HYPO VORARLBERG BANK AG

ANNUAL REPORT
2022

KEY FIGURES 2022

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

Balance sheet figures TEUR	Notes	31.12.2022	31.12.2021	Change in TEUR	Change in %
Total assets		15,305,475	15,626,113	-320,638	-2.1
Loans and advances to banks		464,585	314,964	149,621	47.5
Loans and advances to customers		10,644,719	10,378,665	266,054	2.6
Liabilities to banks		1,668,142	3,030,584	-1,362,442	-45.0
Liabilities to customers		5,645,274	5,418,127	227,147	4.2
Securitised liabilities		5,782,637	5,521,955	260,682	4.7

Income statement TEUR	Notes	2022	2021	Change in TEUR	Change in %
Net interest income	(6)	167,803	196,061	-28,258	-14.4
Net fee and commission income	(8)	34,128	38,023	-3,895	-10.2
Administrative expenses	(13)	-105,941	-98,746	-7,195	7.3
Earnings before taxes		160,659	93,678	66,981	71.5
Consolidated net income		120,096	66,810	53,286	79.8

Corporate figures	Notes	2022	2021	Change absolute	Change in %
Cost-Income-Ratio (CIR)		66.99 %	54.86 %	12.13 %	22.1
Return on Equity (ROE)		12.49 %	7.64 %	4.85 %	63.5
Employees	(53)	729	719	10	1.4

Own funds TEUR	31.12.2022	31.12.2021	Change absolute	Change in %
Common equity tier 1 capital (CET1)	1,411,567	1,301,835	109,732	8.4
Additional tier 1 capital (AT1)	50,001	50,002	-1	0.0
Tier 1 capital (T1)	1,461,568	1,351,837	109,731	8.1
Tier 2 capital (T2)	241,308	225,957	15,351	6.8
Own funds	1,702,876	1,577,794	125,082	7.9
CET1 capital ratio (CET1)	16.17 %	15.39 %	0.78 %	5.1
Surplus of CET1 capital (CET1)	1,018,808	921,167	97,641	10.6
T1 capital ratio (T1)	16.75 %	15.98 %	0.77 %	4.8
Surplus of T1 capital	937,890	844,280	93,610	11.1
Total capital ratio	19.51 %	18.65 %	0.86 %	4.6
Surplus of total capital	1,004,639	901,051	103,588	11.5

The shareholders of Hypo Vorarlberg Bank AG as of 31 December 2022:

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

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

TABLE OF CONTENTS

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

Especially in times full of uncertainty and major challenges, Hypo Vorarlberg is a reliable and stable partner for its customers.

Dear customers, business partners, shareholder representatives and employees,

We are looking back on a year that was characterised by many different challenges. Whereas at the beginning of 2022 – after the COVID-19 pandemic restrictions were lifted – a solid recovery of the domestic economy had been anticipated still, Russia's war of aggression against Ukraine and the sanctions imposed as a result created a new social and economic state of emergency.

From fears of resource and energy shortages, to problems in international supply chains, to higher interest rates and a massive rise in inflation – extensive uncertainties posed challenges in private and professional life and will likely continue to influence the economic development in Europe and Austria in the coming year. Given this difficult environment – for our customers, but also for us as a bank – we are all the more pleased that Hypo Vorarlberg's sound, risk conscious business model once again proved its worth and that Hypo Vorarlberg managed to close the 2022 financial year very successfully. In addition to strong customer business, this was also largely attributable to the reduced need for loan loss provisions and to positive measurement effects.

The crises of the past few years have also produced positive developments and given a further boost to important topics such as digitalisation. Banks' biggest asset is still the trust of their customers. It used to be primarily about money, but now there is also a focus on customer data. Hypo Vorarlberg is therefore making extensive investments in IT security and cyber resilience in order to remain well equipped.

The topic of sustainability has also gained further momentum in the financial sector, leading to strong interest in green investment products. As a mindful advisory bank, sustainability is practically in our genes and we see its implementation in Hypo Vorarlberg's business model as a clear opportunity and a mission, not as a regulatory requirement. The way in which business is done is particularly important to us in this context. In 2022, we issued our first green bond for private investors and further expanded our commitment to a worthwhile future at other levels, too.

Another highlight in 2022 was our 125th anniversary. Looking back on our history, our bank has repeatedly been called upon to tackle crises and uncertainties together with business and the local population. In the current continued uncertain and volatile environment, it is particularly important to us to be a reliable and stable partner. We would like to take this opportunity to thank our nearly 900 employees for their commitment and hard work in the past financial year. We are confident that we will also overcome the current challenges together.

The members of the Managing Board

Mag. Michel Haller
Chairman of the Managing Board

Dr. Wilfried Amann
Member of the Managing Board

DI (FH) Philipp Hämmerle, MSc
Member of the Managing Board

ORGANISATIONAL CHART

HYPO VORARLBERG

MICHEL HALLER
CHAIRMAN OF THE MANAGING BOARD

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

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

Group Risk Controlling
Markus Seeger

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

Human Resources
Egon Helbok
- HR development

Communication & Marketing
Sabine Nigsch
- Sponsoring / Events

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

Strategic Bank Management
David Blum

Corporate and Internal Audit
Christoph Schwaninger

St. Gallen Branch Office
Thomas Reich

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

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
- Customer Service Center
- Marketing Management
- Payment Transactions

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

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
- Funds Service
- Securities Settlement

IT / Organisation
Johann Berchtold
- IT Core Banking

Jörg Ruwe
- IT Digital Banking

Johannes Lutz
- IT Operations

Data Protection
Daniel Oberauer

Logistics
Wilhelm Oberhauser
- Facility and Materials Administration

As of April 2023

STAFF UNIT *

Data Protection
Daniel Oberauer

Compliance & Outsourcing
Reinhard Kaindl

Ombudsperson
Martha Huster

Corporate and Internal Audit
Christoph Schwaninger

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
Peter Meyer, BOH
Hannes Bodenlenz, BM

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

LKH-Feldkirch

Rankweil

Götzis Branch Office
Franz Altstätter, BM

Hohenems Branch Office
FD Andreas Fend

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

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 2023

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
Stv. Vorsitzender, Wirtschaftsprüfer und Steuerberater, Dornbirn

Astrid Bischof
Deputy Chairman, Chartered Accountant, Dornbirn

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 (since June 1, 2022)

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

Karlheinz Rüdisser
State Governor (ret.), Lauterach

Birgit Sonnbichler
Entrepreneur, Dornbirn

Nicolas Stieger
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 2023

COMITTEES ESTABLISHED BY THE SUPERVISORY BOARD

Loan committee
Jodok Simma, Chairman
Alfred Geismayr, Deputy Chairman
Karl Fenkart
Eduard Fischer
Michael Horn

Risk committee
Karlheinz Rüdisser, Chairman
Karl Fenkart, Deputy Chairman
Jodok Simma
Nicolas Stieger

Audit committee
Alfred Geismayr, Chairman
Jodok Simma, Deputy Chairman
Astrid Bischof
Karl Fenkart

Nomination committee
Birgit Sonnbichler, Chairwoman
Johannes Heinloth, Deputy Chairman (since July 2022)
Jodok Simma
Karl Fenkart

Remuneration committee
Birgit Sonnbichler, Chairwoman
Johannes Heinloth, Deputy Chairman (since July 2022)
Jodok Simma
Karl Fenkart

STATE COMMISSIONER

Jutta Raunig

Matthias Ofner, Deputy

ESCROW AGENTS

Wilfried Marte
Head of the District Court, Bregenz

Daniela Steffl
Deputy, Federal Ministry of Finance, Vienna

As of April 2023

ADVISORY BOARD

Markus Wallner
Chairman, State Governor of Vorarlberg, Frastanz

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

Alexander Abbrederis
Managing Director, pratopac GmbH, Rankweil

Gerhart Bachmann
President of Vorarlberg Dental Chamber, Feldkirch

Hubert Bertsch
Managing Director, Bertsch Holding GmbH, Bludenz

Ernst Bitsche
Entrepreneur, Thüringen

Christof Bitschi
Chairman of FPÖ Vorarlberg political party, Brand

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

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

Birgitt Breinbauer
President of Bar Association Vorarlberg
Lawyer, Dornbirn

Manfred Brunner
Chariman of Österreichische Gesundheitskasse*, Höchst

Guntram Drexel
Supervisory Board of Spar Österreichische Warenhandels AG, Lustenau

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

Kurt Fischer
Mayor, Lustenau

Stefan Fitz-Rankl
Managing Director, Fachhochschule Vorarlberg, Lustenau

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

Jutta Frick
Managing Director, Bad Reuthe Frick GmbH, Reuthe

Roland Frühstück

Managing Director, Bad Reuthe Frick GmbH, Reuthe

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

Heinz Hämmerle
Entrepreneur, Lustenau

Andreas Haid
Mayor, Riezlern

Robert Haller
Hotelier, Mittelberg

Dietmar Hefel
Managing Director, Hefel Textil GmbH, Dornbirn

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

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

Josef Huber
Entrepreneur, Huber Invest GmbH, Klaus

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

Michael Jonas
President of the Medical Association for Vorarlberg (until April 2022), Dornbirn

Urs-Peter Koller
Entrepreneur, Wittenbach

Oswin Längle
Managing Director, Längle Glas GmbH, Dornbirn

Michael Ritsch
Mayor of Bregenz

Hans-Peter Lorenz
Managing Director, VOGEWOSI (Vlbg. gemeinnützige Wohnungs-bau- und Siedlungsges. mbH), Dornbirn

Hans-Peter Metzler
President of the Vorarlberg Chamber of Commerce (until April 2022) Hittisau

Josef Moosbrugger
President of Austrian Chamber of Agriculture, Bregenz

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

* bi-annual change

Johannes Rauch
Federal Minister for Social Affairs, Health, Care and Consumer Protection, Rankweil

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

Sabine Scheffknecht
Chairwoman of NEOS Vorarlberg political party, Lustenau

Gerold Schneider
Hotelier, Lech

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

Thomas Sohm
Managing Director, Etiketten Carini GmbH, Lustenau

Harald Sonderegger
President of Vorarlberg State Parliament, Schlins

Karl Stadler
Chairman of the Board of Directors of the POLYGENA Group, Altstätten

Eduard Tschofen
Certified public accountant and tax consultant, Feldkirch

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

Daniel Zadra
Provincial Council, Lustenau

As of 31.12.2022

GROUP MANAGEMENT REPORT

MACROECONOMIC
CONDITIONS

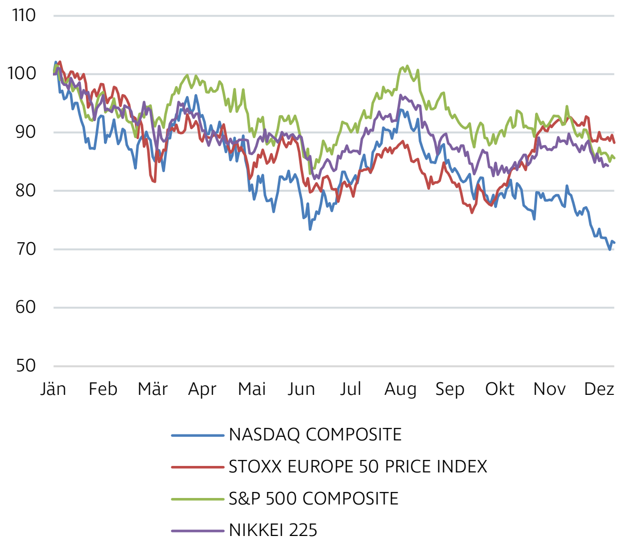
Global economy and euro zone
At the beginning of 2022, it became clear that economic growth in the previous year had been very positive. However, the economic outlook changed abruptly when Russia began its war of aggression on Ukraine, and the coronavirus pandemic receded into the background. Fears of further escalation and the sanctions imposed due to the invasion of Ukraine dimmed sentiment on the stock markets. Rising energy prices and possible energy shortages, as well as drastic sanctions on Russia, caused the anticipated economic upturn to falter. Inflation in the eurozone also climbed significantly. In March, the US central bank's Federal Open Market Committee raised its key interest rate for the first time since December 2018.

In the Fed's view, the war in Ukraine represented the most significant risk factor for the macroeconomic development. The Fed therefore scaled back its forecast for US economic growth in the current year while significantly increasing its forecast for core inflation. The European Central Bank (ECB) announced that it would observe the economic effects of the war and sanctions before potentially raising its key interest rate. Despite news of supply bottlenecks, rising energy prices and falling leading indicators since the start of the war, the economy performed better than expected. After Russian gas deliveries to the EU had already been reduced, the possibility of a complete suspension of deliveries combined with inflation weighed on the economy. In May, inflation in Germany was already at 7.90 % – driven by energy and food prices. The ECB responded in a much more restrained way than other central banks, giving notice of potential interest rate hikes. In the US, the Fed raised its key rates in March, May and June. The rate hike of 75 basis points in June was the biggest individual upward move since November 1994. The global economic outlook grew increasingly gloomy. Hopes of a quick end to the war were supplanted by fears of further escalation. In August, price pressure increased sharply again at producer level. Driven primarily by the price trend on the gas and electricity market, there were new historic highs in comparison to both the previous month and the previous year. Although a short term easing with regard to electricity and gas prices created some hope for the coming months, increased producer prices resulted in continuing inflationary pressure.

Not least, interest rate fears intensified at an international level. Sweden's central bank delivered the biggest interest rate hike at 100 basis points, while the US Federal Reserve and the Swiss National Bank raised their key interest rates by 75 basis points. Many market participants therefore prepared for an end to the existing global environment of low interest rates. In the final quarter of the year, easing trends gradually emerged with regard to inflation rates. As it was initially only the energy component that slowed while core inflation showed hardly any change, a higher interest rate move was possible until the December meeting. However, the majority of market participants anticipated a modest interest rate hike by the central banks, which ultimately did not fully utilise their potential.

Stock and bond markets
On the stock markets, the way that share prices ran wild in the face of Russia's invasion of Ukraine demonstrated investors' nervousness. For example, the German benchmark index saw price movements of more than 5 % within a trading day. Sharp price dips were followed by sometimes significant recoveries the very next day. Both in terms of relative attractiveness compared to bonds and with regard to liquidity supply, the situation on the stock markets worsened. Only reinvigorated profit developments provided support. The major central banks kept to their expansionary monetary policy for a long time. Inflation expectations brought about an increase in yields. In view of the high inflation rates, a further rise in interest rates seemed inevitable. The yield on 10 year US Treasuries leapt to an eleven year high. The US benchmark yield climbed above its highest level from the previous interest rate cycle (the high from 2018). The series of falling interest rate highs, which represented a key feature of the decades-long downward trend in interest rates, was broken. Financial market participants were left with little cause for optimism.

Global stock market development in 2022 (in EUR)



(Quelle: Thomson Reuters Datastream)

After prices for stocks and bonds had already fallen in the previous months, sentiment remained gloomy both for risk assets and for "safe" government bonds. Growing fears of recession weighted on the stock markets, with fears in Europe taking a more pronounced form than in the US. With regard to equities, the "risk off" wave was driven forward in September, with the bond market tending more to trigger the growing risk aversion than to benefit from it for the time being. This in turn fuelled speculation on a series of further interest rate moves by the ECB again. These expectations explained the persistent selling pressure on major government bond markets on both sides of the Atlantic. From October onwards, the stock markets increasingly recovered. The challenging market environment was still dominated in the final quarter by high volatility on the stock market and declines in bond prices due to interest rate increases, as well as by continued high inflation rates. In December, there were growing signs of a peak in inflation rates on both sides of the Atlantic, while yields on the bond markets mostly decreased.

Commodities and currencies
The war in Ukraine, western sanctions and the effects on energy prices, key industrial metals and some staple foods caused major changes over the course of 2022. Due partly to its geographical proximity, but mainly to its heavy dependency on oil and gas deliveries from Russia, the consequences for the eurozone were more severe than for the US. High energy and food prices caused the cost of living to rise further and additionally fuelled inflation. Prices for fossil fuels climbed further over the course of the year. With regard to gas, there was a focus on deliveries from additional countries and sea shipments of liquid natural gas (LNG). The prices for gold and silver developed well. Gold reached a level of over USD

USD 2,000 in early March, but then weakened again in the second quarter. The precious metal's upside potential was limited in particular by the turnaround in interest rates in the US. Expectations that the Fed would ratchet up interest rates several more times over the course of the year kept the gold price at bay. From November on, the gold price rose significantly again.

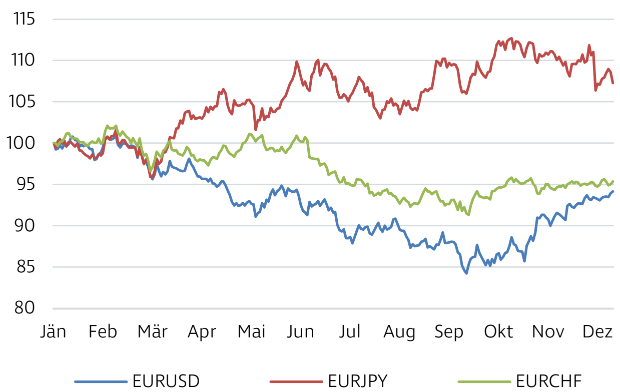
Gold price development in 2022 (in USD)

(Source: Thomson Reuters Datastream)

The oil price increased as a result of the war, reaching well over USD 110 for a barrel of Brent in June. Demand for oil waned as the prospects for the global economy and oil consumption worsened. In the context of growing fears of recession, industrial metals decreased in value significantly. Following its all-time high in June, the broad-based Bloomberg Commodity Index dropped almost 20 % by the end of the year.

The discrepancy in economic signs on either side of the Atlantic underpinned the strength of the US dollar relative to the euro that had been in place for several months. In view of the falling energy prices and an easing of the economic outlook for the eurozone, the US dollar lost a little of its strength. The Swiss franc once again proved to be a safe haven currency, appreciating significantly against the euro up until the end of September. Despite an incipient countermovement, the euro did not manage to reach parity by the end of the year. The exchange rate of the single currency to the Japanese yen reached its lowest level during the year in early March, before an upward trend then began in the following months.

Currencies against the euro in 2022



(Source: Thomson Reuters Datastream)

Austria

While the Austrian economy posted a significant upturn until summer 2022, it lost momentum abruptly in the second half of the year. In line with the global development, the worldwide economic downturn also encompassed the Austrian economy in the third quarter of 2022. Alongside a decline in exports, high energy prices and increased uncertainty held back consumer spending by private households and investments. The Austrian economy posted growth of 4.7 % in the first six months of the year (2021: 4.6 %). This was mainly attributable to service sectors that had still been held back by the COVID-19 pandemic in 2021. The sovereign debt ratio also developed positively, falling to 78.5 % of GDP (2021: 82.3 %).

Despite a strained situation, the domestic labour market remained stable. The unemployment rate according to the national definition fell to 6.3 % (2021: 8.1 %). It is expected to rise to 6.5 % in 2023 before decreasing to 6.2 % in 2024.

According to Statistik Austria, the HICP inflation rate for 2022 was 8.6 % (2021: 2.8 %), mainly due to the price trends for energy, fuel and food. The last time that a higher inflation rate was recorded was during the oil crisis of 1974 (9.5 %). Inflation peaked in October 2022 (11.0 %), before decreasing slightly towards the end of the year. In 2023, electricity price controls are likely to curb inflation further.

Economic output is expected to decline in the half year period over winter 2022/2023. According to the WIFO Business Cycle Survey, companies' expectations have worsened significantly in many sectors. Persistently high energy prices, price momentum and uncertainty are dampening sentiment. The domestic economy is nonetheless expected to recover in 2023 and settle in to a moderate growth trajectory in the second half of the year. However, the war in Ukraine could lead to further tensions, and the rise in interest rates will also negatively impact economic demand.

Vorarlberg

Vorarlberg industry, which is dominated by mechanical engineering and metalworking companies, mostly kept its production running during the COVID-19 crisis, thereby contributing to the stability of the Vorarlberg location. Due to its many international links, however, industry is more dependent than other sectors on being internationally competitive, which is a major challenge in view of the sharp rises in energy and raw material prices and the shortage of specialist staff.

The results of the economic survey (business climate index) for the fourth quarter of 2022 showed that sentiment in Vorarlberg industry remained gloomy. The business climate index of Vorarlberg industry – an average of expectations for the current business situation and that in six months' time – rose from -10.4 % in the previous quarter to +0.2 % in the fourth quarter of 2022. A total of 36 companies with 26,040 employees took part in this quarterly survey of the industrial sector in the Vorarlberg Chamber of Commerce and the Vorarlberg Federation of Industries.

Compared to the bad situation in the third quarter of 2022 (the third-worst business climate index in 20 years), sentiment has improved but there are still major challenges: 36 % of the companies surveyed rate the current business situation as good, 33 % as average and 31 % as bad. With regard to the development of the business situation over the next six months, the assessments are characterised by a high degree of uncertainty. Around 55 % of industrial companies expect their income situation to worsen in the next half year. The shortage of workers is seen as one of the biggest drags on growth. Particularly with regard to specialist staff, it is important to leverage potential within Austria and to create better conditions for immigration of qualified workers. As another measure to improve staffing levels, there is a key focus on better options for ensuring a good work-life balance, for example by expanding childcare.

THE AUSTRIAN BANKING SECTOR
IN 2022

The many different economic, political and social challenges of 2022 were also reflected in the profitability of the banking sector. In the first half of the year, banks still benefited from the good economic environment, the inflation-driven rise in interest rates and the high nominal demand for credit. In the second half of the year, however, the worsening economy, the negative effects of inflation and the consequences of Russia's war of aggression and potential energy shortages all impacted the earnings situation of Austrian banks.

Net interest income of Austrian-based banks increased to EUR 13,670.50 million in the third quarter of 2022 (Q3 2021: EUR 11,773.95 million), and net fee and commission income was also increased from EUR 5,893.35 million to EUR 7,309.39 million in the same period. By contrast, banks' net profit for the period (after taxes and minority interests) was lower than in the same period of the previous year, amounting to EUR 5,544.10 million as of the end of the third quarter of 2022 (Q3 2021: EUR 5,899.35 million).

By the third quarter of 2022, the total assets of Austrian banks had risen to a total of EUR 1,251.4 billion (30 September 2021: EUR 1,186.8 billion).

Private consumer spending slumped sharply during the pandemic, partly due to lockdowns, thereby contributing to historically high savings rates in Austria. The opposite effect then occurred subsequently, with the return to normal offering many opportunities for consumers to spend what they had saved. Private consumer spending recovered in 2021 already, and in 2022 the further expiry of pandemic effects provided another boost to private spending, causing the savings rate to fall again. According to the OeNB, the Austrian net savings rate – the ratio between savings and disposable income – came to 9.5 % of disposable household income in the third quarter of 2022 (Q3 2021: 13.4 %).

Loans and advances to Austrian non-banks have consistently followed a slight upward trend in recent years and totalled EUR 422,483.53 million in the third quarter of 2022 (31 December 2021: EUR 403,277.13 million).

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 2022, loans to private households in foreign currencies (primarily in Swiss francs) totalled EUR 9,175.04 million (30 September 2021: EUR 9,743.97 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. In the third quarter of 2022, the figures remained stable compared to the previous year.
As at 30 September 2022, the banks subject to reporting requirements in Austria reported a common equity tier 1 (CET1) ratio of 15.80 % (Q3 2021: 15.75 %) and a total capital ratio of 18.77 % (Q3 2021: 18.85 %).

Consolidated earnings situation of Austrian banks:

In EUR million	Q3/2022	Q4/2021	Q3/2021	Q4/2020	Q3/2020
Net interest income	13,671	15,659	11,774	15,458	11,637
Operating profit	7,045	9,022	7,480	8,220	5,735
Income after taxes	5,544	6,085	5,899	3,668	2,536

(Source: OeNB)

Deposit protection
The Austrian Federal Act on Deposit Protection and Investor Compensation at Banks (ESAEG), which came into force in August 2015, removed the government protection for a portion of the deposits from 2019. The legal conditions are based on the principle that the financial consequences of a default are to be borne by the banks themselves, not by tax payers. Any payments in the event of a default are financed from a deposit protection fund that is endowed annually – until 2024 – by the protection schemes' member banks.

Since 1 January 2019, the deposit guarantee scheme for Austrian equity banks, cooperative banks and mortgage banks has been implemented by Einlagensicherung AUSTRIA Ges.m.b.H. (ESA); the Raiffeisen banks have no longer been part of ESA since 1 January 2022.

On 1 March 2022, Sberbank Europe AG was prohibited from continuing its operations by a ruling of the Austrian Financial Market Authority (FMA) on instructions from the ECB due to its imminent insolvency. On 3 May 2022, the FMA initiated a regulated liquidation in coordination with the Government Commissioner and the ECB, allowing an insolvency of Sberbank Europe to be avoided. The Austrian deposit protection system, which has already paid out EUR 926 million in secured deposits, received back all of the money, and all other creditors were also serviced on schedule in line with the sanctions regime. On 15 December 2022, Sberbank Europe AG in Liquidation announced – and it was confirmed by the auditor – that all banking transactions had now been settled, and at the same time it formally relinquished its banking licence.

HYPO VORARLBERG'S
BUSINESS MODEL

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

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

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

BUSINESS SEGMENTS

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

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

Private Banking
Private Banking supports wealthy individuals, their families and selected institutional customers. The varied product range is oriented towards customers' needs in all areas and offers contemporary solutions through 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 segment is responsible for asset/liability management, refinancing of Hypo Vorarlberg and various services for customers and other groups within the bank. These include money, foreign exchange, interest rate derivatives and securities trading, for example. Hypo Vorarlberg does not engage in any significant proprietary trading that is not connected with customer business.

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

CORE MARKETS

In addition to the headquarters in Bregenz and 14 other branches in Vorarlberg, Hypo Vorarlberg has additional locations in Vienna, Graz, Wels and Salzburg, as well as a branch in St. Gallen, Switzerland. With the opening of the location in Salzburg in 2021, Hypo Vorarlberg has moved into a future growth market where it is focusing on corporate customer and real estate project business. Details on the branches can be found on the last page of the annual report.

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

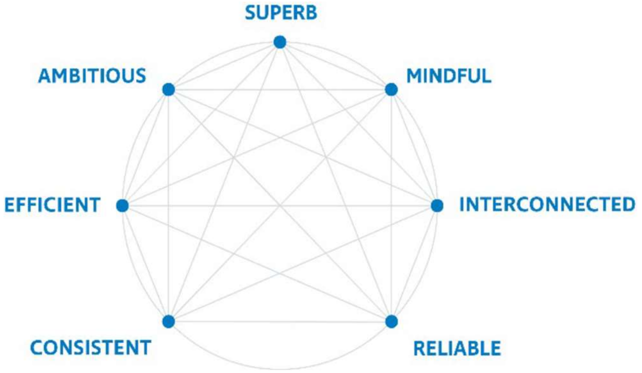
In addition to the traditional banking products, customers can also use other banking-related products and services in the real estate, leasing and insurance sectors. The subsidiary Hypo Immobilien & Leasing GmbH, based in Dornbirn and Vienna, offers expert knowledge under the Hypo Vorarlberg brand.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

Through the holding in comit Versicherungsmakler GmbH, customers of Hypo Vorarlberg benefit from independent insurance solutions. In the investment sector, Masterinvest KAG acts as a partner and fund manager for Hypo Vorarlberg. The company has been managing investment funds for over 30 years and customers benefit 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
IN 2022 IN AN ENVIRONMENT OF INCREASED INTEREST RATES

With Russia's military attack on Ukraine on 24 February 2022, the prevailing world view up until then changed significantly, as did the economic conditions for Hypo Vorarlberg and its customers. Accompanied by the anticipated resulting shortage of resources and energy, inflation in the Group's core markets increased considerably. The ECB consequently started to steer in the opposite direction after a long phase of low interest rate policy and steadily raised its key interest rate in several steps from summer 2022 onwards.

After having coped with the COVID-19 pandemic, Hypo Vorarlberg's proven business model was put to the test once again by this crisis. While the economic effects of the COVID-19 pandemic did not have a significant impact on the Hypo Vorarlberg Group's earnings situation in retrospect (partly due to government support measures for companies), the consequences of the war in Ukraine will probably not become clear until future years.

The most important foundation for the Hypo Vorarlberg Group's stable economic development – particularly in this challenging environment – is its risk-conscious lending and business policy. The development of customer deposits and the financing volume conforms to the Managing Board's strategy, which puts profitability and stability ahead of growth. Both of these balance sheet items showed a significant year-on-year increase in the past financial year.

INCOME DEVELOPMENT

In the reporting year, Hypo Vorarlberg's operating income was affected by the ECB's continual key interest rate hikes. Net interest income was lower than in the previous year. This was attributable to participation in the ECB's TLTRO III programme in 2021, combined with the rise in interest rates and the adjustment of TLTRO interest conditions by the ECB. As a result of the rise in interest rates, net fee and commission income from securities business consequently also decreased, as the higher interest rates had a negative impact on customer securities accounts.

By contrast, the result from financial instruments at fair value increased very substantially year-on-year in 2022 as a result of the increased interest rates. This was because fixed interest risk exposure in small volume loans and advances to customers at portfolio level with low interest rates were hedged by interest rate swaps and options. The Group does not apply the provisions of macro-hedge accounting in accordance with IAS 39. As such, the gains and losses on remeasurement in 2022 show that the hedges entered into were effective. However, the offsetting measurement effects are not reported in consolidated net income due to the measurement of loans and advances at amortised cost.

Administrative expenses increased by around 7.3 % year-on-year. Loan loss provisions were also reversed in the 2022 financial year, while impairment of non-financial assets changed by TEUR -762 year-on-year.

In 2022, the Group's earnings before taxes amounted to TEUR 160,659 (2021: TEUR 93,678). Net income after taxes amounted to TEUR 120,096 in 2022 (2021: TEUR 66,810).

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

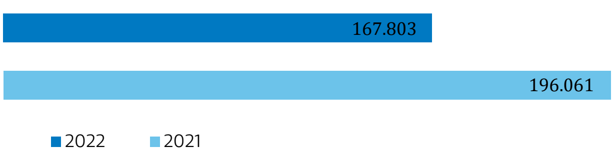
TEUR	2022	2021	Change
Net interest income	167,803	196,061	-14.4 %
Net fee and commission income	34,128	38,023	-10.2 %
Administrative expenses	-105,941	-98,746	7.3 %
Loan loss provisions and impairment of financial assets	10,003	-15,296	-165.4 %
Impairment of non-financial assets	-1,021	-259	>100 %
Earnings before taxes	160,659	93,678	71.5 %
Annual net income	120,096	66,810	79.8 %

Net interest income

After many years of low or negative interest rates, 2022 was 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 in equal measure at Hypo Vorarlberg. The positive effect reported in the previous year as a result of reaching the TLTRO III programme's credit growth requirements was considerably lower in the reporting year due to the higher interest rates and the adjustment of the TLTRO III conditions by the ECB. Participation in the ECB's TLTRO III programme takes place by way of borrowing from the OeNB in the form of the OeNB tender. Hypo Vorarlberg repaid a large portion of the OeNB tender in 2022.

Net interest income was therefore lower overall than in the previous year, falling by 14.4 % to TEUR 167,803 (2021: TEUR 196,061).

Net interest income
in TEUR

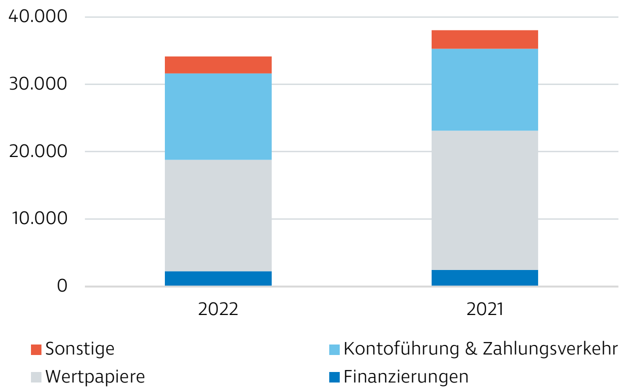


Net fee and commission income

Like net interest income, net fee and commission income was strongly influenced by the change in interest rates in 2022. Fee and commission income in lending business was down year-on-year for guarantee commission and handling fees. Fee and commission income from securities business declined as a result of the rise in interest rates and the associated decrease in customer securities accounts, as well as the discontinuation of the performance-based fee in asset management. Fee and commission income from account management and payment transactions was increased by TEUR 688. Total fee and commission income fell by 10.4 % from TEUR 47,135 in 2021 to TEUR 42,219 in 2022. At the same time, fee and commission expenses also decreased. This decrease is attributable to lower guarantee commission for the synthetic securitisation of Hypo Vorarlberg's loans and advances. Due to repayments, the securitisation portfolio is maturing, which also results in lower guarantee commission.

Structure/development in net fee and commission income

in TEUR



For the reasons mentioned above, Hypo Vorarlberg's net fee and commission income decreased by 10.2 % year-on-year, amounting to TEUR 34,128 as at 31 December 2022 (2021: TEUR 38,023).

Net result from financial instruments at fair value
The net result from financial instruments at fair value was massively influenced by the increased interest rates. Large volume hedging of fixed-interest risk exposure was ensured by means of interest rate swaps and options. As the Group does not apply the provisions of IAS 39 with regard to macro-hedge accounting, only the measurements of hedging instruments are included in the income statement. 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 relates to interest rate swaps with a volume of TEUR 406,059 and terms until 2052. The market value of the interest rate swaps came to TEUR 62,573 as at 31 December 2022. In addition, collars with a volume of TEUR 199,296 and terms until 2044 have been concluded to hedge interest limit loans. The market value of these interest rate options came to TEUR 29,432 as at 31 December 2022.

Other income/expenses
Other income includes income from operating leases, operating cost income or gains on the disposal of non-financial assets. As at 31 December 2022, total other income amounted to TEUR 35,796 (2021: TEUR 28,142). This increase was attributable to the reversal of provisions for operational risks in the amount of TEUR 8,246.

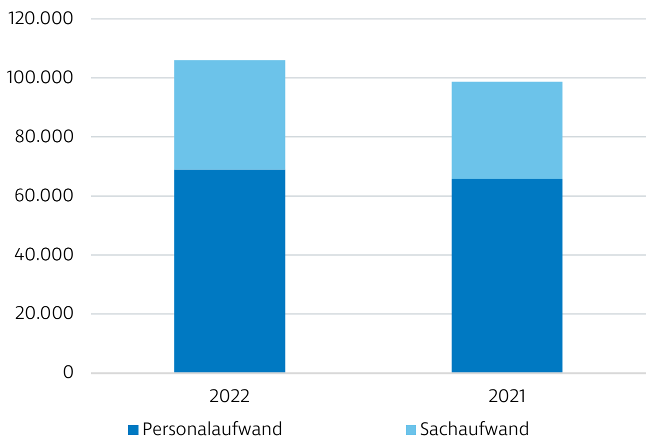
Other expenses increased significantly to TEUR 53,521 (2021: TEUR 42,018). This amount includes the stability fee of TEUR 2,749 (2021: TEUR 2,676). The increase in other expenses was attributable to the allocation of provisions for operational risks.

Administrative expenses
The Managing Board pays great attention to keeping corporate structures as lean as possible in order to ensure that costs develop at a constant rate. Administrative expenses increased year-on-year by 7.3 % to TEUR 105,941 (2021: TEUR 98,746).

Staff costs in the reporting year were also higher than the previous year's level at TEUR 68,965 (2021: TEUR 65,789). The wages and salaries item included here increased from TEUR 49,672 to TEUR 52,106. Material expenses rose faster than staff costs with growth of 12.2 % year-on-year. This increase was attributable to higher expenses in the areas of data processing, infrastructure and security, as well as for projects.

Structure/development in administrative expenses

in TEUR



The number of branches in Austria did not change in the reporting year and came to 19 as at the end of 2022. Details on the existing branches and subsidiaries of Hypo Vorarlberg can be found on the last page of the annual report.

Employees
Hypo Vorarlberg is an advisory bank and stands out because of its high-quality consulting and support for customers. In the interest of sustainable staff development, 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 2022 increased from 719 to 729.

Key employee figures (Hypo Vorarlberg Group)

	2022	2021	Change
Average number of employees (full-time equivalents)	729	719	1.4 %
of which apprentices	7	7	0.0 %
of which part-time	138	121	14.0 %
Employees at end of year (headcount)	896	876	2.3 %
of which women	507	497	2.0 %
of which men	389	379	2.6 %
Proportion of women (incl. apprentices)	56.6 %	56.7 %	-0.3 %
Proportion of men (incl. apprentices)	43.4 %	43.3 %	0.3 %
Average period of employment in years	12.0	12.2	-1.6 %
Average age in years	41.4	41.2	0.5 %

Depreciation and amortisation
At TEUR 7,862, depreciation and amortisation in 2022 were down by 3.3 % compared to the previous year (2021: TEUR 8,128).

Loan loss provisions and impairment of financial assets
Hypo Vorarlberg concentrates on the business areas whose mechanisms and rules it understands and only takes risks that it can manage on its own. Hypo Vorarlberg's additions to loan loss provisions are generally at a low level, which reflects the good credit rating of the customers in the Bank's market areas. The Group has made adequate provisions for all discernible risks.

Expenses for loan loss provisions in lending business were lower in 2022 than in the previous year. Since 2018, loan loss provisions have been recognised in accordance with the accounting logic of IFRS 9, which requires an impairment of the credit portfolio even with good credit ratings. Net loan loss provisions and impairment of financial assets amounted to TEUR 10,003 in 2022, whereas in 2021 they were still at TEUR 15,296 due to the COVID-19 pandemic. Whereas loan loss provisions had been set aside in the previous year, these were reduced in the 2022 financial year.

Impairment of non-financial assets
Impairment of non-financial assets, including the valuation of properties in South Tyrol, increased year-on-year to TEUR 1,021 as at 31 December 2022 (2021: TEUR 259).

Income before/after taxes
The Hypo Vorarlberg Group closed 2022 very successfully. Due to the above-mentioned effects of the steady increase in key interest rates by the ECB, earnings before taxes rose by 71.5 % to TEUR 160,659 as at 31 December 2022 (2021: TEUR 93,678). Adjusted for taxes, earnings amounted to TEUR 120,096, representing a year-on-year increase of 79.8 % (2021: TEUR 66,810).

In addition to the current tax expense for corporate income tax, the amounts reported under taxes on income primarily relate to the deferred income tax assets and liabilities to be recognised under IFRS. Tax expenses for 2022 amounted to TEUR 40,563 (2021: TEUR 26,868).

Attributable to non-controlling interests
Of the net income after taxes of TEUR 120,096 (2021: TEUR 66,810), a total of TEUR 8 (2021: TEUR 12) 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 2022 financial year amounted to TEUR 50,332 (2021: TEUR 67,756). After the allocation to reserves and by offsetting retained profit, accumulated profits available for appropriation totalled TEUR 4,434 (2021: TEUR 4,434). Subject to approval by the shareholders' meeting and taking account of further developments up until the time of this resolution, a dividend of EUR 14 per entitled share is proposed based on the share capital of TEUR 162,152. Total distribution is therefore TEUR 4,434 for 316,736 shares.

Key management indicators

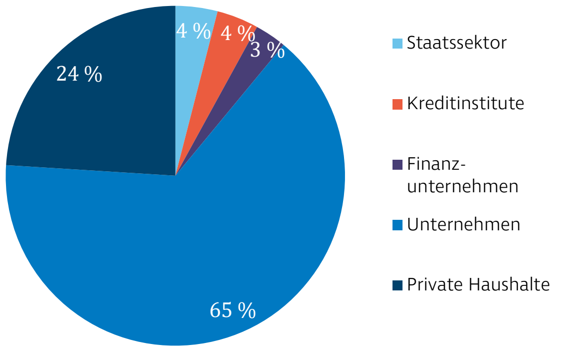
	2022	2021	Change
Return on Equity (ROE)	12.49 %	7.64 %	63.5 %
Cost-Income-Ratio (CIR)	66.99 %	54.86 %	22.1 %
Return on total assets	0.78 %	0.43 %	81.4 %
Tier 1 capital ratio	16.75 %	15.98 %	4.8 %
Total capital ratio	19.51 %	18.65 %	4.6 %

BALANCE SHEET DEVELOPMENT
Changes in assets
As a strong financing partner for the people and companies in its core markets, loans and advances to customers constituted the largest item of Hypo Vorarlberg's assets. In the 2022 financial year, Hypo Vorarlberg's total consolidated assets decreased slightly and amounted to TEUR 15,305,475 as at 31 December 2022, representing a decline of 2.1 % compared to the previous year's reporting date (2021: TEUR 15,626,113). The early repayment of the OeNB tender in particular led to the decline in total assets. However, higher credit demand and lending nonetheless led to an increase in loans and advances to customers.

Financial assets
As at 31 December 2022, loans and advances to customers across all measurement categories totalled TEUR 10,644,719 (2021: TEUR 10,378,665), of which the largest proportion was accounted for at amortised cost.

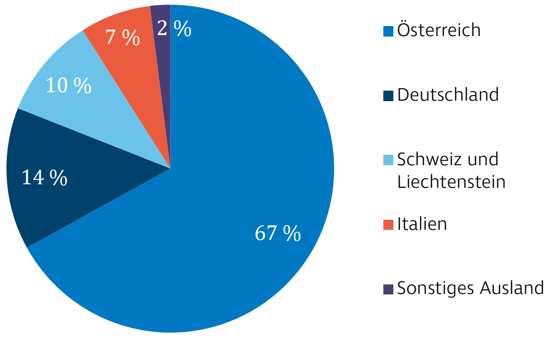
In the reporting year, loans and advances to banks increased significantly by 47.5 % to TEUR 464,585 (2021: TEUR 314,964). This was due to the higher cash collateral provided to counterparties, which was required as a result of the increased market values of derivatives. Financial assets also include bonds, whose volume amounted to TEUR 2,499,910 (2021: TEUR 2,687,772) as at 31 December 2022. This decrease was particularly attributable to measurement effects in connection with the increased interest rates.

Loans and advances to customers and banks – by sector



This item totalling TEUR 11,109,304 across all measurement categories primarily includes loans and advances to companies and private households and was 3.9 % higher than in the previous year (2021: TEUR 10,693,629). Loans and credits in the public sector decreased compared to 2021, while the other sectors saw an increase.

Loans and advances to customers and banks – by region



The largest part of the lending business of Hypo Vorarlberg is in Austria with a share of 67 %, followed by Germany with 14 %. The remaining loans and advances to customers are primarily aimed at customers from Switzerland and Italy (mainly leasing).

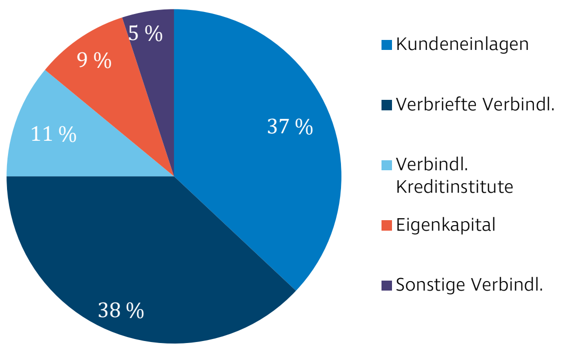
The issue of Swiss franc loans has been severely limited in recent years, primarily in the Private Customers segment. As at 31 December 2022, Hypo Vorarlberg reported loans and advances to customers in Swiss francs totalling TEUR 1,403,957 (2021: TEUR 1,335,364). Most of these loans and advances to customers relate to the St. Gallen branch and thus do not represent a foreign currency risk. The cross-border commuters in Vorarlberg are also to be taken into account, which further reduces the economic view of this risk. The proportion of foreign-currency financing in the Private Customers segment (predominantly in CHF) is steadily decreasing.

Cash and balances
The cash reserve includes cash on hand and the balances with central banks. This item decreased from TEUR 1,806,556 in the previous year to TEUR 869,021 as at 31 December 2022, mainly due to the early repayment of borrowings in connection with the OeNB tender.

Trading assets
In the reporting year, trading assets increased from TEUR 86,610 to TEUR 182,211 due to the valuation of derivatives. This rise in market values was attributable to the increase in key interest rates over the course of 2022.

Changes in liabilities
There was a decrease of 6.3 % in financial liabilities at amortised cost – which account for the largest part of the balance sheet liabilities – to TEUR 12,462,872 (2021: TEUR 13,298,923). While deposits from customers rose by 4.7 % to TEUR 5,529,989, liabilities to banks in particular decreased significantly due to the early repayment of the OeNB tender.

Balance sheet structure/balance sheet liabilities



This graph shows the sustainably established and balanced refinancing structure of Hypo Vorarlberg. Of the total balance-sheet liabilities of TEUR 15,305,475, a sum of TEUR 5,645,274 was attributable to deposits from customers (savings, demand and term deposits) as at 31 December 2022, representing a year-on-year increase of 4.2 % across all measurement categories.

In the reporting year, liabilities evidenced by certificates – which are primarily mortgage bonds and bonds – increased from TEUR 5,521,955 to TEUR 5,782,637.

Shareholders' equity increased year on year by 10.0 % to TEUR 1,419,073 (2021: TEUR 1,290,390). The remaining share of liabilities amounted to TEUR 790,349 (2021: TEUR 365,057). This increase was also mainly attributable to measurement effects in relation to derivatives as a result of the higher interest rates.

CHANGES IN OWN FUNDS

Composition of own funds according to CRR and capital ratios

TEUR	2022	2021	Change
Total risk exposure amount	**8,727,967**	**8,459,291**	**3.2 %**
Common equity tier 1 capital (CET1)	1,411,567	1,301,835	8.4 %
Additional tier 1 capital (AT1)	50,001	50,002	0.0 %
Tier 1 capital (T1)	**1,461,568**	**1,351,837**	**8.1 %**
Tier 2 capital (T2)	241,308	225,957	6.8 %
Own funds	**1,702,876**	**1,577,794**	**7.9 %**
CET1 capital ratio (CET1)	16.17 %	15.39 %	5.1 %
Surplus of CET1 capital (CET1)	1,018,808	921,167	10.6 %
T1 capital ratio (T1)	16.75 %	15.98 %	4.8 %
Surplus of T1 capital (T1)	937,890	844,280	11.1 %
Total capital ratio	19.51 %	18.65 %	4.6 %
Surplus of total capital	1,004,639	901,051	11.5 %

The Managing Board is ensuring a sound and sustainable capital structure at Hypo Vorarlberg through ongoing optimisation measures.
As at 31 December 2022, the share capital of Hypo Vorarlberg amounted to TEUR 162,152, as in the previous year.

Overall, the core capital (T1) increased to TEUR 1,461,568 as at 31 December 2022 (2021: TEUR 1,351,837), while the eligible supplementary capital (T2) rose to TEUR 241,308 (2021: TEUR 225,957).

As at 31 December 2022, Hypo Vorarlberg's total own funds increased by 7.9 % compared to the previous year to TEUR 1,702,876 (2021: TEUR 1,577,794). They were thus well in excess of the minimum required by law (CRR). The total capital ratio rose to 19.51 % as at the end of 2022 (2021: 18.65 %). The core capital ratio (T1) also rose to 16.75 % as at the end of year (2021: 15.98 %) and the common equity tier 1 (CET1) ratio was increased from 15.39 % to 16.17 %. The total risk exposure also increased from TEUR 8,459,291 to TEUR 8,727,967.

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

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

Share capital and share denominations
Hypo Vorarlberg's subscribed capital is unchanged at TEUR 162,152. As at 31 December 2022, 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 2022 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 %

Events of material importance after the reporting date
No events of material importance occurred after the reporting date.

DEVELOPMENT
BY SEGMENT

CORPORATE CUSTOMERS

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.

Despite the COVID-19 pandemic and the war in Ukraine, corporate customer business at Hypo Vorarlberg posted a very good performance in the 2022 financial year. The lending volume was increased significantly, whereas net interest income and net fee and commission income decreased year-on-year. The decline in interest income in 2022 was due to the non-recurring effect of one-time receipts of TLTRO III premiums in the 2021 financial year. Fee and commission income was also impacted by the sanctions on Russia, which significantly limited some individual customers' business activities. Risk costs decreased significantly again in comparison to the previous year.

Despite the COVID-19 pandemic, the war in Ukraine and the turnaround in interest rates, the general economic development on Hypo Vorarlberg's core markets in 2022 was unexpectedly positive. This led to sustained strong demand for credit among corporate customers, which Hypo Vorarlberg benefited from accordingly.

Overall, loans and advances to customers increased to TEUR 7,108,831 (2021: TEUR 6,906,542). The Corporate Customers segment generated total earnings before taxes of TEUR 97,675 in 2022 (2021: TEUR 65,720). Net interest income amounted to TEUR 107,016 as at 31 December 2022, down 4.1 % as against the previous year (2021: TEUR 111,637). Net fee and commission income decreased year-on-year to TEUR 14,316 (2021: TEUR 15,918).

PRIVATE CUSTOMERS

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

One focus of Hypo Vorarlberg's private customer business is residential construction financing. The bank achieved good results in this area in 2022, although there was a significant year-on-year decline in lending for housing finance due to the regulation effective since 1 August 2022 (Bank Real Estate Financing Measures Regulation), rising interest rates and the uncertain environment. Around 1,750 housing dreams were fulfilled in the reporting period. Compared to the previous year, the total volume of loans in the Private Customers segment increased by TEUR 56,834 to TEUR 2,348,751 (2021: TEUR 2,291,917).

In investment business, the focus in 2022 was on the turnaround in interest rates. The ECB started gradually increasing its key rates in the summer after years of zero interest rate policy. Due to the rising interest rates, Hypo Vorarlberg made more of an appearance again on the market as an issuer of its own bonds, which were placed very successfully. Customers also benefited from considerably higher interest rates again in the case of fixed term deposits.

In 2022, Hypo Vorarlberg generated net interest income of TEUR 43,108 in the Private Customers segment, which represented a significant increase against the previous year (2021: TEUR 30,753). By contrast, net fee and commission income in 2022 was down year-on-year at TEUR 20,204 (2021: TEUR 23,654). Overall, Hypo Vorarlberg generated earnings before taxes of TEUR 3,051 in the Private Customers segment in 2022 (2021: TEUR 8,171).

The Bank is planning further investments in competence centres in its branch network, i.e. in the expansion of larger locations and the integration of smaller branches so as to offer customers the best advice all in one place. Digital solutions are important, but still will not be able to replace personal advice in the future – particularly when it comes to large-scale financing or a major investment.

Hypo Vorarlberg puts 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 oriented 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 the investment business. When it comes to the products and solutions, the greatest assets are the high degree of professional qualification and enthusiastic commitment of the consultants and employees.

Asset Management

Despite turbulent stock markets, business in Asset Management developed positively in 2022 in terms of net inflows and the number of mandates. Net inflows throughout the year amounted to EUR 53.8 million. A total of 2,461 mandates were managed as at 31 December 2022 (2021: 2,270).

Total assets under management decreased on the basis of greater market turbulence and amounted to TEUR 905,287 at the end of 2022 (2021: TEUR 987,104). The change in comparison to the previous year was attributable to price decreases on both the stock market and the bond market.

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 certain 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. It is primarily exclusion and quality criteria that are applied when selecting securities, meaning that the asset management strategies and Hypo Vorarlberg funds currently on offer take account of environmental and social aspects as defined in Article 8 of Regulation (EU) No. 2019/2088. To this end, Asset Management has prepared and published its own ESG investment approach.

All Hypo Vorarlberg funds and asset management AIFs have now been awarded the yourSRI transparency seal (SRI = socially responsible investment), including one of Austria's biggest equity fund of funds, which is used in almost all the Bank's wealth management

strategies. This seal is awarded by FE Fundinfo in Liechtenstein, an independent consulting and research company with a focus on sustainable investments.

In November 2022, the Elite Report (Munich) awarded Hypo Vorarlberg's Wealth Management department the highest grade "summa cum laude" for the twelfth time in a row. This accolade is an endorsement of our chosen path of being a bank that offers individual and high-quality advice while at the same time creating innovative, contemporary products and solutions to overcome the challenges of the capital markets and regulations as well as enormous overall cost pressure.

FINANCIAL MARKETS/TREASURY

The financial markets proved extremely volatile and very challenging for successful bank management in 2022. The unexpected attack on Ukraine, the energy crisis that it triggered and the inflation shock prompted central banks all around the world to counter the effects with key interest rate hikes. As a result of the sharp rise in money market and capital market interest rates, there were substantial changes in the present value of hedged items and hedging instruments, leading to significant measurement effects in the different accounting categories.

Thanks to substantial hedging activities in the Treasury segment in both customer business and proprietary business, the negative effects of the interest rate changes could be counteracted. Based on customer demand in lending business (fixed interest and interest limit loans), both interest rate and option hedges were concluded on a large scale during the year.

Refinancing on the capital market was very successful and reached a higher than average volume, allowing TLTRO refinancing to be repaid to a large extent.

All in all, the rising interest rates were positive for the overall bank's net interest and will support earnings in the future.

APM & Investments

A net volume of approximately TEUR 489,994 (2021: TEUR 303,063) was invested in bonds by the APM & Investments unit in 2022 as a whole. The weighted remaining term of these new investments was 6.7 years (previous year: 8.0). The average asset swap spread of the securities purchases was 60 basis points (previous year: 41), while the average rating for the new purchases was A+.

The 2022 reporting period was dominated by major economic uncertainties in connection with the Ukraine war and sharply rising inflation rates and interest rates. In this context, there were fears with regard to the general economic development. 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, 24 new issues (not including retained covered bonds) (2021: 22) with a total volume of around TEUR 1,336,236 (2021: TEUR 855,788) were placed.

These included three publicly placed bonds with a volume of approximately TEUR 1,150,000. As at the value date 11 May 2022, a six-year covered mortgage bond of TEUR 500,000 with a re-offer premium of 8 basis points on the swap rate was placed. As at the value date 19 October 2022, a 4.3-year mortgage bond with a re-offer premium of 16 basis points on the swap rate was issued. The other issue with a total value equivalent to approximately TEUR 145,000 was placed on the CHF market.

A total of 13 private placements (2021: 20) with a volume of TEUR 71,000 (2021: TEUR 162,793) were issued, nine of which were documented via the EMTN programme and four as registered bonds.

In addition, eight new retail bonds with a total volume of TEUR 120,000 were issued. These included the first green bond issued for retail customers. The issue volume of TEUR 20,000 will explicitly be used for financing and refinancing energy-efficient buildings. In December 2022, a subordinated capital bond of TEUR 44,000 was placed in the Bank's own retail business. The premium was around 208 basis points above swap.

The other bonds consist of two mini-max bonds, two fixed interest bonds and two SME bonds.

Money, foreign exchange and interest rate derivatives trading

Between the end of 2021 and the end of 2022, readily accessible short-term liquidity changed by around TEUR -1,020,000 to a level of around TEUR 580,000 (2021: TEUR 1,600,000). 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 chiefly due to large-volume transactions such as issues, partial repayments of the TLTRO III operations and major customer transactions. In foreign exchange and interest rate derivatives trading with customers, a slight increase was achieved both in income and in the number of transactions.

Securities Customer Trading

Customer securities turnover amounted to approximately TEUR 2,873,391 in 2022 (2021: TEUR 1,458,700). As against the previous year, customer securities turnover increased by TEUR 1,414,691 or 97.00 %. This significant rise is mainly attributable to reallocations by a major customer.

Fund Service

The custodian bank volume under management fell from TEUR 10,416,000 to TEUR 9,428,295 on an annual basis, corresponding to a decline of TEUR 987,657 or -9.48 %. In the past reporting period, one special fund (AIF) was launched and one special fund (AIF) was wound up. Within three mutual funds (UCITS), individual segments were merged.

OTC Derivatives and Money Market Management

As at 31 December 2022, the OTC Derivatives and Money Market Management unit managed 1,342 (2021: 1,268) swaps, interest rate options and currency options with a nominal volume of around TEUR 12,338,311 (2021: TEUR 10,408,041). This represents an increase of TEUR 1,930,270 as compared to 31 December 2021. In the same period, the value of cash collateral changed by TEUR -9,175 to TEUR -115,576 as at 31 December 2022 (2021: TEUR -106,401). A negative collateral balance indicates that collateral has been provided at the counterparty.

CORPORATE CENTER

In addition to the business segments mentioned above, the Corporate Center item includes the refinancing of holdings. This segment's earnings contribution was negative at TEUR -21,180 in 2022 (2021: TEUR 565) due to changes in net interest income and loan loss provisions.

SUBSIDIARIES
AND HOLDINGS

HYPO IMMOBILIEN & LEASING GMBH

Hypo Vorarlberg's entire Austrian and Swiss leasing and real estate business is combined in the subgroup Hypo Immobilien & Leasing. Hypo Immobilien & Leasing GmbH offers services within the Group and to its customers ranging from real estate brokerage through property valuations, construction and property management to facility management. It offers 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.

Real estate brokerage services are offered at the locations in Bregenz, Dornbirn, Bludenz and Feldkirch. Leasing customers are supported by specialists in Dornbirn and Vienna. Marketing activities in the Austrian leasing market are carried out by consultants at the offices of Hypo Vorarlberg, while selected eastern Austrian customers and the Swiss leasing market are managed by an in-house sales team. There is also a property valuation team based in Vienna and in Vorarlberg. The team carries out valuations for Hypo Vorarlberg, especially for financing purposes. As at 31 December 2022, the company had a headcount of 48 employees (2021: 51).

Hypo Immobilien & Leasing GmbH continued the initiated digitalisation project in the reporting year. This involved further digitalising internal processes, improving services for customers and equipping the workplaces for modern, mobile work. The final "Workplace of the Future" project will enable employees to work together even more easily in the future – including when working from home.

For 2022, Hypo Immobilien & Leasing GmbH reported earnings before taxes of TEUR 990 (2021: TEUR 872). The consolidated earnings before taxes of the companies included in the consolidated financial statements and belonging to the real estate and leasing subgroup came to TEUR 2,915 as at 31 December 2022 (2021: TEUR 4,803).

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

Hypo Vorarlberg Leasing AG is headquartered in Bolzano and develops leasing solutions in the real estate and mechanical engineering sectors. The company has offered its products and services on the Northern Italian market for 30 years. There is also a branch in Como.

In 2022 the Italian leasing market posted a recovery in new business, which grew by 9.7 % from EUR 28.8 billion to a total of EUR 31.5 billion. By contrast, real estate leasing – which is the most important area for Hypo Vorarlberg Leasing AG – decreased by 3.4 % throughout Italy. Machinery leasing particularly benefited from the upturn, growing by 6.9 %.

In this environment, Hypo Vorarlberg Leasing AG generated a new volume of EUR 124.8 million in 2022 (2021: EUR 65.4 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 real estate and movables leasing projects in Trentino/South Tyrol, in Verona and in Lombardy. In 2022, Hypo Vorarlberg Leasing AG generated net interest income of TEUR 13,611 (2021: TEUR 13,319). Profit before taxes amounted to TEUR 4,632 (2021: TEUR 2,797).

Great attention was paid in 2022 to the management of the contract portfolio after the expiry of the COVID-19 deferrals granted. The difficult conditions triggered by the Ukraine war brought new challenges for lessees, although these have not entailed any negative effects on the portfolio quality to date.

The company dealt intensively with ESG issues in 2022, with a particular focus on selecting taxonomy-eligible assets, creating a suitable database and coordinating internal responsibilities. To facilitate a structured analysis of any contamination or other environmental risks at leased properties, a detailed questionnaire was developed together with external experts. This will serve as the basis for assessing new and existing properties.

Digitalisation (the customer portal "MyHypoLeasing" and the digital workflow) was successfully expanded further in 2022. This not only offers the benefits of direct web-based customer access, but also provides for the implementation of digital signatures for contractual documents.

A new volume of around EUR 120 million is targeted in 2023, taking account of strict risk criteria. Major initiatives such as continued increased involvement in the leasing of machinery and equipment for generating renewable energy as well as intensive support for the Trentino and Verona market zone are intended to enable the targeted new customer volume to be achieved.

Hypo Vorarlberg Immo Italia GmbH

Sales of commercial real estate were successfully continued in 2022. A total of 29 (2021: 32) properties were sold for consideration of TEUR 6,640 (2021: TEUR 10,500). The average selling prices were above the net carrying amounts.

Despite the difficult conditions, demand for commercial real estate remained constant in the past year. The supply of properties in this segment is still decreasing, while at the same time the construction costs for new properties have increased significantly. This development is advantageous for Hypo Vorarlberg Immo Italia GmbH when it comes to selling existing properties. Several preliminary purchase agreements have already been concluded for 2023 again. Targeted investments in the properties for sale also contributed to this encouraging development. The volume of properties still to be sold has decreased continuously over the past five years. By contrast, the volume of rented properties has remained constant. The average rental yield is now 8.75 %.

For the 2022 financial year, Hypo Vorarlberg Immo Italia GmbH reported a loss before taxes of TEUR -1,088 (2021: TEUR -1,070).

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 2023 FINANCIAL YEAR

CURRENT ENVIRONMENT
The military conflict in Ukraine and various influencing factors such as supply bottlenecks and rising prices for food, energy and electricity contributed to a considerable economic slowdown in Austria and beyond in 2022. On top of this, there is the ECB's turnaround in interest rates, higher construction cost indices and stricter criteria for granting housing loans, which are currently curbing growth in the Austrian real estate financing sector – and will probably continue to do so in future. The OeNB anticipates GDP growth of 0.6 % for Austria in 2023, additionally caused by weak demand for exports and continued decreases in household income and investments in real terms.

The currently very high inflation is likely to ease slightly in Austria in 2023, but will remain at a high level. Price pressure will remain high in almost all sectors. The exception will be energy prices, which will not be able to continue their unprecedented rise in 2023, as the Austrian Electricity Subsidy Act and other fiscal policy measures are likely to significantly curb prices. For this reason, the OeNB is anticipating a decrease in the inflation rate for Austria, measured in terms of the Harmonised Index of Consumer Prices (HICP), to 6.5 % in 2023.

The labour market is expected to remain robust despite the economic slowdown. The OeNB thus anticipates only a slight increase in the unemployment rate in 2023.

According to the forecast, there is good news for the sovereign debt ratio, which is expected to decrease over the coming years thanks to high nominal growth, following a substantial coronavirus-related increase. After reaching 78.5 % of GDP in 2022, the debt ratio is set to fall to 76.6 % in 2023, mostly due to the high inflation.

PRIORITIES FOR 2023
The Managing Board will continue to pursue the proven, broad-based business model, although the turnaround in interest rates and new legal requirements – such as CRR II and CRD V and the implementation of the EU action plan for financing sustainable growth – pose a large challenge for the industry. Digitalisation and changing customer requirements are also still requiring banks to adapt their services and products.

To ensure Hypo Vorarlberg's profitability in the long term, its presence in growth markets outside the home market of Vorarlberg is to be increased, including with the new location in Salzburg that was opened in 2021. Business activities in the Salzburg region have since developed successfully. The bank also follows current trends and new developments so that its services and processes can continuously be adapted to the new technological possibilities.

In corporate customer business, Hypo Vorarlberg anticipates more modest demand for banking products and services in its core markets in 2023 – particularly in the first half of the year – as the economic development has slowed considerably as a result of the war in Ukraine, the sharp rises in money market and capital market interest rates and government requirements (the Bank Real Estate Financing Measures Regulation). It remains to be seen to what extent this will lead to a rise in risk costs.

The Bank is very popular in the private customers segment thanks to its competent and committed employees. Closeness to customers and personal consulting are an important part of the corporate philosophy – something that is also noted and appreciated by customers. To keep ensuring high-quality advice, the Group will also continue to invest in education and training for its employees in 2023. In private banking, Hypo Vorarlberg continues to focus on its in-house asset management and funds.

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

With its IT strategy 2021, the Bank is moving step by step to a new (agile) way of working between specialist departments and IT. In-house IT is also an important condition for a corresponding speed of innovation so that new things can be trialled and implemented considerably more easily as a result of proprietary development work. In addition, Hypo Vorarlberg is placing an accent on developing new products and services in a way which is as customer-oriented as possible. As a result customer requirements can be taken up in early phases and their requirements dealt with in a targeted fashion. Digitalisation offers Hypo Vorarlberg new ways of focussing on its consulting strengths, instead of displacing them.

EXPECTED EARNINGS DEVELOPMENT FOR HYPO VORARLBERG IN 2023
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.

It can be assumed that the effects of the COVID-19 pandemic will no longer play a major role in the 2023 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 high inflation. It is currently difficult to estimate the effects of these factors on the Hypo Vorarlberg Group's earnings performance in 2023.

The direct effects of the war in Ukraine on Hypo Vorarlberg are not considered significant. The Group itself has no significant direct exposure Russia, Ukraine or Belarus – there are neither sales markets or investments, nor are there any loans and advances to companies in these countries. There are no customers in the Group who are significantly impacted by the effects of the war or by sanctions. However, possible events in the future, such as a suspension of gas deliveries or energy shortages, may impact the anticipated economic development and consequently the development of default events in the Group. The further development will depend in particular on how long the war lasts. Depending on the further development, Hypo Vorarlberg will adjust its loan loss provisions as required. This can take place via changed ratings or changed assessments of the economic development.

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. There are no major capital market maturities coming up in 2023. In the coming year, the remaining volume of the TLTRO financed via the ECB is to be repaid. The planned issue volume is therefore somewhat higher than in the previous years. Thanks to the reserves it has recognised and its stable equity position, Hypo Vorarlberg can keep operating well even in the current difficult economic situation.

The development in the first few months of 2023 was satisfactory. Interest-related business will continue to be a stable pillar of the Group's income development. Particularly due to the central banks' ongoing interest rate hikes, a slight increase in net interest income is anticipated in 2023. Net fee and commission income will also make an important contribution to earnings. High volatility is anticipated in 2023, but risk costs in the Group are currently expected to remain low. With regard to both material expenses and staff costs, increases are anticipated in 2023.

The Managing Board is confident of achieving the planned earnings. 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 and the utilisation of facilitations and subsidies.

RISIK MANAGEMENT
AT HYPO VORARLBERG

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

The 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 44,227 (2021: TEUR 23,813).

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

Along with other Austrian banks, Hypo Vorarlberg had outsourced large parts of its IT systems to ARZ (Allgemeines Rechenzentrum GmbH) in Innsbruck. As a competence centre for IT services in the banking industry, ARZ supported key business processes of the affiliated banks, most of which were also owners with various different shares.

In May 2022, the owners of ARZ sold this core business of ARZ and the corresponding assets for performing IT services for the banks to Accenture GmbH (Accenture). The sale was subject to the condition that ARZ's customers, also including Hypo Vorarlberg, would conclude a new customer contract with Accenture. This happened at the end of August 2022, and Hypo Vorarlberg's new customer contract with Accenture took effect on 1 December 2022. Since then, Hypo Vorarlberg has purchased all IT services that were previously purchased via ARZ from Accenture in the same way.

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 focus its own IT resources 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 (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 new 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 impetus for the Bank's digital transformation in the future. With over 60 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.

In 2021 a new IT strategy was adopted. 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 2022, most of which in cooperation with ARZ until November 2022:

- Planning to modernise systems for bank management in an "Integrated Finance and Risk Architecture" program scheduled over several years, starting with planning the transition from SAP R/3 to SAP R/4HANA.
- Modernisation of the digitalisation architecture with the establishment of the digital backbone including transitioning applications to an operating structure based on modern cloud-technology.
- Regulatory projects continue to make up a considerable share of the change-the-bank portfolio. Examples include BASEL IV, the EU Action Plan on Sustainable Finance and TARGET2-Securities.
- Modernising the workplace is also important to Hypo Vorarlberg. Firstly, the gradual changeover to mobile workstations was begun, and secondly the software environment is being modernised with the latest collaboration applications. For example, Jira/Confluence was introduced and planning for the transition to M365, scheduled for 2023, was begun.

- In addition, on an ongoing basis Hypo Vorarlberg is investing in the digital channel, in particular the steady development of online banking, supplemented by complementary functions such as the digital signature and video consulting.

ARZ's systems and processes are regularly subject to audits by both internal audit and an external auditing company. These audits and control measures are carried out based on "ISAE 3402 – Type 2" and "IWP/PE 14 Type 2" (Institute of Austrian Auditors (IWP) standard for auditing outsourced functions) and are adapted in line with changing conditions on an ongoing basis. The audits did not give rise to any significant objections. ARZ and the banks counter IT risks through backup systems, failover options, suitable security concepts and in-depth information for employees. Clear rules on responsibilities and access, the requirement of the dual-control principle and an internal monitoring system are in place. Hypo Vorarlberg also focuses on consistent use of standardisation, increasing cost efficiency and maintaining innovative capability.

IT operations at the St. Gallen branch are provided by a Swiss standard software solution "FINNOVA", which is comparable with the processes at ARZ.

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 investments associated with a project lasting a good 18 months were made in order to facilitate the further development of the St. Gallen branch. Whereas 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 for new business areas in Switzerland, too. 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.

In Switzerland, the Bank also 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 IN2022

The remuneration policy of Hypo Vorarlberg Bank AG 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 its business. Special remuneration regulations in accordance with the annex to section 39b BWG apply to risk takers (identified staff).

The remuneration policy is compatible with robust and effective risk management. In 2021, a total of three meetings of the Remuneration Committee of Hypo Vorarlberg were held. In addition to the Supervisory Board – specifically the Remuneration Committee headed by Birgit Sonnbichler – the internal audit department also acts as a controlling body for the bank's remuneration policy. On behalf of the Supervisory Board, this department is charged with auditing the implementation of the principles of the remuneration policy.

Hypo Vorarlberg employees are paid exclusively in the form of fixed salaries in line with the market in accordance with the collective agreement, with overpayment where applicable.

Remuneration policy for Managing Board members
Chairman of the Managing Board Michel Haller and Managing Board members Wilfried Amann and Philipp Hämmerle received a fixed basic annual salary for 2022 which was paid out in 14 instalments. There are no bonus agreements in addition to the remuneration payments agreed in the Managing Board contracts.

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

MINDFUL BUSINESS –
SUSTAINABILITY AT HYPO VORARLBERG

Over the past two years, the issues of digitalisation and sustainability gathered significant momentum and progress was made on many changes. Developments that had already begun before the pandemic also gained fresh impetus – partly because the EU funds for combating the pandemic are tied to countries' willingness to set out on the path towards a sustainable, resource-efficient economy. At the same time, regulatory initiatives from the past few years are progressing – particularly measures in connection with the EU action plan for financing sustainable growth.

In view of these developments, sustainability is perceived not just as a temporary fad but increasingly as a strategic challenge that is crucial to the future viability and resilience of a company's business model. Hypo Vorarlberg therefore continuously keeps developing its products and services in this direction. This is reflected in the fact that since November 2021 all funds and asset management strategies actively offered by the Bank have been raised to the first level of sustainable financial products, thus meeting the requirements of Article 8 of the EU Disclosure Regulation.

For the Managing Board, the level of financial success and the manner in which the business is run are equally important. The top priority is long-term and organic growth to secure Hypo Vorarlberg's continuing profitability rather than short-term profits. To achieve these objectives, the corporate strategy and policy, target planning and remuneration system are harmonised. Sustainability is also paramount in customer business: instead of speculation and profit maximisation the greatest attention is paid to security and conserving the value of customer funds.

Sustainability programme
Hypo Vorarlberg launched a sustainability programme for the structured planning and implementation of its sustainability targets at the beginning of 2016. Since February 2022, Group Sustainability has been assigned directly to the Managing Board in order to emphasise the strategic importance of this area for the Bank.

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 2022 sustainability report prepared in accordance with the Global Reporting Initiative (GRI) standards ("Core" option), Hypo Vorarlberg meets the statutory requirements and provides a comprehensive overview of key sustainability issues and performance figures in the Group and at the parent company (the Bank). Since 2021, banks have been required to report their share of environmentally sustainable assets in relation to their total assets pursuant to Article 8 of Regulation (EU) 2020/852. 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, 30 March 2023

Hypo Vorarlberg Bank AG
The members of the Managing Board

Mag. Michel Haller Chairman of the Managing Board	Dr. Wilfried Amann Member of the Managing Board	DI (FH) Philipp Hämmerle, MSc Member of the Managing Board

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

A GOOD BALANCE SHEET

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS DATED 31. DECEMBER 2022

I. STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2022

Income statement

TEUR	Notes	2022	2021	Change in TEUR	Change in %
Interest and similar income according to the effective interest method		214,604	228,601	-13,997	-6.1
Other interest and similar income		46,987	62,800	-15,813	-25.2
Interest and similar expenses according to the effective interest method		-68,134	-58,621	-9,513	16.2
Other interest and similar expenses		-25,654	-36,719	11,065	-30.1
Net interest income	(6)	167,803	196,061	-28,258	-14.4
Dividend income	(7)	126	794	-668	-84.1
Fee and commission income		42,219	47,135	-4,916	-10.4
Fee and commission expenses		-8,091	-9,112	1,021	-11.2
Net fee and commission income	(8)	34,128	38,023	-3,895	-10.2
Net result from financial instruments at amortized cost	(9)	3,239	443	2,796	>100.0
Net result from financial instruments at fair value	(10)	77,191	-5,867	83,058	-
Other income	(11)	35,796	28,142	7,654	27.2
Other expenses	(12)	-53,521	-42,018	-11,503	27.4
Administrative expenses	(13)	-105,941	-98,746	-7,195	7.3
Depreciation and amortization	(14)	-7,862	-8,128	266	-3.3
Loan loss provisions and impairment of financial assets	(15)	10,003	-15,296	25,299	-
Impairment of non-financial assets	(16)	-1,021	-259	-762	>100.0
Result from equity consolidation		718	529	189	35.7
Earnings before taxes		160,659	93,678	66,981	71.5
Taxes on income	(17)	-40,563	-26,868	-13,695	51.0
Annual net income		120,096	66,810	53,286	79.8
of which attributable to owners of the parent company		120.088	66,798	53,290	79,8
of which attributable to non-controlling interests		8	12	-4	-33.3

Statement of comprehensive income

TEUR	2022	2021	Change in TEUR	Change in %
Annual net income	120,096	66,810	53,286	79.8
Other income (OCI)	13,070	-827	13,897	-
OCI w/o recycling	12,990	-831	13,821	-
Actuarial result IAS 19	4,584	1,634	2,950	>100.0
Measurement of own credit risks for liabilities at fair value	12,587	-2,742	15,329	-
Income tax effects	-4,181	277	-4,458	-
OCI with recycling	80	4	76	>100.0
Foreign currency translation	80	4	76	>100.0
Group statement of comprehensive income	133,166	65,983	67,183	>100.0
of which attributable to owners of the parent company	133.158	65,971	67,187	>100,0
of which attributable to non-controlling interests	8	12	-4	-33.3

II. BALANCE SHEET
DATED 31 DECEMBER 2022

Assets

TEUR	Notes	31.12.2022	31.12.2021	Change in TEUR	Change in %
Cash and balances with central banks	(18)	869,021	1,806,556	-937,535	-51.9
Trading assets	(19)	182,211	86,610	95,601	>100.0
Financial assets at fair value (non-SPPI)	(20)	585,998	702,251	-116,253	-16.6
of which equity instruments		11,384	12,729	-1,345	-10.6
of which debt securities		162,431	191,234	-28,803	-15.1
of which loans and advances to customers		412,183	498,288	-86,105	-17.3
Financial assets at fair value (option)	(21)	235,223	301,578	-66,355	-22.0
of which debt securities		57,276	59,972	-2,696	-4.5
of which loans and advances to customers		177,947	241,606	-63,659	-26.3
Financial assets at amortized cost	(23)	12,799,377	12,390,301	409,076	3.3
of which debt securities		2,280,203	2,436,566	-156,363	-6.4
of which loans and advances to banks		464,585	314,964	149,621	47.5
of which loans and advances to customers		10,054,589	9,638,771	415,818	4.3
Positive market values of hedges	(24)	414,740	119,578	295,162	>100.0
Affiliates		968	968	0	0
Shares in companies valued at equity	(25)	3,638	3,522	116	3.3
Property, plant and equipment	(26)	77,983	79,372	-1,389	-1.7
Investment property	(27)	46,050	46,809	-759	-1.6
Intangible assets	(28)	1,755	1,198	557	46.5
Income tax assets		5,093	15,188	-10,095	-66.5
Deferred income tax assets	(29)	4,012	14,650	-10,638	-72.6
Other assets	(31)	79,406	57,532	21,874	38.0
Total assets		**15,305,475**	**15,626,113**	**-320,638**	**-2.1**

Liabilities and shareholders' equity

TEUR	Notes	31.12.2022	31.12.2021	Change in TEUR	Change in %
Trading liabilities	(33)	108,203	105,699	2,504	2.4
Financial liabilities at fair value (option)	(34)	633,181	671,743	-38,562	-5.7
of which securitised liabilities		517,896	536,752	-18,856	-3.5
of which liabilities to customers		115,285	134,991	-19,706	-14.6
Financial liabilities at amortized cost	(35)	12,462,872	13,298,923	-836,051	-6.3
of which securitised liabilities		5,264,741	4,985,203	279,538	5.6
of which liabilities to banks		1,668,142	3,030,584	-1,362,442	-45.0
of which liabilities to customers		5,529,989	5,283,136	246,853	4.7
Negative market values of hedges	(36)	554,135	137,205	416,930	>100.0
Provisions	(37)	61,185	72,161	-10,976	-15.2
Income tax liabilities	(38)	3,820	5,034	-1,214	-24.1
Deferred income tax liabilities	(39)	17,765	2,543	15,222	>100.0
Other liabilities	(40)	45,241	42,415	2,826	6.7
Shareholders' equity	(41)	1,419,073	1,290,390	128,683	10.0
of which attributable to owners of the parent company		1.419.021	1,290,333	128,688	10,0
of which attributable to non-controlling interests		52	57	-5	-8.8
Total liabilities and shareholders' equity		**15,305,475**	**15,626,113**	**-320,638**	**-2.1**

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 01.01.2021	162,152	44,674	1,031,693	-7,849	1,230,670	2,562	1,233,232
Consolidated net income	0	0	66,798	0	66,798	12	66,810
Other income	0	0	0	-827	-827	0	-827
Comprehensive income 31.12.2021	0	0	66,798	-827	65,971	12	65,983
Reclassifications	0	0	-17	17	0	0	0
Other changes	0	0	27	0	27	-2,505	-2,478
Dividends	0	0	-6,335	0	-6,335	-12	-6,347
Balance 31.12.2021	162,152	44,674	1,092,166	-8,659	1,290,333	57	1,290,390
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

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	2022	2021
Consolidated net income	120,096	66,810
Non-cash items included in consolidated net income		
Impairments/reversals on property, plant and equipment	7,940	7,587
Impairments/reversals on financial instruments	-67,491	1,753
Allocations/reversals to/from reserves and loan loss provisions	2,991	15,454
Change in other non-cash items	62,916	60,346
Other adjustments (interest and income taxes)	-159,181	-163,247
Change in assets from operating activities		
Loans and advances at fair value (non-SPPI)	60,466	42,105
Loans and advances at fair value (option)	128,591	15,634
Loans and advances at amortized cost	-351,328	-180,216
Non-current assets available for sale	10,094	0
Other assets	-22,655	-1,330
Change in liabilities from operating activities		
Non-subordinated liabilities at fair value (option)	18,989	-99,094
Non-subordinated liabilities at amortized cost	-804,079	425,422
Provisions	-15,078	-2,580
Income tax liabilities	1,267	7,734
Other liabilities	2,554	2,266
Interest received	228,445	244,049
Interest paid	-124,170	-63,109
Income tax paid	-21,002	-26,283
Cash flows from operating activities	-920,635	353,301

Cash flows from investing activities

TEUR	2022	2021
Cash inflow from the sale/repayment of		
Financial instruments	610,243	504,399
Property, plant and equipment and intangible assets	488	3,922
Subsidiaries	65	17
Cash outflows for investments in		
Financial instruments	-637,469	-393,522
Property, plant and equipment and intangible assets	-6,056	-2,858
Interest received	74,279	28,117
Dividends and profit distributions received	126	794
Cash flows from investing activities	41,676	140,869

Cash flows from financing activities

TEUR	2022	2021
Cash changes subordinated and tier 2 capital	-55,633	431
Lease payments from operating leases	-1,396	-1,400
Dividends	-4,446	-6,347
Interest paid	-13,331	-13,388
Cashflow from financing activities	-74,806	-20,704

Reconciliation to cash and balances with central banks

TEUR	2022	2021
Cash and balances with central banks as at 1 January	1,806,556	1,338,622
Cash flows from operating activities	-920,635	353,301
Cash flows from investing activities	41,676	140,869
Cash flows from financing activities	-74,806	-20,704
Effects of changes in exchange rate	16,230	-5,532
Cash and balances with central banks as at 31 December	869,021	1,806,556

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 2021 financial year and the comparative figures for 2020 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 30 March 2023, 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 2022. 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.

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

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

In addition to the parent company, the consolidated financial statements include 28 subsidiaries (2021: 30) in which Hypo Vorarlberg directly or indirectly holds more than 50 % of the voting rights or exercises a controlling influence by other means. 25 of these companies are based in Austria (2021: 27) and three abroad (2021: three).

As at 20 September 2022, HIL EPSILON Mobilienleasing GmbH was merged with HIL Mobilienleasing GmbH & Co. KG within the Group and deleted from the commercial register. These companies were both wholly owned by the Group as of that date.

As at 20 September 2022, Hypo Immobilienleasing Gesellschaft mbH was merged with Hypo Immobilien Besitz GmbH. The merged company was wholly owned by the Group as of that date. These two mergers do not have any impact on these consolidated financial statements.

The Group's shares in associates are accounted for using the equity method. Associates are companies that are not controlled by Hypo Vorarlberg but in which it holds a share of at least 20 % and thus has a significant influence.

Three (2021: three) material 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.

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

Based on this financial statement data, the (aggregated) total assets of the associate not accounted for using the equity method amounted to TEUR 639 in the past financial year (2021: TEUR 683). The aggregated equity of this holding came to TEUR 37 (2021: TEUR 37). No earnings after taxes were generated in the reporting year 2022 or in the previous year. In the consolidated financial statements, inclusion using the equity method and based on the balance sheet data as at 31 December 2022 would result in a measurement effect of TEUR -12 (2021: TEUR -12) on the "Shares in companies accounted for using the equity method" and "Equity" items. Inclusion would not have any effect on the income statement in the reporting year or in the previous year.

The reporting date of the consolidated financial statements corresponds to the reporting date of the fully consolidated companies in the consolidated financial statements, with the exception of HYPO EQUITY Unternehmensbeteiligungen AG and other Group subsidiaries – see section VII. These have a different reporting date of 30 September 2022 and prepare interim financial statements as at 31 December 2022

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

(3) ACCOUNTING POLICIES

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

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

a) Currency translation

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

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

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

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

FX-rates	31.12.2022	31.12.2021
CHF	0,9847	1,0331
JPY	140,6600	130,3800
USD	1,0666	1,1326
PLN	4,6808	4,5969
CZK	24,1160	24,8580
GBP	0,8869	0,8403

b) Cash

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

c) Financial instruments

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

Initial recognition and subsequent measurement

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

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

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

Hypo Vorarlberg's business models

- "Hold" business (hold to collect)
  The business model aims to hold the debt instrument to the end of its term, thereby generating contractual cash flows (i.e. interest income) and collecting the nominal value on maturity. 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 have been allocated to the "hold" Business model but which do not meet the IFRS 9 cash flow criteria (non-SPPI – Non-solely payment of principal and interest) are allocated to this category.

These are generally debt instruments whose interest rate conditions include a lever or financing arrangements in which the Group significantly contributes to the project risk. Owing to the nature of equity instruments, the cash flow criteria cannot generally be met by them. Thus, those equity instruments are included in this category that have not been allocated to the "trading book" business model and that are not measured voluntarily through "other comprehensive income". They are measured at fair value through profit or loss. Transaction costs are immediately recognised through profit or loss under commission expenses in the in-come statement.

Changes in fair value are recognised through profit or loss in the net result from financial instruments at fair value. Impairment losses for the at fair value category (non-SPPI) are included implicitly in the fair value of the financial instrument and are therefore not shown separately.

Financial assets at Fair Value (Option)

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

Financial assets at Fair Value (OCI)

This category includes assets measured at fair value through other comprehensive income. Debt securities of the "hold for sale" business model are allocated to this category. Equity instruments can be voluntarily allocated to this category. By utilising this irrevocable option, the subsequent measurement is directly carried out in profit or loss through "other comprehensive income". Dividends are recognised through profit or loss in dividend income. Even if the equity instrument is disposed of, gains/losses on remeasurement recognised in "other comprehensive income" remain. Impairment is recognised through profit or loss in the income statement. Reversals of impairment on debt securities are recognized in the income statement. If the financial asset is sold, the gains/ losses on remeasurement accumulated in other comprehensive income are reversed and transferred to the net result from financial instruments at amortized cost. In the consolidated financial statements for 2022 and in the previous year, no financial assets are allocated to this category.

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

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

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

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

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

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

The measurement criteria for the individual categories are described below.

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

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

Aktive Market
Whether an active market exists for financial instruments is relevant for assessing the principles used in accounting for them. A market is considered active if transactions with the asset or liability occur at a sufficient frequency and volume to provide continuous price information. According to the provisions of IFRS 13, the active market is the principal market or the most advantageous market. The principal market is the market with the largest volume and highest level of activity for the asset or liability. For listed securities, this is usually the home exchange. The most advantageous market is defined as the market that would maximise the amount received when selling the asset after transaction and transport costs or minimise the amount paid when transferring the liability. However, as Hypo Vorarlberg acquires/issues securities mostly via OTC markets, it must be checked which market is the principal market for each individual se-

curity or, if this does not exist, which market is the most advantageous market.

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

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

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

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

For derivatives, fair value is determined using input factors observable on the market, such as yield curves and ex-change rates. Specifically, derivatives are discounted – especially in hedge accounting – using the OIS yield curve and the swap curve customary on the interbank market. For derivatives collateralised in euros, a swap curve based on the EONIA ("Euro Over Night Index Average") is used as the discount rate. The EONIA is to be replaced by the ESTR ("EURO Short Term Rate") as part of the EU Benchmarks Regulation. This changeover will lead to a change in discounting. The resulting valuation changes will be compensated for with equalisation payments. With regard to accounting for credit spreads, each counterparty's credit spread is measured on a net basis, provided that a corresponding netting agreement exists and in consideration of cash and/or securities collateral. Input factors observable on the market, such as CDS spreads, are also taken into ac-count 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, multitranches and PRDCs.

f) Repurchase and securities lending agreements

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

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

As a rule, the Group 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 se lected 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.

As of the end of 2022, the following weightings and macroeconomic parameters are used. The figures for the main scenario are forecasts by WIFO and IHS for Austria and Banca d'Italia for Italy. At the time of the parameterisation, there were no current forecasts from the OeNB. In the scenarios, stagflation is assumed. There are also high downside risks from the energy situation, the Ukraine war and a potential economic downturn at trading partners. Rising default rates and risk costs are anticipated. As there are no explicit forecasts for the negative or the positive scenario for Austria, historical forecasting errors were determined and applied to the main scenario. The results are consistent with textual assessments by economic research institutes. The forecasts by Banca d'Italia include a downside scenario which was used. For Italy, too, the positive scenario was determined based on historical forecasting errors.

.

Country	Variable	Weight	2022	2023	2024+
Austria	GDP Main scenario	50.00 %	4.75 %	0.25 %	1.29 %
	GDP Negative scenario	50.00 %	4.29 %	-2.06 %	1.29 %
	GDP Positive scenario	0.00 %	4.84 %	0.71 %	1.29 %
	HICP Main scenario	50.00 %	8.50 %	6.60 %	1.92 %
	HICP Negative scenario	50.00 %	8.59 %	7.06 %	1.92 %
	HICP Positive scenario	0.00 %	8.04 %	4.29 %	1.92 %
	BAI Main scenario	50.00 %	-1.40 %	1.15 %	1.93 %
	BAI Negative scenario	50.00 %	-2.03 %	-1.98 %	1.93 %
	BAI Positive scenario	0.00 %	-0.99 %	3.21 %	1.93 %
Italy	GDP Main scenario	50.00 %	3.30 %	0.30 %	1.40 %
	GDP Negative scenario	50.00 %	3.00 %	-1.80 %	0.50 %
	GDP Positive scenario	0.00 %	3.39 %	0.73 %	1.40 %

A higher probability for the negative scenario and a lower probability for the main scenario was assumed in comparison to the previous year. We do not currently see any probability for the positive scenario. Catch up effects from the COVID-19 pandemic are still expected, but the probability of these is decreasing. It can still be observed that as a result of various influences (particularly government intervention) the observed default rates are considerably lower than the default rates forecast by the PiT models. In cases where the observed default rates differ significantly from the forecast data, the observed default rates were used. This relates to the year 2022.

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.

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

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

COVID-19
The bank has not received any subsidies for reduced working hours. An investment grant was applied for, but this is not material. The estimates regarding credit losses have been adjusted as part of the accounting policies.

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.

i) Offsetting financial instruments

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

j) Leases

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

Accounting as lessor

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

Accounting as lessee

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

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

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

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

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

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

There were no sale and leaseback transactions in the Group in 2022 or in the previous year.

k) Investment property

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

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

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

Typical operational useful life	In years
Investment property	25 - 50

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

l) Intangible assets

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

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

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

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 expected claims against and obligations to the tax authorities. Current income tax assets and liabilities are set off only if the Group has a legally enforceable right to set off the reported amounts and actually intends to settle on a net basis. This occurs in the Group in particular in connection with group taxation. Performance-based current tax expenses are recognised in the Group's income statement under taxes on income.

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

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

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

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

q) Provisions
A provision is 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 (2021: 10) pensioners and surviving dependents are entitled to a defined benefit bank pension. This is a pension plan on a final salary basis, which is based on a company agreement. A defined contribution pension fund contract has been concluded with the employees who are still active and entitled to a pension. Based on the legal requirement under the Occupational Pensions Act (BVG), 29 employees (2021: 26) 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 de facto obligation over and above this 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
After 25 and 40 years of service, every employee of Hypo Vorarlberg Bank AG is entitled to an anniversary bonus of one and two months’ salary respectively. The entitlement to an anniversary bonus is based on a collective agreement, which stipulates both the conditions and the amount of the entitlement. The agreed payments to a pension fund for defined-contribution plans are expensed on an ongoing basis. The statutory “new severance” payment is likewise expensed on an ongoing basis. There are no further obligations.

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

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

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

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

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

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

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

Other income
This item comprises income that is not directly attributable to the 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 amortized cost
In the Group, the credit portfolio is reviewed for impairment at least quarterly. This involves assessing whether identifiable events lead to a decrease in the expected future cash flows of the loan portfolio. Indicators of a need for impairment are non-compliance with maturities and covenants, negative agreements, negative developments in economic conditions, and negative rating changes. In planning future cash flows, management takes into account assumptions based on historical default probabilities for comparable loan portfolios. An increase in the impairment ratio (ratio of risk provision to exposure) in relation to the underlying exposure by 1% would result in an increased risk provision in the amount of TEUR 1,048 (2021: TEUR 1,160). A reduction of the impairment ratio in relation to the underlying exposure by 1% would result in a reduction of the risk provision by TEUR 1,048 (2021: TEUR 1,160). The development of the provision for impairment losses is presented in note (58). The effects on the income statement are presented in note (15). The carrying amount of assets subject to discretionary decisions, assumptions and estimates amounts to TEUR 12,799,377 (2021: TEUR 12,390,301).

Fair values of financial instruments measured at fair value in measurement level 3
Many of the financial instruments measured at fair value are not quoted in an active market. These fair values are determined using valuation models. In applying valuation models, the Group is guided by prices of observable current market transactions with similar instruments and uses available and observable market data in the valuation models, if available. With regard to the sensitivities of valuation models used, we refer to Note (56). With regard to the income statement, these assumptions and estimates affect the result from financial instruments at fair value in note (10). With regard to the measurement of OTC derivatives, the credit risk, pronounced in the form of a credit value adjustment (CVA) or a debt value adjustment (DVA), is also taken into account when determining the fair value. In the case of netting agreements, CVA and DVA are calculated on the basis of the net position per counterparty, taking into account collateral, default probabilities and credit default swap spreads (CDS spreads) observable on the market. This is an accounting-related change in estimate. The effect from the recognition of credit risk for financial assets and derivatives amounts to EUR 25,816 thousand (2021: EUR 26,962 thousand) and was recognized in profit or loss from financial instruments at fair value. The effect of recognizing the credit risk for financial liabilities amounts to EUR 532 thousand (2021: EUR -5,505 thousand) and was recognized in other comprehensive income from changes in own credit risk. The carrying amount of assets subject to discretionary decisions, assumptions and estimates amounts to TEUR 979,970 (2021: TEUR 839,091), that of liabilities to TEUR 642,518 (2021: TEUR 562,758).

Income taxes
The Group is subject to several tax jurisdictions in the area of income taxes. Significant estimates are made in determining the tax provision under Note (38). The tax result for each company is determined on the basis of reconciliation calculations (multiple lesser calculation), starting from the local result under company law. Furthermore, in the course of current or announced tax audits, the expected additional tax obligations are recognized in the tax provision. Once the tax audit has been completed, the difference between the expected and actual additional tax payment is recognized in the income statement under income taxes from prior periods and under deferred taxes. Judgments are required to determine the amount of deferred tax assets to be recognized based on the likely timing and level of future taxable profits and future tax planning strategies. The tax assets are recognized on the basis of a planning calculation covering a period of 5 years. Information on deferred taxes is provided in Notes (29) and (39). The effects on the income statement are shown in Note (17) and those on other comprehensive income in Note (41). The carrying amount of assets subject to discretionary decisions, assumptions and estimates is TEUR 9,105 (2021: TEUR 29,838), that of liabilities TEUR 21,585 (2021: TEUR 7,577).

Provisions
The amount recognized for provisions 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. The provisions recognized in the balance sheet are shown in Note (37). The effects on the income statement are shown with regard to liabilities and credit risks in the item risk provisions and impairment of financial assets in note (15) and in the other cases in administrative expenses in note (13) and in other income and other expenses in notes (11) and (12). The carrying amount of provisions subject to discretionary decisions, assumptions and estimates - excluding social capital - amounts to TEUR 40,876 (2021: TEUR 46,478).

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

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

Actuarial assumptions for the calculation of the present value of social capital	2022	2021
Interest rate/domestic	4.20 %	1.30 %
Annual indexing for pension provisions	3.60 %	2.20 %
Annual indexing (collective bargaining and performance based salary increases) for other provisions	3.40 %	2.00 %
Employee turnover rate for severance provisions	1.00 %	1.00 %
Employee turnover rate for other provisions	8.00 %	7.50 %
Individual career trend	2.00 %	2.00 %

The actuarial gains and losses from the adjustment of actuarial assumptions were recognized in other comprehensive income in the amount of TEUR 4,584 (2021: TEUR 1,634). The deferred taxes resulting from the recognition were also recognized directly in other comprehensive income in the amount of TEUR -1,034 (2021: TEUR -408). Pension payments of TEUR 336 (2022: TEUR 342), severance payments of TEUR 783 (2022: TEUR 436) and anniversary bonuses of TEUR 151 (2022: TEUR 64) are expected for 2023.

The amount of social capital provisions is based on actuarial calculations. The key lever for the amount of social capital is the discount rate. A decrease in the discount rate by 0.5% would result in increased personnel expenses of TEUR 995 (2021: TEUR 1,377) and an increase in the discount rate by 0.5% would result in decreased personnel expenses of TEUR 918 (2021: TEUR 1,261). A decrease in the salary trend or pension trend by 0.5 % would result in reduced personnel expenses of EUR 908 thousand (2021: TEUR 1,230) and an increase in the salary trend or pension trend would result in increased personnel expenses of TEUR 973 (2021: TEUR 1,327). A decrease in the fluctuation rate of 0.5 % would result in increased personnel expenses of TEUR 80 (2021: TEUR 97) and an increase in the fluctuation rate of 0.5% would result in decreased personnel expenses of TEUR 80 (2021: TEUR 97).

The carrying amounts of social capital are shown in Note (37). Effects on the income statement are shown under administrative expenses in note (13) and under other comprehensive income in note (41). The carrying amount of social capital subject to discretionary decisions, assumptions and estimates amounts to TEUR 20,309 (2021: TEUR 25,683).

Leases
From the lessor's perspective, discretionary decisions are required in particular to distinguish between finance leases on the one hand and operating leases on the other, whereby the criterion is the transfer of substantially all risks and rewards from the lessor to the lessee. The carrying amount of finance leases subject to discretionary decisions, assumptions and estimates is TEUR 1,053,672 (2021: TEUR 1,050,749), and the carrying amount of operating leases is TEUR 9,275 (2021: TEUR 9,418).

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

(4) APPLICATION OF REVISED AND NEW IFRS AND IAS

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

a) First-time application of new and revised standards and interpretations
The International Accounting Standards Board (IASB) has made a number of changes to existing standards and issued new standards and interpretations, application of which is mandatory for 2021. These rules must also be observed in the EU and concern the following areas:

Amendments to IFRS 9 and IAS 39 – Interest Rate Benchmark Reform, Phase 2

In 2022, the Bank continued to apply the amendments to IFRS 9 and IAS 39 in accordance with the IASB's project to reform the Interbank Offered Rate (IBOR) on financial reporting.

The amendments relate to the replacement of reference interest rates, some of which still exist. They take into account modifications to financial assets and financial liabilities, off-balance sheet transactions and requirements for the accounting treatment of derivative hedging instruments.

In the IBOR reform, the last remaining reference interest rates are being replaced by alternative, risk-free interest rates. The EONIA ("Euro Overnight Index Average") has been replaced by the ESTR ("EURO Short Term Rate"). The CHF LIBOR has been replaced by the SARON ("Swiss Average Rate Overnight") and the GBP LIBOR by the SONIA ("Sterling Overnight Index Average"). Both EONIA and the other LIBOR interest rates mentioned have no longer been available since 1 January 2022. In the case of the USD LIBOR, however, most of the interest rates are expected to remain available until 30 June 2023.

The tables below show the carrying amounts and nominal values of the Bank's financial instruments as at 31 December 2021 and as at 31 December 2022 by currency, the contracts for which still need to be converted to the new reference interest rate. As at 31 December 2022, Hypo Vorarlberg had only USD LIBOR-related positions, specifically in bonds and own issues as well as in derivative hedging instruments. The implementation of the changes arising from the IBOR reform has no significant effects in the Group.

TEUR		Book value		Nominal value
31.12.2022	Finance. Assets values	Finance. Liabilities	Off balance sheet. Liabilities	Derivative hedging instruments
CHF-LIBOR	0	0	0	0
USD-LIBOR	34,641	0	0	22,127
GBP-LIBOR	0	0	0	0
JPY-LIBOR	0	0	0	0
EUR-LIBOR	0	0	0	0
Total	**34,641**	**0**	**0**	**22,127**

TEUR	Book value			Nominal value
31.12.2021	Finance. Assets values	Finance. Liabilities	Off balance sheet. Liabilities	Derivative hedging instruments
CHF-LIBOR	0	0	6,739	45,302
USD-LIBOR	42,310	4,419	7,484	46,177
GBP-LIBOR	0	0	0	29,891
JPY-LIBOR	0	0	0	3,835
EUR-LIBOR	0	23,088	0	0
Summe	42,310	27,507	14,223	125,205

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

Amendments to IAS 16 – Proceeds before intended use (in force from 1 January 2022)
The IASB issued the amendments to IAS 16 in May 2020, and they were endorsed by the EU on 28 June 2021. The amendment stipulates that proceeds before intended use must be recognised as operating income and may not be deducted from the costs of an item of property, plant and equipment.

Amendments to IAS 37 – Recognition of costs (in force from 1 January 2022)
The EU endorsed the IASB's amendments to IAS 37 on 28 June 2021. These stipulate that the cost of fulfilling a contract comprises the costs that relate directly to the contract.

Amendments to IFRS 3 – Recognition of contingent assets (in force from 1 January 2022)
In addition to updating outdated references, the IASB added an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. Early application is permitted only if the entity also applies all other updated references at the same time or earlier.

Annual Improvements to IFRSs – 2018–2020 Cycle (In force from 1 January 2022)
Improvements to IFRS 1, IFRS 9, IFRS 16 and IAS 41 in the form of clarifications, minor expedients and editorial corrections.

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 2022 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.

Publication of IFRS 17 – Insurance Contracts (In force from 1 January 2023)
In May 2017, the IASB published IFRS 17, which governs the accounting for assets and liabilities arising from insurance contracts. With the entry into force of the standard, the previous standard IFRS 4 "Insurance Contracts" will be replaced. The EU endorsement took place on 23 November 2021.

Amendments to IAS 1 – Disclosure of Accounting Policies (In force from 1 January 2023)
In February 2021, the IASB hat issued amendments stipulating that, in the future, only the material information regarding accounting policies must be disclosed in the notes instead of the significant information. The EU endorsed the amendments on 3 March 2022.

Amendments to IAS 8 - Accounting Estimates (effective January 1, 2023)
The IASB's amendments aim to make it easier to distinguish changes in accounting policies from changes in estimates. Changes in an accounting estimate (i.e., a monetary amount in the financial statements that is subject to measurement uncertainty) resulting from new information or developments are a change in an accounting estimate and not a correction of an error. The EU adopted the amendments on March 2, 2022.

Amendments to IAS 12 - Deferred Taxes Arising from a Single Transaction (effective January 1, 2023)
The IASB published amendments to IAS 12 in May 2021. The EU endorsed the amendments on August 11, 2022. This changes the treatment of deferred taxes relating to assets and liabilities arising from a single transaction. It also introduces an exemption from the nonrecognition of deferred tax assets and liabilities on initial recognition of an asset or liability ("initial recognition exemption").

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 1 – Classification of liabilities as current or non-current (in force from 1 January 2024)
In 2020, the IASB issued amendments regarding the classification of liabilities. They clarify that the classification as current or non-current is based on rights in existence at the end of the reporting period.

Amendments to IFRS 16 – Subsequent measurement for leases in a sale and leaseback (in force from 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.

Amendments to IAS 1 – Classification of liabilities with covenants (in force from 1 January 2024)
On 31 October 2022, the IASB published amendments to the classification of liabilities with covenants in connection with loans as current or non-current. This amendment ensures that only covenants that must be complied with on or before the reporting date 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 10/IAS 28 – Amendments in relation to investment companies (effective date deferred indefinitely)
These amendments arise from IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures. With this amendment, the extent of gain or loss recognition in transactions with an associate or joint venture is to be made dependent on whether the assets sold or contributed constitute a business.

(5) RESTATEMENT OF PREVIOUS YEAR'S FIGURES

The previous year's figures were restated in note (57), as overcollateralisation had previously been shown there. This restatement does not have any impact on the results.

B. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

(6) NET INTEREST INCOME

TEUR	2022	2021
Interest income from cash and balances with central banks	491	2
Interest income from financial assets at amortized cost	212,613	185,474
Interest income from liabilities	1,500	43,125
Interest and similar income according to effective interest method	214,604	228,601
Interest income from trading assets	3,338	2,948
Interest income from hedging instruments	26,027	44,241
Interest income from financial assets at fair value (non-SPPI)	15,418	13,676
Interest income from financial assets at fair value (option)	2,204	1,935
Interest and similar income other	46,987	62,800
Interest expenses financial liabilities at amortized cost	-59,503	-50,759
Interest expenses other financial liabilities	-31	-32
Interest expenses assets	-8,600	-7,830
Interest and similar expenses according to effective interest method	-68,134	-58,621
Interest expenses trading liabilities	-1,916	-2,083
Interest expenses hedging instruments	-18,673	-31,961
Interest expenses financial liabilities at fair value (option)	-5,065	-2,675
Interest and similar expenses other	-25,654	-36,719
Net interest income	167,803	196,061

Interest income from leasing business amounts to TEUR 22,350 (2021: TEUR 18,963).

(7) DIVIDEND INCOME

TEUR	2022	2021
Financial assets at fair value (non-SPPI)	23	597
Subsidiaries	103	197
Dividend income	126	794

(8) NET FEE AND COMMISSION INCOME

TEUR	2022	2021
Fee and commission income from financing	6,164	7,154
Fee and commission income from securities	18,898	23,315
Fee and commission income from account management/payment transactions	14,416	13,728
Other fee and commission income	2,741	2,938
Fee and commission income	42,219	47,135

TEUR	2022	2021
Fee and commission expenses from financing	-3,924	-4,736
Fee and commission expenses from securities	-2,365	-2,607
Fee and commission expenses from account management/payment transactions	-1,552	-1,553
Other fee and commission expenses	-250	-216
Fee and commission expenses	-8,091	-9,112

Fee and commission income from financial assets or liabilities not classified as at fair value through profit or loss amounts to TEUR 11,551 (2021: TEUR 11,405). Fee and commission expenses from financial assets or liabilities not classified as at fair value through profit or loss amounts to TEUR 19 (2021: TEUR 35). Fee and commission income from fiduciary activities amounts to TEUR 1,494 (2021: TEUR 1,396).

(9) NET RESULT FROM FINANCIAL INSTRUMENTS AT AMORTIZED COST

TEUR	2022	2021
Realised gains from financial assets at amortized cost	3,118	885
Write-ups of financial assets at amortized cost	358	15
Realised losses from financial liabilities at amortized cost	-135	-254
Impairment losses on financial assets at amortized cost	0	-92
Realised gains from financial liabilities at amortized cost	316	1,471
Write-ups of financial liabilities at amortized cost	1	22
Realised losses from financial liabilities at amortized cost	-419	-1,602
Amortization of financial liabilities at amortized cost	0	-2
Net result from financial instruments at amortized cost	3,239	443

(10) NET RESULT FROM FINANCIAL INSTRUMENTS AT FAIR VALUE

TEUR	2022	2021
Result from trading	6,243	4,844
Measurement of derivative financial instruments	56,853	-9,051
Result from financial instruments at fair value (non-SPPI	-44,694	-18,343
Result from financial instruments at fair value (option)	-43,051	-14,618
Result from financial liabilities at fair value (option)	90,717	30,503
Result from hedging relationships	11,123	798
Net result from financial instruments at fair value	77,191	-5,867

The result from trading includes translation differences from financial instruments at amortized cost of TEUR 20,390 (2021: TEUR 66,479) recognized in profit or loss and translation differences from financial instruments at fair value through profit or loss of TEUR -13,919 (2021: TEUR -57,870) are included.

Net Result on hedge accounting

TEUR	2022	2021
Measurement of hedging instruments - for financial assets at amortized cost	455,002	97,511
Measurement of hedging instruments - for financial liabilities at amortized cost	-582,620	-123,736
Result from hedging instruments	-127,618	-26,225
Measurement of underlying transactions - for financial assets at amortized cost	-436,801	-94,944
Measurement of underlying transactions - for financial liabilities at amortized cost	575,542	121,967
Result from underlying transactions	138,741	27,023
Net result on hedge accounting	11,123	798

For 16 hedging relationships (2021: 24 hedging relationships), the hedging transaction was terminated in 2022. Therefore, the basis adjustment on the hedged item in the amount of TEUR 1,738 (2021: TEUR 1,622) is distributed over the remaining term and recognized in net interest income.

(11) OTHER INCOME

TEUR	2022	2021
Income from operating leases	3,908	3,733
Other income from leasing business	1,659	1,386
Operating cost income	2,054	2,045
Income from the disposal of non-financial assets	1,485	4,028
Income from consultancy and other services	593	632
Miscellaneous other income	26,097	16,318
Other income	35,796	28,142

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

The reason for the change in miscellaneous other income was a reversal of the provision for operational risks.

Minimum lease payments from operating leases

TEUR	2022	2021
Up to 1 year	3,470	3,423
1 to 2 years	2,965	2,825
2 to 3 years	2,775	2,621
3 to 4 years	1,590	1,433
4 to 5 years	833	1,168
More than 5 years	1,460	1,220
Minimum lease payments from operating leases (lessor)	13,093	12,690

(12) OTHER EXPENSES

TEUR	2022	2021
Other expenses from leasing business	-1,402	-1,185
Operating cost expenses	-2,402	-2,393
Expenses resulting from losses	-18,684	-2,567
Other tax expenses	-3,812	-3,716
Losses on the disposal of non-financial assets	-613	-2,706
Amounts from resolution and deposit protection funds	-10,907	-12,364
Miscellaneous other expenses	-15,701	-17,087
Other expenses	-53,521	-42,018

Other tax expenses include the stability levy in the amount of TEUR 2,749 (2021: TEUR 2,676).

The reason for the change in miscellaneous other expenses was a new allocation to the provision for operational risks.

(13) ADMINISTRATIVE EXPENSES

Group administrative expenses consist of staff costs and material expenses.

TEUR	2022	2021
Staff costs	-68,965	-65,789
Material expenses	-36,976	-32,957
Administrative expenses	-105,941	-98,746

Of which staff costs

TEUR	2022	2021
Wages and salaries	-52,106	-49,672
Statutory social security contributions	-13,239	-12,757
Voluntary social benefits	-1,069	-698
Expenses for retirement benefits	-2,193	-2,109
Expenses for social capital	545	483
Compensations	-903	-1,036
Staff costs	-68,965	-65,789

Expenses for pensions include payments for defined contribution plans as part of an employee benefit fund and pension fund contributions of TEUR 1,788 (2021: TEUR 1,712).

Of which material expenses

TEUR	2022	2021
Building expenses	-4,238	-3,787
Leasing expenses	-166	-86
IT expenses	-16,157	-14,104
Advertising and PR expenses	-4,300	-3,713
Legal and advisory expenses	-3,991	-2,641
Communications expenses	-1,034	-1,142
Organisational form-related expenses	-2,611	-2,683
Staff development expenses	-1,481	-1,183
Other materials expenses	-2,998	-3,618
Material expenses	-36,976	-32,957

Rental payments of TEUR 1,604 (2022: TEUR 1,502) are expected for 2023 and TEUR 9,550 (2022: TEUR 7,847) for the next 5 years.

(14) DEPRECIATION AND AMORTIZATION

TEUR	2022	2021
Depreciation of property, plant and equipment	-4,239	-3,913
Impairments on investment property	-1,590	-1,714
Depreciation of intangible assets	-722	-1,187
Amortization of rights of use from leases	-1,311	-1,314
Depreciation and amortization	-7,862	-8,128

(15) LOAN LOSS PROVISIONS AND IMPAIRMENT OF FINANCIAL ASSETS

TEUR	2022	2021
Provision allocations for commitments/ guarantees	-3,729	-23,731
Reversals from provisions for commitments/guarantees	18,947	12,010
Allocations to other provisions in lending business	-448	-868
Reversals from other provisions in lending business	-6	873
Provisions for financial assets	**14,764**	**-11,716**
Allocation of impairment losses for financial assets at amortized cost	-30,451	-35,914
Reversal of impairment losses for financial assets at amortized cost	35,636	35,296
Direct write-downs on receivables	-10,613	-3,759
Recoveries on loans previously written-down	667	797
Impairment of financial assets	**-4,761**	**-3,580**
Loan loss provisions and impairment of financial assets	**10,003**	**-15,296**

In 2022, the loss from direct write-downs and the utilization of recognized risk provisions amounted to TEUR 26,392 (2021: TEUR 11,073).

(16) IMPAIRMENT OF NON-FINANCIAL ASSETS

TEUR	2022	2021
Recognition of impairment of investment property	-78	0
Impairment investment property	**-78**	**0**
Recognition of impairment of other assets	-943	-259
Impairment of other assets	**-943**	**-259**
Impairment of non-financial assets	**-1,021**	**-259**

(17) TAXES ON INCOME

TEUR	2022	2021
Current income taxes	-18,522	-22,725
Deferred income taxes	-21,981	-981
Income taxes from previous periods	-60	-3,162
Taxes on income	**-40,563**	**-26,868**

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

TEUR	2022	2021
Earnings before taxes	160,659	93,678
Applicable tax rate	25 %	25 %
Income tax computed	**-40,165**	**-23,419**
Tax effects		
from tax-exempt investment income	5,022	255
from other tax-exempt income	2	0
from other tax-exempt income	9	9
from previous years and tax rate changes	1,982	-2,857
From prepayments and tax rate changes	147	0
from differing international tax rates	613	773
Impairment losses on loss carryforwards and carried forward and temporary differences	0	-57
from other non-deductible expenses	-7,816	-1,483
from other differences	-357	-89
Taxes on income	**-40,563**	**-26,868**

The change in social capital from defined benefit plans recognized in other comprehensive income in the reporting year amounts to TEUR 4,584 (2021: TEUR 1,634). The related deferred taxes amount to TEUR -1,034 (2021: TEUR -408).

The recognition in equity of the change in own credit risk in 2022 amounting to TEUR 12,587 (2021: TEUR -2,742) results in a deferred tax amount of TEUR -3,147 (2021: TEUR 685).

C. NOTES TO THE BALANCE SHEET

(18) CASH AND BALANCES

TEUR	31.12.2022	31.12.2021
Cash on hand	25,184	22,599
Balances with central banks	808,118	1,741,265
Sight deposits with banks	35,719	42,692
Cash and balances with central banks	869,021	1,806,556

Balances with central banks include the minimum reserve pursuant to the ECB Regulation in the amount of TEUR 50,597 (2021: TEUR 43,383). According to the OeNB's definition, the minimum reserve is a working capital 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	31.12.2022	31.12.2021
Equity instruments	143	160
Derivatives with positive market values	182,068	86,450
Trading assets	182,211	86,610

Trading assets by region

TEUR	31.12.2022	31.12.2021
Austria	4,393	11,145
Germany	96,196	31,844
Switzerland and Liechtenstein	370	19
Other foreign countries	81,252	43,602
Trading assets	182,211	86,610

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

	Nominal values		Positive market values		Negative market values	
TEUR	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Interest rate swaps	2,170,855	1,675,986	129,130	78,103	71,583	66,136
Cross-Currency-Swaps	616,197	540,113	6,459	503	23,400	34,164
Interest rate options	343,759	121,944	38,742	3,714	4,045	383
Interest rate derivatives	3,130,811	2,338,043	174,331	82,320	99,028	100,683
FX forward transactions	477,632	518,374	6,658	3,981	8,617	4,751
FX-Swaps	207,069	77,005	1,065	115	545	231
FX-Options	1,651	17,110	14	34	13	34
Currency derivatives	686,352	612,489	7,737	4,130	9,175	5,016
Derivates	3,817,163	2,950,532	182,068	86,450	108,203	105,699

The market values shown include the interest accrued.

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

TEUR	31.12.2022	31.12.2021
Equity instruments	11,384	12,729
Debt securities of public issuers	32,076	35,124
Debt securities of other issuers	130,355	156,110
Loans and advances to customers	412,183	498,288
Financial assets at fair value (non-SPPI)	585,998	702,251

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

TEUR	31.12.2022	31.12.2021
Shares	7,377	10,455
Investment certificates	2,651	1,960
Other equity interests	1,356	314
Total equity instruments	11,384	12,729
Debt securities of public issuers	32,076	35,124
Debt securities of other issuers	130,355	156,110
Total debt securities	162,431	191,234
Overdraft lines	111,700	73,750
Long-term loans	300,483	424,538
Total loans and credits	412,183	498,288
Financial assets at fair value (non-SPPI)	585,998	702,251

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

TEUR	31.12.2022	31.12.2021
Austria	404,315	491,408
Germany	70,264	72,952
Italy	3,942	3,961
Other foreign countries	107,477	133,930
Financial assets at fair value (non-SPPI)	585,998	702,251

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

TEUR	31.12.2022	31.12.2021
Corporate customers	404,943	495,809
Private customers	7,240	2,480
Financial Markets	147,706	174,412
Corporate Center	26,109	29,550
Financial assets at fair value (non-SPPI)	585,998	702,251

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

TEUR	31.12.2022	31.12.2021
Public sector	32,085	35,142
Financial institutions	109,173	136,190
Financial companies	25,443	21,529
Companies	418,312	508,153
Private households	985	1,237
Financial assets at fair value (non-SPPI)	585,998	702,251

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

TEUR	31.12.2022	31.12.2021
Agriculture and forestry	90	88
Manufactoring	102,694	129,953
Transportation and storage	109	109
Accommodation and food service activities	2,274	2,954
Information and communication	12	12
Financial services	2,927	12,367
Housing	242,093	299,333
liberal professions	66,420	63,242
Other economic services	604	0
Public administration	1	1
Education	9	9
Other services	1,079	85
Financial assets at fair value (non-SPPI) – companies	418,312	508,153

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

TEUR	31.12.2022	31.12.2021
Credit exposure	585,998	702,251
Collateral	357,086	403,430
Total change in market value	-117,525	19,232
of which due to market risk	-138,601	-8,426
of which due to credit risk	21,076	27,658
Change in market value in the reporting period	-136,757	-14,070
of which due to market risk	-130,175	-16,576
of which due to credit risk	-6,582	2,506

Five years ago, the bondholders of HETA ASSET RESOLUTION AG (HETA), the wind-down unit of the former Hypo Alpe-Adria-Bank Internatio-nal AG, agreed by a large majority to transfer their securities to the State of Carinthia, waiving part of their claims. In the course of accepting the exchange offer of the Kärntner Ausgleichszahlungs Fonds, Hypo Vorarlberg acquired a "better fortune commitment", which is reflected in the so-called "conditional additional purchase price". Should the recovery proceeds from HETA exceed the expected recovery value (plus premium) of the respective instrument, the selling investors will receive an additional payment. As of the reporting date, the value of the recovery claim amounts to 6.96% and thus to TEUR 7,548. In its decision dated 29 December 2021, the FMA as resolution authority has determined that HETA has ceased operations. This means that the company has been liquidated under stock corporation law.

Based on the knowledge of isolated transactions and current price indications from other banks, Hypo Vorarlberg has recognized the "contingent additional purchase price" as a financial instrument in accordance with IAS 32.11 with a fair value of TEUR 7,548 (2021: TEUR 7,858) and allocated it to Level 2. The change in fair value is recognized in profit or loss in the item result from financial instruments at fair value under note (10) in the income statement.

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

TEUR	31.12.2022	31.12.2021
Debt securities of public issuers	57,276	59,972
Loans and advances to customers	177,947	241,606
Financial assets at fair value (option)	235,223	301,578

Financial assets at fair value (option) by product

TEUR	31.12.2022	31.12.2021
Debt securities by public issuers	57,276	59,972
Total debt securities	57,276	59,972
Long-term loans	177,947	241,606
Total loans and advances	177,947	241,606
Financial assets at fair value (option)	235,223	301,578

Financial assets at fair value (option) by region

TEUR	31.12.2022	31.12.2021
Austria	208,665	273,238
Switzerland and Liechtenstein	5,243	5,122
Other foreign countries	21,315	23,218
Financial assets at fair value (option)	235,223	301,578

Financial assets at fair value (option) by business segment

TEUR	31.12.2022	31.12.2021
Corporate customers	140,525	194,803
Private customers	3,705	4,353
Financial Markets	79,056	88,791
Corporate Center	11,937	13,631
Financial assets at fair value (option)	235,223	301,578

Financial assets at fair value (option) by sector

TEUR	31.12.2022	31.12.2021
Public sector	216,625	279,670
Financial companies	11,937	1,470
Companies	6,661	20,438
Financial assets at fair value (option)	235,223	301,578

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

TEUR	31.12.2022	31.12.2021
Financial Services	0	12,161
Housing	5,538	6,729
Other economic services	1,123	1,548
Financial assets at fair value (option) - companies	6,661	20,438

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

TEUR	31.12.2022	31.12.2021
Credit exposure	235,223	301,578
Collateral	230,124	294,685
Total change in market value	10,103	44,536
of which due to market risk	7,188	42,680
of which due to credit risk	2,915	1,856
Change in market value in the reporting period	-34,433	-14,044
of which due to market risk	-35,492	-13,116
of which due to credit risk	1,059	-928

(22) FINANCIAL ASSETSAT FAIR VALUE (OCI)

As at 31 December 2022 and in the previous year, there were no financial assets at fair value (OCI).

(23) FINANCIAL ASSETS AT AMORTIZED COST

TEUR	31.12.2022	31.12.2021
Debt securities of public issuers	519,216	676,132
Debt securities of other issuers	1,763,063	1,762,670
Loans and advances to financial institutions	464,620	314,992
Loans and advances to customers	10,149,093	9,743,593
Trade receivables	180	8,944
Gross exposure value	12,896,172	12,506,331
Valuation allowances for debt securities - stage 1	-265	-318
Valuation allowances for debt securities - stage 2	-814	-898
Valuation allowances for debt securities - stage 3	-997	-1,020
Valuation allowances for loans and advances to financial institutions - stage 1	-33	-27
Valuation allowances for loans and advances to financial institutions - stage 2	-2	-1
Valuation allowances for loans and advances to customers - stage 1	-15,993	-14,828
Valuation allowances for loans and advances to customers - stage 2	-19,697	-27,085
Valuation allowances for loans and advances to customers - stage 3	-57,641	-70,273
Provisions for loans and advances to customers - POCI	-1,353	-1,580
Valuation allowances	-96,795	-116,030
Financial assets at amortized cost	12,799,377	12,390,301

In financial assets at amortized cost, the amortized cost of EUR 3,167,121 thousand (2021: TEUR 3,229,213) was adjusted by the hedged fair value of EUR 372,901 thousand (2021: TEUR 63,982) due to the application of hedge accounting.

Financial assets at amortized cost - by product

TEUR	31.12.2022	31.12.2021
Debt securities of public issuers	518,728	676,074
Debt securities of other issuers	1,761,475	1,760,492
Total debt securities	2,280,203	2,436,566
Interbank accounts	277,911	140,541
Money market investments	145,922	116,816
Overdrafts	968,215	803,314
Cash advances	291,541	237,857
Exchange credits	26,315	16,327
Long-term loans	7,755,412	7,587,553
Lease receivables	1,053,672	1,050,749
Trade receivables	186	578
Total loans and advances	10,519,174	9,953,735
Financial assets at amortized cost	12,799,377	12,390,301

Financial assets at amortized cost - by region

TEUR	31.12.2022	31.12.2021
Austria	7,505,788	7,262,538
Germany	1,742,573	1,575,024
Switzerland and Liechtenstein	1,139,459	1,046,729
Italy	821,144	837,367
Other foreign countries	1,590,413	1,668,643
Financial assets at amortized cost	12,799,377	12,390,301

Financial assets at amortized cost - by business segment

TEUR	31.12.2022	31.12.2021
Corporate customers	6,563,363	6,215,930
Private customers	2,337,806	2,285,084
Financial Markets	2,841,783	2,826,864
Corporate Center	1,056,425	1,062,423
Financial assets at amortized cost	12,799,377	12,390,301

Financial assets at amortized cost - by sector

TEUR	31.12.2022	31.12.2021
Public sector	764,269	958,084
Financial institutions	2,051,971	1,913,961
Financial companies	355,143	301,309
Companies	6,976,925	6,638,207
Private households	2,651,069	2,578,740
Financial assets at amortized cost	12,799,377	12,390,301

Financial assets at amortized cost -company by branch

TEUR	31.12.2022	31.12.2021
Agriculture and forestry	27,888	30,598
Mining	17,588	15,453
Manufacturing	768,567	716,896
Energy supply	98,380	107,118
Water supply	56,125	38,564
Construction industry	945,260	744,259
Trading	535,405	500,263
Transportation and storage	238,959	236,277
Information and communication	431,922	452,397
Financial services	53,534	67,015
Housing	112,864	198,137
liberal professions	2,830,210	2,693,179
Information and communication	611,457	615,041
Other economic services	71,309	63,236
Public administration	31,681	37,324
Education	3,235	3,450
Human health and social work activities	40,810	28,386
Arts, entertainment and recreation activities	28,300	15,670
Other services	73,431	74,944
Financial assets at amortized cost – companies	**6,976,925**	**6,638,207**

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	31.12.2022	31.12.2021
Minimum lease payments	1,184,716	1,179,184
Non-guaranteed residual values	0	0
Gross total investment	**1,184,716**	**1,179,184**
Unrealised financial income	-131,044	-128,435
Net investment	**1,053,672**	**1,050,749**
Present value of non-guaranteed residual values	0	0
Present value of minimum lease payments	**1,053,672**	**1,050,749**

The cumulative impairment loss on finance leases amounts to TEUR 28.719 (2021: TEUR 29.853).

Leases -breakdown by maturity

TEUR	31.12.2022	31.12.2021
Up to 1 year	192,147	177,274
2 to 3 years	145,858	148,496
3 to 4 years	134,457	127,494
4 to 5 years	130,906	115,303
5 to 6 years	110,683	115,015
More than 5 years	470,665	495,602
Gross total investment	**1,184,716**	**1,179,184**
Up to 1 year	165,854	152,627
2 to 3 years	123,791	126,462
3 to 4 years	115,879	108,997
4 to 5 years	115,656	99,684
5 to 6 years	98,766	100,840
More than 5 years	433,726	462,139
Present value of minimum lease payments	**1,053,672**	**1,050,749**

(24) POSITIVE MARKET VALUES OF HEDGES

Breakdown by type of hedge

TEUR	31.12.2022	31.12.2021
Positive market value of fair value hedges	414,740	119,578
Positive market values of hedges	**414,740**	**119,578**

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

TEUR	Nominal values		Positive values		Negative values	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Interest rate swaps	8,864,823	7,864,828	411,951	119,114	541,709	105,579
Cross-Currency-Swaps	341,437	188,580	2,789	464	12,426	31,626
Interes rate derivatives	**9,206,260**	**8,053,408**	**414,740**	**119,578**	**554,135**	**137,205**
Derivates	**9,206,260**	**8,053,408**	**414,740**	**119,578**	**554,135**	**137,205**

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	2022	2021
Carrying value of holding 1 January	3,522	3,325
Attributable profit/loss	718	529
Changes in the scope of consolidation	0	-14
Dividends	-602	-318
Carrying value of holding 31 December	3,638	3,522

The difference between the carrying amount of the investment and the share equity of associates included in the consolidated financial statements using the equity method amounts to TEUR 2,256 (2021: TEUR 2,109). This difference has been added to the carrying amount of the investment on the one hand and to retained earnings on the other. The gains and losses of the consolidated companies were only recognized proportionately in the income statement under the item result from equity consolidation. These gains and losses amounted to TEUR 718 in 2022 (2021: TEUR 529).

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

(26) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment --- breakdown by type

TEUR	31.12.2022	31.12.2021
Properties	10,906	10,809
Buildings	51,212	52,794
Operational and office equipment	5,021	4,954
Other Property, plant and equipment	1,569	1,397
Rights of use from leases	9,275	9,418
Property, plant and equipment	77,983	79,372

The gross carrying amount of fully depreciated property, plant and equipment still in use amounts to TEUR 19,933 (2021: TEUR 15,631). The development of property, plant and equipment is shown in note (32).

Reconciliation of rights of use from leases by category

TEUR 2021	Opening balance	Addition	Disposal	Revaluation	Depreciation / Amortization	Closing balance
Real estate	9,742	236	-54	328	-1,236	9,016
Parking spaces	341	0	0	8	-35	314
Motor vehicles	131	0	0	0	-43	88
Rights of use from leases	10,214	236	-54	336	-1,314	9,418

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

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	31.12.2022	31.12.2021
Properties	11,197	11,426
Buildings	34,853	35,343
Assets in construction	0	40
Investment property	46,050	46,809

In 2022, the real estate portfolio includes 57 properties (2021: 60) from Austria, Switzerland, Germany and Italy. The portfolio includes both residential properties with a carrying amount of TEUR 6,687 (2021: TEUR 6,477) and commercial properties with a carrying amount of TEUR 39,363 (2021: TEUR 40,332). The current market value of the real estate portfolio amounts to TEUR 73,148 (2021: TEUR 70,501).

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

Key parameters for real estate appraisal	2022	2021
Return in %	0.50 - 10.00	0.50 - 9.00
Inflation rate in %	1.00 - 8.00	0.50 - 3.00
Rental loss risk in %	1.50 - 8.00	1.50 - 8.00

Properties in Italy are generally valued using the comparative value method and, in the case of long-term leased properties, the income capitalization approach. All valuations are performed in accordance with the criteria set out in the IVS (International Valuation Standards).

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

(28) INTANGIBLE ASSETS

Intangible assets - breakdown by type

TEUR	31.12.2022	31.12.2021
Software acquired	845	1,084
Other intangible assets	910	114
Intangible assets	**1,755**	**1,198**

(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	31.12.2022	31.12.2021
Temporary differences from the measurement of financial instruments via the statement of comprehensive income	103	4,399
Temporary differences from writing-down assets	392	583
Temporary differences from provisions	504	1,851
Temporary differences from social capital	3,693	5,270
Temporary differences from impairments	5,551	5,830
Other temporary differences	445	519
Deferred income tax assets	**10,688**	**18,452**
Set-off of deferred taxes	-6,676	-3,802
Net deferred income tax assets	**4,012**	**14,650**

Within the Group, there are tax loss carryforwards of TEUR 9,380 (2021: TEUR 10,265), 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, 2022 or in the previous year.

(31) OTHER ASSETS

TEUR	31.12.2022	31.12.2021
Accruals	1,676	415
Other tax assets	9,215	4,938
Other properties	24,672	27,784
Remaining assets	43,843	24,395
Other assets	**79,406**	**57,532**

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 943 in 2022 (2021: TEUR 259).

(32) STATEMENT OF CHANGES IN ASSETS

TEUR 2021	Acquisition cost 01.01.	currency translation	Acquisitions	Additions	Disposals	Reclassification and other	Acquistion cost 31.12.	Carrying-amounts 31.12.
Software acquired	10,971	0	0	537	15	0	11,523	1,084
Other intangible assets	600	25	0	0	-6	0	619	114
Intangible assets	**11,571**	**25**	**0**	**537**	**9**	**0**	**12,142**	**1,198**
Owner-occupied land and buildings	105,337	107	0	313	0	299	106,056	63,603
Operational and office equipment	17,687	11	0	1,445	-1,911	-37	17,195	4,954
Other property, plant and equipment	14,718	0	0	241	-106	308	15,161	10,815
Property, plant and equipment	**137,742**	**118**	**0**	**1,999**	**-2,017**	**570**	**138,412**	**79,372**
Investment property	88,557	0	0	322	-4,606	-997	83,276	46,809
Other property	50,026	0	0	46	-2,553	-1,576	45,943	27,784
Total	**287,896**	**143**	**0**	**2,904**	**-9,167**	**-2,003**	**279,773**	**155,163**

TEUR 2021	Cumulative Depreciation/ amorization 01.01.	Currency translation	Acquisitions	Regular Amortization	Disposals	Reclassifications and other	Impairments	Cumulative Depreciation 31.12.
Software acquired	-9,345	0	0	-1,079	-15	0	0	-10,439
Other intangible assets	-383	-20	0	-108	6	0	0	-505
Intangible assets	**-9,728**	**-20**	**0**	**-1,187**	**-9**	**0**	**0**	**-10,944**
Owner-occupied land and buildings	-40,084	-100	0	-2,239	0	-30	0	-42,453
Operational and office equipment	-12,380	-5	0	-1,613	1,723	34	0	-12,241
Other property, plant and equipment	-2,973	0	0	-1,375	2	0	0	-4,346
Property, plant and equipment	**-55,437**	**-105**	**0**	**-5,227**	**1,725**	**4**	**0**	**-59,040**
Investment property	-36,428	0	0	-1,714	1,499	176	0	-36,467
Other property	-20,227	0	0	0	1,565	762	-259	-18,159
Total	**-121,820**	**-125**	**0**	**-8,128**	**4,780**	**942**	**-259**	**-124,610**

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

TEUR 2022	Acquisition cost 01.01.	currency translation	Acquisitions	Additions	Disposals	Reclassification and other	Acquistion 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/ amorization 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

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	31.12.2022	31.12.2021
Derivatives with negative market values	108,203	105,699
Trading liabilities	108,203	105,699

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	31.12.2022	31.12.2021
Time deposits customers	115,285	134,991
Debt securities issued	517,896	536,752
Financial liabilities at fair value (option)	633,181	671,743

Financial liabilities at fair value (option) by product

TEUR	31.12.2022	31.12.2021
Mortgage bonds	20,475	23,541
Municipal bonds	198,986	236,318
Bonds	135,423	85,701
Housing construction bonds	139,452	166,894
Supplementary capital	23,560	24,298
Total debt securities issued	517,896	536,752
Promissory note loans	115,285	134,991
Total deposits	115,285	134,991
Financial liabilities at fair value (option)	633,181	671,743

Financial liabilities at fair value (option) by region

TEUR	31.12.2022	31.12.2021
Austria	520,436	533,659
Germany	112,745	138,084
Financial liabilities at fair value (option)	633,181	671,743

Financial liabilities at fair value (option) by segment

TEUR	31.12.2022	31.12.2021
Financial Markets	630,386	670,087
Corporate Center	2,795	1,656
Financial liabilities at fair value (option)	633,181	671,743

Financial liabilities at fair value (option) by sector

TEUR	31.12.2022	31.12.2021
Financial institutions	517,896	536,752
Financial companies	115,285	134,991
Financial liabilities at fair value (option)	633,181	671,743

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

TEUR	31.12.2022	31.12.2021
Carrying value	633,181	671,743
Amount repayable	704,000	662,969
Difference between carrying value and amount repayable	-70,819	8,774
Total change in market value	-42,258	61,906
of which due to market risk	-37,062	54,520
of which due to credit risk	-5,196	7,386
Change in market value in the reporting period	-104,164	-27,314
of which due to market risk	-91,582	-30,028
of which due to credit risk	-12,582	2,714

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	2022	2021
LFVO supplementary capital - balance 1 January	24,298	23,640
New intake	1,500	0
Change in deferred interest	194	48
Change from measurement	-2,432	610
LFVO supplementary capital - balance 31 December	23,560	24,298

(35) FINANZIELLE VERBINDLICHKEITEN AT AMORTIZED COST

TEUR	31.12.2022	31.12.2021
Liabilities to financial institutions	1,668,142	3,030,584
Demand deposits from customers	4,479,765	4,043,134
Demand deposits from customers	1,031,838	1,221,066
Debt securities issued	5,264,741	4,985,203
Liabilities from deliveries and services	8,949	9,392
Liabilities from leasing contracts	9,437	9,544
Financial liabilities at amortized cost	12,462,872	13,298,923

Due to the application of hedge accounting, the amortized cost of financial liabilities at amortized cost in the amount of TEUR 5,049,402 (2021: TEUR 4,900,695) was adjusted by the hedged fair value in the amount of TEUR -532,842 (2021: TEUR 40,016).

The item liabilities to banks includes a volume of TEUR 1,100,000 (2021: TEUR 2,800,000), which is a financing transaction from the TLTRO III program of the European Central Bank (ECB). The original volume is divided into two tranches with different maturities amounting to TEUR 2,500,000 (tranche 1) and TEUR 300,000 (tranche 2).

Based on an analysis of the terms and conditions observable for the Bank in the market for comparable secured refinancing, the Bank has concluded that the terms and conditions of the TLTRO III program do not offer a significant advantage to the Bank compared to the market. The liabilities were therefore recognized as a financing instrument in accordance with IFRS 9.

Due to the achievement of the required credit vigilance, the interest rate improved by 50 basis points and therefore a modification was implemented in the first half of 2021. As a result of the increase in the interest rate on the deposit facility in the second half of the year, the interest income from borrowing also decreased as a consequence. Until November 22, 2022, the interest rate was calculated from the average deposit rate of the ECB over the total term. As a result of the continuous increase in the key interest rates, this interest rate increased from -0.5 % (until July 27, 2022) to 2.0 % (from December 21, 2022) and on average from -0.5% to -0.36 % for tranche 1 and -0.29 % for tranche 2. From November 23, the interest rate is no longer calculated from the average over the entire term of the borrowing, but from the applicable interest rate of the deposit facility. Therefore, the borrowing under the OeNB tender in the amount of TEUR 1,700,000 was repaid early in several steps during 2022. Further early repayments are planned for the first half of 2023.

Financial liabilities at amortized cost by product

TEUR	31.12.2022	31.12.2021
Mortgage bonds	3,539,205	2,713,741
Municipal bonds	43,627	42,217
Medium-term fixed-rate notes	11,066	0
Bonds	1,398,278	1,877,787
Supplementary capital (T2)	222,133	300,924
Additional core capital (AT1)	50,432	50,534
Total debt securities issued	**5,264,741**	**4,985,203**
Interbank accounts	277,237	116,910
Money market deposits	1,266,943	2,898,736
Demand deposits	3,521,688	3,419,355
Time deposits	826,546	439,945
Savings deposits	801,342	903,737
Capital savings accounts	230,496	317,329
Promissory note loans	255,493	198,772
Total deposits	**7,179,745**	**8,294,784**
Trade payables	8,949	9,392
Other financial liabilities	9,437	9,544
Total other financial liabilities	**18,386**	**18,936**
Financial liabilities at amortized cost	**12,462,872**	**13,298,923**

Financial liabilities at amortized cost by region

TEUR	31.12.2022	31.12.2021
Austria	9,957,838	11,018,538
Germany	734,916	819,762
Switzerland and Liechtenstein	1,310,373	1,171,844
Italy	47,258	8,649
Other foreign countries	412,487	280,130
Financial assets at amortized cost	**12,462,872**	**13,298,923**

Financial liabilities at amortized cost by business segment

TEUR	31.12.2022	31.12.2021
Corporate customers	2,063,785	2,010,028
Private customers	2,885,593	2,755,596
Financial Markets	7,165,537	8,245,958
Corporate Center	347,957	287,341
Financial assets at amortized cost	**12,462,872**	**13,298,923**

Financial liabilities at amortized cost by sector

TEUR	31.12.2022	31.12.2021
Central banks	1,103,072	2,766,873
Public sector	300,359	314,447
Financial institutions	5,826,040	5,261,414
Financial companies	642,235	623,840
Companies	2,077,380	1,768,983
Private households	2,513,786	2,563,366
Financial assets at amortized cost	**12,462,872**	**13,298,923**

Financial liabilities at amortized cost --- company by branch

TEUR	31.12.2022	31.12.2021
Agriculture and forestry	4,026	3,524
Mining	1,532	1,940
Manufacturing	235,986	258,857
Energy supply	271,635	23,368
Water supply	5,680	4,531
Construction industry	192,564	149,803
Trading	252,829	248,549
Transportation and storage	53,445	33,809
Information and communication	69,955	48,884
Financial services	34,883	50,089
Housing	49,987	138,392
liberal professions	310,675	292,458
Information and communication	358,201	353,033
Other economic services	85,143	33,018
Public administration	23,565	24,793
Education	8,255	14,181
Human health and social work activities	71,301	57,199
Arts, entertainment and recreation activities	30,198	15,646
Other services	17,520	16,909
Financial assets at amortized cost – companies	**2,077,380**	**1,768,983**

Notes on the change in supplementary capital (LAC)

TEUR	2022	2021
LAC Tier 2 capital and additional Tier 1 capital - balance 1 January	**351,458**	**354,285**
New intake	47,334	5,135
Repayments	-100,125	-76
Change in deferred interest	-357	9
Change from measurement	-25,745	-7,895
LAC Tier 2 capital and additional Tier 1 capital - balance 31 December	**272,565**	**351,458**

Disclosures on lease liabilities by remaining term

TEUR	31.12.2022	31.12.2021
Daily due	14	0
Up to 3 months	343	342
More than 3 months to 12 months	1,023	910
More than 1 year to 5 years	4,682	4,344
More than 5 years	3,734	4,418
Lease liabilities	**9,796**	**10,014**

The lease liabilities by remaining term shown are the undiscounted lease payments. The total payments therefore do not correspond to the present value of the lease liabilities. The total payments therefore do not correspond to the present value of the lease liabilities shown in the table above. The weighted average interest rate amounts to 1.30 %. The expense for short-term leases, leases of low value and due to variable lease payments that were not taken into account in the measurement of the lease liability amounts to TEUR 389 (2021: TEUR 319).

Change in lease liabilities

TEUR	2022	2021
Lease liabilities – balance as at 01.01.	9,544	10,288
Interest expense	133	150
Revaluation	1,227	560
Disposals due to reversals	-71	-54
Lease payments	-1,396	-1,400
Lease liabilities – balance as at 31.12.	9,437	9,544

(36) NEGATIVE MARKET VALUES OF HEDGES

Breakdown by type of hedge

TEUR	31.12.2022	31.12.2021
Negative market value of fair value hedges	554,135	137,205
Negative market values of hedges	554,135	137,205

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	31.12.2022	31.12.2021
Severance provisions	13,913	16,866
Pension provisions	3,428	5,436
Service anniversary provisions	2,968	3,381
Social capital	20,309	25,683
Provisions for guarantees/liability agreements	12,866	28,088
Provisions for credit risks	24	145
Provisions for ongoing litigation	1,010	1,128
Staff provisions	279	333
Provision for other expenses	26,697	16,784
Other provisions	40,876	46,478
Provisions	61,185	72,161

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	31.12.2022	31.12.2021
Daily due	24	0
Up to 3 months	402	91
More than 3 up to 12 months	855	728
More than 1 up to 5 years	4,228	5,292
More than 5 years	14,800	19,572
Social capital	20,309	25,683

Development of social capital

TEUR 2021	Severence provisions	Pensions provisions	Service anniver-sary - provisions	total
Carrying value 1 January	18,200	6,537	3,303	28,040
Years of service expense	502	97	278	877
Interest expense	205	51	45	301
Actuarial gains/losses of financial assumptions	-847	-788	-177	-1,812
Foreign currency risk	0	71	0	71
Benefit payments	-1,090	-532	-68	-1,690
Other changes	-104	0	0	-104
Carrying value 31 December	16,866	5,436	3,381	25,683

TEUR 2022	Severence provisions	Pensions provisions	Service anniver-sary - 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
Other changes	-205	0	0	-205
Carrying value 31 December	13,913	3,428	2,968	20,309

The actuarial gains/losses from provisions for severance payments and pensions recognized in other comprehensive income amount to of TEUR 4,584 (2021: TEUR 1,634) 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	31.12.2022	31.12.2021
Fair value of assets from defined benefit plans	5,982	5,460
of which equity instruments	600	536
of which debt securities	3,851	3,608
of which properties	1,361	1,170
of which other assets from defined benefit plans	170	146
Present value of obligations from defined benefit plans	6,183	7,091
Net defined benefit obligation – St. Gallen branch	201	1,631

Reconciliation of fund assets

TEUR	2022	2021
Fair value of assets from defined benefit plans on 1 January	5,460	4,954
Currency translation effects	268	226
Interest income from assets	20	8
Gain/loss on remeasurement of assets	38	68
Employer contribution payments	330	310
Employee contribution payments	220	207
Plan participant contribution payments	949	642
Disbursements	-1.303	-955
Fair value of assets from defined benefit plans on 31 December	5,982	5,460

Changes in other provisions

TEUR 2021	Cuarantees and commitments	Credit-risk	Ongoing itigation	staff	Other	Total
Carrying value 1 January	16,378	1,056	781	361	14,198	32,774
Allocation	23,850	122	633	5	11,745	36,355
Use	0	-130	-151	-33	-30	-344
Reversal	-12,129	-903	-135	0	-9,129	-22,296
Unwinding	10	0	0	0	0	10
Remaining adjustment	-21	0	0	0	0	-21
Carrying value 31 December	28,088	145	1,128	333	16,784	46,478

TEUR 2022	Cuarantees and commitments	Credit-risk	Ongoing itigation	staffl	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

(38) INCOME TAX LIABILITIES

Income tax liabilities - breakdown by type

TEUR	31.12.2022	31.12.2021
Tax provision	3,815	5,029
Income tax liabilities	5	5
Income tax obligations	3,820	5,034

Development of the tax provision

TEUR	2022	2021
Carrying value 1 January	5,029	1,097
Currency translation	43	48
Allocation	743	4,964
Use	-1,178	-1,064
Reversal	-822	-16
Carrying value 31 December	3,815	5,029

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	31.12.2022	31.12.2021
Temporary differences from the measurement of financial instruments via the income statement	19,781	28
Temporary differences from writing down assets	2,902	4,880
Temporary differences from provisions	1,555	0
Temporary differences from impairments	8	0
Other temporary differences	195	1,437
Deferred income tax liabilities	24,441	6,345
Set-off of deferred taxes	-6,676	-3,802
Net deferred income tax liabilities	17,765	2,543

For the recognition of actuarial gains/losses from defined benefit plans, TEUR 873 (2021: TEUR -3,837) were recognized directly in other comprehensive income. The deferred taxes attributable to this (tax liability) amount to EUR -201 TEUR (2021: EUR 959 TEUR). From the recognition of the change in own credit risk in other comprehensive income in the amount of TEUR 4,747 (2021: TEUR -7,713), deferred taxes (tax liability) in the amount of TEUR -1,092 (2021: TEUR 1,928) were also reversed without affecting profit or loss.

There are otherwise no outside basis differences within the Group.

(40) OTHER LIABILITIES

TEUR	31.12.2022	31.12.2021
Liabilities in connection with social security	1,208	1,162
Other tax liabilities	1,107	2,985
Accruals	10,638	8,842
Other accrued benefits	5,870	5,444
Remaining liabilities	26,418	23,982
Other liabilities	**45,241**	**42,415**

(41) SHAREHOLDERS' EQUITY

Composition of equity by types

TEUR	31.12.2022	31.12.2021
Share capital	162,152	162,152
Capital reserve	44,674	44,674
Accumulated other comprehensive income	**4,408**	**-8,659**
Total items without recycling	**4,327**	**-8,663**
Measurement of pension plans	672	-2,878
Measurement from own change in credit rating	3,655	-5,785
Total items with recycling	**81**	**4**
Foreign currency measurements	81	4
Retained earnings	1,202,501	1,087,598
Reserves from equity consolidation	5,286	4,568
Total parent company shareholders	**1,419,021**	**1,290,333**
Non-controlling equity interests	52	57
Total equity	**1,419,073**	**1,290,390**

The subscribed capital consists of the share capital in the amount of TEUR 162,152 (2021: TEUR 162,152), which has been fully paid in. As of December 31, 2022, 316,736 (2021: 316,736) shares with a nominal value of EUR 512 were issued.

Retained earnings include the legal reserve. The release of the legal reserve in the amount of TEUR 10,601 (2021: TEUR 10,601) is bound to the Austrian Commercial Code (UGB) in connection with the Austrian Stock Corporation Act (AktG).

The retained earnings also include the liability reserve pursuant to Section 57 (5) of the Austrian Banking Act. The release of the liability reserve in the amount of TEUR 138,120 (2021: TEUR 134,924) may only be made to the extent necessary to meet obligations pursuant to Section 93 of the Austrian Banking Act or to cover other losses to be disclosed in the annual financial statements. The liability reserve must be replenished to the extent of the dissolved amount within the following five financial years at the latest.

Reconciliation of accumulated other comprehensive income

TEUR	valuation Pensions plans	valuation From own Credit rating change	foreign Currency valuation	Total
Balance 1 January 2021	**-4,104**	**-3,728**	**-17**	**-7,849**
Equity transfer	0	0	17	17
OCI measurement, not recyclable	1,634	-2,742	0	-1,108
Deferred taxes, not recyclable	-408	685	0	277
OCI measurement, recyclable	0	0	4	4
Balance 31 December 2021	**-2,878**	**-5,785**	**4**	**-8,659**
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**

Accumulated other comprehensive income includes an amount of TEUR -322 (2021: TEUR -327) attributable to financial instruments already redeemed or sold that are voluntarily measured at fair value.

Dividends of Hypo Vorarlberg Bank AG

Hypo Vorarlberg may distribute a dividend of no more than the amount of the balance sheet profit reported in the separate financial statements in accordance with the Austrian Banking Act or the Austrian Commercial Code in the amount of TEUR 4,434 (2021: TEUR 4,434).

The net profit generated by Hypo Vorarlberg in accordance with the Austrian Commercial Code (UGB) for the financial year 2022 amounted to TEUR 50,332 (2021: TEUR 67,756). After allocation to reserves of TEUR 45,898 (2021: TEUR 63,321) and after allocation of the profit carried forward of TEUR 0 (2021: TEUR 0), the net profit available for distribution amounts to TEUR 4,434 (2021: TEUR 4,434).

Subject to approval by the Annual General Meeting and taking into account further developments up to this resolution, it is proposed to distribute a dividend of EUR 14 (2021: EUR 14) per eligible share on the shares and the related share capital of TEUR 162,152 (2021: TEUR 162,152). share. The distribution therefore results in an amount of TEUR 4,434 (2021: TEUR 4,434) for 316,736 (2021: 316,736) shares.

(42) FOREIGN CURRENCY VOLUME AND FOREIGN-DENOMINATED ASSETS

TEUR 31.12.2021	EUR	USD	CHF	JPY	Other	Total
Cash balance	1,520,324	21,026	261,690	783	2,733	1,806,556
Trading assets	83,821	804	442	1,265	278	86,610
Financial assets at fair value (non-SPPI)	624,981	49,094	13,905	14,271	0	702,251
Financial assets at fair value (option)	282,590	0	5,122	0	13,866	301,578
Financial assets at amortized cost	10,655,426	123,640	1,440,160	10,703	160,372	12,390,301
Positive market values of hedges	112,302	280	6,996	0	0	119,578
Affiliates	968	0	0	0	0	968
Shares in companies valued at equity	3,522	0	0	0	0	3,522
Property, plant and equipment	73,081	0	6,291	0	0	79,372
Investment property	46,809	0	0	0	0	46,809
Intangible assets	1,085	0	113	0	0	1,198
Income tax assets	15,188	0	0	0	0	15,188
Deferred income tax assets	14,649	0	1	0	0	14,650
Other assets	54,387	38	2,975	0	132	57,532
Total assets	**13,489,133**	**194,882**	**1,737,695**	**27,022**	**177,381**	**15,626,113**

TEUR 31.12.2021	EUR	USD	CHF	JPY	Other	Total
Trading liabilities	101,759	2,103	2	1,704	131	105,699
Financial liabilities at Fair Value (Option)	666,993	0	0	4,750	0	671,743
Financial liabilities at amortized cost	12,017,614	185,431	1,040,938	5,086	49,854	13,298,923
Negative market values of hedges	112,056	1,842	19,927	0	3,380	137,205
Provisions	70,513	0	1,648	0	0	72,161
Income tax liabilities	3,930	0	1,104	0	0	5,034
Deferred income tax liabilities	2,438	0	105	0	0	2,543
Other liabilities	40,171	176	2,068	0	0	42,415
Shareholders' equity	1,290,313	0	77	0	0	1,290,390
Total liabilities and shareholders' equity	**14,305,787**	**189,552**	**1,065,869**	**11,540**	**53,365**	**15,626,113**

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
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

The difference between assets and liabilities in the individual currencies does not represent the Group's open foreign currency position within the meaning of Article 352 of the CRR. Hedges of open foreign currency positions are made using derivative financial instruments, such as currency swaps or cross-currency swaps. However, these hedges are recognized in the IFRS balance sheet at fair value rather than at nominal value. The total of all open foreign currency positions in accordance with Article 352 of the CRR amounts to TEUR 2,697 as of December 31, 2022 (2021: TEUR 6,488).

Foreign-denominated assets and liabilities

TEUR	31.12.2022	31.12.2021
Foreign assets	5,268,226	4,793,825
Foreign liabilities	3,312,149	2,690,917

(43) MATURITIES

TEUR 31.12.2021	Payable on demand	Up to 3 months	Up to 1 year	Bis 5 years	More than 5 years	Without maturity	total
Cash balance	1,783,957	0	0	0	0	22,599	1,806,556
Trading assets	0	1,591	3,389	15,123	66,347	160	86,610
Financial assets at fair value (non-SPPI)	96,431	51,421	56,441	278,147	207,082	12,729	702,251
Financial assets at fair value (option)	2	4,765	18,935	151,358	126,518	0	301,578
Financial assets at amortized cost	646,895	1,178,635	1,428,163	4,235,953	4,880,976	19,679	12,390,301
Positive market values of hedges	0	210	3,942	48,828	66,598	0	119,578
Affiliates	0	0	0	0	0	968	968
Shares in companies valued at equity	0	0	0	0	0	3,522	3,522
Property, plant and equipment	0	0	0	0	0	79,372	79,372
Investment property	0	0	0	0	0	46,809	46,809
Intangible assets	0	0	0	0	0	1,198	1,198
Income tax assets	53	0	14,582	553	0	0	15,188
Deferred income tax assets	-250	-65	-1,112	-2,980	19,547	-490	14,650
Other assets	19,260	3,833	1,920	4,564	21	27,934	57,532
Total assets	2,546,348	1,240,390	1,526,260	4,731,546	5,367,089	214,480	15,626,113

TEUR 31.12.2021	Payable on demand	Up to 3 months	Up to 1 year	Bis 5 years	More than 5 years	Without maturity	total
Trading liabilities	0	2,022	3,032	42,726	57,919	0	105,699
Financial liabilities at Fair Value (Option)	0	0	21,654	99,223	550,866	0	671,743
Financial liabilities at amortized cost	4,531,641	433,527	579,973	5,117,755	2,635,986	41	13,298,923
Negative market values of hedges	0	661	4,797	44,061	87,686	0	137,205
Provisions	6,211	4,188	7,438	29,735	21,932	2,657	72,161
Income tax liabilities	21	42	4,971	0	0	0	5,034
Deferred income tax liabilities	8	0	0	37	1,929	569	2,543
Other liabilities	17,635	7,113	5,619	10,611	1,437	0	42,415
Shareholders' equity	0	0	0	0	0	1,290,390	1,290,390
Total liabilities and shareholders' equity	4,555,516	447,553	627,484	5,344,148	3,357,755	1,293,657	15,626,113

TEUR 31.12.2022	Payable on demand	Up to 3 months	Up to 1 year	Bis 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
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	Bis 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**

D. FURTHER IFRS INFORMATION

(44) DISCLOSURES ON THE CASH FLOW STATEMENT

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

(45) CONTINGENT LIABILITIES AND CREDIT RISKS

Off-balance liabilities

TEUR	31.12.2022	31.12.2021
Loan commitments granted	2,362,824	2,282,642
Financial guarantees granted	419,742	464,276
Other guarantees granted	24,938	37,836
Off-balance liabilities	2,807,504	2,784,754

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

Contingent liabilities - breakdown by residual duration

TEUR	31.12.2022	31.12.2021
Repayable on demand	105	2
Up to 3 months	23,739	51,520
Up to 1 year	92,253	103,874
Up to 5 years	168,378	181,657
More than 5 years	59,026	62,116
Unlimited	101,179	102,943
Contingent liabilities	444,680	502,112

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

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

Pursuant to section 8 (1) ESAEG, Hypo Vorarlberg, as a deposit-taking institution (CRR institution) with its registered office in Austria, is a member of the uniform protection scheme pursuant to section 1 (1) no. 1 ESAEG. Each protection scheme must set up a deposit protection fund consisting of available financial resources amounting to at least 0.8% of the total covered deposits of the member institutions (target level). The contribution obligation is based on the amount of the covered deposits on the basis of previously determined risk factors (risk-based contribution calculation). For Hypo Vorarlberg, this resulted in a contribution of TEUR 1,242 (2021: TEUR 4,682). Due to the Russia-Ukraine conflict, Sberbank Europe AG was prohibited from continuing its business operations by the Financial Market Authority in February 2022, which resulted in Sberbank Europe AG becoming a deposit guarantee case.

In addition, under section 22(1) of the ESA Act, the ESA is required to prescribe and collect timely from its member institutions special contributions amounting to a maximum of 0.5 % of the total covered deposits of their member institutions per calendar year in the event that the available financial resources of a protection scheme are not sufficient to compensate depositors in the event of a protection case or to meet obligations arising from lending operations.

In the event of a default by a member institution, the deposit guarantee scheme protects credit balances on accounts and savings books up to TEUR 100 per customer and per credit institution. In certain cases, the amount secured is increased to up to TEUR 500 per customer and credit institution. In both cases, there is no deductible for investors. Likewise, the deposit protection also includes the protection of a customer's deposited securities in the event of a protection case with an amount of up to TEUR 20 per customer and credit institution. In the case of non-natural persons, the customer is required to pay a deductible of 10 %.

(46) INTEREST-FREE LOANS AND ADVANCES

TEUR	31.12.2022	31.12.2021
Interest-free loans and advances to banks	16	1,960
Interest-free loans and advances to customers	29,227	116,213
Interest-free loans and advances	29,243	118,173

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

(47) COLLATERAL

Assets provided as collateral

TEUR	31.12.2022	31.12.2021
Financial assets at Fair Value (Non-SPPI)	217,456	246,234
Financial assets at Fair Value (Option)	210,737	272,905
Financial assets at Amortized Cost	8,050,646	7,756,666
Assets provided as collateral	8,478,839	8,275,805
of which covered pool for mortgage bonds	4,625,281	4,216,965
of which covered pool for public-sector mortgage bonds	538,038	535,720

Assignment of collateral

TEUR	31.12.2022	31.12.2021
Backing for refinancing with central banks	1,571,767	2,008,956
Covered pool for mortgage bonds	5,208,216	4,952,208
covered pool for public-sector mortgage bonds	519,304	581,230
Surplus cover for mortgage bonds and municipal bonds	0	117,694
Covered pool for trust savings deposits	29,946	30,873
Cover for pension provisions	1,945	2,107
Genuine repurchase agreements, repos	782,542	385,812
Deposits, collateral, margins	365,119	196,925
Collateral – breakdown by assignment	8,478,839	8,275,805

Utilisation of collateral

TEUR	31.12.2022	31.12.2021
Backing for refinancing with central banks	1,103,072	2,766,873
Covered pool for mortgage bonds	4,347,306	3,788,981
covered pool for public-sector mortgage bonds	490,226	381,094
Surplus cover for mortgage bonds and municipal bonds	0	117,694
Covered pool for trust savings deposits	25,035	25,700
Cover for pension provisions	1,945	2,107
Deposits, collateral, margins	365,119	196,924
Collateral – breakdown by utilisation	**6,332,703**	**7,279,373**

In the case of the collateral listed, the collateral taker does not have the right to realise the collateral or to further pledge it. Therefore, there were no reclassifications in the balance sheet for the collateral provided.

The Bank, as collateral taker, does not hold any collateral that it may sell without a given default of the holder or use again as collateral without the consent of the holder.

The cover pool for Pfandbriefe contains loan receivables of the St. Gallen branch amounting to TEUR 715,649 (2021: TEUR 430,252). In order to ensure the equivalent legal and economic position of the Pfandbrief creditors with regard to these cover assets, the loan receivables, including their mortgage collateralization, were transferred to HVB. mortgage collateral were transferred to HVS Sicherheitenverwal-tung GmbH, domiciled in Switzerland, as collateral trustee for the Pfandbrief creditors by way of assignment as security.

(48) SUBORDINATED ASSETS

TEUR	31.12.2022	31.12.2021
Financial assets at Fair Value (Non-SPPI)	58,873	60,303
Financial assets at Amortized Cost	23,254	20,288
Subordinated assets	**82,127**	**80,591**
of which debt securities	79,058	77,413
of which loans and credits	3,069	3,178

(49) FIDUCIARY TRANSACTIONS ADVANCES

TEUR	31.12.2022	31.12.2021
Loans and advances to customers	126,638	142,792
Fiduciary assets	**126,638**	**142,792**
Amounts owed to banks	104,414	119,355
Amounts owed to customers	23,027	24,284
Fiduciary liabilities	**127,441**	**143,639**

(50) REPURCHASE AGREEMENTS

There were no genuine repurchase agreements as at 31 December 2022 or in the previous year.

(51) RELATED PARTY DISCLOSURES

Related parties include:

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

Advances, loans and warranties

The members of the Management Board and managing directors and their close family members have received advances, loans and guarantees from the bank in the amount of TEUR 599 (2021: TEUR 1,330) at year-end on the usual terms and conditions applicable to bank employees. The members of the Supervisory Board and their close family members have received advances, loans and guarantees from the bank for themselves and for companies for which they are personally liable amounting to TEUR 17,701 (2021: TEUR 15,163) at the end of the year with standard bank terms and conditions or at the standard terms and conditions applicable to bank employees.

Remuneration

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

In 2022, Hypo Vorarlberg Bank AG spent the following amounts for the active Managing Board members:

TEUR	2022	2021
Michel Haller	363	345
Wilfried Amann	313	291
Philipp Hämmerle	284	276
Managing Board remuneration	**960**	**912**

TEUR	2022	2021
Managing Board members and managing directors	1,815	1,749
Retired Managing Board members and survivors	72	70
Managerial personnel	4,845	5,182
Supervisory Board members	354	332
Remuneration paid to related parties	**7,086**	**7,333**

Severance and pensions

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

TEUR	2022	2021
Managing Board members and managing directors	128	120
Retired Managing Board members and survivors	19	17
Managerial personnel	906	1,378
Severance and pensions paid to related parties	**1,053**	**1,515**

The Group has purchased services in the amount of TEUR 95 (2021: TEUR 74) from companies in which related parties of the Group have significant interests.

Business relationships with affiliated companies

TEUR	31.12.2022	31.12.2021
Loans and advances	179	114
Financial assets	**179**	**114**
Deposits	222	225
Financial liabilities	**222**	**225**

Apart from the investments in affiliated and unconsolidated companies, business activities with affiliated companies only include business checking accounts. In this context, deposits currently bear interest at 0 % (2021: 0 %).

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

Business relationships with associated companies

TEUR	31.12.2022	31.12.2021
Equity instruments	12	12
Financial assets	**12**	**12**
Deposits	2,585	2,372
Financial liabilities	**2,585**	**2,372**

In addition to equity instruments, transactions with associated companies include loans, cash advances, credits, business checking accounts, savings deposits and time deposits. The transactions are concluded at arm's length conditions. As in the previous year, no guarantees were assumed for associated companies at the reporting date. No derivative transactions were concluded with associated companies in 2022 or the previous year.

Income and expenses from associated companies

TEUR	2022	2021
Interest expense	-3	0
Dividend earnings	575	319
Fee and commission income	1	1
Total income/expenses from associated companies	**573**	**320**

Business relationships with shareholders

TEUR	31.12.2022	31.12.2021
Debt securities	17,140	16,374
Loans and advances	38,364	49,508
Financial assets	**55,504**	**65,882**
Deposits	210,036	206,092
Financial liabilities	**210,036**	**206,092**
Nominal values of off-balance-sheet items	261,871	356,205
Nominal values of derivatives	1,282,450	1,303,549

The term shareholders includes both the two holding companies with their direct interest 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 significant influence primarily comprise loans, cash advances, credits, as well as business checking accounts, savings deposits, and time deposits. We have also entered into derivatives with Landesbank Baden-Württemberg to hedge against market price and interest rate risks, with a total fair value of TEUR 37,289 (2021: TEUR 6,448). The positive market values from derivatives are partially hedged in the course of cash collateral. As a rule, there is no collateral for the remaining receivables. All transactions were concluded at arm's length conditions.

Income and expenses from significant shareholders

TEUR	2022	2021
Interest income	13,757	11,707
Interest expense	-11,438	-7,995
Fee and commission income	2,020	1,863
Total income/expenses from Shareholders	**4,339**	**5,575**

Shareholders of Hypo Vorarlberg Bank AG

Sharehilders 31.12.2022	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 %**

Hypo Vorarlberg has been entrusted with the management of the Landes-wohnbaufonds by the State of Vorarlberg due to its competence as a housing bank. The Group does not have a permanent business relationship with Austria Beteiligungsgesellschaft mbH. Numerous standard banking transactions were carried out with Landesbank Baden-Württemberg.

Business relationship with state-related companies

TEUR	31.12.2022	31.12.2021
Loans and advances	83,446	103,219
Financial assets	**83,446**	**103,219**
Deposits	149,652	91,863
Financial liabilities	**149,652**	**91,863**
Nominal values of off-balance-sheet items	70,170	28,236

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

Income and expenses from state-related companies

TEUR	2022	2021
Interest income	641	877
Interest expense	-341	-53
Fee and commission income	309	419
Total income/expenses from associated companies	**609**	**1,243**

There were no doubtful debts due from related parties in financial year 2022 or the comparative period. Therefore, neither provisions nor expenses were required for impairment or write-downs on debts due from related parties.

(52) SHARE-BASED PAY ARRANGEMENTS
There were no pay arrangements for shares in the Group as of 31 December 2022.

(53) HUMAN RESOURCES

	2022	2021
Full-time salaried staff	582	590
Part-time salaried staff	138	121
Apprentices	7	7
Cleaning staff / workers	2	1
Average number of employees	**729**	**719**

(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	2022	107,016	43,108	9,311	8,368	167,803
	2021	111,637	30,753	34,708	18,963	196,061
Dividend income	2022	0	0	-16	142	126
	2021	0	0	594	200	794
Net fee and commission income	2022	14,316	20,204	2,426	-2,818	34,128
	2021	15,918	23,654	1,990	-3,539	38,023
Net result from financial instruments at amortized cost	2022	0	0	3,239	0	3,239
	2021	5	0	440	-2	443
Net result from financial instruments at fair value	2022	-7,785	2,101	85,770	-2,895	77,191
	2021	-6,150	1,308	-1,015	-10	-5,867
Other income	2022	494	1,562	55	33,685	35,796
	2021	498	452	2	27,190	28,142
Other expenses	2022	-1,609	-17,163	-8,596	-26,153	-53,521
	2021	-5,733	-5,528	-6,882	-23,875	-42,018
Administrative expenses	2022	-39,182	-42,452	-11,240	-13,067	-105,941
	2021	-36,993	-41,108	-10,776	-9,869	-98,746
Depreciation and amortization	2022	-925	-860	-60	-6,017	-7,862
	2021	-828	-798	-53	-6,449	-8,128
Loan loss provisions and impairment of financial assets	2022	25,350	-3,449	224	-12,122	10,003
	2021	-12,634	-562	214	-2,314	-15,296
Impairment of non-financial assets	2022	0	0	0	-1,021	-1,021
	2021	0	0	0	-259	-259
Result from equity consolidation	2022	0	0	0	718	718
	2021	0	0	0	529	529
Earnings before taxes	2022	97,675	3,051	81,113	-21,180	160,659
	2021	65,720	8,171	19,222	565	93,678
Assets	2022	7,376,658	2,370,918	4,240,470	1,317,429	15,305,475
	2021	7,160,821	2,314,140	4,826,977	1,324,175	15,626,113
Liabilities and shareholders' equity	2022	2,093,091	2,891,458	8,501,707	1,819,219	15,305,475
	2021	2,015,324	2,761,493	9,165,605	1,683,691	15,626,113
Liabilities	2022	2,092,315	2,886,857	8,443,627	463,603	13,886,402
	2021	2,013,953	2,756,609	9,159,265	405,896	14,335,723

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 per segment is calculated using the internationally recognized market interest rate method according to Schierenbeck. Under this method, the effective interest rate is compared with a reference interest rate, irrespective of whether the receivable or liability is involved. The condition contribution determined from this is credited to the individual segments. The structural contribution determined from the maturity transformation is allocated to the Financial Markets segment. For this reason, it is not possible to report interest income and interest expense separately. As income and expenses are determined directly for each segment, there are no transactions or settlements between the segments. In the Corporate Center segment, an amount of TEUR 3,638 (2021: TEUR 3,522) was recognized 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-land 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	2022	-16,530	-6,060	-192	-8,509	-31,291
	2021	-27,188	-3,460	-186	-5,613	-36,447
Reversals of impairments	2022	26,061	3,097	422	5,874	35,454
	2021	25,404	3,107	399	6,658	35,568

Reporting by region

TEUR		Austria	Third country	Total
Net interest income	2022	139,126	28,677	167,803
	2021	171,851	24,210	196,061
Dividend income	2022	126	0	126
	2021	794	0	794
Net fee and commission income	2022	33,601	527	34,128
	2021	37,458	565	38,023
Net result from financial instruments at amortized cost	2022	3,239	0	3,239
	2021	438	5	443
Net result from financial instruments at fair value	2022	76,529	662	77,191
	2021	-6,887	1,020	-5,867
Other income	2022	30,684	5,112	35,796
	2021	21,751	6,391	28,142
Other expenses	2022	-50,041	-3,480	-53,521
	2021	-36,012	-6,006	-42,018
Administrative expenses	2022	-93,340	-12,601	-105,941
	2021	-87,186	-11,560	-98,746
Depreciation and amortization	2022	-6,507	-1,355	-7,862
	2021	-6,467	-1,661	-8,128
Loan loss provisions and impairment of financial assets	2022	13,608	-3,605	10,003
	2021	-12,920	-2,376	-15,296
Impairment of non-financial assets	2022	0	-1,021	-1,021
	2021	0	-259	-259
Result from equity consolidation	2022	718	0	718
	2021	529	0	529
Earnings before taxes	2022	147,743	12,916	160,659
	2021	83,349	10,329	93,678
Assets	2022	13,281,237	2,024,238	15,305,475
	2021	13,765,632	1,860,481	15,626,113
Liabilities and shareholders’ equity	2022	14,989,925	315,550	15,305,475
	2021	15,318,798	307,315	15,626,113
Liabilities	2022	13,717,741	168,661	13,886,402
	2021	14,179,450	156,273	14,335,723

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 2021	HA	NON-SPPI	FVO	AC	Total assets
Interest income	47,189	13,676	1,935	185,476	248,276
Interest expenses	0	0	0	-7,830	-7,830
Net interest income	47,189	13,676	1,935	177,646	240,446
Dividend earnings	0	794	0	0	794
Additions to loan loss provisions	0	0	0	-35,914	-35,914
Reversal of loan loss provisions	0	0	0	35,296	35,296
Write-ups	97,511	2,028	1,156	15	100,710
Depreciation	0	-20,316	-15,620	-95,036	-130,972
Realised gains	762	13	133	885	1,793
Realised losses	-3,711	-68	-287	-254	-4,320
Comprehensive income	141,751	-3,873	-12,683	82,638	207,833

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

Ergebnis der finanziellen Verbindlichkeiten

TEUR 2021	HP	LFVO	LAC	Total assets
Interest income	0	0	43,125	43,125
Interest expenses	-34,044	-2,675	-50,791	-87,510
Net interest income	-34,044	-2,675	-7,666	-44,385
Write-ups	0	29,936	121,989	151,925
Depreciation	-124,178	-420	-2	-124,600
Realised gains	-816	1,003	1,471	1,658
Realised losses	0	-16	-1,602	-1,618
Comprehensive income	-159,038	27,828	114,190	-17,020
Measurement	0	-2,742	0	-2,742

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

(56) DISCLOSURES ON FAIR VALUE

TEUR	Notes	31.12.2022 Fair Value	31.12.2022 Carrying amount	31.12.2021 Fair Value	31.12.2021 Carrying amount
Trading assets	(19)	182,211	182,211	86,610	86,610
Financial assets at Fair Value (Non-SPPI)	(20)	585,998	585,998	702,251	702,251
Financial assets at Fair Value (Option)	(21)	235,223	235,223	301,578	301,578
Financial assets at Amortized Cost	(23)	13,356,014	12,799,377	13,167,351	12,390,301
Positive market values of hedges	(24)	414,740	414,740	119,578	119,578
Affiliates		968	968	968	968
Assets					
Trading liabilities	(33)	108,203	108,203	105,699	105,699
Financial liabilities at Fair Value (Option)	(34)	633,181	633,181	671,743	671,743
Financial liabilities at Amortized Cost	(35)	12,307,387	12,462,872	13,420,495	13,298,923
Negative market values of hedges	(36)	554,135	554,135	137,205	137,205
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 31.12.2021	Level 1	Level 2	Level 3	Total
Financial assets at Amortized Cost	2,420,776	49,774	10,696,801	13,167,351
Financial liabilities at Amortized Cost	3,720,453	53,535	9,646,507	13,420,495

TEUR 31.12.2022	Level 1	Level 2	Level 3	Total
Financial assets at Amortized Cost	2,227,101	37,114	11,091,799	13,356,014
Financial liabilities at Amortized Cost	4,193,749	84,841	8,028,797	12,307,387

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.

Fair value hierarchy for financial instruments recognised at fair value

TEUR 31.12.2021	Level 1	Level 2	Level 3	Total
Trading assets	160	53,000	33,450	86,610
Financial assets at Fair Value (Non-SPPI)	88,306	77,697	536,248	702,251
Financial assets at Fair Value (Option)	17,670	42,302	241,606	301,578
Positive market values of hedges	0	92,759	26,819	119,578
Affiliates	0	0	968	968
Assets measured at fair value	106,136	265,758	839,091	1,210,985
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	0	0	0	0
Trading liabilities	0	71,681	34,018	105,699
Financial liabilities at Fair Value (Option)	0	197,277	474,466	671,743
Negative market values of hedges	0	82,931	54,274	137,205
Liabilities measured at fair value	0	351,889	562,758	914,647
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	0	0	0

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

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-recur-ring 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	31.12.2022 Quantitx	31.12.2022 Book value	31.12.2022 Book value Previous year	31.12.2021 Quantitx	31.12.2021 Book value	31.12.2021 Book value Previous year
From Level 2 to Level 1	1	4,281	4,327	0	0	0
Financial assets at Fair Value (Non-SPPI)	1	4,281	4,327	0	0	0

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

From Level 2 to Level 3

TEUR	31.12.2022 Quantitx	31.12.2022 Book value	31.12.2022 Book value Previous year	31.12.2021 Quantitx	31.12.2021 Book value	31.12.2021 Book value Previous year
From Level 2 to Level 3	0	0	0	1	296	255
Trading assets	0	0	0	1	296	255

As no observable credit spreads were available on the market for the derivative in the trading assets category in the previous year, the valuation was based on an internal valuation model.

From Level 3 to Level 2

TEUR	31.12.2022 Quantitx	31.12.2022 Book value	31.12.2022 Book value Previous year	31.12.2021 Quantitx	31.12.2021 Book value	31.12.2021 Book value Previous year
From Level 3 to Level 2	3	1,555	1,084	0	0	0
Trading assets	3	1,555	1,084	0	0	0

No relevant input factors observable on the market could be used for a derivative in the category of trading assets in the reporting year.

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	31.12.2022 Quantitx	31.12.2022 Book value	31.12.2022 Book value Previous year	31.12.2021 Quantitx	31.12.2021 Book value	31.12.2021 Book value Previous year
From Level 2 to Level 3	3	2,091	3,556	14	15,442	18,706
Trading liabilities	2	371	3,278	1	918	1,147
Financial liabilities at fair value (option)	0	0	0	1	2,947	3,079
Negative market values from hedging transactions	1	1,720	278	12	11,577	14,480

The reclassified derivatives in the categories trading liabilities and negative market values from hedging transactions were valued in the current year as well as in the previous year on the basis of an internal valuation model, as no credit spreads were available on the market. The reclassification of the LFVO issue was necessary because no observable input factors were available on the market and therefore the valuation was based on an internal valuation model.

From Level 3 to Level 2

TEUR	31.12.2022 Quantitx	31.12.2022 Book value	31.12.2022 Book value Previous year	31.12.2021 Quantitx	31.12.2021 Book value	31.12.2021 Book value Previous year
From Level 3 to Level 2	6	1,880	4,837	0	0	0
Trading liabilities	1	225	79	0	0	0
Negative fair values from hedging transactions	5	1,655	4,758	0	0	0

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

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

TEUR 31.12.2021	Level 1	Level 2	Level 3	Ttoal
Derivatives	0	53,000	33,450	86,450
Equity instruments	160	0	0	160
Trading assets	160	53,000	33,450	86,610
Equity instruments	0	0	12,729	12,729
Debt securities	88,306	77,697	25,231	191,234
Loans and advances	0	0	498,288	498,288
Financial assets at fair value (non-SPPI)	88,306	77,697	536,248	702,251
Debt securities	17,670	42,302	0	59,972
Loans and advances	0	0	241,606	241,606
Financial assets at fair value (option)	17,670	42,302	241,606	301,578
Positive market values of hedges	0	92,759	26,819	119,578
Affiliates	0	0	968	968
ASSETS	106,136	265,758	839,091	1,210,985
Derivatives	0	71,681	34,018	105,699
Trading liabilites	0	71,681	34,018	105,699
Deposits	0	0	134,991	134,991
Debt securities issued	0	197,277	339,475	536,752
Financial liabilities at fair value (option)	0	197,277	474,466	671,743
Negative markt values of hedges	0	82,931	54,274	137,205
LIABILITIES	0	351,889	562,758	914,647

TEUR 31.12.2022	Level 1	Level 2	Level 3	Ttoal
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

Changes in Level 3 financial instruments

TEUR 2021	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	43,749	0	0	296	0	-10,595	33,450
Financial assets at Fair Value (Non-SPPI)	608,700	73,474	-132,078	0	0	-13,848	536,248
Financial assets at Fair Value (Option)	274,303	2,387	-700	0	0	-34,384	241,606
Positive market values of hedges	8,387	0	0	0	0	18,432	26,819
Affiliates	968	0	0	0	0	0	968
Assets measured at fair value in level 3	936,107	75,861	-132,778	296	0	-40,395	839,091
Trading liabilities	32,147	0	0	918	0	953	34,018
Financial liabilities at fair value (option)	549,611	0	-59,855	2,947	0	-18,237	474,466
Negative markt values of hedges	41,883	0	0	11,577	0	814	54,274
Liabilities measured at fair value in level 3	623,641	0	-59,855	15,442	0	-16,470	562,758

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	177,743	-134,197	0	0	-133,603	446,191
Financial assets at Fair Value (Option)	241,606	0	-16,127	0	0	-47,532	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	177,743	-150,324	0	-1,555	115,015	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	153,719	211,368
Liabilities measured at fair value in level 3	562,758	0	-11,006	2,091	1,430	87,245	642,518

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.

The fair value changes in the category financial liabilities at fair value (option) amount to TEUR -70,324 (2021: TEUR -18,237), of which TEUR 68,955 (2021: TEUR 20,264) is recognized in profit/loss from financial instruments at fair value and TEUR 1,369 (2021: TEUR -2,027) are recognized in other comprehensive income in the item measurement of own credit risk for liabilities at fair value.

Disclosures regarding sensitivity of internal input factors

TEUR	Positive Fair Value change- with alternative. measurement paramenters		Negative Fair Value change- with alternative. measurement paramenters	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Derivatives	12	56	-22	-82
Financial assets at Fair Value (Non-SPPI)	1,722	3,921	-2,750	-5,131
of which issues	325	447	-770	-412
of which loans and advances	1,397	3,474	-1,980	-4,719
Financial assets at fair value (option)	7	10	-12	-17
of which loans and advances	7	10	-12	-17
Financial liabilities at fair value (option)	-2,465	-2,465	2,465	2,465
of which debt securities issued	-1,563	-2,077	1,563	2,077
of which deposits	-902	-388	902	388
Total	-724	1,522	-319	-2,765

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.

Due to collateral management with institutional counterparties, two derivative hedges in Level 3 were not measured using the internal valuation models, but by adopting the market values of the counterparty. If the internal valuation model were applied, this would result in a change in fair values of TEUR 331 (2021: TEUR 296). As this valuation was also applied to the hedged items, this results in an opposite change in valuation of TEUR -366 (2021: TEUR -318).

(57) DISCLOSURES ON OFFSETTING FINANCIAL INSTRUMENTS

TEUR	Financial instruments (gross)	Financial instruments (net)	Effect of offsetting master agreement	Collateral	Net Amount
31.12.2021					
Positive market values of derivative financial instruments	206,028	206,028	-142,327	-52,513	11,188
Total assets	206,028	206,028	-142,327	-52,513	11,188
Negative market values of derivative financial instruments	242,904	242,904	-142,327	-96,221	4,356
Total liabilities	242,904	242,904	-142,327	-96,221	4,356

TEUR	Financial instruments (gross)	Financial instruments (net)	Effect of offsetting master agreement	Collateral	Net Amount
31.12.2022					
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

(58) IMPAIRMENT ON FINANCIAL INSTRUMENTS

Amount of impairment and provisions per category and stage

TEUR 31.12.2021	Stage 1	Stage 2	Stage 3	POCI	Total
Loans and advances	14,860	27,086	70,273	1,580	113,799
Debt securities	318	898	1,020	0	2,236
Credit commitments, financial guarantees and other commitments	2,603	1,191	24,292	2	28,088
Impairment and provisions	17,781	29,175	95,585	1,582	144,123

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

Amount of maximum default risk for all financial instruments

TEUR 31.12.2021	Gross Carrying Amount	Commit-ments and guarantees	Maximum default risk
Debt securities at Fair Value (Non-SPPI)	191,234	0	191,234
Debt securities at Fair Value (Option)	59,972	0	59,972
Debt securities at Amortized Cost	2,436,566	0	2,436,566
Debt securities	2,687,772	0	2,687,772
Loans and advances cash reserve	1,783,957	0	1,783,957
Loans and advances at Fair Value (Non-SPPI)	498,288	22,830	521,118
Loans and advances at Fair Value (Option)	241,606	0	241,606
Loans and advances at Amortized Cost	9,953,735	2,087,285	12,041,020
Loans and advances	12,477,586	2,110,115	14,587,701
Trading assets derivatives	86,450	0	86,450
Positive market values of hedges	119,578	0	119,578
Derivatives	206,028	0	206,028
Equity instruments trading assets	160	0	160
Equity instruments at Fair Value (Non-SPPI)	12,729	0	12,729
Equity instruments	12,889	0	12,889
Sureties and guarantees	0	674,639	674,639
Overall exposure	15,384,275	2,784,754	18,169,029

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

Default risk of financial instruments subject to the provisions of impairment

TEUR 31.12.2021	Rating 1	Rating 2	Rating 3	Rating 4	Rating 5	not rated	otal
Stage I - carrying amount	3,972,610	3,470,122	5,006,284	77,157	0	24,086	12,550,259
Stage I - off-balance-sheet transactions	431,418	758,321	1,262,347	20,555	0	28	2,472,669
Stage I - default risk	4,404,028	4,228,443	6,268,631	97,712	0	24,114	15,022,928
Stage II - carrying amount	34,288	106,761	985,103	345,088	1,991	20,313	1,493,544
Stage II - off-balance-sheet transactions	1,961	48,011	194,671	23,935	0	3,055	271,633
Stage 2 - default risk	36,249	154,772	1,179,774	369,023	1,991	23,368	1,765,177
Stage 3 - carrying amount	0	0	9,732	3,841	111,098	0	124,671
Stage 3 - off-balance-sheet transactions	0	0	0	0	40,379	0	40,379
Stage 3 - default risk	0	0	9,732	3,841	151,477	0	165,050
POCI - carrying amount	0	480	430	33	4,841	0	5,784
POCI - off-balance-sheet transactions	0	30	1	0	41	0	72
POCI - default risk	0	510	431	33	4,882	0	5,856
Total - carrying amount	4,006,898	3,577,363	6,001,549	426,119	117,930	44,399	14,174,258
Total - off-balance-sheet transactions	433,379	806,362	1,457,019	44,490	40,420	3,083	2,784,753
Total - default risk	4,440,277	4,383,725	7,458,568	470,609	158,350	47,482	16,959,011

TEUR 31.12.2022	Rating 1	Rating 2	Rating 3	Rating 4	Rating 5	not rated	otal
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

Information on the default risk of impaired financial instruments

TEUR 31.12.2021	Gross Carrying amount	Valuation allowance	Other Collateral	Received guarantees
Debt securities	1,020	1,020	0	0
Loans and advances	204,285	72,186	79,291	11.152
Measured at amortized cost	205.305	73,206	79,291	11,152
Loans and advances	26,392	3,184	17,614	0
Measured at fair value	26.392	3,184	17,614	0

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

In the reporting period, financial receivables in the amount of TEUR 12,372 (2021: TEUR 3,619) were written off that are still subject to enforcement action.

Changes in valuation allowances per item and class

TEUR 2021	Opening balance	Additions	Utilisation	Reversals	Unwinding	Stage Transfer	Other changes	Closing balamce
Valuation allowances cash reserve - Stage 1	4	1	0	0	0	0	0	5
Valuation allowances cash reserve	4	1	0	0	0	0	0	5
Valuation allowances debt securities AC - Stage 1	377	55	0	-116	0	0	2	318
Valuation allowances debt securities AC - Stage 2	1,024	0	0	-126	0	0	0	898
Valuation allowances debt securities AC - Stage 3	1,020	0	0	0	0	0	0	1,020
Valuation allowances debt securities AC	2,421	55	0	-242	0	0	2	2,236
Valuation allowances loans and advances AC - Stage 1	19,699	5,410	0	-8,797	0	-1,507	50	14,855
Valuation allowances loans and advances AC – Stage 2	30,596	10,011	0	-13,689	0	80	88	27,086
Valuation allowances loans and advances AC Stage 3	68,029	18,823	-7,314	-12,522	1,671	1,427	159	70,273
Valuation allowances loans and advances AC - POCI	0	1,889	0	-318	9	0	0	1,580
Valuation allowances loans and advances AC	118,324	36,133	-7,314	-35,326	1,680	0	297	113,794
Valuation allowances debt securities and loans and advances	120,745	36,188	-7,314	-35,568	1,680	0	299	116,030
Valuation allowances corporate customers	74,712	27,188	-2,420	-25,404	1,358	0	262	75,696
Valuation allowances private customers	10,725	3,460	-2,161	-3,107	40	0	41	8,998
Valuation allowances Financial Markets	1,671	186	0	-399	0	0	3	1,461
Valuation allowances Corporate Center	33,637	5,354	-2,733	-6,658	282	0	-7	29,875

TEUR 2022	Opening balance	Additions	Utilisation	Reversals	Unwinding	Stage Transfer	Other changes	Closing balamce
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

(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.

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.

Climate risks are a subgroup of sustainability risks. They are generally divided into physical climate risks and transition risks, although there are also correlations between these two categories.

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
A workshop on risks and impacts in autumn 2019 formed the basis for addressing sustainability risks. In addition to the members of the Sustainability team, representatives from all relevant specialist departments at Hypo Vorarlberg also took part in the workshop. When preparing the 2021 risk strategy, Bank Risk Management performed a heuristic analysis of potential sustainability risks in financing business and in its own investments for the first time. This was repeated for the 2022 risk strategy. For the 2023 risk strategy, heat maps and other suitable analyses were prepared for material risks.

BANK RISK MANAGEMENT
The Bank Risk Management group is responsible for risk controlling, which comprises the annual revision of the risk strategy including performing a risk inventory and developing risk models. One aspect of this is therefore the identification of sustainability risks. In addition, steps to improve the data basis and measurement are to be taken and suitable stress tests developed.

For the 2022 risk strategy, Bank Risk Management analysed the report by the European Banking Authority (EBA) on the management and supervision of sustainability risks as well as the climate risk stress test by the European Central Bank (ECB). At the end of 2022, the ECB published its good practices for dealing with climate risks. The risk inventory was expanded significantly for 2023 on this basis. For both physical and transition risks, possibilities for quantitative measurement were established in 2022.

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. [1]

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 next step is to estimate the maximum potential losses from a realistic flood event. With regard to the identified financing that could be specifically affected, dialogue with the customers is a top priority. It must be clarified whether preventive measures have been taken and whether customers are preparing for potential events.
It is planned to expand the investigations to the rest of Austria and subsequently to foreign countries. Hypo Vorarlberg is cooperating with experts in order to acquire further knowledge and enhance its expertise in this area.

[1] https://www.vol.at/jahrhundert-hochwasser-im-jahr-2005-naturkatastrophe-in-vorarlberg/4428701

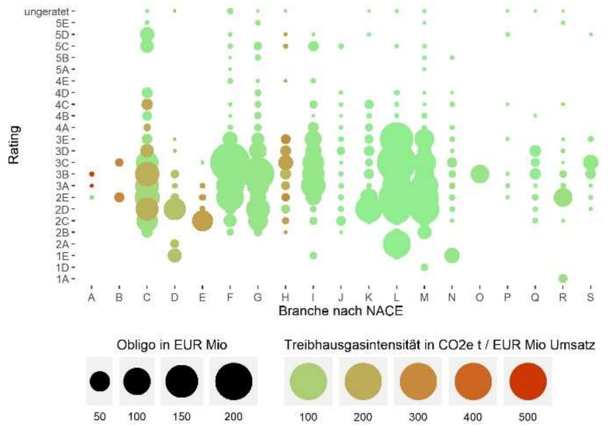
Measurement of greenhouse gas intensity

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 country2 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.

Heat map for Austria



Heat map for Germany

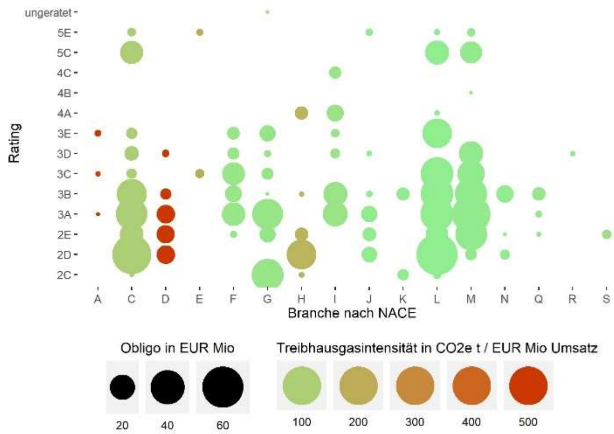


Table with NACE sectors

NACE Code	Branchenbezeichnung
A	Land- und Forstwirtschaft, Fischerei
B	Bergbau und Gewinnung von Steinen und Erden
C	Verarbeitendes Gewerbe/Herstellung von Waren
D	Energieversorgung
E	Wasserversorgung; Abwasser- und Abfallentsorgung und Beseitigung von Umweltverschmutzungen
F	Baugewerbe/Bau
G	Handel; Instandhaltung und Reparatur von Kraftfahrzeugen
H	Verkehr und Lagerei
I	Gastgewerbe/Beherbergung und Gastronomie
J	Information und Kommunikation
K	Erbringung von Finanz- und Versicherungsdienstleistungen
L	Grundstücks- und Wohnungswesen
M	Erbringung von freiberuflichen, wissenschaftlichen und technischen Dienstleistungen
N	Erbringung von sonstigen wirtschaftlichen Dienstleistungen
O	Öffentliche Verwaltung, Verteidigung; Sozialversicherung
P	Erziehung und Unterricht
Q	Gesundheits- und Sozialwesen
R	Kunst, Unterhaltung und Erholung
S	Erbringung von sonstigen Dienstleistungen
U	Exterritoriale Organisationen und Körperschaften

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 38t 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 dealt intensively with improving data quality in the past and will address this topic in an even more structured way in 2023. Sustainability-related customer information such as emissions data will be requested in the form of an ESG questionnaire in the future. Good data availability and quality form the basis for meaningful measurements; only then can issues be managed and goals derived successfully in the long term.

Sustainability risks in the COVID-19 pandemic

The EBA report cites the pandemic as an example of the interplay between environmental and social factors. The medium-term effects are difficult to assess. Due to the reduced economic activity and the associated decline in freight and passenger transport, CO_2 emissions have decreased. At the same time, company's revenues fell sharply. The containment measures are having social effects that vary according to income or country, for example. In the short term, there was an increase in unemployment figures. The Bank's workforce (like

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

in many other businesses) was severely affected by the containment measures (distance working, team splitting).
beobachten.

The crisis affected and is affecting the Bank via a variety of transmission channels:

- It had to be assumed that the reduced economic activity would lead to a deterioration of many customers' credit rating and to an increase in defaults. This risk was significantly mitigated by government support measures.
- The uncertainty on the money and capital markets was palpable at the beginning of the crisis and made it difficult to raise capital. As it was not possible to raise capital as planned at the beginning of the crisis, the LCR fell. The risk was significantly reduced by the intervention of the ECB.
- Due to the very sharp decline in macroeconomic indicators, there was a risk that very high loan loss provisions would have had to have been recognised under IFRS 9 during in the crisis. The models for measuring expected losses usually depend on these indicators. The resulting procyclicality gave rise to the risk that banks would no longer be able to perform their function as capital providers during the crisis. The risk was mitigated by the intervention of supervisory authorities and standard-setting bodies.
- The organisation of distance working posed challenges for the Bank. Reduced and modified communication between the employees gave rise to an increased risk of misunderstandings and errors.

The Bank responded to the crisis with the available risk management tools:

- The central managing body during the crisis was and is the crisis team. The crisis team's governance ensured prompt reaction, clear communication and a uniform level of knowledge in the Bank.
- The expected credit deterioration in the portfolio was implemented via a rating strategy with flat-rate deductions per sector (see below). This ensured the consistent presentation of the effects in all downstream systems. Where necessary, the risk strategy is adapted to changing expectations.
- As a result of the IFRS models, the altered ratings in conjunction with the poorer macroeconomic indicators led to increased loan loss provisions for non-defaulted exposures. A balance had to be found between the results of the models and the Bank's expectations. The early recognition of loan loss provisions is intended to reduce the procyclicality during the crisis.
- Through participation in the ECB's medium-term refinancing operations, a very comfortable liquidity buffer was built up after the crisis broke out.

No increased defaults due to COVID-19 have been identified to date.

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 2022	Stage 1	Stage 2
Main scenario	128,088	-128,088
Negative scenario	-157,892	157,783
Positive scenario	175,756	-175,865

Sensitivities by stage – loan loss provisions

TEUR 2022	Stage 1	Stage 2
Main scenario	-765	-1,627
Negative scenario	605	2,139
Positive scenario	-2,599	-2,784

The volume in Stage 2 would increase by TEUR 157,783 in the negative scenario. Risk provisions for Stage 1 and 2 would increase by a total of TEUR 2,744. In the positive scenario, the volume in Stage 2 would decrease by TEUR 175,865 and the risk provisions for Stage 1 and 2 would decrease by TEUR 5,383.

Sensitivities by stage – volume

TEUR 2022		Corporate customers	Private customers	Financial institutes	States
Main scenario	Stage 1	113,513	14,575	0	0
	Stage 2	-113,513	-14,575	0	0
Negative scenario	Stage 1	-121,606	-36,286	0	0
	Stage 2	121,497	36,286	0	0
Positive scenario	Stage 1	120,093	55,663	0	0
	Stage 2	-120,203	-55,663	0	0

Sensitivities by stage – loan loss provisions

TEUR 2022		Corporate customers	Private customers	Financial institutes	States
Main scenario	Stage 1	-429	-336	0	0
	Stage 2	-1,398	-230	0	0
Negative scenario	Stage 1	321	284	0	0
	Stage 2	1,770	369	0	0
Positive scenario	Stage 1	-673	-1,927	0	0
	Stage 2	-1,776	-1,008	0	0

Broken down by segment, the volume in the negative scenario increases primarily in the Corporate Customers segment (TEUR 121,497). The increase in risk provisions in this segment amounts to TEUR 1,770.

(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.

Asset and liability management is controlled via a standard reference interest rate system using the market interest rate method. The reference interest rate set determines the distribution of interest income and expenses among branch offices and treasury. Fixed interest rates are therefore determined annually by the Managing Board as a central controlling instrument.

Measurement of market risk is based on three methods, which are all calculated centrally for the individual bank:

- Value at Risk (VaR)
- Change in the present value of equity in stress tests
- Simulations of structural contribution as part of scenario analysis (earnings perspective)

Value at risk indicates the maximum loss at a given probability and holding period. The Bank measures value at risk using SAP software and a historical simulation with the following parameters:

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

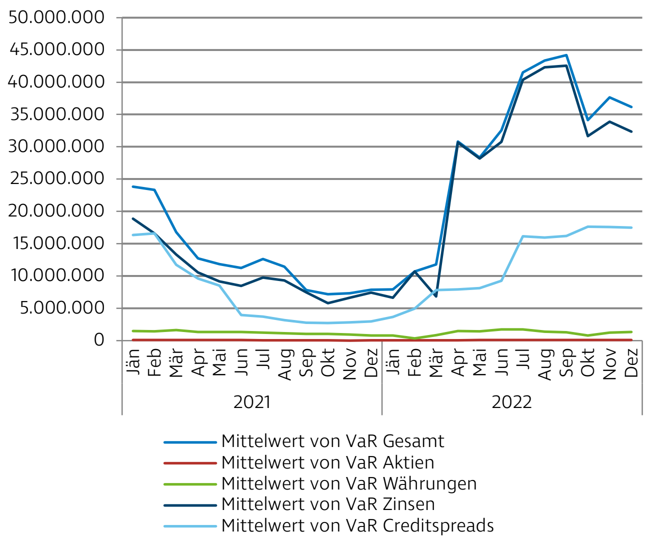
The VaR limit defines the maximum loss the Group is prepared to absorb under normal market conditions. The Managing Board defines the global VaR limit on an annual basis in line with the ICAAP. In addition, limits are defined for various yield curves, currency pairs, credit spread risks and equity position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

The Group conducts stress tests in order to identify potential losses in the event of extreme market movements. The purpose of stress testing is to compensate for inadequacies of the value at risk concept. Stress test results for each risk type are added as absolute figures whether positive or negative to obtain an absolute worst case scenario. Stress test limits are derived from the Capital Adequacy Process calculation.

The Group uses risk-adjusted yield curves to calculate present value key figures. In addition to the present value key figures, the Group regularly carries out gap analyses to manage the fixed interest rates on the money and capital markets.

Foreign currency risk is relatively small, as open positions are generally closed. The Group only has a very small equity risk; in addition, the Group holds shares for the presentation of model portfolios in the context of asset management.

Development of mean VaR
in EUR



VaR for the individual risk types developed over the past two years as follows.

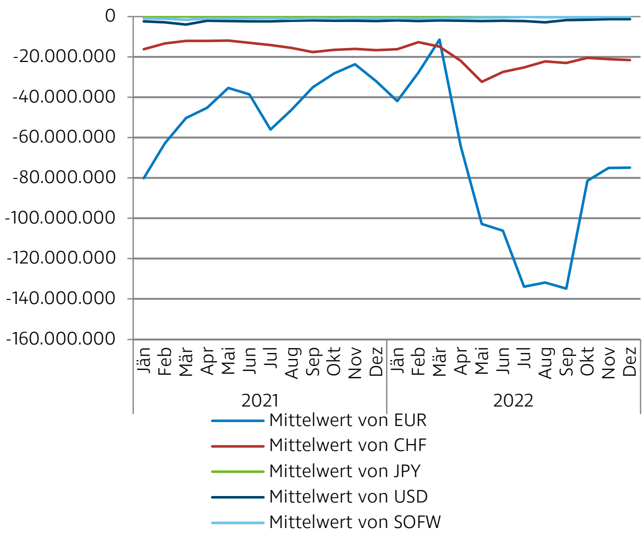
TEUR 2021	Mean Value of VaR total	Mean Value of VaR interest	Mean Value of VaR-FX	Mean Value of VaR shares	Mean Value of Credit-spreads
January	23,813	18,865	1,476	71	16,333
February	23,330	16,557	1,422	72	16,567
March	16,777	13,321	1,580	54	11,742
April	12,717	10,551	1,316	51	9,564
May	11,809	9,118	1,324	47	8,510
June	11,243	8,435	1,285	45	3,946
July	12,627	9,741	1,191	20	3,689
August	11,429	9,305	1,121	15	3,164
September	7,784	7,457	990	14	2,754
October	7,177	5,770	1,006	14	2,702
November	7,326	6,633	889	13	2,802
December	7,865	7,422	752	13	2,960

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

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 prevent value resulting from a 200-basis point shift in yield curves developed as follows over the past two years:

Development of present value loss due to 200 basis point shift



(62) CREDIT RISK

The Group's medium-term credit risk objectives and policies are set down in writing in the risk strategy. The analysis factors in the overall bank strategy, business policy requirements, risk adequacy and lending risks. This results in specific, medium-term objectives regarding the portfolio structure and clear limits for all relevant risks (large exposures, foreign currency components, etc.).

The principles of risk behaviour in the lending business are:

- Pure name-lending without fulfillment of the otherwise usual requirements and the presentation of meaningful economic documents is not carried out.
- Business relationships must comply with the ethical and sustainability principles for business at Hypo Vorarlberg. In new business, financing and investments for the Group itself that come under the disqualifying criteria of the current Managing Board instructions on "Ethical and sustainability criteria for business at Hypo Vorarlberg" are to be ruled out at the time they would be concluded.
- If significant links between a customer and the matters specified in the disqualifying criteria become known in the course of the customer relationship, then the next steps must be clarified with the Managing Board. If a decision is then made to continue the customer relationship, this represents a deviation from the risk strategy.
- The exact current definitions can be found in the sustainability strategy.
- The Group aims to avoid cluster risks in terms of sectors, regions, foreign currencies and individual customers.
- For individual new projects to be approved, there is a cap of EUR 30 million if the rating is 3d or worse.
- In Austria outside the core markets, existing customers can be supported. New customers can be financed selectively given a minimum rating of 3b.
- In the corporate customers segment, new business in Tyrol is to be concentrated at two branches: Bregenz and Lech. 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 financing repayable on final maturity.
- The Group does not provide any ship financing, with the exception of boats for private use.
- The Group does not finance any new customers in rating class 5. In the case of existing borrowers that are going through a restructuring phase, financing is permitted.
- At the individual bank, the minimum rating is new business must be 4a. Stricter rules for subportfolios are in set out in the respective sections. Exceptions must be justified and then do not represent an ETP.
- In all other sales areas of the Group, the minimum rating is 3e; exceptions may be defined in the relevant sections of the risk strategy.
- For weaker rating classes, top quality collateral must be targeted.
- Acquisitions in different sectors may involve elevated risks and must be evaluated critically.
- New customers outside the core markets represent an elevated risk and must be examined 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. The Group no longer concludes financing with repayment vehicles that is repayable on final maturity. In the case of existing customers with repayment vehicle financing, higher saving of the repayment vehicles or preferably a changeover to (partially) amortising is targeted. In the case of foreign-currency loans, (partial) conversions 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).

The Group calculates the expected loss (EL) for the entire loan portfolio. To calculate the economic capital or unexpected loss (UL), a separate IT tool has been programmed, which is based on the IRB approach of Basel III.

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 31.12.2021	Rating- class 1	Rating- class 2	Rating- class 3	Rating- class 4	Rating- class 5	Unrated	Total
Corporate customers	914,747	1,980,895	5,269,190	280,082	163,503	2,352	8.610.769
Private customers	308	1,035,284	1,426,033	41,496	19,848	22,374	2.545.343
Financial Markets	4,159,272	425,248	47,440	4,278	0	745	4.636.983
Corporate Center	250,982	653,952	1,111,336	227,876	76,797	248,959	2.569.902
Total exposure	5.325.309	4,095,379	7,853,999	553,732	260,148	274,430	18,362,997

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

Regions broken down by rating (maximum default risk)

TEUR 31.12.2021	Rating- class 1	Rating- class 2	Rating- class 3	Rating- class 4	Rating- class 5	Unrated	Total
Austria	3,166,440	2,588,662	5,430,179	250,819	142,233	7,632	11,585,965
Italy	3,167	133,237	579,724	198,585	85,407	16,192	1,016,312
Germany	228,517	536,924	1,026,812	58,747	27,166	18	1,878,184
Switzerland and Liechtenstein	370,539	414,139	608,970	27,435	1,582	2,654	1,425,319
Other foreign countries	1,556,646	422,417	208,314	18,146	3,760	247,934	2,457,217
Total exposure	5,325,309	4,095,379	7,853,999	553,732	260,148	274,430	18,362,997

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

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	31.12.2022	31.12.2021
Financial intermediaries	3,730,551	4,547,301
Consumers/private customers	2,862,121	2,815,163
Public sector	1,354,171	1,748,680
Real estate	3,200,767	2,786,264
Services	2,339,989	2,184,166
Trading	1,078,830	1,007,794
Metals/machinery	406,440	437,592
Construction	649,924	644,175
Transport/communications	285,992	291,327
Tourism	555,296	570,010
Water and energy utilities	184,633	159,513
Other goods	111,305	102,828
Vehicle construction	229,328	214,876
Petroleum, plastics	81,211	93,471
Other industries	759,200	759,837
Total exposure	**17,829,758**	**18,362,997**

Exposure in rating class 5

TEUR	31.12.2022	31.12.2021
Corporate customers - exposure	182,568	163,503
Corporate customers – valuation allowance	34,190	41,620
Private customers - exposure	15,870	19,848
Private customers - valuation allowance	3,079	3,532
Corporate Center - exposure	75,062	76,797
Corporate Center - valuation allowance	21,260	18,407
Total exposure	**273,500**	**260,148**
Total - valuation allowance	**58,529**	**63,559**

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 264,450 as at 31 December 2022 (2021: TEUR 265,840) and represented 1.89 % (2021: 1.45 %) 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, in-dependent 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 recognized if its recoverability and legal enforceability are given in all respects. Hypo Immobilien & Lea-sing GmbH is responsible for the realization of mortgage-backed defaults. In the reporting period, no properties (2021: no property) were acquired by the Hypo Immobilien & Leasing Group; one property (2021: nine properties) was sold for TEUR 170 (2021: TEUR 1,141).

Depending on the market situation, it may not be easy to convert the acquired properties into cash. Following acquisition, it is ana-lysed 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 2022 or in the comparative year.

Past due but non-impaired receivables

TEUR	31.12.2022	31.12.2021
Length of time overdue		
Less than 1 day	17,263,682	17,864,176
1 to 60 days	191,694	136,631
61 to 90 days	1,982	2,382
More than 90 days	98,900	99,660
Total exposure	**17,556,258**	**18,102,849**

Loans and advances with forbearance measures

TEUR	31.12.2022	31.12.2021
Financial Intermediaries	574	2,115
Non-financial companies	171,416	199,024
Private households	17,678	16,595
Loans and advances with forbearance measures on performing loans	**189,668**	**217,734**
Public sector	0	161
Financial Intermediaries	1,940	0
Non-financial companies	110,711	61,969
Private households	10,785	7,340
Loans and advances with forbearance measures on performing loans	**123,436**	**69,470**
Total loans and advances with forbearance measures on performing loans	**313,104**	**287,204**

In December 2017, Hypo Vorarlberg concluded a synthetic securitization in the form of a financial guarantee by the European Investment Fund ("EIF"). The main objective of this synthetic securitization is to hedge credit risks. The EIF/EIB Group guarantee covers the senior and mezzanine tranches of a reference portfolio of loans to small and medium-sized enterprises (SMEs) and mid-caps in Austria and Germany. The reference portfolio had a volume of TEUR 330,902 at the end of 2017 and a volume of TEUR 93,914 of the reference portfolio was still outstanding as of December 31, 2022.

TEUR	31.12.2022	31.12.2021
Senior-Tranche	72,202	106,957
Mezzanine-Tranche	19,069	28,248
First Loss-Tranche	2,643	3,221
Total reference portfolio	**93,914**	**138,426**

In November 2020, Hypo Vorarlberg concluded a new synthetic securitization in the form of a further financial guarantee by the European Investment Fund ("EIF") on the mezzanine tranche of a reference portfolio of loans to primarily small and medium-sized enterprises (SMEs) and mid-caps in Austria and Germany. The reference portfolio had a volume of TEUR 330,000 at closing in 2020 and a volume of TEUR 253,378 of the reference portfolio was still outstanding as of December 31, 2022.

TEUR	31.12.2022	31.12.2021
Senior-Tranche	206,883	269,072
Mezzanine-Tranche	43,101	56,057
First Loss-Tranche	3,394	4,620
Total reference portfolio	**253,378**	**329,749**

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 is-sue volume required for the calendar year. The Group tries to identify potential risks by carrying out regular stress tests. Contingency plans are in place to ensure the Bank's continued solvency in the event of a liquidity crisis.
The Bank employs the following control instruments to identify and contain liquidity risks:

Operational
- Limiting weekly liquidity gaps on the money market
- Ratios of amounts payable and receivable within three months

Strategic
- Limiting cumulative annual liquidity gaps on the capital market
- Forecasting the issue volume required for the calendar year
- Liquidity value at risk

Stress tests
- Liquidity needs versus buffer in crisis situation

The Group is aware of the key significance of the capital market for funding. Relationships with investors are established and maintained through regular road shows. The Group aims for a diverse issuance policy with regard to markets, instruments and investors.

The Bank's liquidity buffer should be large enough at all times to accommodate the utilisation of credit commitments (call risk) and ensure that expected payments not received (time risk) do not compromise solvency. In addition, the Group currently hardly utilises the OeNB's or ECB's marginal lending facility, the SNB repo system and the money market. The Group participated in the ECB's long-term tenders. Therefore, there is sufficient available liquidity at all times to prevent bottlenecks in the event of a crisis.

Hypo Vorarlberg complies with the liquidity regulations outlined in the Austrian Banking Act (BWG) and the CRR. There are no other cash flow risks for the Group besides the risks described here. The information in the tables on development of maturities on the money and capital markets relate to financial instruments. The expected cash flows are as follows: The disclosures in the derivatives column relate to notes (19), (24), (33) and (36). The disclosures in the assets column relate to notes (18) and (20) to (23). The disclosures in the equity and liabilities column relate to notes (34) to (35), (37) and (40). The money market table shows maturities within the next 12 months. The capital market table shows maturities after the next 12 months.

Maturity profile money market

TEUR	Assets		Liabilities		Total
31.12.2021	Assets	Derivatives	Liabilities	Derivatives	
January 2022	2,345,383	156,633	-443,761	-160,982	1,897,273
February 2022	145,926	13,280	-74,122	-11,304	73,780
March 2022	371,897	207,411	-111,883	-208,274	259,151
April 2022	398,412	20,448	-93,075	-21,482	304,303
May 2022	178,028	17,048	-111,592	-10,849	72,635
June 2022	283,690	46,800	-98,705	-49,343	182,442
July 2022	131,555	57,951	-98,641	-52,882	37,983
August 2022	93,369	32,579	-78,198	-33,255	14,495
September 2022	240,157	19,238	-376,343	-18,457	-135,405
October 2022	165,354	8,896	-88,323	-8,561	77,366
November 2022	140,472	29,941	-187,799	-23,046	-40,432
December 2022	339,137	23,725	-112,831	-23,085	226,946

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

Entwicklung der Fälligkeiten am Kapitalmarkt

TEUR	Assets		Liabilities		Total
31.12.2021	Assets	Derivatives	Liabilities	Derivatives	
2022	4,833,350	644,067	-1,940,776	-633,136	2,903,505
2023	2,895,175	228,204	-4,687,755	-219,970	-1,784,346
2024	1,532,204	227,070	-1,762,722	-237,112	-240,560
2025	1,229,095	395,828	-1,424,654	-401,490	-201,221
2026	1,103,099	122,793	-1,232,420	-123,297	-129,825
2027	799,800	71,233	-991,067	-66,517	-186,551
2028	693,756	52,429	-503,287	-48,872	194,026
2029	673,325	51,831	-1,196,460	-47,005	-518,309
2030	574,910	35,223	-464,418	-25,394	120,321
2031	534,114	29,423	-400,526	-18,753	144,258
2032	345,376	42,916	-143,146	-36,206	208,940
2033	326,006	22,800	-73,440	-15,931	259,435

TEUR	Assets		Liabilities		Total
31.12.2022	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

(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 2022, 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 % (2021: 2.50 %) and a systemic risk buffer of 0.50 % (2021: 0.50 %) also applied in 2022, among other requirements. Both in 2022 and in the previous year, Hypo Vorarlberg complied with the provisions of the CRR on regulatory capital.

The amount of regulatory capital held by the Bank Group is determined by Central Accounting and consists of three tiers. CRR provides appropriate transitional regulations for the period from 2014 to 2024.

Common equity tier 1 capital - CET1

This includes the eligible and paid-in capital instruments, share premium accounts related to these instruments, retained earnings, eligible profit/ loss for the year, accumulated other comprehensive income, and other reserves. In addition, CRR provides for deductions, such as intangible assets, deferred income tax assets, measurement effects due to the institution's own credit risk, and common equity tier 1 (CET1) instruments of financial sector entities that exceed certain thresholds.

Additional Tier 1 capital - AT1

This includes the eligible and paid-in capital instruments and share premium accounts related to these instruments. In addition, de-ductions 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	31.12.2022	31.12.2021
Risk weighted exposure amounts	8,235,354	8,007,340
Risk exposure amount for settlement and delivery risks	1	0
Total risk exposure amount for position, foreign exchange and commodities risks	576	586
Total risk exposure amount for operational risk	462,167	424,238
Total risk exposure amount for credit valuation adjustment	29,869	27,127
Total risk exposure amount	**8,727,967**	**8,459,291**

Common equity tier 1 capital (CET1) according to CRR

TEUR	31.12.2022	31.12.2021
Capital instruments eligible as CET1 capital	206,826	206,826
Retained earnings	1,065,022	955,309
Accumulated other comprehensive income	4,203	-8,803
Other reserves	138,120	132,567
Minority interests	7	12
Adjustments to CET1 due to prudential filters	-11,314	-3,356
Intangible assets	-1,755	-1,198
Insufficient coverage of non-performing Risk positions	-3,681	-11
Other transitional adjustments to common equity tier 1	14,139	20,489
Common equity tier 1 capital (CET1)	**1,411,567**	**1,301,835**

Additional tier 1 capital (AT1) according to CRR

TEUR	31.12.2022	31.12.2021
Capital instruments eligible as AT1 capital	50,000	50,000
Instruments issued by subsidiaries that are given recognition in AT1 capital	1	2
Additional tier 1 capital (AT1)	**50,001**	**50,002**

Tier 2 capital (T2)

TEUR	31.12.2022	31.12.2021
Capital instruments and subordinated loans eligible as T2 capital	241,306	225,954
Instruments issued by subsidiaries that are given recognition in T2 capital	2	3
Tier 2 capital (T2)	**241,308**	**225,957**

Composition of own funds according to CRR and capital ratios

TEUR	31.12.2022	31.12.2021
Common equity tier 1 capital (CET1)	1,411,567	1,301,835
Additional tier 1 capital (AT1)	50,001	50,002
Tier 1 capital	**1,461,568**	**1,351,837**
Tier 2 capital (T2)	241,308	225,957
Own funds	**1,702,876**	**1,577,794**
CET1 capital ratio (CET1)	16.17 %	15.39 %
Surplus of CET1 capital	1,018,808	921,167
T1 capital ratio (T1)	16.75 %	15.98 %
Surplus of T1 capital	937,890	844,280
Total capital ratio	19.51 %	18.65 %
Surplus of total capital	1,004,639	901,051

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	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Tier 2 capital according to Part Two Title I Chapter 4 (EU Reg. 575/2013) – LFVO	3	2	23,560	24,298
Tier 2 capital according to Part Two Title I Chapter 4 (EU Reg. 575/2013) LAC	4	4	222,133	300,924
Additional tier 1 capital according to Part Two Title I Chapter 3 (EU-Reg. 575/2013) – LAC	2	2	50,432	50,534

	Average interest		Average remaining term (in years)	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Tier 2 capital according to Part Two Title I Chapter 4 (EU Reg. 575/2013) – LFVO	2.727 %	0.952 %	8.4	9.3
Tier 2 capital according to Part Two Title I Chapter 4 (EU Reg. 575/2013) LAC	2.232 %	3.501 %	6.2	4.5
Additional tier 1 capital according to Part Two Title I Chapter 3 (EU-Reg. 575/2013) – LAC	6.074 %	6.074 %	No maturity	No maturity

The following subordinated liabilities exceed 10 % of the total amount of the above subordinated liabilities. The conditions of these issues in accordance with Section 64 No. 5 BWG are also given.

- Subordinated bond ISIN 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.

The accrued interest as of the reporting date for both bonds amounts to TEUR 321 (2021: TEUR 321). The bonds are unsecured, subordinated and have an indefinite term.

In 2023, 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 449,327 (2022: TEUR 452,707) and issued bonds in an amount of TEUR 1,066,977 (2022: TEUR 504,678) 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.

The interest expense for subordinated liabilities pursuant to section 64 (1) (13) BWG amounts to TEUR 10,407 in 2022 (2021: TEUR 10,437).

The disclosure pursuant to Article 64 (1) (15) BWG can be found in note (69). The Bank maintains a small trading book within the meaning of Article 94 CRR in order to improve customer service. In the trading book as of investment funds in the amount of TEUR 143 (2021: TEUR 160) as of December 31, 2022.

The disclosure pursuant to Section 64 (1) No. 16 and No. 17 BWG on

the breakdown of tier 1 capital, supplementary capital and consolidated capital can be read in notes (41) and (65).

The financial information and key figures for each country of establishment pursuant to Section 64 (1) No. 18 BWG are disclosed in the following table.

TEUR 2021	Austria	Switzerland	Italy	Czech Republic
Net interest income	172,380	10,733	12,948	0
Dividend income	794	0	0	0
Net fee and commission income	37,490	628	-95	0
Net result from financial instruments at amortized cost	438	5	0	0
Net result from financial instruments at fair value	-6,220	351	2	0
Administrative expenses	-86,761	-5,672	-6,307	-6
Impairments	-6,468	-312	-1,348	0
Earnings before taxes	84,930	7,011	1,743	-6
Taxes on income	-25,071	-1,018	-779	0
Number of full-time equivalent employees	658	19	42	0

TEUR 2022	Austria	Switzerland	Italy	Czech Republic
Net interest income	144,138	10,462	13,203	0
Dividend income	126	0	0	0
Net fee and commission income	33,633	643	-148	0
Net result from financial instruments at amortized cost	3,239	0	0	0
Net result from financial instruments at fair value	76,528	678	-15	0
Administrative expenses	-92,868	-6,274	-6,799	0
Impairments	-6,508	-333	-1,021	0
Earnings before taxes	152,658	4,533	3,468	0
Taxes on income	-38,740	-653	-1,170	0
Number of full-time equivalent employees	665	20	44	0

Switzerland comprises the branch in St. Gallen. The branch in St. Gallen acts as a universal bank and it focuses on lending, asset management and investment advisory services. It operates in German-speaking Switzerland, especially Eastern Switzerland.
Italy comprises our subsidiaries Hypo Vorarlberg Holding (Italy) G.m.b.H, Hypo Vorarlberg Leasing AG and Hypo Vorarlberg Immo Italia srl. All companies are based in Bolzano. Hypo Vorarlberg Leasing AG conducts property leasing business and occasionally movables leasing business.

Hypo Vorarlberg Leasing AG has branches in Como and Treviso. It operates in South Tyrol andNorthern Italy. Hypo Vorarlberg Immo Italia srl manages and evaluates the Group's properties in Italy and provides property services for the Group.

In addition, Hypo Vorarlberg Immo Italia srl man-ages and commercialises its own properties. Hypo Vorarlberg Holding (Italy) G.m.b.H. holds the stakes in the two other companies.The Czech Republic as a country of establishment comprises the companies Inprox Praha Michle - HIL s.r.o. and Inprox Praha Letnany - HIL s.r.o., both with registered offices in Prague. Both companies were liquidated and deconsolidated in the course of 2021.

The return on assets pursuant to Section 64 (1) no. 19 BWG amounts to 0.78 % (2021: 0.43 %).

(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	2022	2021
Expenses for auditing the consolidated financial statements	205	205
Expenses for other auditing services	38	41
Expenses for other services	42	17
Total fees	**285**	**263**

(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 31.12.2022	Listed 31.12.2022	Not listed 31.12.2021	Listed 31.12.2021	Total 31.12.2022	Total 31.12.2021
Debt securities at Fair Value (Non-SPPI)	94,305	68,126	92,990	98,244	162,431	191,234
Debt securities at Fair Value (Option)	57,276	0	59,972	0	57,276	59,972
Debt securities at Amortized Cost	116,895	2,163,308	97,999	2,338,567	2,280,203	2,436,566
Equity securities trading assets	143	0	160	0	143	160
Equity securities at Fair Value (Non-SPPI)	11,384	0	12,729	0	11,384	12,729
Total securities	**280,003**	**2,231,434**	**263,850**	**2,436,811**	**2,511,437**	**2,700,661**
Of which non-current assets	279,751	2,231,434	263,581	2,436,811	2,511,185	2,700,392
Of which current assets	109	0	109	0	109	109
Of which trading assets	143	0	160	0	143	160

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 acquisition cost and the lower repayment amount pursuant to section 56 (2) BWG amounts to TEUR 49,902 (2021: TEUR 50,821). The difference between the repayment amount and the lower acquisition cost pursuant to section 56 (3) BWG amounts to TEUR 19,627 (2021: TEUR 16,781). Subordinated capital held as treasury stock has a nominal value of TEUR 133 as of December 31, 2022 (2021: TEUR 69).

(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.

Gesellschaftsname, Ort TEUR	Percentage Of captial	UGB Share- Holder's equity	UGB Net result	UGB Total assets	Date of Financial statements
HV-Finanzdienstleistungs- und Immobilien GmbH, DE-Kempten	100.00 %	217	-3	222	31.12.2022
Hotel Widderstein Besitz & Verwaltungs GmbH, Dornbirn	100.00 %	55	-18	235	31.12.2022
Total		**272**	**-21**	**457**	

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, place TEUR	Percentage Of captial	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	639	31.12.2022

VI. MANAGING BOARD
AND SUPERVISORY BOARD

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, 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 (since June 1, 2022)

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

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

Birgit Sonnbichler
Entrepreneur, Dornbirn

Nicolas Stieger
Lawyer, Bregenz

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 2023

VII. 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 %	31.12.2022
LD-Leasing GmbH, Dornbirn	100.00 %	31.12.2022
Hypo Vorarlberg Leasing AG, IT-Bozen	100.00 %	31.12.2022
HYPO VORARLBERG HOLDING (ITALIEN) G.m.b.H, IT-Bozen	100.00 %	31.12.2022
Hypo Vorarlberg Immo Italia srl, IT-Bozen	100.00 %	31.12.2022
IMMOLEAS Grundstücksverwaltungsgesellschaft m.b.H., Dornbirn	100.00 %	31.12.2022
Hypo Immobilien Besitz GmbH, Dornbirn	100.00 %	31.12.2022
"HERA" Grundstücksverwaltungsgesellschaft m.b.H., Dornbirn	100.00 %	31.12.2022
Hypo Immobilien Bankgebäudemanagement GmbH, Dornbirn	100.00 %	31.12.2022
Hypo Immobilien Investment GmbH, Dornbirn	100.00 %	31.12.2022
Hypo Immobilien & Leasing GmbH, Dornbirn	100.00 %	31.12.2022
HIL Mobilienleasing GmbH & Co KG, Dornbirn	100.00 %	31.12.2022
HIL Immobilien GmbH, Dornbirn	100.00 %	31.12.2022
HIL BETA Mobilienverwertung GmbH, Dornbirn	100.00 %	31.12.2022
HIL Baumarkt Triester Straße Immobilienleasing GmbH, Dornbirn	100.00 %	31.12.2022
HIL Real Estate alpha GmbH, Dornbirn	100.00 %	31.12.2022
HIL Real Estate International Holding GmbH, Dornbirn	100.00 %	31.12.2022
"POSEIDON" Grundstücksverwaltungsgesellschaft m.b.H., Dornbirn	100.00 %	31.12.2022
Hypo Immobilien Cinemabetriebs GmbH, Dornbirn	100.00 %	31.12.2022
Edeltraut Lampe GmbH & Co KG, Dornbirn	100.00 %	31.12.2022
D. TSCHERNE Gesellschaft m.b.H., Wien	100.00 %	31.12.2022
VKL IV Leasinggesellschaft mbH, Dornbirn	100.00 %	31.12.2022
VKL V Immobilien Leasinggesellschaft m.b.H., Dornbirn	100.00 %	31.12.2022
HYPO EQUITY Beteiligungs GmbH, Bregenz zuvor: HYPO EQUITY Beteiligungs AG	100.00 %	31.12.2022
KUFA GmbH, Bregenz	100.00 %	31.12.2022
HYPO EQUITY Unternehmensbeteiligungen AG, Bregenz*)	100.00 %	30.09.2022
METIS - Beteiligungs und Verwaltungs GmbH, Bregenz	100.00 %	30.09.2022
"HSL-Lindner" Traktorenleasing GmbH, Dornbirn	76.00 %	31.12.2022

*) The separate financial statements of these companies were prepared on 30 September 2022, 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 2022. 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 2022. The share of voting rights corresponds to the equity interest in each case.

Company name, place TEUR	Percentage Of capital	Shareholder's equity	Total assets	Liabilities	Revenues
comit Versicherungsmakler GmbH, Dornbirn	40.00 %	4,146	5,341	1,195	-8
MASTERINVEST Kapitalanlage GmbH, Wien	37.50 %	5,236	9,452	4,216	3
Vorarlberger Kommunalgebäudeleasing Gesellschaft m.b.H., Dornbirn	33.33 %	47	49	2	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, 2022. 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	31.12.2022	31.12.2021
Assets	705	948
Financial assets	680	942
of which current	386	630
of which non-current	294	312
Other assets	25	6
Liabilities	487	712
Financial liabilities	484	696
of which non-current	484	696
Other liabilities	3	16
Shareholders' equity	218	236
of which non-controlling interests	52	57

TEUR	2022	2021
Net interest income	33	40
Other income	205	94
Other expenses	-204	-93
Earnings before taxes	43	67
Taxes on income	-11	-17
Income after taxes	32	51
of which non-controlling interests	8	12
Dividends/distributions	50	50
of which non-controlling interests	12	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	31.12.2022	31.12.2021
Assets	5,341	4,771
Financial assets	2,707	2,422
of which current	1,707	2,421
of which non-current	1,000	1
Other assets	2,634	2,349
Liabilities	1,195	968
Financial liabilities	18	11
of which current	18	11
Provisions	331	280
Other liabilities	846	677
Shareholders' equity	4,146	3,803

TEUR	2022	2021
Net interest income	-8	-11
Other income	27	19
Other expenses	-32	-32
Earnings before taxes	1,137	498
Taxes on income	-294	-156
Income after taxes	844	342
Dividends/distributions	500	0

MASTERINVEST Kapitalanlage GmbH, Wien

TEUR	31.12.2022	31.12.2021
Assets	9,452	10,109
Financial assets	6,602	6,541
of which current	3,893	3,791
of which non-current	2,709	2,750
Other assets	2,850	3,568
Liabilities	4,216	4,893
Financial liabilities	2,749	3,034
of which current	2,749	3,034
Provisions	181	168
Other liabilities	1,286	1,691
Shareholders' equity	5,236	5,216

TEUR	2022	2021
Net interest income	3	0
Dividend income	14	0
Other income	1,277	873
Other expenses	-1,240	-751
Earnings before taxes	1,420	1,454
Taxes on income	-400	-406
Income after taxes	1,020	1,048
Dividends/distributions	1,000	850

Vorarlberger Kommunalgebäudeleasing Gesellschaft m.b.H., Dornbirn

TEUR	31.12.2022	31.12.2021
Assets	49	134
Financial assets	49	134
of which current	49	134
Liabilities	2	1
Financial liabilities	2	0
of which current	2	0
Provisions	0	1
Other liabilities	47	133

TEUR	2022	2021
Other income	2	6
Other expenses	0	-5
Earnings before taxes	-3	-8
Taxes on income	-2	-2
Income after taxes	-5	-10
Dividends/distributions	81	0

MANAGING BOARD
DECLARATION

We confirm that to the best of our knowledge the consolidated financial statements prepared in accordance with applicable accounting standards provide a true and fair view of the Group's assets and liabilities, financial condition, and results of operation, and that the Group management report presents business events, business results and the Group's position so as to provide a true and fair view of the Group's assets and liabilities, financial condition, and results of operation, and that the Group management report outlines the principal risks and uncertainties to which the Group is exposed.

We confirm that to the best of our knowledge the parent company's financial statements prepared in accordance with applicable accounting standards provide a true and fair view of the parent company's assets and liabilities, financial condition, and results of operation, and that the management report presents business events, business results and the parent company's position so as to provide a true and fair view of its assets and liabilities, financial condition, and results of operation, and that the management report outlines the principal risks and uncertainties to which the parent company is exposed.

Bregenz, 31 March 2023

Hypo Vorarlberg Bank AG

The members of the Managing Board

Michel Haller
Chariman of the Managing Board

Risk Management

Wilfried Amann
Member of the Managing Board

Sales Private and Corporate Customers

Philipp Hämmerle
Member of the Managing Board

Organization, IT and Finance

REPORT
OF THE SUPERVISORY BOARD

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 six 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 2022 and 2023 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. At meetings in 2021 and 2022, the Supervisory Board dealt intensively with the future of the ARZ banking data centre. The banking data centre operations were finally sold to Accenture Austria by the Volksbanks and Hypobanks at the end of May 2022. This decision represented the starting point for the extensive modernisation of data centre operations, thus laying the foundations for further digitalisation at Hypo Vorarlberg. The Supervisory Board also dealt in depth with the topics of diversity and sustainability in 2022. In addition to the annual review of the sustainability report, there were lively discussions and considerations in relation to ESG and EU taxonomy.

Supervisory Board committees
In 2022, the Audit Committee met three times and performed its control tasks of monitoring the effectiveness of the internal control system, the risk management system 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 met twice in 2022 and, among other things, reviewed the recovery plan and advised the Board of Management on the current and future risk appetite and risk strategy.

The Credit Committee met eleven times in the reporting year 2022. It reviewed those loans and credits that required its approval. In addition, the main features of the credit policy were agreed with the Credit Committee.

The Compensation Committee fulfilled its duties pursuant to Section 39c of the Austrian Banking Act and met twice in 2022.

The Nomination Committee met three times in 2022 and fulfilled its duties in accordance with Section 29 of the German Banking Act. Other important topics discussed by the Nomination Committee were the presentation of the results of the survey on talent management and the nomination of the new Supervisory Board member Mr. Heinloth (member of the Board of Management of L-Bank, Karlsruhe).

Corporate Governance Code
The Supervisory Board reviewed and discussed with the Managing Board business events requiring Supervisory Board approval pursuant to laws, the articles of association and/or the rules of procedure, granting approval accordingly. The Supervisory Board employed the Corporate Governance Code as a guideline in its activities.

Audit
The 2022 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 2022 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 recognition
The Supervisory Board would like to express its thanks and recognition towards the members of the Managing Board, the managers and above all the employees for their excellent achievements in the financial year 2022.

Bregenz, March 2023

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 2022, 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 2022 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 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

1. Valuation allowances for financial assets at amortized cost

2. Fair Values of financial instruments, that are categorized in the fair value level 3 of the fair value hierarchy

1. LOAN LOSS PROVISIONS FOR FINANCIAL ASSETS AT AMORTISED COST

<u>Description</u>:
In its consolidated financial statements as at 31 December 2022, the company reports financial assets at amortised cost of EUR 12,799 million. To account for loss risks in the portfolio of financial assets at amortised cost, the company recognises significant loan loss provisions (EUR 97 million). These represent the Managing Board's best estimate for anticipated loan losses in the portfolio of financial assets at amortised cost at the end of the reporting period.

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.

<u>How we addressed the matter in the context of the audit:</u> 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 2022, the company recognises a significant volume of financial instruments measured at fair value, which are assigned to level 3 of the fair value hierarchy. The carrying amounts of these financial instruments correspond to assets of EUR 980 million and liabilities of EUR 643 million as at 31 December 2022.

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 legal representatives are 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 will not provide any type of assurance for it.

In connection with our audit of the consolidated financial statements, we have the responsibility of reading this other information, if available, and assessing whether it contains significant discrepancies from the consolidated financial statements or the knowledge we have gained from the audit of the financial statements or otherwise appears to be 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 deter-mine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Comments on the Group Management Report

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

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report for the Group.

Opinion

In our opinion, the management report for the Group was prepared in accordance with the applicable legal requirements, contains accurate information in accordance with Section 243a UGB and is consistent with the consolidated financial statements.

Statement

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

Additional disclosures in accordance with Article 10 of the EU Regulation

We were elected as the auditor by the Annual General Meeting on 16 June 2021. On 1 July 2021, we were commissioned by the Supervisory Board. In addition, we have already been elected by the Annual General Meeting on 1 June 2022 as the auditor for the following financial year and were commissioned with the audit of the consolidated financial statements by the Supervisory Board on 4 August 2022. We have been the auditor continuously since 2010.

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

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

Responsible Austrian Certified Public Accountant

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

Vienna, 30 March 2023

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Ernst Schönhuber eh	**ppa MMag. Roland Unterweger eh**
Austrian Certified Public Accountant	Austrian Certified Public Accountant

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

Johann Berchtold
Head of IT Core Banking

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

Egon Helbok
Head of Human Resources

Peter Holzer
Head of Controlling

Martha Huster
Ombudsperson

Reinhard Kaindl
Head of Compliance & Outsourcing

Stephan Modler
Head of Sales Support

Johannes Lutz
Head of IT Operations

Sabine Nigsch
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
Außenstelle LKH Feldkirch,
Carinagasse 47-49
Außenstelle 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

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

Salzburg, Strubergasse 26
Peter Gassner, Regional Manager Salzburg

REGIONAL HEAD OFFICE

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

SUBSIDIARIES IN AUSTRIA

Hypo Immobilien & Leasing GmbH
Dornbirn, Poststraße 11
Wolfgang Bösch, Managing Director
Peter Scholz, Managing Director

comit Versicherungsmakler GmbH
Dornbirn, Poststraße 11

MASTERINVEST Kapitalanlage GmbH
Wien, Landstraße 1, Top 27

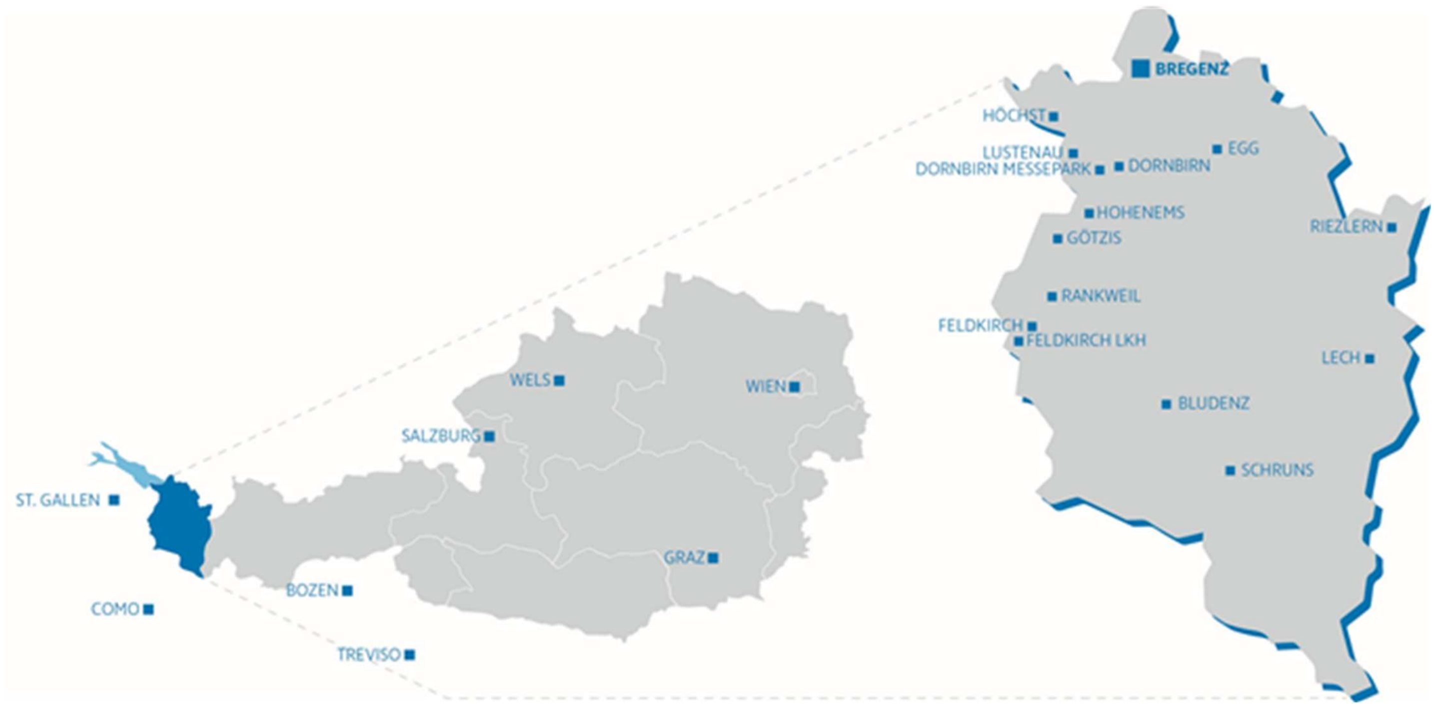
SUBSIDIARIES IN ITALY

Hypo Vorarlberg Leasing AG
Bozen, Galileo-Galilei-Straße 10 H
Como, Via F.lli Rosselli 14
Treviso, Vicolo Paolo Veronese 6
Michael Meyer, Delegate of the Board of Directors

Hypo Vorarlberg Immo Italia GmbH
Bozen, Galileo-Galilei-Straße 10 H
Alexander Ploner,
Delegate of the Board of Directors

ALWAYS CLOSE BY
LOCATIONS AND BRANCHES

In addition to our branches in Vorarlberg, we also have locations in the most important economic 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.



Hypo Vorarlberg – your personal advice in Vorarlberg, Wien, Graz, Wels, Salzburg und St. Gallen (CH).

www.hypovbg.at

Imprint
Publisher and source: Hypo Vorarlberg Bank AG Hypo-Passage 1, 6900 Bregenz, Austria, T +43 50 414-0 info@hypovbg.at, www.hypovbg.at
This annual report is available as PDF: www.hypovbg.at
BLZ 58000, BIC / SWIFT HYPVAT2B, DVR 0018775, UID ATU 36738508, FN 145586y
Edited by: Hypo Vorarlberg Bank AG, Bregenz / Austria
Photographs: Angela Lamprecht