covered bonds (2022: 24) with a total volume of around TEUR 1,532,785 (2022: TEUR 1,336,236) were placed.

These included four publicly placed bonds with a volume of approximately TEUR 1,280,000. As at the value date 1 February 2023 a senior preferred bond with a total value equivalent to approximately TEUR 134,000 was placed on the CHF market. It was issued with a re-offer premium of 80 bp on the swap rate. As at the value date 16 February 2023, a TEUR 500,000 green bond with a re-offer premium of 105 bp on the swap rate was placed. The third issue was a TEUR 500,000 mortgage-backed bond, which was placed with a re-offer premium of 27 bp on the swap rate. As at the value date 13 September 2023, another mortgage-backed bond with a total value equivalent to approximately TEUR 145,000 was placed on the CHF market. It was issued with a re-offer premium of 10 bp on the swap rate.

Five private placements with a volume of TEUR 109,275 were issued, three of which were documented by the Europe Medium Term Note (EMTN) programme, one as a registered bond and one on a stand-alone basis.

In addition, twelve new retail bonds with a total volume of TEUR 144,000 were issued. These included two green bonds. The issue volume of TEUR 11,000 will explicitly be used for financing and refinancing energy-efficient buildings. The other bonds consist of four fixed-interest bonds, two SME bonds and four housing construction bank bonds. Two fixed-interest bonds and one SME bond were placed as tap issues.

Money, foreign exchange and interest rate derivatives trading
Between the end of 2022 and the end of 2023, readily accessible short-term liquidity increased by around TEUR 350,000 to around TEUR 930,000 (2022: TEUR 580,000). In addition, extensive collateral is available for repo and tender transactions in money market trading. Hypo Vorarlberg thus has strong liquidity buffers. As usual, there was a very wide fluctuation range for readily accessible short-term liquidity. This was due to large-volume transactions such as issuances, partial repayments of the TLTRO III operations and major customer transactions.

Securities Customer Trading
Customer securities turnover amounted to approximately TEUR 1,147,868 in 2023 (2022: TEUR 2,873,391). As against the previous year, customer securities turnover declined by around TEUR 1,725,523 or 60.1 %.

Fund Service
The custodian bank volume under management increased from TEUR 9,428,295 to TEUR 10,102,109 on an annual basis, corresponding to growth of TEUR 673,814 or 7.1 %. In the past reporting period, one special fund (AIF) and one mutual fund (UCITS) were wound up. One mutual fund (UCITS) was acquired by another custodian bank.

OTC Derivatives and Money Market Management
As at 31 December 2023, the OTC Derivatives and Money Market Management unit managed 1,419 (2022: 1,342) swaps, interest rate options and currency options with a nominal volume of around TEUR 14,501,470 (2022: TEUR 12,338,721). This represents an increase of TEUR 2,162,749 as compared to 31 December 2022. In the same period, the value of cash collateral changed by TEUR 64,130 to TEUR -51,446 as at 31 December 2023 (2022: TEUR -115,576). A negative collateral balance indicates that collateral has been provided at the counterparty.

EIB/EIF financial guarantee
At the end of 2023, the third guarantee agreement with the EIB/EIF Group was entered into for a portfolio (TEUR 360,000) of Austrian and German loans issued by Hypo Vorarlberg, mostly to small and medium-sized enterprises (SMEs) and mid-caps for the purposes of capital relief. Hypo Vorarlberg will use this financial support to expand its lending to private households and corporate customers for energy-efficiency improvements to buildings or for the construction of nearly zero-energy+ buildings.

Net interest income increased significantly to TEUR 17,577 in 2023 (2022: TEUR 9,311). Net fee and commission income experienced a slight decline of TEUR 185 to TEUR 2,241 (2022: TEUR 2,426). This segment's earnings before taxes amounted to TEUR 1,249 (2022: TEUR 81,113). The previous year's earnings had been significantly influenced by the rise in interest rates for interest rate hedging instruments. In 2023, negative measurement effects were recognised for these interest rate hedging instruments, which also led to a negative net result from financial instruments at fair value.

CORPORATE CENTRE

In addition to the business segments listed above, the Corporate Centre item includes the refinancing of holdings. This segment's earnings contribution was positive at TEUR 16,149 in 2023 (2022: TEUR -21,180).

SUBSIDARIES
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 financing solutions for private customers, corporate customers and the public sector in the areas of vehicle, movables and real estate leasing. Hypo Immobilien & Leasing GmbH has its headquarters at the Hypo Office in Dornbirn.

Estate agent services are offered at the locations in Bregenz, Dornbirn, Bludenz and Feldkirch. Leasing customers are supported by the specialists in Dornbirn and Vienna. Lease sales throughout Austria are carried out by the consultants at Hypo Vorarlberg's branches, while an in-house sales team supports selected eastern Austrian customers and the Swiss leasing market. A property valuation team is also based in Vienna and in Vorarlberg. The team performs valuations for Hypo Vorarlberg, particularly for financing purposes. As at 31 December 2023, the company had a headcount of 48 employees (2022: 48).

For 2023, Hypo Immobilien & Leasing GmbH reported earnings before taxes of TEUR 717 (2022: TEUR 990). The consolidated earnings before taxes of the companies included in the consolidated financial statements and belonging to the property and leasing subgroup amounted to TEUR 6,296 as at 31 December 2023 (2022: TEUR 2,915).

HYPO VORARLBERG LEASING AG, BOLZANO
HYPO VORARLBERG IMMO ITALIA GMBH, BOLZANO

Hypo Vorarlberg Leasing AG, based in Bolzano, develops leasing solutions in the areas of property, renewable energy and movable assets. The company has been offering its products and services on the northern Italian market for more than 30 years and also has a branch in Como.

In 2023, the Italian leasing market reported an increase in new business of 8.8 % from EUR 31.5 billion to EUR 34.8 billion in total. Real estate leasing – which is the most important area for Hypo Vorarlberg Leasing AG – grew by 0.5 % throughout Italy. Vehicle leasing particularly benefited from the upswing, growing by 28.8 %. By contrast, machinery leasing declined by 16.8 %.

In this environment, Hypo Vorarlberg Leasing AG generated a new volume of EUR 76.6 million in 2023 (2022: EUR 124.8 million). 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 property and movables leasing projects in Trentino-South Tyrol, Verona and Lombardy. In 2023, Hypo Vorarlberg Leasing AG generated net interest income of TEUR 14,206 (2022: TEUR 13,611). Profit before taxes amounted to TEUR 8,242 (2022: TEUR 4,632).

The difficult conditions triggered by the Ukraine war (energy prices, inflation and rising interest rates) brought new challenges for lessees, although these have had hardly any negative effects on portfolio quality to date.

The company dealt intensively with ESG issues in 2023, with a particular focus on creating a suitable database and training employees and committees in-house. In 2023, Hypo Vorarlberg Leasing AG also further developed the digitalisation and automation of workflows. A project to document internal processes and revise work instructions was also initiated.

A new volume of EUR 130 million is intended in 2024 in line with strict risk criteria. Major initiatives such as continued increased involvement in the leasing of machinery and equipment for producing renewable energy as well as intensive support for the Trentino and Verona market zone are intended to enable the ambitious new customer volume to be achieved.

Hypo Vorarlberg Immo Italia GmbH

The supply of commercial properties on the northern Italian market was lower in 2023 than in previous years. Prices in the segment therefore stagnated or increased slightly. In this positive market environment, Hypo Vorarlberg Immo Italia GmbH sold commercial properties valued at TEUR 7,501 (2022: TEUR 6,640).

The volume of properties still to be sold was reduced significantly. Strategic investments were made in these properties to ensure their future value retention. The average rental yield on rented properties increased to the current level of 9.3 %. The tenants' payment practices are good and there are virtually no rent arrears at present.

For the 2023 financial year, Hypo Vorarlberg Immo Italia GmbH reported a loss before taxes of TEUR -343 (2022: TEUR -1,088).

COMIT VERSICHERUNGSMAKLER GMBH

Back in 2020, the former Hypo Vorarlberg subsidiary Hypo Versicherungsmakler GmbH was merged with "EXACTA"-Versicherungsmakler GmbH. At the same time, the company name was changed to comit Versicherungsmakler GmbH. The new company is now the biggest regional insurance broker and can therefore cope better with the growing market and competitive pressure and the stricter regulatory conditions.

Hypo Vorarlberg holds a 40 % share in comit Versicherungsmakler GmbH; the other owners are VLV (40 %) and Wälderversicherung (20 %).

OUTLOOK
FOR THE 2024 FINANCIAL YEAR

CURRENT ENVIRONMENT
According to the Austrian National Bank (OeNB), a recovery in consumer spending can be expected in 2024, bolstered by increases in real income as a result of inflation compensation in wages and pensions.

The high inflation is likely to fall significantly in Austria in 2024. As supply chain issues ease and household tariffs for gas and electricity decrease, the rate of inflation could fall to 3.8 % in 2024 already and approach the ECB's 2 % target by the end of the forecast period. Compared to other EU countries, inflation in Austria is expected to recede a little more slowly.

The labour market remains fairly robust despite the current weak economy. According to the forecast by WIFO, the unemployment rate is likely to remain stable in 2024. WIFO expects the economy to have bottomed out by the end of 2023, allowing Austrian GDP to grow by 0.9 % in 2024 and by 2 % in 2025. The anticipated economic development thus matches the euro area average.

By contrast, the economic situation in the construction sector is still in a nosedive. The sharp rise in lending rates and construction costs already led to a 1.5 % decline in gross value added in the construction sector in 2023, according to a WIFO/IHS forecast. In 2024, the construction industry is then expected to reach its lowest point with another drop of 3.5 %. As well as calling for a construction package, businesses and banks consider a reform of the Bank Real Estate Financing Measures Regulation, which sets standards for housing loans, to be urgently necessary in order to stimulate the construction industry. A uniform exemption rate of 20 % introduced as at 12 March 2024 at least granted banks more flexibility. However, in view of the consistently high interest rates and the current reticence on the part of property buyers, it is assumed that a significant increase in lending is not on the cards despite the relief.

According to the forecast, there is good news for the sovereign debt ratio, which is continuing to decrease as expected following a substantial increase due to COVID. After reaching 76.6 % of GDP in 2023, the debt ratio is set to fall to 74 % in 2024.

PRIORITIES FOR 2024
One key aspect of Hypo Vorarlberg's business model and its strategic alignment is maintaining cost leadership. While the company is a price taker in many areas of its business activities, its profitability can be significantly influenced by systematic cost management.

The Managing Board therefore pays great attention to making corporate structures as lean as possible and making processes and workflows as efficient as possible. Optimisation and rationalisation projects are implemented at regular intervals, also with the aim of tackling the difficult situation on the labour market as requirements increase further. Opportunities presented by digitalisation are to be leveraged as well. In this area, there will be a particular focus in future on analysing processes and increasing efficiency by way of automation, optimisation and modernisation. Despite increased requirements for IT, organisation and personnel – partly due to regulatory provisions – Hypo Vorarlberg still has a low cost-income ratio.

The capital ratios and buffers have improved significantly in recent years, allowing Hypo Vorarlberg to act as a reliable partner to its customers even in the currently challenging situation. Owing to continued major uncertainty as a result of the current crises, as well as to facilitate further sustainable growth, there is a continued focus on optimising and improving capitalisation (including by way of guarantee agreements, e.g. with the EIF/EIB Group). Regulatory developments – for example, in the context of "MREL" or "Basel IV" – are also to be taken into account proactively at an early stage.

Hypo Vorarlberg's strategic alignment is based on the following guidelines:

- The company's internal financing capacity is to be increased in order to further strengthen its equity.
- A cost-optimised liquidity supply is to be sustainably ensured.
- Profitability in customer business is to be increased further. In particular, even better use is to be made of core expertise. This includes strategic and improved cross-selling in business with both private customers and corporate customers in Vorarlberg, as well as targeted, sustainable growth in the market areas outside Vorarlberg.
- Risk diversification is intended and cluster risks will be avoided. In line with the definition of large loans under the CRR, no risk exposures exceeding 10 % of the core capital are to be taken on in customer business.

Based on these guidelines and objectives, the following strategic priorities have been set for the current strategy cycle and are taken into account accordingly in the strategic alignment of the individual business segments and in the functional strategies:

Continuity and reliability
In the interests of a reliable partnership with its customers, Hypo Vorarlberg's existing successful business model is to be improved further. The focus is to remain on customer business. No significant changes in the market and regional portfolio are planned, but the Bank's presence in growth markets outside the home market of Vorarlberg is to be increased, including with the new location in Salzburg that has been operating since 2021.

Organic and sustainable growth
Hypo Vorarlberg aims to keep growing organically and sustainably in the "Corporate Customers and Public-Sector Institutions" and "Private Customers" business segments. The growth regions are primarily the core markets outside Vorarlberg, but growth potential in Vorarlberg is to be harnessed as well. In addition, there is a strategic focus on margins and income in all lending business. Deposit business is also increasingly important again in the changed interest rate environment.

Private Banking
Building on the good development in "Private Banking" and in asset management, the top segment in investment business with companies, entrepreneurs and wealthy private customers is being expanded.

Digitalisation
With regard to digitalisation, the strategic focus is on the further development and modernisation of digital applications and processes. The primary goal is to increase efficiency in market cultivation and in processing banking business, firstly in response to changes in customers' expectations in an online environment and secondly to optimise internal processes. Furthermore, digitalisation is an important prerequisite for meeting the constantly increasing regulatory requirements efficiently. The digital transformation is largely driven by a strong IT system that is anchored in the Bank, with the operation of the core banking system and other key banking applications supported by Accenture as a strong international partner that also provides fresh stimulus for innovation and digitalisation.

Productivity and efficiency
The Managing Board continues to attach great importance to productivity and efficiency. The Bank's cost leadership represents an important strategic advantage, particularly in the current banking industry environment with high pressure on margins, high expenses for regulatory and IT requirements and a high tax burden.

Sustainability
The issue of sustainability is a high priority for Hypo Vorarlberg, and the Bank is aware of its key role in the fight for a social, environmental and economic future. The importance of this issue for the financial sector is reflected not least in the numerous regulatory requirements (e.g. Taxonomy, CSRD) that continuously need to be screened and implemented proactively. In order to integrate sustainability even more strongly in core business, there is a focus on updating the strategic sustainability guidelines and incorporating sustainability more deeply in governance.

CURRENT DEVELOPMENTS
In December 2023, the COFAG (COVID-19 Financing Agency) Inquiry Committee was established at the request of 46 members of the Austrian National Council (SPÖ and FPÖ). The Committee on Rules of Procedure of the Austrian National Council subsequently adopted a resolution to take evidence, listing the institutions and companies required to submit files and documents to the Inquiry Committee. These included the OeNB and the FMA, which submitted audit reports and documents of Hypo Vorarlberg to the Inquiry Committee.

In early 2024, documents that are also required to be handled confidentially by the Inquiry Committee were unlawfully passed on to Austrian media. This led to increased media reactions and political debate with regard to Hypo Vorarlberg. Thanks to a partial suspension of banking secrecy, Hypo Vorarlberg endeavoured to bring more transparency to the matter with an active communication strategy and to correct statements that had in some cases been taken out of context or misinterpreted. In addition, the Austrian Financial Market Authority filed charges against persons unknown on suspicion of breaching business, banking and official secrecy.

On 8 March 2024, the parties in the Vorarlberg Landtag (state parliament) agreed that the State Audit Office would audit Hypo Vorarlberg. Hypo Vorarlberg expressly welcomes the audit.

EXPECTED EARNINGS DEVELOPMENT FOR HYPO VORARLBERG IN 2024
Hypo Vorarlberg is a very well positioned company, pursues a risk-conscious business model and has a strategic focus on the market areas in Austria, Switzerland, Germany and northern Italy.

The Managing Board expects the effects of the pandemic to no longer play a role in the 2024 financial year. The biggest uncertainty factors at present are the ongoing war in Ukraine, price increases for raw materials and supply bottlenecks, risks relating to the provision of energy, and the impact of inflation and interest rates on the economy. The direct effects of the war in Ukraine on Hypo Vorarlberg are not considered to be significant, as the Group has no material direct exposure in Russia, Ukraine or Belarus. It is currently difficult to estimate the effects of the other factors on the Hypo Vorarlberg Group's earnings performance in 2024.

The Bank is observing increased pressure on property valuations, particularly in the area of project development, as a result of high interest rates, uncertainty concerning future interest rate development and the aforementioned high level of inflation. This is exacerbated by investor reluctance, which is reflected in a lower number of transactions. In the area of developer financing, valuations of portfolio properties are also expected to come under pressure – especially in the Bank's home market of Vorarlberg – because of current developments such as the sharp downturn in home purchases, which is due in part to potential buyers finding it harder to obtain financing.

This could lead to an increase in the unsecured portion of existing loans. Depending on further developments, Hypo Vorarlberg may adjust its loan loss provisions as required. This can take place via changed customer ratings or changed assessments of economic development. Despite the recent relief provided by the 2024 Bank Real Estate Financing Measures Regulation, private lending is not expected to see a significant upturn as the anticipated interest rate cuts by the ECB will also be moderate. 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. 2024 will see capital market maturities of around TEUR 800,000 and a planned issue volume of around TEUR 1,000,000. The maturity in March 2024 under the TLTRO program was already refinanced in 2023 and is available as money market liquidity for the repayment of the last TLTRO refinancing volume. Thanks to the reserves it has recognised and its stable equity position, Hypo Vorarlberg can keep operating well even in the current challenging economic situation.

The Bank performed well in the first three months of 2024. Interest-related business will continue to be a stable pillar of the Group's income development. Net fee and commission income will also make an important contribution to earnings. Material expenses and staff costs in particular are expected to increase in 2024 as a result of high inflation. Risk factors for the planned earnings development of Hypo Vorarlberg include changes in the development of interest rates and new regulatory measures, as well as geopolitical and global economic developments.

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

RISK MANAGEMENT
OF 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 reporting year was dominated by rising interest rates on the money and capital markets. The value at risk (99 %/10 days) reached monthly average levels of up to TEUR 38,225 (2022: TEUR 44,227).

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.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM WITH REGARD TO THE ACCOUNTING 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 continuousbasis. 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

The Finances unit at Hypo Vorarlberg, which also functions as Group Accounting, comprises Bookkeeping, Accounting, Reporting, Data and Document Management as well as Account Management. The close cooperation of the Finances unit with Controlling and Bank Risk Management enables uniform and aligned Bank reporting, both internally and externally. The report process, together with control measures, are regulated in work instructions, internal process descriptions, ICS documentation and in 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

Bank reporting takes place almost exclusively on an automated basis using downstream systems and automatic interfaces and ensures current data for controlling, profit calculations and other assessments. As a result of the close cooperation between the Finances unit and Controlling and Bank Risk Management, target-actual comparisons are implemented on an ongoing basis. Reciprocal control and coordination between the departments is assured.

Bank decision-makers receive a large number of reports for their monitoring and control functions on a regular basis, e.g. weekly statements, monthly P&L forecasts with interest margin calculation, earnings extrapolations at branch, unit and Bank level, target-actual comparisons, volume and income, ALM, risk and Treasury reports, quarterly costing, 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.

Twice a year, an ICS report is prepared for the Managing Board and once a year an ICS report for the Audit Committee with information on the work ICS is doing. ICS reporting has a bottom-up approach. The records on the implemented controls are completed by the person responsible for the process as they are being carried out on an operating basis. Together with the results of the control and effectiveness analysis, these records are combined in the ICS report. Together with the Internal Audit results they can be used to make a statement on the effectiveness of the ICS.

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 members of the Bank’s Managing Board and the managing directors of the subsidiaries, and periodically reports to the Audit Committee of the Supervisory Board and to 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.

DATA PROCESSING/IT

Since 1 December 2022, Hypo Vorarlberg has outsourced key IT services to Accenture GmbH in Austria (Accenture). Based on a corresponding customer contract, Accenture performs the IT services that were previously performed for Hypo Vorarlberg and other banks by Allgemeines Rechenzentrum GmbH (ARZ) in Innsbruck over many years. In 2022, Accenture had acquired the core business of ARZ and the associated assets for performing IT services from the owner banks, which also included Hypo Vorarlberg with a relatively small indirect share. As a competence centre for IT services in the banking industry, Accenture supported key business processes of all banks that were previously customers of ARZ.

Hypo Vorarlberg's strategy with the new outsourcing partner Accenture is unchanged, i.e. to bundle key IT services in a banking data centre with other banks in order to generate economies of scale and synergies and harness potential efficiencies through technology.

At the same time, the Bank is thereby reducing the complexity of its own IT infrastructure, allowing it to use its own IT resources to focus on its core business.

In the customer contract, Accenture has undertaken to provide banking-as-a-service services. These services must be provided in compliance with the regulatory requirements and using state-of-the-art technology. ARZ's assets for operating the data centre have been transferred to the Accenture subsidiary TiGital. As previously at ARZ, the central system in the TiGital data centre for day-to-day banking business is the ARCTIS software solution, supplemented by standard solutions such as GEOS, SAP, B+S and others. TiGital is responsible for operating the core banking systems and IT infrastructure.

In addition, a key element of the customer contract with Accenture is an extensive investment programme to modernise the IT systems in the acquired data centre. Accenture was chosen as the new partner partly because it will cover part of this investment itself and because as a major international IT provider it has the necessary expertise and resources to ensure that the modernisation goals are achieved. The main investment programmes relate to the areas of security, financial and risk architecture and collaboration systems, as well as enabling the use of cloud services and opening up the core banking system via interfaces.

At Hypo Vorarlberg itself, IT and digitalisation expertise was bundled in a newly formed IT division back in 2020. 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 IT is expected to provide significant stimulus for the Bank's digital transformation moving ahead. With around 70 highly qualified employees, Hypo Vorarlberg IT has the resources to manage the outsourcing partner Accenture, respond to the challenges of digitalisation, identify risks and take advantage of opportunities.

A new IT strategy was adopted in 2021 and this is continuously refined. The core of this strategy is the understanding that in the age of digitalisation, the IT plays a central role as a business enabler, especially in the finance area. This is also the case at Hypo Vorarlberg. This transformation from internal service provider to an equal business partner goes hand in hand with establishing an agile stance as well as introducing correspondingly agile tools.

Another part of the IT strategy is the vigorous further development of the IT systems – both the Bank's internal systems and the Accenture systems – through the above-mentioned investment programmes. For its own IT solutions, in its IT strategy Hypo Vorarlberg has formulated a more intensified use of the cloud. Over the next year, the aim is to sound out what the strict regulatory conditions allow and which applications are suitable for cloud operation.

Examples of the numerous change-the-bank projects of 2023 include the following, some of which will take several years on account of their scope:

- Planning the modernisation of the bank management systems in an "Integrated financial and risk architecture" programme designed to last several years, starting with planning for the changeover from SAP R/3 to SAP R/4HANA.
- Modernisation of the digitalisation architecture with the establishment of the "digital backbone", including the changeover of applications to an operating infrastructure based on modern cloud technology.
- Regulatory projects still account for a significant portion of the change-the-bank portfolio, with examples including BASEL IV, DORA and the EU action plan for financing sustainable growth.
- Modernising the workplace is also important to Hypo Vorarlberg. Firstly, the gradual changeover to mobile workstations was largely completed, and secondly the software environment is being modernised with the latest collaboration applications. For example, Jira/Confluence was introduced and the transition to M365 was begun and will be completed by early 2024.
- In addition, Hypo Vorarlberg continuously invests in digital channels, particularly due to the constant further development of online banking, along with complementary functions such as digital signatures and video consulting.

Accenture's systems and processes are regularly reviewed by Internal Audit and by an external auditing firm. These audits and controlling measures are conducted on the basis of "ISAE 3402 Type 2" and "IWP/PE 14 Type 2" standards and are continuously adapted to changes in conditions. The audits have not given rise to any significant objections. The data centre and Hypo Vorarlberg counter information technology risks with measures such as backup systems, failover possibilities and suitable security concepts and by providing intensive information to employees. Clear authority and access regulations, dual control requirements and an internal control system are in place. Hypo Vorarlberg also focuses on systematic standardisation to reduce complexity and increase cost efficiency in order to remain innovative.

IT operations at the St. Gallen branch are provided by a Swiss standard software solution "FINNOVA". The inventory management system "FINNOVA" is supplemented by other peripheral system that support processes in specific areas.

At the end of 2022, a change in the main IT service provider was made together with three other Swiss regional banks, although the core banking application itself was kept as "FINNOVA".

The project lasted a good 18 months and was successfully completed at the beginning of 2023. The associated investment will allow for further development of the St. Gallen branch in future. While the previous IT environment primarily supported Swiss regional banks, the new partners enable us to press ahead with our own developments and to implement EU regulations in Switzerland as well. It is also planned to use the new levels of freedom to provide better support for customers in the German-speaking region and to facilitate cooperation with the headquarters in Bregenz.

The St. Gallen branch still has an IT system that is designed primarily for Swiss requirements and is independent from the overall bank.

Standard software systems are also used at the subsidiary Hypo Immobilien & Leasing and the leasing company in Bolzano.

DISCLOSURE OF INFORMATION
ON REMUNERATION POLICY AND PRACTICES IN 2023

Hypo Vorarlberg's remuneration policy is consistent with its strategy, goals and values and its long-term interests. It corresponds to the size, internal organisation, type, scope and complexity of Hypo Vorarlberg's business. For risk bearers ("identified staff"), the special remuneration regulations in accordance with the annex to section 39b of the Austrian Banking Act (BWG) apply.

The remuneration policy is compatible with sound and effective risk management. In 2023, the Remuneration Committee of Hypo Vorarlberg held two meetings in total. In addition to the Supervisory Board – particularly the Remuneration Committee headed by Birgit Sonnbichler – the Internal Audit department also acts as a controlling body for the remuneration policy. On behalf of the Supervisory Board, it is entrusted with auditing the implementation of the principles of the remuneration policy.

Employees at Hypo Vorarlberg are always remunerated in line with the market with collectively agreed fixed salaries and overpayment if necessary.

Remuneration policy for Managing Board members

The Chairman of the Managing Board, Michel Haller, and the other Managing Board members, Wilfried Amann and Philipp Hämmerle, received a fixed annual basic salary for 2023 that was paid out in fourteen instalments. Besides the remuneration payments agreed in the Managing Board contracts, there are no bonus agreements.

Detailed disclosures on the remuneration policy in accordance with 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

2023 was characterised by an extremely challenging economic, social and geopolitical environment. From the effects of high inflation and significantly increased interest rates, to climate protests and greater awareness of greenwashing, to the escalation of the Israel-Gaza conflict and the ongoing war in Ukraine – there were many different issues affecting our society.

The pace of events also led to growing importance of the subject of sustainability. Here, the focus is on the EU Corporate Sustainability Reporting Directive, effective from 2024, which covers the three areas of the environment, society and governance – or ESG for short. For companies, the Directive means more regulations and stricter compliance requirements. At the same time, sustainability will play a crucial role in many companies' strategic alignment moving forwards.

For Hypo Vorarlberg, 2023 was dominated by preparations for and the implementation of the EU directive. It is not just the Group's own sustainable alignment that is relevant here, but also that of its corporate customers. In a wide-ranging materiality analysis with internal and external stakeholder groups, the priorities for 2024 were identified and customers, suppliers and employees were all given the opportunity to influence Hypo Vorarlberg's sustainability strategy directly.

The company has been reporting on its sustainability activities since 2011 and has done so in the form of a separate sustainability report 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 respective concepts and their results, the due diligence processes used, the main risks and the key performance indicators must be disclosed 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 opted 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 2023 sustainability report – prepared in accordance with the 2021 GRI standards – 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. Since 2021, banks have been required by Article 8 of Regulation (EU) 2020/852 to disclose how and to what extent the company's activities are associated with economic activities that can be classified as environmentally sustainable. In accordance with the legal requirements, this disclosure is also made in the separate sustainability report, which is published on the website www.hypovbg.at.

Research and development
With no independent planned research 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 does not perform any research and development activities. However, it 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 Vorarlberg University of Applied Sciences for the purposes of ongoing development. 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, 22 March 2024

Hypo Vorarlberg Bank AG
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

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

A GOOD BALANCE SHEET

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS DATED 31. DECEMBER 2023

I. STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2023

Income statement

TEUR	Notes	2023	2022	Change in TEUR	Change in %
Interest and similar income according to the effective interest		449,844	214,604	235,240	>100.0
Other interest and similar income		164,064	46,987	117,077	>100.0
Interest and similar expenses according to the effective interest		-221,900	-68,134	-153,766	>100.0
Other interest and similar expenses		-158,347	-25,654	-132,693	>100.0
Net interest income	(6)	233,661	167,803	65,858	39.2
Dividend income	(7)	186	126	60	47.6
Fee and commission income		41,571	42,219	-648	-1.5
Fee and commission expenses		-6,168	-8,091	1,923	-23.8
Net fee and commission income	(8)	35,403	34,128	1,275	3.7
Net result from financial instruments at amortized cost	(9)	2,325	3,239	-914	-28.2
Net result from financial instruments at fair value	(10)	-38,122	77,191	-115,313	-
Other income	(11)	53,482	35,796	17,686	49.4
Other expenses	(12)	-30,304	-53,521	23,217	-43.4
Administrative expenses	(13)	-116,507	-105,941	-10,566	10.0
Depreciation and amortization	(14)	-8,180	-7,862	-318	4.0
Loan loss provisions and impairment of financial assets	(15)	-78,486	10,003	-88,489	-
Impairment of non-financial assets	(16)	-1,006	-1,021	15	-1.5
Result from equity consolidation		605	718	-113	-15.7
Earnings before taxes		53,057	160,659	-107,602	-67.0
Taxes on income	(17)	-12,958	-40,563	27,605	-68.1
Annual net income		40,099	120,096	-79,997	-66.6
of which attributable to owners of the parent company			120,088	-79,991	-66,6
of which attributable to non-controlling interests		2	8	-6	-75.0

Statement of comprehensive income

TEUR	2023	2022	Change in TEUR	Change in %
Annual net income	40,099	120,096	-79,997	-66.6
Other income (OCI)	8,819	13,070	-4,251	-32.5
OCI w/o recycling	8,668	12,990	-4,322	-33.3
Actuarial result IAS 19	-2,340	4,584	-6,924	-
Measurement of own credit risks for liabilities at fair value	13,490	12,587	903	7.2
Income tax effects	-2,482	-4,181	1,699	-40.6
OCI with recycling	151	80	71	88.8
Foreign currency translation	151	80	71	88.8
Group statement of comprehensive income	48,918	133,166	-84,248	-63.3
of which attributable to owners of the parent company	48.916	133,158	-84,242	-63,3
of which attributable to non-controlling interests	2	8	-6	-75.0

II. BALANCE SHEET
DATED 31 DECEMBER 2023

Assets

TEUR	Notes	31.12.2023	31.12.2022	Change in TEUR	Change in %
Cash and balances with central banks	(18)	976,271	869,021	107,250	12.3
Trading assets	(19)	117,735	182,211	-64,476	-35.4
Financial assets at fair value (non-SPPI)	(20)	593,409	585,998	7,411	1.3
of which equity instruments		12,371	11,384	987	8.7
of which debt securities		145,940	162,431	-16,491	-10.2
of which loans and advances to customers		435,098	412,183	22,915	5.6
Financial assets at fair value (option)	(21)	213,528	235,223	-21,695	-9.2
of which debt securities		56,240	57,276	-1,036	-1.8
of which loans and advances to customers		157,288	177,947	-20,659	-11.6
Financial assets at amortized cost	(23)	13,261,300	12,799,377	461,923	3.6
of which debt securities		2,345,583	2,280,203	65,380	2.9
of which loans and advances to banks		418,305	464,585	-46,280	-10.0
of which loans and advances to customers		10,497,412	10,054,589	442,823	4.4
Positive market values of hedges	(24)	377,849	414,740	-36,891	-8.9
Fair value change portfolio from interest rate risks		11,767	0	11,767	>100.0
Affiliates		968	968	0	0
Shares in companies valued at equity	(25)	3,805	3,638	167	4.6
Property, plant and equipment	(26)	80,859	77,983	2,876	3.7
Investment property	(27)	44,073	46,050	-1,977	-4.3
Intangible assets	(28)	3,285	1,755	1,530	87.2
Income tax assets		1,471	5,093	-3,622	-71.1
Deferred income tax assets	(29)	3,113	4,012	-899	-22.4
Other assets	(31)	37,102	79,406	-42,304	-53.3
Total assets		**15,726,535**	**15,305,475**	**421,060**	**2.8**

Liabilities and shareholders' equity

TEUR	Notes	31.12.2023	31.12.2022	Change in TEUR	Change in %
Trading liabilities	(33)	101,024	108,203	-7,179	-6.6
Financial liabilities at fair value (option)	(34)	789,412	633,181	156,231	24.7
of which securitised liabilities		666,381	517,896	148,485	28.7
of which liabilities to customers		123,031	115,285	7,746	6.7
Financial liabilities at amortized cost	(35)	12,872,355	12,462,872	409,483	3.3
of which securitised liabilities		6,952,353	5,264,741	1,687,612	32.1
of which liabilities to banks		783,867	1,668,142	-884,275	-53.0
of which liabilities to customers		5,136,135	5,529,989	-393,854	-7.1
Negative market values of hedges	(36)	392,161	554,135	-161,974	-29.2
Provisions	(37)	38,085	61,185	-23,100	-37.8
Income tax liabilities	(38)	2,458	3,820	-1,362	-35.7
Deferred income tax liabilities	(39)	17,891	17,765	126	0.7
Other liabilities	(40)	49,617	45,241	4,376	9.7
Shareholders' equity	(41)	1,463,532	1,419,073	44,459	3.1
of which attributable to owners of the parent company			1,419,021	44,480	3,1
of which attributable to non-controlling interests		31	52	-21	-40.4
Total liabilities and shareholders' equity		**15,726,535**	**15,305,475**	**421,060**	**2.8**

III. STATEMNET 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 01.01.2022	**162,152**	**44,674**	**1,092,166**	**-8,659**	**1,290,333**	**57**	**1,290,390**
Consolidated net income	0	0	120,088	0	120,088	8	120,096
Other income	0	0	0	13,070	13,070	0	13,070
Comprehensive income 31.12.2022	**0**	**0**	**120,088**	**13,070**	**133,158**	**8**	**133,166**
Disposal from consolidation	0	0	65	0	65	0	65
Reclassifications	0	0	3	-3	0	0	0
Other changes	0	0	-101	0	-101	-1	-102
Dividends	0	0	-4,434	0	-4,434	-12	-4,446
Balance 31.12.2022	**162,152**	**44,674**	**1,207,787**	**4,408**	**1,419,021**	**52**	**1,419,073**
Balance 01.01.2023	**162,152**	**44,674**	**1,207,787**	**4,408**	**1,419,021**	**52**	**1,419,073**
Consolidated net income	0	0	40,097	0	40,097	2	40,099
Other income	0	0	0	8,819	8,819	0	8,819
Comprehensive income 31.12.2023	**0**	**0**	**40,097**	**8,819**	**48,916**	**2**	**48,918**
Disposal from consolidation	0	0	1	0	1	0	1
Reclassifications	0	0	169	-169	0	0	0
Other changes	0	0	-2	0	-2	1	-1
Dividends	0	0	-4,434	0	-4,434	-24	-4,458
Balance 31.12.2023	**162,152**	**44,674**	**1,243,617**	**13,058**	**1,463,501**	**31**	**1,463,532**

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	2023	2022 adjusted *)
Consolidated net income	40,099	120,096
Non-cash items included in consolidated net income		
Impairments/reversals on property, plant and equipment	9,248	7,940
Impairments/reversals on financial instruments	72,334	-67,491
Allocations/reversals to/from reserves and loan loss provisions	62,508	2,991
Change in other non-cash items	-27,315	72,300
Other adjustments (interest and income taxes)	-275,689	-168,576
Change in assets from operating activities		
Loans and advances at fair value (non-SPPI)	-32,343	61,846
Loans and advances at fair value (option)	37,142	170,564
Loans and advances at amortized cost	-561,046	-351,328
Non-current assets available for sale	3,622	10,094
Other assets	39,609	-22,655
Change in liabilities from operating activities		
Non-subordinated liabilities at fair value (option)	87,288	18,989
Non-subordinated liabilities at amortized cost	421,801	-856,816
Provisions	-15,250	-15,078
Income tax liabilities	-1,415	1,267
Other liabilities	4,391	2,554
Interest received	594,656	248,094
Dividends received	186	126
Interest paid	-333,415	-73,476
Income taxes paid	-14,451	-21,002
Cash flows from operating activities	111,960	-859,561

*) Adjustment due to the correction of a misstatement - see note (5)

Cash flows from investing activities

TEUR	2023	2022 adjusted*)
Cash inflow from the sale/repayment of		
Financial instruments	523,153	610,243
Property, plant and equipment and intangible assets	970	488
Subsidiaries	0	65
Cash outflows for investments in		
Financial instruments	-487,636	-637,469
Property, plant and equipment and intangible assets	-9,952	-6,056
Cash flows from investing activities	26,535	-32,729

Cash flows from financing activities

TEUR	2023	2022 adjusted *)
Cash changes subordinated and tier 2 capital	-55,500	-55,633
Lease payments from operating leases	-1,710	-1,396
Dividends	-4,458	-4,446
Cashflow from financing activities	-61,668	-61,475

Reconciliation to cash and balances with central banks

TEUR	2023	2022 adjusted *)
Cash and balances with central banks as at 1 January	869,021	1,806,556
Cash flows from operating activities	111,960	-859,561
Cash flows from investing activities	26,535	-32,729
Cash flows from financing activities	-61,668	-61,475
Effects of changes in exchange rate	30,423	16,230
Cash and balances with central banks as at 31 December	976,271	869,021

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

V. NOTES

A. ACCOUNTING 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. The Bank has offices in Vienna, Graz and Wels in Eastern Austria and in Salzburg in Central Austria.

The Bank is a stock corporation with its registered office in Bregenz, Austria, and is registered in Feldkirch, Austria, in the commercial 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 2022 financial year and the comparative figures for 2023 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the international accounting standards adopted by the EU on the basis of IAS Regulation (EC) No 1606/2002 including the applicable interpretations by the International Financial Reporting Interpretations Committee (IFRIC/SIC) and therefore fulfil the requirements of Section 59a of the Austrian Banking Act and Section 245a of the Austrian Commercial Code.

On 22 March 2024, 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 2023. Subsidiaries are fully consolidated from the acquisition date, i.e. from the date on which the Group obtains control. Consoli-dation 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 elimi-nation 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 re-quired 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.

In addition to the parent company, the consolidated financial statements include 28 subsidiaries (2022: 28) in which Hypo Vorarlberg directly or indirectly holds more than 50 % of the voting rights or otherwise exercises a controlling influence. Of these companies, 25 are domiciled in Austria (2022: 25) and three abroad (2022: three).

On 7 June 2023, the company name of IMMOLEAS Grundstücksverwaltungsgesellschaft m.b.H was changed to VKL VI PBZ Korneuburg Leasinggesellschaft m.b.H. The company name of HIL Real Estate International Holding GmbH was also changed to HIL Kommunalleasing GmbH on 9 November 2023.

Consolidated investments in associates are accounted for using the equity method. Associates are companies that are not controlled by Hypo Vorarlberg but in which Hypo Vorarlberg holds at least 20% of the shares and therefore has significant influence.

Three (2022: three) significant domestic 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.

When significant influence is lost, the Group measures all shares that it retains in the former associate at fair value. Differences between the carrying amount of the investment in the associated company at the time of the loss of significant influence and the fair value of the retained shares as well as the disposal proceeds are recognised in the income statement.

Based on this financial statement data, the (aggregate) total assets of the associate not accounted for using the equity method amounted to TEUR 442 in the past financial year (2022: TEUR 639). The aggregate equity of this holding amount to TEUR 37 (2022: TEUR 37). No earnings after taxes were generated in the 2023 reporting year or in the previous year.

The reporting date of the consolidated financial statements corresponds to the reporting date of the consolidated companies in the consolidated financial statements, with the exception of the subsidiaries specified in section J. These have a different reporting date of 30 September 2023 and prepare interim financial statements as at 31 December 2023.

A full presentation of the subsidiaries and associates included in the consolidated financial statements can be found in section J 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	31.12.2023	31.12.2022
CHF	0,9260	0,9847
JPY	156,3300	140,6600
USD	1,1050	1,0666
PLN	4,3395	4,6808
CZK	24,7240	24,1160
GBP	0,8691	0,8869

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 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. How-ever, 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-to-collect and sell" 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 were allocated to the 'holding' business model but do not fulfil the cash flow criterion of IFRS 9 (Non-SPPI - Non solely payment of principal and interest) are allocated to this category. These are generally debt instruments whose interest rate conditions include leverage or financing arrangements in which the Group bears a significant share of the project risk.

Due to the nature of equity instruments, they fundamentally cannot fulfil the cash flow criterion. Equity instruments that are not allocated to the 'trading book' business model and that are not voluntarily measured via other comprehensive income are therefore recognised in this category.

They are measured at fair value through profit or loss. Transaction costs are recognised immediately in the income statement under commission expenses. Changes in fair value are recognised through profit or loss in the item result from financial instruments at fair value. Impairment losses for the at fair value category (non-SPPI) are implicitly included in the fair value of the financial instrument and are therefore not recognised 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 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 liabilities at fair value (option)	Fair value in the income statement
Financial assets at fair value (OCI)	Fair value in other comprehensive income
Financial liabilities at amortized cost	Amortized cost

Measurement of financial assets	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
When assessing the accounting policies for financial instruments, it is relevant whether there is an active market for them. A market is considered active if transactions with the asset or liability occur with sufficient frequency and volume to ensure that price information is available on an ongoing basis. In accordance with the requirements of IFRS 13, the active market corresponds to the principal market or the most advantageous market. The principal market is the market with the largest volume and the highest level of activity for the asset or liability. For listed securities, this is usually the home stock exchange. The most advantageous market is defined as the market that would maximise the amount to be received upon sale of the asset after taking into account transaction and transport costs or minimise the amount to be paid upon transfer of the liability. However, as Hypo Vorarlberg acquires or issues the majority of securities via OTC markets, it must be examined in each individual case which market is the main market for these securities or, if this is not available, which market is the most favourable 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
In accordance with IFRS 9, a financial guarantee contract is a contract under which the a financial guarantee contract is a contract under which the guarantor is obliged 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 under a financial guarantee is recognized as soon as the guarantee holder becomes a contracting party, i.e., at the time the guarantee offer is accepted. The initial measurement is at fair value at the date of recognition. Overall, the fair value of a financial guarantee is generally zero at the inception of the contract, as the value of the agreed premium will correspond to the value of the guarantee obligation in the case of fair market contracts. If the guarantee premium is collected in full at the inception of the contract, the premium is initially recognized as a liability and amortized over the term of the contract. If regular premiums are paid under the guarantee, they are recognized on an accrual basis in fee and commission income. If there are indications of a deterioration in the creditworthiness of the guarantee holder, provisions are recognized in the amount of the expected utilization.

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, multi-tranches 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 uses internationally recognized clearing houses for the transactions, the Group generally uses internationally recognized clearing houses, such as EUREX Clearing AG or Swiss National Bank. Settlement is standardized and collateralized to a maximum extent, so that no delivery risk is to be expected on the part of the counterparties. Settlement very often takes place in the form of a tri-party repo transaction.

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 (and not representing equity instruments)
- Lease receivables within the scope of IFRS 16
- Loan commitments, excluding loan commitments accounted for at fair value through profit or loss (FVTPL) in accordance with IFRS 9
- Financial guarantees that fall within the scope of IFRS 9 and 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 credit risk is determined via 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 with a probability of default (PD) of 100 %, solely on a monthly basis and with the LGDs for the default category.

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
Depending on the stage of the proceedings (still in restructuring or already in liquidation), the scenarios Going Concern and Gone Concern are weighted differently. The closer the stage of the proceedings is to liquidation, the higher the weighting of the gone concern scenario. The weighting according to process status was defined in a work instruction. Any change to this defined weighting is documented by the responsible person.

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

or 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.

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 GDP and GFCF growth data were used. The use of interest rates and credit spreads was examined. Economically, an increase in interest rates would be expected here in economically uncertain times. In the current phase of the central banks' low interest rate policy, this context obviously does not apply. This is a problem in the PIT adjustment in particular, as when using interest rates the ECL results would fall instead of rising when the economic conditions are weak and interest rates are low.

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 slected 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 cur-rent 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.

The Retail Italy portfolio is of very minor importance, and the model results are also not plausible. The Corporate Customers Italy model is therefore also used for the portfolio.

The following weights and macroeconomic parameters are used as at the end of 2023. The values for the main scenario are forecasts by the OeNB, Wifo and IHS for Austria and the Banca d'Italia for Italy. After the mild recession in 2023, the scenarios assume an economic recovery in 2024. There are also high downside risks in the event of a lack of recovery in the industrial economy and economic weakness in China, the war in Ukraine and persistently high inflation. As there are no explicit forecasts for the negative and positive scenarios, the historical forecast errors were determined and applied to the main scenario. The results are consistent with the textual assessments of the economic research institutes.

Country	Variable	Weight	2023	2024	2025+
Austria	GDP Main scenario	70.00 %	-0.60 %	1.05 %	1.60 %
	GDP Negative scenario	30.00 %	-1.06 %	-1.23 %	1.60 %
	GDP Positive scenario	0.00 %	-0.49 %	1.59 %	1.60 %
	HICP Main scenario	70.00 %	7.75 %	4.10 %	2.90 %
	HICP Negative scenario	30.00 %	8.06 %	5.64 %	2.90 %
	HICP Positive scenario	0.00 %	7.65 %	3.62 %	2.90 %
	BAI Main scenario	70.00 %	-1.10 %	-1.15 %	1.40 %
	BAI Negative scenario	30.00 %	-1.80 %	-4.63 %	1.40 %
	BAI Positive scenario	0.00 %	-0.67 %	0.99 %	1.40 %
Italy	GDP Main scenario	70.00 %	0.70 %	0.80 %	1.00 %
	GDP Negative scenario	30.00 %	0.25 %	-1.44 %	1.00 %
	GDP Positive scenario	0.00 %	0.87 %	1.63 %	1.00 %

Compared to the previous year, a lower probability was assumed for the negative scenario and a higher probability for the main scenario. We continue to see no probability for the positive scenario. We no longer expect any catch-up effects from the COVID-19 pandemic. If observed default rates differ significantly from the forecast data, the observed default rates were used. This concerns the year 2023. The new downside risks described above were analysed and do not lead to any adjustments in the model. With regard to the risks on the property market, we examined whether collective staging should be carried out. In our opinion, the risk is already reflected in the ratings, which is why we see no justified reason for collective staging.

There is no indication that sustainability risks will be reflected in increased risk costs in the short term. There are still no confirmed data, models or forecasts for the medium- and long-term measurement and recognition of sustainability risks. The Bank is making efforts to estimate the potential impact of sustainability risks (see explanations in section G. Financial risks and risk management).

Purchased Or Orginated 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 im-paired), 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 life-time. 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. The change in present value leads to an impairment or reversal of impairment in the subsequent valuation.

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.

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.

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 in the categories of financial assets at amortised cost and financial liabilities at amortised cost. The Group uses derivative instruments such as interest rate swaps, currency swaps and cross-currency swaps to hedge currency and interest rate risks. In the course of dedicating a hedging relationship to hedge accounting in accordance with IFRS, a formal documentation is made that describes, among other things, the type of hedging relationship, the hedged risk, the economic context, the risk management objective of the hedging relationship and the method of assessing effectiveness. Following the reform of the Interbank Offered Rate (IBOR), the documentation must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. The effectiveness of the hedging relationship is an essential condition for the application of hedge accounting. In many cases, the economic relationship is proven qualitatively and forward-looking by documenting the match of the most important risk-relevant parameters between the underlying and hedging transactions at the time of documentation. This check is referred to as a critical terms match (CTM). If the key business parameters are not aligned or, in the case of amended contracts, are no longer aligned to the usual extent of a standard economic hedge, a purely qualitative assessment would be associated with a high degree of uncertainty. In these cases, the final assessment may be based on the results of quantitative methods. The quantitative assessment of effectiveness is carried out 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.

In addition to hedge accounting on an individual transaction basis, from 1 January 2023 the Group will apply hedging against interest rate risks on a portfolio basis in accordance with the provisions of IAS 39. The hedging instruments are interest rate swaps in EUR with terms until 2042. These hedging instruments are used to hedge the interest rate risk from loans and credits with fixed interest rates, which are mainly granted to private households and small and medium-sized enterprises. If effective, the changes in market value from the designation of the hedging instruments are recognised in the opposite direction in the adjustment item 'Fair value changes in interest rate risk portfolios', which is reported separately in the balance sheet, and in the income statement under 'Result from hedging relationships'. The cumulative fair value measurements of the hedging instruments up to designation are amortised on a straight-line basis over the remaining term of the hedging instruments.

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), mainte-nance 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).

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.

Valuation reports are prepared at regular intervals for the investment properties by an employee of Hypo Immobilien & Leasing GmbH, who is a sworn and court-certified expert. The expert uses the capitalised earnings value method, the comparative value method and other methods to value these assets. The value determined is then compared by the expert with the property market and, if necessary, a market adjustment is made. In addition, appraisals are prepared by independent third parties for larger properties.

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

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

m) 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 ex-pected 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 recognized and measured using the balance sheet liability method. Deferred taxes are taxable entity at the tax rates that have been enacted or substantively enacted by the tax rates that have been enacted or substantively enacted by the taxable period. Deferred taxes are not discounted. The effects of the The effects of the recognition or reversal of deferred taxes are also included in the consolidated statement of income under income taxes, unless deferred tax assets and liabilities relate to items recognized in other comprehensive income. In this case, the deferred taxes are recognized 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 held for sale if they can be sold in their current condition and the sale is probable within 12 months of classification as such. Assets classified as held for sale are recognised in the balance sheet item non-current assets held for sale. Non-current assets classified as held for sale are recognised at the lower of carrying amount and fair value less costs to sell.
fair value less costs to sell.

The item non-current assets held for sale may include property that was the subject of finance leases. These finance leases were terminated or cancelled prematurely. This item may also include leased properties that are to be sold at the end of a lease agreement. In addition to real estate, investments can also be recognised under this item. However, the Group only recognises assets in this balance sheet item if there is a realistic possibility of realisation within 12 months. No ongoing depreciation is recognised for these assets; instead, an impairment loss is recognised if the fair value less costs to sell is lower than the carrying amount. If it is not possible to realise these assets in the medium term, the properties are generally leased out. In these cases, they are reclassified to investment property. If neither a sale within 12 months nor a medium-term lease appears realistic, the property is reclassified to the balance sheet item other assets.

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 recognized when 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. Provisions are therefore recognized for uncertain liabilities to third parties and anticipated losses from pending transactions in the amount of the expected claims. The amount recognized for a provision represents the best estimate of the expenditure required to settle the present obligation at the reporting date. Risks and uncertainties are taken into account in the estimate. Provisions are recognized at their present value where the interest effect is material. The provisions under Note (37) also include provisions for losses on loans and advances for off-balance-sheet transactions (in particular guarantees and warranties) and provisions for litigation. Expenses or income from the reversal of allowances for losses on loans and advances for off-balance sheet items are recognized in the income statement under allowances for losses on loans and advances and impairment losses on financial assets in note (15). All other expenses or income in connection with provisions are reported under administrative expenses in note (13) and under other expenses in 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, 10 (2022: 10) pensioners and surviving dependants are entitled to a defined benefit bank pension. This is a final salary pension plan based on a company agreement. A defined contribution pension fund agreement was concluded with the employees who are still active and entitled to a pension. Due to the legal requirements of the Occupational Pensions Act (BVG), 30 employees (2022: 29) 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 Ltd. There is no further de facto obligation arising from normal company 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
Each employee of Hypo Vorarlberg is entitled to one month's salary after 25 years of service or two months' salary after 40 years of service as an anniversary bonus. The entitlement to anniversary bonuses is based on the collective agreement, which regulates both the requirements for the entitlement and its amount.

Defined-contribution plans
The payments to a pension fund agreed for defined contribution plans are recognised as an expense on an ongoing basis. Similarly, the statutory benefit of the 'new severance payment' (commencement of employment from 1 January 2003) is recognised as an expense 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 recognized on an accrual basis, as long as the collectability of the interest is expected. In this context, income that predominantly represents a consideration for the use of capital (mostly interest or similar interest calculated on the basis of the passage of time or the amount of the receivable) is allocated to interest-like income. Interest expense is recognized in the same way as to interest income. Differences arising from the purchase and issue of securities are allocated using the effective interest method. Negative interest is disclosed under interest income on deposits and liabilities and under interest expense on loans and debt instruments in note (6). Negative interest amounts are offset with respect to derivatives. As derivatives that are not part of a hedge accounting relationship are generally used to hedge interest rate risks, the interest from derivatives is netted against the interest from the underlying transactions and reported under the respective interest item in order to show the interest result taking into account the economic hedge.

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
Commission income and commission expenses include income from the service business and expenses to third parties attributable to this business. This item includes income and expenses primarily in connection with fees and commissions from payment transactions, the securities business, the lending business, the insurance and real estate brokerage business and the foreign exchange/currency business. Loan fees in connection with new financing are not recognised in commission income, but as a proportion of the effective interest rate in interest income.

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 This item includes income that is not directly attributable to the operating activities of the bank. This includes rental income from leased properties, revenue from instalment purchases from leasing customers, gains from 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 lease term.

Other expenses
This item includes those expenses that are not directly attributable to the current business activity of the banking operation. These include, among others, losses from the disposal of assets, cost of goods for instalment purchases from leasing customers, expenses from the leasing business and operating expenses. In addition, other tax expenses, insofar as these do not represent taxes on income and earnings, as well as expenses from claims or operational risk are included in this item.

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 amortised cost
Within the Group, the credit portfolio is tested for impairment at least once per quarter. This assesses whether observable events lead to a reduction in expected future cash flows in the credit portfolio. Indicators of impairment include non-compliance with due dates and agreements, negative developments in economic conditions and negative rating changes. In its planning for future cash flows, the management includes assumptions based on historical probabilities of default for comparable credit portfolios. An increase of 1 % in the impairment ratio (ratio of loan loss provisions to exposure) in relation to the underlying exposure would result in increased loan loss provisions of TEUR 1,597 (2022: TEUR 1,048). A reduction of 1 % in the impairment ratio in relation to the underlying exposure would reduce loan loss provisions by TEUR 1,597 (2022: TEUR 1,048). Changes in loan loss provisions are shown in note (58). The effects on the income statement are presented in note (15). The carrying amount of the assets subject to judgements, assumptions and estimates is TEUR 13,261,300 (2022: TEUR 12,799,377).

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 calculated using measurement models. When applying measurement models, the Group bases them on prices for observable current market transactions with similar instruments and uses available and observable market data in the measurement models where possible. For information on the sensitivities of the measurement models used, please refer to note (56). In the income statement, these assumptions and estimates affect the net result from financial instruments at fair value in note (10). With regard to the valuation of OTC derivatives, credit risk – expressed in the form of a credit value adjustment (CVA) or a debt value adjustment (DVA) – is also taken into account when calculating the fair value. For netting agreements, the CVA and DVA are calculated on the basis of the net position for each counterparty, taking into account collateral, probabilities of default and credit default swap (CDS) spreads observable on the market. This represents an accounting-related change in the estimate.

The effect from the recognition of credit risk for financial assets and derivatives amounted to TEUR 45,864 (2022: TEUR 25,816) and was recognised in the net result from financial instruments at fair value. The effect from the recognition of credit risk for financial liabilities amounted to TEUR 7,130 (2022: TEUR 532) and was recognised directly in equity in other comprehensive income from changes in the Bank's own credit risk. The carrying amount of the assets subject to judgements, assumptions and estimates was TEUR 927,564 (2022: TEUR 979,970), while that of the liabilities was TEUR 556,274 (2022: TEUR 642,518).

Income taxes
The Group is subject to income taxes in multiple tax jurisdictions. There are significant estimates in relation to the calculation of the tax provision in note (38). Using reconciliation accounts, the taxable earnings for each company are calculated based on their earnings under local commercial law. In addition, anticipated additional tax obligations in the context of current/announced tax audits are recognised in the tax provision. After the tax audit has been completed, the difference between the anticipated and the actual tax arrears is recognised in the income statement in the "income taxes from prior periods" item and in deferred taxes. Judgements are required to determine the amount of deferred tax assets to be recognised based on the probable timing and amount of future taxable profits and future tax planning strategies. Tax receivables are recognised on the basis of budget planning over a period of five years. Information on deferred taxes is presented in notes (29) and (39). The effects on the income statement are shown in note (17), while the effects on other comprehensive income are shown in note (41). The carrying amount of the assets subject to judgements, assumptions and estimates was TEUR 4,584 (2022: TEUR 9,105), while that of the liabilities was TEUR 20,349 (2022: TEUR 21,585).

Provisions
The amount recognised for provisions represents the best possible estimate of the expenditure required to meet the current obligations as at the end of the reporting period. Risks and uncertainties are taken into account in the estimate. The provisions recognised in the statement of financial position are shown in note (37). The effects on the income statement are shown in the "Loan loss provisions and impairment of financial assets" item under note (15) for liability and credit risks, and in administrative expenses under note (13) and other income and other expenses under notes (11) and (12) in other cases. The carrying amount of the provisions – not including social overhead capital – subject to judgements, assumptions and estimates is TEUR 15,351 (2022: TEUR 40,876).

Social overhead capital
The provisions for pensions, old severance payment claims and anniversary bonuses represent defined benefit provisions. The present value of social overhead capital is calculated based on the following actuarial assumptions:

- Provisions for defined benefit commitments are recognised using the projected unit credit method
- Based on the amendments resolved in the 2003 Austrian Budget Supplementary Act with regard to raising the earliest possible retirement age, the expected retirement age has been calculated individually for each employee. The current regulation regarding the gradual raising of the retirement age to 65 for men and women has been taken into account
- Generation tables for employees: Actuarial Association of Austria (AVÖ) 2018-P: calculation bases for pension insurance

Actuarial assumptions for the calculation of the present value of social capital	2023	2022
Interest rate/domestic	3.50 %	4.20 %
Annual indexing for pension provisions	2.80 %	3.60 %
Annual indexing (collective bargaining and performance based salary increases) for other provisions	3.10 %	3.40 %
Employee turnover rate for severance provisions	0.50 %	1.00 %
Employee turnover rate for other provisions	9.00 %	8.00 %
Individual career trend	2.10 %	2.00 %

Actuarial gains and losses from the adjustment of actuarial assumptions were recognised in other comprehensive income in the amount of TEUR -2,340 (2022: TEUR 4,584). The deferred taxes resulting from this recognition were also taken into account directly in other comprehensive income in the amount of TEUR 523 (2022: TEUR -1,034). For 2024, pension payments of TEUR 377 (2023: TEUR 336), severance payments of TEUR 501 (2023: TEUR 783) and anniversary bonuses of TEUR 144 (2023: TEUR 151) are anticipated.

The amount of the provisions for social overhead capital is based on actuarial calculations. One significant factor for the amount of the social overhead capital is the actuarial interest rate. A reduction of 0.5 % in the actuarial interest rate would result in increased staff costs of TEUR 1,104 (2022: TEUR 995), while an increase of 0.5 % in the actuarial interest rate would reduce staff costs by TEUR 1,019 (2022: TEUR 918). A reduction of 0.5 % in the salary trend or the pension trend would result in reduced staff costs of TEUR 1,003 (2022: TEUR 908), while an increase of 0.5 % in the salary trend or the pension trend would increase staff costs by TEUR 1,074 (2022: TEUR 973). A reduction of 0.5 % in the turnover rate would result in increased staff costs of TEUR 87 (2022: TEUR 80), while an increase of 0.5 % in the turnover rate would reduce staff costs by TEUR 87 (2022: TEUR 80). The carrying amounts of the social overhead capital are shown in note (37). Effects on the income statement are shown in the "Administrative expenses" item in note (13) and in "Other comprehensive income" in note (41). The carrying amount of the social overhead capital subject to judgements, assumptions and estimates is TEUR 22,734 (2022: TEUR 20,309).

Leases
From the lessor's perspective, judgements are required in particular to differentiate between finance leases and operating leases, for which the applicable criterion is the transfer of substantially all the risks and rewards from the lessor to the lessee. The carrying amount of the finance leases subject to judgements, assumptions and estimates is TEUR 1,020,051 (2022: TEUR 1,053,672), while that of operating leases is TEUR 9,619 (2022: TEUR 9,275).

(4) APPLICATION OF NEW AND AMENDED IFRS AND IAS

IFRSs that are already effective at the end of the reporting period are taken into account in the consolidated financial statements.

a) First-time application of new and amended standards and interpretations

The International Accounting Standards Board (IASB) has adopted a number of amendments to existing standards and issued new standards and interpretations that are mandatory for 2023. These regulations are also applicable in the EU and relate to the following areas.

The standards listed below have no material impact on the presentation or the Group's results.

Publication of IFRS 17 – Insurance Contracts
(effective date: 1 January 2023)
In May 2017, the IASB issued the standard IFRS 17, which regulates the accounting treatment of assets and liabilities resulting from insurance contracts. Once this standard becomes effective, it will replace the previous standard IFRS 4 "Insurance Contracts". It was endorsed by the EU on 19 November 2021.

Amendments to IAS 1 – Disclosure of accounting policies
(effective date: 1 January 2023)
In its announcement published in February 2021, the IASB specifies that only material information in relation to accounting policies is to be disclosed in the notes in future. The EU endorsed the amendments on 2 March 2022.

Amendments to IAS 8 – Accounting estimates
(effective date: 1 January 2023)
The amendments by the IASB are aimed at making it easier to distinguish between changes in accounting policies and changes in accounting estimates. Changes in a valuation method for calculating an accounting estimate (i.e. a monetary amount in the financial statements that is subject to valuation uncertainty) that result from new information or developments represent a change in an accounting estimate, not a correction of an error. The EU endorsed the amendments on 2 March 2022.

Amendments to IAS 12 – Deferred taxes from a single transaction
(effective date: 1 January 2023)
In May 2021, the IASB issued amendments to IAS 12. The EU endorsed the amendments on 11 August 2022. These result in changes in the treatment of deferred taxes related to assets and liabilities arising from a single transaction. In addition, they introduce an exemption from the non-recognition of deferred tax assets and liabilities on initial recognition of an asset or liability ("initial recognition exemption").

Amendments to IAS 12 – Pillar 2 model rules
(effective date: 1 January 2023)
The amendment includes a temporary mandatory exception to the recognition of deferred taxes arising from the introduction of global minimum taxation. Hypo Vorarlberg does not come under the scope of this amendment, so there has been no implementation here.

b) New standards and interpretations not yet applied
(Already endorsed by the EU)

The IASB has issued further standards and revisions of standards that are not mandatory for the 2023 financial year. According to current estimates, the application of the following standards and interpretations is not expected to have a material impact on the consolidated financial statements (unless otherwise stated). Hypo Vorarlberg chooses not to apply them early. The standards listed below have no material impact on the presentation or the Group's results.

Amendments to IAS 1 – classification of liabilities as current or non-current (effective date: 1 January 2024)
In 2020, the IASB published amendments to the classification of liabilities as current or non-current. On 31 October 2022, there was an additional publication in connection with the classification of liabilities with covenants in connection with loans. This amendment ensures that only covenants that must be complied with on or before the end of the reporting period can affect the classification. Information must be disclosed in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

Amendments to IFRS 16 – Subsequent measurement for leases in a sale and leaseback
(effective date: 1 January 2024)
To prevent inappropriate recognition of profits, the subsequent measurement of lease liabilities is being standardised. As a result of the amendment, expected payments at the start of the term must be taken into account in the subsequent measurement of lease liabilities in a sale and leaseback.

c) New standards and interpretations not yet applied
(Not yet endorsed by the EU)

According to current estimates, the application of the following standards and interpretations is not expected to have a material impact on the consolidated financial statements (unless otherwise stated).

Amendments to IAS 21 – Amendments to clarify the accounting treatment in the event of a lack of exchangeability
(effective date: 1 January 2025)
The amendment to IAS 21 comprises specifications as to when a currency is or is not exchangeable into another currency. In addition, the amendments specify how an entity shall determine the applicable spot exchange rate if a currency is not exchangeable. IAS 21 also includes a provision on the disclosure of additional information if a currency is not exchangeable.

Amendments to IAS 7 and IFRS 7 – Supplier finance arrangements
(effective date: 1 January 2024)
The amendments cover terms and conditions of supplier finance arrangements. Relevant information for assessing the effects of supplier finance arrangements on liabilities and cash flows must be disclosed. In addition, information showing how these arrangements affect the company's liquidity risk must be disclosed. The new requirements also include ranges for payment due dates. In addition, they include disclosures on the amounts of liabilities that are part of such arrangements, the portion of these liabilities for which the suppliers have already received payments from the finance providers, and the item under which these liabilities are reported in the statement of financial position.

(5) RESTATEMENT OF PREVIOUS YEAR'S FIGURES – CORRECTION OF MISSTATEMENT

In 2023, Hypo Vorarlberg Bank AG was subject to an audit without particular cause pursuant to section 2(1) no. 2 of the Austrian Financial Reporting Enforcement Act (RL-KG). This audit covered the consolidated financial statements as at 31 December 2022 and the half-year financial reports as at 30 June 2022 and 30 June 2023. In a ruling on 22 February 2024, the FMA found that Hypo Vorarlberg Bank AG's consolidated interim financial statements as at 30 June 2022 and 30 June 2023 and its consolidated financial statements as at 31 December 2022 contained errors.

Consolidated statement of cash flows
In the consolidated financial statements as at 31 December 2022, interest received was overstated by EUR 54 million and interest paid by EUR 64 million in the cash flow from operating activities, and the change in the underlying assets was presented incorrectly by EUR 43 million and that in the underlying liabilities by EUR 53 million. This method is not consistent with the requirements of IAS 7.31, under which the total amount of interest received and paid during a period is to be disclosed separately. In addition, interest received was partly reported both in the cash flow from operating activities in the amount of EUR 228 million and in the cash flow from investing activities in the amount of EUR 74 million, while interest paid was partly reported both in the cash flow from operating activities in the amount of EUR 124 million and in the cash flow from financing activities in the amount of EUR 13 million. This is not consistent with the requirements of IAS 7.31 in conjunction with IAS 7.33, under which interest received is to be reported either in the cash flow from operating activities or in the cash flow from investing activities and interest paid is to be reported either in the cash flow from operating activities or in the cash flow from financing activities, with it normally being classified as cash flow from operating activities at a bank.

Cash flow from operating activities

TEUR	2022 reported	Correction 1)	Correction2)	2022 corrected
Consolidated net income	120,096	0	0	120,096
Non-cash items included in the consolidated result				
Depreciation / write-ups of property, plant and equipment	7,940	0	0	7,940
Depreciation / write-ups on financial instruments	-67,491	0	0	-67,491
Additions to / reversals of provisions and risk costs	2,991	0	0	2,991
Change in other non-cash items	62,916	0	9,384	72,300
Other adjustments (interest and income taxes)	-159,181		-9,395	-168,576
Change in assets from operating activities				
Loans and credits at fair value (non-SPPI)	60,466	0	1,380	61,846
Loans and credits at fair value (option)	128,591	0	41,973	170,564
Loans and credits at amortised cost	-351,328	0	0	-351,328
Income tax assets	10,094	0	0	10,094
Other assets	-22,655	0	0	-22,655
Change in liabilities from operating activities				
Trading liabilities	0	0	0	0
Non-subordinated liabilities at fair value (option)	18,989	0	0	18,989
Non-subordinated liabilities at amortised cost	-804,079	0	-52,737	-856,816
Provisions	-15,078	0	0	-15,078
Income tax liabilities	1,267	0	0	1,267
Deferred tax liabilities	0	0	0	0
Other liabilities	2,554	0	0	2,554
Interest received	228,445	74,279	-54,630	248,094
Dividends received	0	126	0	126
Interest paid	-124,170	-13,331	64,025	-73,476
Income taxes paid	-21,002	0	0	-21,002
Cash flow from operating activities	**-920,635**	**61,074**	**0**	**-859,561**

Cash flow from investing activities

TEUR	2022 reported	Correction 1)	Correction2)	2022 corrected
Cash inflow from the sale/repayment of financial assets				
financial instruments	610,243	0	0	610,243
Property, plant and equipment and intangible assets	488	0	0	488
Subsidiaries	65	0	0	65
Cash outflow due to investments in				
financial instruments	-637,469	0	0	-637,469
Property, plant and equipment and intangible assets	-6,056	0	0	-6,056
Subsidiaries	0	0	0	0
Interest received	74,279	-74,279	0	0
Dividends and profit distributions received	126	-126	0	0
Cash flow from investing activities	**41,676**	**-74,405**	**0**	**-32,729**

Cash flow from financing activities

TEUR	2022 reported	Correction 1)	Correction2)	2022 corrected
Cash-effective change in treasury stock and shares	0	0	0	0
Proceeds from capital increases	0	0	0	0
Cash changes in subordinated and supplementary capital	-55,633	0	0	-55,633
Lease payments from operating leases	-1,396	0	0	-1,396
Dividends paid	-4,446	0	0	-4,446
Interest paid	-13,331	13,331	0	0
Cash flow from financing activities	-74,806	13,331	0	-61,475

Reconciliation to the cash reserve balance

TEUR	2022 reported	Correction 1)	Correction2)	2022 corrected
Cash reserve as at 01.01.	1,806,556	0	0	1,806,556
Cash flow from operating activities	-920,635	61,074	0	-859,561
Cash flow from investing activities	41,676	-74,405	0	-32,729
Cash flow from financing activities	-74,806	13,331	0	-61,475
Effects from exchange rate changes	16,230	0	0	16,230
Cash reserve as at 31.12.	869,021	0	0	869,021

Correction 1 comprises the reclassification of interest received and interest paid to operating activities. Correction 2 comprises the correction of the originally overstated interest and the underlying balance sheet items.

In the disclosure on fair value changes in financial assets at fair value (non-SPPI), the disclosure as at 31 December 2022 had to be corrected as a consolidation process was not taken into account in the following table. The correction in accordance with IAS 8 has no effect on other disclosures and results in the annual report.

TEUR	31.12.2022 reported	Correction Previous year's figures	31.12.2022 corrected
Credit exposure	585,998	0	585,998
Collateral	357,086	0	357,086
Change in total market value	-117,525	82,024	-35,501
of which due to market risk	-138,601	82,024	-56,577
of which due to credit risk	21,076	0	21,076
Change in market value in the reporting period	-136,757	82,024	-54,733
of which due to market risk	-130,175	82,024	-48,151
of which due to credit risk	-6,582	0	-6,582

In addition, the disclosures on the fair values of financial assets at amortised cost in level 3 for 2022 were corrected from TEUR 11,091,799 to TEUR 10,557,599 in note (56) and total financial assets at amortised cost were consequently corrected from TEUR 13,356,014 to TEUR 12,821,814.

B. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

(6) NET INTEREST INCOME

TEUR	2023	2022
Interest income from cash and balances with central banks	12,658	491
Interest income from financial assets at amortized cost	437,186	212,613
Interest income from liabilities	0	1,500
Interest and similar income according to effective interest method	449,844	214,604
Interest income from trading assets	18,683	3,338
Interest income from hedging instruments	94,278	26,027
Interest income from financial assets at fair value (non-SPPI)	37,631	15,418
Interest income from financial assets at fair value (option)	13,472	2,204
Interest and similar income other	164,064	46,987
Interest expenses financial liabilities at amortized cost	-221,828	-59,503
Interest expenses other financial liabilities	-72	-31
Interest expenses assets	0	-8,600
Interest and similar expenses according to effective interest method	-221,900	-68,134
Interest expenses trading liabilities	-1,051	-1,916
Interest expenses hedging instruments	-128,425	-18,673
Interest expenses financial liabilities at fair value (option)	-28,871	-5,065
Interest and similar expenses other	-158,347	-25,654
Net interest income	233,661	167,803

Interest income from leasing business amounted to TEUR 37,525 (2022: TEUR 22,350).

(7) DIVIDEND INCOME

TEUR	2023	2022
Financial assets at fair value (non-SPPI)	0	23
Subsidiaries	186	103
Dividend income	186	126

(8) NET FEE AND COMMISSION INCOME

TEUR	2023	2022
Fee and commission income from financing	5,856	6,164
Fee and commission income from securities	18,571	18,898
Fee and commission income from account management/payment transactions	14,457	14,416
Other fee and commission income	2,687	2,741
Fee and commission income	41,571	42,219

TEUR	2023	2022
Fee and commission expenses from financing	-2,361	-3,924
Fee and commission expenses from securities	-2,258	-2,365
Fee and commission expenses from account management/payment transactions	-1,381	-1,552
Other fee and commission expenses	-168	-250
Fee and commission expenses	-6,168	-8,091

Fee and commission income from financial assets or liabilities not classified as measured at fair value through profit or loss amounted to TEUR 12,381 (2022: TEUR 11,551). Fee and commission expenses from financial assets or liabilities not classified as measured at fair value through profit or loss amounted to TEUR 30 (2022: TEUR 19). Fee and commission income from fiduciary activities amounted to TEUR 1,641 (2022: TEUR 1,494).

(9) NET RESULT FROM FINANCIAL INSTRUMENTS AT AMORTIZED COST

TEUR	2023	2022
Realised gains from financial assets at amortized cost	1,768	3,118
Write-ups of financial assets at amortized cost	218	358
Realised expenses for financial assets at amortised cost	-1,048	-135
Impairment losses on financial assets at amortized cost	-224	0
Realised income from financial liabilities at amortised cost	1,812	316
Write-ups of financial liabilities at amortized cost	0	1
Realised losses from financial liabilities at amortized cost	-201	-419
Net result from financial instruments at amortized cost	2,325	3,239

(10) NET RESULT FROM FINANCIAL INSTRUMENTS AT FAIR VALUE

TEUR	2023	2022
Result from trading	5,787	6,243
Measurement of derivative financial instruments	-146	56,853
Result from financial instruments at fair value (non-SPPI	-8,570	-44,694
Result from financial instruments at fair value (option)	3,085	-43,051
Result from financial liabilities at fair value (option)	-30,672	90,717
Result from hedging relationships	-7,606	11,123
Net result from financial instruments at fair value	-38,122	77,191

The net result from trading includes currency translation differences from financial instruments at amortised cost through profit or loss in the amount of TEUR 93,013 (2022: TEUR 20,390) and currency translation differences from financial instruments measured at fair value through profit or loss in the amount of TEUR -87,175 (2022: TEUR -13,919).

Net Result on hedge accounting

TEUR	2023	2022
Measurement of hedging instruments - for financial assets at amortized cost	-194,739	455,002
Measurement of hedging instruments - for financial liabilities at amortized cost	261,144	-582,620
Result from hedging instruments	66,405	-127,618
Measurement of underlying transactions - for financial assets at amortized cost	190,647	-436,801
Measurement of underlying transactions - for financial liabilities at amortized cost	-264,658	575,542
Result from underlying transactions	-74,011	138,741
Net result on hedge accounting	-7,606	11,123

Two hedges (2022: 16 hedges) were terminated in 2023. The basis adjustment to the hedged item of TEUR 640 (2022: TEUR 1,738) has therefore been distributed over the remaining term and recognised in net interest income.

(11) OTHER INCOME

TEUR	2023	2022
Income from operating leases	4,201	3,908
Other income from leasing business	1,524	1,659
Operating cost income	2,687	2,054
Income from the disposal of non-financial assets	5,549	1,485
Income from consultancy and other services	710	593
Miscellaneous other income	38,811	26,097
Other income	53,482	35,796

The income from operating leases relates to rental income from leased properties. The change in miscellaneous other income was due to a reversal of the provision for operational risks. The minimum lease income from non-cancellable operating leases for future periods is shown in the table below.

Minimum lease payments from operating leases

TEUR	2023	2022
Up to 1 year	3,646	3,470
1 to 2 years	3,024	2,965
2 to 3 years	2,764	2,775
3 to 4 years	1,020	1,590
4 to 5 years	844	833
More than 5 years	1,252	1,460
Minimum lease payments from operating leases (lessor)	12,550	13,093

(12) OTHER EXPENSES

TEUR	2023	2022
Other expenses from leasing business	-1,380	-1,402
Operating cost expenses	-3,133	-2,402
Expenses resulting from losses	-5,272	-18,684
Other tax expenses	-3,953	-3,812
Losses on the disposal of non-financial assets	-2,554	-613
Amounts from resolution and deposit protection funds	-7,555	-10,907
Miscellaneous other expenses	-6,457	-15,701
Other expenses	-30,304	-53,521

Other tax expenses include the stability fee of TEUR 2,895 (2022: TEUR 2,749).

The change in miscellaneous other expenses was due to lower hire purchases at a subsidiary.

(13) ADMINISTRATIVE EXPENSES

Group administrative expenses consist of staff costs and material expenses.

TEUR	2023	2022
Staff costs	-75,386	-68,965
Material expenses	-41,121	-36,976
Administrative expenses	-116,507	-105,941

Of which staff costs

TEUR	2023	2022
Wages and salaries	-56,641	-52,106
Statutory social security contributions	-13,890	-13,239
Voluntary social benefits	-1,070	-1,069
Expenses for retirement benefits	-2,437	-2,193
Expenses for social capital	-430	545
Compensations	-918	-903
Staff costs	-75,386	-68,965

Expenses for retirement provisions include payments for defined contribution plans in the context of an employee benefit fund and pension fund contributions of TEUR 2,003 (2022: TEUR 1,788).

Of which material expenses

TEUR	2023	2022
Building expenses	-5,308	-4,238
Leasing expenses	-128	-166
IT expenses	-18,864	-16,157
Advertising and PR expenses	-4,401	-4,300
Legal and advisory expenses	-3,324	-3,991
Communications expenses	-1,068	-1,034
Organisational form-related expenses	-2,272	-2,611
Staff development expenses	-1,759	-1,481
Other materials expenses	-3,997	-2,998
Material expenses	-41,121	-36,976

Rental payments are expected to total TEUR 1,743 for 2024 (2023: TEUR 1,604) and TEUR 9,177 for the next five years (2023: TEUR 9,550).

(14) DEPRECIATION AND AMORTIZATION

TEUR	2023	2022
Depreciation of property, plant and equipment	-4,050	-4,239
Impairments on investment property	-1,631	-1,590
Depreciation of intangible assets	-973	-722
Amortization of rights of use from leases	-1,526	-1,311
Depreciation and amortization	-8,180	-7,862

(15) LOAN LOSS PROVISIONS AND IMPAIRMENT OF FINANCIAL ASSETS

TEUR	2023	2022
Provision allocations for commitments/ guarantees	-8,580	-3,729
Reversals from provisions for commitments/guarantees	10,090	18,947
Allocations to other provisions in lending business	-488	-448
Reversals from other provisions in lending business	0	-6
Provisions for financial assets	**1,022**	**14,764**
Allocation of impairment losses for financial assets at amortized cost	-105,107	-30,451
Reversal of impairment losses for financial assets at amortized cost	30,798	35,636
Direct write-downs on receivables	-6,489	-10,613
Recoveries on loans previously written-down	1,290	667
Impairment of financial assets	**-79,508**	**-4,761**
Loan loss provisions and impairment of financial assets	**-78,486**	**10,003**

In 2023, the loss from direct write-downs and utilisation of recognised loan loss provisions amounted to TEUR 20,445
(2022: TEUR 26,392).

(16) IMPAIRMENT OF NON-FINANCIAL ASSETS

TEUR	2023	2022
Recognition of impairment of investment property	-31	-78
Impairment investment property	**-31**	**-78**
Recognition of impairment of other assets	-975	-943
Impairment of other assets	**-975**	**-943**
Impairment of non-financial assets	**-1,006**	**-1,021**

(17) TAXES ON INCOME

TEUR	2023	2022
Current income taxes	-14,503	-18,522
Deferred income taxes	1,431	-21,981
Income taxes from previous periods	114	-60
Taxes on income	**-12,958**	**-40,563**

Reconciliation of the tax rate (24 %) with taxes on income

TEUR	2023	2022
Earnings before taxes	53,057	160,659
Applicable tax rate	24 %	25 %
Income tax computed	**-12,734**	**-40,165**
Tax effects		
from tax-exempt investment income	45	5,022
from other tax-exempt income	27	2
from other tax-exempt income	9	9
from previous years and tax rate changes	-60	1,982
from prepayments and tax rate changes	-77	147
from differing international tax rates	343	613
from other non-deductible expenses	-2,083	-7,816
from other differences	1,572	-357
Taxes on income	**-12,958**	**-40,563**

The change in social overhead capital from defined benefit plans recognised in other comprehensive income in the reporting year amounted to TEUR -2,340 (2022: TEUR 4,584). The deferred taxes on this amounted to TEUR 523 (2022: TEUR -1,034).

The recognition of changes in the Bank's own credit risk directly in equity in the amount of TEUR 13,490 in 2023 (2022: TEUR 12,587) resulted in deferred taxes of TEUR -3,005 (2022: TEUR -3,147).

C. NOTES TO THE BALANCE SHEET

(18) CASH AND BALANCES

TEUR	31.12.2023	31.12.2022
Cash on hand	24,180	25,184
Balances with central banks	927,119	808,118
Sight deposits with banks	24,972	35,719
Cash and balances with central banks	976,271	869,021

Balances with central banks include the minimum reserve in accordance with the ECB Regulation of TEUR 47,306 (2022: TEUR 50,597). According to the OeNB's definition, the minimum reserve represents a working balance for current payment transactions. For this reason, the minimum reserve meets the definition of cash and cash equivalents and is therefore reported under the cash reserve.

(19) TRADING ASSETS

TEUR	31.12.2023	31.12.2022
Equity instruments	125	143
Derivatives with positive market values	117,610	182,068
Trading assets	117,735	182,211

Trading assets by region

TEUR	31.12.2023	31.12.2022
Austria	5,564	4,393
Germany	66,756	96,196
Switzerland and Liechtenstein	3,377	370
Other foreign countries	42,038	81,252
Trading assets	117,735	182,211

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

	Nominal values		Positive market values		Negative market values	
TEUR	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Interest rate swaps	2,290,667	2,170,855	74,114	129,130	48,941	71,583
Cross-Currency-Swaps	620,195	616,197	1,646	6,459	43,163	23,400
Interest rate options	355,270	343,759	28,312	38,742	2,051	4,045
Interest rate derivatives	3,266,132	3,130,811	104,072	174,331	94,155	99,028
FX forward transactions	236,655	477,632	6,143	6,658	6,040	8,617
FX-Swaps	401,370	207,069	7,392	1,065	826	545
FX-Options	4,462	1,651	3	14	3	13
Currency derivatives	642,487	686,352	13,538	7,737	6,869	9,175
Derivates	3,908,619	3,817,163	117,610	182,068	101,024	108,203

The market values shown include the interest accrued.

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

TEUR	31.12.2023	31.12.2022
Equity instruments	12,371	11,384
Debt securities of public issuers	31,711	32,076
Debt securities of other issuers	114,229	130,355
Loans and advances to customers	435,098	412,183
Financial assets at fair value (non-SPPI)	593,409	585,998

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

TEUR	31.12.2023	31.12.2022
Shares	8,481	7,377
Investment certificates	2,545	2,651
Other equity interests	1,345	1,356
Total equity instruments	12,371	11,384
Debt securities of public issuers	31,711	32,076
Debt securities of other issuers	114,229	130,355
Total debt securities	145,940	162,431
Overdraft lines	129,219	111,700
Long-term loans	305,879	300,483
Total loans and credits	435,098	412,183
Financial assets at fair value (non-SPPI)	593,409	585,998

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

TEUR	31.12.2023	31.12.2022
Austria	422,486	404,315
Germany	69,129	70,264
Italy	7,297	3,942
Other foreign countries	94,497	107,477
Financial assets at fair value (non-SPPI)	593,409	585,998

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

TEUR	31.12.2023	31.12.2022
Corporate customers	429,381	404,943
Private customers	5,717	7,240
Financial Markets	130,653	147,706
Corporate Center	27,658	26,109
Financial assets at fair value (non-SPPI)	593,409	585,998

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

TEUR	31.12.2023	31.12.2022
Public sector	31,712	32,085
Financial institutions	108,290	109,173
Financial companies	11,218	25,443
Companies	441,385	418,312
Private households	804	985
Financial assets at fair value (non-SPPI)	593,409	585,998

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

TEUR	31.12.2023	31.12.2022
Agriculture and forestry	81	90
Manufactoring	98,468	102,694
Trade	127	0
Transportation and storage	109	109
Accommodation and food service activities	2,077	2,274
Information and communication	12	12
Financial services	3,803	2,927
Housing	272,043	242,093
Liberal professions	64,571	66,420
Other economic services	0	604
Public administration	0	1
Education	9	9
Other services	85	1,079
Financial assets at fair value (non-SPPI) – companies	441,385	418,312

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

TEUR	31.12.2023	31.12.2022 corrected *)
Credit exposure	593,409	585,998
Collateral	386,092	357,086
Total change in market value	-24,576	-35,501
of which due to market risk	-65,767	-56,577
of which due to credit risk	41,191	21,076
Change in market value in the reporting period	10,925	-54,733
of which due to market risk	-9,190	-48,151
of which due to credit risk	20,115	-6,582

*) Adjustment due to correction of a misstatement – see note (5)

Six years ago, the bondholders of HETA ASSET RESOLUTION AG (HETA), the wind-down entity of the former Hypo Alpe-Adria-Bank International AG, voted by a large majority to assign their securities to the state of Carinthia and waive part of their receivables. Following the acceptance of the exchange offer by the Kärntner Ausgleichszahlungs-Fonds (Carinthian Compensation Payment Fund), Hypo Vorarlberg acquired a “recovery commitment” that is comprised in the “contingent additional purchase price”. If the realisation proceeds from HETA exceed the anticipated recovery value (plus premium) of the respective instrument, the selling investors will receive an additional payment. As at the end of the reporting period, the value of the recovery commitment is 7.13 % or TEUR 7,747. In a notification dated 29 December 2021, the FMA, as the resolution authority, determined the end of HETA’s operations. HETA thus entered liquidation under the Austrian Stock Corporation Act.

Based on the knowledge of some isolated transactions entered into and available current price indications at other banks, Hypo Vorarlberg recognised the “contingent additional purchase price” as a financial instrument in accordance with IAS 32.11 with a fair value of TEUR 7,747 (2022: TEUR 7,548) and assigned it to level 2. The change in fair value is recognised through profit or loss in the “net result from financial instruments at fair value” item under note (10) in the income statement.

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

TEUR	31.12.2023	31.12.2022
Debt securities of public issuers	51,403	57,276
Debt securities of other issuers	4,837	0
Loans and advances to customers	157,288	177,947
Financial assets at fair value (option)	213,528	235,223

Financial assets at fair value (option) by product

TEUR	31.12.2023	31.12.2022
Debt securities of public issuers	51,403	57,276
Debt securities of other issuers	4,837	0
Total debt securities	56,240	57,276
Long-term loans	157,288	177,947
Total loans and advances	157,288	177,947
Financial assets at fair value (option)	213,528	235,223

Financial assets at fair value (option) by region

TEUR	31.12.2023	31.12.2022
Austria	195,375	208,665
Switzerland and Liechtenstein	0	5,243
Other foreign countries	18,153	21,315
Financial assets at fair value (option)	213,528	235,223

Financial assets at fair value (option) by business segment

TEUR	31.12.2023	31.12.2022
Corporate customers	129,472	140,525
Private customers	3,248	3,705
Financial Markets	68,747	79,056
Corporate Center	12,061	11,937
Financial assets at fair value (option)	213,528	235,223

Financial assets at fair value (option) by sector

TEUR	31.12.2023	31.12.2022
Public sector	190,757	216,625
Financial companies	12,061	11,937
Companies	10,710	6,661
Financial assets at fair value (option)	213,528	235,223

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

TEUR	31.12.2023	31.12.2022
Trade	4,837	0
Housing	5,028	5,538
Other economic services	845	1,123
Financial assets at fair value (option) - companies	10,710	6,661

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

TEUR	31.12.2023	31.12.2022
Credit exposure	213,528	235,223
Collateral	204,379	230,124
Total change in market value	10,497	10,103
of which due to market risk	7,032	7,188
of which due to credit risk	3,465	2,915
Change in market value in the reporting period	394	-34,433
of which due to market risk	-156	-35,492
of which due to credit risk	550	1,059

(22) FINANCIAL ASSETSAT FAIR VALUE (OCI)

As at 31 December 2023 and in the previous year, there were no financial assets at fair value (OCI).

(23) FINANCIAL ASSETS AT AMORTIZED COST

TEUR	31.12.2023	31.12.2022
Debt securities of public issuers	486,786	519,216
Debt securities of other issuers	1,860,788	1,763,063
Loans and advances to financial institutions	418,332	464,620
Loans and advances to customers	10,654,797	10,149,093
Trade receivables	301	180
Gross exposure value	13,421,004	12,896,172
Valuation allowances for debt securities - stage 1	-302	-265
Valuation allowances for debt securities - stage 2	-692	-814
Valuation allowances for debt securities - stage 3	-997	-997
Valuation allowances for loans and advances to financial institutions - stage 1	-26	-33
Valuation allowances for loans and advances to financial institutions - stage 2	-1	-2
Valuation allowances for loans and advances to customers - stage 1	-18,227	-15,993
Valuation allowances for loans and advances to customers - stage 2	-20,333	-19,697
Valuation allowances for loans and advances to customers - stage 3	-114,013	-57,641
Provisions for loans and advances to customers - POCI	-5,113	-1,353
Valuation allowances	-159,704	-96,795
Financial assets at amortized cost	13,261,300	12,799,377

In financial assets at amortised cost, the use of hedge accounting led to the amortised cost of TEUR 3,746,044 (2022: TEUR 3,167,121) being adjusted for the hedged fair value of TEUR 197,174 (2022: TEUR 372,901).

Financial assets at amortized cost - by product

TEUR	31.12.2023	31.12.2022
Debt securities of public issuers	486,124	518,728
Debt securities of other issuers	1,859,459	1,761,475
Total debt securities	2,345,583	2,280,203
Interbank accounts	224,577	277,911
Money market investments	151,081	145,922
Overdrafts	998,445	968,215
Cash advances	309,570	291,541
Exchange credits	28,906	26,315
Long-term loans	8,182,852	7,755,412
Lease receivables	1,020,051	1,053,672
Trade receivables	235	186
Total loans and advances	10,915,717	10,519,174
Financial assets at amortized cost	13,261,300	12,799,377

Financial assets at amortized cost - by region

TEUR	31.12.2023	31.12.2022
Austria	7,555,384	7,505,788
Germany	1,955,047	1,742,573
Switzerland and Liechtenstein	1,324,791	1,139,459
Italy	806,177	821,144
Other foreign countries	1,619,901	1,590,413
Financial assets at amortized cost	13,261,300	12,799,377

Financial assets at amortized cost - by business segment

TEUR	31.12.2023	31.12.2022
Corporate customers	7,039,297	6,563,363
Private customers	2,277,132	2,337,806
Financial Markets	2,930,902	2,841,783
Corporate Center	1,013,969	1,056,425
Financial assets at amortized cost	13,261,300	12,799,377

Financial assets at amortized cost - by sector

TEUR	31.12.2023	31.12.2022
Public sector	841,022	764,269
Financial institutions	2,126,924	2,051,971
Financial companies	297,852	355,143
Companies	7,386,637	6,976,925
Private households	2,608,865	2,651,069
Financial assets at amortized cost	13,261,300	12,799,377

Financial assets at amortized cost -company by branch

TEUR	31,12,2023	31,12,2022
Agriculture and forestry	24,046	27,888
Mining	11,942	17,588
Manufacturing	791,904	768,567
Energy supply	121,162	98,380
Water supply	31,807	56,125
Construction industry	1,039,370	945,260
Trading	553,060	535,405
Transportation and storage	256,354	238,959
Information and communication	411,157	431,922
Financial services	53,828	53,534
Housing	82,544	112,864
liberal professions	3,105,503	2,830,210
Information and communication	632,631	611,457
Other economic services	76,410	71,309
Public administration	28,166	31,681
Education	3,739	3,235
Human health and social work activities	29,867	40,810
Arts, entertainment and recreation activities	44,205	28,300
Other services	88,942	73,431
Financial assets at amortized cost – companies	**7,386,637**	**6,976,925**

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	31.12.2023	31.12.2022
Minimum lease payments	1,174,651	1,184,716
Non-guaranteed residual values	0	0
Gross total investment	**1,174,651**	**1,184,716**
Unrealised financial income	-154,600	-131,044
Net investment	**1,020,051**	**1,053,672**
Present value of non-guaranteed residual values	0	0
Present value of minimum lease payments	**1,020,051**	**1,053,672**

The cumulative impairment loss on finance leases amounts to TEUR 25.396 (2022: TEUR 28.719).

Leases -breakdown by maturity

TEUR	31.12.2023	31.12.2022
Up to 1 year	193,321	192,147
2 to 3 years	149,952	145,858
3 to 4 years	145,476	134,457
4 to 5 years	127,438	130,906
5 to 6 years	108,602	110,683
More than 5 years	449,862	470,665
Gross total investment	**1,174,651**	**1,184,716**
Up to 1 year	161,699	165,854
2 to 3 years	124,014	123,791
3 to 4 years	123,810	115,879
4 to 5 years	110,029	115,656
5 to 6 years	94,760	98,766
More than 5 years	405,739	433,726
Present value of minimum lease payments	**1,020,051**	**1,053,672**

(24) POSITIVE MARKET VALUES OF HEDGES

Breakdown by type of hedge

TEUR	31.12.2023	31.12.2022
Positive market value of fair value hedges	338,552	414,740
Positive market value of portfolio hedges	39,297	0
Positive market values of hedges	**377,849**	**414,740**

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

TEUR	Nominal values		Positive values		Negative values	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Interest rate swaps	10,860,079	8,864,823	364,350	411,951	377,911	541,709
Cross-Currency-Swaps	370,797	341,437	13,499	2,789	14,250	12,426
Interes rate derivatives	**11,230,876**	**9,206,260**	**377,849**	**414,740**	**392,161**	**554,135**
Derivates	**11,230,876**	**9,206,260**	**377,849**	**414,740**	**392,161**	**554,135**

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	2023	2022
Carrying value of holding 1 January	3,638	3,522
Attributable profit/loss	605	718
Dividends	-438	-602
Carrying value of holding 31 December	3,805	3,638

The difference between the recognised amount of the equity investment and the pro rata equity of associates included in the consolidated financial statements using the equity method amounted to TEUR 2,393 (2022: TEUR 2,256). This difference was attributed firstly to the value of the equity investment and secondly to retained earnings. The profits and losses of the companies included were only recognised on a pro rata basis in "Net result from equity consolidation" item in the income statement. In 2023, these profits and losses amounted to TEUR 605 (2022: TEUR 718).

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

(26) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment - breakdown by type

TEUR	31.12.2023	31.12.2022
Properties	11,037	10,906
Buildings	51,186	51,212
Operational and office equipment	5,471	5,021
Other Property, plant and equipment	3,546	1,569
Rights of use from leases	9,619	9,275
Property, plant and equipment	80,859	77,983

The gross carrying amount of fully depreciated property, plant and equipment still in use is TEUR 18,129 (2022: TEUR 19,933). Changes in property, plant and equipment are shown in note (32).

Reconciliation of rights of use from leases by category

TEUR 2022	Opening balance	Addition	Disposal	Revaluation	Depreciation / Amortization	Closing balance
Real estate	9,016	962	-71	225	-1,236	8,896
Parking spaces	314	0	0	50	-58	306
Motor vehicles	88	0	0	2	-17	73
Rights of use from leases	9,418	962	-71	277	-1,311	9,275

TEUR 2023	Opening balance	Addition	Disposal	Revaluation	Depreciation / Amortization	Closing balance
Real estate	8,896	79	0	1,723	-1,449	9,249
Parking spaces	306	26	-38	-29	-28	237
Motor vehicles	73	123	0	-14	-49	133
Rights of use from leases	9,275	228	-38	1,680	-1,526	9,619

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	31.12.2023	31.12.2022
Properties	10,531	11,197
Buildings	33,542	34,853
Investment property	44,073	46,050

In 2023, the property portfolio comprised 61 properties (2022: 57) from Austria, Switzerland, Germany and Italy. The portfolio included both residential properties with a carrying amount of TEUR 4,602 (2022: TEUR 6,687) and commercial properties with a carrying amount of TEUR 39,471 (2022: TEUR 39,363). The current market value of the property portfolio is TEUR 75,386 (2022: TEUR 73,148).

The property valuations take into account the key parameters listed below and are based on internal appraisals. They are therefore attributable to level 3 in the fair value hierarchy.

Key parameters for real estate appraisal	2023	2022
Return in %	0.50 - 11.00	0.50 - 10.00
Inflation rate in %	1.00 - 10.00	1.00 - 8.00
Rental loss risk in %	1.50 - 8.00	1.50 - 8.00

The properties in Italy are generally measured using the comparative value approach or, for properties rented on a long-term basis, using the income approach. All measurements are made in line with the IVS (International Valuation Standards) criteria.

There are no significant restrictions on the saleability of these assets. Likewise, there are no contractual obligations to purchase, produce or develop such items. The development of investment property is shown in note (32). The rental payments recognised for investment property are shown in the "Other income" item in note (11).

(28) INTANGIBLE ASSETS

Intangible assets - breakdown by type

TEUR	31.12.2023	31.12.2022
Software acquired	1,237	845
Other intangible assets	1,838	910
Advance payments made	210	0
Intangible assets	3,285	1,755

(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	31.12.2023	31.12.2022
Temporary differences from the measurement of financial instruments via the statement of comprehensive income	82	103
Temporary differences from writing-down assets	357	392
Temporary differences from provisions	470	504
Temporary differences from social capital	4,128	3,693
Temporary differences from impairments	1,727	5,551
Other temporary differences	1,484	445
Deferred income tax assets	8,248	10,688
Set-off of deferred taxes	-5,135	-6,676
Net deferred income tax assets	3,113	4,012

Within the Group, there are tax loss carryforwards of TEUR 8.473 (2022: TEUR 9.380), which can be carried forward indefinitely, but have not been capitalized because it is unlikely that taxable income will be available. The classification of deferred tax assets by maturity is shown in note (43).

(30) NON-CURRENT ASSETS AVAILABLE FOR SALE

There were no non-current assets held for sale as of December 31, 2023 or in the previous year.

(31) OTHER ASSETS

TEUR	31.12.2023	31.12.2022
Accruals	829	1,676
Other tax assets	3,977	9,215
Other properties	20,024	24,672
Remaining assets	12,272	43,843
Other assets	37,102	79,406

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). Impairment losses on other real estate are recognized under impairment losses on non-financial assets in Note (16) and amount to TEUR 975 in 2023 (2022: TEUR 943).

(32) STATEMENT OF CHANGES IN ASSETS

TEUR 2022	Acquisition cost 01.01.	Currency translation	Acquisitions	Additions	Disposals	Reclassification and other	Acquisition cost 31.12	Carrying-amounts 31.12.
Software acquired	11,523	0	0	366	0	0	11,889	845
Other intangible assets	619	45	0	892	-51	0	1,505	910
Intangible assets	**12,142**	**45**	**0**	**1,258**	**-51**	**0**	**13,394**	**1,755**
Owner-occupied land and buildings	106,056	121	0	462	0	347	106,986	62,118
Operational and office equipment	17,195	13	0	2,125	-687	0	18,646	5,021
Other property, plant and equipment	15,161	0	0	1,195	-70	276	16,562	10,844
Property, plant and equipment	**138,412**	**134**	**0**	**3,782**	**-757**	**623**	**142,194**	**77,983**
Investment property	83,276	0	0	1,016	-988	-323	82,981	46,050
Other property	45,943	0	0	0	-9,406	2,426	38,963	24,672
Total	**279,773**	**179**	**0**	**6,056**	**-11,202**	**2,726**	**277,532**	**150,460**

TEUR 2022	Cumulative depreciation/ amortization 01.01.	Currency translation	Acquisitions	Regular amortization	Disposals	Reclassifications and other	Impairments	Cumulative depreciation 31.12.
Software acquired	-10,439	0	0	-605	0	0	0	-11,044
Other intangible assets	-505	-24	0	-117	51	0	0	-595
Intangible assets	**-10,944**	**-24**	**0**	**-722**	**51**	**0**	**0**	**-11,639**
Owner-occupied land and buildings	-42,453	-116	0	-2,246	0	-53	0	-44,868
Operational and office equipment	-12,241	-7	0	-1,932	672	-117	0	-13,625
Other property, plant and equipment	-4,346	0	0	-1,372	0	0	0	-5,718
Property, plant and equipment	**-59,040**	**-123**	**0**	**-5,550**	**672**	**-170**	**0**	**-64,211**
Investment property	-36,467	0	0	-1,590	553	651	-78	-36,931
Other property	-18,159	0	0	0	5,329	-518	-943	-14,291
Total	**-124,610**	**-147**	**0**	**-7,862**	**6,605**	**-37**	**-1,021**	**-127,072**

TEUR 2023	Acquisition cost 01.01.	Currency translation	Acquisitions	Additions	Disposals	Reclassification and other	Acquisition cost 31.12	Carrying-amounts 31.12.
Software acquired	11,889	0	0	928	0	-1	12,816	1,237
Other intangible assets	1,505	129	0	1,476	-600	0	2,510	2,048
Intangible assets	13,394	129	0	2,404	-600	-1	15,326	3,285
Owner-occupied land and buildings	106,986	634	0	1,646	0	302	109,568	62,223
Operational and office equipment	18,646	21	0	2,200	-889	1	19,979	5,471
Other property, plant and equipment	16,562	0	0	2,754	-65	1,219	20,470	13,165
Property, plant and equipment	142,194	655	0	6,600	-954	1,522	150,017	80,859
Investment property	82,981	0	0	949	-2,952	2,253	83,231	44,073
Other property	38,963	0	0	13	-4,439	-1,897	32,640	20,024
Total	277,532	784	0	9,966	-8,945	1,877	281,214	148,241

TEUR 2023	Cumulative depreciation/ amortization 01.01.	Currency translation	Acquisitions	Regular Amortization	Disposals	Reclassifications and other	Impairments	Cumulative depreciation 31.12.
Software acquired	-11,044	0	0	-535	0	0	0	-11,579
Other intangible assets	-595	-29	0	-438	600	0	0	-462
Intangible assets	-11,639	-29	0	-973	600	0	0	-12,041
Owner-occupied land and buildings	-44,868	-243	0	-2,234	0	0	0	-47,345
Operational and office equipment	-13,625	-14	0	-1,750	881	0	0	-14,508
Other property, plant and equipment	-5,718	0	0	-1,592	5	0	0	-7,305
Property, plant and equipment	-64,211	-257	0	-5,576	886	0	0	-69,158
Investment property	-36,931	0	0	-1,631	515	-1,080	-31	-39,158
Other property	-14,291	0	0	0	1,579	1,071	-975	-12,616
Total	-127,072	-286	0	-8,180	3,580	-9	-1,006	-132,973

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	31.12.2023	31.12.2022
Derivatives with negative market values	101,024	108,203
Trading liabilities	101,024	108,203

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	31.12.2023	31.12.2022
Time deposits customers	123,031	115,285
Debt securities issued	666,381	517,896
Financial liabilities at fair value (option)	789,412	633,181

Financial liabilities at fair value (option) by product

TEUR	31.12.2023	31.12.2022
Mortgage bonds	20,802	20,475
Municipal bonds	203,260	198,986
Bonds	204,172	135,423
Housing construction bonds	213,001	139,452
Supplementary capital	25,146	23,560
Total debt securities issued	666,381	517,896
Promissory note loans	123,031	115,285
Total deposits	123,031	115,285
Financial liabilities at fair value (option)	789,412	633,181

Financial liabilities at fair value (option) by region

TEUR	31.12.2023	31.12.2022
Austria	668,793	520,436
Germany	120,619	112,745
Financial liabilities at fair value (option)	789,412	633,181

Financial liabilities at fair value (option) by segment

TEUR	31.12.2023	31.12.2022
Financial Markets	786,527	630,386
Corporate Center	2,885	2,795
Financial liabilities at fair value (option)	789,412	633,181

Financial liabilities at fair value (option) by sector

TEUR	31.12.2023	31.12.2022
Financial institutions	666,381	517,896
Financial companies	123,031	115,285
Financial liabilities at fair value (option)	789,412	633,181

Financial liabilities at fair value (option) Disclosures on changes in fair value

TEUR	31.12.2023	31.12.2022
Carrying value	789,412	633,181
Amount repayable	830,355	704,000
Difference between carrying value and amount repayable	-40,943	-70,819
Total change in market value	-24,032	-42,258
of which due to market risk	-5,336	-37,062
of which due to credit risk	-18,696	-5,196
Change in market value in the reporting period	18,226	-104,164
of which due to market risk	31,726	-91,582
of which due to credit risk	-13,500	-12,582

When calculating the fair value of financial liabilities LFVO, the credit spread is derived from market data. When determining the change in fair value due to credit risk, a differentiated analysis of the financial instruments is performed with regard to currency, maturity, type of placement and collateralization or risk structure. The change in fair value due to credit risk is calculated by deducting the change in fair value due to market risk from the total change in fair value using a model calculation.

Notes on the change in supplementary capital (LFVO)

TEUR	2023	2022
LFVO supplementary capital - balance 1 January	23,560	24,298
New intake	0	1,500
Change in deferred interest	254	194
Change from measurement	1,332	-2,432
LFVO supplementary capital - balance 31 December	25,146	23,560

(35) FINANCIAL LIABILITIES AT AMORTIZED COST

TEUR	31.12.2023	31.12.2022
Liabilities to financial institutions	783,867	1,668,142
Demand deposits from customers	4,329,224	4,479,765
Demand deposits from customers	789,413	1,031,838
Debt securities issued	6,952,353	5,264,741
Liabilities from deliveries and services	7,643	8,949
Liabilities from leasing contracts	9,855	9,437
Financial liabilities at amortized cost	12,872,355	12,462,872

In financial liabilities at amortised cost, the use of hedge accounting led to the amortised cost of TEUR 6,652,670 (2022: TEUR 5,049,402) being adjusted for the hedged fair value of TEUR -275,560 (2022: TEUR -532,842).

Financial liabilities at amortized cost by product

TEUR	31.12.2023	31.12.2022
Mortgage bonds	4,395,711	3,539,205
Municipal bonds	45,009	43,627
Medium-term fixed-rate notes	41,978	11,066
Bonds	2,180,546	1,398,278
Supplementary capital (T2)	238,703	222,133
Additional core capital (AT1)	50,406	50,432
Total debt securities issued	6,952,353	5,264,741
Interbank accounts	255,124	277,237
Money market deposits	453,258	1,266,943
Demand deposits	2,634,644	3,521,688
Time deposits	1,694,581	826,546
Savings deposits	668,058	801,342
Capital savings accounts	121,354	230,496
Promissory note loans	75,485	255,493
Total deposits	5,902,504	7,179,745
Trade payables	7,643	8,949
Other financial liabilities	9,855	9,437
Total other financial liabilities	17,498	18,386
Financial liabilities at amortized cost	12,872,355	12,462,872

Financial liabilities at amortized cost by region

TEUR	31.12.2023	31.12.2022
Austria	9,977,297	9,957,838
Germany	686,588	734,916
Switzerland and Liechtenstein	1,818,427	1,310,373
Italy	10,597	47,258
Other foreign countries	379,446	412,487
Financial assets at amortized cost	12,872,355	12,462,872

Financial liabilities at amortized cost by business segment

TEUR	31.12.2023	31.12.2022
Corporate customers	1,850,088	2,063,785
Private customers	2,919,885	2,885,593
Financial Markets	7,774,546	7,165,537
Corporate Center	327,836	347,957
Financial assets at amortized cost	12,872,355	12,462,872

Financial liabilities at amortized cost by sector

TEUR	31.12.2023	31.12.2022
Central banks	333,516	1,103,072
Public sector	280,370	300,359
Financial institutions	7,369,694	5,826,040
Financial companies	572,124	642,235
Companies	1,659,800	2,077,380
Private households	2,656,851	2,513,786
Financial assets at amortized cost	12,872,355	12,462,872

Financial liabilities at amortized cost - company by branch

TEUR	31.12.2023	31.12.2022
Agriculture and forestry	6,506	4,026
Mining	32	1,532
Manufacturing	191,221	235,986
Energy supply	174,666	271,635
Water supply	4,335	5,680
Construction industry	132,800	192,564
Trading	238,016	252,829
Transportation and storage	60,749	53,445
Information and communication	50,387	69,955
Financial services	35,380	34,883
Housing	44,085	49,987
liberal professions	239,008	310,675
Information and communication	294,345	358,201
Other economic services	64,552	85,143
Public administration	20,498	23,565
Education	17,462	8,255
Human health and social work activities	51,163	71,301
Arts, entertainment and recreation activities	19,831	30,198
Other services	14,764	17,520
Financial assets at amortized cost – companies	1,659,800	2,077,380

Notes on the change in supplementary capital (LAC)

TEUR	2023	2022
LAC Tier 2 capital and additional Tier 1 capital - balance 1 January	272,565	351,458
New intake	6,563	47,334
Repayments	0	-100,125
Change in deferred interest	7	-357
Change from measurement	9,974	-25,745
LAC Tier 2 capital and additional Tier 1 capital - balance 31 December	289,109	272,565

Disclosures on lease liabilities by remaining term

TEUR	31.12.2023	31.12.2022
Daily due	0	14
Up to 3 months	368	343
More than 3 months to 12 months	1,080	1,023
More than 1 year to 5 years	4,867	4,682
More than 5 years	3,422	3,734
Lease liabilities	9,737	9,796

The lease liabilities shown by remaining term represent undiscounted lease payments. The total amount of the payments therefore does not match the present value of the lease liabilities as shown in the table above. The weighted average interest rate is 2.42 %. Expenses for short-term leases, for low-value leases and from variable lease payments not included in the measurement of the lease liability amounted to TEUR 32 (2022: TEUR 389).

Change in lease liabilities

TEUR	2023	2022
Lease liabilities – balance as at 01.01.	9,437	9,544
Interest expense	256	133
Revaluation	1,911	1,227
Disposals due to reversals	-39	-71
Lease payments	-1,710	-1,396
Lease liabilities – balance as at 31.12.	9,855	9,437

(36) NEGATIVE MARKET VALUES OF HEDGES

Breakdown by type of hedge

TEUR	31.12.2023	31.12.2022
Negative market value of fair value hedges	389,936	554,135
Negative market value of portfolio hedges	2,225	0
Negative market values of hedges	392,161	554,135

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	31.12.2023	31.12.2022
Severance provisions	15,268	13,913
Pension provisions	4,268	3,428
Service anniversary provisions	3,198	2,968
Social capital	22,734	20,309
Provisions for guarantees/liability agreements	11,398	12,866
Provisions for credit risks	0	24
Provisions for ongoing litigation	1,177	1,010
Staff provisions	173	279
Provision for other expenses	2,603	26,697
Other provisions	15,351	40,876
Provisions	38,085	61,185

A breakdown by maturity or the expected terms of resulting out-flows 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.

The provisions for litigation include both the expected costs of proceedings and consulting fees as well as the estimated payment obligations to the other party arising 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	31.12.2023	31.12.2022
Daily due	0	24
Up to 3 months	126	402
More than 3 up to 12 months	714	855
More than 1 up to 5 years	4,709	4,228
More than 5 years	17,185	14,800
Social capital	**22,734**	**20,309**

Development of social capital

TEUR 2022	Severance provisions	Pensions provisions	Service anniver- provisions	Total
Carrying value 1 January	**16,866**	**5,436**	**3,381**	**25,683**
Years of service expense	432	12	212	656
Interest expense	521	134	117	772
Actuarial gains/losses of financial assumptions	-2,733	-1,762	-695	-5,190
Foreign currency risk	0	51	0	51
Benefit payments	-968	-443	-47	-1,458
Subsequent offsetting from the settlement	0	0	0	0
Other changes	-205	0	0	-205
Carrying value 31 December	**13,913**	**3,428**	**2,968**	**20,309**

TEUR 2023	Severance provisions	Pensions provisions	Service anniver- provisions	Total
Carrying value 1 January	**13,913**	**3,428**	**2,968**	**20,309**
Years of service expense	333	-135	243	441
Interest expense	481	164	110	755
Actuarial gains/losses of financial assumptions	1,453	822	-76	2,199
Foreign currency risk	0	45	0	45
Benefit payments	-955	-56	-47	-1,058
Subsequent offsetting from the settlement	-14	0	0	-14
Other changes	57	0	0	57
Carrying value 31 December	**15,268**	**4,268**	**3,198**	**22,734**

The actuarial gains/losses from severance and pension provisions recognised in other comprehensive income of TEUR -2,340 (2022: TEUR 4,584) 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	31.12.2023	31.12.2022
Fair value of assets from defined benefit plans	8,463	5,982
of which equity instruments	866	600
of which debt securities	5,147	3,851
of which properties	2,007	1,361
of which other assets from defined benefit plans	443	170
Present value of obligations from defined benefit plans	9,359	6,183
Net defined benefit obligation – St. Gallen branch	**896**	**201**

Reconciliation of fund assets

TEUR	2023	2022
Fair value of assets from defined benefit plans on 1 January	**5,982**	**5,460**
Currency translation effects	379	268
Interest income from assets	104	20
Gain/loss on remeasurement of assets	816	38
Employer contribution payments	440	330
Employee contribution payments	293	220
Plan participant contribution payments	1.364	949
Disbursements	-915	-1.303
Fair value of assets from defined benefit plans on 31 December	**8,463**	**5,982**

Changes in other provisions

TEUR 2022	Guarantees and commitments	Credit-risk	Ongoing litigation	Staff	Other	Total
Carrying value 1 January	**28,088**	**145**	**1,128**	**333**	**16,784**	**46,478**
Allocation	3,785	24	671	5	30,859	35,344
Use	0	0	-539	-59	-12,600	-13,198
Reversal	-19,003	-145	-250	0	-8,346	-27,744
Unwinding	-16	0	0	0	0	-16
Remaining adjustment	12	0	0	0	0	12
Carrying value 31 December	**12,866**	**24**	**1,010**	**279**	**26,697**	**40,876**

TEUR 2023	Guarantees and commitments	Credit-risk	Ongoing litigation	Staff	Other	Total
Carrying value 1 January	**12,866**	**24**	**1,010**	**279**	**26,697**	**40,876**
Allocation	8,609	0	569	4	14,607	23,789
Use	0	0	-295	-110	-12,849	-13,254
Reversal	-10,117	-24	-107	0	-25,852	-36,100
Unwinding	1	0	0	0	0	1
Remaining adjustment	39	0	0	0	0	39
Carrying value 31 December	**11,398**	**0**	**1,177**	**173**	**2,603**	**15,351**

(38) INCOME TAX LIABILITIES

Income tax liabilities - breakdown by type

TEUR	31.12.2023	31.12.2022
Tax provision	2,451	3,815
Income tax liabilities	7	5
Income tax obligations	**2,458**	**3,820**

Development of the tax provision

TEUR	2023	2022
Carrying value 1 January	**3,815**	**5,029**
Currency translation	34	43
Allocation	1,009	743
Use	-2,392	-1,178
Reversal	-15	-822
Carrying value 31 December	**2,451**	**3,815**

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	31.12.2023	31.12.2022
Temporary differences from the measurement of financial instruments via the income statement	12,497	19,781
Temporary differences from writing down assets	4,743	2,902
Temporary differences from provisions	3,016	1,555
Temporary differences from impairments	2,669	8
Other temporary differences	101	195
Deferred income tax liabilities	**23,026**	**24,441**
Set-off of deferred taxes	-5,135	-6,676
Net deferred income tax liabilities	**17,891**	**17,765**

TEUR -1,516 (2022: TEUR 873) was recognised directly in other comprehensive income for actuarial gains/losses from defined benefit plans. The deferred taxes (tax liability) on this amounted to TEUR 349 (2022: TEUR -201). Based on the recognition of changes in the Bank's own credit risk directly in equity in other comprehensive income in the amount of TEUR 18,364 (2022: TEUR 4,747), deferred taxes (tax liability) of TEUR -4,224 (2022: TEUR -1,092) were also reversed directly in equity.

There are no outside basis differences in relation to the companies included in the consolidated financial statements.

(40) OTHER LIABILITIES

TEUR	31.12.2023	31.12.2022
Liabilities in connection with social security	1.306	1.208
Other tax liabilities	8.748	1.107
Accruals	10.290	10.638
Other accrued benefits	5.437	5.870
Remaining liabilities	23.836	26.418
Other liabilities	**49.617**	**45.241**

(41) SHAREHOLDERS' EQUITY

Composition of equity by types

TEUR	31.12.2023	31.12.2022
Share capital	162.152	162.152
Capital reserve	44.674	44.674
Accumulated other comprehensive income	**13.058**	**4.408**
Total items without recycling	**12.973**	**4.327**
Measurement of pension plans	-1.167	672
Measurement from own change in credit rating	14.140	3.655
Total items with recycling	**85**	**81**
Foreign currency measurements	85	81
Retained earnings	1.237.614	1.202.501
Reserves from equity consolidation	6.003	5.286
Total parent company shareholders	**1.463.501**	**1.419.021**
Non-controlling equity interests	31	52
Total equity	**1.463.532**	**1.419.073**

The subscribed capital consists of the full paid share capital of TEUR 162,152 (2022: TEUR 162,152). On 31 December 2023, 316,736 shares in total (2022: 316,736 shares) with a nominal value of EUR 512 had been issued.

Retained profits include the statutory reserve. The reversal of the statutory reserve in the amount of TEUR 10,601 (2022: TEUR 10,601) is bound by the Austrian Corporate Code (UGB) in conjunction with the Austrian Stock Corporation Act (AktG).

The liable capital pursuant to section 57 (5) of the Austrian Banking Act (BWG) is also shown under retained profits. The reversal of the liable capital in the amount of TEUR 139,082 (2022: TEUR 138,120) is only permitted to the extent that this is necessary in order to meet obligations in accordance with section 93 BWG or to cover other losses to be reported in the annual financial statements. The liable capital must be replenished to the extent of the amount reversed within the five subsequent financial years at most.

Reconciliation of accumulated other comprehensive income

TEUR	Valuation pensions plans	Valuation from own credit rating change	Foreign currency valuation	Total
Balance 1 January 2022	**-2,878**	**-5,785**	**4**	**-8,659**
Equity transfer	0	0	-3	-3
OCI measurement, not recyclable	4,584	12,587	0	17,171
Deferred taxes, not recyclable	-1,034	-3,147	0	-4,181
OCI measurement, recyclable	0	0	80	80
Balance 31 December 2022	**672**	**3,655**	**81**	**4,408**
Balance 1 January 2023	**672**	**3,655**	**81**	**4,408**
Equity transfer	-22	0	-147	-169
OCI measurement, not recyclable	-2,340	13,490	0	11,150
Deferred taxes, not recyclable	523	-3,005	0	-2,482
OCI measurement, recyclable	0	0	151	151
Balance 31 December 2023	**-1,167**	**14,140**	**85**	**13,058**

Other comprehensive income includes an amount of TEUR -332 (2022: TEUR -322) attributable to financial instruments already repaid or sold that are voluntarily measured at fair value.

Dividends of Hypo Vorarlberg

Hypo Vorarlberg can distribute a dividend at most in the amount of the net retained profits reported in the single-entity financial statements in accordance with BWG and UGB in the amount of TEUR 4,434 (2022: TEUR 4,434).

The net profit according to UGB posted by Hypo Vorarlberg for the 2023 financial year amounted to TEUR 54,441 (2022: TEUR 50,332). After the allocation to reserves of TEUR 50,007 (2022: TEUR 45,898) and after adding the retained profit of TEUR 0 (2022: TEUR 0), the net retained profits available for appropriation amount to TEUR 4,434 (2022: TEUR 4,434). Subject to approval by the shareholders' meeting and taking further developments up until the time of this resolution into account, a dividend of EUR 14 (2022: EUR 14) per entitled share is proposed based on the shares and the associated share capital of TEUR 162,152 (2022: TEUR 162,152). With 316,736 shares (2022: 316,736 shares), the distribution therefore amounts to TEUR 4,434 (2022: TEUR 4,434).

(42) FOREIGN CURRENCY VOLUME AND FOREIGN-DENOMINATED ASSETS

TEUR 31.12.2022	EUR	USD	CHF	JPY	Other	Total
Cash balance	578,234	15,543	271,082	1,870	2,292	869,021
Trading assets	176,738	3,284	1,153	859	177	182,211
Financial assets at fair value (non-SPPI)	511,063	51,888	10,354	12,693	0	585,998
Financial assets at fair value (option)	218,627	0	5,243	0	11,353	235,223
Financial assets at amortized cost	10,999,839	73,051	1,578,138	5,287	143,062	12,799,377
Positive market values of hedges	398,044	1,713	14,983	0	0	414,740
Fair value change portfolio from interest rate risks	0	0	0	0	0	0
Affiliates	968	0	0	0	0	968
Shares in companies valued at equity	3,638	0	0	0	0	3,638
Property, plant and equipment	71,715	0	6,268	0	0	77,983
Investment property	46,050	0	0	0	0	46,050
Intangible assets	846	0	909	0	0	1,755
Income tax assets	5,093	0	0	0	0	5,093
Deferred income tax assets	4,011	0	1	0	0	4,012
Other assets	78,649	0	620	0	137	79,406
Total assets	**13,093,515**	**145,479**	**1,888,751**	**20,709**	**157,021**	**15,305,475**

TEUR 31.12.2022	EUR	USD	CHF	JPY	Other	Total
Trading liabilities	101,131	4,770	60	1,893	349	108,203
Financial liabilities at Fair Value (Option)	633,181	0	0	0	0	633,181
Financial liabilities at amortized cost	10,975,521	266,006	1,158,709	4,110	58,526	12,462,872
Negative market values of hedges	440,809	359	111,602	0	1,365	554,135
Provisions	60,893	0	292	0	0	61,185
Income tax liabilities	3,116	0	704	0	0	3,820
Deferred income tax liabilities	17,652	0	113	0	0	17,765
Other liabilities	32,620	121	12,500	0	0	45,241
Shareholders' equity	1,419,067	0	6	0	0	1,419,073
Total liabilities and shareholders' equity	**13,683,990**	**271,256**	**1,283,986**	**6,003**	**60,240**	**15,305,475**

TEUR 31.12.2023	EUR	USD	CHF	JPY	Other	Total
Cash balance	726,594	2,596	243,152	399	3,530	976,271
Trading assets	106,055	3,385	7,897	276	122	117,735
Financial assets at fair value (non-SPPI)	521,246	50,383	10,649	11,131	0	593,409
Financial assets at fair value (option)	202,033	0	0	0	11,495	213,528
Financial assets at amortized cost	11,461,870	37,544	1,631,686	4,590	125,610	13,261,300
Positive market values of hedges	347,733	1,460	28,656	0	0	377,849
Fair value change portfolio from interest rate risks	11,767	0	0	0	0	11,767
Affiliates	968	0	0	0	0	968
Shares in companies valued at equity	3,805	0	0	0	0	3,805
Property, plant and equipment	74,322	0	6,537	0	0	80,859
Investment property	44,073	0	0	0	0	44,073
Intangible assets	1,448	0	1,837	0	0	3,285
Income tax assets	1,471	0	0	0	0	1,471
Deferred income tax assets	3,113	0	0	0	0	3,113
Other assets	35,290	0	1,566	0	246	37,102
Total assets	**13,541,788**	**95,368**	**1,931,980**	**16,396**	**141,003**	**15,726,535**

TEUR 31.12.2023	EUR	USD	CHF	JPY	Other	Total
Trading liabilities	94,942	2,595	3	3,384	100	101,024
Financial liabilities at Fair Value (Option)	789,412	0	0	0	0	789,412
Financial liabilities at amortized cost	10,926,018	134,646	1,670,294	67,485	73,912	12,872,355
Negative market values of hedges	315,824	193	69,668	5,370	1,106	392,161
Provisions	37,151	0	934	0	0	38,085
Income tax liabilities	1,920	0	538	0	0	2,458
Deferred income tax liabilities	17,891	0	0	0	0	17,891
Other liabilities	42,652	114	6,851	0	0	49,617
Shareholders' equity	1,463,529	0	3	0	0	1,463,532
Total liabilities and shareholders' equity	**13,689,339**	**137,548**	**1,748,291**	**76,239**	**75,118**	**15,726,535**

The difference between assets and liabilities in the individual currencies does not represent the Group's open foreign currency position as defined in Article 352 of the CRR. Open foreign currency positions are hedged using derivative financial instruments such as currency swaps or cross-currency swaps. However, these hedges are not recognised at their nominal value in the IFRS statement of financial position, but instead at market value. As at 31 December 2023, the total of all open foreign currency positions in accordance with Article 352 of the CRR amounted to TEUR 13,156 (2022: TEUR 2,697).

Foreign-denominated assets and liabilities

TEUR	31.12.2023	31.12.2022
Foreign assets	5,330,175	5,268,226
Foreign liabilities	3,653,272	3,312,149

(43) MATURITIES

TEUR 31.12.2022	Payable on demand	Up to 3 months	Up to 1 year	Up to 5 years	More than 5 years	Without maturity	Total
Cash balance	843,837	0	0	0	0	25,184	869,021
Trading assets	0	3,732	3,101	21,040	154,195	143	182,211
Financial assets at fair value (non-SPPI)	38,387	38,246	83,949	265,812	148,220	11,384	585,998
Financial assets at fair value (option)	0	3,567	23,878	117,087	90,691	0	235,223
Financial assets at amortized cost	951,048	1,476,353	1,255,963	4,246,441	4,845,174	24,398	12,799,377
Positive market values of hedges	0	154	2,749	94,027	317,810	0	414,740
Fair value change portfolio from interest rate risks	0	0	0	0	0	0	0
Affiliates	0	0	0	0	0	968	968
Shares in companies valued at equity	0	0	0	0	0	3,638	3,638
Property, plant and equipment	0	0	0	0	0	77,983	77,983
Investment property	0	0	0	0	0	46,050	46,050
Intangible assets	0	0	0	0	0	1,755	1,755
Income tax assets	52	0	4,488	553	0	0	5,093
Deferred income tax assets	-53	-1	0	3,867	191	8	4,012
Other assets	7,973	9,410	2,397	2,538	-147	57,235	79,406
Total assets	**1,841,244**	**1,531,461**	**1,376,525**	**4,751,365**	**5,556,134**	**248,746**	**15,305,475**

TEUR 31.12.2022	Payable on demand	Up to 3 months	Up to 1 year	Up to 5 years	More than 5 years	Without maturity	Total
Trading liabilities	187	3,091	8,271	33,518	63,136	0	108,203
Financial liabilities at Fair Value (Option)	0	2,874	14,551	204,922	410,834	0	633,181
Financial liabilities at amortized cost	4,685,086	538,399	1,283,090	3,769,303	2,194,040	-7,046	12,462,872
Negative market values of hedges	8	382	3,853	203,492	346,400	0	554,135
Provisions	2,135	4,216	6,399	31,691	16,611	133	61,185
Income tax liabilities	0	23	3,769	18	0	10	3,820
Deferred income tax liabilities	7,090	-139	-5,976	515	15,125	1,150	17,765
Other liabilities	11,035	4,083	5,962	15,646	8,515	0	45,241
Shareholders' equity	0	0	0	0	0	1,419,073	1,419,073
Total liabilities and shareholders' equity	**4,705,541**	**552,929**	**1,319,919**	**4,259,105**	**3,054,661**	**1,413,320**	**15,305,475**

TEUR 31.12.2023	Payable on demand	Up to 3 months	Up to 1 year	Up to 5 years	More than 5 years	Without maturity	Total
Cash balance	952,091	0	0	0	0	24,180	976,271
Trading assets	152	9,362	4,623	17,307	86,166	125	117,735
Financial assets at fair value (non-SPPI)	32,201	15,364	110,173	288,157	135,143	12,371	593,409
Financial assets at fair value (option)	0	852	11,356	117,003	84,317	0	213,528
Financial assets at amortized cost	920,429	1,618,795	1,251,051	4,333,014	5,097,094	40,917	13,261,300
Positive market values of hedges	0	551	5,718	122,556	249,024	0	377,849
Fair value change portfolio from interest rate risks	0	0	0	31	11,736	0	11,767
Affiliates	0	0	0	0	0	968	968
Shares in companies valued at equity	0	0	0	0	0	3,805	3,805
Property, plant and equipment	0	0	0	0	0	80,859	80,859
Investment property	0	0	0	0	0	44,073	44,073
Intangible assets	0	0	0	0	0	3,285	3,285
Income tax assets	123	0	881	467	0	0	1,471
Deferred income tax assets	32	0	0	3,030	97	-46	3,113
Other assets	7,839	3,401	3,030	2,925	-121	20,028	37,102
Total assets	**1,912,867**	**1,648,325**	**1,386,832**	**4,884,490**	**5,663,456**	**230,565**	**15,726,535**

TEUR 31.12.2023	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	1,981	23,894	29,166	45,983	0	101,024
Financial liabilities at fair value (Option)	0	0	31,421	276,689	481,302	0	789,412
Financial liabilities at amortized cost	3,573,896	1,129,427	1,619,651	4,758,738	1,784,875	5,768	12,872,355
Negative market values of hedges	0	3,703	13,209	162,981	212,268	0	392,161
Provisions	5,715	2,822	2,511	7,593	18,703	741	38,085
Income tax liabilities	0	11	1,962	3	0	482	2,458
Deferred income tax liabilities	-940	-546	-7,177	12,350	12,885	1,319	17,891
Other liabilities	16,187	9,324	5,582	13,800	4,724	0	49,617
Shareholders' equity	0	0	0	0	0	1,463,532	1,463,532
Total liabilities and shareholders' equity	**3,594,858**	**1,146,722**	**1,691,053**	**5,261,320**	**2,560,740**	**1,471,842**	**15,726,535**

D. FURTHER IFRS INFORMATION

(44) DISCLOSURES ON THE STATEMENT OF CASH FLOWS

The statement of cash flows is presented using the indirect method. This is done by calculating the net cash flow from operating activities based on the consolidated net profit after first adding expenses and deducting income that did not affect cash in the financial year. In addition, all expenses and income that affected cash but are not attributable to operating activities are eliminated. These payments are included in the cash flows from investing activities or from financing activities.

(45) CONTINGENT LIABILITIES AND CREDIT RISKS

Off-balance liabilities

TEUR	31.12.2023	31.12.2022
Loan commitments granted	2,054,817	2,362,824
Financial guarantees granted	354,518	419,742
Other guarantees granted	21,703	24,938
Off-balance liabilities	2,431,038	2,807,504

Granted credit commitments include loans that have been committed but not yet utilised by customers. This particularly relates to commitments in lending business, as well as to unused credit lines. Credit risks were recognised at their nominal value in each case. Contingent liabilities from financial guarantees represent commitments to assume liability for our customers for the benefit of a third party. If the guaranteed party does not meet its contractual obligations, the beneficiary can utilise the Bank's financial guarantee. The Bank in turn has a possibility of recourse to its customer. The amounts shown represent the maximum amount that could lead to a payment in the event of utilisation. It is difficult to recognise contingent assets in connection with financial guarantees, as utilisation of the obligation cannot be foreseen or plausibly estimated. Other granted commitments relate to certain fiduciary and documentary credit business.

Contingent liabilities - breakdown by residual duration

TEUR	31.12.2023	31.12.2022
Repayable on demand	23	105
Up to 3 months	37,737	23,739
Up to 1 year	71,764	92,253
Up to 5 years	117,562	168,378
More than 5 years	54,823	59,026
Unlimited	94,312	101,179
Contingent liabilities	376,221	444,680

In addition to the contingent liabilities described above, there are also the following other contingent obligations.

Obligation from membership of the deposit protection company "Einlagensicherung AUSTRIA Ges.m.b.H. (ESA)" as required by 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 a deposit-taking bank (CRR bank) headquartered in Austria – forms part of the uniform deposit protection scheme pursuant to section 1(1) no. 1 ESAEG. Each deposit protection scheme must establish a deposit protection fund consisting of available financial resources in the amount of at least 0.8 % of the total covered deposits of the member banks (target level). The contribution requirement is dependent on the amount of the covered deposits, applying predefined risk factors (risk-based contribution calculation). A contribution of TEUR 704 (2022: TEUR 1,242) was calculated for Hypo Vorarlberg. As a result of the Russia-Ukraine conflict, Sberbank Europe AG was prohibited from continuing its operations by the Austrian Financial Market Authority in February 2022, which resulted in the default of Sberbank Europe AG. In accordance with section 22(1) ESAEG, ESA must also stipulate and promptly collect special contributions from its member banks equivalent to a maximum of 0.5 % of the total covered deposits of its member banks each calendar year if the available financial resources of a deposit protection scheme are not sufficient to compensate depositors in the event of default or to service obligations from credit operations.

In the event of default by a member bank, the deposit protection secures balances in accounts and savings accounts up to TEUR 100 per customer per bank. In certain cases, the secured amount increases to up to TEUR 500 per customer per bank. In both cases, there is no deductible for the investors. The deposit protection also covers securities deposited by customers in an amount of up to TEUR 20 per customer per bank in the event of default. For customers that are not natural persons, a deductible of 10 % must be paid by the customer.

(46) INTEREST-FREE LOANS AND ADVANCES

TEUR	31.12.2023	31.12.2022
Interest-free loans and advances to banks	13	16
Interest-free loans and advances to customers	23,022	29,227
Interest-free loans and advances	23,035	29,243

Interest-free receivables at banks essentially consist of non-interest-bearing balances at clearing houses and receivables from payment transactions. Loans and advances to customers are put on a non-accrual basis if interest payments can no longer be expected to be collected in the coming periods. Sufficient valuation allowances have already been recognised for these receivables.

(47) COLLATERAL

Assets provided as collateral

TEUR	31.12.2023	31.12.2022
Financial assets at fair value (Non-SPPI)	222,120	217,456
Financial assets at fair value (Option)	191,459	210,737
Financial assets at amortized cost	8,388,207	8,050,646
Assets provided as collateral	8,801,786	8,478,839
of which covered pool for mortgage bonds	5,017,400	4,625,281
of which covered pool for public-sector mortgage bonds	573,683	538,038

Assignment of collateral

TEUR	31.12.2023	31.12.2022
Backing for refinancing with central banks	1,270,690	1,571,767
Covered pool for mortgage bonds	5,600,367	5,208,216
Covered pool for public-sector mortgage bonds	565,351	519,304
Covered pool for trust savings deposits	30,184	29,946
Cover for pension provisions	1,993	1,945
Genuine repurchase agreements, repos	1,041,010	782,542
Deposits, collateral, margins	292,191	365,119
Collateral – breakdown by assignment	8,801,786	8,478,839

Utilisation of collateral

TEUR	31.12.2023	31.12.2022
Backing for refinancing with central banks	333,515	1,103,072
Covered pool for mortgage bonds	4,510,862	4,347,306
Covered pool for public-sector mortgage bonds	242,457	490,226
Covered pool for trust savings deposits	22,262	25,035
Cover for pension provisions	1,993	1,945
Deposits, collateral, margins	292,192	365,119
Collateral – breakdown by utilisation	5,403,281	6,332,703

The excess cover for mortgage bonds and public-sector mortgage bonds is not reported due to legal changes in the Austrian Mortgage Bond Act.

For the collateral listed, the collateral taker does not have the right to sell or pledge the collateral itself. There were therefore no reclassifications in the statement of financial position for the collateral provided.

As a collateral taker, the Bank does not hold any collateral that it is permitted to sell unless the owner defaults or that it is permitted to use as collateral again without the owner's approval.

The cover pool for mortgage bonds includes loan receivables of the St. Gallen branch in the amount of TEUR 837,656 (2022: TEUR 715,649). To ensure the equal legal and economic position of the mortgage bond creditors in relation to these cover assets, the loan receivables including their mortgage collateral have been assigned to HVS Sicherheitenverwaltung GmbH, Switzerland, as the collateral trustee for the mortgage bond creditors by way of a transfer of title. In addition, we hold mortgages with a nominal value of TEUR 137,938 (2022: TEUR 138,825) in trust for other banks in connection with syndicated financing.

(48) SUBORDINATED ASSETS

TEUR	31.12.2023	31.12.2022
Financial assets at fair value (Non-SPPI)	50,918	58,873
Financial assets at amortized cost	18,794	23,254
Subordinated assets	69,712	82,127
of which debt securities	66,556	79,058
of which loans and credits	3,156	3,069

(49) FIDUCIARY TRANSACTIONS ADVANCES

TEUR	31.12.2023	31.12.2022
Loans and advances to customers	86,770	126,638
Fiduciary assets	86,770	126,638
Amounts owed to banks	66,939	104,414
Amounts owed to customers	19,960	23,027
Fiduciary liabilities	86,899	127,441

(50) REPURCHASE AGREEMENTS

There were no repurchase agreements as at 31 December 2023 or in the previous year.

(51) RELATED PARTY DISCLOSURES

Related parties include:

- the owners of Hypo Vorarlberg, i.e. the Vorarlberger Landesbank holding company and Austria Beteiligungsgesellschaft mbH and their owners
- the Managing Board and Supervisory Board of Hypo Vorarlberg and their close family members
- managing directors of the consolidated subsidiaries and their close family members
- senior executives of Hypo Vorarlberg as defined in section 80 of the Austrian Stock Corporation Act (AktG) and their close family members
- senior executives of the subsidiaries of Hypo Vorarlberg and their close family members
- legal representatives and members of supervisory bodies of the main shareholders
- subsidiaries and other companies in which Hypo Vorarlberg holds an equity interest
- companies over which related parties have a significant influence

Advances, loans and guarantees

As at the end of the year, the Managing Board members and managing directors and their close family members had received advances, loans and guarantees of TEUR 830 (2022: TEUR 599) from the Bank at the usual terms and conditions applicable to bank employees. As at the end of the year, the Supervisory Board members and their close family members had received advances, loans and guarantees of TEUR 19,452 (2022: TEUR 17,701) from the Bank, for themselves and for companies for which they are personally liable, at the usual terms and conditions in banking and applicable to bank employees.

Remuneration

The remuneration of the Managing Board members consists of a fixed amount. There are no variable remuneration components. Variable remuneration set by the Managing Board on the basis of individual targets has been agreed in a few cases for managing directors and senior executives in the Group. There are no share-based payment schemes.

In 2023, Hypo Vorarlberg spent the following amounts on Managing Board members currently in office.

TEUR	2023	2022
Michel Haller	387	363
Wilfried Amann	333	313
Philipp Hämmerle	303	284
Managing Board remuneration	1,023	960

TEUR	2023	2022
Managing Board members and managing directors	1,890	1,815
Retired Managing Board members and survivors	78	72
Managerial personnel	5,201	4,845
Supervisory Board members	381	354
Remuneration paid to related parties	7,550	7,086

Severance and pensions

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

TEUR	2023	2022
Managing Board members and managing directors	135	128
Retired Managing Board members and survivors	80	19
Managerial personnel	1,143	906
Severance and pensions paid to related parties	1,358	1,053

The Group purchased services of TEUR 22 (2022: TEUR 95) from companies in which related parties of the Group have significant holdings.

Business relationships with affiliated companies

TEUR	31.12.2023	31.12.2022
Loans and advances	251	179
Financial assets	251	179
Deposits	10,321	222
Financial liabilities	10,321	222

Besides the equity interests in affiliated and unconsolidated companies, business activities with affiliated companies only include business accounts. The deposits currently bear interest of 0 % (2022: 0 %).

Income and expenses with affiliated companies

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

Business relationships with associated companies

TEUR	31.12.2023	31.12.2022
Equity instruments	12	12
Financial assets	12	12
Deposits	1,221	2,585
Financial liabilities	1,221	2,585

In addition to equity instruments, transactions with associates include loans, cash advances and credits, as well as business accounts, savings deposits and fixed-term deposits. These transactions are entered into on normal market conditions. As in the previous year, no liability had been assumed for associates as at the end of the reporting period. In 2023, as in the previous year, no derivatives transactions were entered into with associates.

Income and expenses from associated companies

TEUR	2023	2022
Interest expense	-32	-3
Dividend earnings	438	575
Fee and commission income	1	1
Total income/expenses from associated companies	407	573

Business relationships with shareholders

TEUR	31.12.2023	31.12.2022
Debt securities	12,949	17,140
Loans and advances	63,637	38,364
Financial assets	76,586	55,504
Deposits	140,221	210,036
Financial liabilities	140,221	210,036
Nominal values of off-balance-sheet items	241,596	261,871
Nominal values of derivatives	1,269,945	1,282,450

The term "shareholders" includes the two holding companies with their direct equity interests in Hypo Vorarlberg as well as the indirect shareholders, the state of Vorarlberg, Landesbank Baden-Württemberg and Landeskreditbank Baden-Württemberg Förderbank. Transactions with shareholders with a significant influence mainly include loans, cash advances and credits, as well as business accounts, savings deposits and fixed-term deposits. In addition, we have entered into derivatives with a total market value of TEUR 43,146 (2022: TEUR 37,289) with Landesbank Baden-Württemberg to hedge market price and interest rate risks. The positive market values from derivatives are partly hedged in the context of cash collateral. There is generally no collateral for the remaining receivables. All these transactions were entered into on normal market conditions.

Income and expenses from significant shareholders

TEUR	2023	2022
Interest income	30,385	13,757
Interest expense	-33,919	-11,438
Fee and commission income	2,195	2,020
Fee and commission expenses	-1	0
Total income/expenses from Shareholders	-1,340	4,339

Shareholders of Hypo Vorarlberg Bank AG

Shareholders 31.12.2023	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 %

On the basis of its expertise as a residential construction bank, Hypo Vorarlberg has been commissioned by the state of Vorarlberg to manage the state residential construction fund. The Group does not have any permanent business relationship with Austria Beteiligungsgesellschaft mbH. Several customary banking transactions were executed with Landesbank Baden-Württemberg.

Business relationship with state-related companies

TEUR	31.12.2023	31.12.2022
Loans and advances	73,148	83,446
Financial assets	73,148	83,446
Deposits	169,192	149,652
Financial liabilities	169,192	149,652
Nominal values of off-balance-sheet items	37,739	70,170

Transactions with state-associated companies include loans and credits as well as business accounts and fixed-term deposits. The transactions were entered into on normal market conditions.

Income and expenses from state-related companies

TEUR	2023	2022
Interest income	1,645	641
Interest expense	-2,084	-341
Fee and commission income	319	309
Total income/expenses from associated companies	-120	609

There were no bad debts with related parties in the 2023 financial year or in the comparative period. Apart from the general loan loss provisions, neither provisions nor impairment/write-downs of receivables from related parties were required.

(52) SHARE-BASED PAYMENT AGREEMENTS

As at 31 December 2023, there were no share-based payment agreements in the Group.

(53) HUMAN RESOURCES

	2023	2022
Full-time salaried staff	582	582
Part-time salaried staff	148	138
Apprentices	7	7
Cleaning staff/workers	2	2
Average number of employees	**739**	**729**

(54) EVENTS AFTER THE END OF THE REPORTING PERIOD

No events of particular significance occurred after the balance sheet date.

E. SEGMENT REPORTING

Reporting by business segment

TEUR		Corporate customers	Private customers	Financial Markets	Corporate Center	Total
Net interest income	2023	110,953	80,219	17,577	24,912	233,661
	2022	107,016	43,108	9,311	8,368	167,803
Dividend income	2023	0	0	0	186	186
	2022	0	0	-16	142	126
Net fee and commission income	2023	14,255	20,298	2,241	-1,391	35,403
	2022	14,316	20,204	2,426	-2,818	34,128
Net result from financial instruments at amortized cost	2023	36	0	2,289	0	2,325
	2022	0	0	3,239	0	3,239
Net result from financial instruments at fair value	2023	-11,490	826	-26,421	-1,037	-38,122
	2022	-7,785	2,101	85,770	-2,895	77,191
Other income	2023	939	3,288	27,577	21,678	53,482
	2022	494	1,562	55	33,685	35,796
Other expenses	2023	-1,408	-3,921	-9,623	-15,352	-30,304
	2022	-1,609	-17,163	-8,596	-26,153	-53,521
Administrative expenses	2023	-45,652	-50,994	-12,412	-7,449	-116,507
	2022	-39,182	-42,452	-11,240	-13,067	-105,941
Depreciation and amortization	2023	-1,087	-982	-56	-6,055	-8,180
	2022	-925	-860	-60	-6,017	-7,862
Loan loss provisions and impairment of financial assets	2023	-82,036	2,415	77	1,058	-78,486
	2022	25,350	-3,449	224	-12,122	10,003
Impairment of non-financial assets	2023	0	0	0	-1,006	-1,006
	2022	0	0	0	-1,021	-1,021
Result from equity consolidation	2023	0	0	0	605	605
	2022	0	0	0	718	718
Earnings before taxes	2023	-15,490	51,149	1,249	16,149	53,057
	2022	97,675	3,051	81,113	-21,180	160,659
Assets	2023	7,852,063	2,307,018	4,339,393	1,228,061	15,726,535
	2022	7,376,658	2,370,918	4,240,470	1,317,429	15,305,475
Liabilities and shareholders' equity	2023	1,865,473	2,925,856	8,765,181	2,170,025	15,726,535
	2022	2,093,091	2,891,458	8,501,707	1,819,219	15,305,475
Liabilities	2023	1,865,049	2,920,990	9,048,045	428,919	14,263,003
	2022	2,092,315	2,886,857	8,443,627	463,603	13,886,402

For the purpose of corporate management, the Group is organized into business units according to customer groups and product groups and has the following four reportable operating segments. No business segments have been aggregated to form the above reportable business segments. The profit before tax of the business units is monitored separately by management in order to make decisions on the allocation of resources and to determine the profitability of the units. The performance of the segments is evaluated on the basis of profit before tax and is assessed in accordance with the profit before tax in the consolidated financial statements.

Internal reporting on the basis of these segments is based on both the Austrian Commercial Code (UGB) and IFRS. For this reason, no separate reconciliation statement is required. The liabilities presented in the segments include liabilities, provisions, social capital and subordinated capital. The calculation of revenue per product and service or for groups of comparable products and services has been dispensed with due to the excessively high implementation costs that would be necessary for the calculation of the data.

Net interest income is calculated for each segment using the internationally recognised Schierenbeck market interest rate method. This involves comparing the effective interest rate with a reference interest rate, irrespective of whether it relates to a receivable or a liability. The contribution margin calculated on this basis is credited to the individual segments. The structural contribution calculated based on the maturity transformation is allocated to the Financial Markets segment. For this reason, it is not possible to report interest income and income expenses separately. As the income and expenses for each segment are calculated directly, there are no transactions or offsetting between the segments. In the Corporate Centre segment, an amount of TEUR 3,805 (2022: TEUR 3,638) was included in assets from consolidation using 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 Center
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	2023	-97,187	-3,151	-207	-5,202	-105,747
	2022	-16,530	-6,060	-192	-8,509	-31,291
Reversals of impairments	2023	19,012	5,559	275	6,133	30,979
	2022	26,061	3,097	422	5,874	35,454

Reporting by region

TEUR		Austria	Third country	Total
Net interest income	2023	184,041	49,620	233,661
	2022	139,126	28,677	167,803
Dividend income	2023	186	0	186
	2022	126	0	126
Net fee and commission income	2023	34,642	761	35,403
	2022	33,601	527	34,128
Net result from financial instruments at amortized cost	2023	2,289	36	2,325
	2022	3,239	0	3,239
Net result from financial instruments at fair value	2023	-44,540	6,418	-38,122
	2022	76,529	662	77,191
Other income	2023	44,724	8,758	53,482
	2022	30,684	5,112	35,796
Other expenses	2023	-24,602	-5,702	-30,304
	2022	-50,041	-3,480	-53,521
Administrative expenses	2023	-102,166	-14,341	-116,507
	2022	-93,340	-12,601	-105,941
Depreciation and amortization	2023	-6,599	-1,581	-8,180
	2022	-6,507	-1,355	-7,862
Loan loss provisions and impairment of financial assets	2023	-74,295	-4,191	-78,486
	2022	13,608	-3,605	10,003
Impairment of non-financial assets	2023	0	-1,006	-1,006
	2022	0	-1,021	-1,021
Result from equity consolidation	2023	605	0	605
	2022	718	0	718
Earnings before taxes	2023	14,285	38,772	53,057
	2022	147,743	12,916	160,659
Assets	2023	13,571,256	2,155,279	15,726,535
	2022	13,281,237	2,024,238	15,305,475
Liabilities and shareholders' equity	2023	15,289,063	437,472	15,726,535
	2022	14,989,925	315,550	15,305,475
Liabilities	2023	13,984,311	278,692	14,263,003
	2022	13,717,741	168,661	13,886,402

Switzerland, Italy and other foreign countries are counted as third countries.

F. SPECIAL DISCLOSURES ON FINANCIAL INSTRUMENTS

(55) EARNINGS BY MEASUREMENT CATEGORY

Result of financial assets

TEUR 2022	HA	NON-SPPI	FVO	AC	Total assets
Interest income	29,365	15,418	2,204	213,104	260,091
Interest expenses	0	0	0	-8,600	-8,600
Net interest income	29,365	15,418	2,204	204,504	251,491
Dividend earnings	0	126	0	0	126
Additions to loan loss provisions	0	0	0	-30,451	-30,451
Reversal of loan loss provisions	0	0	0	35,636	35,636
Write-ups	455,002	4,741	2,275	358	462,376
Depreciation	0	-49,584	-45,324	-436,801	-531,709
Realised gains	37	194	0	3,118	3,349
Realised losses	-89	-45	-2	-136	-272
Comprehensive income	484,315	-29,150	-40,847	-223,772	190,546

TEUR 2023	HA	NON-SPPI	FVO	AC	Total assets
Interest income	112,961	37,631	13,472	449,844	613,908
Interest expenses	0	0	0	0	0
Net interest income	112,961	37,631	13,472	449,844	613,908
Dividend earnings	0	186	0	0	186
Additions to loan loss provisions	0	0	0	-105,107	-105,107
Reversal of loan loss provisions	0	0	0	30,798	30,798
Write-ups	0	10,920	4,834	190,865	206,619
Depreciation	-194,739	-18,645	-1,459	-224	-215,067
Realised gains	10	156	16	1,768	1,950
Realised losses	-62	-1,001	-306	-1,048	-2,417
Comprehensive income	-81,830	29,247	16,557	566,896	530,870

Result from financial liabilities

TEUR 2022	HP	LFVO	LAC	Total assets
Interest income	0	0	1,500	1,500
Interest expenses	-20,589	-5,065	-59,534	-85,188
Net interest income	-20,589	-5,065	-58,034	-83,688
Write-ups	0	90,593	575,543	666,136
Depreciation	-519,296	3	0	-519,293
Realised gains	-176	124	316	264
Realised losses	0	-3	-419	-422
Comprehensive income	-540,061	85,652	517,406	62,997
Measurement	0	12,587	0	12,587

TEUR 2023	HP	LFVO	LAC	Total assets
Interest income	0	0	0	0
Interest expenses	-129,476	-28,871	-221,900	-380,247
Net interest income	-129,476	-28,871	-221,900	-380,247
Write-ups	266,837	-25,667	0	241,170
Depreciation	0	-30,807	-264,658	-295,465
Realised gains	0	25,859	1,812	27,671
Realised losses	0	-57	-201	-258
Comprehensive income	137,361	-59,543	-484,947	-407,129
Measurement	0	13,490	0	13,490

(56) DISCLOSURES ON FAIR VALUE

TEUR	Notes	31.12.2023 Fair value	31.12.2023 Carrying amount	31.12.2022 Fair value	31.12.2022 Carrying amount
Trading assets	(19)	117,735	117,735	182,211	182,211
Financial assets at fair value (Non-SPPI)	(20)	593,409	593,409	585,998	585,998
Financial assets at fair value (Option)	(21)	213,528	213,528	235,223	235,223
Financial assets at amortized cost	(23)	13,278,805	13,261,300	12,821,814 *)	12,799,377
Positive market values of hedges	(24)	377,849	377,849	414,740	414,740
Affiliates		968	968	968	968
Assets					
Trading liabilities	(33)	101,024	101,024	108,203	108,203
Financial liabilities at fair value (Option)	(34)	789,412	789,412	633,181	633,181
Financial liabilities at Amortized Cost	(35)	12,750,247	12,872,355	12,307,387	12,462,872
Negative market values of hedges	(36)	392,161	392,161	554,135	554,135
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 31.12.2022	Level 1	Level 2	Level 3	Total
Financial assets at amortized cost	2,227,101	37,114	10,557,599 *)	12,821,814 *)
Financial liabilities at amortized cost	4,193,749	84,841	8,028,797	12,307,387

TEUR 31.12.2023	Level 1	Level 2	Level 3	Total
Financial assets at amortized cost	2,291,146	37,560	10,950,099	13,278,805
Financial liabilities at amortized cost	5,750,537	87,476	6,912,234	12,750,247

The valuation techniques used for financial instruments not recognized at fair value are generally no different from those used for financial instruments recognized at fair value. The valuation techniques used are described in more detail in Note (3c). Changes and improvements to the valuation techniques are also explained there.

*) Adjustment due to the correction of a misstatement - see note (5)

Fair value hierarchy for financial instruments recognised at fair value

TEUR 31.12.2022	Level 1	Level 2	Level 3	Total
Trading assets	143	116,873	65,195	182,211
Financial assets at fair value (Non-SPPI)	62,727	77,080	446,191	585,998
Financial assets at fair value (Option)	17,790	39,486	177,947	235,223
Positive market values of hedges	0	125,071	289,669	414,740
Affiliates	0	0	968	968
Assets measured at fair value	**80,660**	**358,510**	**979,970**	**1,419,140**
Reclassification of assets from level 2 and 3 to level 1	0	0	0	0
Reclassification of assets from level 1 and 3 to Level 2	-4,281	5,836	-1,555	0
Trading liabilities	0	70,189	38,014	108,203
Financial liabilities at fair value (Option)	0	240,045	393,136	633,181
Negative market values of hedges	0	342,767	211,368	554,135
Liabilities measured at fair value	**0**	**653,001**	**642,518**	**1,295,519**
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	1,880	-1,880	0

TEUR 31.12.2023	Level 1	Level 2	Level 3	Total
Trading assets	125	84,055	33,555	117,735
Financial assets at fair value (Non-SPPI)	50,918	75,955	466,536	593,409
Financial assets at fair value (Option)	16,439	39,801	157,288	213,528
Positive market values of hedges	0	108,632	269,217	377,849
Affiliates	0	0	968	968
Assets measured at fair value	**67,482**	**308,443**	**927,564**	**1,303,489**
Reclassification of assets from level 2 and 3 to level 1	0	0	0	0
Reclassification of assets from level 1 and 3 to Level 2	-3,849	6,898	-3,049	0
Trading liabilities	0	75,337	25,687	101,024
Financial liabilities at Fair Value (Option)	0	382,943	406,469	789,412
Negative market values of hedges	0	268,043	124,118	392,161
Liabilities measured at fair value	**0**	**726,323**	**556,274**	**1,282,597**
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	14,498	-14,498	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
In the reporting year and in the previous year, there were no reclassifications of assets from Level 1 to Level 2, from Level 1 to Level 3 or from Level 3 to Level 1.

From Level 2 to Level 1

TEUR	31.12.2023 Quantitx	31.12.2023 Book value	31.12.2023 Book value previous year	31.12.2022 Quantitx	31.12.2022 Book value	31.12.2022 Book value previous year
From Level 2 to Level 1	1	3,849	3,855	1	4,281	4,327
Financial assets at fair value (Non-SPPI)	1	3,849	3,855	1	4,281	4,327

Instead of an OTC secondary market source from Bloomberg, a derived market value calculation was used in the current year and in the previous year for a financial instrument in the NON-SPPI category.

From Level 2 to Level 3

TEUR	31.12.2023 Quantity	31.12.2023 Book value	31.12.2023 Book value previous year	31.12.2022 Quantity	31.12.2022 Book value	31.12.2022 Book value previous year
From Level 2 to Level 3	5	3,049	3,246	3	1,555	1,084
Trading assets	1	71	89	3	1,555	1,084
Financial assets at fair value (non-SPPI)	1	2,493	2,484	0	0	0
Positive market values from hedging transactions	3	485	673	0	0	0

In the reporting year, one derivative in the trading assets category and three derivatives in the negative market values from hedging transactions category were based on relevant input factors observable on the market. For one financial instrument in the NON-SPPI category, it was possible to use input factors observable on the market instead of a counterparty market value.

Reclassification of liabilities
In the reporting year and in the previous year, there were no reclassifications of liabilities from Level 1 to Level 2, from Level 1 to Level 3, from Level 2 to Level 1 or from Level 3 to Level 1.

From Level 2 to Level 3

TEUR	31.12.2023 Quantity	31.12.2023 Book value	31.12.2023 Book value previous year	31.12.2022 Quantity	31.12.2022 Book value	31.12.2022 Book value previous year
From Level 2 to Level 3	0	0	0	3	2,091	3,556
Trading liabilities	0	0	0	2	371	3,278
Negative market values from hedging transactions	0	0	0	1	1,720	278

In the previous year, two derivatives in the trading liabilities category and one derivative in the negative market values from hedging transactions category were measured on the basis of an internal measurement model, as there were no credit spreads available on the market.

From Level 2 to Level 3

TEUR	31.12.2023 Quantity	31.12.2023 Book value	31.12.2023 Book value previous year	31.12.2022 Quantity	31.12.2022 Book value	31.12.2022 Book value previous year
From Level 2 to Level 3	7	14,498	19,079	6	1,880	4,837
Trading liabilities	0	0	0	1	225	79
Financial liabilities at fair value (option)	1	2,780	2,652	0	0	0
Negative market values from hedging transactions	6	11,718	16,427	5	1,655	4,758

Credit spreads observable on the market were used for six derivatives in the negative fair values from hedging category. In the previous year, the same applied to one derivative in the trading liabilities category and five derivatives in the negative fair values from hedging category. Internal valuation parameters were used for one financial instrument in the LFVO category.

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

TEUR 31.12.2022	Level 1	Level 2	Level 3	Total
Derivatives	0	116,873	65,195	182,068
Equity instruments	143	0	0	143
Trading assets	143	116,873	65,195	182,211
Equity instruments	0	0	11,384	11,384
Debt securities	62,727	77,080	22,624	162,431
Loans and advances	0	0	412,183	412,183
Financial assets at fair value (non-SPPI)	62,727	77,080	446,191	585,998
Debt securities	17,790	39,486	0	57,276
Loans and advances	0	0	177,947	177,947
Financial assets at fair value (option)	17,790	39,486	177,947	235,223
Positive market values of hedges	0	125,071	289,669	414,740
Affiliates	0	0	968	968
ASSETS	80,660	358,510	979,970	1,419,140
Derivatives	0	70,189	38,014	108,203
Trading liabilites	0	70,189	38,014	108,203
Deposits	0	0	115,285	115,285
Debt securities issued	0	240,045	277,851	517,896
Financial liabilities at fair value (option)	0	240,045	393,136	633,181
Negative markt values of hedges	0	342,767	211,368	554,135
LIABILITIES	0	653,001	642,518	1,295,519

TEUR 31.12.2023	Level 1	Level 2	Level 3	Total
Derivatives	0	84,055	33,555	117,610
Equity instruments	125	0	0	125
Trading assets	125	84,055	33,555	117,735
Equity instruments	0	0	12,371	12,371
Debt securities	50,918	75,955	19,067	145,940
Loans and advances	0	0	435,098	435,098
Financial assets at fair value (non-SPPI)	50,918	75,955	466,536	593,409
Debt securities	16,439	39,801	0	56,240
Loans and advances	0	0	157,288	157,288
Financial assets at fair value (option)	16,439	39,801	157,288	213,528
Positive market values of hedges	0	108,632	269,217	377,849
Affiliates	0	0	968	968
ASSETS	67,482	308,443	927,564	1,303,489
Derivatives	0	75,337	25,687	101,024
Trading liabilites	0	75,337	25,687	101,024
Deposits	0	0	123,031	123,031
Debt securities issued	0	382,943	283,438	666,381
Financial liabilities at fair value (option)	0	382,943	406,469	789,412
Negative markt values of hedges	0	268,043	124,118	392,161
LIABILITIES	0	726,323	556,274	1,282,597

Changes in Level 3 financial instruments

TEUR 2022	Opening balance	Purchases/ Issues	Sales/ Redemp-tions	Additions from Level 1 and Level 2	Reclassifica-tions to Level 1 and Level 2	Changes in Fair value	Closing balance
Trading assets	33,450	0	0	0	-1,555	33,300	65,195
Financial assets at fair value (Non-SPPI)	536,248	101,706	-152,148	0	0	-39,615	446,191
Financial assets at fair value (Option)	241,606	323	-32,804	0	0	-31,178	177,947
Positive market values of hedges	26,819	0	0	0	0	262,850	289,669
Affiliates	968	0	0	0	0	0	968
Assets measured at fair value in level 3	**839,091**	**102,029**	**-184,952**	**0**	**-1,555**	**225,357**	**979,970**
Trading liabilities	34,018	0	0	371	-225	3,850	38,014
Financial liabilities at fair value (option)	474,466	0	-11,006	0	0	-70,324	393,136
Negative markt values of hedges	54,274	0	0	1,720	-1,655	157,029	211,368
Liabilities measured at fair value in level 3	**562,758**	**0**	**-11,006**	**2,091**	**-1,880**	**90,555**	**642,518**

TEUR 2023	Opening balance	Purchases/ Issues	Sales/ Redemp-tions	Additions from Level 1 and Level 2	Reclassifica-tions to Level 1 and Level 2	Changes in Fair value	Closing balance
Trading assets	65,195	0	0	0	-71	-31,569	33,555
Financial assets at fair value (Non-SPPI)	446,191	59,517	-25,740	0	-2,493	-10,939	466,536
Financial assets at fair value (Option)	177,947	0	0	0	0	-20,659	157,288
Positive market values of hedges	289,669	0	0	0	-485	-19,967	269,217
Affiliates	968	0	0	0	0	0	968
Assets measured at fair value in level 3	**979,970**	**59,517**	**-25,740**	**0**	**-3,049**	**-83,134**	**927,564**
Trading liabilities	38,014	0	0	0	0	-12,327	25,687
Financial liabilities at fair value (option)	393,136	1,241	0	0	-2,780	14,872	406,469
Negative markt values of hedges	211,368	0	0	0	-11,718	-75,532	124,118
Liabilities measured at fair value in level 3	**642,518**	**1,241**	**0**	**0**	**-14,498**	**-72,987**	**556,274**

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.

Fair value changes in the “financial liabilities at fair value (option)” category amount to TEUR 14,872 (2022: TEUR -70,324), of which TEUR -18,725 (2022: TEUR 68,955) is recognised in the “net result from financial instruments at fair value” item and TEUR 3,853 (2022: TEUR 1,369) in other comprehensive income in the “assessment of own credit risk for liabilities at fair value” item.

Disclosures regarding sensitivity of internal input factors

TEUR	Positive fair value change- with alternative measurement parameters		Negative Fair Value change- with alternative measurement parameters	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Derivatives	20	12	-31	-22
Financial assets at fair value (Non-SPPI)	1,096	1,722	-1,767	-2,750
of which issues	74	325	-303	-770
of which loans and advances	1,022	1,397	-1,464	-1,980
Financial assets at fair value (option)	5	7	-9	-12
of which loans and advances	5	7	-9	-12
Financial liabilities at fair value (option)	-2,554	-2,465	2,554	2,465
of which debt securities issued	-1,284	-1,563	1,284	1,563
of which deposits	-1,270	-902	1,270	902
Total	-1,433	-724	747	-319

The relevant internal input factor for the financial assets is determined by calculating the credit risk, expressed as a credit spread. If CDS spreads are available for a counterparty, the credit risk is measured on the basis of these available input factors. If, on the other hand, no CDS spread is observable, the credit risk is measured on the basis of the internally determined probability of default in conjunction with the internal rating. In the case of the above sensitivity, the internal ratings were shifted in parallel by one notch in each case.

The internal input factor relevant for the financial liabilities results from the determination of the current issue level of private placements compared with public placements.

For the above sensitivity, the credit spreads applied were each shifted by 10 basis points in parallel.

On the basis of collateral management with institutional counterparties, two derivative hedging instruments in level 3 were measured not by using the internal measurement models, but instead by taking over the counterparty’s market values. If using the internal measurement model, this would result in a change in market values of TEUR 142 (2022: TEUR 331). As this measurement was also used for the hedged items, this results in an offsetting change in measurement of TEUR 160 (2022: TEUR -366).

(57) DISCLOSURES ON OFFSETTING FINANCIAL INSTRUMENTS

TEUR 31.12.2022	Financial instruments (gross)	Financial instruments (net)	Effect of offsetting master agreement	Collateral	Net Amount
Positive market values of derivative financial instruments	596,808	596,808	-422,528	-140,497	33,783
Total assets	596,808	596,808	-422,528	-140,497	33,783
Negative market values of derivative financial instruments	662,338	662,338	-422,528	-217,561	22,249
Total liabilities	662,338	662,338	-422,528	-217,561	22,249

TEUR 31.12.2023	Financial instruments (gross)	Financial instruments (net)	Effect of offsetting master agreement	Collateral	Net Amount
Positive market values of derivative financial instruments	495,459	495,459	-288,867	-174,955	31,637
Total assets	495,459	495,459	-288,867	-174,955	31,637
Negative market values of derivative financial instruments	493,186	493,186	-288,867	-191,804	12,515
Total liabilities	493,186	493,186	-288,867	-191,804	12,515

(58) IMPAIRMENT ON FINANCIAL INSTRUMENTS

Amount of impairment and provisions per category and stage

TEUR 31.12.2022	Stage 1	Stage 2	Stage 3	POCI	Total
Loans and advances	16,029	19,699	57,641	1,353	94,722
Debt securities	265	814	997	0	2,076
Credit commitments, financial guarantees and other commitments	1,941	1,064	9,859	2	12,866
Impairment and provisions	**18,235**	**21,577**	**68,497**	**1,355**	**109,664**

TEUR 31.12.2023	Stage 1	Stage 2	Stage 3	POCI	Total
Loans and advances	18,256	20,334	114,013	5,113	157,716
Debt securities	302	692	997	0	1,991
Credit commitments, financial guarantees and other commitments	2,129	1,846	7,423	0	11,398
Impairment and provisions	**20,687**	**22,872**	**122,433**	**5,113**	**171,105**

Amount of maximum default risk for all financial instruments

TEUR 31.12.2022	Gross carrying amount	Commit-ments and guarantees	Maximum default risk
Debt securities at fair value (Non-SPPI)	162,431	0	162,431
Debt securities at fair value (Option)	57,276	0	57,276
Debt securities at amortized cost	2,280,203	0	2,280,203
Debt securities	**2,499,910**	**0**	**2,499,910**
Loans and advances cash reserve	843,837	9,994	853,831
Loans and advances at fair value (Non-SPPI)	412,183	34,939	447,122
Loans and advances at fair value (Option)	177,947	0	177,947
Loans and advances at amortized cost	10,519,174	2,218,553	12,737,727
Loans and advances	**11,953,141**	**2,263,486**	**14,216,627**
Trading assets derivatives	182,068	0	182,068
Positive market values of hedges	414,740	0	414,740
Derivatives	**596,808**	**0**	**596,808**
Equity instruments trading assets	143	0	143
Equity instruments at fair value (Non-SPPI)	11,384	0	11,384
Equity instruments	**11,527**	**0**	**11,527**
Sureties and guarantees	**0**	**544,018**	**544,018**
Overall exposure	**15,061,386**	**2,807,504**	**17,868,890**

TEUR 31.12.2023	Gross carrying amount	Commit-ments and guarantees	Maximum default risk
Debt securities at fair value (Non-SPPI)	145,940	0	145,940
Debt securities at fair value (Option)	56,240	0	56,240
Debt securities at amortized cost	2,345,583	0	2,345,583
Debt securities	2,547,763	0	2,547,763
Loans and advances cash reserve	952,091	0	952,091
Loans and advances at fair value (Non-SPPI)	435,098	15,506	450,604
Loans and advances at fair value (Option)	157,288	0	157,288
Loans and advances at amortized cost	10,915,717	1,938,957	12,854,674
Loans and advances	12,460,194	1,954,463	14,414,657
Trading assets derivatives	117,610	0	117,610
Positive market values of hedges	377,849	0	377,849
Derivatives	495,459	0	495,459
Equity instruments trading assets	125	0	125
Equity instruments at fair value (Non-SPPI)	12,371	0	12,371
Equity instruments	12,496	0	12,496
Sureties and guarantees	0	476,575	476,575
Overall exposure	15,515,912	2,431,038	17,946,950

Default risk of financial instruments subject to the provisions of impairment

TEUR 31.12.2022	Rating 1	Rating 2	Rating 3	Rating 4	Rating 5	Not rated	Total
Stage I - carrying amount	2,769,533	3,983,223	5,317,907	49,010	0	34,270	12,153,943
Stage I - off-balance-sheet transactions	306,659	931,879	1,247,330	20,638	0	6	2,506,512
Stage I - default risk	3,076,192	4,915,102	6,565,237	69,648	0	34,276	14,660,455
Stage II - carrying amount	55,563	85,532	896,066	227,946	0	17,906	1,283,013
Stage II - off-balance-sheet transactions	5,004	36,834	211,038	13,611	0	13,071	279,558
Stage 2 - default risk	60,567	122,366	1,107,104	241,557	0	30,977	1,562,571
Stage 3 - carrying amount	0	0	0	4,014	195,564	0	199,578
Stage 3 - off-balance-sheet transactions	0	0	0	2,269	19,044	0	21,313
Stage 3 - default risk	0	0	0	6,283	214,608	0	220,891
POCI - carrying amount	0	5	2,973	28	3,674	0	6,680
POCI - off-balance-sheet transactions	0	30	0	0	91	0	121
POCI - default risk	0	35	2,973	28	3,765	0	6,801
Total - carrying amount	2,825,096	4,068,760	6,216,946	280,998	199,238	52,176	13,643,214
Total - off-balance-sheet transactions	311,663	968,743	1,458,368	36,518	19,135	13,077	2,807,504
Total - default risk	3,136,759	5,037,503	7,675,314	317,516	218,373	65,253	16,450,718

TEUR 31.12.2023	Rating 1	Rating 2	Rating 3	Rating 4	Rating 5	Not rated	Total
Stage I - carrying amount	3,112,466	4,184,114	5,374,704	89,611	0	17,571	12,778,466
Stage I - off-balance-sheet transactions	274,006	870,345	956,964	37,345	0	3,442	2,142,102
Stage I - default risk	3,386,472	5,054,459	6,331,668	126,956	0	21,013	14,920,568
Stage II - carrying amount	43,498	59,374	737,783	346,562	0	12,648	1,199,865
Stage II - off-balance-sheet transactions	12,212	12,544	127,129	46,985	0	50,888	249,758
Stage 2 - default risk	55,710	71,918	864,912	393,547	0	63,536	1,449,623
Stage 3 - carrying amount	0	92	0	127	206,037	968	207,224
Stage 3 - off-balance-sheet transactions	0	0	27	0	37,920	0	37,947
Stage 3 - default risk	0	92	27	127	243,957	968	245,171
POCI - carrying amount	0	0	3,936	18,296	5,604	0	27,836
POCI - off-balance-sheet transactions	0	0	0	0	0	0	0
POCI - default risk	0	0	3,936	18,296	5,604	0	27,836
Total - carrying amount	3,155,964	4,243,580	6,116,423	454,596	211,641	31,187	14,213,391
Total - off-balance-sheet transactions	286,218	882,889	1,084,120	84,330	37,920	54,330	2,429,807
Total - default risk	3,442,182	5,126,469	7,200,543	538,926	249,561	85,517	16,643,198

Information on the default risk of impaired financial instruments

TEUR 31.12.2022	Gross Carrying amount	Valuation allowance	Other Collateral	Received guarantees
Debt securities	997	997	0	0
Loans and advances	264,274	58,964	138,521	12.710
Measured at amortized cost	265.271	59,961	138,521	12,710
Loans and advances	7,937	3,366	2,295	0
Measured at fair value	7.937	3,366	2,295	0

TEUR 31.12.2023	Gross Carrying amount	Valuation allowance	Other Collateral	Received guarantees
Debt securities	997	997	0	0
Loans and advances	331,145	118,350	162,440	10.952
Measured at amortized cost	332.142	119,347	162,440	10,952
Loans and advances	100,927	20,436	72,691	0
Measured at fair value	100.927	20,436	72,691	0

In the reporting period, financial receivables in the amount of TEUR 18,473 (2022: TEUR 12,372) were written off that are still subject to enforcement action.

Changes in valuation allowances per item and class

TEUR 2022	Opening balance	Additions	Utilisation	Reversals	Unwinding	Stage Transfer	Other changes	Closing balance
Valuation allowances cash reserve - Stage 1	5	2	0	-4	0	0	0	3
Valuation allowances cash reserve	5	2	0	-4	0	0	0	3
Valuation allowances debt securities AC - Stage 1	318	120	0	-159	0	-14	0	265
Valuation allowances debt securities AC - Stage 2	898	40	0	-138	0	14	0	814
Valuation allowances debt securities AC - Stage 3	1,020	0	0	-23	0	0	0	997
Valuation allowances debt securities AC	2,236	160	0	-320	0	0	0	2,076
Valuation allowances loans and advances AC - Stage 1	14,855	7,328	0	-5,685	0	-538	66	16,026
Valuation allowances loans and advances AC – Stage 2	27,086	7,644	49	-12,690	0	-2,430	40	19,699
Valuation allowances loans and advances AC Stage 3	70,273	15,145	-15,812	-16,519	1,529	2,968	57	57,641
Valuation allowances loans and advances AC - POCI	1,580	-7	-16	-240	36	0	0	1,353
Valuation allowances loans and advances AC	113,794	30,110	-15,779	-35,134	1,565	0	163	94,719
Valuation allowances debt securities and loans and advances	116,030	30,270	-15,779	-35,454	1,565	0	163	96,795
Valuation allowances corporate customers	75,696	16,530	-12,540	-26,061	1,254	0	118	54,997
Valuation allowances private customers	8,998	6,060	-192	-3,097	18	0	41	11,828
Valuation allowances Financial Markets	1,461	192	0	-422	0	0	1	1,232
Valuation allowances Corporate Center	29,875	7,488	-3,047	-5,874	293	0	3	28,738

TEUR 2023	Opening balance	Additions	Utilisation	Reversals	Unwinding	Stage transfer	Other changes	Closing balance
Valuation allowances cash reserve - Stage 1	3	2	0	-2	0	0	0	3
Valuation allowances cash reserve	**3**	**2**	**0**	**-2**	**0**	**0**	**0**	**3**
Valuation allowances debt securities AC - Stage 1	265	105	0	-68	0	0	0	302
Valuation allowances debt securities AC - Stage 2	814	0	0	-122	0	0	0	692
Valuation allowances debt securities AC - Stage 3	997	0	0	0	0	0	0	997
Valuation allowances debt securities AC	**2,076**	**105**	**0**	**-190**	**0**	**0**	**0**	**1,991**
Valuation allowances loans and advances AC - Stage 1	16,026	7,788	0	-4,990	0	-694	123	18,253
Valuation allowances loans and advances AC – Stage 2	19,699	14,469	0	-11,956	0	-1,939	61	20,334
Valuation allowances loans and advances AC Stage 3	57,641	78,617	-13,956	-13,773	2,438	2,633	413	114,013
Valuation allowances loans and advances AC - POCI	1,353	3,762	0	-70	68	0	0	5,113
Valuation allowances loans and advances AC	**94,719**	**104,636**	**-13,956**	**-30,789**	**2,506**	**0**	**597**	**157,713**
Valuation allowances debt securities and loans and advances	**96,795**	**104,741**	**-13,956**	**-30,979**	**2,506**	**0**	**597**	**159,704**
Valuation allowances corporate customers	54,997	97,187	-11,009	-19,012	1,563	0	496	124,222
Valuation allowances private customers	11,828	3,151	-578	-5,559	24	0	50	8,916
Valuation allowances Financial Markets	1,232	207	0	-275	0	0	0	1,164
Valuation allowances Corporate Center	28,738	4,196	-2,369	-6,133	919	0	51	25,402

(59) FINANCIAL INSTRUMENTS BY CATEGORY

The presentation of financial instruments by measurement category is made in the corresponding notes to the balance sheet item, as the measurement categories are already presented in detail in the balance sheet items in accordance with IFRS 9.

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 risk of default by counterparties as well as the risk of deterioration in creditworthiness. Risks may also arise from the use of credit risk mitigation techniques, foreign currency or concentration risks from the lending business, and counterparty default risks. Risks may also arise from securitization activities.
- Market risks: The common feature of these risks is that they arise from price changes on the money and capital markets. Market price risks are divided into interest rate, spread, share price, foreign currency and commodity risks.
- Liquidity risk: Liquidity risks can be broken down into forward and call risks, structural liquidity risk (follow-up financing risks) and market liquidity risk. Forward risk refers to an unscheduled extension of the capital commitment period for asset transactions. Call risk is the risk that loan commitments will be drawn down unexpectedly or that deposits will be withdrawn. This results in the risk that a bank can no longer meet its payment obligations without restriction. Structural liquidity risk is the risk that necessary follow-up financing cannot be provided or can only be provided on less favorable terms. Market liquidity risk arises when positions can only be sold immediately by accepting a decline in value.
- Operational risk: The risk of a direct or indirect loss caused by human or indirect loss caused by human error, process weaknesses, technological failure or external influences. It also includes 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 generally refers to the risk of fluctuations in the value of real estate owned by the Group. In particular, this includes real estate that serves as loan collateral (including leased properties) and cannot be sold to third parties in a timely manner in the course of liquidation ("rescue acquisitions"). Owner-occupied real estate is not included.
- Risk of excessive debt: This refers to the risk of an equity ratio that is too low.
- Money laundering and terrorist financing: The Group counters these risks with all countermeasures available.
- Macroeconomic risk: Macroeconomic risks are Loss potentials caused by exposure to macro-economic 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 basis for the overall risk management is the strict separation of front office and back office functions. The risk management functions are pooled under the responsibility of the responsible member of the Board of Management. Risk control is developed and carried out by the Group Risk Management Group. The Group measures risks at Group level. The independent assessment and approval of credit applications is carried out by the Credit Management Corporate Customers (KMFK) and Credit Management Private Customers (KMPK) departments.

The risk situation and the risk-bearing capacity calculation are discussed by the Asset Liability Management (ALM) Committee. Within this committee, the Board of Management decides on the procedures for measuring market risk, the definition of the interfaces between Sales and Treasury with regard to the market interest rate method, and the level of market risk or liquidity limits. In addition to the full Board of Management and the Corporate and Private Customers Sales department, the Overall Bank Risk Management, Controlling, Strategic Bank Management and Treasury departments also attend the committee meetings.

The strategies, processes and procedures for managing risks are documented in writing. The Group has a risk management manual and a credit manual which are accessible to all employees. The manuals are revised at regular intervals. Furthermore, all relevant work processes are regulated in written instructions, which are also accessible to all employees.

Sustainability risks

The Bank strives to measure and limit sustainability risks. This means that negative effects potentially resulting from sustainability factors' current or expected effects on customers or loans must be measured and limited. This includes reputational risk. Sustainability in the "inside-out perspective" and the associated public image are therefore also indirectly relevant to risk.

The Bank is making efforts to limit risks in all three aspects (ecological, social and governance risks). With regard to risk measurement, the focus is currently on ecological risks – and here on climate risk – whereby both physical and transitory risks must be measured and limited.

Climate risks are a subgroup of sustainability risks. They are generally divided into physical climate risks and transition risks, although there are also interdependencies between these two categories. In terms of risk measurement, the focus is currently on climate risks, whereby both physical and transitional risks are to be measured and limited.

Global climate change is associated with significant risks that may have a negative impact on the economy and society. At Hypo Vorarlberg, these risks are systematically analysed and managed. Climate change has the potential to reconfigure the economy and society. Many companies are being forced to reconsider their business model in view of physical risks, new regulatory requirements or changed customer behaviour. Social values and ways of life are coming under scrutiny and facing the question of whether it is possible to carry on as before without jeopardising the basis of life for future generations. Banks cannot escape these developments either.

Hypo Vorarlberg is determined to reduce the physical risks and transition risks of climate change and strengthen the resilience of its business model. The company is taking suitable measures to identify climate risks and be able to manage them effectively. At the same time, the company is taking advantage of the opportunities arising from climate change, particularly in the area of products and services. Legal regulations (e.g. EU Disclosure Regulation, EBA Guidelines on Loan Origination and Monitoring) provide the framework for this, while responsibility lies with the full Managing Board.

Physical climate risks
The physical risks of climate change refer to risks resulting directly from changes in the climate, such as temperature changes, more frequent occurrence of extreme weather (e.g. cold spells or droughts) or natural disasters (e.g. forest fires, floods). Different economic sectors are affected by these risks to different degrees. According to the Austrian Financial Market Authority (FMA), the most vulnerable sectors include agriculture and forestry, food production, transport, tourism and energy.

Transition risks of climate change
In contrast to the physical risks of climate change, transition risks refer to the potential consequences arising from the development towards a more environmentally friendly economic system. These include political and regulatory measures to combat climate change (e.g. introduction of a CO_2 tax) as well as changes in consumer behaviour (e.g. trend towards environmentally friendly mobility solutions) and in technology (e.g. development of a more climate-friendly alternative to products or services offered by a company). Sectors that are heavily dependent on fossil fuels (e.g. energy production, iron and steel industry) or whose products cause high emissions (e.g. automotive manufacturers) are particularly affected by the transition risks of climate change.

While the direct physical climate risks to the Bank's infrastructure are rated as serious but generally low, it is primarily the indirect physical climate risks in its core business that are significant for the company (e.g. financing for companies that are exposed to physical risks). Transition risks of climate change also affect Hypo Vorarlberg mainly in its core business (e.g. financing for companies whose business models are being put to the test by changes in the climate).

DEALING WITH DIRECT CLIMATE RISKS
Direct physical risks for Hypo Vorarlberg – for example, from massive damage within the Group caused by extreme weather (destruction of the Bank's infrastructure or IT systems) – are covered by the Bank's Business Continuity Management. It aims to at least limit the potential damage of exceptional situations to the extent that these cannot be prevented. This also includes exceptional situations in connection with physical climate risks.

What is most important is to respond quickly and correctly to emergencies and be able to continue key business processes. In the security and crisis manual, known scenarios are outlined and recovery parameters are defined along with the designated processes and resources. At Hypo Vorarlberg, a committee – the Crisis Team – is responsible for the area of business continuity management (BCM). It is supported by security officers who are nominated at all branches and have clearly defined tasks.

IDENTIFICATION & MEASUREMENT OF RISKS IN CORE BUSINESS
Since 2021, these risks have been subject to the same management group as other risks at the Bank. Based on a risk inventory, a strategy for dealing with the risks identified as material must be developed. These risks are reported to the Executive Board in an annual sustainability risk report. The report was prepared for the first time in June 2023.

BANK RISK MANAGEMENT
The Group Risk Management is responsible for risk controlling, which includes the annual revision of the risk strategy, including the implementation of the risk inventory and the development of risk models. One aspect of this is therefore also the identification of sustainability risks.

For the 2024 risk strategy, the risk inventory was updated with the involvement of relevant departments and taking into account the sustainability risk report.

Measurement of flooding risk in Vorarlberg
With regard to physical risks, initial investigations are focusing on the risk of floods.

Vorarlberg was last affected by massive flooding in 2005. According to media reports, the state-wide damage amounted to approximately EUR 180 million (https://www.vol.at/jahrhundert-hochwasser-im-jahr-2005-naturkatastrophe-in-vorarlberg/442870).

An analysis of the risk reports back then shows low valuation allowances for real estate financing only in a few individual cases, while there are no indications of increased valuation allowances in the annual report for 2005. Even a massive flood on the home market thus had no significant effects on Hypo Vorarlberg's operations. Extensive flood control measures were subsequently taken in Vorarlberg up until 2015, with the public sector investing EUR 300 million.

The financed volume in red and yellow zones ("HQ100" = flood events with a medium probability of occurrence that statistically occur every 100 years) in Vorarlberg was quantified in 2022. In total, the customer volume in the HQ100 zone comes to approximately EUR 453 million and is spread across the whole of Vorarlberg. It is very unlikely that a flood event would affect the entire state. Some clusters can be identified at the level of individual customers, for example in the Rhine valley. The water management department of the Vorarlberg state government expects that the HQ100 zones will generally decrease as a result of construction measures. In the event of flooding, damage is caused to the property; only in a very small number of cases does the land lose value. The amount of losses is reduced by the public sector and insurance, but an event causing damage may have serious consequences for businesses.

The exposure to customers in avalanche hazard zones amounts to EUR 82 million, with most of the volume located in Vorarlberg. An exposure of EUR 14 million is located in both flood hazard zones and avalanche zones.

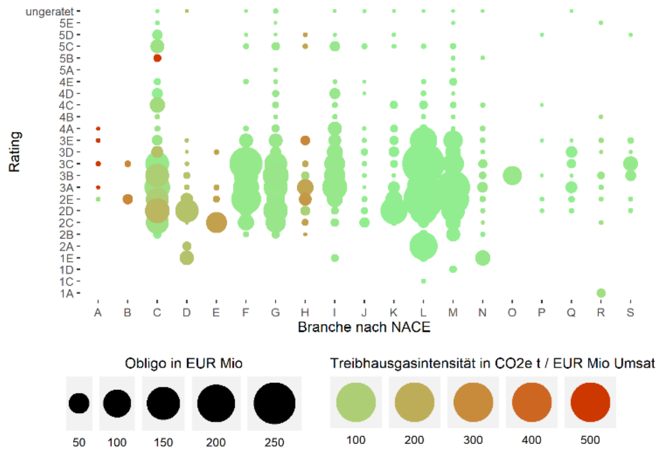
Measurement of greenhouse gas intensity
The pricing of greenhouse gas emissions is leading to a rise in energy costs and fuel costs, for example. As a result, the financial burden for customers is increasing. In order to manage this risk, sectors and customers with a higher greenhouse gas intensity and a lower credit rating are identified.

To measure the transition risk, the greenhouse gas intensities for each sector and country[1] were transferred to the corporate portfolio (not including real estate financing or securities) of the individual bank.

The following heat maps show the greenhouse gas intensities for the Austrian and the German corporate portfolio as of December 2022. The x axis shows NACE sectors (statistical system categorising economic sectors in the European Community), while the y axis shows customer ratings. The size of the dots represents the volume at the respective intersection.

[1]Tons of CO_2e (CO_2 equivalents) per EUR million of revenue. Source: Eurostat

Heat map for Austria



Heat map for Germany

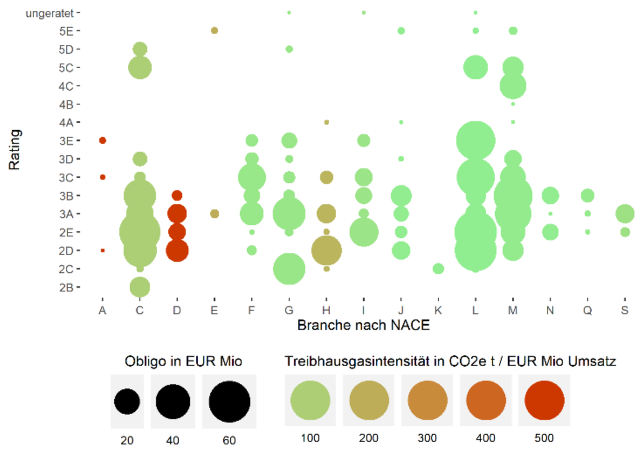


Table with NACE sectors

NACE Code	Sector description
A	Agriculture, forestry and fishing
B	Mining and quarrying
C	Manufacturing
D	Electricity, gas, steam and air conditioning supply
E	Water supply; sewerage; waste management and remediation activities
F	Construction
G	Wholesale and retail trade; repair of motor vehicles and motorcycles
H	Transporting and storage
I	Accommodation and food service activities
J	Information and communication
K	Financial and insurance activities
L	Real estate activities
M	Professional, scientific and technical activities
N	Administrative and support service activities
O	Public administration and defence; compulsory social security
P	Education
Q	Human health and social work activities
R	Arts, entertainment and recreation
S	Other services activities
U	Activities of extraterritorial organisations and bodies

A large portion of the portfolio shows a fairly low greenhouse gas intensity. In Germany, the highest intensities are to be seen in the energy supply sector, and an analysis of the individual customers indicates that the Eurostat data overestimate the intensities for some customers. In Austria, the manufacturing industry has comparatively high levels with a significant volume in generally good rating classes. Other portfolios with high greenhouse gas intensity and generally good ratings can be found in the transportation and storage sector and in agriculture and forestry.

On average, the greenhouse gas intensity of the entire portfolio of corporate financing comes to approximately 36t of CO_2e per EUR million of customer revenue.

Energy performance certificates

For a number of years, Hypo Vorarlberg has been obtaining energy performance certificates for real estate financing. The energy performance certificates include key figures that are each converted into a grade from A++ to G. The information from the energy performance certificates is required, for example, to be able to estimate the extent to which customers are exposed to a risk from higher energy costs.

Customers that have a lower credit rating and occupy a property with a weak energy performance certificate are more heavily impacted by rising energy costs than other customers. Increased energy costs also impact the value of properties with high energy consumption more than that of properties with lower energy consumption. The risk of rising energy costs is currently mitigated by extensive government subsidy programmes that lessen the possible effects.

An analysis of loans in the Private Customers segment comparing the customer rating with the energy performance grade showed that the energy performances are mostly rated with a grade of B or better. There is only a weak correlation between the customer rating and the energy performance grade.

Improvement in data quality

Hypo Vorarlberg has already worked intensively on improving data quality in the past. Sustainability-related customer information, e.g. emissions data, is requested in the form of the OEKB-ESG questionnaire.

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
- Negative scenario
- Positive scenario

Sensitivities by stage – volume

TEUR 2023	Stage 1	Stage 2
Main scenario	53,414	-53,414
Negative scenario	-317,138	317,138
Positive scenario	110,350	-110,350

Sensitivities by stage – loan loss provisions

TEUR 2023	Stage 1	Stage 2
Main scenario	-531	-1,049
Negative scenario	899	3,447
Positive scenario	-1,239	-1,973

In the negative scenario, the volume in stage 2 would increase by TEUR 317,138. Loan loss provisions for stages 1 and 2 would increase by TEUR 4,346 in total. In the positive scenario, the volume in stage 2 would decrease by TEUR 110,350 and loan loss provisions for stages 1 and 2 would decrease by TEUR 3,213.

Sensitivities by stage – volume

TEUR 2023		Corporate customers	Private customers	Financial institutes	States
Main scenario	Stage 1	41,359	12,055	0	0
	Stage 2	-41,359	-12,055	0	0
Negative scenario	Stage 1	-285,603	-31,535	0	0
	Stage 2	285,603	31,535	0	0
Positive scenario	Stage 1	84,133	26,217	0	0
	Stage 2	-84,133	-26,217	0	0

Sensitivities by stage – loan loss provisions

TEUR 2023		Corporate customers	Private customers	Financial institutes	States
Main scenario	Stage 1	-181	-349	0	0
	Stage 2	-846	-203	0	0
Negative scenario	Stage 1	129	770	0	0
	Stage 2	2,859	588	0	0
Positive scenario	Stage 1	-379	-860	0	0
	Stage 2	-1,484	-489	0	0

Broken down by segment, the volume in stage 2 predominantly increases in the Corporate Customers segment in the negative scenario (TEUR 285,603). The increase in loan loss provisions in this segment amounts to TEUR 2,859.

(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 maintains a small trading portfolio within the meaning of Article 94 CRR.

The statement of financial position structure is managed with a uniform reference interest rate system using the market interest rate method. The setting of the reference interest rate determines the allocation of interest income and expenses to market areas or Treasury. As a key management tool, fixed interest rates are therefore set by the Managing Board and decided anew each year.

Risk measurement with regard to market risks is based on three methods that are each calculated centrally for the individual bank:

- Value at risk (VaR)
- Change in present value of equity in stress tests (economic value)
- Change in net interest income in the next 12 months in stress scenarios (income perspective)

With a focus on better customer service the individual bank maintains a small trading portfolio within the meaning of Article 94 CRR.

Historical simulation parameters	
Historical period	250 trading days
Holding period	10 trading days
Confidence level	99 %

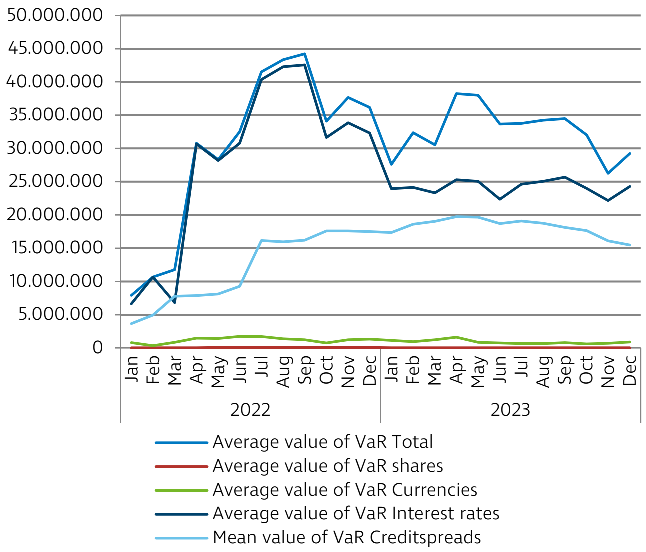
The VaR limit defines the maximum loss the Group is prepared to absorb under normal market conditions. The Managing Board defines the global VaR limit on an annual basis in line with the ICAAP. In addition, limits are defined for various yield curves, currency pairs, credit spread risks and equity position risks, for example.

Bank Risk Management is responsible for implementing the stress tests required by the EU's IRRBB (Interest Rate Risk in the Banking Book) Guideline. The results are reported on a monthly basis in the risk report.

In addition to present value figures, the Group regularly prepares gap analyses for managing fixed interest rates on the money market and the capital market.

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.

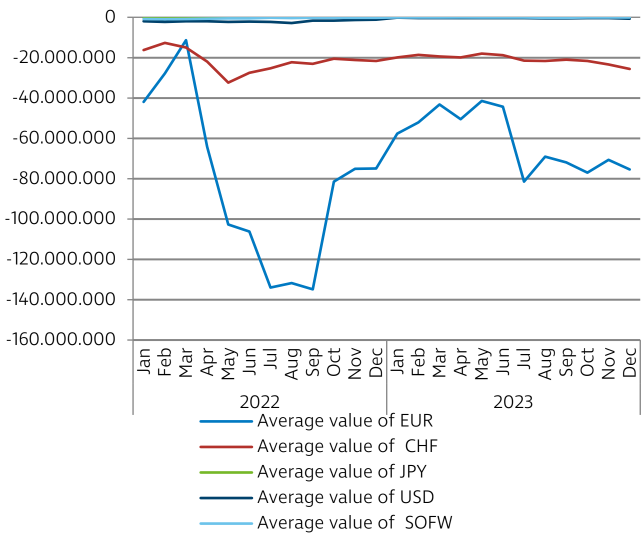
TEUR 2022	Mean Value of VaR total	Mean Value of VaR interest	Mean Value of VaR-FX	Mean Value of VaR shares	Mean Value of Credit-spreads
January	7,901	6,635	774	14	3,651
February	10,670	10,673	333	14	4,949
March	11,750	6,801	823	22	7,780
April	30,787	30,678	1,456	24	7,888
May	28,310	28,191	1,430	52	8,098
June	32,536	30,777	1,730	52	9,242
July	41,531	40,365	1,688	52	16,147
August	43,350	42,307	1,356	53	15,943
September	44,227	42,560	1,234	53	16,197
October	34,109	31,643	737	54	17,595
November	37,672	33,871	1,214	55	17,611
December	36,183	32,327	1,303	53	17,492

TEUR 2023	Mean Value of VaR total	Mean Value of VaR interest	Mean Value of VaR-FX	Mean Value of VaR shares	Mean Value of Credit-spreads
January	27,606	23,929	1,116	35	17,339
February	32,380	24,125	931	31	18,606
March	30,535	23,324	1,223	22	19,055
April	38,225	25,301	1,608	23	19,735
May	38,000	25,041	825	23	19,653
June	33,645	22,364	719	18	18,686
July	33,762	24,594	666	20	19,065
August	34,250	25,028	646	23	18,730
September	34,495	25,694	809	27	18,111
October	32,008	23,995	579	24	17,635
November	26,234	22,149	708	23	16,091
December	29,252	24,268	887	20	15,455

In March 2022, a change was made to the model. Equity was no longer recognised as a risk-reducing position. In addition, different options for loans and current account business were taken into account. Since October 2022, anticipated unscheduled repayments (prepayments) have been included in the measurement of market risk.

The change in present values as a result of a 200-basis-point shift in the 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 lending business are:

- Deviations from general targets do not represent an ETP. These targets are operationalised by way of portfolio limits, for example.
- Name lending only, without meeting the usual conditions and without informative economic documentation, is not carried out.
- The Group aims to avoid cluster risks in terms of sectors, regions, foreign currencies and individual customers.
- Loans are to be priced appropriately in line with the risks.
- In weak rating classes, higher collateral is targeted.
- The goal is for loans with foreign currency risks for the customer to decrease both in absolute terms and in relation to the total volume.
- New loans in a currency other than EUR (except for the St. Gallen branch) are granted only very selectively.
- The goal is to achieve a reduction in foreign currency loans repayable on final maturity.
- The Group does not finance any new customers in rating class 5. Financing is permitted for existing borrowers undergoing a restructuring phase.
- For weaker rating classes, top quality collateral must be targeted.
- Acquisitions in different sectors may involve elevated risks and must be evaluated more critically.
- New customers outside the core markets represent an elevated risk and must be examined more critically. The regulations on country limits or regional limits and other regulations in the individual sections must be observed.
- The goal is to achieve a reduction in repayment vehicle loans.
- For existing customers with repayment vehicle financing, higher saving of the repayment vehicles or preferably a changeover to (partially) amortising is targeted.
- For foreign currency loans, (partial) conversions or (partial) repayments are targeted. Both in EUR and in foreign currencies, the goal is to change over financing repayable on final maturity to amortising (with the exception of the "Lebenswert" and "Lebenszeit" loans at the individual bank).
- In its lending business, the Group is aiming to reduce complexity.

The Group calculates the expected loss (EL) for the entire credit portfolio. To calculate the economic capital and the unexpected loss (UL), an in-house IT tool based on the Basel IRB approach has been programmed.

In countries where a systemic risk or a transfer risk cannot be ruled out, the Group intends to grant loans only to a limited extent. To this end, the Board of Management sets country limits that are monitored on an ongoing basis and the utilization of which is reported to the Board of Management on a regular basis. The customer group banks is provided with its own volume limits. Banks are important business partners, for example in money market and derivatives trading, to which large-volume loans are granted, sometimes with very short terms. These limits are also monitored on a regular basis and their utilization is reported to the Board of Management. Limits and their utilization are reported to the Supervisory Board once a year.

In order to be able to take into account the creditworthiness-relevant characteristics of the various customer segments, various rating modules are used that are tailored to the respective customer group. These systems meet the requirements of the FMA's Minimum Standards for the Credit Business (FMA-MSK) for risk classification procedures. The result is the classification of borrowers into a uniform 25-level rating scale (1a to 5e), with the last five rating levels (5a to 5e) being default levels. Associated with each rating grade are estimated one-year probabilities of default. Rating grades 1a to 2e indicate excellent to very good creditworthiness, rating grades 3a to 3e stand for medium creditworthiness, and rating grades 4a to 4e signal increased default risk. External ratings are generally available in Treasury. If no external ratings are available for a counterparty, an internal rating must be prepared by the back office. External ratings are assigned to the internal rating scale. Rating class 1 is only provided for business partners with a very good external rating.

Credit decisions are made on the basis of the dual control principle. For each area, there are authorization rules that define rating- and volume-dependent authorizations for the front and back office. As a rule, a second vote by the back office is required.

The Group uses the default concept of the CRR to define default events. The recording of default ratings is mainly ensured on a technical basis, in exceptional cases on a procedural basis. If a default event occurs, the customer in question is assigned a default rating (rating class 5). The Group uses an early warning event recovery (ARR) system to clearly identify the 90-day default. The system triggers a standardized workflow that forces the front and back office to deal with exposures in default. If an exposure is not resolved within 90 days, it is normally transferred to Central Credit Management (restructuring).

The Group takes account of the particular risks of the banking business through conservative lending, strict credit monitoring and the prudent recognition of specific valuation allowances. Specific valuation allowances are recognized for the credit risks inherent in receivables from customers and banks in accordance with uniform Group-wide standards. Risk provisions for defaulted exposures are recognized on the basis of estimates of the amount of future loan defaults and interest discounts.

A specific valuation allowance is recognized for a loan if it is probable, based on observable criteria, that not all interest and principal obligations can be met in accordance with the contract. The amount of the specific valuation allowance is the difference between the carrying amount of the loan and the present value of the expected future cash flows, taking into account any discounted collateral. The total amount of the allowance for losses on loans and advances, if it relates to on-balance sheet receivables, is deducted directly from the receivables. The allowance for losses on off-balance sheet transactions (guarantees, endorsement liabilities, loan commitments), on the other hand, is reported as a provision for guarantees and commitments. Uncollectible receivables are written off directly. Recoveries on receivables written off are recognized in 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 31.12.2022	Rating- class 1	Rating- class 2	Rating- class 3	Rating- class 4	Rating- class 5	Unrated	Total
Corporate customers	705,504	2,382,052	5,184,332	133,887	182,568	5,982	8.594.325
Private customers	298	1,101,184	1,432,593	27,441	15,870	22,880	2.600.266
Financial Markets	2,972,467	865,497	50,946	4,025	0	7,471	3.900.406
Corporate Center	267,756	604,783	1,417,795	161,437	75,062	207,928	2.734.761
Total exposure	3,946,025	4,953,516	8,085,666	326,790	273,500	244,261	17,829,758

TEUR 31.12.2023	Rating- class 1	Rating- class 2	Rating- class 3	Rating- class 4	Rating- class 5	Unrated	Total
Corporate customers	677,719	2,463,269	4,623,640	441,675	339,103	1,063	8.546.469
Private customers	290	1,121,162	1,243,630	31,598	20,672	21,523	2.438.875
Financial Markets	3,301,004	655,388	67,100	52	0	12,637	4.036.181
Corporate Center	287,215	714,513	1,515,221	112,394	66,765	191,831	2.887.939
Total exposure	4,266,228	4,954,332	7,449,591	585,719	426,540	227,054	17,909,464

Regions broken down by rating (maximum default risk)

TEUR 31.12.2022	Rating- class 1	Rating- class 2	Rating- class 3	Rating- class 4	Rating- class 5	Unrated	Total
Austria	1,919,162	2,984,717	5,447,767	133,664	125,471	4,555	10,615,336
Italy	3,020	139,608	625,354	118,889	74,285	15,285	976,441
Germany	239,351	1,056,343	974,845	27,522	66,037	3,534	2,367,632
Switzerland and Liechtenstein	386,778	377,369	799,345	30,012	5,190	2,706	1,601,400
Other foreign countries	1,397,714	395,479	238,355	16,703	2,517	218,181	2,268,949
Total exposure	3,946,025	4,953,516	8,085,666	326,790	273,500	244,261	17,829,758

TEUR 31.12.2023	Rating- class 1	Rating- class 2	Rating- class 3	Rating- class 4	Rating- class 5	Unrated	Total
Austria	2,069,282	3,008,574	4,741,599	380,800	272,318	3,327	10,475,900
Italy	0	177,438	575,554	122,612	61,655	7,996	945,255
Germany	380,882	921,348	1,062,251	42,081	78,011	653	2,485,226
Switzerland and Liechtenstein	343,708	475,499	860,960	37,499	12,565	306	1,730,537
Other foreign countries	1,472,356	371,473	209,227	2,727	1,991	214,772	2,272,546
Total exposure	4,266,228	4,954,332	7,449,591	585,719	426,540	227,054	17,909,464

The Group has a concentration risk in the poor rating classes in Italy. The real estate market in Italy has been characterized by falling prices in recent years. The Group has leasing operations in Northern Italy, where the economic situation is relatively better than in the rest of Italy.

Industries (maximum default risk)

TEUR	31.12.2023	31.12.2022
Financial intermediaries	3,806,745	3,730,551
Consumers/private customers	2,727,403	2,862,121
Public sector	1,412,367	1,354,171
Real estate	3,967,542	3,200,767
Services	1,462,924	2,339,989
Trading	1,013,926	1,078,830
Metals/machinery	408,523	406,440
Construction	788,448	649,924
Transport/communications	327,242	285,992
Tourism	557,777	555,296
Water and energy utilities	181,049	184,633
Other goods	131,851	111,305
Vehicle construction	239,397	229,328
Petroleum, plastics	76,437	81,211
Other industries	807,833	759,200
Total exposure	17,909,464	17,829,758

Exposure in rating class 5

TEUR	31.12.2023	31.12.2022
Corporate customers - exposure	339,103	182,568
Corporate customers – valuation allowance	90,141	34,190
Private customers - exposure	20,672	15,870
Private customers - valuation allowance	2,936	3,079
Corporate Center - exposure	66,765	75,062
Corporate Center - valuation allowance	26,113	21,260
Total exposure	426,540	273,500
Total valuation allowance	119,190	58,529

Non-performing loans

The Group defines loans and advances (including off balance, including lease receivables, not including securities) that meet at least one of the following criteria:

- asset class of loans in arrears (Article 178 CRR)
- stage 03, E3 or E4
- rating class 5

as non-performing loans. Non-performing loans amounted to TEUR 425,842 as at 31 December 2023 (2022: TEUR 264,450) and represented 2.90 % (2022: 1.89 %) of the corresponding portfolio.

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 its recoverability and legal enforceability are ensured in all respects. Bad debts backed by mortgages are recovered by Hypo Immobilien & Leasing GmbH.
In the reporting period, one property (2022: none) was acquired by the Hypo Immobilien & Leasing Group for TEUR 2,246 and seven properties (2022: one) were sold for TEUR 3,213 (2022: TEUR 170).

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.

Due to restructuring measures, no significant individual exposure was given a healthy rating in 2023 or in the comparative year.

Past due but non-impaired receivables

TEUR Length of time overdue	31.12.2023	31.12.2022
Less than 1 day	17,213,731	17,263,682
1 to 60 days	181,883	191,694
61 to 90 days	824	1,982
More than 90 days	86,486	98,900
Total exposure	17,482,924	17,556,258

Loans and advances with forbearance measures

TEUR	31.12.2023	31.12.2022
Financial Intermediaries	12,500	574
Non-financial companies	140,169	171,416
Private households	3,803	17,678
Loans and advances with forbearance measures on performing loans	156,472	189,668
Financial Intermediaries	4,485	1,940
Non-financial companies	63,404	110,711
Private households	6,011	10,785
Loans and advances with forbearance measures on performing loans	73,900	123,436
Total loans and advances with forbearance measures on performing loans	230,372	313,104

In November 2020, Hypo Vorarlberg entered into its second synthetic securitisation in the form of a financial guarantee from the European Investment Fund (EIF) for the mezzanine tranche of a reference portfolio of loans, mostly to small and medium-sized enterprises (SMEs) and mid-caps in Austria and Germany. The reference portfolio had a volume of TEUR 330,000 on conclusion of the securitisation in 2020, and a volume of TEUR 201,627 of the reference portfolio was still outstanding as at 31 December 2023.

TEUR	31.12.2023	31.12.2022
Senior tranche	164,298	206,883
Mezzanine tranche	34,229	43,101
First loss tranche	3,100	3,394
Total reference portfolio	201,627	253,378

In December 2023, Hypo Vorarlberg entered into another synthetic securitisation also in the form of a financial guarantee from the European Investment Fund (EIF) for the mezzanine tranche of a reference portfolio of loans, mostly to small and medium-sized enterprises (SMEs) and mid-caps in Austria and Germany. The reference portfolio had a volume of TEUR 360,000 on conclusion of the securitisation in 2023. Due to an agreed replenishment period until September 2025, a reference portfolio with a volume of TEUR 360,000 was also outstanding as at 31 December 2023.

TEUR	31.12.2023	31.12.2022
Senior tranche	293,760	0
Mezzanine tranche	61,200	0
First loss tranche	5,040	0
Total reference portfolio	**360,000**	**0**

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
- Liquidity Coverage Ratio

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
31.12.2022	Assets	Derivatives	Liabilities	Derivatives	
January 2023	1,984,557	245,275	-1,114,100	-253,374	862,358
February 2023	270,176	35,172	-407,455	-36,516	-138,623
March 2023	540,751	217,270	-544,303	-213,068	650
April 2023	484,499	26,205	-520,926	-29,903	-40,125
May 2023	197,231	30,450	-198,494	-30,158	-971
June 2023	263,217	72,167	-1,125,758	-66,325	-856,699
July 2023	229,104	27,944	-190,800	-27,503	38,745
August 2023	165,407	23,222	-143,370	-43,904	1,355
September 2023	258,049	82,881	-189,954	-72,279	78,697
October 2023	494,750	21,538	-482,190	-30,891	3,207
November 2023	138,283	28,369	-203,427	-50,031	-86,806
December 2023	302,618	35,946	-251,788	-19,885	66,891

TEUR	Assets		Liabilities		Total
31.12.2023	Assets	Derivatives	Liabilities	Derivatives	
January 2024	1,872,452	297,042	-800,425	-304,618	1,064,451
February 2024	260,984	172,716	-506,792	-160,748	-233,840
March 2024	766,979	155,722	-808,217	-141,187	-26,703
April 2024	235,827	36,421	-353,439	-50,226	-131,417
May 2024	213,231	118,083	-727,094	-129,143	-524,923
June 2024	356,150	74,455	-269,496	-61,375	99,734
July 2024	166,359	69,599	-267,291	-86,531	-117,864
August 2024	158,131	33,732	-180,348	-72,058	-60,543
September 2024	229,862	85,018	-219,536	-78,135	17,209
October 2024	171,003	31,761	-258,085	-37,647	-92,968
November 2024	156,160	20,121	-265,530	-34,374	-123,623
December 2024	292,985	61,198	-283,701	-54,664	15,818

Development of maturities on the capital market

TEUR	Assets		Liabilities		Total
31.1.2022	Assets	Derivatives	Liabilities	Derivatives	
2023	5,328,619	846,440	-5,372,565	-873,837	-71,343
2024	1,796,811	486,141	-1,805,731	-529,451	-52,230
2025	1,588,882	573,519	-1,325,946	-588,596	247,859
2026	1,353,679	242,075	-971,227	-273,791	350,736
2027	1,161,996	321,278	-1,707,989	-316,896	-541,611
2028	929,626	128,532	-1,016,805	-127,452	-86,099
2029	875,402	103,734	-1,204,037	-106,534	-331,435
2030	703,300	83,900	-457,004	-67,335	262,861
2031	692,649	71,600	-390,963	-54,966	318,320
2032	648,595	79,921	-287,907	-71,147	369,462
2033	403,562	48,409	-25,941	-43,002	383,028
2034	383,378	66,573	-62,746	-61,969	325,236

TEUR	Assets		Liabilities		Total
31.2.2023	Assets	Derivatives	Liabilities	Derivatives	
2024	4,853,811	1,155,838	-4,939,920	-1,210,664	-140,935
2025	1,792,509	628,025	-1,432,586	-643,284	344,664
2026	1,827,670	278,346	-1,803,041	-281,571	21,404
2027	1,329,301	414,015	-1,775,839	-395,220	-427,743
2028	1,211,917	154,370	-1,536,899	-140,237	-310,849
2029	1,004,916	113,768	-1,200,227	-114,793	-196,336
2030	860,116	96,748	-572,182	-82,552	302,130
2031	761,653	81,596	-358,830	-66,694	417,725
2032	742,931	91,845	-258,655	-83,819	492,302
2033	598,829	59,054	-229,270	-53,175	375,438
2034	411,063	72,843	-74,232	-67,208	342,466
2035	339,770	48,747	-72,434	-42,493	273,590

(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 in accordance with CRR is monitored on an ongoing basis. This data is determined monthly and reported quarterly on an individual basis and at Group level to the Oesterreichische Nationalbank.

For 2023, the CRR stipulates that banks must achieve or exceed a common equity tier 1 (CET1) ratio of 4.50 %, a tier 1 (T1) ratio of 6.00 % and an equity ratio of 8.00 %. An additional capital preservation buffer of 2.50 % (2022: 2.50 %) and a systemic risk buffer of 0.50 % (2022: 0.50 %) also applied in 2023, among other requirements. Both in 2023 and in the previous year, Hypo Vorarlberg complied with the provisions of the CRR on regulatory capital.

The banking group's regulatory capital is calculated by the Reporting department and consists of three tiers. Corresponding transitional regulations for the period from 2014 to 2024 have been stipulated in the CRR.

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 Economic perspective

Pillar 2 of Basel III requires banks to prove their capital adequacy, also using internal models. In particular, they must also take account of risks for which no capital requirements are specified under Pillar 1, such as interest rate risk in the banking book. As part of this internal capital adequacy assessment process (ICAAP), the Bank identifies, quantifies, aggregates and monitors all material risks. The bank calculates the necessary economic capital for each risk. In cases where it is not possible to calculate economic capital, the Bank provides for capital buffers. The available cover potential is allocated to organisational units and risk types as part of the annual planning.

By using a risk-bearing capacity calculation, the Bank ensures that risk budgets are adhered to and that the risks assumed are covered by the available coverage potential. The Bank uses a confidence level of 99.9% for the risk-bearing capacity calculation in the liquidation view. The holding period is one year. Correlations between the individual risk types are not taken into account. The risk-bearing capacity calculation is performed monthly.

For the calculation of economic capital in credit risk, the Bank follows the IRB approach of Basel III. The consumption of economic capital depends on the type and amount of the obligation, the collateralization and the rating of the obligor. For the management of market risk, the ICAAP uses the Value at Risk. The VaR limit defines the maximum loss that the Bank is prepared to accept under normal market conditions. The Board of Management sets the global VaR limit annually. In addition, limits are set for various interest rate curves, currency pairs or equity risks.

The Bank calculates its economic capital for operational risk according to the basic indicator approach of Pillar 1. In order to quantify structural liquidity risk, Hypo Vorarlberg calculates a liquidity value at risk, the calculation of which is based on the ICAAP guidelines of the FMA/OeNB. Separate approaches are used for investment risk, real estate risk, foreign currency risk in the lending business, migration risk and counterparty default risk. An equity buffer is provided for other risks.

Regulatory requirements according to CRR

Total risk exposure according to CRR

TEUR	31.12.2023	31.12.2022
Risk weighted exposure amounts	8,354,958	8,235,354
Risk exposure amount for settlement and delivery risks	0	1
Total risk exposure amount for position, foreign exchange and commodities risks	711	576
Total risk exposure amount for operational risk	524,361	462,167
Total risk exposure amount for credit valuation adjustment	34,020	29,869
Total risk exposure amount	**8,914,050**	**8,727,967**

Common equity tier 1 capital (CET1) according to CRR

TEUR	31.12.2023	31.12.2022
Capital instruments eligible as CET1 capital	206,825	206,826
Retained earnings	1,100,260	1,065,022
Accumulated other comprehensive income	12,899	4,203
Other reserves	139,082	138,120
Minority interests	10	7
Adjustments to CET1 due to prudential filters	-23,514	-11,314
Intangible assets	-3,285	-1,755
Insufficient coverage of non-performing Risk positions	-5,864	-3,681
Other transitional adjustments to common equity tier 1	7,789	14,139
Common equity tier 1 capital (CET1)	**1,434,202**	**1,411,567**

Additional tier 1 capital (AT1) according to CRR

TEUR	31.12.2023	31.12.2022
Capital instruments eligible as AT1 capital	50,000	50,000
Instruments issued by subsidiaries that are given recognition in AT1 capital	2	1
Additional tier 1 capital (AT1)	**50,002**	**50,001**

Tier 2 capital (T2)

TEUR	31.12.2023	31.12.2022
Capital instruments and subordinated loans eligible as T2 capital	223,729	241,306
Instruments issued by subsidiaries that are given recognition in T2 capital	3	2
Tier 2 capital (T2)	**223,732**	**241,308**

Composition of own funds according to CRR and capital ratios

TEUR	31.12.2023	31.12.2022
Common equity tier 1 capital (CET1)	1,434,202	1,411,567
Additional tier 1 capital (AT1)	50,002	50,001
Tier 1 capital	**1,484,204**	**1,461,568**
Tier 2 capital (T2)	223,732	241,308
Own funds	**1,707,936**	**1,702,876**
CET1 capital ratio (CET1)	16.09 %	16.17 %
Surplus of CET1 capital	1,033,070	1,018,808
T1 capital ratio (T1)	16.65 %	16.75 %
Surplus of T1 capital	949,361	937,890
Total capital ratio	19.16 %	19.51 %
Surplus of total capital	994,812	1,004,639

H. DISCLOSURES PERTAINING TO AUSTRIAN LAW

(66) AUSTRIAN LAW

The consolidated financial statements have been prepared in accordance with section 59a of the Austrian Banking Act in conjunction with section 245a (1) of the Austrian Commercial Code in accordance with International Financial Reporting Standards as adopted by the EU. In addition, pursuant to Section 59a BWG, the information required by Section 64 (1) 1-15 and (2) BWG and Section 245a (1) and (3) UGB must be included 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	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Tier 2 capital according to Part Two Title I Chapter 4 (EU Reg. 575/2013) – LFVO	3	3	25,146	23,560
Tier 2 capital according to Part Two Title I Chapter 4 (EU Reg. 575/2013) LAC	4	4	238,703	222,133
Additional tier 1 capital according to Part Two Title I Chapter 3 (EU-Reg. 575/2013) – LAC	2	2	50,406	50,432

	Average interest		Average remaining term (in years)	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Tier 2 capital according to Part Two Title I Chapter 4 (EU Reg. 575/2013) – LFVO	4.783 %	2.727 %	7.4	8.4
Tier 2 capital according to Part Two Title I Chapter 4 (EU Reg. 575/2013) LAC	3.028 %	2.232 %	5.2	6.2
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 AT0000A1GTF4, TEUR 50,000, fixed interest rate 4.5 %, term 2015 to 2025, no termination or conversion option, will be repaid at nominal value at end of term
- Subordinated bond ISIN AT0000A1YQ55, TEUR 50,000, fixed interest rate 3.125 %, term 2017 to 2027, no termination or conversion option, will be repaid at nominal value at end of term
- Subordinated bond ISIN CH0461238948, TCHF 100,000, fixed interest rate 1.625 %, term 2019 to 2029, no termination or conversion options, will be repaid at nominal value at end of term
- Subordinated bond ISIN AT0000A321S4, TEUR 44,000, fixed interest rate 4.75 %, term 2022 to 2032, no termination or conversion option, will be repaid at nominal value at end of term

Additional tier 1 capital was generated in the amount of TEUR 10,000 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 TEUR 40,000 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.

Interest accrued as at the end of the reporting period amounts to TEUR 320 for both bonds (2022: TEUR 321). The bonds are unsecured and subordinated and have an indefinite term.

In 2024, bonds and other fixed income securities pursuant to section 64(1) no. 7 of the Austrian Banking Act (BWG) with a nominal amount of TEUR 424,073 (2023: TEUR 449,327) and issued bonds in an amount of TEUR 756,299 (2023: TEUR 1,066,977) will be 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.

Interest expenses for subordinated liabilities in accordance with section 64(1) no. 13 BWG amounted to TEUR 8,361 in 2023 (2022: TEUR 10,407).

The disclosure in accordance with section 64(1) no. 15 BWG is shown in note (69). To allow for better customer servicing, the Bank holds a small trading book as defined in Article 94 of the CRR. As at 31 December 2023, investment funds of TEUR 125 (2022: TEUR 143) were included in the trading book.

The disclosure in accordance with section 64(1) no. 16 and no. 17 BWG on the breakdown of the core capital, supplementary own funds and consolidated own funds is shown 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 2022	Austria	Switzerland	Italy
Net interest income	144,138	10,462	13,203
Dividend income	126	0	0
Net fee and commission income	33,633	643	-148
Net result from financial instruments at amortized cost	3,239	0	0
Net result from financial instruments at fair value	76,528	678	-15
Administrative expenses	-92,868	-6,274	-6,799
Impairments	-6,508	-333	-1,021
Earnings before taxes	152,658	4,533	3,468
Taxes on income	-38,740	-653	-1,170
Number of full-time equivalent employees	665	20	44

TEUR 2023	Austria	Switzerland	Italy
Net interest income	205,637	14,449	13,575
Dividend income	186	0	0
Net fee and commission income	34,634	856	-87
Net result from financial instruments at amortized cost	2,289	36	0
Net result from financial instruments at fair value	-38,750	628	0
Administrative expenses	-101,668	-7,524	-7,315
Impairments	-6,599	-494	-1,087
Earnings before taxes	42,040	3,491	7,526
Taxes on income	-11,102	-499	-1,357
Number of full-time equivalent employees	666	27	46

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.

The branch in Italy comprises the 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 operates in the real estate leasing business and occasionally in the movables leasing business. Hypo Vorarlberg Leasing AG also has a branch in Como. The area of activity comprises South Tyrol and Northern Italy. Hypo Vorarlberg Immo Italia srl manages and values the Group's real estate in Italy and provides real estate services for the Group. In addition, Hypo Vorarlberg Immo Italia srl manages and sells its own real estate. Hypo Vorarlberg Holding (Italy) G.m.b.H. holds the equity interests in the two other companies.

The return on assets in accordance with section 64(1) no. 19 BWG amounts to 0.26 % (2022: 0.78 %).

(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	2023	2022
Expenses for auditing the consolidated financial statements	207	205
Expenses for other auditing services	99	38
Expenses for other services	29	42
Total fees	335	285

(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 31.12.2023	Listed 31.12.2023	Not listed 31.12.2022	Listed 31.12.2022	Total 31.12.2023	Total 31.12.2022
Debt securities at fair value (Non-SPPI)	87,565	58,375	94,305	68,126	145,940	162,431
Debt securities at fair value (Option)	4,838	51,402	57,276	0	56,240	57,276
Debt securities at amortized cost	112,943	2,232,640	116,895	2,163,308	2,345,583	2,280,203
Equity securities trading assets	125	0	143	0	125	143
Equity securities at fair value (Non-SPPI)	12,371	0	11,384	0	12,371	11,384
Total securities	**217,842**	**2,342,417**	**280,003**	**2,231,434**	**2,560,259**	**2,511,437**
of which non-current assets	217,608	2,342,417	279,751	2,231,434	2,560,025	2,511,185
of which current assets	109	0	109	0	109	109
of which trading assets	125	0	143	0	125	143

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 the cost and the lower repayment amount in accordance with section 56(2) BWG amounts to TEUR 35,170 (2022: TEUR 49,902). The difference between the repayment amount and the lower cost in accordance with section 56(3) BWG amounts to TEUR 10,491 (2022: TEUR 19,627). As at 31 December 2023, subordinated capital in the Bank's proprietary portfolio had a nominal value of TEUR 0 (2022: TEUR 133).

(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, location TEUR	Percentage of capital	UGB Share-Holder's equity	UGB net result	UGB total assets	Date of financial statements
HV-Finanzdienstleistungs- und Immobilien GmbH, DE-Kempten	100.00 %	214	-3	218	31.12.2023
Hotel Widderstein Besitz & Verwaltungs GmbH, Dornbirn	100.00 %	31	-25	282	31.12.2023
Total		**245**	**-28**	**500**	

The following investment over which the Group has significant influence is not included in the consolidated financial statements as its inclusion would result in a disproportionate delay in the consolidated financial statements and, in addition, due to IFRS, a reconciliation would be associated with relatively high costs without significantly increasing the informative value with regard to the net assets, financial position and results of operations.

Company name, location TEUR	Percentage of capital	UGB Share-Holder's equity	UGB net result	UGB total assets	Date of financial statements
„Wirtschafts-Standort Vorarlberg" Betriebsansiedlungs GmbH, Dornbirn	33.33 %	37	0	442	31.12.2023

I. EXECUTIVE BODIES OF HYPO VORARLBERG

MANAGING BOARD

Michel Haller
Chairman of the Managing Board, Tettnang

Wilfried Amann
Member of the Managing Board, Bludesch

Philipp Hämmerle
Member of the Managing Board, Lustenau

SUPERVISIORY 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

Johannes Heinloth
Member of the Board of Managing Directors of L-Bank, Karlsruhe

Karl Manfred Lochner (from AGM, 31.05.2023)
Member of the Board of Managing Directors of Landesbank Baden-Württemberg (LBBW), Burgthann

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

Birgit Sonnbichler
Entrepreneur, Dornbirn

Petra Winder (from AGM, 31.05.2023)
Managing Director, Bregenz

Michael Horn (until AGM, 31.05.2023)
Deputy Chairman of the Managing Board of Landesbank Baden-Württemberg (LBBW) (retired), Weingarten

Nicolas Stieger (until AGM, 31.05.2023)
Lawyer, Bregenz

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 April 2024

J. SUBSIDIARIES AND HOLDINGS

a) Companies fully consolidated in the consolidated financial statement:

Company name, place	Percentage of capital	Date of financial statement
"Hypo-Rent" Leasing- und Beteiligungsgesellschaft mbH, Bregenz	100.00 %	31.12.2023
LD-Leasing GmbH, Dornbirn	100.00 %	31.12.2023
Hypo Vorarlberg Leasing AG, IT-Bozen	100.00 %	31.12.2023
HYPO VORARLBERG HOLDING (ITALIEN) G.m.b.H, IT-Bozen	100.00 %	31.12.2023
Hypo Vorarlberg Immo Italia srl, IT-Bozen	100.00 %	31.12.2023
VKL VI PBZ Korneuburg Leasinggesellschaft m.b.H.	100.00 %	31.12.2023
Hypo Immobilien Besitz GmbH, Dornbirn	100.00 %	31.12.2023
"HERA" Grundstücksverwaltungsgesellschaft m.b.H., Dornbirn	100.00 %	31.12.2023
Hypo Immobilien Bankgebäudemanagement GmbH, Dornbirn	100.00 %	31.12.2023
Hypo Immobilien Investment GmbH, Dornbirn	100.00 %	31.12.2023
Hypo Immobilien & Leasing GmbH, Dornbirn	100.00 %	31.12.2023
HIL Mobilienleasing GmbH & Co KG, Dornbirn	100.00 %	31.12.2023
HIL Immobilien GmbH, Dornbirn	100.00 %	31.12.2023
HIL BETA Mobilienverwertung GmbH, Dornbirn	100.00 %	31.12.2023
HIL Baumarkt Triester Straße Immobilienleasing GmbH, Dornbirn	100.00 %	31.12.2023
HIL Real Estate alpha GmbH, Dornbirn	100.00 %	31.12.2023
HIL Kommunalleasing GmbH, Dornbirn	100.00 %	31.12.2023
"POSEIDON" Grundstücksverwaltungsgesellschaft m.b.H., Dornbirn	100.00 %	31.12.2023
Hypo Immobilien Cinemabetriebs GmbH, Dornbirn	100.00 %	31.12.2023
Edeltraut Lampe GmbH & Co KG, Dornbirn	100.00 %	31.12.2023
D. TSCHERNE Gesellschaft m.b.H., Wien	100.00 %	31.12.2023
VKL IV Leasinggesellschaft mbH, Dornbirn	100.00 %	31.12.2023
VKL V Immobilien Leasinggesellschaft m.b.H., Dornbirn	100.00 %	31.12.2023
HYPO EQUITY Beteiligungs GmbH, Bregenz zuvor: HYPO EQUITY Beteiligungs AG	100.00 %	31.12.2023
KUFA GmbH, Bregenz	100.00 %	31.12.2023
HYPO EQUITY Unternehmensbeteiligungen AG, Bregenz*)	100.00 %	30.09.2023
METIS - Beteiligungs und Verwaltungs GmbH, Bregenz*)	100.00 %	30.09.2023
"HSL-Lindner" Traktorenleasing GmbH, Dornbirn	76.00 %	31.12.2023

*) The separate financial statements of these companies were prepared on 30 September 2023 as these companies' financial years differ from the calendar year. The financial figures for the fourth quarter have been taken into consideration.

Changes in the scope of consolidation are described in Note (2). Apart from this, the stated shares in the capital of the remaining companies in the previous table have not changed in the financial year 2023. The voting rights correspond to the share in capital.

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 2023. The share of voting rights corresponds to the equity interest in each case.

Company name, location TEUR	Percentage of capital	Shareholder's equity	Total assets	Liabilities	Revenues
comit Versicherungsmakler GmbH, Dornbirn	40.00 %	4.876	6.093	1.217	70
MASTERINVEST Kapitalanlage GmbH, Wien	37.50 %	4.905	10.225	5.320	87
Vorarlberger Kommunalgebäudeleasing Gesellschaft m.b.H., Dornbirn	33.33 %	46	46	0	0

comit Versicherungsmakler GmbH is a financial services company in the field of consulting and support for industrial, commercial and private customers in insurance matters and insurance solutions. Vorarlberger Kommunalgebäudeleasing Gesellschaft m.b.H. is a real estate company whose tasks are either the leasing, sale or management of real estate. The business activities of MASTERINVEST Kapitalanlage GmbH include the management of capital investment funds in accordance with the Austrian Investment Fund Act.

All companies included in the consolidated financial statements using the equity method are based on separate financial statements as of December 31, 2023. For the companies, net interest income is presented under revenue.

(71) DISCLOSURES ON NON-CONTROLLING INTERESTS

Non-controlling interests are held in "HSL-Lindner" Traktoren-leasing GmbH, based in Dornbirn. The financial information on this company is presented in the table below.

"HSL-Lindner" Traktorenleasing GmbH, Dornbirn

TEUR	31.12.2023	31.12.2022
Assets	846	705
Financial assets	798	680
of which current	419	386
of which non-current	379	294
Other assets	48	25
Liabilities	718	487
Financial liabilities	694	484
of which non-current	569	484
Other liabilities	5	3
Shareholders' equity	128	218
of which non-controlling interests	31	52

TEUR	2023	2022
Net interest income	32	33
Other income	99	205
Other expenses	-98	-204
Earnings before taxes	13	43
Taxes on income	-3	-11
Income after taxes	10	32
of which non-controlling interests	2	8
Dividends/distributions	100	50
of which non-controlling interests	24	12

(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	31.12.2023	31.12.2022
Assets	6,093	5,341
Financial assets	3,222	2,707
of which current	3,221	1,707
of which non-current	1	1,000
Other assets	2,871	2,634
Liabilities	1,217	1,195
Financial liabilities	24	18
of which current	24	18
Provisions	333	331
Other liabilities	860	846
Shareholders' equity	4,876	4,146

TEUR	2023	2022
Net interest income	70	-8
Other income	20	27
Other expenses	-45	-32
Earnings before taxes	1,310	1,137
Taxes on income	-331	-294
Income after taxes	979	844
Dividends/distributions	250	500

MASTERINVEST Kapitalanlage GmbH, Wien

TEUR	31.12.2023	31.12.2022
Assets	10,225	9,452
Financial assets	5,857	6,602
of which current	3,309	3,893
of which non-current	2,548	2,709
Other assets	4,368	2,850
Liabilities	5,320	4,216
Financial liabilities	3,935	2,749
of which current	3,935	2,749
Provisions	200	181
Other liabilities	1,185	1,286
Shareholders' equity	4,905	5,236

TEUR	2023	2022
Net interest income	87	3
Dividend income	82	14
Other income	1,122	1,277
Other expenses	-1,157	-1,240
Earnings before taxes	829	1,420
Taxes on income	-260	-400
Income after taxes	569	1,020
Dividends/distributions	900	1,000

Vorarlberger Kommunalgebäudeleasing Gesellschaft m.b.H., Dornbirn

TEUR	31.12.2023	31.12.2022
Assets	46	49
Financial assets	46	49
of which current	46	49
Liabilities	0	2
Financial liabilities	0	2
of which current	0	2
Shareholders' equity	46	47

TEUR	2023	2022
Other income	1	2
Earnings before taxes	0	-3
Taxes on income	-2	-2
Income after taxes	-1	-5
Dividends/distributions	0	81

K. DECLARATION OF THE MANAGING BOARD

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.

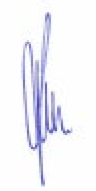
Bregenz, 22 March 2024

Hypo Vorarlberg Bank AG

The members of the Managing Board

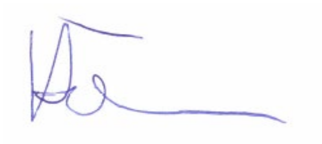
Michel Haller
Chairman of the Managing Board

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

The management by the Managing Board was continuously monitored by the Supervisory Board within the framework stipulated by the law, the Articles of Association and the Rules of Procedure for the Supervisory Board. At five meetings, the Supervisory Board discussed the Managing Board's reports on major projects and relevant events and on the position and development of the Bank and its holdings. It approved the planning for the 2023 and 2024 financial years, taking account of the Bank's strategic alignment as mutually agreed by the Supervisory Board and the Managing Board, and adopted the necessary resolutions. In addition to these five meetings, a constitutive Supervisory Board meeting was held, as the regular period of the Supervisory Board ended in May 2023 and new elections were held. In this context, the share of women on the Supervisory Board was improved, also in line with the strategy, and the currently defined target ratio was thus achieved. In addition to the annual review of the sustainability report, there were lively discussions and considerations in relation to ESG and EU taxonomy. The business and risk strategy were also adapted to changes in the market environment. Risk management was thus also developed further. The findings of internal and external audits and the handling of these findings were discussed in depth.

Supervisory Board committees
In 2023, the Audit Committee met three times and performed its control tasks of monitoring the effectiveness of the internal control system, the risk management system for the overall bank, and internal auditing. The Audit Committee reviewed the financial reporting in the annual and quarterly financial statements as well as the non-financial reporting. The Supervisory Board acknowledged and approved the reports submitted.

The Risk Committee held two meetings in 2023. 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 Credit Committee held eleven meetings in 2023. It examined the loans and credits requiring its approval. In addition, the main aspects of the credit policy were coordinated with the Credit Committee. Particular attention was paid to the development of inflation, interest rates, energy prices and collective salary agreements and to the effects on property markets and our customers. Adjustments to the lending policy were also discussed and resolved carefully.

The Remuneration Committee performed its tasks in accordance with section 39c of the Austrian Banking Act (BWG) and met twice in 2023.

The Nomination Committee held four meetings in 2023 and performed its tasks in accordance with section 29 BWG.

Corporate Governance Code
After reviewing them and discussing them with the Managing Board, the Supervisory Board approved the transactions presented to it that required approval in accordance with the law, the Articles of Association and the Rules of Procedure for the Managing Board. The Supervisory Board used the Corporate Governance Code as a guideline for its work.

Audit
The 2023 annual financial statements and the management report have been audited by the auditor appointed by the Annual General Meeting, Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna. According to the unqualified audit certificate issued by this company, the annual financial statements and the management report comply with the legal regulations. The 2023 consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. They have also been audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, and issued with an unqualified audit certificate. Following extensive discussion, the Supervisory Board will adopt the corresponding formal resolutions.

Thanks and appreciation
The Supervisory Board would like to thank the Managing Board members, the managers and all employees for their good work in the difficult 2023 financial year.

Bregenz, March 2024

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 2023, 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 2023 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 by 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. These matters were ad-dressed 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. LOAN LOSS PROVISIONS FOR FINANCIAL ASSETS AT AMORTISED COST

Description:
The company reports financial assets at amortised cost of MEUR 13,261 in its consolidated financial statements as at 31 December 2023. To account for the risk of loss in the portfolio of financial assets at amortised cost, the company recognises significant risk provisions (MEUR 160). These represent the Executive Board's best estimate of expected credit losses in the portfolio of financial assets at amortised cost as 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, loan and credits 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 and credits 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 and credits, 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 and credits 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 as at 31 December 2023, the company recognises a significant amount of financial instruments measured at fair value, which are allocated to fair value level 3 of the fair value hierarchy. The carrying amounts of these financial instruments as at 31 December 2023 were assets of MEUR 928 and liabilities of MEUR 556.

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.

In the case of valuation using recognized valuation models, the selection of these valuation models and methods, the input parameters used and the associated judgments, which are subject to estimation uncertainties, are of decisive importance for determining the fair value to be recognized.

In this context, please refer to the disclosures by the company's Managing Board in the notes to the consolidated financial statements, specifically in note (56) "Disclosures on fair values" and in note (3) "Accounting policies".
Based on the fact that the financial instruments assigned to level 3 of the fair value hierarchy account for a significant portion of the company's total assets and that estimation uncertainties may arise with regard to the relevant input parameters for their measurement, we identified this area as a key audit matter.

How we addressed this matter in the audit:
We documented the valuation process and the design of the Group's key controls with regard to the input parameters for the measurement of financial instruments assigned to level 3 of the fair value hierarchy.

Based on a random sample, we traced their assignment by the company to level 3 of the fair value hierarchy. We also assessed the assumptions and methods used by the company's Managing Board to ascertain whether they were suitable for determining correct values. The measurement results were reproduced using our own calculations with the involvement of internal specialists at EY and their valuation was evaluated.

In addition, we examined whether the disclosures by the company's Managing Board in the notes were complete and accurate.

Other information
The Management is responsible for the other information. The other information comprises all information in the annual report except for the consolidated financial statements, the Group management report and the audit certificate.

The annual report is expected to be provided to us after the date of the audit certificate.

Our audit opinion on the consolidated financial statements does not cover this other information, and we do not express any form of assurance conclusion thereon.

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

Responsibilities of the legal representatives and the Audit Committee for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs as adopted by the EU and the additional requirements of Section 245a UGB and Section 59a BWG. Furthermore, management is responsible for such internal control as management determines is 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 EU Regulation and Austrian Standards on Auditing, which require the application of ISAs, will always detect a material misstatement, if any. 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 consolidated financial statements.

As part of an audit in accordance with the EU Regulation and Austrian Generally Accepted Auditing Standards, which require the application of ISAs, we exercise professional judgment and maintain a critical attitude 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 determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Comments on the 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 disclosures in accordance with Article 10 of the EU Regulation
We were elected as auditor by the annual general meeting on 1 June 2022. We were engaged by the supervisory board on 4 August 2022. In addition, we were elected as auditor by the annual general meeting on 31 May 2023 for the following financial year and were engaged by the supervisory board on 25 July 2023 to audit the consolidated financial statements. We have been the auditor without interruption 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. Roland Unterweger, Certified Public Accountant.

Vienna, 27 March 2024

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Ernst Schönhuber mp	**MMag. Roland Unterweger mp**
Auditor	Auditor

*) This report is a translation of the original report in German, which is solely valid. Publication or sharing with third parties of the consolidated financial statements together with our auditor's opinion is only allowed if the consolidated financial statements and the management report for the Group are identical with the German audited version. This audit opinion is only applicable to the German and complete consolidated financial statements with the management report for the Group. Section 281 paragraph 2 UGB (Austrian Company Code) applies to alternated versions.

BRANCHES AND CONTACT

BRANCH OFFICES
AND SUBSIDIARIES

HEADQUARTERS

Bregenz, Headquarters
Hypo-Passage 1

Bregenz Corporate Customers Branch Office
Simon Ruff
Branch Office Head, Bregenz Corporate Customers

Branch Corporate Customers Germany
Markus Schmid
Head of Corporate Customers Centre Germany

Bregenz Private Customers Branch Office
Stefan Schmitt
Branch Manager Bregenz Private Customers

Stephan Spies
Head of Service and Private Customers

Stephan Bohle
Head of Private Banking

Alexander Walterskirchen
Head of Private Loans

INTERNAL DEPARTMENTS

David Blum
Head of Strategic Bank Management

Klaus Diem
Head of Legal Department

Bernhard Egger
Head of Finance

Susanne Fünck
Head of Sustainability

Markus Felder
Head of Private Customers

Stefan Germann
Head of Credit Management Corporate Customers

Florian Gorbach
Head of Treasury

Martin Heinzle
Head of Credit Management Private Customers

Bianca Dünser
Head of Human Resources

Peter Holzer
Head of Controlling

Martha Huster
Ombudsperson

Reinhard Kaindl
Head of Compliance & Outsourcing

Johannes Lutz
Head of IT Operations

Stephan Modler
Head of Sales Support

Sabine Nigsch-Gaethke
Head of Communications and Marketing

Daniel Oberauer
Data Protection Officer

Wilhelm Oberhauser
Head of Logistics

Jörg Ruwe
Head of IT Digital Banking

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
Hannes Bodenlenz, Branch Office Head
Christoph Gebhard, Head of Private Banking

Dornbirn, Rathausplatz 6
Richard Karlinger,
Branch Office Head and Head of Corporate Customers
Egon Gunz, Branch Office Head
Simone Küng, Head of Service and Private Customers

Dornbirn, Messepark, Messestraße 2
Simone Küng, Head of Service and Private Customers

Egg, Wälderpark, HNr. 940
Wolfgang Fend, Branch Office Manager

Feldkirch, Neustadt 23
Martin Schieder, Branch Office Manager Private Customers
Stefan Kreiner,
Head of Private Loans
Katharina Woletz,
Head of Service- and Private Customers
LKH Feldkirch,
Carinagasse 47-49
Rankweil,
Ringstraße 11

Götzis, Hauptstraße 4
Franz Altstätter, Branch Office Manager

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

Höchst, Hauptstraße 25
Klaus Meusburger, Branch Office Manager

Hohenems, Bahnhofstraße 19
Andreas Fend, Branch Office Head

Lech, Dorf 138
Michael Fritz, Branch Office Head and Head of Private Customers

Lustenau, Kaiser-Franz-Josef-Straße 4a
Graham Fitz, Branch Office Head and Head of Corporate Customers
Stefan Ritter, Branch Office Head Private Customers

Riezlern, Walserstraße 31
Artur Klauser, Branch Office Head
Josef Wirth, Head of Service and Private Customers

Salzburg, Strubergasse 26
Peter Gassner, Regional Manager Salzburg

Schruns, Jakob-Stemer-Weg 2
Hannes Bodenlenz, Branch Office Manager

Wels, Kaiser-Josef-Platz 49
Thomas Hofer, Regional Manager Upper Austria and Head of Corporate Customers
Iris Paar, Head of Private Customers and Private Banking

Wien, Brandstätte 6
Roswitha Klein,
Regional Manager Vienna
Hans-Jürgen Spitzer,
Head of Corporate Customers Vienna
Robert Glasner, Head of Private- and Commercial Customers
Katharina Jantschgi, Head of Private Customers and Private Banking
Christine Staber, Head of Service customers

REGIONAL HEAD OFFICE

St. Gallen, Schweiz, Bankgasse 1
Walter Ernst, Regional Manager
Thomas Reich, Head of Back Office

SUBSIDIARIES & SHAREHOLDINGS 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

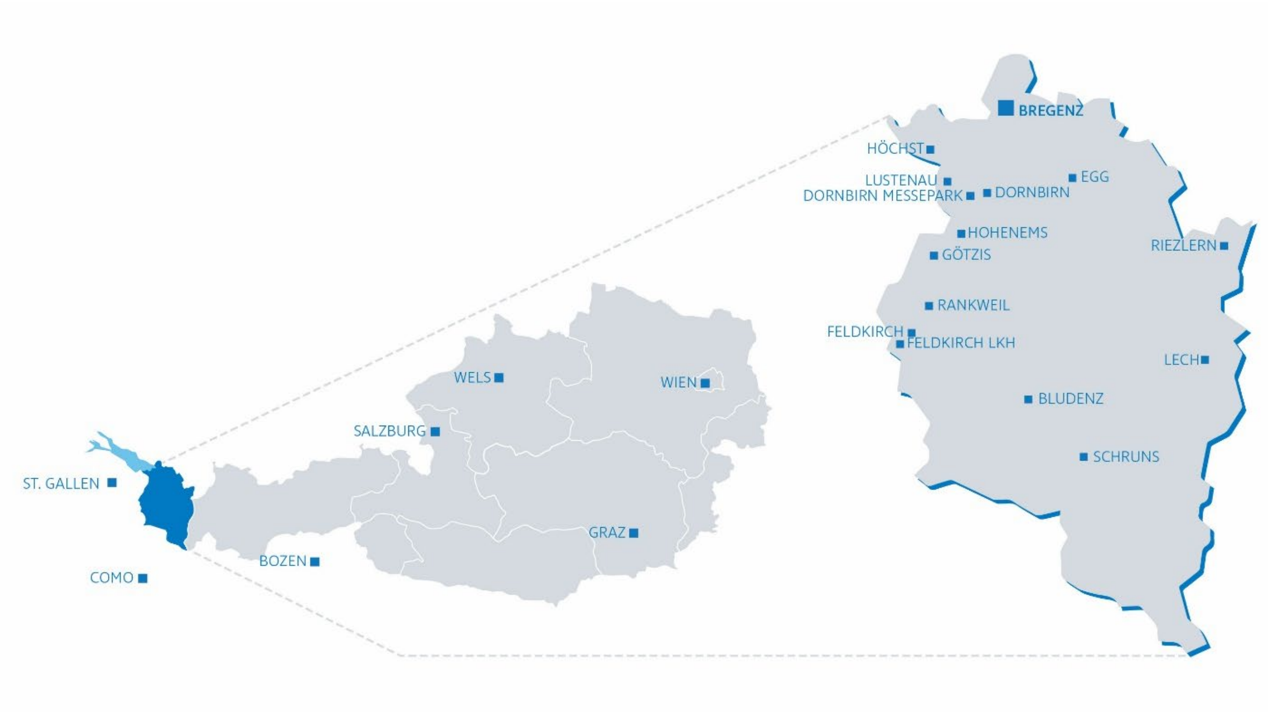
SUBSIDIARIES IN ITALY

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 centers 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.



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