BANK FÜR TIROL UND VORARLBERG AG

ANNUAL REPORT 2016

Annual Report

BTV VIER LÄNDER BANK

3 Banken Gruppe

The BTV Group at a glance

INCOME in EUR million	2016	2015	Change in %
Net interest income	144.8	161.7	–10.5%
Loan loss provisions in the credit business	–16.1	–15.7	+2.5%
Net commission income	47.5	49.2	–3.4%
Operating expenses	–169.2	–163.3	+3.6%
Other operating income/expenditure	63.5	61.9	+2.6%
Annual net profit before tax	73.5	172.5	–57.4%
Group net profit for the year	63.8	138.7	–54.0%

BALANCE SHEET in EUR million	31/12/2016	31/12/2015	Change in %
Total assets	10,014	9,426	+6.2%
Loans and advances to clients after loan loss provisions	6,754	6,360	+6.2%
Primary funds	7,323	7,021	+4.3%
– of which savings deposits	1,248	1,201	+3.9%
– of which securitised debt including subordinated capital	1,393	1,378	+1.1%
Equity	1,219	1,149	+6.2%
Managed deposits	13,238	12,732	+4.0%

EQUITY UNDER CRR (BWG (BANKING ACT) PREVIOUS YEAR) in EUR million	31/12/2016	31/12/2015	Change in %
Risk-weighted assets	6,709	6,263	+7.1%
Equity	988	978	+1.1%
– of which common equity (CET1)	975	951	+2.5%
– of which total core capital (CET1 and AT1)	975	951	+2.5%
Common equity Tier 1 ratio	14.54%	15.18%	–0.64 pp
Core capital ratio	14.54%	15.18%	–0.64 pp
Equity ratio	14.73%	15.61%	–0.88 pp

COMPANY KEY FIGURES in percentage points	31/12/2016	31/12/2015	Change in percentage points
Return on equity before tax (RoE)	6.21%	15.88%	–9.67 pp
Return on equity after tax	5.39%	12.77%	–7.38 pp
Cost/income ratio	65.4%	58.6%	+6.8 pp
Risk/earnings ratio	11.2%	9.7%	+1.5 pp

RESOURCES Number	31/12/2016	31/12/2015	Change figure
Weighted average number of employees	1,350	1,354	–4
Number of branches	36	36	+0

KEY INDICATORS FOR BTV SHARES	31/12/2016	31/12/2015
Number of ordinary no par value shares	25,000,000	25,000,000
Number of preference shares	2,500,000	2,500,000
Max. price of ordinary/preference share in EUR	21.30/20.00	22.40/21.00
Min. price of ordinary/preference share in EUR	20.70/19.00	20.90/18.10
Closing price of ordinary/preference share in EUR	21.00/19.00	21.40/19.00
Market capitalisation in EUR million	573	583
IFRS EPS in EUR	2.25	5.45
P/E ratio, ordinary share	9.3	3.9
P/E ratio, preference share	8.4	3.5

Contents

IMPORTANT DATES FOR BTV SHAREHOLDERS

Annual General Meeting	12/05/2017, 10:00 am, Stadtforum 1, Innsbruck, Austria The dividend will be published on the BTV homepage and in the gazette of the Wiener Zeitung the day after the Annual General Meeting.
Ex-dividend date	19/05/2017
Payment of dividend	23/05/2017
Interim Report as at 31 March 2017	Published on 26 May 2017 (www.btv.at)
Interim Financial Report as at 30 June 2017	Published on 25 August 2017 (www.btv.at)
Interim Report as at 30 September 2017	Published on 24 November 2017 (www.btv.at)

Preface from the Executive Board

Ladies and Gentlemen,

BTV can look back on another successful financial year in 2016. The basis for this growth in a turbulent environment lies especially in the confidence of its customers that BTV enjoys.
A business model that is easy to understand and security due a strong equity position are the cornerstones for the growth
of confidence. The nicest thing about all this: Our customers actively recommend us, as shown, for example, by the independent award of the FMVÖ Recommender Award: in the regional bank sector we received the highest level of approval „Excellent Customer Focus“ in 2016.

The most important indicator for a bank is the common equity tier 1 ratio. At 14.54% BTV is one of the safest banks in Austria and helps its customers to achieve healthy growth. We are delighted that this is reflected in the level of business activities. Both lending and deposits (primary funds) and managed customer funds at the end of 2016 reached record highs in the 112-year history of the bank. The total assets on the balance sheet for the first time rose above the 10 billion euro mark, and our equity capital is now 1.2 billion euro.

When BTV decided 30 years ago to open up its ownership structure and to float on the stock market, the decision was also made deliberately to opt for transparency and continuous full justification of activities. The fact that we take very seriously our responsibility to a large number of shareholders has remained, and we also know full well our responsibility to our customers, employees, vendors, neighbours, local communities and other partners. We will continue to go our own independent way, and to be present on their level for business, open and neighbourly for our customers, and as a thoroughly sound bank we will shoulder our social responsibilities.

Particularly in these very challenging times for banks, we are solid in our conviction that our strategy is the right one. That is why will continue to pursue it, full steam ahead. We remain a safe financial partner, with no surprises, and we look forward to many further exciting and successful meetings with you.

Yours

Michael Perger Member of the Board	Gerhard Burtscher Chairman of the Board	Mario Pabst Member of the Board

Mario Pabst, Chairman of the Board Gerhard Burtscher and Michael Perger (from left to right)

Dear reader,

The Bank für Tirol und Vorarlberg AG can look back over an exciting year: on 1st January 2016 Gerhard Burtscher took over as Chairman of the Board. Together with Michael Perger and Mario Pabst, who also took office as board members on 1st January 2016, a new era began for BTV.

This came at a time when banks were facing an exceptionally challenging environment: legal regulations are visibly tightening up, the historically low level of interest rates is causing a substantial falling off in interest income across the board for all banks, the costs of the stability levy and greater competition are affecting the profitability of the whole sector. At the same time, because of the necessary investments in computerisation and regulatory measures, costs are rising, and new entrants like FinTechs are finding their way onto the market while remaining outside the scope of legal banking regulations.

Despite all this, BTV can look back over an operationally successful financial year. The full new board had published a clear goal at the beginning of 2016, and this was more than achieved: the volumes of customer business needed to rise substantially - and at the end of the year both loans to customers and primary funds, total assets and customer deposits all show the highest recorded values in the history of BTV. Despite the strong growth, the risk in the lending business remained unusually low, and capitalisation pleasantly high. It would be hard for a new board to make a better start. The Supervisory Board offers its respect and thanks for this!

As President of the Supervisory Board, on behalf of all my colleagues I would like to thank Dr Dietrich Karner, Mr Peter Hofbauer and Mr Alfred Fabro, who left the Supervisory Board, for their collaboration, expertise and the prudence with which they worked for BTV.

The Supervisory Board is convinced that the bank will remain successful in the long-term, with its strategy, its capability and its commitment and is ideally equipped to face the challenges the future will bring.

Linz, March 2017

Dr Franz Gasselsberger, MBA
President of the Supervisory Board

BTV head office and market chiefs

BTV Stadtforum Headquarters

RETAIL CLIENTS
Dr Jürgen Brockhoff

– Branch business
Norbert Peer
– Asset investment
Martin Mausser
– Asset management
Dr Robert Wiesner
– Mobile housing construction
Mario Scherl

CORPORATE CLIENTS
Thomas Gapp

– Payment transfers and support
Rudolf Oberleiter
– Structured financing and subsidies
Robert Platter
– Foreign trade and markets in Germany, Switzerland
Helmut Pfurtscheller (†)

INSTITUTIONAL CLIENTS AND BANKS
Rainer Gschnitzer

– Institutional clients
Silvia Vicente

SERVICE CENTRE
Paul Jäger

– Securities service
Sabine Dadak-Nedl
– Payment and commerce
Christine Schurl

FINANCE & CONTROLLING
Manuela Bauer

– Regulatory and financial reporting
Hanna Meraner
– Risk management and Risk manager in the meaning of Section 39 Para. 5 BWG
Clemens Bousquet
– Strategy and Sales Controller
Hannes Gruber

CORPORATE AUDIT
Richard Altstätter

CREDIT MANAGEMENT
Robert Walcher

– Retail clients
Martin Schwabl
– Austria and South Tyrol Corporate clients
Thomas Zipprich, MA
– Germany and Switzerland Corporate clients
Christoph Meister

MARKETING, COMMUNICATION, EXECUTIVE BOARD MATTERS
MA Daniel Stöckl-Leitner

– Brands and events
Diana Hofer
Markus Wieser

HUMAN RESOURCES
Ursula Randolf

– Human resources support
Friedrich Braito

LEGAL AND CORPORATE INVESTMENTS
Dr Stefan Heidinger

COMPLIANCE AND ANTI-MONEY LAUNDERING
Martin Rohner
Manfred Unterwurzacher

EFFECTIVENESS AND EFFICIENCY
Michael Draschl

CHAIRMAN CENTRAL WORKS COUNCIL
Harald Gapp

BTV LEASING
Gerd Schwab
Johannes Wukowitsch

3 BANKS INSURANCE BROKERS
Walter Schwinghammer

BTV's Markets

TIROL PRIVAT
Stefan Nardin

– Innsbruck Stadtforum
Marc Schönberger, BSc
– Innsbruck
Eva-Maria Ringler
– Hall and Schwaz
Kurt Moser
– Unterinntal and Zillertal
Thomas Naschberger
– St. Johann in Tirol
Markus Lanzinger
– Seefeld and Garmisch-Partenkirchen
Stefan Glas
– Telfs
Florian Neuwirt
– Tyrolean Oberland
Wilfried Gabl

– Ausserfern
Urs Schmid

– Asset investments and endowments
Karl Eder
– Asset investments and liberal professions Innsbruck
Edi Plattner
– Co-support Innsbruck, retail
Kerstin Schuchter
– Asset investments Italy

ITALY/EAST TYROL
– East Tyrol retail
Manfred Steurer

VORARLBERG RETAIL
Christof Kogler

– Bludenz Alpine region
Markus Amann, MBA
– Lake Constance
Dominik Schuchter
– Rhine Valley
Stephan Kirchmann, MBA
– Montfort
Hubert Kotz

INNSBRUCK AND SOUTH TYROL CORPORATE
Christoph Wenzl

– Key accounts and special financing
– Property, tourism and South Tyrol
Karl Silly
– SMEs
Dr Norbert Erhart

TIROLER OBERLAND AND AUSSERFERN CORPORATE
Michael Falkner

– Imst
– Reutte
Andreas Wilhelm

TIROLER UNTERLAND CORPORATE/KIRCHBICHL
Bernd Scheidweiler

– Co-management Tiroler Unterland
Günter Mader

VORARLBERG CORPORATE
Michael Gebhard

– Key accounts and special financing
Philipp Schöflinger
– SMEs and tourism
Benno Wagner
– Co-support
Evelin Stöckler

VIENNA RETAIL
Josef Sebesta

– Asset investments and endowments
– Asset investments and liberal professions
Jürgen Jungmayer

VIENNA CORPORATE
Martina Pagitz

– Key accounts and special financing
– Real estate and project financing
Marion Nikodem
– SMEs
Nina Steinacher, M.BC.

BAVARIA/KITZBÜHEL RETAIL
Peter Kofler

– Kitzbühel
– Asset investments and endowments Munich
Christian Baumanns
– Asset investments and endowments Nuremberg
Rolf Maul

BADEN-WÜRTTEMBERG RETAIL
Jürgen Hofer

BAVARIA/BADEN-WÜRTTEMBERG CORPORATE
Dr Hansjörg Müller

– Corporate customers Munich
Mile Savic
– Corporate customers Memmingen
Tobias Bott
– Corporate customers Nuremberg
Dkfm. Marc Ludescher
– Corporate customers Stuttgart
Thomas Weber
- Corporate customers Ravensburg
Andreas Kleiner
- Corporate customers Mannheim
Dipl.-Vw. Stefan Fischer

GERMANY

– Compliance
Bianca Zaspel

SWITZERLAND RETAIL
Martin Anker

SWITZERLAND CORPORATE
Markus Scherer

– Corporate customers Staad
Bruno Kaufmann, MBA
– Corporate customers Winterthur
– Co-support
Markus Hämmerle

SWITZERLAND

– Risk Management Compliance
Johannes Hämmerle, Dipl. BW HF

BTV
VIER
LÄNDER
BANK

Addresses

Vorarlberg

Bludenz
Werdenbergerstrasse 39
6700 Bludenz
T +43(0)5 05 333-0
F +43(0)5 05 333-6630
bludenz@btv.at

Bregenz
Kaiserstrasse 33
6900 Bregenz
T +43(0)5 05 333-0
F +43(0)5 05 333-6025
bregenz@btv.at

Bregenz Vorkloster
Mariahilfstrasse 45 a
6900 Bregenz
T +43(0)5 05 333-0
F +43(0)5 05 333-6117
vorkloster@btv.at

Dornbirn
Klostergasse 8
6850 Dornbirn
T +43(0)5 05 333-0
F +43(0)5 05 333-6360
dornbirn@btv.at

Feldkirch
Bahnhofstrasse 8
6800 Feldkirch
T +43(0)5 05 333-0
F +43(0)5 05 333-6513
feldkirch@btv.at

Wolfurt
Unterlinden 23
6922 Wolfurt
T +43(0)5 05 333-0
F +43(0)5 05 333-6225
wolfurt@btv.at

Tiroler Oberland and Ausserfern

Imst
Dr.-Pfeiffenberger-Str. 18
6460 Imst
T +43(0)5 05 333-0
F +43(0)5 05 333-5125
imst@btv.at

Landeck
Malser Strasse 34
6500 Landeck
T +43(0)5 05 333-0
F +43(0)5 05 333-5035
landeck@btv.at

Reutte
Untermarkt 23
6600 Reutte
T +43(0)5 05 333-0
F +43(0)5 05 333-4675
reutte@btv.at

Sölden
Dorfstrasse 31
6450 Sölden
T +43(0)5 05 333-0
F +43(0)5 05 333-5225
soelden@btv.at

Telfs
Anton-Auer-Strasse 2
6410 Telfs
T +43(0)5 05 333-0
F +43(0)5 05 333-4445
telfs@btv.at

Tiroler Unterland and Zillertal

Kirchbichl
Corporate clients
E3 Wirtschaftspark
Europastrasse 8
6322 Kirchbichl
T +43(0)5 05 333-0
F +43(0)5 05 333-5425
kirchbichl@btv.at

Kitzbühel
Vorderstadt No. 9
6370 Kitzbühel
T +43(0)5 05 333-0
F +43(0)5 05 333-5673
kitz@btv.at

Kufstein
Oberer Stadtplatz 4
6330 Kufstein
T +43(0)5 05 333-0
F +43(0)5 05 333-5325
kufstein@btv.at

Mayrhofen
Hauptstrasse 440
6290 Mayrhofen
T +43(0)5 05 333-0
F +43(0)5 05 333-4915
mayrhofen@btv.at

Schwaz
Innsbrucker Strasse 5
6130 Schwaz
T +43(0)5 05 333-0
F +43(0)5 05 333-4345
schwaz@btv.at

St. Johann in Tirol
Dechant-Wieshofer-Str. 7
6380 St. Johann in Tirol
T +43(0)5 05 333-0
F +43(0)5 05 333-5525
st.johann@btv.at

Wörgl
Bahnhofstrasse 18
6300 Wörgl
T +43(0)5 05 333-0
F +43(0)5 05 333-5435
woergl@btv.at

Innsbruck Stadt

Innsbruck-DEZ
Amraser-See-Strasse 56 a
6020 Innsbruck
T +43(0)5 05 333-0
F +43(0)5 05 333-3923
dez@btv.at

Innsbruck-Hötting*
Schneeburggasse 7
6020 Innsbruck

Innsbruck-Mitterweg
Mitterweg 9
6020 Innsbruck
T +43(0)5 05 333-0
F +43(0)5 05 333-4025
mitterweg@btv.at

Innsbruck-Olympisches Dorf
Schützenstrasse 49
6020 Innsbruck
T +43(0)5 05 333-0
F +43(0)5 05 333-3750
olympischesdorf@btv.at

Innsbruck-Sonnpark
Amraser Strasse 54
6020 Innsbruck
T +43(0)5 05 333-0
F +43(0)5 05 333-3654
sonnpark@btv.at

Innsbruck-Stadtforum
Stadtforum 1
6020 Innsbruck
T +43(0)5 05 333-0
F +43(0)5 05 333-1662
filiale.stadtforum@btv.at

Innsbruck-Wilten
Leopoldstrasse 31 a
6020 Innsbruck

Hall in Tirol
Stadtgraben 19
6060 Hall in Tirol
T +43(0)5 05 333-0
F +43(0)5 05 333-3250
hall@btv.at

Innsbruck Land

Seefeld
Klosterstrasse 397
6100 Seefeld
T +43(0)5 05 333-0
F +43(0)5 05 333-4253
seefeld@btv.at

Völs
Bahnhofstrasse 38 a
6176 Völs
T +43(0)5 05 333-0
F +43(0)5 05 333-3508
voels@btv.at

East Tyrol

Lienz
Südtiroler Platz 2
9900 Lienz
T +43(0)5 05 333-0
F +43(0)5 05 333-4832
lienz@btv.at

* Only BTV service area

BTV headquarters

Innsbruck Head Office
Stadtforum 1
6020 Innsbruck
T +43(0)5 05 333-0
F +43(0)5 05 333-1180
btv@btv.at
www.btv.at

Retail clients division
T +43(0)5 05 333-1110
F +43(0)5 05 333-1181
privatkunden@btv.at

Corporate clients division
T +43(0)5 05 333-1300
F +43(0)5 05 333-1302
firmenkunden@btv.at

Institutional clients and banks division
T +43(0)5 05 333-1204
F +43(0)5 05 333-1206
treasury@btv.at

Service centre
T +43(0)5 05 333-2100
dienstleistungszentrum@btv.at

Finance & controlling
T +43(0)5 05 333-1420
F +43(0)5 05 333-1434
finanzwesen@btv.at

Corporate audit
T +43(0)5 05 333-1530
F +43(0)5 05 333-1540
revision@btv.at

Credit management
T +43(0)5 05 333-1360
F +43(0)5 05 333-1375
kreditmanagement@btv.at

Marketing, Communication, Executive Board matters
T +43(0)5 05 333-1010
F +43(0)5 05 333-1408
kommunikation@btv.at

Human resources
T +43(0)5 05 333-1480
F +43(0)5 05 333-1465
personalmanagement@btv.at

Legal and corporate investments
T +43(0)5 05 333-1500
F +43(0)5 05 333-1508
recht@btv.at

Vienna

Albertinaplatz
Tegetthoffstrasse 7
1010 Vienna
T +43(0)5 05 333-0
F +43(0)5 05 333-8763
firmen.wien@btv.at
privat.wien@btv.at

Germany

Garmisch-Partenkirchen
Mohrenplatz 6
82467 Garmisch-Partenkirchen
T +49/8821/75 26 85-0
F +49/8821/75 26 85-7344
Key indicators for btv shares

Mannheim (from April 2017)
Q7, 23
68161 Mannheim
T +49/621/150469-0
F +49/621/150469-7144
mannheim@btv-bank.de

Memmingen
Flach Villa
Buxacher Strasse 1
87700 Memmingen
T +49/8331/92 77-8
F +49/8331/92 77-7044
memmingen@btv-bank.de

Munich
Neuhauser Strasse 5
80331 Munich
T +49/89/255 44 730-8
F +49/89/255 44 730-7568
muenchen@btv-bank.de

Nuremberg
Gleissbühlstrasse 2
90402 Nuremberg
T +49/911/23 42 08-0
F +49/911/23 42 08-7644
nuernberg@btv-bank.de

Ravensburg/Weingarten
Franz-Beer-Strasse 111
88250 Weingarten
T +49/751/56 116-0
F +49/751/56 116-7244
ravensburg@btv-bank.de

Stuttgart
Industriestrasse 4
70565 Stuttgart (Vaihingen)
T +49/711/787 803-8
F +49/711/787 803-7468
stuttgart@btv-bank.de

Switzerland

Staad
Hauptstrasse 19
9422 Staad
T +41/71/85 810-10
F +41/71/85 810-12
btv.staad@btv-bank.ch

Winterthur
Zürcherstrasse 14
8400 Winterthur
T +41/52/20 819-10
F +41/52/20 819-12
btv.winterthur@btv-bank.ch

BTV Leasing

BTV Stadtforum
Stadtforum 1
6020 Innsbruck
T +43(0)5 05 333-2028
F +43(0)5 05 333-8869
info@btv-leasing.com

Bregenz
Kaiserstrasse 33
6900 Bregenz
T +43(0)5 05 333-6006
F +43(0)5 05 333-6075
info@btv-leasing.com

Albertinaplatz Vienna
Tegetthoffstrasse 7
1010 Vienna
T +43(0)5 05 333-8818
F +43(0)5 05 333-8869
info@btv-leasing.com

BTV Leasing Schweiz AG
Staad
Hauptstrasse 19
9422 Staad
T +41/71/85 810-74
F +41/71/85 810-12
info.ch@btv-leasing.com

Winterthur
Zürcherstrasse 46
8400 Winterthur
T +41/52/20 40 450
F +41/71/85 810-12
info.ch@btv-leasing.com

BTV Leasing Deutschland GmbH Geschäftsstelle Munich
Neuhauser Strasse 5
80331 Munich
T +49/89/255 44 730-7542
F +49/89/255 44 730-7541
info.de@btv-leasing.com

Nuremberg
Gleissbühlstrasse 2
90402 Nuremberg
T +49/911/23 42 08-7650
F +49/911/23 42 08-7644
info.de@btv-leasing.com

Ravensburg/Weingarten
Franz-Beer-Strasse 111
88250 Weingarten
T +49/751/56 116-7231
F +49/751/56 116-7244
info.de@btv-leasing.com

Stuttgart
Industriestrasse 4
70565 Stuttgart (Vaihingen)
T +49/711/78 78 03-7450
F +49/711/78 78 03-7468
info.de@btv-leasing.com

2016 HIGHLIGHTS

CORPORATE CLIENTS

- Business guarantees: Providing guarantees for customers' business using bank securities and bank guarantees was in heavy demand during 2016: the volume was increased by 15.7% to EUR 639.3 million.
- Hedging currency risks overseas: Political and economic uncertainties create volatile currency markets. More and more customers have learned the value of the range of services on offer and the uncomplicated processes at BTV in the area of currency management.
- Pension in good hands: Jointly with the 3 Banken Versicherungsmakler Gesellschaft m.b.H, the experts at BTV arrange bespoke pension solutions for companies, owners and employees.
- Safe investments: Corporate customers also use BTV as a „safe haven" for their investments.
- Development loans in Austria: In 2016 the Federal Government introduced the new development campaign „Investment growth premium" for 2017 and 2018. Since the end of 2016, experts have been advising in personal meetings with customers and using the online brochure „BTV Subsidy Matrix". In 2016 BTV experts submitted 80 customer projects to Austrian development bodies.
- Expansion of development loans in Germany: In collaboration with the KfW development bank, the LfA and the L-Bank in 2016 the volume of new development loans to SMEs was extended by 47.5%. Newly approved development loans in 2016 totalled around EUR 106 million.
- Payment processing: In 2016 for the first time BTV as a whole processed over 20 million transactions. The volume transferred totalled around EUR 60 billion.
- Four countries, one bank, one advisor: An adviser can advise his corporate customers across borders within BTV.

RETAIL CLIENTS

- Clients make provisions: BTV is pleased with the large number of new contracts for future pension products.
- Well insured: With its partner, Generali, BTV can offer pension solutions that adapt flexibly to life circumstances.

- BTV issues mix: With the BTV issue mix, BTV bonds can be used to meet the needs or expectations of each customer.
- Deposits analysis: BTV analyses customer deposits professionally and combines them with the proven BTV investment strategy.
- Hand down your assets: Many families appreciate the advice from BTV over several generations.
- Focus on shares: Based on the BTV investment list, a manageable selection of shares is regularly made available as part of „Focus on shares". The list is aligned as far as possible with BTV's view of the market and the asset allocation used for asset management.
- BTV range of funds: The range of funds at BTV stands out thanks its broad range of bond, shares and mixed funds over a huge variety of regions, sectors and themes. Our fund selection uses the best-in-class approach. Our goal is to use a qualitative and quantitative analysis of each fund to uncover
those with a steady growth in value over several years combined with stable management. The best fund is included in the BTV investment list, which is regularly reviewed.
- Award-winning: BTV asset management was awarded five stars by „firstfive" in 2016 (outstanding results) in the „balanced" risk class for the categories Sharpe ratio (24, 36 and 60 months) and top-yield (24 and 36 months).* At the Austrian Umbrella Funds Awards the 3 Banken-Generali Investment-Gesellschaft again received awards for its asset management.*
- New ONLINE banking: In 2016 all our users were moved onto „meineBTV" the new BTV ONLINE banking system. „meineBTV" is currently being further developed – for example, in future it will be possible to perform other banking activities online, such as blocking cards or ordering new ones, opening a savings account, requesting a construction savings policy etc.

INSTITUTIONAL CLIENTS AND BANKS

- Intensive customer care: Actively caring about relationships and targeting new customers create further business opportunities in this demanding segment.
- Networking banking partners: For the fifth time now, BTV is bringing together partner banks as part of an information and networking event at BTV Vienna. The combination of business and culture always proves a hit in these cases.
- Cross-border skills: We are increasing the level of personal contact with above all our German and Swiss bank partners, to reinforce BTV's reputation overseas and to expand our good business connections.

LEASING

- BTV Leasing GmbH was able to consolidate its market position and remains the leading equipment leasing organisation in the west of Austria.
- Stable growth at BTV Leasing: Loans to customers at the leasing group grew by +12%, which was clearly stronger than competitors in this market.
- Further rise in new leasing business: The gross new business was over EUR 270 million for the first time.
- Germany – stable growth curve: The acquired volumes grew well and now stand at around EUR 300 million.

PROMOTING TALENT

- BTV Marketing Trophy: For the BTV Marketing Trophy, pupils at the trade academies in Tyrol and Vorarlberg responded to the challenge of developing a marketing plan for a topic from one of three set themes and one of their choice. The BHAK school in Bezau was the winner, ahead of a strong field, of the 18th BTV Marketing Trophy.
- The private foundation BTV Dr Gerhard Moser and Peter Gaugg Talente supports selected graduates of trade schools in Tyrol and Vorarlberg with further training and education abroad. As well as their performance in the classroom, out-of-school activities are also taken into account.

* Awards and successes in the past do not guarantee success or continued growth in the future. More information at: www.btv.at/auszeichnungen.

BTV AND CULTURE

For BTV art and culture are important aspects of its social responsibility and form an integral part of the company culture. The BTV cultural spaces at the Innsbruck Stadtforum building – the Ton Halle, a concert venue with impressive acoustics, and the art gallery, the FO.KU.S – have become a favourite spot for those who love and appreciate high-quality art and culture. Both celebrated their 10th anniversary in 2016.

The Ton Halle is at its centre, the cultural core of the BTV Stadtforum building. Two leather-clad double doors lead to the acoustic heart of the building and open the room for moments of encounter, exchanges, perceptions, meditation and learning.

- BTV Three Kings concerts: Aaron Pilsan, one of the greatest living Austrian talents at the grand piano, plays to an enthusiastic audience at the Three Kings concert in the Ton Halle with a classic celebratory programme. At the Three Kings concert in Vorarlberg, the two internationally renowned musicians Avi Avital (mandolin, Israel) and Ksenija Sidorova (accordion, Latvia) offer a programme „Between Worlds" of international music – from Romanian folk dances to Astor Piazzolla – at top level.

- toninton 2016: In spring the Ton Halle will once again this year resound to the toninton series of concerts. Full of passion and enthusiasm, Oriental, Andalusian, Californian and Balkan – always excitingly jazzy and global fusion. There will be fun evenings with the French double-bass player Renaud Garcia-Fons, the German jazz singer Lisa Bassenge and the lively Balkan-Groove-Duo Catch-Pop String-Strong (Serbia, Kosovo).

- The BTV Autumn Concert has been taken over by the Hamburg musician Lambert, the masked pianist, with his musical lovesong to the night, „Stay in the Dark".

FO.KU.S – PHOTO ART IN THE STADTFORUM

The FO.KU.S primarily presents international photographic art, but also applied photography from the areas of industry, architecture and advertising. The images by famous photographers invite you to reflect on all things photographic.

- Joakim Eskildsen: The exhibition year at FO.KU.S starts with the exhibition of works „A world I can believe in“ by this young Danish photographer who, with his serial long-term studies that bridge art and reporting, pathos and empathy, tries to find images of a world in which we can still believe.

- Gianni Berengo Gardin: In the summer exhibition FO.KU.S is offering a retrospective of the work of this master from the 1950s until today. Gardin is the poet of Italian photography and had a decisive impact on Italy‘s post-war image.

- Luca Campigotto: This photographer, born in 1962 in Venice, focuses on the visual power of large-scale landscapes and spectacular cityscapes, which draw you in. FO.KU.S will be showing a selection of his work in the autumn in the exhibition „Wildland and Cityscapes“.

- Heinrich Kühn: On the 150th anniversary of the birth of the most important photographer from Tyrol, FO.KU.S is devoting an exhibition of his work to this pioneer of art photography with works from the collection of the Folkwang Museum in Essen, which offers an unusual insight into his amazing work.

History and strategy

Bank for Tyrol and Vorarlberg. And Southern Germany.
And Vienna. And Switzerland. And Northern Italy.

Over 112 years BTV has grown from a regional bank into the BTV VIER LÄNDER BANK.

The history of the Bank für Tirol und Vorarlberg AG began on the 8th of April 1904. On this day, the imperially and royally appointed Allgemeine Verkehrsbank in Vienna received approval to set up a stock corporation from the Austrian interior ministry. The bank bought the two banking houses „Payr & Son-vico" in Innsbruck and „Ludwig Brettauer sel. Erben" in Bregenz. The first directors of the new company were the former company directors Hans Sonvico and Ferdinand Brettauer. Entry into the commercial register on the 18th of August 1904 was then only a formality – the ‚Bank für Tirol und Vorarlberg' was born. BTV experienced strong business expansion in its early years. Numerous branch openings in North and South Tyrol and in Vorarlberg were the visible signs of growth. BTV's reputation among the population and in economic circles grew from year to year – BTV quickly established a firm place for itself.

„With a consistent, customer-focused strategy, BTV has succeeded in overcoming all of the crises in the global and financial economy."

The wonder of the Inn

At the end of the First World War, the European borders were redrawn and South Tyrol given to Italy: whereupon BTV had to close its South Tyrolean branches in 1922. Like Germany, Austria suffered from galloping inflation which had fatal effects for the Tyrolean and Vorarlberg economy. The population stormed the banks to remove their savings deposits. Unlike most of their competitors, BTV was able to pay the savings deposits to its customers immediately and survive these difficult times. BTV's company philosophy, which still applies today – of not making any risky speculations on financial markets – has proven itself. Due to its conservative business policy, BTV was the only regional joint stock bank to survive the economic crisis and even emerged stronger from the 20th century due to the targeted takeover of domestic banks. The Austrian press recently hailed BTV as the ‚Wonder from the Inn'.

Economic boom

After the Second World War, gradual economic stabilisation created the financial foundations for reconstruction. By granting credit to regional companies, BTV specifically boosted the domestic economy which was then experiencing the „golden" decades. In 1952, new associates joined BTV in the form of the Bank for Upper Austria and Salzburg and the Bank for Carinthia and Styria. Today, Oberbank, BKS Bank and BTV together form the 3 Bank Group. It stands for a voluntary union oriented towards democratic principles, which is more than ever considered an important partner of the domestic economy. For all three banks, this cooperation is a central component of their autonomy and independence.

True customer proximity

The BTV branch network was greatly expanded under the two executive boards of Dr Gerhard Moser and Dr Otto Kaspar in the 1970s and 1980s of the 20th century. With this step, BTV successfully made its endeavour „to be close to the customer" and „to expand into the regions" a reality. The personal relationship between the customer and employees was and is a central success factor for BTV. Since 1986, BTV has been the only Austrian regional bank to be quoted on the Vienna Stock Exchange - ‚a giant leap for the alpine inhabitants', in the eyes of the Tyrolean artist Paul Flora, who has captured this important event for BTV in his pictures.

BTV is a market leader in corporate and retail client business in its key markets of Tyrol and Vorarlberg. However, as one of the highest revenue banks in Austria, BTV also seizes the opportunities provided by contemporary Europe. In 1989 the company expanded to Vienna, and in 2004, its 100th year of existence, it opened its first foreign branch in Staad am Bodensee in Switzerland. BTV was successfully launched onto the market in Bavaria, Baden-Württemberg, Germany and South Tyrol, Italy in 2006. With its new brand name BTV VIER LÄNDER BANK (the Bank of Four Countries), which was introduced in 2011, BTV is demonstrating a pledge: namely,

Today as then: a bank from the region, for the region.

that its commitment in all four countries is sustainable and profitable. Thus, today BTV's heart is not only beating in Tyrol and Vorarlberg, but also passionately in Vienna, Bavaria, Baden-Württemberg, Switzerland and Northern Italy.

In focus: BTV's clients

BTV's clients are at the heart of its strategy. Building on their needs and desires, customer-friendly innovations are developed on an ongoing basis. With entrepreneurial spirit, BTV focuses on above-average performances, thus securing its long-term autonomy. Because of the mergers in the banking sector in past years, this autonomy has become an extraordinary advantage which is becoming ever rarer. BTV generates profits, has its outgoings in hand and masters technology to reinforce and further expand a good asset basis.

Offering tailored solutions

Whether it involves investment, financing or other financial services – BTV's performance and above-average commitment impresses its clients. BTV's clients value the tailored solutions and competent advice. As well as its wide range of banking products, BTV subsidiaries, holdings and cooperations also provide other bank-related services such as leasing or insurance. Many banking partners are available to BTV for international transactions. BTV is also the official representative in the German Chamber of Commerce and the Switzerland-Austria-Liechtenstein Chamber of Commerce in Tyrol and Vorarlberg – a service that is very much appreciated by our export-oriented corporate clients.

Approaching and listening to clients

BTV is a regional service provider specialised in handling money. This is apparent from solutions which are individually tailored to the customer and first and foremost from the highly qualified employees who, with their specialist expertise, constitute BTV's most important possession.

The customer structure primarily comprises family-owned medium-sized companies and demanding retail clients. Fulfilling their needs and desires in the best possible way – that is what is near and dear to BTV. BTV employees therefore actively approach clients, not only to inform them but also to discover their needs. BTV wants to remain in business, not make business. Our task, which we fulfil prudently and sustainably, is not to maximise profit but to secure BTV's autonomy. BTV's clients benefit from this, especially in times like these.

„BTV's heart beats not only in Tyrol and Vorarlberg today, but also in Vienna, Southern Germany, Switzerland and Northern Italy."

GROUP

Corporate clients

The BTV VIER LÄNDER BANK focuses on professional assistance to medium-sized, export-oriented and owner-managed businesses in Austria, German-speaking Switzerland, Bavaria and Baden-Württemberg and South Tyrol.

BTV VIER LÄNDER BANK has its roots in Tyrol and Vorarlberg. It has been serving customers in Vienna since 1989, in Switzerland since 2004 and in Southern Germany and South Tyrol since 2006. As a result, the existing competence in the cross-border business is further enhanced and expanded.

Independent and autonomous financial partner in four countries

BTV has always stood for independence and autonomy. The balanced and stable shareholder structure enables BTV decision-makers to make all important decisions locally, for the benefit of their clients, without external influence. The relationship with corporate clients, the understanding of their business models and prompt decisions are a key part of the strategy.

As a universal bank, BTV supports its small to medium-sized corporate clients in all the financial transactions relevant to them in the strongest economic area of Europe. From Innsbruck to Bregenz, Zurich, Stuttgart, Munich, Nuremberg, Vienna and to South Tyrol, BTV uses a wide network of partners – accountants, local business promotion agencies, national funding agencies in the field of investment and foreign trade, chambers of commerce and banking partners. BTV advisors and experts also make their sector-specific know-how available to corporate customers for consultancy services such as market analyses, market building and expansion, as well as for the professional support of businesses for urgent funding or setting up collaborations. As the Tyrol and Vorarlberg representative for the German Chamber of Commerce in Austria (DHK) and the Switzerland-Austria-Liechtenstein Chamber of Commerce (HKSÖL), international networks can be utilised in the interests of BTV clients.

„We link more than 8,000 companies and entrepreneurs and provide cross-border solutions."

Highly qualified and experienced staff

BTV not only invests in the specialised further education of experts, but also in the sector-specific and regional training programmes for its corporate customer advisors. Through the continuous further training of BTV staff it is possible for them to recognise current developments and opportunities at an early stage. They can then actively support customers with input. This makes BTV advisers and experts genuine discussion partners for operational and strategic decisions in SMEs. In this context, the best possible, understandable and outcome-oriented advice and support for medium-sized industrial, commercial and tourism businesses have the highest priority for BTV corporate customer advisors and experts. In addition to advising on typical finance and investment instruments, we are on hand with help and advice to answer any questions whatsoever regarding possibilities for enterprise investment, foreign trade deals, company succession planning, company pension scheme, cross-border operations, tailored structuring of financing and investment instruments, interest and currency hedging as well as cash management and leasing arrangements.

Thanks to the cooperation with large national and international companies as well as with institutional market participants, new services can be continuously developed and implemented. Based on this principle of a linked-up consultancy approach, BTV VIER LÄNDER BANK has for a number of years provided its customers with an ideal platform to bring the most diverse and partly complex topics - from financing, interest rate and currency risk to asset and receivables management - in line with the relevant strategies of the companies concerned and the current situation in the financial markets.

Payment processing

BTV experts from the Payment Processing and Support department can inform and advise customers on subjects such as cash management, debtor and creditor management, about payment options in the future, e-commerce or the logistics of cash transportation. In the last year, across the whole BTV market area, for the first time a total of over 20 million transactions were processed. Since 2000, the number of transactions has been increased by well over 50%.

Support for private enterprise

For many years, BTV VIER LÄNDER BANK has been offering small to medium-sized companies in particular the best possible support and active guidance when applying for enterprise investment. State, regional and other institutions such as aws (Austria Wirtschaftsservice GmbH), the ERP Fund, the ÖHT (Austrian Hotel and Tourism Bank) or the KPC (Kommunalkredit Public Consulting) award grants under certain conditions in the form of one-off grants, low-interest loans, interest subsidies or liabilities.

In Germany, the funding occurs through funding agencies mainly through the awarding of low-cost fixed-interest loans. BTV is accredited for the award of development loans by both the German government funding agency (KfW) as well as the relevant bodies of the federal regions (Länder) in which BTV operates (LfA Förderbank Bayern and L-Bank). BTV experts assist with development projects in Germany as well as cross-border and international projects that impact Germany or Bavaria or Baden-Württemberg. They have many years of experience at different levels in Austrian and German development funding.

BTV export solutions

For decades, BTV VIER LÄNDER BANK has placed special value on service and support to export-oriented companies. Its broad range of services and its international network of correspondent banks for foreign trade are constantly updated by BTV employees in line with the needs of their corporate customers. In the last few years, covering customers‘ business transactions using bank securities and bank guarantees has been much in demand, leading to a clear increase in volume.

Investment financing once again rose across all of BTV.

BTV experts have many years of experience in the professional deployment of financing and hedging instruments in the export and import business. Through the support of many companies, with a lively foreign trade, BTV staff are thoroughly familiar with the requirements of a wide range of industries and markets. This is also the reason why BTV VIER LÄNDER BANK has the largest market share in export financing to medium-sized businesses in Tyrol and Vorarlberg.

Retail clients

The search for lucrative investments which are, at the same time, stable in value presents a challenge in times of extremely low interest rates. BTV provides its customers with lasting solutions.

The Bank für Tirol und Vorarlberg AG has expanded in the past decade beyond the borders of its core markets of Tyrol and Vorarlberg and evolved into the BTV VIER LÄNDER BANK. The needs remain the same: highest quality, closeness to customers, confidence and the responsible handling of clients' money determine the BTV strategies. Cross-border opportunities must be utilised and the regional anchoring ensures optimal solutions as well as short and swift decision-making procedures. BTV's independence and autonomy provide a considerable benefit: the account managers only offer solutions which meet with clients' benefits and are comprehensible.

Tried-and-tested principles lead to success – BTV strategic investment

There is no patent formula – just as every individual is different, the same applies to investments. Just as every person has different personal circumstances, expectations and estimations of risk, they have one element in common: you always need to follow a certain strategy to invest successfully. The BTV investment strategy is in line with the needs and requirements of clients and provides a wide range of investment forms, from flexible savings products and custody accounts to asset management. That's because the correct combination must initially be found by customers and account managers and then consistently implemented. Continuous active management ensures success.

„Highest quality, closeness to customers, confidence and the responsible handling of clients' money determine the BTV strategies."

Good performance for BTV asset management

2016 was marked by several political events. The main event on the markets was marked by the pain following Brexit and also the presidential elections in the US. All these events tied into increasing volatility on the capital markets. A diversified portfolio approach weighing up the risk and reward aspects once again proved its worth during this phase. BTV Asset Management was able, despite the turbulent market environment, to achieve a rewarding increase in value for individual clients. The responsible concept, which is underpinned by transparent components and a high degree of flexibility, also resulted in a substantial net inflow.

Intelligent investment products in a low-interest rate environment

The extremely low interest rates require creative investment products to invest profitably and securely. The creation of money market and capital market floaters with lower interest limits enables investors to benefit from increases in the interest rate while having a minimum coupon in case of stagnating interest rates. With the subordinated BTV loans, customers benefit from the higher return and make long-term investments in BTV. With the BTV issues mix, with the help of the aforementioned BTV bonds, we can deal individually with the requirements or expectations of the customer. With the Dynamic Strategy asset management in Swiss francs, customers can take advantage of the Swiss franc as a crisis-proof currency. In addition, customers can diversify according to currency and location (BTV Switzerland). BTV's consultancy mandate also offers highly individual advice, together with professional support from BTV experts, for volumes over EUR 1 million.

With the BTV fund plan, customers can decide on the strategy for building up their assets – they invest monthly in the asset management's philosophy.

Residential construction financing

In 2016, BTV was able to significantly increase the level of new business in residential construction. Our specialist experts in residential construction, with years of experience, work with the customer to develop a bespoke financing approach. In addition, a new dedicated team has been successfully created, which also looks after winning new customers through our networks. Constant contact with our customers with existing foreign currency financing has also continued to prove its value. They have been able to reach agreements with many clients to reduce the foreign currency liability and therefore the risk for our customers considerably.

Payment processing – New start is imminent

In a market sector which is increasingly regulated and highly competitive it is more important than ever to keep the focus firmly on the clients, and to meet their needs. In 2016 the main challenge was to transform the duty to implement rules in compliance with the law into a choice of customer-friendly solutions. We achieved this successfully because we grasped the opportunity behind the changes to requirements to completely overhaul our payments processing business model. Therefore, last year we not only managed to improve what we already had, but also to lay down a marker for the future. In 2017, BTV will move even further ahead of the competition with new services and new ideas, and will be breaking new ground. We know in our hearts: no-one is inspired by pure technology, it is just a given. We inspire our customers with a broad range of solutions that deliver benefits that everyone can combine à la carte to suit their personal life situation. We will invest our energy in extending our lead in the area of individuality and innovation still further.

To do our absolute best for our customers we are more than ever investing in a network of strong and innovative partners who help us to develop and implement our plans. We do not see the many Fintechs in the market primarily as a threat, but rather as an inspiration in competition for the best ideas.

„Independent of the bank opening times, the account managers are very much there for the customers.“

Focus for 2017: investing in BTV

For 2017 BTV plans to step up its expertise in all four of its markets – Austria, Switzerland, Germany and Italy. This widespread expertise is underlined from top events to trends on the international financial markets as well as regional specialist and networking events. BTV will run a marketing campaign from a position of strength in all markets.

Institutional clients and banks division

A strong network of national and international bank partners creates a solid basis for the client business.

The expansion of our networks to international banking partners was also a core focus of the BTV Institutional Clients and Banks division in 2016. To this end, the business area again invited banking partners to an information and networking event in Vienna.

BTV clients therefore have the possibility of benefiting from financial services from many markets – whether in payment transactions, financing or interest and currency hedging. These contacts and networks with foreign partner banks are also helpful for clients who are expanding into new market areas and are wanting to benefit from BTV's experience and know-how.

„Great flexibility due to a strong network of partners."

Within the framework of the overall management of the bank, the Institutional Clients and Banks business area plays an essential role in relation to the anticipated liquidity management. Due to the demanding market environment, intensive contacts with monetary trading partners are the basis for sound liquidity management. The management of Institutional Clients and Banks thereby underpins the activities of the business area.

Owing to the merger of the money market business and the management of institutional and banking clients, synergies are consistently exploited in this business area, and the sales focus further strengthened. In 2016, we once again succeeded in acquiring new money market partners, thereby broadening the investor base. Through this sales-oriented strategy, the business area provides the BTV client and own account business with even more flexibility.

The emphasis in providing bank support is in the BTV market regions in Austria, Germany, Switzerland and Italy. Via these four countries, BTV maintains relationships with banking partners in all of the regions that are significant for BTV clients.

Vienna

Location:
- Albertinaplatz

Since 1989, BTV has had a location for retail and corporate clients in the heart of the federal capital of Austria. The personal commitment and the specialist expertise of our employees are impressive – customers benefit from BTV's independence, rapid decisions and tailored solutions. BTV staff orient themselves to the various phases of their client's life; the service packages grow to meet their requirements. Thanks to our extensive market area, BTV customers also benefit from cross-border solutions from a single source.

Private wealth management

BTV operates the traditional, exacting private bank business in Vienna: distinguished by great commitment and a service culture. Innovation, discretion and continuity are top priority. Comprehensive knowledge of client requirements is crucial for BTV's investment recommendations. Independence in product selection, the solidity and individuality of our advice characterise a profile that distinguishes BTV from rivals on the Vienna market.

Corporate client competence

BTV has 112 years of experience and tradition in the corporate client business as a commercial bank. In Vienna, BTV offers the entire service package, with the focus here also being on advising small and medium-sized companies. In addition to the traditional medium-sized and large company business, in Vienna BTV has specialised in financing property projects in privately financed residential construction, and old people's homes, as well as succession management and the transfer of companies to the next generation. BTV's has wide-ranging expertise in many sectors, including, for example, city tourism. Collaboration with BTV Leasing allows bespoke financing solutions to be offered. Our employees are mobile: Whether at BTV's offices in Albertinaplatz, or on site with the customer, what matters are the best solutions for all the issues involved in corporate business.

Southern Germany

Locations:
- Nuremberg
- Garmisch-Partenkirchen
- Memmingen
- Munich
- Ravensburg/Weingarten
- Stuttgart

BTV, with its typically Austrian service mentality, represents stability in management and in its business model. This is no longer the norm at a time when the German financial sector is undergoing major upheavals. Every business contact represents a responsibility that BTV deals with very carefully.

Safe money investment

In Southern Germany BTV offers service packages for wealthy private clients. Through tailored investment strategies, demanding customers find what they are looking for. Growth in value in line with the approach „investing not speculating" and many international awards* confirm BTV's competence in asset management.

In-depth expertise for medium-sized companies

Client needs are the focus of BTV's interest. BTV employees therefore not only understand business models and have expert knowledge, but they also stay in close touch with their customers: the concept of mobile sales means that BTV advisors visit clients at their premises. The branch network is therefore concentrated on locations with good transport links in selected conurbations.

Utilising networks

In its 112 years as an independent finance partner, in its corporate business BTV has always focused on export-oriented, owner-managed SMEs. BTV's solutions go beyond traditional banking business: BTV employees see themselves as genuine sparring and network partners. As an integrated financing partner, BTV can also offer leasing solutions via its own leasing company.

* Awards and successes in the past do not guarantee future success or continued growth. More information at: www.btv.at/auszeichnungen.

Switzerland

Locations:
- Staad am Bodensee
- Branch office Winterthur

BTV has been present in Switzerland with a full bank licence since 2004. Our clients are enthused by employees who think and act like entrepreneurs, with expertise in four countries (in addition to banking business in Switzerland they are also familiar with it in Austria, Germany and Italy). Integrated solutions, which are sometimes cross-border, offer BTV's clients in Switzerland added value which is crucial for the success of innovative and future-oriented business activities.

A bank for private investors

The team that looks after private customers is specialized in customers who want to invest a part of their assets outside the EU, and so diversify them. Given our full banking licence, customers in Switzerland benefit from full deposit protection. The personal on-the-spot advice and the extensive BTV network are things that customers value highly.

Comprehensive offer for corporate customers

In our corporate business, experienced banking specialists from Switzerland, Germany and Austria advise especially owner-managed, export and growth-oriented companies. This combination guarantees a cross-border fertilisation of expertise and philosophies.

„Four countries, one bank. This is invaluable to BTV clients, especially in payment transactions."

Optimum finance solutions

The range of services available for corporate clients is targeted on the requirements of successful small to medium-sized businesses. It comprises solutions for the operational settlement on Switzerland, Austria and Germany as well as investment, growth and export funding. The active management of available liquidity, flexible, four-country compatible payment instruments and active support for company succession management round off the BTV corporate client offering.

Comprehensive export assistance

In representing the Chamber of Commerce for Switzerland, Austria and Liechtenstein, BTV also supports companies in international trade with a broad service offering of network partners which are specialised in cross-border solutions.

Northern Italy

Locations:
- Innsbruck (BTV Stadtforum)
- Lienz

A high degree of expertise and short distances – this is how BTV convinces its Italian customers too. Customer service takes place from the Stadtforum in Innsbruck and from BTV Lienz.

Private customer advice in South Tyrol and Trentino

The focus on client service lies in the high-quality investment consultancy and asset management. With their special know-how and experience, BTV investment experts are in a position to develop specially tailored solutions for the respective requirements and objectives of the client.

Diversification through different legal systems

In the past few years, the lowest interest level led to an increased need for the distribution of assets. In addition to the diversification in various asset classes, BTV clients increasingly also rely on country distribution due to the economic and financial challenges of individual countries. This means that they are taking advantage of the opportunity of spreading their assets across several countries, each with a stable legal system.

Top consultancy in your mother tongue

A particular plus of BTV's customer advice is that our investment experts are multilingual. This is especially welcomed and valued by our Italian-speaking customers - as are the outstanding skills and flexibility BTV advisers bring to their work.

Corporate customer advice in South Tyrol

From Innsbruck, BTV supports leading small and medium-size businesses in South Tyrol, under Austrian law. Skilled advice and assistance, knowledge of exports and tourism, and regional roots mean that BTV is an especially attractive partner for medium-sized business in South Tyrol.

BTV Leasing

Since 1988, BTV Leasing has been providing bespoke solutions.

BTV Leasing GmbH – a fully owned subsidiary of the Bank für Tirol und Vorarlberg AG – is headquartered in Innsbruck. Since it was founded in 1988, it has been offering its clients individual support and assisting them with tailored solutions. BTV Leasing has greatly expanded in past years. This is reflected in the increase in both the number of customers and the total volume of business.

Asset management in a different way

Free liquidity is a valuable asset in any company. Using this for the pure ownership of a commodity binds up liquidity in the company assets. Leasing of investment goods increases the financial scope through intelligent use of the security inherent to the leased item. Consequently, it broadens the scope for investment planning. Leasing enables investments which preserve equity as it does not increase the balance sheet total. BTV Leasing features a high level of specialist know-how in the field of investment financing and in addition to the standardised leasing models; it also offers flexible and individual solutions. Models such as capacity leasing or shift-use leasing enable financing variants which are agreed with the particular customer. The optimum leasing financing depends on several factors, such as the use of the leased object, the replacement cycle, as well as the additional side benefits in taxation and balance sheet. BTV Leasing experts help you to make the right decisions in all matters.

Crossing borders

BTV Leasing advisors are acquainted with the particular features of the respective market. The product range extends from machines, production plants and cable cars via special solutions in the aviation leasing field to commercial property. Because of its competence in four countries, international solutions from a single source and with a single contact partner are possible.

Affiliates in Switzerland and Southern Germany

BTV has fulfilled the principle of regional roots - closeness to the market and identification with the region - by founding the two wholly-owned subsidiaries BTV Leasing Schweiz AG (2003) with its registered office in Staad and BTV Leasing Deutschland GmbH (2006) with its registered office in Munich. In the Tyrol office, in Staad, Winterthur, Ravensburg, Munich, Stuttgart, Vienna and, from 2015, also in Nuremberg, BTV Leasing staff are now available to provide BTV Leasing customers with their personal dedication and specialist competence.

2016 – a very successful year

Due to holding firm to strategic guidelines, it was possible to further extend the customer base – with habitually low risk costs. Through consistent market development, new business volumes were able to be expanded significantly. The company continued to expand in Germany and Switzerland. BTV Leasing is represented locally in all the major markets in Bavaria and Baden-Württemberg.

Using synergies

A further success factor of BTV Leasing consists of the cooperation with the BTV VIER LÄNDER BANK. The mutual support, especially in sales, results in lucrative business connections and comprehensive service bundles, which represent clear added value – both for the clients and also for BTV and BTV Leasing itself.

The BTV brand

Since it was founded in 1904, BTV has ploughed its own furrow. With clear values: independent and responsible to its customers. It only invests in businesses that BTV understands. True to its business philosophy „investing not speculating“.

„The fundamental values by which BTV has lived for 112 years allow forward-looking thought and action to flourish – which keeps the mind open. To both what is tried and tested as well as what is new“.

BTV‘s roots are in the Tyrol and Vorarlberg. Vienna was added in 1989, German-speaking Switzerland in 2004, and then Bavaria and Baden-Württemberg in 2006 to BTV‘s market regions. The South Tyrol corporate and retail customers are looked after from Innsbruck, as are retail customers in Trentino. BTV will only work in markets that it knows well. This applies both to regional customs and the legal situation. In these four countries, BTV is positioned to give its customers advice, assistance and cross-border solutions.

Provide direction

The BTV brand helps to give customers and employees the necessary direction. BTV employees guide their customers through the market areas of BTV towards potential partners and the best investment opportunities. BTV employees are responsible, think like entrepreneurs and are known for their friendliness. The customer is the top priority, we are proud to shake hands on the services we provide. This way of thinking and of treating our customers and colleagues as people we value, creates a strong basis for long-term collaboration. Persistent value and the way that BTV connects these markets complete the picture. Customer focus is also visible in the way BTV communicates as clearly as possible with the public.

Art and culture as a brand ambassador

We regularly offer events to support our customers in their wish to build up contacts and networks. These include, for example, the photo exhibitions in FO.KU.S or concerts in the Ton Halle. Since 2006 FO.KU.S has shown

This photo was taken by Berthold Steinhilber from Stuttgart. It shows the Stevio Pass in South Tyrol, and symbolises BTV‘s cross-border activity.

exhibited important works of photographic art in 42 exhibitions. In the BTV Ton Halle, over the same time period, there were a total of 78 concerts and readings related to art and culture. And when cultural events are held, BTV also displays its customary interest in high quality and professionalism.

Continuous development

As a service provider we see ourselves as required to keep rethinking processes and adapting them. BTV reacts dynamically to changing conditions, without losing sight of its own path. It has been valued for this ability and its constant prudent actions for 112 years now by both retail and corporate customers.

Management report

Economic environment

Despite all the turbulence, the global economy was able to continue with its recovery. In the eurozone the economic growth continued to be supported by the weak euro and the ECB's expansive monetary policy. A high balance of trade surplus and an improvement in domestic demand showed that the eurozone was on the right path. The rate of inflation rose again clearly into positive numbers and by the end of the year had reached 1.1%. The US also showed positive developments: although a victory by Donald Trump was viewed as a negative scenario prior to the presidential elections, it now appears that his economic plans and expansive fiscal policy measures and deregulation have been well-received. This sharply increased growth expectations in the US. In 2016 growth in Japan continued to be weak, and that country also still had to fight the threat of deflation.

Interest rates

Following high demand for „safe“ government bonds that led yields to fall to all-time lows in the first half of the year, during the second half of the year a clear movement towards recovery could be observed. The decisive factors here, alongside improved global economic outlooks, were the increases in inflation and interest rate expectations, mainly coming from the US. On the interest rate side, market expectations have already been met, since the FED decided in December to raise the main US rate from 0.50% to 0.75%. The greatest rise in interest rates was therefore seen in the US, leading to increases in yields around the globe, which affected both government and corporate bonds. In order to cap the rise of interest rates for European bonds, the ECB decided in December to extend the bond buying programme from March to December 2017.

Year-on-year, long-dated euro interest rates fell (-34 basis points to 0.66% for the 10-year euro swap). Money market rates (3-month Euribor) fell compared to 31/12/2015 by -19 base points to -0.32%.

Currency markets

Based on improved economic performance, the heavily undervalued euro was able to appreciate strongly against the Swiss franc and the US dollar in the first half of the year. In the second half, however, this trend changed. Political uncertainties allowed the „safe“ Swiss franc to appreciate against the euro. By intervening, the Swiss National Bank managed to prevent a sharp appreciation. The US dollar also appreciated during the course of the year. The EUR/USD exchange rate fell temporarily below 1.04, marking a 14-year low. The reason for this happening was the likelihood of rising US rates, with this expectation of a further rise in US rates already being fulfilled in December 2016. The increasing difference in interest rates between the US and the eurozone was apparently responsible for the US dollar's rise towards the end of the year. The Japanese yen weakened at the end of the year against the US dollar because of the general strength of the US dollar, and therefore also against the euro.

Equity markets

Developments on the international stock markets were volatile throughout 2016. While concerns about economic growth and turbulence on the Chinese markets created uncertainty among investors at the start of the year, and caused share prices to slump, the second half of the year, in contrast, was very positive on the world stock markets. Despite the uncertainties for economic policies, such as the US elections, the Brexit vote or the Italian referendum, shares continued to be seen relatively as being the most attractive asset class. Rising interest rate expectations and an improved economic outlook meant that investors gradually shifted their money out of bonds and into shares, over the course of the year. In relation to the US share markets Trump‘s planned macro-economic stimuli pushed prices upwards, and in the eurozone companies continued to be supported by the policies of cheap money and a weak euro.

The European Euro Stoxx 50 index made a gain of 0.7% over the year. Among the European indices, the German DAX and the Austrian ATX made very positive annual gains of 6.9% and 9.2% respectively. The S&P 500 in the US showed growth of not quite 10% and the Japanese Nikkei 225 rose by 7.4%.

Business trends

IFRS Group financial statements

The BTV Group financial statements have been drawn up according to IFRS regulations as well as the interpretations by the International Financial Reporting Interpretations Committee (IFRIC) as exempting consolidated financial statements as defined by section 59a of the Austrian Banking Act (BWG) in conjunction with section 245a of the Austrian Commercial Code (UGB). In establishing the present financial statements, all standards which were required for this financial year were applied. An overview of the standards and the accounting principles applied is provided in the Notes, from page 54 onwards.

Detailed explanations about risk management as well as descriptions of the relevant risks and uncertainties to which the company is exposed can be found in the Risk Report starting on page 94.

Analysis of business performance

The business activity of the BTV Group is analysed below having taken into account the financial and non-financial performance indicators which are most important for business activity:

Profit trend

In 2016, we saw the low interest rate period continuing. For banks, this represents a continuous and long-term challenge to their established business model. Companies have rarely seen more favourable financing costs, but demand for lending remains modest. In the prevailingly unstable environment, investments are considered carefully and if in doubt are pushed back to the future. The traditional saver, the cornerstone for receiving primary funds, is still confronted by negative real interest rates. The longer this situation carries on, the more likely it is that even strongly risk-averse investors will start looking for alternatives. In this situation BTV and their advisers view it as their task to focus on customer needs in order to jointly develop the best possible solution for the current situation.

After the one-off effects of the 2015 profits (especially the encashment of hidden reserves of the treasury securities), the results in the reporting year came in substantially lower as budgeted and as announced. The reduced earnings from financial assets compared to the previous year, and the fall in interest earnings led in 2016 to a reduction of EUR –99.0 million in profits before tax, of EUR 73.5 million.

The prudent risk policy of BTV once again paid

BREAKDOWN OF CHANGES IN PROFIT IN 2016	in EUR thousand
Net interest income	–16,915
Loan loss provisions in the credit business	–398
Net commission income	–1,674
Trading income	–2,970
Operating expenses	–5,908
Other operating profit	+1,603
Income from financial assets	–72,713
Annual net profit before tax	–98,975
Group net profit for the year	–74,951

off in 2016, reflected in continuing low levels of loan loss provisions. In detail, these remained at EUR 16.1 million, a very moderate level. On the other hand, there was a slight rise in administrative expenses, which increased by +3.6% to EUR 169.2 million. The earnings on other operations provided growth of EUR +1.6 million and were EUR 63.5 million for this financial year. Commission earnings were somewhat below expectations, and lower than last year, at EUR 47.5 million. Earnings on securities trading was at the heart of this, which was EUR –2.2 million below the level of the previous year.

Net interest income

The low level of interest rates in 2016 remained the main challenge for credit institutions. BTV was able to achieve the necessary growth in lending needed to stabilise interest earnings in this reporting year. The difference between interest earnings in 2016 compared to the previous year came primarily from the encashment of hidden reserves in the treasury shares in 2015. Net interest earnings excluding at-equity income fell by EUR –18.8 million to EUR 107.2 million. The earnings from at-equity valued companies rose to EUR 37.6 million, representing an increase of +5.2%. In total this meant recording a fall of EUR –16.9 million to EUR 144.8 million at the end of 2016.

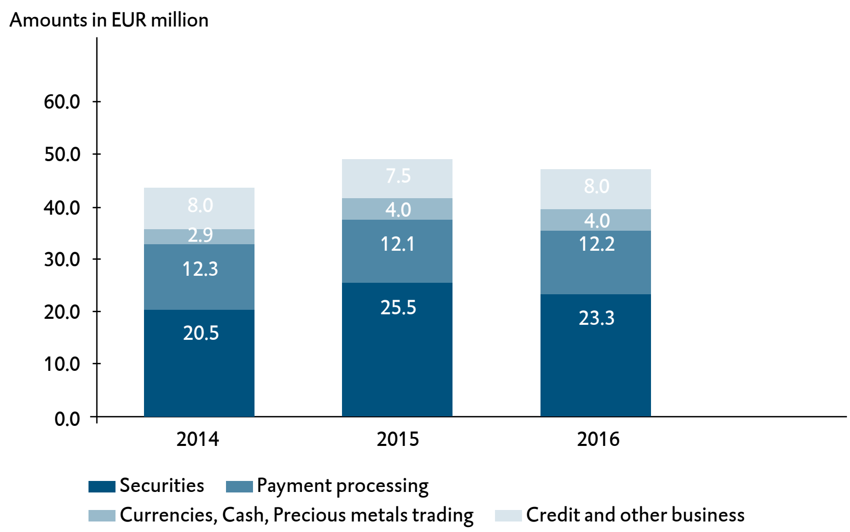
Loan loss provisions

The loan loss provisions in the credit business, the balance from inflows and reversals of loss provisions, including direct write-downs on receivables and income from debt that had previously been written off, rose in the reporting year by EUR +0.4 million to EUR 16.1 million. This again indicates BTV's sustainable and cautious risk policy. This status is also visible in the NPL ratio (non-performing loans ratio), the share of poorly performing customer loans compared to total customer loans; at 3.3% for 2016 it also remained low. The NPE ratio (non-performing exposure ratio), which compares the poorly performing credit risk volume to the total credit risk volume, was also low at 2.6%.

Net commission income

Given the low interest rate environment, and the associated pressure on interest earnings, the commission business is more and more a substantial pillar of business profits. In particular, securities trading plays a key part in this. At EUR 23.3 million, BTV earned the major part of its commissions in this area. The drop of EUR –2.2 million compared to the previous year results above all from the slow first few months. The mixed performance on the international stock exchanges at the start of the year, followed by very cautious investor action, could not entirely be cancelled out over the year. On the other hand, payment processing is taking on an important role among corporate customers. With EUR 12.2 million, stable earnings were achieved compared to the previous year's level. BTV increased its commission earnings from the lending business by +11.6% to EUR 6.7 million. It was pleasing that the foreign currency and precious metal business, which in 2015 did particularly well from the CHF, in 2016 grew again by around +2.5%. The picture was not so rosy for other services, where there was a slight fall by EUR –0.3 million to EUR 1.3 million. In total, the earnings from commissions finished at EUR 47.5 million, or a fall of EUR –1.7 million or –3.4%.

CHANGE IN NET COMMISSION INCOME 2014-2016



Trading income

Trading income, after an excellent year in 2015 fell back clearly by EUR –3.0 million to EUR 3.2 million. Earnings from currency and cash transactions fell compared to the previous year by EUR –1.2 million, income from derivative hedging transactions also fell, by EUT –1.8 million. Profits on security trading remained at the same level as the previous year at EUR 0.5 million.

Operating expenses

Administrative overheads rose compared to the previous year by +3.6% to EUR 169.2 million. The fully consolidated mountain railways and their earnings are very clearly recognisable in this item in particular. Material expenses and amortisation are therefore at an extremely high level for a bank. Expenditure on materials rose by EUR +3.0 million to EUR 50.2 million. Amortisation and depreciation, at EUR 27.2 million were EUR +0.3 million higher than in the previous year. Both these items basically are the result of events at Silvretta Montafon GmbH and Mayrhofner Bergbahnen AG. A level of EUR 91.8 million of staff costs means a rise over 2016 of EUR +2.5 million.

The number of branches remained unchanged compared to last year, at 36. For details, please refer to the back cover of this business report for the existing BTV branches.

Given that no independent and planned research was carried out, in order to uncover new scientific or technical knowledge, nor any development in preparation for commercial production, as in the previous year there were therefore no research and development activities carried out in the meaning of section 243 (3) line 3 of the Austrian Commercial Code (UGB).

Other operating profit

Other operating income rose by +2.6% to EUR 63.5 million. It must be taken into account that this item is affected by the income from the two fully consolidated mountain railway companies.

Income from financial assets

Following the exceptional earnings from financial assets in 2015, resulting from cashing in hidden reserves, this item returned to a more normal level in this financial year at EUR –0.1 million.

Taxes on earnings and profit

Besides the ongoing effect of corporation tax, the amounts recorded under „Taxes on income and profit“ relate primarily to the deferred taxes to be paid on accruals and prepayment adjustments, in accordance with IFRS. Tax expense at EUR 9.7 million was lower than the previous year because of the lower earnings.

Annual pre-tax profit and group net profit for the year

In total, with EUR 73.5 million in profits before tax, BTV can again look back on a successful operating year in 2016. After tax earnings of EUR 63.8 million were achieved.

Earnings per share

The earnings per share fell from EUR 5.45 last year to EUR 2.25.

For financial year 2016, the board will propose an unchanged dividend compared to last year of EUR 0.30 per share at the annual general meeting.

Balance sheet performance

The financial year 2016 was marked by political and economic uncertainties in the financial markets and their impacts on interest rate movements and general economic developments. These, by their very nature, also shaped our customers‘ decisions, with BTV acting as a stable partner by their side. A circumstance, which is positively reflected in the balance sheet.

CHANGES TO MAJOR BALANCE SHEET ITEMS IN 2016	in EUR million
Total assets	+587
Loans to credit institutions	–2
Loans to clients	+406
Financial assets including holdings	+1
Liabilities to credit institutions	+212
Primary investments including supplementary capital	+303
Equity	+71

Change in assets

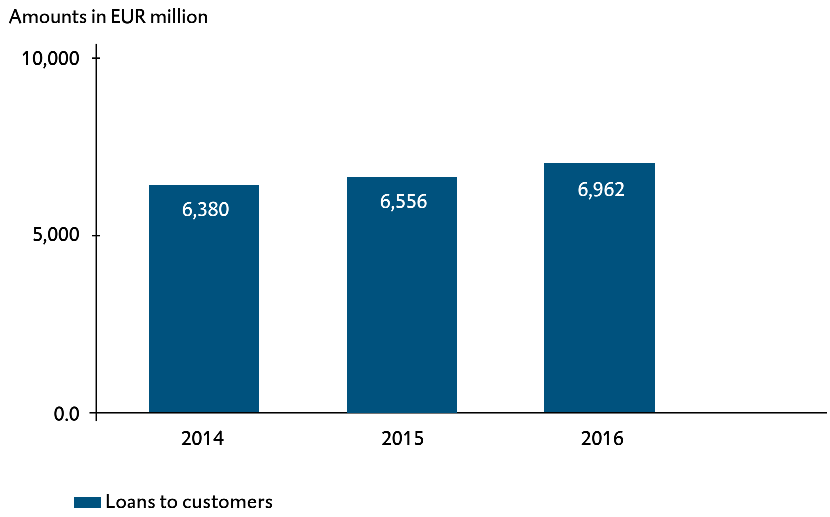
The total assets for BTV rose substantially in financial year 2016 by EUR +587 million. At EUR 10,014 million they exceeded EUR 10 billion for the first time.

Loans to customers contributed significantly to this growth. As already mentioned in the context of interest earnings, solid growth in the lending business is a necessity in order to be able to continue to guarantee a sustainable positive trend against the background of low interest rates. With an increase of EUR +406 million, or +6.2%, BTV can look back on a very successful year in this respect. Receivables from credit institutions are EUR 318 million and have fallen slightly by EUR –2 million. The existing level of loan loss provisions rose in 2016 by EUR +11 million or +5.6% to EUR 208 million. This rise was caused by somewhat increased additions to bad debt provisions.

For risk management objectives, methods and declarations regarding existing default and market risks, please see the detailed risk report starting on page 94.

The item „Financial assets and Shareholdings incl. securities held for trading“, rose in 2016 by EUR +1 million to EUR 2,122 million, after significant changes in the previous year.

CHANGES IN LOANS TO CUSTOMERS 2014-2016



Change in liabilities

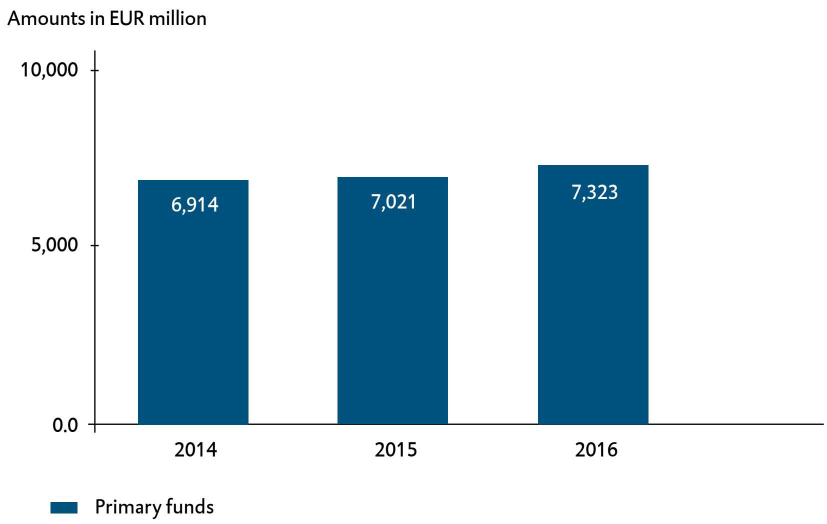
Given the assumption of fully focussing on customer business, BTV also applies the strategic principle that loans must be fully refinanced using primary funds. At the end of 2016, the volume of primary funds totalled EUR 7,323 million. This means growth of EUR +303 million or 4.3%. The loan-deposit ratio, the ratio between loans to customers after loan loss provisions to primary funds, at the end of the year was 92.2%. The growth is mainly attributable to the EUR +288 million increase in liabilities to customers, the classic customer deposits, i.e. savings and other account deposits. Securitised liabilities were increased by +7.1% or EUR +79 million. Subordinated capital fell by EUR -64 million.

Liabilities to credit institutions rose by EUR +212 million to EUR 1,194 million.

Security trading in 2016 could not exceed the extremely successful year in 2015, but came close to it. All in all, the volume of deposits rose by EUR +203 million or +3.6% to EUR 5,915 million. The total of customer deposits under management was a value of EUR 13,238 million or a rise of EUR +506 million.

The equity on the balance sheet grew by EUR +71 million to EUR 1,219 million.

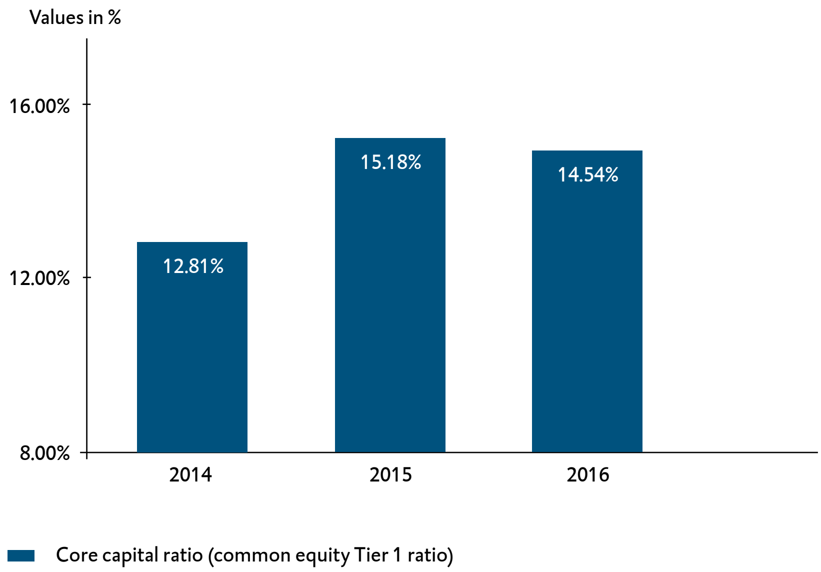
CHANGE IN PRIMARY FUNDS 2014-2016



Qualifying capital as per the CRR

The qualifying equity of the credit institution group amounted to EUR 988 million as at 31 December 2016, defined in accordance with Regulation (EU) No 575/2013 (CRR), in conjunction with the accompanying regulation of the Austrian Financial Market Authority (FMA), subject to application of the transitional provisions. Common equity (CET1) rose at the end of 2016 to EUR 975 million (EUR +24 million). Risk-weighted assets (RWA) rose by +446 million to EUR 6,709 million.

CHANGE IN CORE CAPITAL RATIO 2014–2016



In accordance with Regulation (EU) No 575/2013 (CRR), in conjunction with the CRR accompanying regulation of the FMA, subject to application of the transitional provisions, the CET1 ratio was 14.54% as at 31 December 2016 This value corresponds to the core capital ratio. The total capital ratio was 14.73%.

Sections 22 and 23 BWG formed the calculation basis until 2013, as from 2014: Regulation (EU) No 575/2013 (CRR), in conjunction with the CRR accompanying regulation of the FMA, subject to application of the transitional provisions.

The equity calculation for 2016 included retained earnings totalling EUR 15.606 million, subject to approval of the annual financial statements by the Supervisory Board on 31 March 2017.

Key indicators

The return on equity (RoE) on the basis of pre-tax annual net profit at the end of 2016, was significantly lower, falling by –9.67 percentage points to 6.21%. After tax, this amount fell further by –7.38 percentage points to 5.39%. The loan-deposit ratio (ratio of loans to customers after loan loss provisions to primary funds) was at 92.2%, after 90.6% last year. The leverage ratio (level of debt) at 9.1%, exceeded the minimum level required of 3.0% quite significantly. The cost-income ratio for the reporting year 2016 was 65.4%. The growth over the previous year of +6.80 percentage points is attributable mainly to the lower interest income combined with higher administrative overheads. This figure is significantly affected by the fully consolidated mountain railways. The risk/earnings ratio was 11.2% (previous year: 9.7%).

KEY INDICATORS in %

RoE before tax	6.21%
RoE after tax	5.39%
Loan Deposit Ratio	92.2%
Leverage Ratio	9.1%
Cost/income ratio	65.4%
Risk/earnings ratio	11.2%
Core capital ratio according to CRR	14.54%
Equity ratio according to CRR	14.73%

Events after the financial statement date

Between the end of the financial year and the creation and approval of the financial statement by the auditors there were no significant events relating to the business.

References to information in the consolidated financial statements

Detailed information on the financial situation (liquidity, equity position, cash flow statements), on the investment and financing area (balance-sheet structure, liquidity, debt ratio) are published in the Group accounts from page 50.

Corporate governance report

In 2002, the Austrian Corporate Governance Code (ÖCGK) was published for the first time. This Code stipulates the basic principles of good corporate governance and is viewed by investors as an important source of guidance.

The ÖCGK is publicly available on the website of the Österreichischer Arbeitskreis für Corporate Governance [Austrian Working Party on Corporate Governance] (www.corporate-governance.at), as well as on BTV's website (www.btv.at/de/unternehmen/investor_relations/corporate-governance-id1726.html). The Corporate Governance Report is also published on this website.

Compliance and anti-money laundering

Compliance

At the Bank für Tirol und Vorarlberg Aktiengesellschaft (BTV), employees undertake on joining to comply with the provisions of BTV's compliance code. This set of rules is based on the provisions of the EU Market Abuse Regulation, the compliance provisions of the Securities Supervision Act (WAG 2007), the Issuer Compliance Regulation (ECV 2007) together with the Standard Compliance Code of the Austrian credit industry. The aim of these measures is not only to prevent insider trading, market manipulation or market abuses, or to avoid conflicts of interest, but also to prevent or minimise all compliance related risks that could arise from the failure to comply with laws, regulatory requirements, non-legal recommendations or internal guidelines. To ensure compliance with these rules, Compliance Officers defined procedures and measures within the company that are regularly reviewed and documented. No infringements were found during the reporting period.

696 BTV employees have refreshed their knowledge by means of e-learning, and completed the final test. In addition, during the reporting year, 87 employees took part in classroom training courses in the different branches and areas, in order to ensure company-wide compliance with the provisions of the compliance rules and especially of the Securities Supervision Act (WAG).

Money laundering prevention

BTV's goal is to prevent any form of money laundering or the financing of terrorism within its business activities. For this purpose, various procedures and systems are set up within BTV in order to uncover unusual transactions and business cases, and to pass these on to the money laundering reporting authority if money laundering is suspected. The daily embargo and sanctions review, which is also enforced by the system, as well as the review of existing and new business relationships with politically exposed persons (PEP) were carried out according to the legal regulations.

532 BTV employees refreshed their knowledge using the money laundering e-learning and successfully passed the final test. 87 BTV employees participated in classroom training, with the focus on creating understanding of risky transactions and business cases, as well as the individual employee's responsibility for preventing money laundering and the financing of terrorism.

Non-financial performance indicators

As a service company, BTV defines its employees and a sustainable business policy as its most important non-financial performance indicators.

„Entrepreneurial, responsible and competent employees are key to the company's success."

The following information about the employees focuses solely on BTV Bank and Leasing employees and therefore on the fields of activity in BTV's core business.

Education and further training are of great importance to BTV – regardless of whether this for the support of new or long-serving employees. Because of this, BTV offers a large number of individual internal workshops, seminars and training sessions to assist employees in their personal and professional development and help them to be successful. The focus is on customer situations that need to be resolved based on needs – from meetings about product selection through to closing.

Thanks to a varied range of advanced training offered, our employees are given relevant and targeted training, while the attractiveness of BTV as an employer is also increased.

Independent learning

The focus of further development of training is in the direction of independent learning, that started in 2016 as part of the „World of Learning Gateway". Independent learning allows employees to configure their own training and further training themselves. Employees define the relevant training content for themselves, and decide which learning approach is suitable. Of course the students are not just left to their own devices, but are supported through the process by a learning coach.

Talent management

In 2012, BTV initiated an ambitious project: BTV talent management. This provides selected employees with a platform for improving their overall understanding of the bank, expanding their potential and their network, trying out different fields of activity and, ultimately, taking on more responsibility.

In 2016 the theme of Friendliness was made the focus of the talent programme. As part of this, the employees involved developed an approach to embedding this more strongly within BTV, and attaching emotions to it. For this, a primer was written and a film was produced. In a roll-out across the bank with 45 focus dates over several months, all BTV employees were then able to be involved in this topic, and the effects of a better than average friendly experience - on interactions and the work environment, as well as on customer satisfaction - was brought home to them, vividly and memorably.

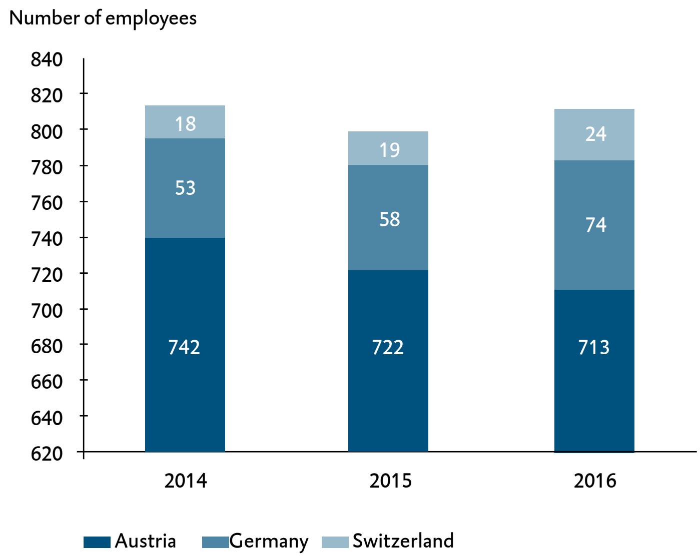
Sustainability

BTV sees economy, environment and society as one interconnected network of effects. Therefore we do our bit - on several levels. BTV is committed to a culture of sustainability, in order to secure material and intellectual resources for future generations. Economic and ecological interests do not have to be mutually exclusive - we are the proof of that. As a commercial enterprise, BTV moves in a demanding field of different interest groups: shareholders, employees, customers and the wider public. Through acting in a socially oriented manner and optimal usage of resources, BTV manages to satisfy the varied demands from both an ecological and economic point of view. A respectful and fair interaction with society and environment is at the heart of our actions. The eco-efficient senior management attaches importance to a consistently sustainable banking business at all levels. BTV reduces environmental pollution created in the course of its business activities by consistently monitoring consumption data. Special attention is paid here to the reduction of energy consumption and conservation of resources. For procurement, BTV gives preference to environmentally friendly, recyclable products. Especially in the case of new constructions or renovations, BTV looks for both ecological and economic added value: energy efficient heating systems, heat insulation, lighting etc. that help both the environment and the budget.

The fact that BTV takes sustainability seriously is clearly reflected in its banking products. Thus the 3 Banken investment company offers the 3 Banken Nachhaltigkeitsfonds (sustainability fund), which complies with the specific needs of ethically oriented investors. The fund only invests in companies which contribute to a long-term sustainable ecological and social economic development. Issues such as water, renewable energies or health are particularly strongly represented.

CHANGE IN EMPLOYEES (BANK AND LEASING)	31/12/2014	31/12/2015	31/12/2016
White collar	813	799	811
of which managers	114	115	117
Average age (in years)	39.26	40.29	40.35
Average length of service (in years)	12.51	13.18	13.05
Part-time working ratio (%)	17.48	16.17	17.26
Turnover rate (%)	12.78	12.27	12.68
Health rate (%)	51.84	54.63	55.95
Female quota (%)	45.04	44.59	44.04
Average number of training days per employee	7.0	4.1	3.9
Investment in training per employee (in EUR)	1,031.1	704.5	554.8
Employees in talent management	35	32	24
Applications	1,218	1,149	1,017
Accepted	115	77	100

EMPLOYEES BY COUNTRY (BANK AND LEASING) 2014–2016



MANAGEMENT REPORT

Reporting on the significant features of the internal control and risk management system with regard to the accounting process.

As required by section 243a para 2 of the Austrian Commercial Code (UGB), the most important characteristics of BTV's internal control and risk management system with regard to the accounting process are cited below.

BTV's Board of Directors is responsible for the implementation and organisation of an internal control and risk management system corresponding to the requirements of the group, in relation to the accounting process. This report provides an overview of how the internal controls are regulated in relation to the accounting process.

The following explanations follow an opinion of the Austrian Financial Reporting and Auditing Committee (AFRAC) on drawing up the management report required under Sections 243, 243a and 267 of the Commercial Code (UGB) of March 2016, and also the tasks of the Audit Committee as laid down in Section 63a of the Banking Act (BWG). The description of the significant characteristics is structured pursuant to the framework concept of the Committee of Sponsoring Organisations of the Treadway Commission (COSO).

Accounting (bookkeeping and presentation of the accounts) and its associated processes, as well as the associated risk management, fall within the Finance and Controlling area (in the Reporting and Presentation of the Accounts, and the Tax and Accounting teams, as well as the Risk Controlling team). Regular and legally prescribed checks are carried out by the Internal Audit department.

The primary tasks of the internal control system and of the risk management system are to inspect all accounting-related processes and to identify, analyse and constantly monitor the risks affecting the correctness and reliability of the bookkeeping, and where necessary, to adopt measures to ensure that the company's goals can be achieved.

Control environment

In addition to compliance with legal provisions in Austria, Germany and Switzerland, the principles of conduct defined by BTV are given priority. Emphasis is also placed on observing BTV's corporate governance principles and on the implementation of its standards.

For the overall control environment, descriptions of jobs with their associated competences and allocated areas of responsibility exist for the entire department, with corresponding training pyramids for the optimal further development of employee expertise. In this way, it is also possible for innovations to be included in the accounting process in a proper and timely fashion. The department employees have the necessary knowledge and experience at their disposal to work in accordance with their remits.
In order to comply with the prescribed legal provisions and relevant accounting standards, within BTV, accounting processes (IFRS and the applicable national accounting standards), in particular key processes, are supported by numerous guidelines, manuals, working aids and written instructions in the Finance and Controlling departments. These are regularly checked and updated where necessary.

Risk assessment

A catalogue of risks has been developed covering the significant and typical company business processes in accounting, with the identification of the most important risk areas. These are monitored with controls on an ongoing basis or reviewed and, where necessary, evaluated. Internal controls may provide an adequate degree of certainty of meeting these objectives, but no absolute guarantee. The possibility of mistakes when performing activities, or errors when estimating or applying scope for discretion evidently exists. Because of this, it is not possible to provide an unlimited guarantee that errors in the annual financial statements will be detected or prevented. In order to minimise the risk of a misjudgement, selective use is made of external experts and publicly accessible sources are taken into account.

Control measures

These activities include systemic controls, which have been defined by BTV and the IT providers (SAP, GAD, GEOS Nostro, Finanz-Logistik AG, PriBaSys AG with the Finnova program), as well as manual controls such as plausibility checks, the four-eyes principle (partly with the involvement of the regional manager or the respective team manager) or job rotation between the teams or in the division. As a supplementary safeguard of security within the systems, sensitive activities within BTV are protected through restrictive management of IT authorisations. These comprehensive control measures are backed up by internal handbooks, working aids, checklists, process descriptions and job descriptions with their associated areas of responsibility. In addition reconciliations and plausibility checks are performed on the data between the Accounting and Presentation of the Accounts and the Tax and Accounting teams on the one hand, and Risk Controlling on the other. This guarantees the accuracy and compliance of the data used in the risk reports and legal publications.

Information and communication

Timely and comprehensive reports on the most significant accounting processes and group activities are drawn up for the Board of Directors (in the form of monthly financial reports), for the Supervisory Board and Audit Committee, as well as for the BTV shareholders (quarterly financial reporting) with explanations as needed.

Supervisory measures

The supervision of the accounting process was guaranteed on the one hand, by the functional internal control system which is regularly updated (IKS), and on the other, by the independent internal auditing department of BTV (which reports directly to BTV‘s Board of Directors).

The head of department, as well as the responsible team leaders, carry out a supporting supervisory and oversight function for the accounting processes.

Additional supervisory measures to guarantee the reliability and correctness of the accounting process and its associated reporting are executed by the legally designated auditors of the group annual financial statements and the mandatorily appointed Audit Committee.

Shares and shareholder structure

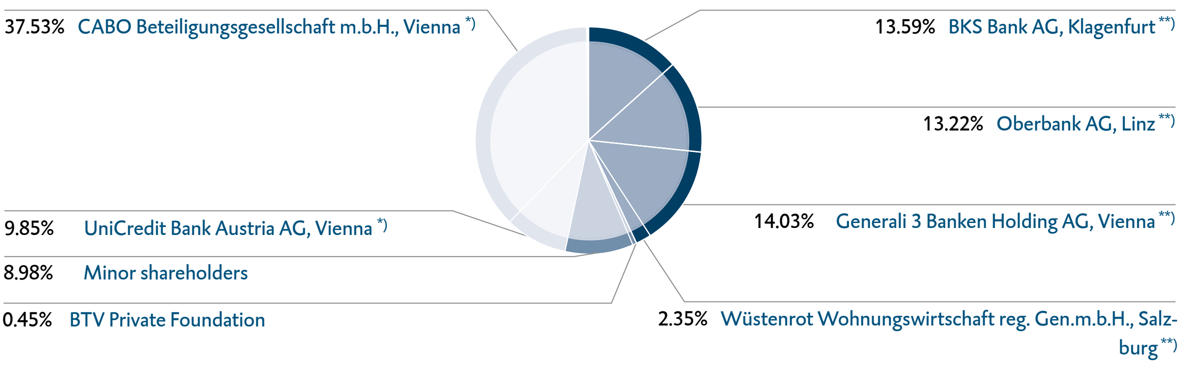
BTV is autonomous and independent.

The Bank für Tirol und Vorarlberg Aktiengesellschaft (BTV) has EUR 55.0 million in share capital (previous year: EUR 55.0 million) which is divided into 25.0 million ordinary shares (previous year: 25.0 million) and also unchanged since last year, in 2.5 million non-voting preference shares with a minimum dividend payable of 6% of its proportional share in the share capital.

In relation to the holding of own shares and the changes that occurred during the financial year, we refer to the information in the Notes.

The shareholders Oberbank AG, BKS Bank AG, Generali 3 Banken Holding AG and Wüstenrot Wohnungswirtschaft reg. Gen.m.b.h. form a syndicate. The purpose of this syndicate is to maintain BTV's independence, this being in the interest of the syndicate partners that BTV continues to evolve as an income and profit-oriented group. To achieve this goal, the partners in the syndicate have agreed to join forces to act jointly when exercising their rights as shareholders and purchase options.

BTV SHAREHOLDER STRUCTURE BY SIZE OF HOLDING

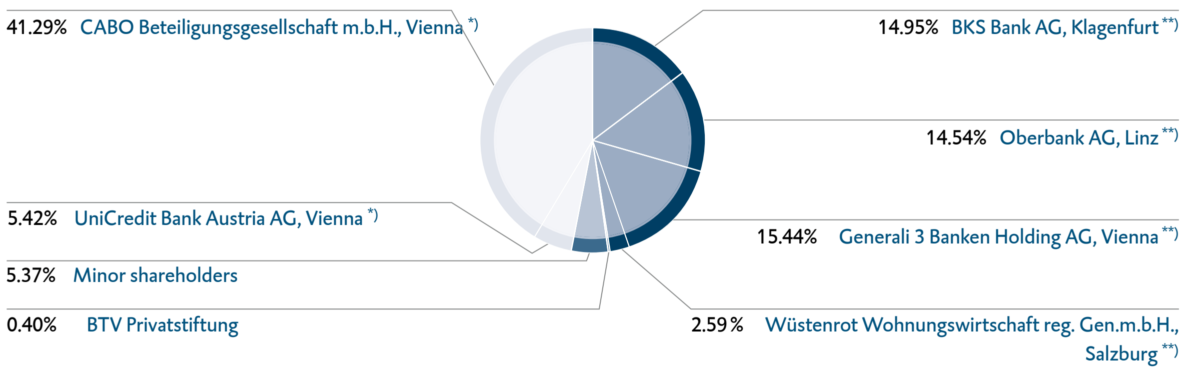


*) Affiliated group company
**) Shareholders who form part of the syndicate agreement

The employees of BTV hold a stake in the company in the form of BTV Privatstiftung [a private foundation]. The Board of Directors, the Foundation's Advisory Board and the auditors constitute the executive bodies of BTV Privatstiftung. The exclusive purpose of BTV Privatstiftung is to pass on, directly and in full, income from holdings in BTV or affiliated group companies. This provides a collective opportunity for active involvement by the staff of BTV both in shaping the company and in its success.

BTV is authorised, until 11 November 2018, to purchase its own shares, both for the purposes of securities trading and also for its own employees, senior managers, members of the executive board and the supervisory board, subject to the conditions that the trading balance of shares acquired for these purposes shall never represent more than five per cent of the share capital at the end of any day. On the basis of these decisions, shares may only be acquired when the value of each share is no more than 20% of the average of the officially determined unit price of BTV shares on the Vienna stock exchange over the three days prior to the purchase.

BTV SHAREHOLDER STRUCTURE BY VOTING RIGHTS



*) Affiliated group company
**) Shareholders who form part of the syndicate agreement

Outlook

BTV is assuming for its budget base scenario that there will be a moderately positive growth in the global economy. What remains uncertain is how the mood in the most influential markets will be affected by political events in 2017. After Donald Trump‘s victory in the US presidential elections, the actual course that American realpolitik will take is going to affect both the US position in its role as the world‘s largest economy and dominant culture and also global developments.

For the Austrian economy, after a weak year in 2016, with just +1.6% growth, rather stronger growth was budgeted for 2017. Willingness to invest will continue to remain modest, no real stimulus for growth can be expected here. Appetite for investment is one of the most important drivers for inciting a demand for credit from businesses. Private consumption on the other hand is expected to develop more robustly in 2017. This also has a positive effect on the low level of unemployment, which is expected to fall very slightly in 2017 from 5.8% to 5.6%. Another pleasant expectation is the inflation rate, which is expected to grow by +1 percentage point to 2.0%. The strongest driver of development last year, the low commodity prices, is not likely to play such a strong part in 2017.

For Europe, especially the countries in which BTV operates, a generally positive attitude is apparent. Slightly less positive is Germany, at least when we look at the forecasts. In contrast to the last few years, Germany appears to be stumbling in terms of forecasts for economic growth. Given the huge importance of stable growth in Germany for the European economy as a whole, at least the forecast level needs to be achieved. Switzerland, growing by +1.7% compared to 2016, is the strongest of the BTV markets, while Italy, with a rise of +0.8% in its gross domestic product is consistent with the same level as last year.

Consumer price developments for all three countries are estimated to be positive. Switzerland should find its way out of the deflation zone, even if the Swiss franc, regarded as a „safe haven“, will continue to be under pressure. For Italy and Germany, inflation rates of 1.1% and 1.5% are forecast, leaving both of them below the Austrian level, although also showing a clear acceleration in the rate of inflation.

The overall improving and moderately positive environment allows BTV to continue its successful growth strategy. In the corporate client business, the growth will be driven in particular by the expansion markets Germany, Vienna and Switzerland. The new branch in Mannheim will also help the existing branches in these markets to drive up the volume of customer borrowing. The strategic principle of fully refinancing customer loans by means of primary funds, will be retained in future.

Due to the low level of interest rates, securities will continue to be an interesting alternative for retail customers, even if performance on the equity markets is going to be volatile. Growth in managed client assets will therefore result somewhat more from the volume of deposits than from primary funds.

Interest earnings in 2017 are expected to be slightly higher than 2016 due to the increasing customer volumes. The budget for loan loss provisions will be higher again, after very low costs in the last few years.

Commission income is expected to be at the same level as the previous year. Securities trading should also prove to be a driver for growth. There will be relatively minor growth in the budgets for trading income and other operating results, costs will increase, mainly because of increasing staff costs.

Based on these developments, the profit before tax in 2017 is expected to exceed the previous year.

Innsbruck, 14 March 2017

The Board of Directors

Michael Perger
Member of the Board

Member of the Executive Board, responsible for retail customer business; 3 Banks Insurance Brokers Group; group audit; compliance and anti-money laundering.

Gerhard Burtscher
Chairman of the Board

Chairman of the Executive Board with responsibility for corporate business and institutional customers and banks; leasing; the areas of staff management; marketing; group auditing; compliance and anti-money laundering.

Mario Pabst
Member of the Board

Member of the Executive Board with responsibility for the back office; the areas of credit management, finance and controlling; legal matters and shareholdings; service centre; effectiveness and efficiency; property and procurement (HQ); group auditing; compliance and anti-money laundering.

Group financial statements

Group financial statements for 2016 under International Financial Reporting Standards (IFRS)

Group financial statements as at 31/12/2016

77 Balance sheet – Assets

Balance sheet – Liabilities

Details of the profit and loss account and segment and risk reporting

Board of Directors/Auditors/Supervisory Board

3 Banken Group

Notes to the Balance Sheet - Other and supplementary notes

Balance Sheet at 31 December 2016

ASSETS in EUR thousand	31/12/2016	31/12/2015	Change absolute	Change in %
Cash reserve [1] [Reference to Notes]	316,527	146,757	+169,770	>+100%
Loans to credit institutions [2]	318,185	319,764	–1,579	–0.5%
Loans to customers [3]	6,962,087	6,556,443	+405,644	+6.2%
Loan loss provisions [4]	–207,890	–196,882	–11,008	+5.6%
Trading assets [5]	18,762	25,104	–6,342	–25.3%
Financial assets – at fair value through profit or loss [6]	133,248	149,957	–16,709	–11.1%
Financial assets – available for sale [7]	1,434,553	1,477,027	–42,474	–2.9%
Financial assets – held to maturity [8]	0	0	+0	+0.0%
Shares in at-equity valued companies [9]	534,941	468,488	+66,453	+14.2%
Intangible fixed assets [10a]	3,471	4,136	–665	–16.1%
Property, plant and equipment [10b]	291,176	280,662	+10,514	+3.7%
Properties held as financial investments [10c]	55,357	51,551	+3,806	+7.4%
Current tax assets [11]	253	201	+52	+25.9%
Deferred tax assets [11a]	27,856	23,951	+3,905	+16.3%
Other assets [12]	125,242	119,164	+6,078	+5.1%
Total assets	**10,013,768**	**9,426,323**	**+587,445**	**+6.2%**

LIABILITIES in EUR thousand	31/12/2016	31/12/2015	Change absolute	Change in %
Liabilities to credit institutions [13]	1,194,270	981,843	+212,427	+21.6%
Liabilities to customers [14]	5,930,629	5,642,782	+287,847	+5.1%
Securitised debt [15]	1,179,744	1,101,111	+78,633	+7.1%
Trading liabilities [16]	11,020	9,964	+1,056	+10.6%
Reserves [17]	126,375	124,532	+1,843	+1.5%
Current tax owed [18]	4,340	10,879	–6,539	–60.1%
Deferred tax owed [18a]	5,887	5,653	+234	+4.1%
Other liabilities [19]	129,045	124,011	+5,034	+4.1%
Subordinated capital [20]	213,024	276,815	–63,791	–23.0%
Equity [21]	1,219,434	1,148,733	+70,701	+6.2%
Non-controlling interests	35,815	33,501	+2,314	+6.9%
Owners of the parent company	1,183,619	1,115,232	+68,387	+6.1%
Total liabilities	**10,013,768**	**9,426,323**	**+587,445**	**+6.2%**

Statement of comprehensive income as at 31 December 2016

PROFIT AND LOSS ACCOUNT in EUR thousand	2016	2015	Change absolute	Change in %
Interest and similar income	144,602	178,942	–34,340	–19.2%
Interest and similar expenses	–37,436	–52,987	+15,551	–29.3%
Income from at-equity valued companies	37,595	35,721	+1,874	+5.2%
Net interest income [22]	144,761	161,676	–16,915	–10.5%
Loan loss provisions for credit transactions [23]	–16,134	–15,736	–398	+2.5%
Commission income	52,262	54,038	–1,776	–3.3%
Commission expenses	–4,784	–4,886	+102	–2.1%
Net commission income [24]	47,478	49,152	–1,674	–3.4%
Trading income [25]	3,185	6,155	–2,970	–48.3%
Operating expenses [26]	–169,177	–163,269	–5,908	+3.6%
Other operating profit [27]	63,471	61,868	+1,603	+2.6%
Income from financial assets – at fair value through profit or loss [28]	–1,742	–3,078	+1,336	–43.4%
Profit arising from financial assets – available for sale [29]	1,651	75,700	–74,049	–97.8%
Profit arising from financial assets – held to maturity [30]	0	0	+0	+0.0%
Annual net profit before tax	73,493	172,468	–98,975	–57.4%
Taxes on earnings and profit [31]	–9,710	–33,734	+24,024	–71.2%
Group net profit for the year	**63,783**	**138,734**	**–74,951**	**–54.0%**
Non-controlling interests	1,993	1,315	+678	+51.6%
Owners of the parent company	61,790	137,419	–75,629	–55.0%

OTHER COMPREHENSIVE INCOME in EUR thousands	2016	2015
Group net profit for the year	**63,783**	**138,734**
Revaluation from performance-oriented pension plans	–4,282	1,435
Changes in at-equity valued companies recognised directly in equity	2,250	–8,191
Profits/losses with regard to deferred taxes, applied directly against equity	1,071	–359
Total headings which could subsequently not be allocated to profit or loss	–961	–7,115
Unrealised profit/loss on assets held for sale (AfS reserve)	13,010	–64,639
Changes in at-equity valued companies recognised directly in equity	2,747	5,032
Unrealised profits/losses from adjustments due to currency conversions	31	1,578
Profits/losses with regard to deferred taxes, applied directly against equity	–243	10,841
Total of the items which can subsequently be allocated to profit or loss	15,545	–47,188
Total other comprehensive income	14,584	–54,303
Overall profit for the financial year	**78,367**	**84,431**
Non-controlling interests	1,993	1,315
Owners of the parent company	76,374	83,116

Statement of change in equity

STATEMENT OF CHANGE IN EQUITY in EUR thousand	Subscribed capital	Reserves	Retained earnings	AfS reserve	Actuarial profit/loss	Total owners of the parent company	Non-controlling interests	Equity
Equity at 1 January 2015	50,000	61,133	835,492	75,642	–31,379	990,888	33,138	1,024,026
Capital increases	5,000	46,350	0	0	0	51,350	0	51,350
Overall profit for the financial year								
Revenue	0	0	137,419	0	0	137,419	1,315	138,734
Other income	0	0	8,902	–64,639	1,435	–54,303	0	–54,303
Distributions	0	0	–7,601	0	0	–7,601	–246	–7,847
Own shares	0	–326	0	0	0	–326	0	–326
Other changes with a neutral effect on results	0	–97	–2,098	0	0	–2,195	–706	–2,901
Equity at 31 December 2015	**55,000**	**107,060**	**972,113**	**11,002**	**–29,943**	**1,115,232**	**33,501**	**1,148,733**

STATEMENT OF CHANGE IN EQUITY in EUR thousand	Subscribed capital	Reserves	Retained earnings	AfS reserve	Actuarial profit/loss	Total owners of the parent company	Non-controlling interests	Equity
Equity at 01/01/2016	55,000	107,060	972,113	11,002	–29,943	1,115,232	33,501	1,148,733
Capital increases	0	0	0	0	0	0		0
Overall profit for the financial year								
Revenue	0	0	61,790	0	0	61,790	1,993	63,783
Other income	0	0	5,856	13,010	–4,282	14,584	0	14,584
Distributions	0	0	–8,351	0	0	–8,351	–109	–8,460
Own shares	0	–64	0	0	0	–64	0	–64
Other changes with a neutral effect on results	0	0	428	0	0	428	429	858
Equity at 31 December 2016	**55,000**	**106,996**	**1,031,836**	**24,012**	**–34,225**	**1,183,619**	**35,815**	**1,219,434**

KEY FIGURES	31/12/2016	31/12/2015
Earnings per share in EUR [32]	2.25	5.45
RoE before tax	6.21%	15.88%
RoE after tax	5.39%	12.77%
Cost/income ratio	65.4%	58.6%
Risk/earnings ratio	11.2%	9.7%

Cash flow statement as at 31 December 2016

CASH FLOW STATEMENT in EUR thousand	31/12/2016	31/12/2015
Annual profit	63,783	138,734
Non-cash items in annual profit and reconciliations to the cash flow from operating activities:		
– Depreciation/revaluation of fixed assets/financial assets/other working capital	28,689	35,318
– Increase/reduction in reserves and provisions for risks	14,204	–15,259
– Profits/losses from sale of financial and fixed assets	–2,861	–82,759
– Adjustments for other non-cash items	–28,175	–31,526
Sub-total	75,640	44,508
Changes to assets and liabilities from operating activities after correction for non-cash items:		
– Loans to credit institutions	–2,030	–65,538
– Loans to customers	–508,507	–231,527
– Trading assets	619	–11,919
– Other working capital	145,046	495,907
– Other assets from operating activities	–35,616	32,085
– Liabilities to credit institutions	288,422	–423,464
– Liabilities to customers	288,265	121,982
– Securitised liabilities	85,799	77,505
– Other liabilities from operating activities	1,260	42,855
Cash flow from operations	333,898	82,393
Funds inflow from sales of		
– Fixed assets and intangible assets	8,040	4,436
– Financial assets	4,302	2,508
Funds outflow through investment in		
– Fixed and intangible assets	–46,231	–69,821
– Financial assets	–67,538	–21,325
Investment cash flow	–101,427	–84,202
Capital increases	0	51,253
Dividend payments	–8,450	–7,847
Subordinated liabilities and other financing activities	–59,251	–67,865
Cash flow from financing activities	–67,701	–24,459
Cash position at the end of the previous period	146,757	173,025
Cash flow from operations	333,898	82,393
Investment cash flow	–101,427	–84,202
Cash flow from financing activities	–67,701	–24,459
Cash position at the end of the period	316,527	146,757
Interest received	119,684	143,473
Dividends received	40,510	38,033
Interest paid	–37,970	–54,821
Payment of tax on income	–11,431	–29,635

The payment instruments include the cash reserve balance sheet items comprising cash in hand and credit balances at central banks.

Accounting and valuation principles

The Group accounts of the ‚Bank für Tirol und Vorarlberg AG (BTV AG)' have been drawn up according to IFRS regulations and the interpretations by the International Financial Reporting Interpretations Committee (IFRIC) as these are to be applied in the European Union. In establishing the present financial statements, all standards which were required for this financial year were applied.

The Bank für Tirol und Vorarlberg AG is an ‚Aktiengesellschaft' (public limited company) headquartered in Austria. The company's registered office is Stadtforum in 6020 Innsbruck. The main activities of the company and its subsidiaries include asset management, corporate and retail banking, the holding of stakes in and the operation of funicular railways and other tourism operations. The segment reporting contains more detailed information on this.

The accounting and valuation methods applied uniformly across the group comply with the standards for European balance sheets, so that the informative value of these group financial statements equates to those pursuant to the provisions of the Austrian Commercial Code (UGB), in conjunction with the provisions of the Austrian Banking Act (BWG). The additional information required pursuant to Austrian legislation is included in the Annex.

Approval to publish the group financial statements was given by the Board of Directors to the Supervisory Board on 14 March 2017. The approval for publication of the Group Financial Statements by the Supervisory Board is planned for 31 March 2017.

Principles of consolidation and scope of consolidation

All significant subsidiaries which are controlled by BTV under IFRS 10 are consolidated in the group financial statements, pursuant to IFRS 10. The Group controls a company if it is exposed to fluctuating returns on its commitment to the company or possesses rights thereon and has the ability to influence these returns using its power of control over the company. In accordance with the principles of IFRS 3, the consolidation of capital in the context of the acquisition method is performed by offsetting the consideration against the proportionally identified assets and liabilities. The assets and liabilities of the subsidiaries are stated at their respective fair market values at the time of acquisition. As part of the consideration, shares of other associates are valued with their share in the identified assets and liabilities. The difference between the acquisition costs and the net asset recorded at fair value is capitalised as goodwill. The capitalised goodwill is subject to an annual impairment test pursuant to the provisions of IFRS 3, in connection with IAS 36 and IAS 38. Subsidiaries of low significance for the asset, financial and income situation of the group are not fully consolidated.

The scope of full consolidation reduced by one company in 2016. With a merger agreement dated 22/09/2016, retroactive to 31/12/2015 (date of merger) MPR Holding GmbH, Innsbruck, merged with VoMoNoSi Beteiligungs AG, Innsbruck by transferring all its assets, excluding the costs of winding up, and by way of universal succession under Section 234 of the Companies Act and therefore also those under Sections 96 ff. of the Private Limited Liability Companies Act and Sections 220 ff. of the Companies Act, changing form of company. In the extraordinary general meeting on 12/12/2016 it was decided to turn VoMoNoSi Beteiligungs AG into a private limited liability company (GmbH) and rename it MPR Holding GmbH. This conversion was completed by a registration in the companies register on 20/12/2016.

In addition to BTV, the full scope of consolidation includes the following holdings:

FULLY CONSOLIDATED COMPANIES	Share in %	Voting rights in %
BTV Leasing Gesellschaft m.b.H., Innsbruck	100.00%	100.00%
BTV Real-Leasing Gesellschaft m.b.H., Vienna	100.00%	100.00%
BTV Real-Leasing I Gesellschaft m.b.H., Innsbruck	100.00%	100.00%
BTV Real-Leasing II Gesellschaft m.b.H., Innsbruck	100.00%	100.00%
BTV Real-Leasing III Nachfolge GmbH & Co KG, Innsbruck	100.00%	100.00%
BTV Real-Leasing IV Gesellschaft m.b.H., Innsbruck	100.00%	100.00%
BTV Real-Leasing V Gesellschaft m.b.H., Innsbruck	100.00%	100.00%
BTV Anlagenleasing 1 GmbH, Innsbruck	100.00%	100.00%
BTV Anlagenleasing 2 GmbH, Innsbruck	100.00%	100.00%
BTV Anlagenleasing 3 Gesellschaft m.b.H., Innsbruck	100.00%	100.00%
BTV Anlagenleasing 4 GmbH, Innsbruck	100.00%	100.00%
BTV Leasing Deutschland GmbH, Munich	100.00%	100.00%
BTV Leasing Schweiz AG, Staad	99.99%	99.99%
BTV Hybrid I GmbH, Innsbruck	100.00%	100.00%
BTV Hybrid II GmbH in Liqu., Innsbruck	100.00%	100.00%
MPR Holding GmbH, Innsbruck	100.00%	100.00%
TiMe Holding GmbH, Innsbruck	100.00%	100.00%
Silvretta Montafon GmbH, Gaschurn	100.00%	100.00%
Silvretta Montafon Gastronomie GmbH, Gaschurn	100.00%	100.00%
Silvretta Skischule GmbH, Gaschurn	100.00%	100.00%
Silvretta Verwaltungs GmbH, Gaschurn	100.00%	100.00%
Silvretta Montafon Sporthotel GmbH & Co. KG, Gaschurn	100.00%	100.00%
HJB Projektgesellschaft mbH, St. Gallenkirch	100.00%	100.00%
„Das Schruns“ Hotelprojektentwicklungsgesellschaft mbH, St. Gallenkirch[1]	100.00%	100.00%
Silvretta Sportservice GmbH, Schruns	100.00%	100.00%
Skischule Silvretta Montafon St. Gallenkirch GmbH, St. Gallenkirch	50.00%	50.00%
BTV Beteiligungsholding GmbH, Innsbruck	100.00%	100.00%
BTV 2000 Beteiligungsverwaltungsgesellschaft m.b.H., Innsbruck	100.00%	100.00%
Mayrhofner Bergbahnen AG, Mayrhofen	50.52%	50.52%

[1] formerly Josefsheim Projektentwicklungsgesellschaft mbH

The leasing companies and the companies of the Silvretta Montafon Bergbahnen Group were included in the Business Forecast as at 30/09, in accordance with their divergent financial year. The balance sheet date of Skischule Silvretta Montafon St. Gallenkirch GmbH is 31/05. BTV Beteiligungsholding GmbH, BTV 2000 Beteiligungsverwaltungsgesellschaft m.b.H. and Mayrhofner Bergbahnen AG finish their financial year on 30/11. The companies of Silvretta Montafon and Mayrhofner Bergbahnen AG have a divergent accounting date due to their seasonal activity. Owing to the structural situation in the group organisation, there is a different reporting date for both the leasing companies and BTV Beteiligungsholding GmbH.

The remaining fully consolidated companies were considered to have a reporting date for their financial statements of 31 December.
MPR Holding GmbH holds 100% of the shares in

Silvretta Montafon GmbH as at 31 December 2016. There are only indirect minority interests, which are the results of the holding in Skischule Silvretta Montafon St. Gallenkirch GmbH. The 49% of shares held by „Silvretta Center" Sporthandels GmbH in Silvretta Sportservice GmbH were ceded retroactively on 01/01/2015 to Silvretta Montafon GmbH, so that in the financial year 2015/16 it holds 100% of Silvretta Sportservice GmbH.

As part of the process of selling the shares in „Silvretta Center" Sporthandels GmbH, the entire accumulated earnings of Silvretta Sportservice GmbH were distributed to shareholders. EUR 413,000 was allocated to minority interests.

BTV Beteiligungsholding GmbH holds 100% of the shares in BTV 2000 Beteiligungsverwaltungsgesellschaft m.b.H. BTV 2000 Beteiligungsverwaltungsgesellschaft m. b. H. holds 50.52% of Mayrhofner Bergbahnen AG. There are direct minority interests which result from the holding in Mayrhofner Bergbahnen AG.

At the Annual General Meeting of Mayrhofner Bergbahnen AG on 01/07/2016, a dividend of EUR 200,000 was agreed, of which EUR 99,000 was allocated to minority interests.

The group annual profit that is allocated to minority interests totals EUR 1.993 million.

Significant holdings over which BTV has a controlling influence are booked using the equity method. As a rule, a stake of between 20% and 50% is considered to be a significant influence („associated companies"). Using the equity method, holdings in associated companies are included in the balance sheet at acquisition costs plus any changes in the group's share of the net assets of the associated company following the initial consolidation.

The following holdings were included using the equity method:

AT EQUITY CONSOLIDATED COMPANIES	Share in %	Voting rights in %
BKS Bank AG, Klagenfurt	18.89%	19.50%
Oberbank AG, Linz	15.88%	16.98%
Drei-Banken Versicherungsagentur GmbH, Linz[1]	20.00%	20.00%
Moser Holding AG, Innsbruck	24.99%	24.99%

[1] formerly Drei-Banken Versicherungs-Aktiengesellschaft

The holdings in Oberbank AG and BKS Bank AG have been included in the group financial statements for the following reasons, despite the fact that they are below the 20% holding threshold:

For the holding in Oberbank AG there is a syndication agreement between BTV, BKS Bank AG and Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H. and for the holding in BKS Bank AG there is a syndication agreement between BTV, Oberbank AG and the Generali 3 Banken Holding AG, the purpose of which is to safeguard the independence of these institutions. Therefore, for both of the companies referred to, there is the possibility of exercising a decisive influence.

The associated companies are all considered to have a balance sheet date of 30 September, in order to permit the drawing up of the annual financial statements in timely fashion. Receivables and liabilities, expenses and income internal to the group are eliminated except where they are insignificant. An interim net profit elimination has been waived, since there was no material interim net profit.

Alpenländische Garantie-Gesellschaft m.b.H. is classed as joint operations. Alpenländische Garantie-Gesellschaft m.b.H. has a concession under Section 1 para. 1, line 8, of the Austrian Banking Act (BWG). Its exclusive corporate object is the granting of guarantees, sureties and other liabilities for lending businesses of the 3 Banken Group. The 3 Banken Group is primarily the only source for payment flows that contribute to the continued activities of the arrangement. It is therefore classed as a joint operation in accordance with IFRS 11.B29-32. The proportional assets and liabilities of the company are presented for the balance sheet date of 31 December.

PROPORTIONALLY CONSOLIDATED COMPANIES	Share in %	Voting rights in %
Alpenländische Garantie-Gesellschaft m.b.H.	25.00%	25.00%

Structured entities
Structured entities are companies that have been designed in such a way that voting or similar rights are not the dominating factor when assessing control. For example, this is the case if voting rights only relate to administrative tasks and the rights to manage essential activities are controlled on the basis of contractual principles. In the BTV Group, mainly project and leasing companies with limited areas of activity, as well as public investment funds, third-party financial companies and securitisation companies, are regarded as structured entities, provided that the business connection to these entities does not constitute ordinary business activity. In the reporting year 2016 there were no material contractual or non-contractual relationships with structured companies. BTV is regarded as the sponsor of a structured entity if market operators associate the entity with the Group, mainly by using the name BTV in the firm or on business documents in companies for which the BTV Group acts as broker. BTV did not maintain any material business connections in the 2016 financial year and in this sense did not act as a sponsor.

Valuation principles
Spot transactions in financial assets were recorded or closed out on the settlement day. BTV's consolidated financial statements are drawn up in euros (EUR), as the functional currency of the group. Unless otherwise indicated, all amounts are indicated in EUR thousand). Rounding differences are possible in the following tables.

Currency conversion
Assets and liabilities denominated in foreign currencies as well as non-completed foreign currency cash transactions are converted at the ECB reference rate on the balance sheet date. Forward currency transactions are converted at current forward rates valid for their maturity. The conversion of the annual financial statements of the Swiss branches is performed according to the functional conversion method. Conversion differences of the previous years' results are taken to equity. Alongside financial instruments in the functional currency there are primarily financial instruments in Swiss francs and US dollars.

Cash reserves
Petty cash and the credit with central bank are included in the cash reserves.

Receivables
Loans to credit institutions and customers with fixed or determinable payment are balanced with the carried over acquisition costs. Where direct write-downs have been made, these have reduced the receivables. Value adjustments are shown openly as loan loss provisions.

Loan loss provisions
The particular risks of the banking business are recognised by BTV through the creation of value adjustments and reserves as appropriate. For creditworthiness risks group-wide standard assessment criteria are applied and provided for by provision of securities. The total amount of loan loss provisions is, when it relates to balance sheet lending, shown explicitly as a reduction on the asset side of the balance sheet, after the loans to credit institutions and loans to customers. Risk provisions for off-balance sheet transactions (in particular completion guarantees) are held in the item „reserves". Loan loss provision for receivables includes individual adjustments for receivables for which an impairment has already been applied.
In addition to the adjustment of individual values, this item also includes adjustments to the portfolio, which at the balance sheet date formed losses to the loan portfolio, which had already occurred, but had not yet been identified, whose amount is based on the probability of default and the losses to the loan portfolio which have not been provided for elsewhere. In determining the portfolio impairment, the economic environment and current events are considered.

Assets for trading
Under trading assets are shown the financial assets held for trade. These assets are mainly used to gain profits from short-term price movements or trading margins. Trading assets are valued at fair value and impact the P&L. The Trading Assets position also includes positive market values of derivatives which are classified in the fair value option. Valuation is also carried out at fair value where this affects earnings.

Financial assets - at fair value through profit or loss

For securities and structured products with embedded derivatives which would otherwise require separation the Fair Value option is applied following IAS 39. All realised and unrealised valuation gains from the fair value option are shown in the income statement in the position „Income from financial assets - at fair value through profit or loss“. Interest and dividend income from the fair value option is shown under net interest income.

Financial assets - available for sale

Securities which are assigned to the available-for-sale portfolio, and holdings in non-consolidated companies are shown in the item „Financial Assets – available for sale“. Changes in the fair value of securities in the available-for-sale portfolio, which arise from valuation, are held in the capital, with no effect on the P&L until the asset is transferred out. The relevant actual value of investments in equity instruments (e.g. B. shares in limited companies) is determined on the basis of a stock exchange price or on the basis of recognised valuation models. As far as these asset values are overall of minor relevance for the asset, finance and income situation of the Group, they will be valued at purchasing costs (at cost). Exceptional depreciation based on impairments are taken into the P&L under the item „Income from financial assets - available for sale“.

Financial assets – held to maturity

This balance sheet item includes the bonds and other fixed interest securities which are intended to be held until their maturity date, provided that they have a maturity date. These elements are assigned to the held-to-maturity portfolio. The valuation is according to the amortised acquisition costs, whereby any premiums or discounts are resolved on the basis of the effective interest rate method up to maturity.

Shares in at-equity valued companies

This item records the holdings in those associated companies which are included according to the equity method.

Impairment

Impairments under IAS 39 are based on the incurred loss model. There is an impairment under the incurred loss model and therefore a loss under IAS 39.59 if objective information is available that, since the asset was acquired, one or more loss events have occurred which, owing to their influence on future payment flows, have the effect of a sustained or ongoing decline in the fair value to below the acquisition cost. The loss events mentioned in IAS 39.58 are accepted for debt financing instruments. In the case of equity instruments, a significant or sustained decline in the fair value to below the acquisition cost is accepted if the fair value of the equity instrument is 20% below the historical acquisition value. The reference is the last annual balance sheet or the last interim report. Any currency fluctuations in the securities price are disregarded. A permanent impairment of an equity instrument is also assumed if in the preceding nine-month period the fair value of a financial instrument was permanently below its historical acquisition cost. If at any time within the nine months prior to this point the price is again listed above the acquisition costs, then a new time period is started for the impairment test. Any changes in currency in price of the security are not to be taken into account. If the grounds for an impairment cease to exist, then a revaluation of loan capital instruments must be applied through the P&L, for equity instruments the revaluation does not affect earnings.

Derivatives

Financial derivatives are shown in the balance sheet at their fair values, and any changes in value are immediately taken to the P&L.

To the extent that hedge accounting is applied at BTV, as defined in IAS 39, it is used to cover the income from interest rates and the market risk. As measures to minimise interest rate change risk and to reduce the market risk mainly fair value hedges are applied. The fair value hedge transactions are offset by swapping fixed interest deals in transactions linked to the money markets. In particular, this applies to the portion of own issues as well as securities in the AfS portfolio. For the fair value hedge accounting mainly interest rate swaps are used.

If the fair value option under IAS 39 is applied, then the derivative financial instruments are being used to avoid or remove valuation mismatches between initial value and the valuation of assets and liabilities. Derivatives are valued using fair value with a P&L impact.

Financial guarantees

The accounting for financial guarantees follow IAS 39. For their presentation in the balance sheet the net principle is applied. This method nets off the premium cash value and the commitment cash value from the financial guarantee.

Intangible fixed assets

This item includes rental leases, industrial property rights and other rights. The valuation is done at acquisition costs, reduced by regular depreciation. The scheduled depreciation applied is straight line based on the estimated useful life. The expected useful life and the depreciation method are checked at the end of each financial year and all changes in estimates are prospectively considered. The amortisation of intangible assets is basically performed via a useful life of between 2 and 20 years or 40 years for long-term lease rights and other licenses. In the event of an impairment under IAS 36, impairment losses are recognised. If the reason for an earlier recognised impairment loss has lapsed, an allocation will be made to the amortised acquisition or production cost, except in the case of goodwill.

Property, plant and equipment

The valuation of the fixed assets is performed at acquisition or manufacturing cost, reduced by planned and – where necessary – extraordinary depreciation. Planned depreciation is applied using the straight line method. The depreciation period is 40 to 50 years for buildings; for fixtures and fittings it is 3 to 10 years.

Assets written off in full will be recorded under acquisition and production cost and accumulated depreciation until they are decommissioned. On disposal of assets, the acquisition or manufacturing cost and the accumulated depreciation are netted out. Any earnings from asset disposals (income from sale minus book value) are shown under other operational earnings, or other operational costs. Fixed asset items are capitalised at their acquisition or manufacturing cost. Ancillary acquisition or manufacturing costs are also capitalised, but maintenance expenses are taken as expenses during the period in which they were incurred. Costs of borrowing that can be directly assigned to a qualifying asset are included in its acquisition or manufacturing cost.

Properties held as financial investments

Land and buildings as well as fittings in rented properties, which the BTV Group holds as long-term holdings for rental income and capital growth are shown at the procurement and manufacturing cost, minus planned straight line depreciation over their expected useful life. For buildings, the useful life is 50 years, for fittings in rented property, the useful life is determined according to the duration of rental. The corresponding rental contracts are shown in the P&L item „Other business revenues".

Leasing

The leasing agreements which exist within the BTV Group are mainly classified as ‚Finance leases", according which all the risks and benefits linked to the lease capital are transferred to the lessee. According to IAS 17 the lessor shows a receivable against the lessee to the value of the cash value of the contractually agreed payments and taking into account any residual value. In the case of ‚Operating lease' agreements (in which case the risks and benefits linked to the property remain with the lessor) the object of the lease is shown by the lessor under the heading „Properties held as financial investments" and depreciation is applied using the rules for the relevant class of asset. Lease payments are collected on the P&L according to the transfer of use.

Current assets

Other current assets in the non-banking sector are recorded in other assets and basically include inventories, accounts receivable and other receivables and assets of the Silvretta Montafon Group and Mayrhofner Bergbahnen AG.

Inventories are valued at acquisition or production cost, whichever is the lower, less discounts and deductibles, similar price reductions and the net realisable value. The acquisition cost is calculated on a sliding average cost basis. Inventory risks arising from the duration of storage or reduced applicability are taken into account through depreciation. Lower values on the reporting date owing to reduced sales proceeds are taken into account.

Accounts receivable are assigned to the category loans and receivables and recorded on the balance sheet under IAS 39 at acquisition cost less impairments for anticipated irrecoverable components. Other receivables and assets are recorded at the nominal amount or acquisition cost - where appropriate, less necessary impairments - if the fair value is correspondingly lower.

Liabilities

Liabilities to customers or credit institutions as well as securitised debts are valued at their repayment or nominal value. Nominal value. The amount of the securitised liabilities is reduced by the acquisition cost of the issues held in the object.

Securitised debts and subordinated capital loans, which have been secured by derivative financial instruments in the context of interest risk control are either assigned to the fair-value-option valuation category, or hedge accounting is applied.

All valuation gains from the fair value option are shown in the income statement in the item „Income from financial assets - at fair value through profit or loss".

Trading liabilities

In trading liabilities the negative market values of derivatives in the trading portfolio or from the fair value option are recorded. Valuation is carried out at fair value.

Reserves and provisions

Long-term reserves for staff (pension, redundancy, anniversary payments and death payment commitments) are shown as per IAS 19 using the projected unit credit method. Future commitments are valued on the basis of actuarial assessments, which not only take into account the pensions which are known at the date of balance sheet, but also the expected future rates of increase.

Other reserves are created as required by IAS 37, if the company has existing legal or factual liabilities, which result from historical transactions or events, for which it is likely that to meet the commitment an outflow of economically productive resources is required, and a realistic estimation of the value of the liability is possible. Reserves are subject to annual review and recalculation. This includes uncertainties in estimation which may lead to adjustments the following year.

Other liabilities

Accounts payable for non-banking services are not interest-bearing and are recognised at the nominal value.

Tax claims and tax debts

Claims and liabilities relating to income tax are presented in the items „Tax claims" or „Tax debts".

For the calculation of deferred taxes, the balance sheet-related temporary concept is applied, which compares the valuations of assets and liabilities with the valuations which apply for taxation of the relevant group company. Differences between these two valuations lead to temporary differences, for which deferred tax claims or liabilities must be shown in the balance sheet. Current income tax claims and liabilities are set at the tax values which are expected to be settled with the respective tax authorities.

Deferred tax assets on unused tax loss carry-forwards are presented in the balance sheet when it is likely that in the future, taxable profits of a corresponding amount will accrue. Deferred taxes are not discounted. The option of group taxation is used by BTV in its capacity as the parent company.

Genuine repurchase agreements

Genuine repurchase agreements are agreements whereby financial assets are transferred against the payment of an amount and where it is agreed at the same time that the financial assets must be returned to their owner at a later stage against the payment to the transferor of an amount defined in advance. The financial assets in question continue to remain in the balance sheet of the BTV Group. These are valued using the relevant presentation rules for the respective balance sheet item. The liquidity obtained from repos was classified as liabilities to credit institutions or liabilities to customers.

Net interest income

The net interest income includes revenue and expenses which represent compensation for the provision of capital. In addition, this item includes earnings from shares and other equity, as well as other securities that do not bear fixed interest, provided these are not income or expenses for securities or derivatives that form part of the held for trading assets or liabilities. Also income from shareholdings and from shares in associated companies – provided these are not consolidated as being of minor importance – are shown in this item. Income from companies included at-equity are also shown in this item.

In addition, negative interest rates are shown as a separate item. The negative interest costs are shown as interest earnings on liabilities, and the negative interest income as interest costs on assets.

Interest income and expenses are delimited and recorded on an accrual basis. Income from investments is recorded when the legal claim to payment arises.

Loan loss provisions in the credit business

The heading „Loan loss provision" includes increases to impairments and reserves or income from the cancellation of impairments and reserves as well as direct write-offs and later receipts of already written-down liabilities in connection with credit transactions.

Net commission income

The commission income is the balance of the revenues and expenses from services provisions. Above all, these include income and expenses for services arising from payment handling, securities transactions, credit transactions as well as from foreign exchange, foreign cash and precious metals business, and other miscellaneous services.

Trading income

This heading includes profits and losses realised from the sale of securities, derivatives and other financial instruments from the trading portfolio, unrealised valuation gains and losses from the market valuation of securities, derivatives and other financial instruments from the trading portfolio, interest income and dividend receipts from the trading portfolio as well as refinancing costs for these financial assets.

Operating expenses

In the operating expenses are included staff costs, material costs as well as scheduled depreciation of fixed assets, amortisation of intangible assets and of properties held as financial investments for the reporting period.

In the staff costs are included wages and salaries, variable salary elements, legally required and voluntary social costs, staff-related taxes and levies as well as expenses (including changes to reserves) for redundancies, pensions, anniversary payments and death benefits.

Under material costs are, alongside IT costs, the office building costs and the costs for running the office, the costs for advertising and marketing and legal and consultancy costs and other administrative costs.

Other operating profit

In other operating profit are shown all the revenues and costs of the BTV Group which are not attributable to current business activities. This includes in particular the profits from the renting or sale of properties maintained as financial investments and other fixed assets, cost of sales and revenues for non-banking activities, such as insurance and revenue from funicular railways and tourism. Furthermore, in addition to expenses for other taxes and levies, this item also included expenses for the increase in reserves as well as income from the liquidation of other reserves.

Profit arising from financial assets – at fair value through profit or loss

Under this item is shown the income from the revaluation or sale of securities, derivatives, loans and own issues in the fair value portfolio.

Profit arising from financial assets – available for sale

Revenue from sales and impairments of securities and holdings in the available-for-sale portfolio are posted here.

Profit arising from financial assets – held to maturity

Under this item is the income from sales and impairments of securities in the held-to-maturity portfolio.

Taxes on earnings

Current and deferred taxes on income are recorded under this item.

Discretionary decisions, assumptions and estimates

In drawing up the BTV group financial statements, values are determined on the basis of discretionary decisions, as well as through the use of assumptions and estimates. The associated uncertainties may lead in future reporting periods to additional income or expenses or make it necessary to adjust the book value in the balance sheet. The management estimates and assumptions used are based on historical experience and other factors such as planning and likely expectations and predictions of future events, based on current assessments, and this is with the objective of providing meaningful information on the asset, financial and earnings situation of the company.

Significant discretionary decisions

Discretionary decisions which were made by the company's management and which influenced the amounts in the consolidated financial statement are indicated below.

Financial assets held until maturity

In the previous year, the management decided to reclassify the Group's financial assets held until maturity as financial assets available for disposal and to sell them. As a sanction, BTV may not reform the „Held to Maturity" category until the end of the financial year following the year of sale. The inventory of financial assets – held to maturity therefore stands at EUR 0 for this reporting year (previous year: EUR 0).

Uncertain estimates

The most important assumptions related to the future as well as other significant sources of estimating uncertainties are primarily affected by the following matters:

Fair value of financial instruments

If the fair value of financial assets and financial liabilities cannot be derived based on data from an active market, it will be determined using different valuation models. The input parameters for these model calculations are, as far as possible, be derived from observable market data. Valuation models, input parameters, the fair value hierarchy and fair values of financial instruments are explained in more detail in notes 39.

Loan loss provisions in the lending business

Loan loss provisions are determined by expectations regarding future loan losses and the composition of the quality of the loan portfolio. It is also necessary for calculating expenses on loan loss provisions to estimate the amount and timing of future cashflows. For impairments of individual financial instruments which cannot yet be identified, a portfolio impairment is created in accordance with IAS 39. This impairment at group level is based on ratings and probabilities of default. More details are published in the Risk Report.

Impairment on debt and equity instruments

An impairment test is carried out if there are objective grounds in accordance with IAS 39.59 or IAS 39.61 specifically for equity instruments, or there is a significant impairment or a sustained decrease in the fair value below the purchase price. A significant impairment can be assumed if the fair value of the financial instruments is at least 20% below the historical acquisition cost. A sustained decrease is accepted if, in the previous 9-month period, measured from the reporting date, the fair value of a financial instrument was permanently below the historical acquisition cost. If after the first posting of the impairment, additional impairments affecting net income arise, these will be considered with relevant significance or sustainability. On each balance sheet day, it will be checked whether an event has occurred that impacts the future cash flows and can be reliably determined.

Long-term payroll reserves

Long-term payroll reserves are measured using actuarial methods. The actuarial calculations are based on assumptions about the discounting interest rate, future wage and salary increases, mortality and future pension increases. Assumptions, estimates and developments, and sensitivities are presented in greater detail in notes 17.

Other reserves and provisions

The formation of provisions requires an assessment of the extent to which the company has an obligation to third parties as a result of past events. Furthermore, estimates regarding the amount and maturity of future cashflows are necessary for the calculation of reserves. Further details can be found in notes 17h.

Deferred taxes

Deferred tax assets are created for tax loss rollovers and applicable temporary tax differences. This assumes that in future taxable earnings are available to offset the losses. Judgement and estimations are required in order to determine, based on the future taxable profit and future tax planning, the level at which deferred tax assets are to be created. The calculation is performed for each taxable entity at the relevant tax rates and in the taxable period during which the tax deferral is reversed. Details about deferred tax assets can be found in notes 11a and 18a.

Useful life of fixed assets

The scheduled depreciation of fixed assets and intangible assets applied is straight-line based on their estimated useful life. Details on fixed assets are presented in notes 10.

Disclosure pursuant to Part 8 of Regulation (EU) No 575/2013 (CRR)

Disclosures by the BTV Group as required by part 8 of Regulation (EU) No 575/2013 (CRR) can be found on the Internet at www.btv.at under the menu item „Company > Investor Relations > Publications / Financial Reports > Information required by Disclosure Regulation (OffV) or by Part 8 of the Regulation (EU) no. 575/2013 (CRR)“.

Use of modified/new IFRS/IAS standards

The table below shows published or modified standards and interpretations on the balance sheet date, which were applied for the first time during this reporting period.

The adoption of IFRS and IFRIC had a minor impact on BTV AG's consolidated financial statements as at 31 December 2016 as the changes were only applicable to certain items. There were no changes to the accounting policies and valuation methods.

STANDARD/INTERPRETATION	NAME	TO BE APPLIED FOR FINANCIAL YEARS FROM	ALREADY ADOPTED BY EU
IAS 19	Defined Benefit Plans: Employee Contributions	01/02/2015	YES
Annual Improvements to IFRS 2010–2012		01/02/2015	YES
Annual Improvements to IFRS 2012–2014		01/01/2016	YES
IAS 1	Disclosure Initiative	01/01/2016	YES
IAS 27	Equity Method in Separate Financial Statements	01/01/2016	YES
IAS 16 and IAS 41	Bearer Plants	01/01/2016	YES
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	01/01/2016	YES
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	01/01/2016	YES
IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception	01/01/2016	YES

The next table shows newly published or modified standards and interpretations on the balance sheet date which came into effect through the IASB or in part through the EU endorsement procedure but application of which is not yet mandatory. These have not been applied to these consolidated financial statements.

STANDARD/INTERPRETATION	NAME	TO BE APPLIED FOR FINANCIAL YEARS FROM	ALREADY ADOPTED BY EU
IFRS 15	Revenue from Contracts with Customers	01/01/2018	YES
IFRS 15	Clarifications to Revenue from Contracts with Customers	01/01/2018	NO
IFRS 9	Financial Instruments	01/01/2018	YES
IAS 12	Amendments: Recognition of Deferred Tax Assets for Unrealised Losses	01/01/2017	NO
IAS 7	Amendments: Disclosure Initiative	01/01/2017	NO
IFRS 2	Amendments: Classification and Measurement of Share-based Payment Transactions	01/01/2018	NO
IFRS 16	Leases	01/01/2019	NO
IFRS 4	Amendments: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	01/01/2018	NO
IFRS 14	Regulatory Deferral Accounts	01/01/2016	NO*
Annual Improvements to IFRS 2014–2016		01/01/2017 or 01/01/2018	NO
IFRS 10 and IAS 28	Amendments: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	deferred until a date to be determined by the IASB	deferred
IAS 40	Amendments: Transfers of Investment Property	01/01/2018	NO
IFRIC 22	Foreign Currency Transactions and Advance Consideration	01/01/2018	NO

* Endorsement deferred until publication of the final standard.

As BTV has already investigated the remaining standards and interpretations, with the exception of IFRS 9 „Financial Instruments“, no significant changes in terms or materiality are expected in future consolidated financial statements. There are no plans for early adoption of the new standards and interpretations.

IFRS 9 „Financial Instruments“ was published in July 2014 by the international standard-setters IASB as a standard for the accounting treatment of financial instruments. The new IFRS 9 standard replaces the currently valid IAS 39 standard. The EU endorsement was given on 22/11/2016. Application of the standard will become mandatory on 1 January 2018. Before that date, the IFRS 9 can be applied on a voluntary basis. The IFRS 9 is the new regulation for the three following issues:

- Categorisation and evaluation of the financial instruments:
  For financial assets, IFRS 9 provides for three different valuation categories: valuation at amortised acquisition cost, fair value through profit and loss (FVTPL) and fair value through other comprehensive income (FVTOCI). The allocation to one of the three valuation categories depends on the contractual cashflow characteristics (SPPI) and the business model. The SPPI criterion says that transactions may only be valued at amortised acquisition cost if the payments only cover the remaining capital amount and the fair current value of the money. At BTV, loans are mainly assigned to the holding business model. For securities that BTV holds on its own account, all three business models (hold, hold and sell, and sell) exist. The existing holdings were classified under the newly defined business model strategies. BTV is currently working on checking existing holdings against the SPPI criterion. For new acquisitions processes have been defined in house to value and record the SPPI criterion, and systems adapted accordingly. The benchmark test will be integrated next year in our systems. Currently we are assuming that less than one-fifth of all loans do not meet the SPPI criteria, but we are still awaiting the results of a benchmark test that may be required. Equity instruments that are being held are basically to be valued at fair value. In any case, for all individual instruments, except for those held for trading, a selection must be made on initial recording, which cannot be changed, to show all changes in value under other earnings under equity: this cannot be recycled later. BTV will probably take the OCI option for all of the existing holdings. Derivatives continue, without exception, to be valued at fair value under IFRS 9. This means there are no changes to IAS 39 for BTV.

- Rules regarding depreciation:
  IFRS-9 impairment rules require the application of an expected credit loss models, where a loan loss provisions is created in anticipation, i.e. future expected losses are taken into account. The expected credit loss is an expected value weighted by probabilities. At BTV probability weightings are applied to the expected losses derived using various macro-economic scenarios that describe potential future economic conditions. The expected credit loss takes into account the time value of money, with future expected payment flows are discounted using an effective interest rate. The future expected loss itself is defined by BTV from both the marginal likely counterparty risk and the payment flows structure, for the entire period of the transaction, as well as the loss rate in the event of default. An expected credit loss is to be created for all assets that are valued at amortised acquisition costs or at fair value via OCI, for all credit approvals and finance guarantees that are not valued at fair value, as well as leasing receivables and trade receivables. In this case we differentiate between a 12-month expected credit loss and a lifetime expected credit loss. The maximum period of observation for a lifetime expected credit loss is basically the contract term of the transaction. If the credit risk has not changed significantly since the time of acquisition, then the level of the impairment is that of the 12-month expected credit loss. If, on the other hand, the credit risk has worsened significantly since the time of acquisition, or are their objective indications of impairment, then the lifetime expected credit loss is to be used for the calculation. A transfer logic can determine for each transaction whether a 12-month expected credit loss or a lifetime expected credit loss should be used. For loans that are already impaired at the time of acquisition, there is an exception to the rule, which says that an impairment should be applied which equals the change in the lifetime expected credit loss since the time of acquisition. For leasing receivables and trade receivables there is an option to apply the impairment model in full or as a simplification to always enter the impairment at the level of the lifetime expected credit loss. At BTV, for the moment the full-scale calculation model is applied.

- Hedge Accounting:
  Due to IFRS 9 in the area of hedge accounting, there is increasing convergence of the accounting to the actual risk management through broader definition of the permitted underlying and hedging transactions. For the effectiveness test, the rigid quantitative limits have been lifted. With the introduction of IFRS 9 on 1 January 2018, there is a one-time option of applying the new rules under IFRS 9 or to retain the old IAS 39 rules. BTV is currently planning to adopt the new rules under IFRS 9.

Far-reaching changes to IT systems, processes and the financial data are expected as a result of IFRS 9. For this reason, as part of a strategic project, BTV is currently preparing the comprehensive introduction of IFRS 9 and simulating the effects on business, accounting and reporting processes. As things stand, no precise predictions about the results can be reported at present.

IFRS 15 „Revenue from Contracts with Customers“ was published in May 2014 by the IASB, and adopted on 22/09/2016 by the EU. The standard defines how and when income is recognised. However, this has no effect on income in relation to finance instruments which are subject to the rules of IAS 39 and/or to IFRS 9. The standard replaces several existing IFRS rules and interpretations which previously determined accounting for revenue: IAS 11 „Construction Contracts“, IAS 18 „Revenue“, IFRIC 13 „Customer Loyalty Programmes“, IFRIC 15 „Agreements for the Construction of Real Estate“, IFRIC 18 „Transfers of Assets from Customers“ and SIC-31 „Revenue - Barter Transactions Involving Advertising Services“. IFRS 15 must be applied for financial years that start on or after 1 January 2018.

In future, new qualitative and quantitative details will be demanded, which should allow the users of financial statements to understand the type, amount, time and uncertainty of the revenue and cashflows from contracts with customers. Under IFRS 15, companies must specify, using a five-step model, at what point in time (or over which period of time) and in what amount they record revenue. The model specifies that revenue is to be recorded at the moment in time (or over the period) of the transition of control of goods or service from the company to the customer, for the amount which the company is expected to be able to collect.

It is not currently expected that there will be any significant effects for BTV on future group financial statements.

In January 2016 the IASB published IFRS 16 „Leases“ which includes the approach, the valuation and the reporting, along with the disclosure requirements in relation to leasing relationships. IFRS 16 replaces the existing rules, so IAS 17 „Leases“, IFRIC 4 „Determining whether an Arrangement contains a Lease“, SIC 15 „Operating Leases - Incentives“ and SIC 27 „ Evaluating the Substance of Transactions Involving the Legal Form of a Lease“. The adoption of the standard by the EU into European Right is not yet assured.

For leasing borrowers, the new standard requires only a simple accounting structure. This means that all leasing arrangements must be shown on the balance sheet, unless the term of the lease arrangement is for 12 months or less, or it is a low-cost item (in each case, it is then optional). Lessees need to show an asset value, that represents the right to use the underlying object, as well as a lease liability , representing the obligation to pay the lease instalments. The lessor, on the other hand, continues to use a dual model, and distinguishes between finance leasing and operating leasing. There is no substantial difference to the accounting model used under IAS 17. The standard setter also requires more extensive and more informative information in the notes to the accounts.

The use of IFRS 16 becomes mandatory for financial years beginning on or after 1 January 2019. Currently BTV is taking a preliminary look at the new standard, in order to be able to judge its effect on the group. It is currently too early to quantify the effects.

Balance sheet – Assets

1 CASH RESERVE in EUR thousand	31/12/2016	31/12/2015
Petty cash balance	22,384	25,794
Credit with central bank	294,143	120,963
Cash reserves	316,527	146,757

2 LOANS TO CREDIT INSTITUTIONS in EUR thousand	31/12/2016	31/12/2015
Loans to domestic credit institutions	93,746	133,101
Loans to foreign credit institutions	224,439	186,663
Loans to credit institutions	318,185	319,764

3 LOANS TO CLIENTS in EUR thousand	31/12/2016	31/12/2015
Loans to Austrian clients	4,620,991	4,327,435
Loans to foreign clients	2,341,096	2,229,008
Loans to clients	**6,962,087**	**6,556,443**

Loans to customers includes financial leases with a net investment value of EUR 811.446 million (previous year EUR 672.440 million). The corresponding gross investment value of these leasing contracts amounted to EUR 875.241 million, (previous year: EUR 730.306 million), the associated unrealised financial revenue amounted to EUR 63.794 million (previous year: EUR 57.866 million). The residual value of the total lease assets are guaranteed both in the current and the prior financial years. At the date of the balance sheet there were non-collectable lease receivables of EUR 7.859 million (previous year: EUR 6.466 million).

3a BREAKDOWN BY REMAINING TERM 2016 FINANCIAL LEASE RECEIVABLES in EUR thousands	< 1 year	1–5 years	> 5 years	Total
Gross investment value	199,707	488,094	187,439	875,241
Unrealised financial revenue	17,615	31,893	14,287	63,794
Net investment value	182,093	456,202	173,152	811,446

3a BREAKDOWN BY REMAINING TERM 2015 FINANCIAL LEASE RECEIVABLES in EUR thousands	< 1 year	1–5 years	> 5 years	Total
Gross investment value	208,583	367,360	154,362	730,306
Unrealised financial revenue	14,464	29,329	14,073	57,866
Net investment value	194,119	338,031	140,289	672,440

4 LOAN LOSS PROVISIONS in EUR thousand	2016	2015
Opening balance of credit business at 1 January	196,882	199,274
– Releases	–16,536	–12,894
+ Allocation	35,822	22,358
– Application	–8,308	–11,271
+/– Other reclassifications/Change in consolidation scope	0	–859
(+/–) Changes arising from currency differences	30	274
Loan-loss provision for credit transactions at 31 December	207,890	196,882
Opening balance commitments at 1 January	35,626	38,657
– Releases	–5,113	–217
+ Allocation	827	6,367
– Application	0	0
+/– Other reclassifications/Change in consolidation scope	2,088	–9,196
(+/–) Changes arising from currency differences	1	15
Reserves Performance Guarantees at 31/12.	33,429	35,626
Overall Total Risk Provisions at 31/12.	**241,319**	**232,508**

4a LOAN LOSS PROVISIONS (INVENTORIES) in EUR thousand	Position 31 December 2015	Additions	Releases	Consumption	Currency conversion	Splitting	Position 31/12/2016
Individual valuation adjustment of loans to credit institutions	0	0	0	0	0	0	0
Individual valuation adjustment of loans to customers	109,864	35,822	–14,116	–8,308	30	0	123,292
Portfolio valuation adjustments pursuant to IAS 39	87,018	0	–2,420	0	0	0	84,598
Loan loss provisions in the credit business	196,882	35,822	–16,536	–8,308	30	0	207,890
Reserves and provisions commitments	35,626	827	–5,113	0	1	2,088	33,429
Total risk provisions	**232,508**	**36,649**	**–21,649**	**–8,308**	**31**	**2,088**	**241,319**

Within the loan loss provisions, the counterparty risk was recorded directly in the relevant balance sheet items in the reporting year. Reclassifications in the reserves and provisions for performance bonds result from the pro rata consolidation of Alpenländische Garantie-Gesellschaft m.b.H.

5 TRADING ASSETS in EUR thousand	31/12/2016	31/12/2015
Debenture bonds and other fixed-interest securities	1	0
Listed	1	0
Unlisted	0	0
Equities and other variable-interest securities	0	0
Positive market values arising from derivative transactions – Trading	7,479	7,453
Currency related trades	1,130	2,474
Interest related trades	6,256	4,871
Other trades	93	108
Positive market values arising from derivative transactions – Fair value option	11,282	17,651
Currency related trades	0	0
Interest related trades	11,282	17,651
Other trades	0	0
Trading assets	**18,762**	**25,104**

6 FINANCIAL ASSETS – AT FAIR VALUE THROUGH PROFIT OR LOSS in EUR thousand	31/12/2016	31/12/2015
Debenture bonds and other fixed-interest securities	112,546	120,634
Listed	112,546	120,634
Unlisted	0	0
Equities and other variable-interest securities	20,702	29,323
Listed	0	9,252
Unlisted	20,702	20,071
Financial assets - at fair value through profit or loss	**133,248**	**149,957**

7 FINANCIAL ASSETS – AVAILABLE FOR SALE in EUR thousand	31/12/2016	31/12/2015
Debenture bonds and other fixed-interest securities	1,337,691	1,375,787
Listed	1,309,366	1,358,693
Unlisted	28,325	17,094
Equities and other variable-interest securities	6,823	10,351
Listed	2,986	8,021
Unlisted	3,837	2,330
Other shareholdings	51,400	52,732
Credit institutions	11,738	13,194
Non-credit institutions	39,662	39,538
Other affiliated shareholdings	38,639	38,157
Financial assets - available for sale	**1,434,553**	**1,477,027**

8 FINANCIAL ASSETS – HELD TO MATURITY in EUR thousand	31/12/2016	31/12/2015
Debenture bonds and other fixed-interest securities	0	0
Financial assets – held to maturity	**0**	**0**

In the reporting year 2015, the Group‘s financial assets held until maturity were reclassified as financial assets available for sale. As a sanction, BTV may not reform the „Held to Maturity“ category until the end of the financial year following the year of sale.

9 HOLDINGS IN AT-EQUITY VALUED COMPANIES in EUR thousand	31/12/2016	31/12/2015
Credit institutions	518,557	451,752
Non-credit institutions	16,384	16,736
Shares in at-equity valued companies	**534,941**	**468,488**

The fair value of the shares in companies valued at equity amounted to EUR 478.958 million (previous year: EUR 406.156 million).

In case of indicators which could possibly show a possible reduction in value, the equity book value was subjected to an impairment test in accordance with IAS 36. The test was performed with the use of a valuation procedure on the basis of distributable earnings. Currently, no need for a devaluation results from this.

10 FIXED ASSET OVERVIEW – 31/12/2016 in EUR thousands	Acquisition value 01/01/2016	Additions	Disposals	Transfers	changes to currency exchange rates	Acquisition value 31/12/2016
Intangible fixed assets	18,704	593	–100	330	0	19,526
Land and buildings	258,438	8,512	–3,936	17,756	0	280,769
Production and business fittings	347,754	34,015	–11,005	–23,438	12	347,337
Properties held as financial investments (IAS 40)	72,462	3,305	–7	5,352	42	81,154
Total	**697,358**	**46,425**	**–15,048**	**0**	**54**	**728,786**

10 FIXED ASSET OVERVIEW – 31/12/2015 IN in EUR thousands	Acquisition value 01/01/2015	Additions	Disposals	Transfers	changes to currency exchange rates	Acquisition value 31/12/2015
Intangible fixed assets	18,670	34	0	0	0	18,704
Land and buildings	252,705	4,920	–4,455	5,269	0	258,438
Production and business fittings	307,452	62,031	–16,044	–5,735	49	347,754
Properties held as financial investments (IAS 40)	73,960	2,756	–5,846	466	1,126	72,462
Total	**652,787**	**69,740**	**–26,344**	**0**	**1,175**	**697,358**

Accumulated depreciation 01/01/2016	Additions depreciation	Revaluations depreciation	Disposals Depreciation	Transfers depreciation	changes to currency exchange rates Depreciation	Total depreciation 31/12/2016	Balance sheet value 31/12/2016	Balance sheet value 31/12/2015
–14,568	–1,587	0	100	0	0	–16,055	3,471	4,136
–110,982	–7,209	0	2,145	2,218	0	–113,829	166,941	147,456
–214,548	–17,063	0	7,178	1,332	–2	–223,102	124,235	133,205
–20,911	–1,343	0	7	–3,550	0	–25,797	55,357	51,551
–361,009	**–27,202**	**0**	**9,430**	**0**	**–2**	**–378,783**	**350,004**	**336,349**

Accumulated depreciation 01/01/2015	Additions depreciation	Revaluations depreciation	Disposals Depreciation	Transfers depreciation	changes to currency exchange rates Depreciation	Accumulated depreciation 31/12/2015	Balance sheet value 31/12/2015	Balance sheet value 31/12/2014
–13,105	–1,463	0	0	0	0	–14,568	4,136	5,566
–107,667	–6,171	0	2,856	0	0	–110,982	147,456	145,038
–214,630	–17,911	0	17,985	0	8	–214,548	133,205	92,822
–21,152	–1,320	0	1,561	0	0	–20,911	51,551	52,807
–356,554	**–26,865**	**0**	**22,402**	**0**	**8**	**–361,009**	**336,349**	**296,233**

10a INTANGIBLE ASSETS in EUR thousands	31/12/2016	31/12/2015
Intangible fixed assets	3,471	4,136
Intangible fixed assets	**3,471**	**4,136**

10b PROPERTY, PLANT AND EQUIPMENT in EUR thousand	31/12/2016	31/12/2015
Land and buildings	166,941	147,456
Production and business fittings	124,235	133,206
Property, plant and equipment	**291,176**	**280,662**

The fair value of fixed assets was EUR 291.555 million (previous year EUR 281.297 million).

In the reporting period borrowing costs of EUR 11,000 were capitalised (previous year: EUR 5,000).

An interest rate of 0.40% was applied.

10c PROPERTIES HELD AS FINANCIAL INVESTMENTS in EUR thousand	31/12/2016	31/12/2015
Properties held as financial investments	55,357	51,551
Properties held as financial investments	**55,357**	**51,551**

The fair value of the assets held as investments was EUR 63.266 million (previous year: EUR 59.237 million). The determination of fair value was achieved by use of revenue value calculations for which the agreed rents provided the basis.

The rental income in the reporting year amounted to EUR 4.357 million (previous year: EUR 3.637 million), the expenses relating to earning the rental income, including depreciation, totalled EUR 2.481 million (previous year: EUR 2.445 million).

10d REMAINING LIFE TO MATURITY BREAKDOWN OPERATING LEASE CONTRACTS in EUR thousand	< 1 year	1–5 years	> 5 years	Total
Future minimum leasing payments	487	1,950	9,433	11,870

Under the item „Properties held as financial investments“, book values from operating lease contracts are included for a total of EUR 11.870 million (previous year:
EUR 11.828 million). Their fair value is EUR 11.870 million (previous year: EUR 11.828 million)
For conditional rental payments there was no income during the reporting year.

11 TAX ASSETS in EUR thousand	31/12/2016	31/12/2015
Current tax assets	253	201
Deferred tax assets	27,856	23,951
Tax assets	**28,109**	**24,152**

11a DEFERRED TAX ASSETS in EUR thousand	31/12/2016	31/12/2015
Financial assets - at fair value through profit or loss	3,001	3,323
Financial assets - available for sale	–1,200	–4,139
Financial assets – held to maturity	0	0
Long-term payroll reserves	10,203	9,142
Hedge Accounting and Derivatives	–3,649	–3,352
Portfolio impairments	21,150	21,754
Revaluation Finance Leasing and Other	–1,794	–4,393
Deferred tax assets from losses carried forward	0	1,185
Other deferred tax assets and tax debts abroad	145	431
Deferred tax assets	**27,856**	**23,951**

12 OTHER ASSETS in EUR thousand	31/12/2016	31/12/2015
Positive market values from derivatives trades	63,157	64,059
Other assets	62,085	55,105
Other assets	**125,242**	**119,164**

Balance sheet – Liabilities

13 LIABILITIES TO CREDIT INSTITUTIONS in EUR thousand	31/12/2016	31/12/2015
Austrian credit institutions	686,931	562,995
Foreign credit institutions	507,339	418,848
Liabilities to credit institutions	**1,194,270**	**981,843**

14 LIABILITIES TO CLIENTS in EUR thousand	31/12/2016	31/12/2015
Savings deposits		
Austrian	1,080,040	1,034,868
Foreign	168,193	165,937
Sub-total savings deposits	1,248,233	1,200,805
Other deposits		
Austrian	3,367,234	3,345,920
Foreign	1,315,162	1,096,057
Sub-total other deposits	4,682,396	4,441,977
Liabilities to clients	**5,930,629**	**5,642,782**

15 SECURITISED LIABILITIES in EUR thousand	31/12/2016	31/12/2015
Debentures	886,166	850,064
Domestic bonds	293,578	251,047
Securitised debt	**1,179,744**	**1,101,111**
of which fair value	411,705	413,294

The repayment amount for the securitised liabilities including premium/discount and accrued interest, for which the fair value option was exercised, totals EUR 400.926 million (previous year: EUR 408.993 million). The difference between the fair value of the securitised liabilities for which the fair value option was exercised, and their repayment amount totals EUR 10.779 million (previous year: EUR 4.301 million).

BTV AG placed its own issues associated with loan security in the form of housing loans. As cover funds, these housing construction loans had no impact on the valuation of BTV AG's covered bond issues, which are valued at depreciated acquisition costs.

The change to the fair value for the securitised debt, due to the changes in the risk of default during the reporting period, amounted to EUR 1.115 million (previous year: EUR –3.401 million). The change to the fair value due to changes in the risk of default is determined by the difference between the overall change to the fair value of the securitised debts and the change to the fair value resulting from market risk factors. The fair value was determined by discounting future payment flows on the reporting date, the default risk add-on was valued based on the funding for comparable maturities.

16 TRADING LIABILITIES in EUR thousand.	31/12/2016	31/12/2015
Negative market values arising from derivative transactions – Trading	8,165	3,292
Currency related trades	869	2,182
Interest related trades	7,296	1,110
Negative market values arising from derivative transactions – Fair value option	2,855	6,672
Currency related trades	0	0
Interest related trades	2,855	6,672
Trading liabilities	**11,020**	**9,964**

17 PROVISIONS in EUR thousand	31/12/2016	31/12/2015
Long-term payroll reserves	88,721	84,773
Other reserves and provisions	37,654	39,759
Reserves and provisions	**126,375**	**124,532**

Pensions reserves

The benefits and entitlements are based on the collective bargaining agreement regarding the revision of pensions rights. The area of application covers all BTV employees employed in Austria who are covered by the collective bargaining agreement for banks and bankers and who joined before 1 January 2002. The collective bargaining agreement governs benefits and entitlements to occupational disability and accident insurance, old age pension and early retirement pension, administrative pension, social contributions and care allowance contribution.

For the surviving dependants, regulations are included about pensions for surviving dependants in the form of widow, widower and orphan pension, care allowance contribution, widow/widower settlement and quarter of the death.

In the calculation of the reserves, the entitlements are also included in addition to the benefits. As of January 2000, entitlements to old age and early retirement pensions, including related benefits to surviving dependents, were transferred over to the VBV pension fund.

The company pension schemes granted in the Silvretta Montafon Bergbahnen Group and in Mayrhofner Bergbahnen AG are based on the benefits agreed in detail between the company and its employees.

Severance pay provisions

For all employees in the BTV Group in Austria whose working relationship began before 1 January 2003, there is in accordance with the regulations of the employment law or severance pay law for workers a claim for severance, which will be paid out in the case of respective reasons for termination. For all other working relationships, the group companies pay contributions into the corporate pension insurance fund according to the regulations of the BMSVG.

In addition, under the collective agreement for banks and bankers, there is an entitlement to two additional months' salary severance pay, if the employment lasted more than 5 years, and if the employer terminated the contract, or lasted more than 15 years and is ended by the start of an old-age pension or incapacity to work benefit. Unlike legal severance pay, this entitlement under a collective agreement also applies to periods of employment that began after 31 December 2002, or that will begin in future. In addition under the provisions of the pension fund collective agreement for office workers who joined after 31 December 1996, if the employer terminates employment, there is an additional right to 3 months' salary (after 20 years) or 4 months' salary (25 years).

For employees in Germany and in Switzerland, there is no obligation to build up pension or severance reserves.

17a STAFF RESERVES FOR BENEFITS AFTER TERMINATION OF THE WORKING RELATIONSHIP: PERFORMANCE-ORIENTED PLANS IN EUR thousand.	Reserves for pensions.	severance reserves	Total
Old-age pension and severance reserves as at 1 January 2015	**55,492**	**21,983**	**77,475**
Income recorded for the period.			
Interest charge	1,169	472	1,641
Period of service cost	530	1,025	1,554
Included in the other results			
Actuarial profit (–)/loss (+) from changes to demographic assumptions			
Actuarial profit (–)/loss (+) from changes to financial assumptions	0	0	0
Actuarial profit (–)/loss (+) from changes to experience-related assumptions	–1,010	–29	–1,040
	1,338	–1,965	–627
Other			
payments from these obligations	–2,865	–820	–3,686
Change in consolidation scope	0	0	0
Old-age pension severance reserves as at 31 December 2015	**54,653**	**20,665**	**75,318**
Income recorded for the period.			
Interest charge	1,213	470	1,683
Period of service cost	206	949	1,155
Included in the other results			
Actuarial profit (–)/loss (+) from changes to demographic assumptions			
Actuarial profit (–)/loss (+) from changes to financial assumptions	0	0	0
Actuarial profit (–)/loss (+) from changes to experience-related assumptions	4,168	1,204	5,371
	–699	–390	–1,089
Other			
payments from these obligations	–3,246	–914	–4,160
Change in consolidation scope	0	0	0
Old-age pension and severance reserves as at 31 December 2016	**56,294**	**21,984**	**78,278**

17b OTHER LONG-TERM PERSONNEL RESERVES in EUR thousand	Annivers. provisions	Other staff provisions	Total
Other long-term staff reserves as at 1 January 2015	**6,387**	**3,541**	**9,926**
Income recorded for the period.			
Interest charge	144	75	220
Period of service cost	496	0	496
Actuarial profit (–)/loss (+) from changes to demographic assumptions			
Actuarial profit (–)/loss (+) from changes to financial assumptions	0	0	0
Actuarial profit (–)/loss (+) from changes to experience-related assumptions	–53	–101	–153
	–221	–246	–467
Other			
payments from these obligations	–445	–122	–567
Change in consolidation scope	0	0	0
Other long-term staff reserves as at 31 December 2015	**6,308**	**3,147**	**9,455**
Income recorded for the period.			
Interest charge	137	71	208
Period of service cost	492	0	492
Actuarial profit (–)/loss (+) from changes to demographic assumptions			
Actuarial profit (–)/loss (+) from changes to financial assumptions	0	0	0
Actuarial profit (–)/loss (+) from changes to experience-related assumptions	496	414	910
	–256	88	–168
Other			
payments from these obligations	–441	–14	–455
Change in consolidation scope	0	0	0
Other long-term staff reserves as at 31 December 2016	**6,736**	**3,707**	**10,443**

The expense contained in the profit and loss account for severance, pensions, anniversary payments and other personnel reserves is shown in personnel expenses, with the exception of interest expense, which is presented in the interest results.

Actuarial profit and loss for severance and old-age pensions are shown in other earnings and are based entirely on adjustments and changes to actuarial assumptions in the light of experience.

17c OVERVIEW LONG-TERM STAFF RESERVES 2012–2016 in EUR thousand	31/12/2016	31/12/2015	31/12/2014	31/12/2013	31/12/2012
Pension reserves	56,294	54,653	55,492	42,808	41,030
Redundancy reserves	21,984	20,665	21,983	17,039	15,406
Anniversary reserves	6,736	6,308	6,386	5,243	4,933
Other payroll reserves	3,707	3,147	3,541	2,742	2,570
Total	88,721	84,773	87,402	67,832	63,939

The weighted average term of the defined contractual obligations (duration) for the banking sector is 12.01 years in the reporting year for severance payments (previous year: 12.39 years), for pension commitments 14.92 years (previous year: 14.81 years) and for death benefits 22.54 years (previous year: 21.57 years). For non-banking benefits, the duration in the reporting year was 11.19 years for severance payments (previous year: 11.47 years), and for pension commitments 12.55 years (previous year: 12.28 years). No contributions to the plan are expected for the next reporting periods. The evaluation of the existing personnel reserves is based on assumptions regarding the calculated interest rate, the retirement age, the life expectancy, the fluctuation rate and the future salary developments. In the calculations, the current regulations for the gradual alignment of the retirement age for men and women to 65 were taken on board.

17d ACTUARIAL ASSUMPTIONS FOR THE BANKING SECTOR	2016	2015
Financial assumptions		
Rate for the discount	1.76%	2.29%
Pay increase	3.12%	3.14%
Increase the old-age pension	2.51%	2.47%
Discount for employee turnover	0	0
Demographic assumptions		
Age for pension entitlement: female employees	65 years	65 years
Age for pension entitlement: male employees	65 years	65 years
mortality table	AVÖ 2008	AVÖ 2008

Thanks to the non-banking benefits and the different accounting year for the Silvretta Montafon Bergbahnen Group and Mayrhofner Bergbahnen AG other actuarial assumptions apply than for BTV AG.

17e ACTUARIAL ASSUMPTIONS FOR THE NON-BANKING SECTOR	BTV Leasing	Mayrhofner Bergbahnen	Silvretta Montafon
Financial assumptions			
Rate for the discount	1.35%	1.58%	1.35%
Pay increase	3.12%	2.76%	2.85%
Increase the old-age pension	0	2.15%	2.24%
Discount for employee turnover	0	5.00%	0
Demographic assumptions			
Age for pension entitlement: female employees	65 years	60-65 years	65 years
Age for pension entitlement: male employees	65 years	65 years	65 years
mortality table	AVÖ 2008	AVÖ 2008	AVÖ 2008

The Group is essentially exposed to the following actuarial risks: risk of a change in interest rates, risk of longevity and salary risk.

Risk of a change in interest rates

A drop in the interest rate leads to an increase in the liability.

Risk of longevity

The present value of the liabilities is calculated based on the best estimation of the probability of the beneficiary employee dying. An increase in the life expectancy leads to an increase in the liability.

The present value of the liability is calculated based on the future salaries of the beneficiary employee. Thus salary increases for the beneficiary employee lead to an increase in the liability.

In the case of a change of the calculated interest rate by +/– 1.00 percentage points, a change of +/– 0.50 percentage points for pay increases as well as a change of +/– 0.50 percentage points for pension increases, the contributions to the reserves would develop as follows if all other parameters remain the same:

Salary risk

17f SENSITIVITY ANALYSIS in EUR thousand	Calculated interest rate		Pay increase		Pension increases	
	–1.00%	+1.00%	–0.50%	+0.50%	–0.50%	+0.50%
Severances	24,738	19,665	20,785	23,266	0	0
Pensions	65,233	49,303	55,897	56,716	51,988	58,721
Death grants (Sterbequartale)	4,644	3,017	3,681	3,736	3,379	4,084

The maturity profile of the expected benefit payments from the existing staff reserves looks as follows for reporting years 2017 to 2021

17g MATURITY PROFILE OF THE EXPECTED BENEFIT PAYMENTS in EUR thousand.	2017	2018	2019	2020	2021	Total
Severances	771	516	1,411	1,719	1,619	6,036
Pensions	3,523	3,306	2,986	2,843	2,597	15,255
Death grants (Sterbequartale)	86	96	107	120	134	543

17h OTHER RESERVES in EUR thousand	Position 31 December 2015	Currency conversion	Additions	Consumption	Reductions	Splitting	Position 31/12/2016
Other reserves and provisions	39,759	5	2,530	–1,276	–5,452	2,088	37,654
Other reserves and provisions	39,759	5	2,530	–1,276	–5,452	2,088	37,654

The other reserves have been created as required by IAS 37 for legal or actual obligations of the group. In BTV this balance sheet item mainly includes reserves for off-balance sheet Guarantees and other liabilities, legal cases as well as for taxes and levies. The consumption of reserves in the current year can be expected with a high degree of probability.

18 TAX DEBTS in EUR thousand	31/12/2016	31/12/2015
Current tax owed	4,340	10,879
Deferred tax owed	5,887	5,653
Tax debts	10,227	16,532

18a DEFERRED TAX OBLIGATIONS in EUR thousand	31/12/2016	31/12/2015
Revaluation Finance Leasing and Other	689	1,012
Other deferred tax assets and tax debts abroad	5,198	4,641
Deferred tax owed	5,887	5,653

19 OTHER LIABILITIES in EUR thousand	31/12/2016	31/12/2015
Negative market values from derivatives trades	22,724	26,644
Other liabilities	106,321	97,367
Other liabilities	129,045	124,011

20 SUBORDINATED CAPITAL in EUR thousand	31/12/2016	31/12/2015
supplementary capital	176,696	240,492
Hybrid capital	36,328	36,323
Subordinated capital	213,024	276,815
of which fair value	154,696	210,259

The subordinated capital shown as supplementary capital shows maturities during financial years 2017-2026 and coupons of between 0.000% and 6.000% (previous year: 0.232% and 8.000%).

During this financial year, there was EUR 27.511 million of subordinated supplementary capital, with maturity in 2026, (previous year: EUR 19.514 million). In this financial year, EUR 0 of listed capital was redeemed (previous year: EUR 25.000 million) and EUR 88.550 million (previous year: EUR 47.308) non-listed supplementary capital was redeemed.

An early redemption of the bonds by the bank or the lender is not possible. Interest can only be paid, if they are covered by the annual profit as defined by company law before assignments to reserves. Repayment on maturity is only possible on proportional deduction for the losses which occurred during the lifetime. For supplementary capital which was issued after 1 January 2010, the interest is only to be paid out if this is covered by disposable profits.

The total cost for supplementary capital borrowing was EUR 9.280 million in this financial year (previous year: EUR 9.625 million). During the 2017 financial year, EUR 65.950 million of issued supplementary capital falls due (previous year: EUR 88.550 million).

The redemption amount for subordinated capital including premiums/discounts and accrued interest, for which the fair-value option was applied, is a total of EUR 147.997 million (previous year EUR 201.571 million). The amount of the difference between the fair value of the subordinated capital, for which the fair value option was applied, and its

repayment amount is EUR 6.699 million (previous year: EUR 8.688 million).
During this reporting year for the BTV Group, no hybrid loan was redeemed (previous year: EUR 46.005 million) and no hybrid loans were issued (previous year: EUR 0). Overall interest paid for the hybrid loans amounted to EUR 2.279 million (previous year: EUR 5.0 million).

The change in the fair value of the subordinated capital which is due to the changes in the risk of default during the reporting period amounted to EUR 223 thousand (previous year EUR 306 thousand). The change to the fair value due to changes in the risk of default is determined by the difference between the overall change to the fair value of the subordinated capital and the change to the fair value resulting from market risk factors. The fair value of the subordinated capital was determined by discounting future payment flows on the reporting date, the default risk add-on was valued based on the funding for comparable maturities.

21 EQUITY

On 31st December 2016 the issued capital totalled EUR 55.0 million (previous year: EUR 55.0 million). The share capital is represented by 25,000,000 (previous year: 25,000,000) – bearer – voting individual shares (common shares). In addition 2,500,000 (previous year: 2,500,000) – bearer – non-voting shares (preference shares) were issued, with a minimum dividend of 6% attached (in the event of dividends being suspended, to be paid retrospectively). The book value of the shares held by the company was EUR 662 thousand on the balance sheet date (previous year: EUR 598 thousand). In the capital reserves both retained earnings as well as income and expenses with no effect on profits were accounted. The represented shares correspond to the approved shares.

CHANGE IN NUMBER OF SHARES IN CIRCULATION in shares	2016	2015
Issued shares in circulation 01/01	27,469,501	24,986,989
Purchase of own shares	–6,550	–50,437
Sale of own shares	3,225	32,949
Capital increase	0	2,500,000
Issued shares in circulation 31/12	27,466,176	27,469,501
plus own shares in Group portfolio	33,824	30,499
Shares issued 31/12	27,500,000	27,500,000

21a Regulatory capital and debt levels

The consolidated capital of the Group is reported in accordance with the provisions of Basel III.
This is based on EU Regulation 575/2013 (Capital Requirements Regulation – CRR), in conjunction with the Austrian CRR accompanying regulation. The capital according to CRR consists of the common equity (Common Equity Tier 1 – CET1), the additional core capital (Additional Tier 1 – AT1) and supplementary capital (Tier 2 – T2). The respective capital ratios are determined by contrasting the corresponding regulatory capital component after taking into account all regulatory deductions and transitional provisions of the overall measure of risk. Under the provisions of the CRR a minimum requirement of 4.5% is required for CET1, which will be increased by 0.625% by the capital buffer defined under CRD IV (Capital Requirements Directive IV). For the entire core capital, a minimum requirement of 6.625% is required; the total capital must reach a level of 8.625%. Additional regulatory capital buffers are not defined for the 2016 reporting period. The leverage ratio indicates the ratio of the common equity (Tier 1) to the leverage exposure (unweighted asset items of the balance sheet and off-balance-sheet transactions pursuant to CRR). The provisions for calculating and disclosure of the leverage ratio within the EU are implemented by BTV as part of their disclosure obligations.

CONSOLIDATED EQUITY UNDER CRR in EUR million	31/12/2016	31/12/2015
Common equity (CET1)		
Capital instruments qualifying as CET1	150.8	150.8
Proprietary CET1 instruments	–10.0	–9.5
Retained earnings	1,008.3	927.2
Aggregated other income	28.0	19.4
Other reserves	125.4	127.6
Transitional changes owing to the transitional provisions for CET1 capital instruments	3.0	3.5
Deductions and adjustment items due to adjustments to common equity (prudential filters)	–0.8	0.8
Goodwill	0.0	0.0
Other intangible assets	–0.1	–0.0
Regulatory changes in connection with CET1 instruments of financial companies, in which the bank holds a substantial interest	–408.6	–351.8
Other transitional changes to CET1	79.1	82.9
Common equity (CET1)	975.1	950.9
Additional core capital (Additional Tier 1)		
Changes owing to the transitional provisions for Additional Tier 1 capital instruments	21.0	24.5
Other transitional changes to Additional Tier 1	–21.0	–24.5
Additional core capital (Additional Tier 1)	0.0	0.0
Core capital (Tier 1): sum of common equity (CET1) and additional (AT1) core capital	975.1	950.9
Supplementary capital (Tier 2)		
Paid-up capital instruments and subordinated loans	93.8	97.1
Direct positions in supplementary capital instruments	–11.8	–0.4
Changes owing to the transitional provisions for supplementary capital instruments and subordinated loans	10.2	15.1
Other transitional changes to supplementary capital	–79.2	–84.8
Supplementary capital (Tier 2)	13.1	27.0
Total qualifying equity	988.2	977.9
Total risk-weighted assets	6,708.8	6,262.7
Common equity Tier 1 ratio	14.54%	15.18%
Core capital ratio	14.54%	15.18%
Equity ratio	14.73%	15.61%

The structure of regulatory capital is based on the final proposal of the guidelines of the EBA (European Banking Authority); the values are assessed on the basis of the scope of consolidation required by supervisory regulations.

The equity calculation for 2016 includes retained earnings totalling EUR 15.606 million, subject to approval of the annual financial statements by the Supervisory Board on 31 March 2017.

Information on overall income statement and segment reports

22 INTEREST INCOME in EUR thousand	31/12/2016	31/12/2015
Interest and similar income from		
Lending and money market transactions with credit institutions	8,444	11,338
Lending and money market transactions with clients	129,250	129,014
Debenture bonds and fixed-interest securities	4,835	26,162
Equities and variable-rate securities	240	718
Other transactions	898	11,800
Interest earnings on liabilities	935	215
Sub-total interest and similar income	144,602	179,247
Interest and similar expenses on		
Credit institutions deposits	–5,347	–6,607
Customer deposits	–16,655	–20,022
Securitised debt	–7,177	–1,983
Subordinated capital	–4,481	–14,356
Other trades	–3,100	–10,234
Interest expense from assets	–676	–90
Sub-total interest and similar expenses	–37,436	–53,292
Income from at-equity valued companies	37,595	35,721
Net interest income	144,761	161,676

The interest income from financial assets, including at-equity income which is not taken through the P&L, but valued at fair value, amounted to EUR 180.670 million (previous year: EUR 207.905 million). The corresponding interest costs for financial liabilities amounts to EUR 26.900 million (previous year: EUR 46.415 million).

For impaired financial assets there was a total interest income of EUR 1.145 million (previous year EUR 1.336 million).

In addition to the negative income shown under Interest income from liabilities and Interest expense on assets, in 2016 negative credit interest of EUR 8.562 million (previous year: EUR 1.242 million) and negative debit interest of EUR 2,246 million (previous year: EUR 72 thousand) were recorded for derivatives.

23 RISK PROVISIONS IN CREDIT TRANSACTIONS in EUR thousand	31/12/2016	31/12/2015
Allocation of on-balance sheet provision	–35,771	–22,340
Allocation of off-balance sheet provision	–827	–6,367
Release of on-balance sheet provisions	16,571	13,089
Release of off-balance sheet provisions	5,113	217
Direct amortisation	–1,438	–664
Income from amortised receivables	218	329
Loan loss provisions in the credit business	–16,134	–15,736

The allocations to and write-backs from provisions for off-balance sheet loan risks are contained in the above figures.

24 NET COMMISSION INCOME in EUR thousand	31/12/2016	31/12/2015
Loan business	6,712	6,014
Payment processing	12,175	12,137
Securities trading	23,283	25,523
Currency, foreign exchange and precious metals trading	4,047	3,950
Other services business	1,261	1,528
Net commission income	47,478	49,152

25 TRADING INCOME in EUR thousand	31/12/2016	31/12/2015
Income from derivatives	1,293	3,086
Income from securities	524	541
Income from foreign exchange and notes and coins transactions	1,368	2,528
Trading income	3,185	6,155

26 OPERATING EXPENSES in EUR thousand	31/12/2016	31/12/2015
Payroll	–91,804	–89,275
thereof salaries and wages	–68,663	–67,193
thereof legal social contributions	–19,105	–18,334
thereof other personnel costs	–2,461	–3,012
thereof expenditures for long-term personnel deferrals	–1,575	–736
Materials	–50,171	–47,129
Amortisation	–27,202	–26,865
Operating expenses	–169,177	–163,269

In the personnel costs are included expenses for contributable pension plans of EUR 1.750 million (previous year: EUR 1.696 million).

The costs invoiced by the Group auditors (KPMG Austria GmbH Auditor and Accounting company and KPMG network companies) for the audit of the individual and group financial statements as well as other services rendered amounted to (incl. VAT):

26a AUDITOR'S EXPENSES in EUR thousand	2016	2015
Audit of year end accounts company and group	365	351
Tax advisory services	45	40
Other services	105	50
Auditor expenses	515	441

26b AVERAGE NUMBER OF EMPLOYEES, WEIGHTED ACCORDING to personnel years	31/12/2016	31/12/2015
White collar	923	911
Blue collar	427	443
Payroll	1,350	1,354

In addition, in the reporting year, an average of 26 employees (previous year: 26 employees) were sent to closely related companies. These are not taken into account in the table above.

27 OTHER OPERATING INCOME in EUR thousand	31/12/2016	31/12/2015
Other operating income	106,905	98,130
Other operating expenses	–43,416	–36,266
Hedge accounting income	–18	4
Other operating profit	63,471	61,868

The total amount of other taxes which apply to other operating income totalled EUR 23.198 million in 2016 (previous year: EUR 10.566 million). The loss from the fair value hedge accounting in the reporting year was EUR 18,000 (previous year: gain of EUR 4,000). This includes a loss on hedged basic operations of EUR 5.737 million (previous year: gain of EUR 4.110 million) and a gain on the hedging instrument of EUR 5.719 million (previous year: loss of EUR 4.106 million).

28 PROFIT FROM FINANCIAL ASSETS – AT FAIR VALUE THROUGH PROFIT OR LOSS IN EUR thousand	31/12/2016	31/12/2015
Profit arising from financial assets – at fair value through profit or loss	–1,742	–3,078
Profit arising from financial assets – at fair value through profit or loss	–1,742	–3,078

29 PROFIT FROM FINANCIAL ASSETS – AVAILABLE FOR SALE in EUR thousand	31/12/2016	31/12/2015
Profit arising from financial assets – available for sale	1,651	75,700
Profit arising from financial assets – available for sale	1,651	75,700

From the available for sale financial assets, a profit of EUR 12.385 million (previous year: EUR 33.234 million) in the area of fixed interest and non-fixed interest securities combined was taken directly to equity. In financial year 2016, in the P&L item „Earnings from financial assets - available for sale“ there are no permanent impairments of fixed interest and non-fixed interest securities (previous year: EUR 468,000).

In addition, in the reporting year, due to sales or reversals of the valuation reserve for AfS of EUR 1.505 million profit (previous year: profit of EUR 82.561 million) was shown in this P&L item.

In the reporting period, a total profit from other investments and other associated investments in the amount of EUR 625 thousand (previous year: profit of EUR 9.183 million) was recorded directly within equity. In the reporting year EUR 14,000 (previous year: EUR 1.592 million) of impairments were recorded for other investments and other associated investments.

30 INCOME FROM FINANCIAL ASSETS – HELD TO MATURITY in EUR thousand	31/12/2016	31/12/2015
Profit arising from financial assets – held to maturity	0	0
Profit arising from financial assets – held to maturity	0	0

31 TAXES ON INCOME AND PROFITS in EUR thousand	31/12/2016	31/12/2015
Current tax expense	–11,431	–29,635
Tax provision cost (-)/income (+)	1,721	–4,099
Taxes on earnings and profit	–9,710	–33,734

The taxes on income include the individual group companies on the basis of calculated taxable results from current income taxes, income tax corrections for previous years and changes to the tax provisions.

31a TAXES: RECONCILIATION in EUR thousand	2016	Reconciliation of tax rate	2015	Reconciliation of tax rate
Annual net profit before tax	73,493		172,468	
Calculated tax expense	–18,373	25.0%	–43,117	25.0%
Tax reduction due to tax-exempt revenue from holdings and other tax-exempt revenues	2,325	–3.2%	1,639	–1.0%
Tax increase from non-deductible expenses	13	0.0%	–695	0.4%
Other	2,430	–3.3%	3,437	–2.0%
Tax expense for other periods	–3,567	4.9%	–2,364	1.4%
Tax exemption at-equity revenues	7,462	–10.2%	7,366	–4.3%
Taxes on earnings and profit	–9,710	13.2%	–33,734	19.6%

The „Other“ item comprises essentially the tax assessment and differences from foreign taxation. The tax expenses not relating to the period contains taxes on income from previous periods and other sources of tax.

Within the Statement of comprehensive income, in the reporting year EUR 828,000 (previous year: EUR 10.482 million) deferred taxes were taken against equity. Of these, EUR –243,000 (previous year: EUR 10.841 million) arise on unrealised gains/losses from the sale of held assets (AfS provision), and EUR +1.071 million (previous year: EUR –359,000) on the revaluation of performance related pension plans.

32 EARNINGS PER SHARE (COMMON AND PREFERENCE SHARES)	2016	2015
Equities (ordinary and preference shares)	27,500,000	27,500,000
Average float (ordinary and preference shares)	27,468,678	25,197,116
Group net profit attributable to the owners in EUR thousand	61,790	137,419
EPS (Earnings per share) in EUR	2.25	5.45
Diluted earnings per share in EUR (ordinary and preference shares)	2.25	5.45
Dividend per share in EUR	0.30	0.30

The diluted earnings per share are the same as the undiluted earnings per share as no financial instruments with diluting effect were issued. These means that there is no difference between the values „earnings per share“ and „diluted earnings per share“.

33 APPLICATION OF PROFITS

The distributable profits are determined from the financial statements of BTV AG. The net earnings for financial year 2016 amounted to EUR 27.671 million (previous year: EUR 75.828 million). After transfer to reserves of EUR 19.871 million (previous year: EUR 67.428 million) and adding back the profits carried forward, there are available earnings of EUR 8.406 million (previous year: EUR 8.845 million) as distributable profits shown on the balance sheet. The Board of Directors will recommend to the Annual General Meeting that for the financial year 2016 a dividend of EUR 0.30 per share (previous year: EUR 0.30) be paid out. The payment requires therefore a total of EUR 8.250 million (previous year: EUR 8.250 million). The total amount of dividends on preference shares was EUR 750 thousand (previous year: EUR 750 thousand). The remaining profit is to be carried forward as per Section 65 para 5 of the Shares Act (Aktiengesetz).

Segment reporting is provided by BTV Group as required by the information and valuation rules of IFRS 8. Segment information is based on what is known as the „Management Approach“. This requires segment information to be presented according to internal reporting as it is regularly used by the company‘s key decision-makers for decisions on allocation of resources to the segments and to assess their performance. The qualitative and quantitative thresholds defined in IFRS 8 are met by this segment reporting. The business areas are reported as independent businesses.

Segment reporting is based on internal divisional accounting for the corporate and retail customers business areas; on the overall bank report for the institutional clients and banks business area; on the Reporting Package and the monthly report for the BTV Leasing subgroup; on the relevant monthly report for the Silvretta Montafon Group and on the relevant monthly report for Mayrhofner Bergbahnen AG. These reports reflect the structure of management responsibilities within BTV in 2016. These internal reports to the Board of Directors, which only satisfy IFRS accounting standards in part, are supplied monthly and are almost totally automated by preparatory systems and interfaces. The reporting dates for the data are the respective period closing dates of the subsidiaries included in the consolidated financial statements. The information of the internal and external accounting system is based on the same base data and is agreed in the Finance and Controlling division for the reports. Reciprocal checks, ongoing reconciliations or validation checks between the Sales and Strategy Controlling, Risk Controlling, Statutory and Financial Reporting, and Tax and Accounting teams are therefore guaranteed. The criterion for separation of business areas is primarily who is responsible for looking after the customers. Changes in this responsibility can also lead to changes in attribution to a segment during the course of a year. These effects were, where insignificant, not corrected in the comparison with last year.

For control reasons, the management report for corporate customers was redesigned in 2016. The institutional corporate customers were brought within the corporate customer segment for the first time in 2016; in 2015 these were included in other segments.

In 2016, the following business areas have been defined within BTV:

The corporate client business area is responsible for small, medium and large business clients and chartered accountants and auditors. The retail client business area is responsible for the retail clients, freelance professionals and micro-companies market segments. The institutional clients and banks division mainly includes treasury and trading activities. BTV Leasing brings together all leasing operations of BTV AG. The cable cars sector includes the Silvretta Montafon Group and Mayrhofner Bergbahnen AG, which contain all of the two companies‘ tourism activities. The results of these segments also include transactions between segments, particularly between the corporate customer segment and leasing and the cable cars. Services are transferred at market prices. Alongside these five reporting segments, under the „Other segments/consolidations/misc.“ heading results from service areas across BTV are reported, such as Finance and Controlling, Legal and Investments, Marketing, Communications and Board matters as well as Group Auditing etc. In addition, the effects of consolidation and fully consolidated companies below the thresholds (Alpenländische Garantie-Gesellschaft m.b.H., BTV Hybrid I GmbH and BTV Hybrid II GmbH in Liqu. as well as TiMe Holding GmbH) are allocated to this segment.

The results of the five reporting segments are described below.

Corporate client segment

The corporate customer segment is BTV's largest business segment. The operating interest earnings in 2016 were the prime component of the income in this sector. In comparison to 2015, interest earnings rose by EUR +8.3 million to EUR 94.9 million.

In this financial year we saw a waning influence from risk avoidance in the loans business. In comparison to the previous year, these rose by EUR +1.4 million to EUR 10.2 million. In the long-term average, the risk provisions at BTV are still at a moderate level.

The cause of the drop of EUR –1.4 million to EUR 20.8 million in commission earnings is mainly due to the reduced earnings from securities trading. Administrative costs are a further decisive factor for earnings. These rose in this segment, mainly because of staff costs and physical expansion, by EUR +1.2 million to EUR 29.1 million. The segment loans grew because of robust new business by EUR +523 million to EUR 5,079 million. The segment liabilities fell from by EUR –72 million to EUR 2,192 million. In total, this led to a clearly increased profit for the period of EUR 76.4 million, (EUR +4.4 million over the previous year).

Retail client segment

The second pillar of BTV, the retail client business, developed positively in this financial year. Interest earnings showed a rise of EUR +0.4 and made a contribution of EUR 39.7 million to the profits from interest. Loan loss provisions in the lending business reduced by EUR –1.4 million. Securities trading was hit by falling turnover, because of uncertainty created among customers by the turbulent start to the year in the financial markets. Overall, net commission income stood at EUR 29.9 million, EUR –1.1 million down on the previous year.

The retail client segment is typically highly cost intensive because of the high staff and premises resources required. In the reporting year, costs rose by EUR +1.1 million to EUR 48.5 million. Other operating profits remained stable at EUR 0.8 million, the same as the previous year.

In total, this led to a profit before tax for the period of EUR 20.6 million, which was EUR –0.4 million below the previous year's profit.

Institutional Clients and Banks Segment

The sale in the previous year of the majority of bonds held in the Bank's own portfolio led to an enormous growth in earnings of the Institutional clients and banks business unit by year-end 2015. This explains the falls in comparison during the reporting financial year. Income from financial assets, including trading income, fell to EUR 2.9 million, leaving it EUR –75.6 million below the level of the previous year. Net interest income of EUR 12.9 million was significantly below the level of EUR 36.5 million in the previous year. The lower coupons on the re-organised securities are the reason for the fall. Administrative costs were EUR 2.1 million. The pre-tax profit for the period was EUR 13.9 million in total.

Segment Leasing

The leasing subsidiary of BTV can look back over a stable financial year. The asset business showed very positive trends, with the customer cash volume rising by EUR +91 million to EUR 861 million. The profit on interest stands out as well, going up by EUR +1.8 million to EUR 17.4 million. The risk provisions for the lending business increased moderately by EUR +0.4 million to EUR 1.7 million, while the Other operating profits fell back by EUR –0.5 million.

The commission earnings were increased by EUR +0.9 million to EUR 1.2 million, administrative overheads remained stable compared to last year, at EUR 6.5 million. The pre-tax profit for the period grew by EUR +1.6 million overall to EUR 14.0 million.

Cable cars segment

Mayrhofner Bergbahnen and the Silvretta Montafon Group form the cable cars segment. Owing to their business activities being dominated by tourism, the result varies drastically with the seasons. Other operating profit of EUR 80.7 million, mainly includes the revenues. These are also the decisive factor for earnings at Silvretta Montafon with its average of 424 employees in the reporting year and Mayrhofner Bergbahnen with its average 155 employees. Administrative expenses were up EUR +4.7 million to EUR 66.2 million. Overall, the annual profits, including a slightly negative net interest income (EUR –0.9 million) were EUR 13.6 million, meaning that the results of the previous year were exceeded by EUR +1.8 million.

Segment reporting: explanatory notes

The net interest income is allocated according to the market interest method. Sales figures are included in the corporate and retail clients for management reasons, among other items. Income from equity-valued companies is allocated to the „Other segments/consolidation/misc.“ area. Net commission income is determined by the assignment of the internal divisional accounting (including all manual entries being assigned to commission). Costs are allocated to the respective segments in which they were incurred and the expenses of BTV Leasing GmbH or Silvretta Montafon Group and Mayrhofner Bergbahnen are directly allocated in accordance with the management reports. Costs not directly imputable are shown under „Other segments/consolidation/misc.“ The other operating income includes, among other things, the conversion of the Silvretta Montafon Group and Mayrhofner Bergbahnen and, in addition to the consolidation effects, essentially the stability tax and rental operations under „Other segments/consolidation/misc.“

The segment receivables include the entries for loans and advances to banks, loans and advances to clients, trading assets and all fixed-interest securities, guarantees and liabilities. The „Other segments/consolidation/misc.“ column includes loan loss provisions, since the internal control considers the liabilities as net figures in contrast to the balance sheet. The postings resulting from consolidation are also found here. The items „Liabilities to banks“, „Liabilities to clients“, „Securitised debt“, „Trading liabilities“ and „Subordinated capital“ are all shown under this segment‘s liabilities. Consolidating entries are also included here in the „Other segments/Consolidation/Misc.“ column.

The success of the business field concerned is measured by the pre-tax annual net profit generated by that segment.

SEGMENT REPORTING IN in EUR thousand	Year	Corporate clients	Retail clients	Institutional clients and banks	Leasing	Cable cars	Reporting segments	Other segments/consolidation/misc.	Group balance sheet/P&L
Net interest income	12/2016	94,873	39,668	12,866	17,375	–907	163,875	–56,709	107,166
	12/2015	86,543	39,229	36,523	15,592	–769	177,118	–51,163	125,955
Income from at-equity valued companies	12/2016	0	0	0	0	0	0	37,595	37,595
	12/2015	0	0	0	0	0	0	35,721	35,721
Loan loss provisions in the credit business	12/2016	–10,178	–1,177	241	–1,699	0	–12,814	–3,320	–16,134
	12/2015	–8,788	–2,596	1,978	–1,324	0	–10,730	–5,006	–15,736
Net commission income	12/2016	20,778	29,914	0	1,231	0	51,923	–4,445	47,478
	12/2015	22,147	31,029	0	338	0	53,514	–4,362	49,152
Operating expenses	12/2016	–29,122	–48,518	–2,091	–6,519	–66,227	–152,477	–16,700	–169,177
	12/2015	–27,925	–47,388	–1,989	–6,549	–61,551	–145,401	–17,868	–163,269
Other operating profit	12/2016	0	754	0	3,562	80,722	85,038	–21,566	63,471
	12/2015	0	724	0	4,032	74,061	78,817	–16,949	61,868
Profit arising from financial assets and trading profit	12/2016	0	0	2,857	87	0	2,944	150	3,094
	12/2015	0	0	78,420	357	0	78,777	0	78,777
Annual profit before tax	12/2016	76,351	20,641	13,873	14,037	13,588	138,490	–64,997	73,493
	12/2015	71,977	20,998	114,932	12,446	11,744	232,098	–59,630	172,468
Segment loans	12/2016	5,079,286	1,359,507	2,063,368	861,372	17,609	9,381,142	–379,740	9,001,402
	12/2015	4,556,270	1,324,656	1,986,600	770,517	10,851	8,648,894	–38,205	8,610,689
Segment liabilities	12/2016	2,191,831	3,275,184	2,575,974	807,046	99,177	8,949,212	–420,525	8,528,687
	12/2015	2,263,358	2,989,089	2,248,410	724,504	88,279	8,313,640	–301,125	8,012,515

Changes in this responsibility can lead to changes in attribution to a segment. These effects are not corrected in the year-on-year comparison.

Risk strategy and policy for risk management

As part of the risk report, a qualitative and quantitative disclosure is made of the ICAAP (Internal Capital Adequacy Assessment Process) at BTV. This disclosure includes the global banking level as well as the individual risk categories. BTV's risk categories were determined as follows:

BTV's global bank risk is defined as the sum of

RISK CAPABILITY
Credit risk
Risk of default by other party
Equity investment risk
Credit concentration risk
Risks from credit risk reducing techniques
Market risk
Interest rate risk
Currency risk
Share price risk
Credit spread risk
Volatility risk
Liquidity risk
Operational risk
Macroeconomic risk
Concentration risks
Inter-concentration risks
Intra-concentration risks
Other risks
Strategic risk
Reputation risk
Capital risk
Profit or business risk
Model risk
Risk from the business model
Systemic risk

credit, market, liquidity, operational, macroeconomic, concentration and other risks. This states the likelihood of BTV continuing to be in a position to meet the risk capability requirements within a foreseeable time horizon.

Within BTV, risk is understood to mean the risk of a negative divergence from an expected result. The conscious and selective assumption of risks and their appropriate management represents a core banking function and hence a core function of BTV too. The aim is to achieve a balanced ratio between risk and profit, in order to make a sustainable contribution to the positive development of the company. Because of the operational necessity of being able to continue to meet the risk capability requirement and to maintain a balance between risk and profit, BTV has developed a risk strategy. This risk strategy is characterised by a conservative approach to operational banking risks, resulting from the demands of a client-oriented focus in banking business and the attitude towards the legal requirements.

Therefore a control loop has been implemented within BTV, which ensures that all risks within the group are identified, quantified, aggregated and actively managed. The individual risk definitions and management mechanisms applied as part of this control circuit are described in detail below.

Credit risk

At BTV credit risk is broken down as follows:

- Risk of default by other party
- Equity investment risk
- Credit concentration risk
- Risks from credit risk reducing techniques

The securitisation risk is of no relevance, since BTV has no securitisation positions in its asset portfolio.

Risk of default by other party

Under this heading BTV looks at the total or partial default of a counterparty and the resultant loss of the income due or loss of the capital invested. Particular importance is attached to monitoring counterparty default risk, as the most important type of risk for BTV.

Management of counterparty default risk

The credit management department is responsible for risk management of its loan book as well as for assessing the creditworthiness of clients. This department is also responsible for overall management, restructuring management, management of loan commitments in default, drawing up of financial statements and company analyses, as well as collection and evaluation of sector information. Knowing our customers well is particularly important for BTV. This is reflected strongly in the loan management area. Regular meetings between customers and loan managers from BTV are just as self-evident as at least annual borrower reviews. The main defined goals for the management of the borrower's default risk have been defined as the long-term optimisation of the lending business with regard to the risk/return ratio, and in the short term, the achievement of the credit risk objectives budgeted for in the individual client segments. At individual level, risk management techniques include assessment of creditworthiness when granting loans, the acceptance of collateral, ongoing monitoring of account management and scheduled reviews of ratings and the soundness of collateral. Loan loss provision is carefully formed, taking into consideration existing collateral, for default risks identified and quantified during the financial year.

Transactions involving debt arrangements

Here, it concerns transactions in which the borrower, who has been under financial pressure has been given through one or more measures the opportunity to pay off his liabilities within the framework of his current economic situation.

Types of debt forbearance

The following types of debt arrangement are distinguished at BTV:

Debt arrangement concerning capital repayment:
- The credit period is extended.
- Arrears are capitalised.
- Redemption payments are temporarily put on hold.
- Loans are waived in part or as a whole.
- Annuity repayment vehicles are temporarily put on hold.

Forbearance on interest payments due:
- Interest payments were temporarily suspended.
- Favourable rates of interest are agreed in order to reduce the burden of interest.

Other types of debt arrangement:
- The credit relationship is readjusted by contract.
- The obligation to comply with binding conditions (covenants) on the part of the borrower is temporarily relaxed.
- Securities are released.
- Additional borrowers are added to the credit relationship.

The measures listed are applied in both an individual as well as combined way.

Risks

All of the measures mentioned above generally reduce the risk of the borrower defaulting. If however the agreements made are not adhered to on the part of the client, there is the risk of a reduced quota of collectability due to the delay of the default or the delay in a possible termination of the loan.

Risk management and risk control

The internal regulations of BTV provide that debt arrangements are only to be granted if, on the basis of the available data, documents and information, a proper repayment is ensured. The approval is made through the decision-making channels. The agreements made with the borrower are always to be documented in writing. If there is interference in existing contracts, the changed or new contracts have to be agreed to by the borrower as well as all the co-borrowers and issuers of securities.

The control is carried out by the credit management department by means of existing control systems such as, for instance, lists for overdrafts and credit limits. Other agreements made with the client are controlled separately through the relevant responsible person for the market.

Probation period

Once an agreed debt arrangement has formally come into force, a two-year probation period will start for the borrower.

After the two-year probation period has been completed and all of the criteria listed below have been cumulatively fulfilled, the client is again managed as a client without a debt arrangement:

- The client is within the living rating area.
- According to the assessment of the commercial situation, the borrower can repay the claims.
- Within the probationary period, the payment obligations are fulfilled properly.
- Currently, the total position of the borrower is less than 30 days overdue.

If a customer who has been granted a debt arrangement defaults during the probationary period, the probationary period will be interrupted for 365 calendar days. The customer cannot obtain a living rating for the period of interruption of the probationary period. Provided that the borrower's overall position is not overdue, a new two-year probationary period will start when the interruption period ends. For those customers whose probationary period was interrupted, stringent monitoring criteria will apply to the new probationary period:

- If the borrower's overall position is more than 30 days overdue, this is regarded as default.
- The granting of any further forbearance is treated as default.

Accounting policies and valuation methods, loan loss provision indicators

Debt arrangements granted to borrowers automatically lead to an open-ended impairment test. If the agreed measures are not complied with, the client is submitted to a renewed and timely credit check. Within the context of this check, a change of the borrower's rating to default as well as the formation of a loan loss provision or a reserve will be evaluated.

If, within a credit commitment, a credit default is to be expected, a loan loss provision or a reserve is created for the part that is probably not recoverable. The amount of this impairment or reserve is determined solely by the Credit Management department, in line with the competence rules. The IFRS international accounting standards regulates the creation of portfolio value adjustments. Provisions for loan losses which have already occurred by the balance sheet date but have not yet been recognised are represented under portfolio impairments (see also IAS 39). In BTV, portfolio impairment consists on the one hand of counterparty risk components and on the other hand of country risk components. For the calculations, a model is used with which the need for impairment is determined based on historical loss experiences in the portfolio.

The total amount of impairments is shown explicitly as a reduction on the asset side of the balance sheet. Reserves and provisions for off-balance sheet transactions (in particular liabilities and guarantees and other lending commitments) are held in the item „reserves“.

Generally, entire or partial write-offs of claims take place only with clients who have already defaulted and after assessment through the reorganisation management. Provided that a borrower in a difficult financial position can cover some of his obligations, in individual cases a release of existing claims can take place also for clients who have not defaulted.

Equity investment risk

Equity investment risks (shareholder risks) are defined within BTV as the potential losses from equity furnished, non-payment of dividends, partial write-downs, losses on disposals, reduction of hidden reserves, liability risks (e.g. B. letters of comfort), or profit transfer agreements (assumption of losses).

Credit concentration risk

Within BTV, credit risk concentration is defined as the risks which arise from un uneven distribution of business partners in loan or other business relationships, the formation of geographical or sector-specific business clusters or other concentrations, which may generate losses that are large enough to threaten BTV‘s continued existence.

Risks from credit risk reducing techniques

This is understood to mean the risk that the credit risk reducing techniques implemented by BTV are less effective than expected. This risk can be differentiated according to credit, market, liquidity, operational and other risks.

Under credit risk BTV looks in this context at the total or partial default of a counterparty and of the collateral issuer or security provider and the resultant loss of income due or loss of the capital invested.

Market risks include the interest rate, currency, share price, credit spread and volatility risks. The currency risk arises as a result of inconsistencies in the currency between debts and risk-mitigating techniques. If the nominal price of the security changes negatively in relation to the nominal price of the loan, the unsecured portion of the debt will increase and so will the potential loss amount in the event of default on the debt. The interest rate, share price and credit spread risks should be seen here as mainly being connected with financial security. For example, the market values of financial security (equities, bonds, etc.) could be reduced owing to macroeconomic influences.

As part of the risks arising from risk-mitigating techniques, liquidity risk is defined as the non-liquidity of parts of the collateral portfolio.

Furthermore, operational and other risks – corresponding to the definitions in the following sections – may result in parts of the collateral portfolio losing in value.

In the case of all the risks mentioned, owing to the reduction in the value of the security, the unsecured portion of the debt increases and so does the potential amount of the economic loss for BTV in the event of default on the debt.

Market risk

Under market risk BTV understands the potential loss which can arise due to changes in prices and interest rates in financial markets for all the positions of the bank and its trading book. The market risk is made up of interest risk, currency risk, share price risk, credit-spread risk and volatility risk types.

Control of market risks

Management of market risks is undertaken centrally in the Institutional Clients and Banks business area of BTV. Both the periodical and net asset value effects of asset/liability management are taken into consideration to this end. As central auxiliary conditions, the impacts of the management measures on invoicing according to IFRS and UGB and the clauses relating to supervisory law are taken into consideration.

At BTV, management measures include the identification of commitment incongruities and their adjustment, the ongoing monitoring of credit spreads in the security nostro, the assurance of the effectiveness of hedge relationships, the separation of income components using a transfer price system and the assurance of risk-bearing ability at all times.

Interest rate risk

Interest rate risk has a twofold impact. On the one hand there is the risk of reduced net asset values due to the changes of market rates in the interest register. On the other hand, there is a risk that the expected interest revenue will not be achieved due to a change in interest rates.

Types of interest rate risk

Within BTV, the different forms of interest rate risk are broken down as follows:

- Interest rate adjustment risk: This risk arises from setting of interest rates, which can lead to inconsistencies in the fixed interest rates and a potential reduction in the net interest margin.
- Interest curve risk: This risk arises from changes in the yield curve (position, steepness, convexity), which on the one hand affect the net present value of interest rate-sensitive positions, and on the other hand influence the structural contribution to the net interest margin.
- Basis risk: This risk arises from the different rate sensitivities of asset and liability positions to interest rate movements.
- Non-linear risks from derivative positions and embedded options.

While the first three categories of interest risk arise from traditional banking activity and are monitored, the fourth type of risk arises in the case of transactions involving options.

Currency risk

BTV defines currency risk as the danger that the profit which is obtained from transactions which require conversion from one currency to another, deviates negatively from the expected result.

Share price risk

Within BTV, share price risk is understood to be price fluctuations in equities and equity funds.

Credit spread risk

The credit spread represents a risk premium for investments which include loan and liquidity risks. The credit spread is defined as the difference in returns from an asset and a risk-free reference bond. Credit spread risk in BTV is reflected in fluctuations in the net value of bond portfolios, which cannot be attributed to interest rate changes.

Volatility risk

The volatility risk measures the sensitivity of the option price to fluctuations in the volatility of the base value. After the majority of all customer positions is fully secured, this does not pose a significant risk to BTV.

Liquidity risk

Within liquidity risk, BTV distinguishes between liquidity risk in the narrower and in the broader sense.

Liquidity risk in the narrower sense (insolvency risk or funding liquidity risk) is defined as the danger that BTV is no longer able to meet its current and future payment liabilities either in full or by the established deadlines. This arises through short-term liquidity squeezes, such as delayed receipt of expected payments, unexpected withdrawal of deposits and drawdowns of agreed credit lines.

Within BTV, liquidity risk in the narrower sense essentially consists of management of the following risks:

- Due date risk as the risk of an unscheduled extension to the capital commitment period of lending operations due to behaviour which is not contractually compliant.
- Withdrawal risk, which is the danger arising from unexpected drawdown of lending commitments or the unexpected withdrawal of deposits.

Liquidity risk in the broader sense essentially is risk within the structural liquidity, and describes the effects on earnings of sub-optimal availability of liquidity. Within BTV, this category is a part of the management of assets and liabilities and consists of refinancing risk and market liquidity risk:

- Refinancing risk is the danger that additional refinancing can only be obtained at higher market interest rates. This describes the situations in which only insufficient liquidity can be obtained under the expected conditions. The maturity mismatches which are deliberately contracted from the point of view of profitability, entail the danger that purchasing conditions will become more expensive. This situation can arise either due to disturbance in the interbank market or due to a reduction in the credit rating of BTV. On the basis of the money-at-risk approach, this risk thus corresponds to the costs which would have to be borne by the bank in the event of an unspecified negative scenario occurring, in order to exclude this risk, i.e. in order to close out the existing maturity mismatches (sale of realisable assets or assumption of long-term refinancing).
- Market liquidity risk is the danger, contingent on extraordinary events, that assets may only be realised at discounts in the market.

Management of liquidity risk

BTV's liquidity risk management is used to guarantee adequate liquidity at all times, so that the bank is able to meet its payment liabilities.

The Institutional Clients and Banks department is responsible for short-term liquidity risk management. The primary task of short-term liquidity risk management is to identify and manage the optional liquidity risk position. This management is based on an analysis of daily payments and the planning of expected cash flows, as well as demand-related money market trading, taking into account the liquidity buffer and access to central bank facilities.

Monitoring of the long-term liquidity risk is carried out by BTV bank management and consists of the following points:

- Optimisation of the refinancing structure with minimisation of refinancing costs
- Sufficient provision of primary funds
- Diversification of sources of refinancing
- Optimisation of the liquidity buffer
- Clear investment strategy for collateral eligible securities on the bank's books
- Compliance with regulatory conditions in connection with the provisions of Regulation (EU) No 575/2013 (CRR), the Austrian Banking Act (BWG) and the Credit Institution Risk Management Ordinance (KI-RMV)

Operational risk
Operational risk is defined as the danger of losses due to the failure of internal processes, procedures, systems and individuals, or as a result of external events. This definition includes legal risk, but excludes strategic risk and reputation risk.

Macroeconomic risk
Risk are described as macroeconomic risks if they result from unfavourable changes in the economic development as a whole in the markets in which BTV transacts business.
These risks lie outside the sphere of influence of BTV, the sensitivity of client groups, sectors and markets versus negative economic changes as a whole is however expresses itself to different degrees and is taken into account in the direction of the business. From this perspective, an internal closeness to the strategic risks is also the case.

Concentration risks
Risks which could arise within or between different risk categories at BTV are subsumed under concentration risks and have the potential to produce losses which are great enough to threaten the stability of BTV or its ability to sustain its core business, or to cause a significant change in the risk profile. A distinction is made between inter-risk concentrations and intra-risk concentrations.

Inter-risk concentration refers to risk concentrations that may arise from interactions between different positions of several different risk categories. The interactions between the various positions may arise due to an underlying common risk driver or from interrelated risk drivers.

Intra-risk concentration refers to risk concentrations that may arise from interactions between different positions in a single risk category.

Other risks

BTV understands „other risks“ to cover the following types of risk:

- Strategic risk
- Reputation risk
- Capital risk
- Profit or business risk
- Model risk
- Risk from the business model
- Systemic risk

BTV defines these types of risk as follows:

As far as BTV is concerned, strategic risk arises from the negative effects on equity and revenue of business policy decisions, changes in the economic environment, failure to implement or inadequate implementation of decisions or a failure to adapt to changes in the economic environment.

Reputation risk describes the negative consequences which may arise from a negative divergence in BTV‘s reputation from the expected level. Reputation is understood to be the standing of BTV with regard to its competence, integrity and trustworthiness resulting from the perceptions of public stakeholders (shareholders, employees, customers, etc.).

Capital risk arises from the inadequate availability of risk cover capital.

The earnings and business risk arises from inadequate diversification of the earnings structure or from the inability to achieve an adequate and lasting level of profitability.

The model risk is the risk that a model generates incorrect results and therefore incorrect steering impulses are given. The production of incorrect results can be due to the fact that the model was incorrectly designed, or is unsuitable for the selected application. The model may also have been used incorrectly, or the incorrect input data were used for a model. It is also possible that a model is no longer valid or is inconsistent.

The business model risk follows the group strategy and the net yield risk profile of management. The strategic direction can be fundamentally different in this respect from that of other banks within the finance system. This type of risk includes risks that arise from the institution‘s business model, while taking into account the effect of diversification strategies. Apparently, the risks arise from a lack of diversification of business areas and the dependencies this causes.

The systemic risk is the threat of an upset to the financial system, which can cause severe negative effects with the financial system itself and in the rest of the economy.

Structure and organisation of risk management

The central responsibility for risk management lies with all the Directors. It decides on risk policy, approves the basic principles of risk management, determines limits for all of the relevant risks for BTV and defines the procedures for risk monitoring. The central management body is BTV Bank Management.

At present the BTV Bank Management meets monthly. It consists of the full Board of Directors and the heads of the Finance and Controlling and Credit Management teams, as well as the Corporate Client, Retail Client and Institutional Clients and Banks departments, and the head of the Risk control team. The Institutional Clients and Banks team leader is responsible for chairing this meeting. The principal responsibility of BTV Bank Management covers management of the balance sheet structure from the perspective of risk/return, as well as management of credit, market, liquidity risk as well as operational and macroeconomic risk. Strategic, reputation, capital and business risk, risk to earnings and macro-economic risk, model and systemic risk and the risk from the business model are combined in the „other risks“ category and are also discussed within the context of BTV Bank Management.

Within the framework of risk management, the supervisory board of BTV has the responsibility for monitoring the risk management system. The realisation of this supervisory role is essentially carried out through the reports listed below:

- Report of the representative of the Risk management department about the types of risk and the risk position of the BTV to the Risk committee.
- Risk report by full Executive Board as part of the preparatory meetings of the auditing committee and within the full Supervisory Board meeting.
- Annual ICAAP report to the audit committee
- Annual session of the risk and credit committee
- On-going reports by the Group Audit to the audits undertaken with different areas of emphasis
- Annual report of the auditor about the functional capacity of the risk management system to the Chairman of the Supervisory Board
- Reporting on the continuous compliance with the recovery indicators according to the Supervisory Board‘s recovery plan

Risk Controlling is responsible for providing independent and neutral reporting of risks within BTV for management and guidance decisions. The core tasks of Risk Controlling are the identification, measurement, analysis, monitoring and reporting of risks, as well as advising managers within the corporate divisions and processes. Through these core tasks, Risk Controlling provides an important supportive business management service to the management for risk-oriented planning and management.

As an autonomous supervisory body, BTV's group audit audits the effectiveness and appropriateness of overall risk management and thereby also supplements the role of the representatives of regulatory bodies and owners.

The compliance function monitors all legal regulations and internal guidelines relating to financial services according to the Securities Supervision Act (WAG). The supervision of employee and customer transactions is intended to secure confidence in the capital markets, whereby compliance contributes directly to the protection of the reputation of BTV.

The anti-money laundering department has the task of preventing money laundering and financing of terrorism within BTV. On the basis of the legally prescribed risk analysis, measures and guidelines are defined to prevent the channelling of illegally obtained assets into the legal financial system. In case of evidence of money laundering or the financing of terrorism, the money laundering officer must inform the Federal Ministry of the Interior. Both the compliance function and the money laundering officer report directly to the full Board of Directors.

Within BTV, the functions of risk control, group audit and the compliance/money laundering function are organised so as to be independent of each other. This guarantees that these organisational units can execute their tasks in an appropriate manner within the framework of an effective internal control system.

Risk measurement procedures

The requirements which apply to a quantitative risk management system, which arise from the 2nd pillar (ICAAP) of Basel III and from commercial needs, are covered within BTV mainly by the risk capacity calculation. With the help of this calculation, BTV determines the extent to which it is able to absorb unexpected losses.

In calculating risk capacity, BTV assumes two viewpoints - the going concern and the perspective of liquidation. BTV has also built an early warning stage to cater for both approaches. From the perspective of a going concern, the continued existence of a regular ongoing concern is to be assured. The aim of the protection at the early warning stage is to be able to ensure that smaller, high-probability risks can be absorbed, without needing to change the type and extent of business activity, or the risk strategy. Furthermore, triggering of the early warning stage has the effect of implementing corresponding measures. From a liquidation perspective, the early warning stage should ensure BTV's aim of satisfying and guaranteeing the claims of outside financial backers (holders of debt securities, savings deposits, etc.). The determination of the risk and the risk cover capital are carried out by various methods, using the going-concern and liquidation approach. This occurs against the background of the differing protection aims of the two approaches. The risk capacity requirement must be fulfilled for both approaches in a normal as well as a stress situation.

In the liquidation approach, equity is essentially defined as internal capital (risk cover capital). In the going-concern approach, the risk cover capital essentially consists of the expected net profits for the financial year, the hidden reserves and the core capital surplus. At BTV, the core income capital is defined as the surplus of core capital beyond the internally defined minimum core capital ratio.

In order to measure the risks within the context of ICAAP, the following processes and parameters are applied:

<table>
<tr><th>RISK CATEGORY/PARAMETERS</th><th>LIQUIDATION APPROACH</th><th>GOING-CONCERN APPROACH</th></tr>
<tr><td>Confidence interval</td><td>99.9%</td><td>95.0%</td></tr>
<tr><td>Probability horizon</td><td colspan="2">250 days</td></tr>
<tr><td>Internal capital (risk cover assets)</td><td>i. w. qualifying equity</td><td>expected annual net profit, hidden reserves and core capital surplus</td></tr>
<tr><td>Credit risk</td><td colspan="2"></td></tr>
<tr><td>Risk of default by other party</td><td colspan="2">IRB approach / standard approach</td></tr>
<tr><td>Equity investment risk</td><td colspan="2">IRB-PD/LGD approach/standard approach</td></tr>
<tr><td>Concentration of credit risk</td><td colspan="2"></td></tr>
<tr><td>Risks from high credit volumes</td><td colspan="2">IRB Granularity Adjustment</td></tr>
<tr><td>Risks from foreign-currency loans</td><td colspan="2">Foreign currency stress test</td></tr>
<tr><td>Risks from lending with repayment vehicles</td><td colspan="2">Repayment vehicle stress test</td></tr>
<tr><td>Market risk</td><td colspan="2">Diversification across market risks considered</td></tr>
<tr><td>Interest rate risk</td><td colspan="2">VaR (historical simulation)</td></tr>
<tr><td>Currency risk</td><td colspan="2">VaR (historical simulation)</td></tr>
<tr><td>Share price risk</td><td colspan="2">VaR (historical simulation)</td></tr>
<tr><td>Credit spread risk</td><td colspan="2">VaR (historical simulation)</td></tr>
<tr><td>Liquidity risk</td><td>Structural liquidity risk (P&L risk)</td><td>Structural liquidity risk (Cash value risk)</td></tr>
<tr><td>Operational risk</td><td>Standard approach</td><td>VaR approach</td></tr>
<tr><td>Macroeconomic risk</td><td colspan="2">Macroeconomic stress scenario</td></tr>
<tr><td>Other risks</td><td colspan="2">10% buffer</td></tr>
</table>

Furthermore, limits are defined for each risk category as well as for the controlling units (corporate clients, retail clients, institutional clients and banks) within the counterparty default risk and for detailed risk categories in the case of credit concentration risk and within market risk. The risks which are not quantifiable are taken into account by means of a buffer in the risk bearing capacity calculation.

Credit risk

BTV uses the IRB basic approach to quantify the counterparty default risk and the IRB-PD/LGD approach to quantify the investment risk in the risk-bearing capacity calculation. For other items, such as tangible fixed assets, accrued interest etc., the standard approach is used for quantifying the risk.

The probability of default represents the central parameter for calculating credit risk in the IRB approach and in the IRB-PD/LGD approach. This is derived from internal bank ratings. For corporate and retail clients, as well as for banks and property project financing, rating systems are used which spread the credit risks over a scale with 13 available levels. The rating forms the basis for the calculation of credit risks and provides the framework for a risk-based calculation of terms, as well as for the early identification of problem cases. The price calculation in the lending business is based on this and is carried out taking into consideration ratings-based risk premiums.

The risk from high credit volumes is integrated into ICAAP at BTV using IRB Granularity Adjustment:

The risk from foreign currency loans and the risk from loans with repayment vehicles are considered in the ICAAP in the form of stress tests.

The quantification of the risk in relation to risks from credit risk reducing techniques as well as credit concentration risks takes place by means of sensitivity analyses. For this purpose, stress tests are performed for the following sub-portfolios:

- Construction industry
- Machine tooling
- Automotive
- Tourism
- Property development financing
- Repayment vehicle loans
- Foreign currency loans
- Large positions with liability of over EUR 40 million

Credit risks not considered here are taken into account under the other risks in the buffer of the risk bearing capacity calculation.

The management of credit risk at portfolio level is primarily based on internal ratings, classes by size, sectors, currencies and countries. Together with the risk bearing capacity calculation, the lending risk reporting system and above all, the quarterly BTV lending risk report, form central management and monitoring instruments for decision makers.

Market risk

For risk measurement purposes at the overall bank level, BTV quantifies the value-at-risk for the risk categories of interest, currency, share price and credit spread risk with regard to the liquidation approach, on the basis of a confidence level of 99.9% and a retention period of 250 days. The value at risk (VaR) is the loss which on the basis of a given probability, will not be exceeded over a defined period.

Value at Risk is calculated on the basis of a historic simulation method. The basis for the market parameters used are historical time series from the last 4 years. Diversification effects between the individual market risk classes are already implicitly included in the data histories and are accounted for separately.

The VaR model can be briefly outlined as follows:

- Definition of risk factors for each risk category
- Mapping of the products on the risk factors
- Determination of the historical risk factors based on historical observations
- Simulation of changes in risk factors based on historical events
- Revaluation of positions in all scenarios and calculation of profit and loss
- Calculation of the VaR quantile based on profit or loss distribution of positions

Interest rate risk

In the context of the ICAAP, the risk capital is compared with the potential risk according to the VaR model, and is therefore limited.

BTV's interest risk is also a part of reporting in the course of the asset and liability management. A basis point value limit is used for each maturity range. The basis point value is the change in value of the interest portfolio which results from an increase in interest by one basis point.

The basis for this is BTV's interest rate portfolio, which comprises all interest rate sensitive assets and liabilities and derivative transactions. This portfolio is broken down into fixed interest rates for individual transactions and combined in a maturity structure (gap analysis).

Currency risk

The quantifying of the foreign currency risk is also carried out on the basis of a historical value-at-risk approach. The measurement of the foreign currency risk at overall bank level is carried out on a quarterly basis in the course of drafting of the ICAAP.

Share price risk

The quantifying of the share price risk is carried out on the basis of a historical value-at-risk approach. In which individual shares are directly assigned to the respective rate histories. Share price risk at overall bank level is measured on a quarterly basis.

Credit spread risk

The quantifying of the credit spread risk is carried out on the basis of a historical value-at-risk approach. The credit default swap spread serves as a basis for calculating the credit spreads per issuer. In the case of non-tradable credit default swaps, the asset value is allocated to a CDS index. The credit spread risks are measured on a quarterly basis.

Liquidity risk

The measurement of liquidity risks begins with the drawing up of a liquidity maturity statement, in which all balance sheet, off-balance sheet and derivative transactions are classified by maturity intervals. For positions with an indeterminate capital commitment, care is taken to ensure that the liquidity assumptions correspond as closely as possible to actual client behaviour. For this purpose maturity profiles are estimated based on historical data and using statistical methods. In addition assumptions are modelled for the drawdown on unused credit and the take-up of guarantees. Securities and credits suitable for central banks within the liquidity buffer (under consideration of a relevant haircut) are treated as assets that can be liquidated at any time.

For the determination of the liquidity risk, the risk premiums of a pool of reference banks are analysed in comparison with best-rated government bonds and the volatilities for the individual maturities are calculated on the basis of the fluctuations in these premiums. The multiplication of these credit spread volatilities with the cumulative liquidity gaps gives the liquidity risk over the period.

The drivers of the risk are therefore the amount and the distribution of the liquidity gaps as well as the fluctuations in the risk premiums in the individual terms.
Together with the integration of the liquidity risk

as a risk to earnings in the ICAAP, the liquidity risk situation is monitored daily at group level. The opening liquidity forecast has assumptions about new business added in. Normally the cumulative gap with new business is compared to the liquidity reserve. The horizon used for forecasting is three years, with a warning threshold of 90% consumption of the liquidity reserve. This liquidity reserve is made up of lines at institutional customers and banks, from issue lines and the deposits with the central bank that exceed the minimum required reserves. In addition, the liquidity situation is presented under three stress scenarios (default crisis, market crisis and combined crisis). On the one hand, the liquidity gap analysis is exposed to changes in the forecast profiles and on the other hand the new business assumptions are exposed to a specific stress. These varied liquidity gaps are compared to the potential liquidity. The potential liquidity consists of the strongly reduced liquidity reserve and the liquidity buffer. This potential liquidity must provide at least four weeks cover for the liquidity flows under a stress test. This condition is capped with a limit, and shown both graphically and as a table for each scenario.

Operational risk

In BTV a risk management process has been developed, which applies both for qualitative and quantitative methods. For losses which have already occurred, a loss database exists which collects details of all cases of losses. After analysis of the losses, suitable measures are taken to minimise the risk of loss in future. This approach is complemented by the implementation of self-assessments for the operational risk where all areas and processes are checked for possible operational risks. These risks are assessed through interviews, and if necessary, internal processes and systems are then adapted.

Under the liquidation approach the operational risk is measured using the standard approach. In the going-concern approach, BTV applies a VaR approach that uses previously sustained losses in the loss database to quantify the risk.

In order to guarantee a closed circuit process and the quality of the implemented control loop - risk identification, risk quantification and risk management - decision-makers are kept informed on a continuous basis by a quarterly report on the trend in operational risk (loss events incurred) and the measures taken and their ongoing monitoring.

Macroeconomic risk

The macroeconomic risk manifests itself in the negative change for BTV within the market environment and its implications for the significant risk drivers. Consequently, the quantifying takes place by means of a macroeconomic stress test which contains the significant changes in the parameters of an economic downturn. Herein the maintaining of the risk-bearing capacity in the case of stress is now calculated implicitly.

Other risks

Other risks are considered within the risk capacity calculation through the buffer.

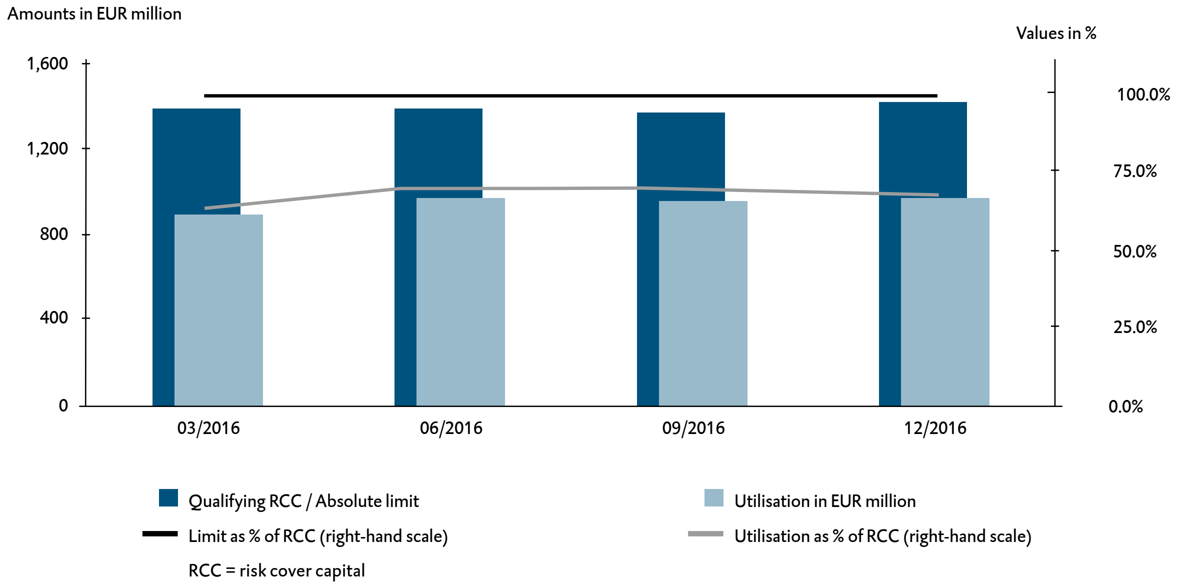
Risk reporting system

The following explanations relate to the extent and type of BTV's risk reporting system.

The measurement of overall bank risk in ICAAP, as well as the individual risk categories is carried out each quarter. The short-term liquidity risk as well as the individual market risks in the trading book are measured daily. In addition, an ad hoc report is drawn up in whenever necessary. Within BTV Bank Management, a report is given on the current utilisation levels and limiting of overall bank risk, as well as of the individual risk categories. In addition, control measures are defined and monitored. The reporting on operational risks is provided quarterly.

Utilisation of the quantified overall risk at year-end amounted to EUR 965.8 million. This corresponds to a limit utilisation rate of 66.7% of the risk cover assets. The highest relative level of usage of 70.0% of the risk cover capital was in the second quarter of 2016. 10% of the risk cover capital is reserved for unquantifiable other risks and is assumed to be already used.

Total bank risk - liquidation approach



TOTAL BANK RISK - LIQUIDATION APPROACH		Maximum	Average	Year-end
31/12/2016	Utilisation in EUR million	973.0	944.7	965.8
	Utilisation in % of risk cover capital	70.0%	67.5%	66.7%
31/12/2015	Utilisation in EUR million	926.2	896.1	885.4
	Utilisation in % of risk cover capital	67.7%	66.8%	65.8%

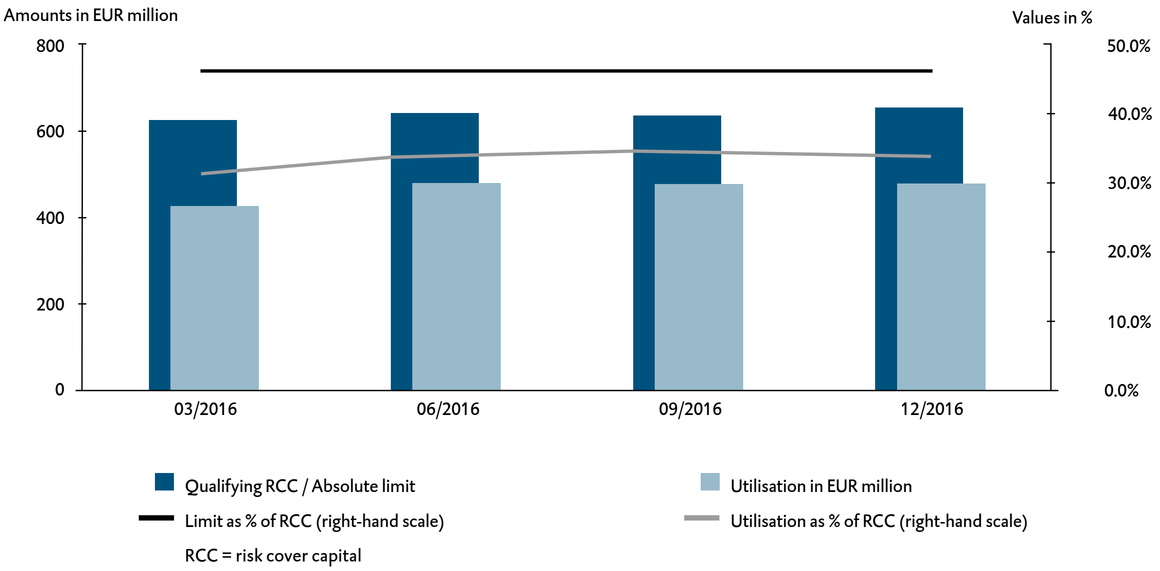
The limit has been respected at all times at the total bank level. In addition, an adequate buffer for the applied limit was available at all times. Account was thus taken at all times during the financial year 2016 of the compulsory reconciliation process between the quantified risk and BTV's allocated capital for risk coverage.

Credit risk

The illustrations below show the risks in comparison with the allocated risk cover assets and the fixed limit for counterparty default and equity investment risk, as well as the credit risk concentration.

As can be seen from the illustrations below, the limit in all the partial risk categories of the credit risk was maintained. In addition, a buffer for the applied limit was available at all times.

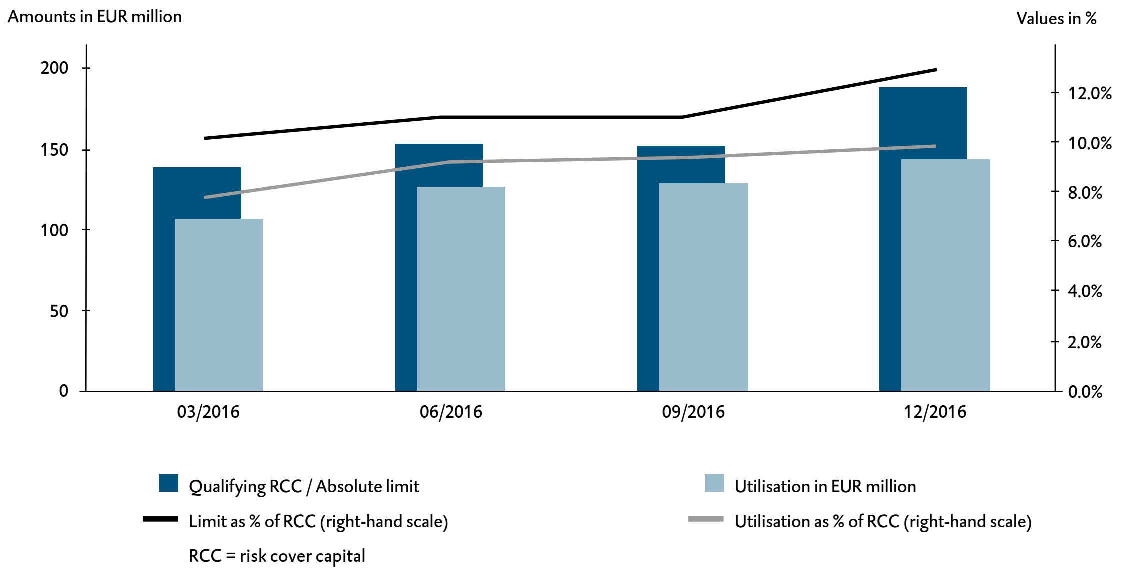
Counterparty default - liquidity approach



COUNTERPARTY DEFAULT RISK - LIQUIDITY APPROACH		Maximum	Average	Year-end
31/12/2016	Utilisation in EUR million	480.8	465.8	478.4
	Utilisation in % of risk cover capital	34.6%	33.3%	33.0%
31/12/2015	Utilisation in EUR million	437.0	428.3	437.0
	Utilisation in % of risk cover capital	32.5%	31.9%	32.5%

In the 2nd quarter of 2016, there was a rise in counterparty default risk due to the transfer from the FERMAT application to the RAY application. This was also linked to a full changeover to applying Basel-II logic in the IRB approach. In the 3rd and 4th quarters of 2016 there were no real changes in risk utilisation.

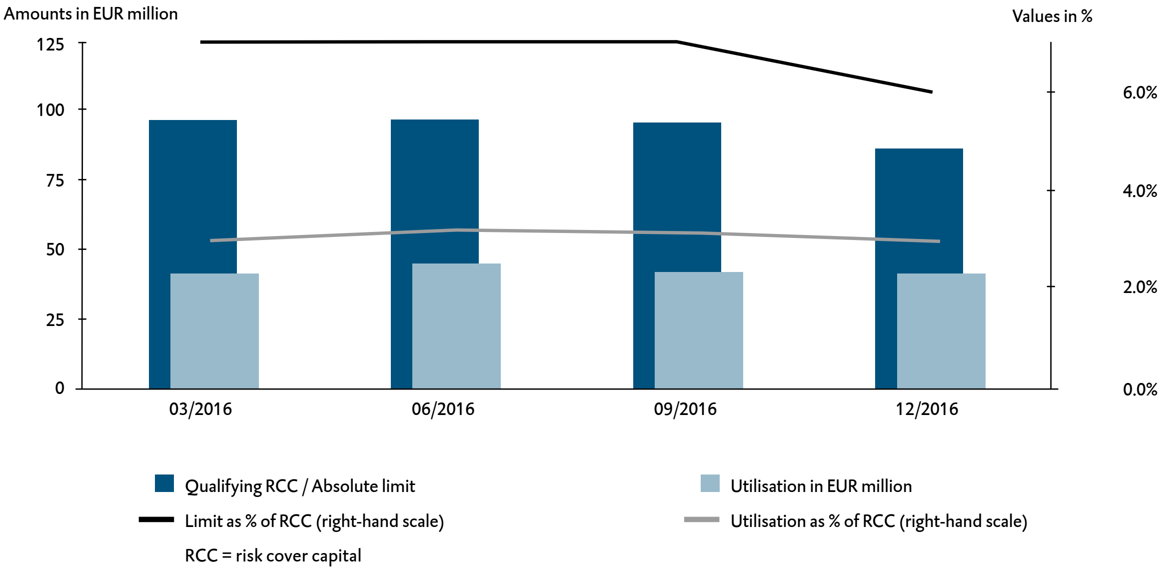
Investment risk - liquidity approach



INVESTMENT RISK - LIQUIDITY APPROACH		Maximum	Average	Year-end
31/12/2016	Utilisation in EUR million	142.9	126.3	142.9
	Utilisation in % of risk cover capital	9.9%	9.0%	9.9%
31/12/2015	Utilisation in EUR million	106.1	103.4	103.3
	Utilisation in % of risk cover capital	8.2%	7.7%	7.7%

In the 2nd quarter of 2016 there was an increase in the investment risk of around EUR +21 million. This increase is also due to the changeover from the FERMAT application to the RAY application. The increase in risk utilisation in the 4th quarter 2016 was mainly due to the merger of MPR Holding GmbH with VoMoNoSi AG together with the subscription of shares for the capital increases plus the changes to Oberbank AG and BKS Bank AG, some which did and some of which did not impact the P&L. Against the background of the changes described above, the investment risk was assigned more risk cover assets during the course of the year.

Concentration of credit risk – liquidation approach



CONCENTRATION OF CREDIT RISK – LIQUIDATION APPROACH		Maximum	Average	Year-end
31/12/2016	Utilisation in EUR million	44.8	43.2	42.9
	Utilisation in % of risk cover capital	3.2%	3.1%	3.0%
31/12/2015	Utilisation in EUR million	58.0	48.3	43.0
	Utilisation in % of risk cover capital	4.2%	3.6%	3.2%

During financial year 2016 it could be seen that the utilisation of the risk sub-category „risks arising from lending with repayment vehicles“, the risk category „credit concentration risk“ are continuing to fall. This reduction is due to current measures that are intended to reduce the portfolio of bullet loans with a repayment vehicle. Therefore in the 4th quarter of 2016 the risk limit in this partial risk category was reduced to 0.5% of the risk cover amount. Otherwise, there were no significant changes in the use of this risk category.

Credit risk - overview

The credit risk volume is made up from the balance sheet items „Loans to credit institutions“, „Loans to customers“, all fixed interest securities as well as securities and guarantees (gross presentation). As required by the guidelines in IAS 39 payment guarantees and letters of credit are not taken into consideration in the credit risk volume.

The total loan volume of BTV rose year on year by EUR +390.7 million or + 4.7% to EUR 9,001.4 million. The amount of bad debt was reduced by EUR +22.8 million or +10.7%. The share of the total volume is 2.6%, placing it approximately on the same level as last year (2.5%).

Creditworthiness structure overall in EUR thousand

Due date	Data	No visible risk of default	With comment	High risk of default	Problematic	Total
31/12/2016	Total drawn	7,922,378	778,589	64,958	235,477	9,001,403
	Amortised costs	7,809,830	778,589	64,958	235,477	8,888,855
	Fair value	112,547	0	0	0	112,547
	Share in %	88.0%	8.6%	0.7%	2.6%	100.0%
	Loan loss provisions	55,245	23,453	7,175	125,266	211,139
	Percentage of cover	0.7%	3.0%	11.0%	53.2%	2.3%
31/12/2015	Total drawn	7,570,526	739,629	87,868	212,667	8,610,689
	Amortised costs	7,449,892	739,629	87,868	212,667	8,490,055
	Fair value	120,634	0	0	0	120,634
	Share in %	87.9%	8.6%	1.0%	2.5%	100.0%
	Provision for risks	54,400	24,666	8,250	115,701	203,017
	Percentage of cover	0.7%	3.3%	9.4%	54.4%	2.4%
Change	Overall utilisation, previous year	351,852	38,961	–22,910	22,810	390,714
	Amortised costs, previous year	359,939	38,961	–22,910	22,810	398,800
	Fair value of the previous year	–8,086	0	0	0	–8,086
	to the overall utilisation of the previous year (in %)	4.8%	5.3%	–26.1%	10.7%	4.7%
	of loan loss provisions to previous year	845	–1,213	–1,075	9,565	8,122
	of loan loss provisions to previous year (in %)	1.6%	–4.9%	–13.0%	8.3%	4.0%

Creditworthiness structure, domestic and Foreign

The presentation is based on the tax domicile of the borrower or issuer. In Austria, the overall credit risk volume rose by EUR +285.5 million, or +5.3%, compared to the previous year. The foreign component of the credit risk volume rose by EUR +105.2 million or +3.8%.

Creditworthiness structure, domestic in EUR thousand

Due date	Data	No visible risk of default	With comment	High risk of default	Problematic	Total
31/12/2016	Total drawn	4,704,593	588,929	50,033	171,727	5,515,282
	Amortised costs	4,679,974	588,929	50,033	171,727	5,490,663
	Fair value	24,619	0	0	0	24,619
	Share in %	85.3%	10.7%	0.9%	3.1%	100.0%
	Loan loss provisions	29,438	17,917	6,242	95,424	149,021
	Percentage of cover	0.6%	3.0%	12.5%	55.6%	2.7%
31/12/2015	Total drawn	4,435,518	574,864	62,685	156,735	5,229,802
	Amortised costs	4,421,054	574,864	62,685	156,735	5,215,338
	Fair value	14,465	0	0	0	14,465
	Share in %	84.8%	11.0%	1.2%	3.0%	100.0%
	Loan loss provisions	28,054	17,637	5,531	90,104	141,327
	Percentage of cover	0.6%	3.1%	8.8%	57.5%	2.7%
Change	Overall utilisation, previous year	269,075	14,066	–12,653	14,992	285,480
	Amortised costs, previous year	258,920	14,066	–12,653	14,992	275,325
	Fair value of the previous year	10,155	0	0	0	10,155
	to the overall utilisation of the previous year (in %)	5.9%	2.4%	–20.2%	9.6%	5.3%
	of loan loss provisions to previous year	1,385	280	710	5,319	7,694
	of loan loss provisions to previous year (in %)	4.9%	1.6%	12.8%	5.9%	5.4%

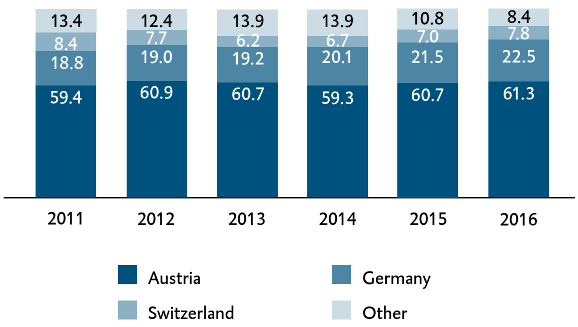
Creditworthiness foreign in EUR thousand

Due date	Data	No identifiable counterparty risk	With notes	Increased Risk of default	Problematic	Total
31/12/2016	Total drawn	3,217,785	189,660	14,925	63,751	3,486,121
	Amortised costs	3,129,857	189,660	14,925	63,751	3,398,193
	Fair value	87,928	0	0	0	87,928
	Share in %	92.3%	5.4%	0.4%	1.8%	100.0%
	Loan loss provisions	25,807	5,536	934	29,842	62,118
	Percentage of cover	0.8%	2.9%	6.3%	46.8%	1.8%
31/12/2015	Total drawn	3,135,007	164,765	25,182	55,932	3,380,887
	Amortised costs	3,028,838	164,765	25,182	55,932	3,274,717
	Fair value	106,169	0	0	0	106,169
	Share in %	92.7%	4.9%	0.7%	1.7%	100.0%
	Loan loss provisions	26,347	7,029	2,718	25,596	61,691
	Percentage of cover	0.8%	4.3%	10.8%	45.8%	1.8%
Change	Overall utilisation, previous year	82,777	24,895	–10,257	7,819	105,234
	Amortised costs, previous year	101,019	24,895	–10,257	7,819	123,475
	Fair value of the previous year	–18,241	0	0	0	–18,241
	to the overall utilisation of the previous year (in %)	3.3%	15.1%	–40.7%	14.0%	3.8%
	of loan loss provisions to previous year	–540	–1,493	–1,785	4,245	428
	of loan loss provisions to previous year (in %)	–2.0%	–21.2%	–65.7%	16.6%	0.7%

Creditworthiness structure of credit risk by country

Around 61.3% of the credit risk volume (total of depreciated acquisition costs and fair value) related to domestic borrowers. 22.5% is accounted for by German and 7.8% by Swiss borrowers. The remaining 8.4% is distributed as follows: 4.4 percentage points for the Netherlands, US and Italy. The remaining 4.0 percentage points are spread across borrowers in other countries.

CHANGE IN COUNTRY STRUCTURE CREDIT RISK in %



Creditworthiness structure by country in EUR thousand

Countries	No visible Risk of default	With notes	Increased Risk of default	Problematic	Total	Share in %
Amortised costs						
Austria	4,679,974	588,929	50,033	171,727	5,490,663	61.0%
Germany	1,781,511	142,380	13,001	41,085	1,977,977	22.0%
Switzerland	622,310	41,858	1,511	21,432	687,111	7.6%
Netherlands	146,424	502	0	0	146,926	1.6%
Italy	111,493	3,160	136	802	115,592	1.3%
USA	109,708	279	0	0	109,987	1.2%
France	60,596	55	0	0	60,651	0.7%
UK	3,979	0	7	58	4,044	0.0%
Ireland	3,088	0	0	0	3,088	0.0%
Hungary	654	0	0	0	654	0.0%
Spain	27	0	0	195	222	0.0%
Greece	1	0	0	0	1	0.0%
Other	290,066	1,426	270	178	291,940	3.2%
Fair value						
Germany	47,402	0	0	0	47,402	0.5%
Austria	24,619	0	0	0	24,619	0.3%
Switzerland	15,785	0	0	0	15,785	0.2%
USA	14,532	0	0	0	14,532	0.2%
UK	5,506	0	0	0	5,506	0.1%
Netherlands	4,702	0	0	0	4,702	0.1%
Total	7,922,378	778,589	64,958	235,477	9,001,403	100.0%

Creditworthiness by sector of selected countries

The following table illustrates the volume of receivables owed by borrowers in the countries of Italy, UK, Ireland, Spain, Russia, Greece, Portugal and the Ukraine, broken down by sectors. There are currently no receivables owed by Portuguese and Ukrainian debtors. Against the backdrop of recent trends on the financial markets the loan, insurance and public authority sectors have been highlighted.

The loans and insurance sector accounts for EUR 21.8 million. The credit risk illustrated for Ireland is essentially accounted for by a US group, the financial services subsidiary of which is headquartered in Ireland.

Structure by sector of selected countries in EUR thousand

Sectors	Italy	United Kingdom	Ireland	Spain	Greece	Russia	Total
Loans and insurance	12,288	6,503	3,012	0	0	0	21,802
Public sector	0	0	0	0	0	0	0
Remaining sectors	100,534	3,047	77	222	1	0	103,880
Total	112,821	9,550	3,088	222	1	0	125,683

Creditworthiness structure of credit risk by sector

Real estate continues to be the most important, and in financial year 2016 is again the majority. The greatest increase, similar to previous years, came in the areas of production of physical goods, public sector and services. Loans and insurance continues to fall. In terms of proportional weight, the commercial, tourism and construction sectors are lower. The relative share of the remaining sectors has decreased in comparison with the previous year and is not at 5.6%.

Creditworthiness by sector total in EUR thousand

All sectors together	No visible Risk of default	With comment	High risk of default	Problematic	Total	Share in %
Amortised costs						
Property management	905,899	364,612	31,868	14,670	1,317,049	14.6%
Physical goods manufacture	1,130,002	68,706	7,572	67,885	1,274,166	14.2%
Private	1,105,060	65,101	15,827	40,748	1,226,736	13.6%
Public sector	1,185,772	0	0	136	1,185,908	13.2%
Services	951,958	127,553	2,081	26,518	1,108,110	12.3%
Loans and insurance	871,781	7,750	1	255	879,787	9.8%
Trade	521,554	31,246	2,349	28,385	583,534	6.5%
Tourism	378,100	63,267	512	34,480	476,358	5.3%
Construction	300,287	21,374	630	11,371	333,662	3.7%
Cable cars	203,921	0	183	0	204,104	2.3%
Transport/communications	175,049	17,030	3,914	3,183	199,176	2.2%
Energy/Water utilities	67,839	5,221	0	5,578	78,638	0.9%
Other	12,608	6,731	22	2,268	21,628	0.2%
Fair value						
Loans and insurance	109,612	0	0	0	109,612	1.2%
Services	2,935	0	0	0	2,935	0.0%
Total	7,922,378	778,589	64,958	235,477	9,001,403	100.0%

Compared to the previous year, the greatest increases can be seen in the public sector and real estate. In international markets, the strongest growing sectors are production of physical goods and commerce. Transport and communications are down abroad, as are loans and insurance. Domestically there is a visible reduction in the commercial sector.

Creditworthiness by sector, domestic in EUR thousand

Domestic sectors	No visible Risk of default	With comment	High risk of default	Problematic	Total	Share in %
Amortised costs						
Property management	679,042	295,272	31,700	10,131	1,016,145	18.4%
Private	857,364	44,300	8,089	20,163	929,917	16.9%
Services	683,095	109,030	1,667	17,798	811,589	14.7%
Public sector	735,859	0	0	135	735,994	13.3%
Physical goods manufacture	370,626	11,023	1,235	53,547	436,432	7.9%
Tourism	287,021	59,731	345	30,220	377,317	6.8%
Trade	246,924	22,037	2,247	22,891	294,100	5.3%
Loans and insurance	269,962	7,367	1	252	277,581	5.0%
Construction	208,696	18,544	630	8,791	236,661	4.3%
Cable cars	196,271	0	183	0	196,454	3.6%
Transport/communications	75,697	14,515	3,914	2,469	96,594	1.8%
Energy/Water utilities	57,207	4,878	0	3,732	65,818	1.2%
Other	12,209	2,231	22	1,598	16,060	0.3%
Fair value						
Loans and insurance	21,684	0	0	0	21,684	0.4%
Services	2,935	0	0	0	2,935	0.1%
Total	4,704,593	588,929	50,033	171,727	5,515,282	100.0%

Creditworthiness structure by sector, foreign in EUR thousand

Foreign sectors	No visible Risk of default	With notes	Increased Risk of default	Problematic	Total	Share in %
Amortised costs						
Physical goods manufacture	759,376	57,682	6,337	14,338	837,734	24.0%
Loans and insurance	601,820	383	0	3	602,206	17.3%
Public sector	449,913	0	0	1	449,914	12.9%
Property management	226,857	69,340	168	4,539	300,904	8.6%
Private	247,696	20,800	7,737	20,585	296,819	8.5%
Services	268,863	18,523	415	8,719	296,520	8.5%
Trade	274,630	9,209	101	5,493	289,434	8.3%
Traffic and communications	99,352	2,516	0	715	102,582	2.9%
Tourism	91,079	3,535	166	4,260	99,041	2.8%
Construction	91,591	2,829	0	2,580	97,001	2.8%
Energy and water utilities	10,632	343	0	1,846	12,820	0.4%
Cable cars	7,650	0	0	0	7,650	0.2%
Other	398	4,500	0	670	5,568	0.2%
Fair value						
Loans and insurance	87,928	0	0	0	87,928	2.5%
Total	3,217,785	189,660	14,925	63,751	3,486,121	100.0%

Creditworthiness structure of credit risk by type of business

The share of corporate business in the total credit risk volume is 64.6% (previous year: 62.6%). Retail clients account for 15.5% (previous year: 15.9%), others 19.9% (previous year: 21.5%) related to institutional customers and banks. The volumes presented are values of the carried over acquisition costs. For institutional customers and banks an additional EUR 112.5 million at fair value is included.

Creditworthiness structure by type of business in EUR thousand

Types of business	Data	No visible risk of default	With comment	High risk of default	Problematic	Total
Corporate clients	Total drawn	4,914,489	662,769	45,418	192,869	5,815,545
	Share in %	84.5%	11.4%	0.8%	3.3%	100.0%
	Provision for risks	41,587	18,977	4,385	105,656	170,606
	Percentage of cover	0.8%	2.9%	9.7%	54.8%	2.9%
Retail clients	Total drawn	1,217,108	115,703	19,540	42,609	1,394,960
	Share in %	87.3%	8.3%	1.4%	3.1%	100.0%
	Provision for risks	10,075	4,465	2,790	19,609	36,939
	Percentage of cover	0.8%	3.9%	14.3%	46.0%	2.6%
Institutional clients and banks	Total drawn	1,790,781	117	0	0	1,790,898
	Share in %	100.0%	0.0%	0.0%	0.0%	100.0%
	Provision for risks	3,583	11	0	0	3,594
	Percentage of cover	0.2%	9.3%	0.0%	0.0%	0.2%
Total	Total drawn	7,922,378	778,589	64,958	235,477	9,001,403
	Share in %	88.0%	8.6%	0.7%	2.6%	100.0%
	Provision for risks	55,245	23,453	7,175	125,266	211,139
	Percentage of cover	0.7%	3.0%	11.0%	53.2%	2.3%

Creditworthiness structure of credit risk by currency

87.7% (previous year: 85.9%) of the credit risk volume related to loans in euro. Of this, Swiss francs account for 11.0% (previous year: 12.4%), other currencies for 1.5% (previous year: 1.7%) of the lending. The proportion of CHF lending in the eurozone fell from 6.9% to 5.4%.

Creditworthiness structure by currency in EUR thousand

Currency	No visible Risk of default	With comment	High risk of default	Problematic	Total	Share in %
Amortised costs						
EUR	6,795,289	707,313	56,915	213,470	7,772,986	86.4%
CHF with Swiss customers	450,752	35,037	1,396	13,071	500,256	5.6%
CHF	440,575	34,261	6,483	4,568	485,886	5.4%
USD	103,866	280	0	4,235	108,380	1.2%
JPY	12,964	1,618	164	135	14,881	0.2%
Other	6,384	81	0	0	6,465	0.1%
Fair value						
EUR	112,547	0	0	0	112,547	1.3%
Total	7,922,378	778,589	64,958	235,477	9,001,403	100.0%

Creditworthiness structure of overdue loans

The following charts show a breakdown of overdue, but not written-down financial debts (carried over acquisition costs) by the number of days overdue and the risk-class assigned. The borrower is in arrears in relation to payment or interest or repayment of capital. According to BTV estimates - where the debtors or the available securities are assessed - it is however not correct to establish individual value adjustments.

Creditworthiness structure by overdue debts in EUR thousand

Due date	Days overdue	No visible risk of default	With comment	High risk of default	Total
31/12/2016	31 - 60 days	1,375	612	269	2,256
	61-90 days	1	227	42	270
Total		1,376	840	311	2,526
31/12/2015	31 - 60 days	1,435	293	58	1,786
	61-90 days	0	423	5	429
Total		1,435	716	63	2,215

Collateral received

BTV has received collateral in the form of mortgages, shares and other securities and other assets. In particular for higher risk classes we ensure that with a reduction in the level of quality of borrower creditworthiness the amount of the collateralisation increases. The lower level of securities in the creditworthiness class ‚bad debt' (this category contains clients who have defaulted) is due to securities already having been used.

Collateral received as of 31/12/2016 in EUR thousand.

Value	No visible Risk of default	With comment	High risk of default	Problematic	Total
Amortised costs					
Total drawn	7,809,830	778,589	64,958	235,477	8,888,855
Land register collateral	1,711,498	308,667	30,232	53,543	2,103,940
Collateral securities	133,139	24,087	3,501	1,642	162,369
Collateral securities	680,831	72,457	5,802	38,594	797,684
Total collateral in %	32.3%	52.0%	60.9%	39.8%	34.5%
Fair value					
Total drawn	112,547	0	0	0	112,547
Land register collateral	0	0	0	0	0
Collateral securities	0	0	0	0	0
Collateral securities	0	0	0	0	0
Total collateral in %	0.0%	0.0%	0.0%	0.0%	0.0%
Total					
Total drawn	7,922,378	778,589	64,958	235,477	9,001,403
Land register collateral	1,711,498	308,667	30,232	53,543	2,103,940
Collateral securities	133,139	24,087	3,501	1,642	162,369
Collateral securities	680,831	72,457	5,802	38,594	797,684
Total collateral in %	31.9%	52.0%	60.9%	39.8%	34.0%

Collateral received by 31 December 2015 in EUR thou- sand

Value	No visible Risk of de-fault	With com-ment	High risk of default	Problematic	Total
Amortised costs					
Total drawn	7,449,892	739,629	87,868	212,667	8,490,055
Land register collateral	1,714,505	240,041	44,835	55,874	2,055,256
Collateral securities	123,669	19,977	1,205	1,097	145,948
Collateral securities	682,074	95,424	10,654	26,873	815,025
Total collateral in %	33.8%	48.2%	64.5%	39.4%	35.5%
Fair value					
Total drawn	120,634	0	0	0	120,634
Land register collateral	0	0	0	0	0
Collateral securities	0	0	0	0	0
Collateral securities	0	0	0	0	0
Total collateral in %	0.0%	0.0%	0.0%	0.0%	0.0%
Total					
Total drawn	7,570,526	739,629	87,868	212,667	8,610,689
Land register collateral	1,714,505	240,041	44,835	55,874	2,055,256
Collateral securities	123,669	19,977	1,205	1,097	145,948
Collateral securities	682,074	95,424	10,654	26,873	815,025
Total collateral in %	33.3%	48.2%	64.5%	39.4%	35.0%

Risk structure of transactions involving debt forbearance, by credit quality

The table below illustrates transactions involving debt arrangements (carried over acquisition costs) structured according to their credit quality.

The credit quality is differentiated hereby as follows:

- Not individually value-adjusted and not bad debt
- Not value-adjusted and bad debt
- Value-adjusted and bad debt

In addition for each credit quality, the extent to which the risk provision has been built up is illustrated or the extent of the securities available. Within the risk provisions illustrated in the first three credit rating levels, it concerns portfolio valuation adjustments. The risk provisions shown in the category „bad debt“ are value adjustments or reserves.

The credit risk volume fell in the category „No bad debt provision and not bad debts“ by EUR –10.3 million, as well as „Impaired and bad debts“ by EUR –9.9 compared to the previous year. The volume of „No bad debt provision but bad debts“ (EUR –12.2 million).

Risk structure of transactions involving debt forbearance, by credit quality as of 31/12/2016 in EUR thousand

Credit quality	Values	No visible risk of default	With comment	High risk of default	Problematic	Total
No bad debt provision and not bad debts	Total drawn	9,560	26,164	9,494	0	45,218
	Provision for risks	117	968	395	0	1,479
	Shares/other Securities	5,543	5,048	7,826	0	18,417
No bad debt provision but bad debts	Total drawn	0	0	0	2,663	2,663
	Provision for risks	0	0	0	0	0
	Shares/other Securities	0	0	0	546	546
Value-adjusted and bad debt	Total drawn	0	0	0	30,031	30,031
	Provision for risks	0	0	0	15,537	15,537
	Shares/other Securities	0	0	0	10,623	10,623
Total	Total drawn	9,560	26,164	9,494	32,694	77,911
	Provision for risks	117	968	395	15,537	17,016
	Shares/other Securities	5,543	5,048	7,826	11,169	29,587

Risk structure of transactions involving debt forbearance, by type and number per transaction as of 31/12/2015 in EUR thousand

Credit quality	Values	No visible risk of default	With comment	High risk of default	Problematic	Total
No bad debt provision and not bad debts	Total drawn	15,777	32,949	6,759	0	55,485
	Provision for risks	203	1,157	429	0	1,789
	Shares/other Securities	10,092	10,463	4,853	0	25,407
No bad debt provision but bad debts	Total drawn	0	0	0	14,883	14,883
	Provision for risks	0	0	0	0	0
	Shares/other Securities	0	0	0	8,475	8,475
Value-adjusted and bad debt	Total drawn	0	0	0	39,980	39,980
	Provision for risks	0	0	0	18,190	18,190
	Shares/other Securities	0	0	0	19,240	19,240
Total	Total drawn	15,777	32,949	6,759	54,863	110,348
	Provision for risks	203	1,157	429	18,190	19,979
	Shares/other Securities	10,092	10,463	4,853	27,714	53,122

Risk structure of transactions involving debt arrangements according to type and number per transaction

The following table shows the volume of loans affected by debt arrangements dependent on the type of debt arrangements agreed. Furthermore a breakdown according to the number of debt arrangements granted per transaction within the reporting period is presented.

The majority of the volume covered by forbearance had the type of capital repayment adjusted. These are loan volumes of EUR 60.9 million or 78.2%. For EUR 12.3 million or 15.8% there was a reduction in the interest payments to be made. For receivables of EUR 1.4 million or 1.7%, the total financing structure was renegotiated with the customer. There were adjustments to other agreements covering EUR 3.3 million or 4.3%.

The risk structure of transactions with forbearance by type and number per business as of 31/12/2016 in EUR thousand

Type of debt arrangement	Number of debt arrangements/ transaction	No visible Risk of default	With comment	High risk of default	Problematic	Total
Capital repayment was adjusted	1	9,534	26,120	5,063	13,731	54,448
	2	11	0	230	4,845	5,086
	3	0	0	0	1,379	1,379
Interest payment to be made was reduced	1	0	0	4,201	8,096	12,296
	2	0	0	0	0	0
	3	0	0	0	0	0
Revision of credit relationship	1	0	44	0	1,307	1,351
	2	0	0	0	0	0
	3	0	0	0	0	0
Easing of compliance with binding obligations (covenants)	1	16	0	0	3,334	3,349
	2	0	0	0	2	2
	3	0	0	0	0	0
Total		9,560	26,164	9,494	32,694	77,911

Risk structure of transactions involving debt forbearance, by type and number per transaction as of 31/12/2015 in EUR thousand

Type of debt arrangement	Number of debt arrangements/ transaction	No visible Risk of default	With comment	High risk of default	Problematic	Total
Capital repayment was adjusted	1	14,384	32,900	4,601	35,395	87,280
	2	838	20	1,442	3,205	5,505
	3	108	0	700	1,379	2,188
Interest payment to be made was reduced	1	0	0	0	8,278	8,278
	2	0	0	0	0	0
	3	0	0	0	0	0
Revision of credit relationship	1	447	29	0	2,351	2,827
	2	0	0	0	0	0
	3	0	0	0	0	0
Easing of compliance with binding obligations (covenants)	1	0	0	16	4,252	4,267
	2	0	0	0	2	2
	3	0	0	0	0	0
Total		15,777	32,949	6,759	54,863	110,348

Risk structure of transactions involving debt arrangements according to segment

As in the previous year, debt arrangements were particularly made regarding loans to corporate clients.

Risk structure of transactions with forbearance by segments as of 31/12/2016 in EUR thousand

Segment	No visible Risk of de-fault	With com-ment	High risk of default	Problematic	Total
Corporate clients	3,199	25,977	9,102	30,091	68,369
Retail clients	6,361	188	392	2,603	9,543
Total	9,560	26,164	9,494	32,694	77,911

Risk structure of transactions involving debt forbearance, by segment as of 31/12/2015 in EUR thousand.

Segment	No visible Risk of de-fault	With com-ment	High risk of default	Problematic	Total
Corporate clients	5,287	31,834	6,558	51,536	95,215
Retail clients	10,491	1,115	201	3,327	15,133
Total	15,777	32,949	6,759	54,863	110,348

Risk structure of transactions involving debt arrangements according to economic sector

As in the previous year, the volume of loans affected by debt arrangements was distributed equally across the economic sectors. A concentration of debt arrangements in specific economic sectors cannot be recognised.

Risk structure of transactions involving forbearance by economic sector as of 31/12/2016 in EUR thousand.

Sector	No visible Risk of default	With comment	High risk of default	Problematic	Total
Services	2,885	20,780	0	2,128	25,793
Physical goods manufacture	0	0	4,494	12,317	16,811
Private	6,097	52	275	2,581	9,004
Tourism	17	3,683	3,810	374	7,884
Property management	263	1,593	0	5,478	7,334
Trade	0	57	0	5,194	5,251
Construction	297	0	117	4,057	4,471
Transport/communications	0	0	798	0	798
Other	0	0	0	565	565
Total	9,560	26,164	9,494	32,694	77,911

Risk structure of transactions involving debt forbearance, by industry segment as of 31/12/2015 in EUR thousand.

Sector	No visible Risk of default	With comment	High risk of default	Problematic	Total
Services	2,320	19,105	0	6,497	27,922
Trade	1,355	212	0	21,066	22,633
Physical goods manufacture	925	0	297	14,613	15,835
Tourism	974	7,812	2,075	4,036	14,897
Private	9,329	444	16	3,277	13,066
Property management	19	4,976	3,550	874	9,419
Construction	0	346	0	4,229	4,574
Cable cars	855	0	0	0	855
Transport/communications	0	0	821	0	821
Other	0	54	0	270	325
Total	15,777	32,949	6,759	54,863	110,348

Risk structure of transactions involving debt arrangements according to country

The following table shows the risk structure of transactions involving debt arrangements structured according to country. With a receivables volume of EUR 62.4 million or 80.1% the majority of the volume concerns borrowers in Austria. Furthermore, the forbearance was agreed with borrowers in Germany and Switzerland.

Risk structure of transactions involving debt forbearance, by country as of 31/12/2016 in EUR thousand.

Country	No visible Risk of default	With comment	High risk of default	Problematic	Total
Austria	5,738	26,164	4,842	25,627	62,370
Germany	2,941	0	4,359	5,522	12,822
Switzerland	881	0	293	1,485	2,659
Spain	0	0	0	30	30
Italy	0	0	0	29	29
Total	9,560	26,164	9,494	32,694	77,911

Risk structure of transactions involving debt forbearance, by country as of 31/12/2015 in EUR thousand

Country	No visible Risk of default	With comment	High risk of default	Problematic	Total
Austria	9,408	29,565	6,276	44,907	90,156
Germany	2,904	3,384	483	7,366	14,137
Switzerland	3,465	0	0	2,528	5,993
Spain	0	0	0	32	32
Italy	0	0	0	29	29
Total	15,777	32,949	6,759	54,863	110,348

Income structure of transactions with forbearance by segment.

Transactions where forbearance was agreed yielded interest income in financial year 2016 of EUR 1.4 million. The drop compared to last year can be explained on the one hand by the lower volume, on the other hand by the current levels of interest.

Income structure of transactions involving debt forbearance, by segment as of 31/12/2016 in EUR thousand

Segment	No visible Risk of default	With comment	High risk of default	Problematic	Total
Corporate clients	19	615	123	514	1,271
Retail clients	86	3	8	35	131
Total	105	617	131	548	1,402

Income structure of transactions involving debt forbearance, by segment as of 31/12/2015 in EUR thousand

Segment	No visible Risk of default	With comment	High risk of default	Problematic	Total
Corporate clients	25	781	167	1,524	2,496
Retail clients	150	20	9	50	228
Total	175	801	176	1,573	2,724

Risk structure for derivatives according to segments

The presented credit volume of derivatives corresponds to the fair value. The credit volume from derivatives at the reporting date of 31/12/2016 is EUR 81.9 million. Of this, EUR 62.2 million or 75.9%, is related to loans to institutional customers and banks. Loans to corporate clients amounted to EUR 19.2 million or 23.5%, and those to retail clients EUR 0.5 million or 0.6%.

Risk structure of derivatives by segments as of 31/12/2016 in EUR thousand

Segment	No visible Risk of default	With comment	High risk of default	Problematic	Total
Fair value					
Corporate clients	13,970	5,264	0	0	19,234
Private	304	0	206	0	510
Institutional clients and banks	62,174	0	0	0	62,174
Total	76,448	5,264	206	0	81,918

Risk structure of derivatives by segment as of 31/12/2015 in EUR thousand

Segment	No visible Risk of default	With comment	High risk of default	Problematic	Total
Fair value					
Corporate clients	15,511	7,421	0	15	22,947
Private	195	0	46	0	241
Institutional clients and banks	65,976	0	0	0	65,976
Total	81,681	7,421	46	15	89,164

Derivative risk structure by type of business and currencies

As in the previous year, the majority, with around 96.5% of the volume relates to lending denominated in EUR. CHF transactions account for 3.0%, the remaining 0.5% are in USD, JPY and other currencies.

Risk structure of derivatives by segment and currency as of 31/12/2016 in EUR thousand

Segment	Currency	No visible risk of default	With comment	High risk of default	Problematic	Total
Fair value						
Corporate clients	EUR	13,666	4,481	0	0	18,147
	CHF	275	783	0	0	1,058
	USD	6	0	0	0	6
	JPY	4	0	0	0	4
	Other	19	0	0	0	19
Retail clients	EUR	263	0	180	0	442
	CHF	42	0	26	0	68
Institutional clients and banks	EUR	60,428	0	0	0	60,428
	CHF	1,366	0	0	0	1,366
	USD	232	0	0	0	232
	JPY	147	0	0	0	147
	Other	0	0	0	0	0
Total		76,448	5,264	206	0	81,918

Risk structure of derivatives by segment and currency as of 31/12/2015 in EUR thousand

Segment	Currency	No visible risk of default	With comment	High risk of default	Problematic	Total
Fair value						
Corporate clients	EUR	14,967	6,284	0	15	21,266
	CHF	316	1,136	0	0	1,453
	USD	69	0	0	0	69
	Other	160	0	0	0	160
Retail clients	EUR	165	0	0	0	165
	CHF	29	0	46	0	76
Institutional clients and banks	EUR	61,234	0	0	0	61,234
	CHF	4,573	0	0	0	4,573
	JPY	98	0	0	0	98
	USD	62	0	0	0	62
	Other	8	0	0	0	8
Total		81,681	7,421	46	15	89,164

Risk structure of derivatives by country

41.9% of debts are in respect of counterparties in Austria. A further 40.3% relate to German partners. The remainder are for clients in Switzerland, France, the United States and other countries. There are no credit risks from derivatives among debtors in Greece, Ireland, Portugal, Spain and Hungary.

Risk structure of derivatives by country as of 31/12/2016 in EUR thousand

Country	No visible Risk of default	With comment	High risk of default	Problematic	Total
Fair value					
Austria	28,968	5,174	180	0	34,322
Germany	32,958	53	26	0	33,038
Switzerland	1,593	0	0	0	1,593
France	771	0	0	0	771
USA	168	37	0	0	204
Other	11,991	0	0	0	11,991
Total	76,448	5,264	206	0	81,918

Risk structure of derivatives by country as of 31/12/2015 in EUR thousand

Country	No visible Risk of default	With comment	High risk of default	Problematic	Total
Fair value					
Germany	37,444	20	46	0	37,510
Austria	27,209	7,328	0	15	34,552
Switzerland	2,881	0	0	0	2,881
France	1,827	0	0	0	1,827
USA	576	73	0	0	649
Other	11,744	0	0	0	11,744
Total	81,681	7,421	46	15	89,164

Risk structure of derivatives by transaction type

85.9% of loans relate to interest rate swaps, 5.6% to interest options, 4.6% to currency swaps and 3.9% to currency futures. Currently there is no credit risk in relation to derivatives on asset values. As in the previous year, most of the volume is for interest rate swaps while currency swaps are down slightly.

Risk structure of derivatives by type of business as of 31/12/2016 in EUR thousand

Country	No visible Risk of default	With comment	High risk of default	Problematic	Total
Fair value					
Interest rate swaps	68,703	1,421	206	0	70,330
Interest options	4,578	0	0	0	4,578
Currency swaps	0	3,750	0	0	3,750
Foreign exchange futures	3,167	0	0	0	3,167
Bond options	0	93	0	0	93
Total	76,448	5,264	206	0	81,918

Risk structure of derivatives by type of business as of 31/12/2015 in EUR thousand

Country	No visible Risk of default	With comment	High risk of default	Problematic	Total
Fair value					
Interest rate swaps	73,686	1,872	46	15	75,620
Currency swaps	60	5,441	0	0	5,501
Foreign exchange futures	5,134	0	0	0	5,134
Bond options	2,100	107	0	0	2,207
Interest options	701	0	0	0	701
Total	81,681	7,421	46	15	89,164

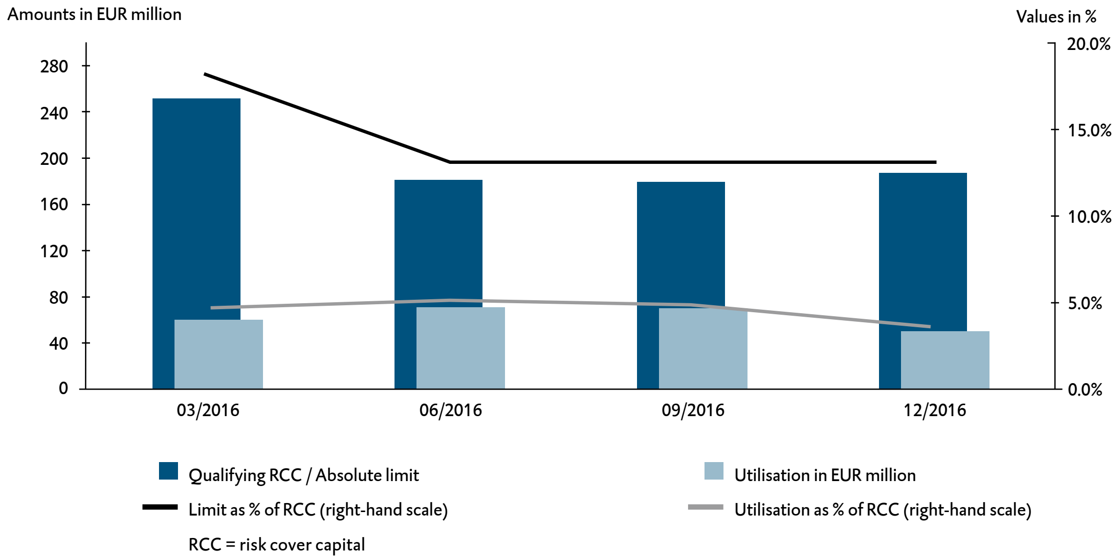
Market risk

The following diagram shows the utilisation of market risk limits at global banking level. Risk capital is assigned to each of the risk types of interest risk, currency risk, equity price risk and credit spread risk. The correlations which are inherent in the timelines have a risk-reducing effect.

In the course of the year, limit structure was adjusted due to a clear reduction in interest rate risk. For the interest risk, 7.0% of the respective risk cover assets were allocated to risk capital, while for the currency risk and equity price risk categories a limit of 1.5% and 2.0% of the risk cover assets was allocated to each. The credit spread risk from investments in the banking book was capped at 6.5% of the risk cover assets.

During the course of 2016, the inclusion of fixed interest liabilities helped to reduce risk on the most substantial risk category, interest risk in the banking book.

market risk - liquidation approach

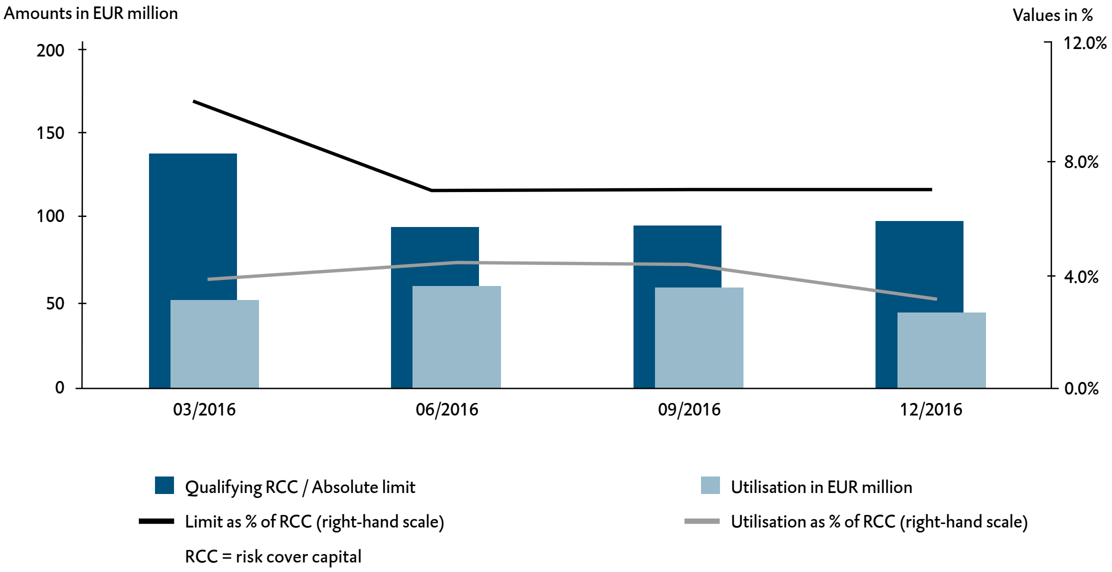


MARKET RISK - LIQUIDATION APPROACH		Maximum	Average	Year-end
31/12/2016	Utilisation in EUR million	71.6	63.2	50.1
	Utilisation in % of risk cover capital	5.2%	4.5%	3.5%
31/12/2015	Utilisation in EUR million	101.4	80.7	68.2
	Utilisation in % of risk cover capital	7.4%	6.0%	5.1%

Interest rate risk

The illustration below shows the limit utilisation for interest rate risk at the overall bank level. In the 2nd quarter of 2016, risk utilisation increases by EUR +8.1 million. In the 3rd quarter of 2016, the interest rate risk falls back slightly (EUR –1.8 million). This is basically made up of with the increase in utilisation of the ECB long-term tender on the fixed interest liabilities. In the 4th quarter of 2016 the interest risk fell clearly (EUR –14.2 million), as more 4 year fixed interest liabilities were taken up as part of the long-term tender. On the asset side, there were significant increases in fixed interest assets.

interest rate risk - liquidation approach

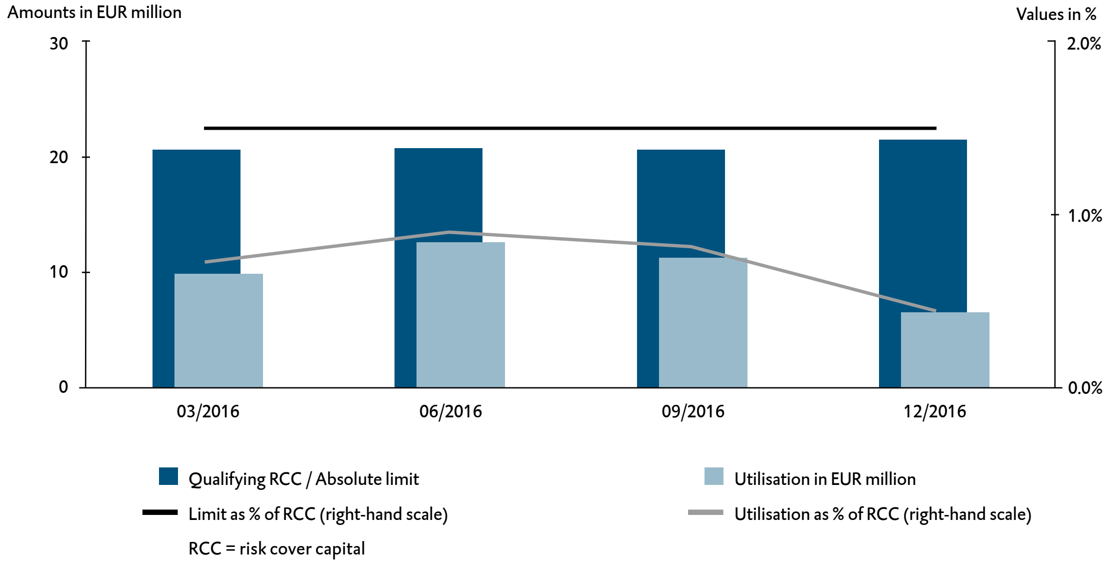


INTEREST RATE RISK - LIQUIDATION APPROACH		Maximum	Average	Year-end
31/12/2016	Utilisation in EUR million	62.0	55.6	46.0
	Utilisation in % of risk cover capital	4.5%	4.0%	3.2%
31/12/2015	Utilisation in EUR million	81.6	60.3	58.9
	Utilisation in % of risk cover capital	5.9%	4.5%	4.4%

Currency risk

The following illustration depicts the risk in comparison to the allocated risk-covering capital and the limit set for the currency risk. The currency risk fell considerably from the 3rd quarter of 2016. This is substantially due to the fact that the open currency position relating to the Swiss franc (asset surplus) has been reduced.

currency risk - liquidation approach

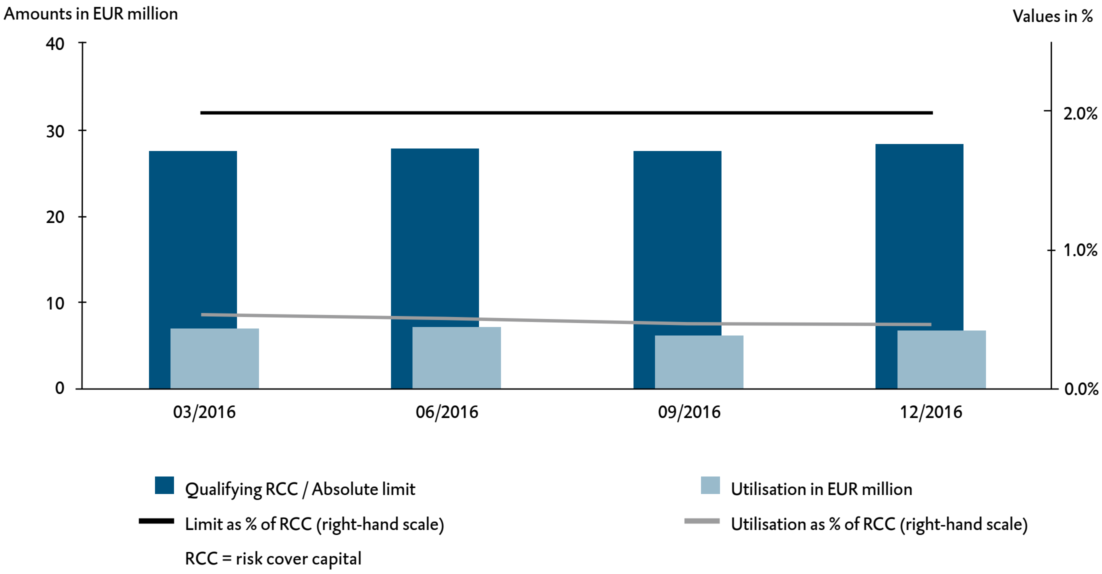


CURRENCY RISK - LIQUIDATION APPROACH		Maximum	Average	Year-end
31/12/2016	Utilisation in EUR million	12.6	10.1	6.4
	Utilisation in % of risk cover capital	0.9%	0.7%	0.4%
31/12/2015	Utilisation in EUR million	14.3	9.2	14.3
	Utilisation in % of risk cover capital	1.1%	0.7%	1.1%

Share price risk

The following illustration depicts the risk in comparison to the allocated risk-covering capital and the limit set for the share price risk. The generation of income from the equity business is not one of BTV's core activities. This was underlined by an average utilisation of EUR 7.0 million or 0.5% of the risk cover assets. There were no significant changes in the share price risk in the reporting year 2016

Share price risk - liquidation approach



SHARE PRICE RISK - LIQUIDATION APPROACH		Maximum	Average	Year-end
31/12/2016	Utilisation in EUR million	7.4	7.0	6.8
	Utilisation in % of risk cover capital	0.5%	0.5%	0.5%
31/12/2015	Utilisation in EUR million	7.7	6.6	7.7
	Utilisation in % of risk cover capital	0.6%	0.5%	0.6%

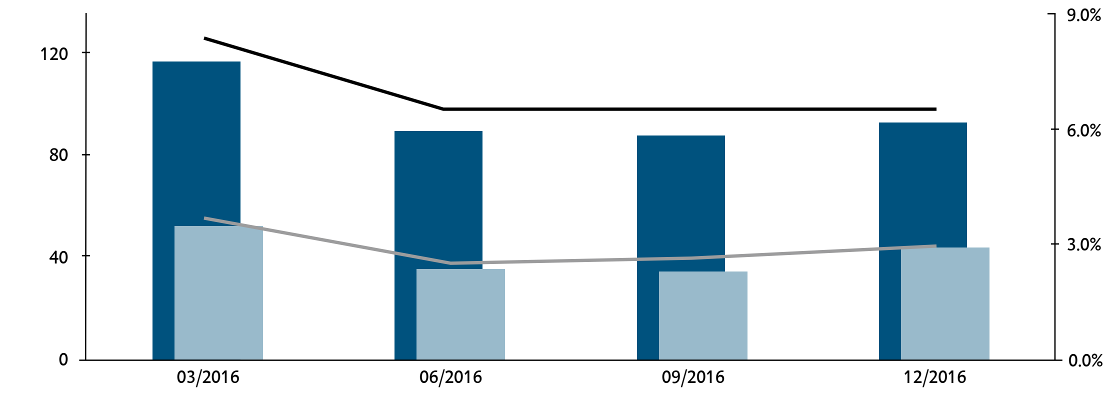
Credit spread risk

The following illustration depicts the risk in comparison to the allocated risk-covering capital and the limit set for the credit spread risk. The Credit spread risk at total bank level declined in the 2nd and 3rd quarters of 2016, then rose again slightly in the 4th quarter 2016. The fluctuations in utilisation over the year are related to the increase and decrease in volatility in the credit spread risk factors.

Credit spread risk - liquidity approach

Amounts in EUR million

Values in %



Qualifying RCC / Absolute limit

Utilisation in EUR million

Limit as % of RCC (right-hand scale)

Utilisation as % of RCC (right-hand scale)

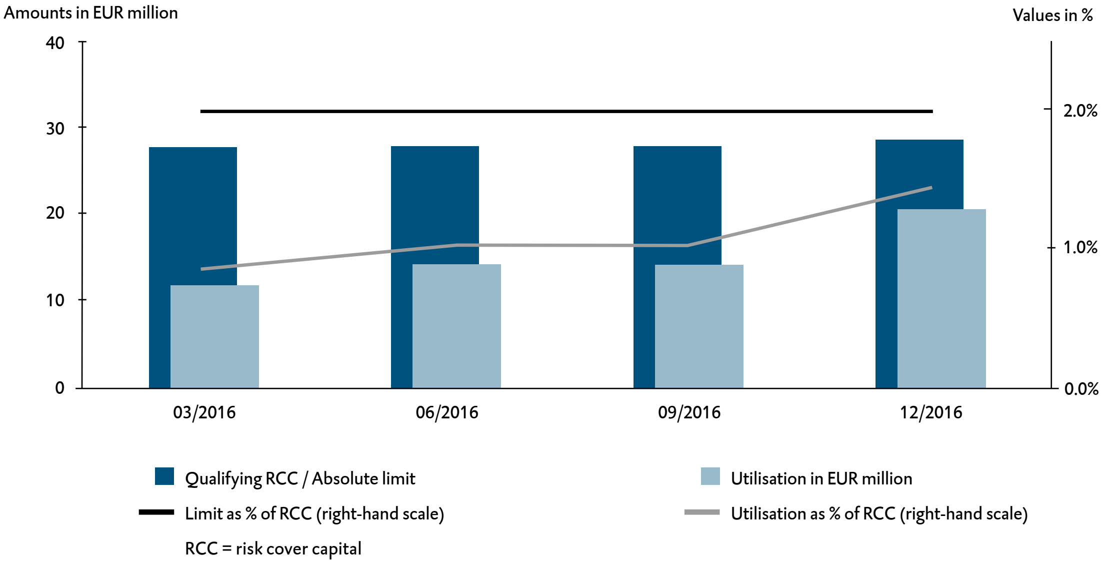
RCC = risk cover capital

CREDIT SPREAD RISK - LIQUIDITY APPROACH		Maximum	Average	Year-end
31/12/2016	Utilisation in EUR million	53.1	42.0	43.9
	Utilisation in % of risk cover capital	3.8%	3.0%	3.0%
31/12/2015	Utilisation in EUR million	71.0	61.2	57.6
	Utilisation in % of risk cover capital	5.3%	4.6%	4.3%

Liquidity risk

The utilisation of the liquidity risk rose continually during 2016. The increase in quantified structural cash value risk is a result, on the one hand, of the change in the liquidity risk position, and on the other hand of the increase in the assumed changes to refinancing costs through higher volatility of the liquidity premiums applied.

Liquidity risk - liquidation approach



LIQUIDITY RISK - LIQUIDATION APPROACH		Maximum	Average	Year-end
31/12/2016	Utilisation in EUR million	20.6	15.2	20.6
	Utilisation in % of risk cover capital	1.4%	1.1%	1.4%
31/12/2015	Utilisation in EUR million	22.8	16.3	11.4
	Utilisation in % of risk cover capital	1.7%	1.2%	0.8%

RESIDUAL MATURITIES OF LIABILITIES 2016 UNDER IFRS 7.39 in EUR thousand	overnight	< 3 months	3 mth–1 yr	1-5 yr	> 5 yr	Total income
Liabilities to banks	37,521	352,152	196,883	478,377	134,937	1,199,870
Liabilities to clients	3,434,808	1,280,531	495,206	620,768	103,255	5,934,569
Securitised debt	0	70,968	165,980	633,928	352,253	1,223,128
Subordinated capital	0	42,759	29,313	61,696	82,881	216,649
Not derivatives Liabilities	3,472,329	1,746,409	887,382	1,794,770	673,327	8,574,217
Derivative liabilities	0	1,444	3,544	14,217	211	19,416
Total	3,472,329	1,747,853	890,926	1,808,987	673,537	8,593,633
Contingent liabilities	360,548	158,518	543,511	487,403	115,997	1,665,976
Financial guarantees	85,920	40,482	35,133	101,187	8,169	270,893
Credit facilities not utilised	274,628	118,036	508,377	386,216	107,827	1,395,084

RESIDUAL MATURITIES OF LIABILITIES 2015 UNDER IFRS 7.39 in EUR thousand	overnight	< 3 months	3 mth–1 yr	1-5 yr	> 5 yr	Total income
Liabilities to banks	43,919	299,587	178,704	342,276	122,723	987,209
Liabilities to clients	3,454,095	928,456	575,061	580,304	122,363	5,660,280
Securitised debt	0	34,681	121,942	675,259	304,850	1,136,732
Subordinated capital	0	5,958	94,841	132,348	53,000	286,147
Not derivatives Liabilities	3,498,014	1,268,681	970,549	1,730,187	602,936	8,070,368
Derivative liabilities	0	1,110	4,802	5,378	11,291	22,581
Total	3,498,014	1,269,792	975,351	1,735,566	614,227	8,092,949
Contingent liabilities	295,049	177,212	455,472	413,354	100,240	1,441,327
Financial guarantees	62,772	43,756	33,409	89,944	8,178	238,060
Credit facilities not utilised	232,276	133,456	422,063	323,410	92,062	1,203,266

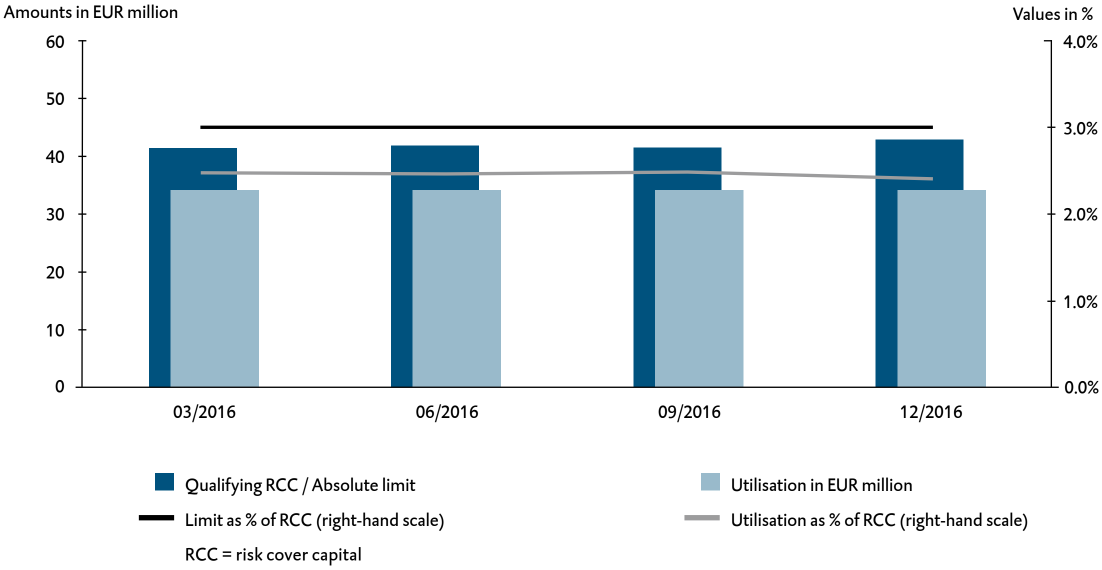
The breakdown of liabilities In accordance with residual contractual maturities under IFRS 7.39, shows a significant total year-on-year increase in liabilities. Increased issue activities on the capital market have resulted overall in longer-term refinancing being available and therefore being placed on a sounder footing.

The internal control of the liquidity risk is carried out at BTV either on the basis of modelled payment flows, or using the increasingly popular funding matrix approach according to contractual capital commitments by managing the Liquidity Coverage Ratio (LCR) and mainly also the Net Stable Funding Ratio (NSFR).

Operational risk

In order to guarantee a closed circuit process and the quality of the implemented control loop - risk identification, risk quantification and risk management - decision-makers are kept informed on a continuous basis by a quarterly report on the trend in operational risk (loss events incurred) and the measures taken and their ongoing monitoring.
The calculation of the operational risk is made annually. Therefore, the absolute utilisation remains constant throughout the year. The relative utilisation on the other hand varies depending on the risk cover capital available at the time.

Operational risk – liquidation approach

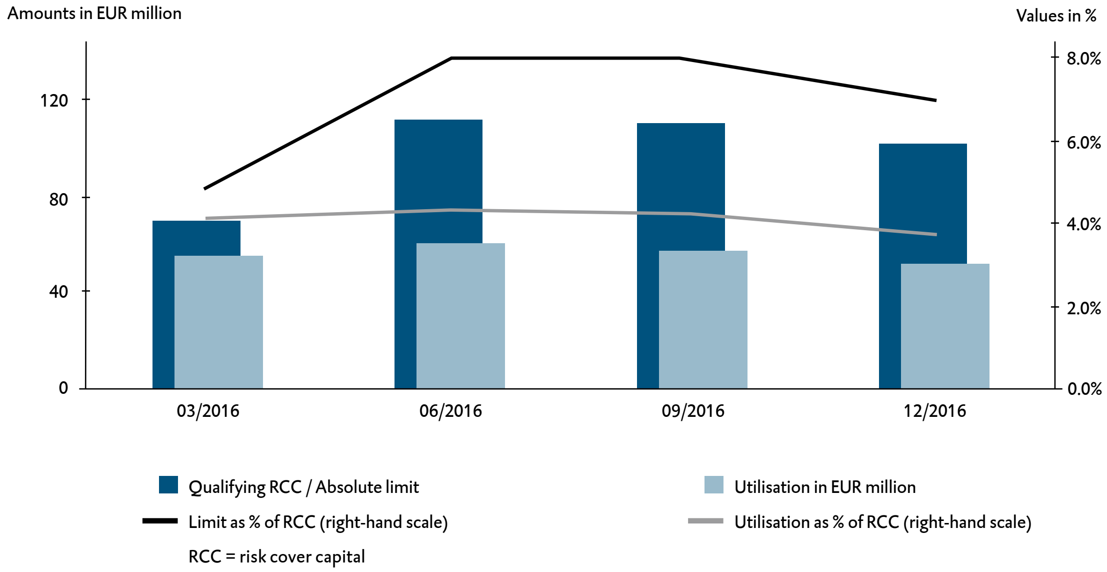


OPERATIONAL RISK – LIQUIDATION APPROACH		Maximum	Average	Year-end
31/12/2016	Utilisation in EUR million	34.2	34.2	34.2
	Utilisation in % of risk cover capital	2.5%	2.4%	2.4%
31/12/2015	Utilisation in EUR million	32.5	32.5	32.5
	Utilisation in % of risk cover capital	2.5%	2.4%	2.4%

Macroeconomic risk

The following illustration depicts the risk in comparison to the allocated risk cover assets and the cap for macroeconomic risk. In financial year 2016, at the half-year there was increase in the risk cap from 5% to 8% of the risk cover assets. With the new allocation in the 4th quarter, the cap was set to 7%.

macroeconomic risks - liquidation approach



MACROECONOMIC RISK - LIQUIDATION APPROACH		Maximum	Average	Year-end
31/12/2016	Utilisation in EUR million	61.3	56.9	51.9
	Utilisation in % of risk cover capital	4.4%	4.1%	3.6%
31/12/2015	Utilisation in EUR million	54.5	52.2	53.9
	Utilisation in % of risk cover capital	4.0%	3.9%	4.0%

Further developments in 2016

Starting from the first quarter of 2016, an external consulting firm was brought in to assist with an analysis of the adequacy of the internal liquidity risk controls. This led to a redesign and expansion of the ILAAP framework. Finally, the new ILAAP framework, including the reporting went into production mode in quarter 4 of 2016. The core innovations here are:

- Complete integration of new business in four different scenarios
- Redesign of the stress test framework taking into account the degrees of various levels of difficulty and time horizons
- Revision of the risk load-bearing capacity including validation of the discount rates used
- Integration of liquidity at risk to be able to include intraday risks
- Reporting in line with BCBS-239 for ex-post analysis of intraday liquidity fluctuations
- Redesign of the liquidity emergency plan, bearing in mind the bank redevelopment plan
- Reshaping the liquidity risk strategy

In 2016 a new software system was implemented to calculate the size of risk positions. The new application is taking over the calculation tasks below:

- Capital requirement for the credit risk
- Capital requirement for the market risk
- Capital requirement for the credit valuation adjustment (CVA) risk
- Economic risk for the counterparty and investment risk
- Stress tests for the capital requirement for the credit risk, market risk and CVA risk, as well as for the counterparty and investment risk
- Leverage ratio

Thanks to the new software, these points can be combined in a single module. This will further increase the transparency of the results and will make the calculation process more efficient. It will increase the level of integration and significantly improve the performance of simulations.

In addition to the above-mentioned further development, the rating systems were thoroughly checked. The validation was divided up into a quantitative and qualitative section. The qualitative validation, on the one hand, comprised all validation processes in which statistical core values (selectivity, stability and calibration) of the rating processes were determined and interpreted using an empirical database. The qualitative validation, on the other hand, had the task of ensuring the applicability and the correct use of the quantitative methods in practice. The quantitative and qualitative validation facilitated identification of potential for improvement and resulted in the adoption of measures and expert plans to achieve this.

The new IFRS 9 standard replaces the currently valid IAS 39 standard. A commitment was made for application of this as of 1 January 2018. IFRS 9 is linked to far-reaching effects on IT systems, processes and key balance sheet figures. For this reason, as part of a strategic project, BTV is currently starting the comprehensive introduction of IFRS 9.

Following the Federal Act on the restructuring and resolution of banks (BaSAG for short), BTV drew up a restructuring plan in the financial year 2015. This was revised thoroughly in 2016, taking into account supervisory expectations and regulatory changes. Subsequently, the plan must be updated at least annually, the next time by 30 September 2017, as well as whenever it needs to be updated. The transaction plan was created directly through the Financial Market Authority.

Outlook for 2017

So far the calculation of ratings for project financing was done using an externally bought system. From quarter 2 of 2017 a software system developed in-house will be introduced. The goal is, on the one hand, to make it easier for users to use and to enter data, and simultaneously the ratings results should be more transparent and more finely grained, with the result that the individual ratings results are more informative.

IFRS 9 „Financial Instruments" was published in July 2014 by the international standard-setters IASB as a standard for the accounting treatment of financial instruments. The new IFRS 9 standard replaces the currently valid IAS 39 standard. Application of the standard will become mandatory on 1 January 2018. IFRS 9 is the new regulation for three issues:

- classifying and measuring financial instruments
- impairment rules
- hedge accounting

The classification now uses three valuation categories:

- valuation at cost plus amortisation
- fair value through profit and loss
- fair value on balance sheet

Allocation to one of the three categories depends on the contractual cashflow characteristics and the business model. For the rules on impairment, IFRS 9 provides for the application of an expected credit loss model, where an anticipated risk provision is created, i.e. future expected losses are taken into account. The expected credit loss is an expected value weighted by probabilities. In the area of hedge accounting, IFRS 9 introduces a version closer to the accounting for actual risk management by broader definition of the permitted underlying and hedging transactions.

Depending on other supervisory developments, some parts of the planned CRR-II package have already been analysed and integrated into the internal calculations. In particular, this relates to the calculations of the net stable funding ratio (NSFR) as well as the creation of a counterparty default risk for derivative financial instruments (standardised approach for counterparty credit risk - SA-CCR).

During the course of 2017, in addition, selective further developments are planned for the ICAAP framework, which on the one hand relate to the methods for measurement of individual risk categories, and on the other hand include revising the entire stress-testing framework.

36 OTHER DETAILS in EUR thousand	31/12/2016	31/12/2015
Assets deposited as guarantees:		
Debenture bonds and other fixed-interest securities	1,223,245	1,283,605
Loans to credit institutions	12,892	13,034
Loans to clients	1,179,120	1,098,212
I) Assets deposited as collateral	2,415,257	2,394,851
c) Liabilities for which collateral was transferred:		
Trust fund deposits	15,151	10,963
Bonds issued	356,000	327,500
Liabilities to credit institutions	109,645	130,484
II) Liabilities for which collateral was provided	480,796	468,947
Subordinated assets:		
Loans to credit institutions	26	0
Loans to clients	988	7,400
Debenture bonds and other fixed-interest securities	46,115	38,464
Equities and other variable-interest securities	560	9,531
III) Subordinated assets	48,249	56,125
Foreign currency volumes		
Receivables	1,066,880	1,260,413
Liabilities	534,469	462,949
IV) Foreign currency volume		
Foreign volumes:		
Foreign assets	3,511,876	3,413,761
Foreign liabilities	1,619,313	1,335,680
V) Foreign volumes		
Trust loans:	69,774	71,730
Loans to clients	69,774	71,730
Trust liabilities:	69,774	71,730
Liabilities to credit institutions	47,965	47,554
Liabilities to clients	21,809	24,176
VI) Fiduciary operations		
VII) Genuine repurchase agreements	485,000	388,440
Performance guarantees and credit risks:		
Performance guarantees	267,643	231,896
Credit risks	1,395,084	1,203,267
VIII) Performance bonds and credit risks	1,662,727	1,435,163

The European Investment Bank (EIB) refinanced investment loans for clients amounting to EUR 905,000 (previous year: EUR 1.071 million).

Transactions in which securities are sold with the agreement of a retrocession on a specific date are referred to as repos. The securities that are lent out are still shown on BTV's balance sheet, as all the risks and rewards related to ownership basically remain with BTV AG. The financial instruments are retroceded on expiry of the repo. During the term of the repo, BTV AG is the beneficiary of all interest payments and other income received during the term. The accounting as financing corresponds to the economic substance of the transaction.

In the context of repos, securities were transferred to third parties. The market value without accrued interest at 31/12/2016 totals EUR 1,214.926 million (previous year EUR 1,260.913 million). The total amount of EUR 1,214.926 million (previous year: EUR 1,260.913 million) is assigned to the category „Financial assets – available for sale" The book value (without accrued interest) as of 31/12/2016 is EUR 1,200.901 million (previous year: EUR 1,257.322 million). The associated liabilities are shown under liabilities to credit institutions, the utilisation as per 31/12/2016 amounts to EUR 485 million (previous year: EUR 388.440 million).

36a INFORMATION REGARDING OFFSETTING OF FINANCIAL INSTRUMENTS AS AT 31/12/2016 in EUR thousand.	Financial assets/ debts	Effects from settlement agreements	Received/issued securities in the form of financial instruments	Financial assets/ debts (net)
Trading assets - derivatives	84,086	–20,522	–20,142	43,422
Total debt	84,086	–20,522	–20,142	43,422
Liabilities to credit institutions and customer deposits	7,124,899	0	–1,263,540	5,861,359
Trading liabilities – Derivatives	33,649	–20,522	–9,902	3,225
Total liabilities	7,158,548	–20,522	–1,273,442	5,864,584

INFORMATION REGARDING OFFSETTING OF FINANCIAL INSTRUMENTS AS AT 31/12/2015 in EUR thousand	Financial assets/ debts	Effects from settlement agreements	Received/issued securities in the form of financial instruments	Financial assets/ debts (net)
Trading assets - derivatives	89,958	–24,536	–23,020	42,402
Total debt	89,958	–24,536	–23,020	42,402
Liabilities to Credit institutes and client deposits	6,624,625	0	–919,056	5,705,569
Trading liabilities – Derivatives	36,104	–24,536	–8,449	3,119
Total liabilities	6,660,729	–24,536	–927,505	5,708,688

The contractual terms for all collateral and setoff agreements are in line with banking practice.

36b NOTES PURSUANT TO SECTION 64 BWG

SELECTED DATA AND FIGURES CONCERNING BRANCHES PURSUANT TO SECTION 64 BWG in EUR thousand	Austria	Switzerland	Germany
Net interest income	120,351	9,178	15,232
Operating income	164,310	13,731	17,383
Number of employees in persons/years	1,253	23	74
Annual profit before tax	64,752	3,980	4,761
Taxes on earnings	8,111	811	788
State aid received	0	0	0

BTV has a branch in Switzerland, BTV Switzerland with registered office in Staad, and BTV Leasing has a branch, BTV Leasing Schweiz AG, also with registered office in Staad.

BTV has a branch in Germany, BTV Germany with registered office in Memmingen, and BTV Leasing has a branch, BTV Leasing Deutschland GmbH with its registered office in Munich.

RETURN ON INVESTMENT PURSUANT TO SECTION 64 BWG	2016	2015
Return on investment	0.64%	1.47%

36c COMFORT LETTERS

During the reporting year, BTV did not issue any comfort letters (previous year: EUR 0 thousand).

37 NOTES ON TRANSACTIONS WITH CLOSELY RELATED PERSONS

As part of normal business activity transactions are concluded with closely related companies and persons at normal market terms and conditions. The scope of these transactions is shown below:

37a EMOLUMENTS AND LOANS TO MEMBERS OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD.

At the end of 2016, as was already the case in the previous year, there were no loans or advances given to members of the Executive Board. Loans of EUR 6.545 million are due from members of the Supervisory Board, (previous year: EUR 5.196 million). Interest rates and other conditions (maturity and collateral) are in line with the market. During the current financial year, members of the Board of Directors made no loan repayments (previous year: EUR 142,000). Members of the Supervisory Board made loan repayments during 2016 of EUR 61,000 (previous year: EUR 120,000).

In the reporting year, remuneration of the current Board of Directors amounted to EUR 877,000 (previous year: EUR 2.551 million), incl. severance pay to former board members of EUR 511,000. The pension payments (incl. creation of reserves of EUR 2.033 million) to former members of the Board of Directors amounted to EUR 2.485 million (previous year: EUR 119,000).

During the financial year, active members of the Supervisory Board of BTV AG received annual remuneration for their positions of EUR 210,000 (previous year: EUR 226,000).

37b RECEIVABLES AND LIABILITIES TO ASSOCIATED, NON-CONSOLIDATED COMPANIES AND HOLDINGS in EUR thousand	31/12/2016	31/12/2015
Loans to credit institutions	0	0
Loans to clients	12,423	12,478
Liabilities to customers	12,423	12,478
Liabilities to credit institutions	0	0
Liabilities to clients	10,381	8,034
Total liabilities	10,381	8,034

In the context of the profit and loss account there are earnings of EUR 94 thousand (previous year: EUR 104,000) and expenses of EUR 18,000 (previous year: EUR 54 thousand) was incurred for transactions with the parent company and its associated companies.

37c RECEIVABLES AND LIABILITIES TO ASSOCIATED COMPANIES AND HOLDINGS in EUR thousand	31/12/2016	31/12/2015
Loans to credit institutions	37	40,890
Loans to clients	137	3,587
Liabilities to customers	174	44,477
Liabilities to credit institutions	19,930	45,547
Liabilities to clients	5,208	612
Total liabilities	25,138	46,159

As part of the profit and loss account there are earnings of EUR 14,000 (previous year: EUR 24,000) and expenditure of EUR 153,000 (previous year: EUR 100,000) incurred for transactions with the parent company and its associated companies.

The fair value of the exchange listed companies consolidated using the equity method at the balance sheet date was EUR 463 million (previous year: EUR 389 million). The timing differences under IAS 12.87 at the balance sheet date were EUR 488 million (previous year: EUR 422 million).

The number of own shares held via associated companies is 7,372,836 (previous year: 7,372,836).

37d RECONCILIATION OF THE EQUITY CARRYING VALUE OF THE ASSOCIATED COMPANIES INCLUDED IN THE GROUP FINANCIAL STATEMENTS BASED ON THE PORTFOLIO AS AT 31/12/2016 in EUR thousand	Written-down book value as at 01/01/2016	Changes not taken in P&L 2016	Changes taken in P&L 2016	Written-down book value as at 31/12/2016	Market price of ordinary shares	Market price of preference shares
BKS Bank AG	156,372	9,970	7,221	173,563	16.78	15.40
Oberbank AG	295,380	25,491	24,123	344,994	60.30	52.50
Drei-Banken Versicherungs-agentur GmbH	4,471	0	–1,496	2,975	n/a	n/a
Moser Holding AG	12,264	265	880	13,409	n/a	n/a

Explanation: n.a. = not available

37e THE ASSOCIATED COMPANIES VALUED AT EQUITY SHOWED THE FOLLOWING VALUES AT THE BALANCE SHEET DATE in EUR thousand	31/12/2016	31/12/2015
BKS Bank AG	7,256,773	6,995,686
Oberbank AG	18,913,759	18,272,720
Drei-Banken Versicherungsagentur GmbH	14,682	136,766
Moser Holding AG	144,626	146,039
assets	26,329,840	25,551,211
BKS Bank AG	6,371,846	6,199,837
Oberbank AG	16,851,815	16,472,900
Drei-Banken Versicherungsagentur GmbH	1,607	113,286
Moser Holding AG	82,830	89,268
Liabilities	23,308,098	22,875,291
BKS Bank AG	162,237	229,338
Oberbank AG	586,732	626,949
Drei-Banken Versicherungsagentur GmbH	1,330	31,099
Moser Holding AG	106,179	106,840
Earnings	856,477	994,226
Group net profit for the year	46,515	57,303
Other comprehensive income	–1,605	–12,463
BKS Bank AG Total annual earnings	44,910	44,840
Group net profit for the year	170,075	155,043
Other comprehensive income	41,755	–16,034
Oberbank AG Total annual earnings	211,830	139,009
Group net profit for the year	3,809	2,397
Other comprehensive income	n/a	n/a
Drei-Banken Versicherungsagentur GmbH full year earnings	3,809	2,397
Group net profit for the year	5,428	8,362
Other comprehensive income	–404	–939
Moser Holding AG Total annual earnings	5,025	7,423
Overall profit for the financial year	265,573	193,669
BKS Bank AG	1,566	1,566
Oberbank AG	2,879	2,691
Drei-Banken Versicherungsagentur GmbH	2,931	90
Moser Holding AG	0	1,499
Dividends received	7,376	5,846

Explanation: n.a. = not available

37f ACQUISITION COSTS CARRIED OVER OR ASSOCIATED COMPANIES VALUED AT FAIR VALUE SHOWED THE FOLLOWING VALUES AT THE BALANCE SHEET DATE in EUR thousand	31/12/2016	31/12/2015
assets	63,003	57,852
Liabilities	34,557	32,061
Earnings	64,179	57,540
Profit/loss for the period	1,464	1,015

For the calculation of the values in tables 37e and 37f the last available annual financial statements were used as the basis for the calculation.

38 TOTAL VOLUME OF NOT YET UNWOUND DERIVATIVE FINANCIAL PRODUCTS

Total volume of not yet completed derivative financial products as at 31/12/2016:

in EUR thousand	Contract volume / residual terms				Market values					
					positive	negative	positive	negative	positive	negative
	< 1 year	1- 5 years	> 5 years	Total	< 1 year		1- 5 years		> 5 years	
Interest rate swaps	333,780	479,745	744,840	1,558,366	2,614	–4,473	15,160	–5,300	53,818	–10,667
Purchase	173,167	76,441	218,898	468,507	0	–4,473	38	–5,248	240	–9,280
Sale	160,613	403,305	525,942	1,089,859	2,614	0	15,122	–52	53,578	–1,388
Interest rate options	5,898	129,344	30,477	165,720	0	0	290	–245	71	–148
Purchase	2,949	64,725	15,239	82,913	0	0	117	–127	71	0
Sale	2,949	64,620	15,239	82,808	0	0	172	–117	0	–148
Interest rate contracts, total	339,679	609,090	775,318	1,724,086	2,614	–4,473	15,450	–5,544	53,889	–10,815
Currency swaps	0	25,133	0	25,133	0	0	5,583	–6,036	0	0
Purchase	0	11,660	0	11,660	0	0	0	–6,036	0	0
Sale	0	13,473	0	13,473	0	0	5,583	0	0	0
Foreign exchange futures	67,865	2,121	0	69,986	1,077	–1,063	23	–17	0	0
FX Swaps	935,736	0	0	935,736	2,493	–6,234	0	0	0	0
Total currency exchange rate contracts	1,003,601	27,254	0	1,030,855	3,570	–7,297	5,606	–6,053	0	0
Derivative trades relating to securities and other derivatives	0	9,875	0	9,875	0	0	529	–193	0	0
Purchase	0	0	0	0	0	0	0	0	0	0
Sale	0	9,875	0	9,875	0	0	529	–193	0	0
Trades relating to securities and other derivatives Total	0	9,875	0	9,875	0	0	529	–193	0	0
Total bank book	1,343,280	646,219	775,318	2,764,816	6,184	–11,770	21,585	–11,790	53,889	–10,815
Coupon swap options – trading book	322	11,108	18,249	29,678	0	0	0	0	44	–140
Purchase	120	5,177	8,865	14,162	0	0	0	0	44	0
Sale	202	5,931	9,384	15,516	0	0	0	0	0	–140
Coupon swap – trading book	0	0	0	0	0	0	0	0	0	0
Purchase	0	0	0	0	0	0	0	0	0	0
Sale	0	0	0	0	0	0	0	0	0	0
Interest rate contracts, total	322	11,108	18,249	29,678	0	0	0	0	44	–140
Derivative trades relating to securities and other derivatives	0	0	2,000	2,000	0	0	0	0	93	0
Purchase	0	0	2,000	2,000	0	0	0	0	93	0
Trades relating to securities and other derivatives Total	0	0	2,000	2,000	0	0	0	0	93	0
Total trading book	322	11,108	20,249	31,678	0	0	0	0	137	–140
Non-transacted derivatives Total financial instruments	1,343,601	657,327	795,566	2,796,495	6,184	–11,770	21,585	–11,790	54,026	–10,955

Total volume of not yet transacted derivative financial products at 31/12/2015:

in EUR thousand	Contract volume / residual terms				Market values					
					positive	negative	positive	negative	positive	negative
	< 1 year	1 - 5 years	> 5 years	Total	< 1 year		1 - 5 years		> 5 years	
Interest rate swaps	251,550	756,858	625,032	1,633,441	5,727	–2,201	21,479	–18,255	48,346	–5,908
Purchase	74,750	251,107	169,331	495,188	0	–2,201	0	–18,238	321	–5,731
Sale	176,800	505,751	455,701	1,138,253	5,727	0	21,479	–17	48,025	–177
Interest rate options	82,766	134,707	32,073	249,545	100	–100	342	–312	151	–238
Purchase	39,883	67,436	16,053	123,372	100	0	184	–122	82	–53
Sale	42,883	67,271	16,020	126,173	0	–100	158	–190	69	–185
Interest rate contracts, total	334,316	891,565	657,105	1,882,986	5,827	–2,301	21,821	–18,567	48,497	–6,146
Currency swaps	3,216	25,117	0	28,333	186	–174	5,715	–6,322	0	0
Purchase	1,608	11,660	0	13,268	0	–174	0	–6,322	0	0
Sale	1,608	13,457	0	15,065	186	0	5,715	0	0	0
Foreign exchange futures	35,411	5,737	0	41,148	387	–789	88	–16	0	0
FX Swaps	972,071	0	0	972,071	5,720	–1,724	0	0	0	0
Total currency exchange rate contracts	1,010,698	30,854	0	1,041,552	6,293	–2,687	5,803	–6,338	0	0
Derivative trades relating to securities and other derivatives	8,762	4,875	5,000	18,637	231	0	303	0	0	–30
Purchase	0	0	0	0	0	0	0	0	0	0
Sale	8,762	4,875	5,000	18,637	231	0	303	0	0	–30
Trades relating to securities and other derivatives Total	8,762	4,875	5,000	18,637	231	0	303	0	0	–30
Total bank book	1,353,776	927,294	662,105	2,943,175	12,351	–4,988	27,927	–24,905	48,497	–6,176
Coupon swap options – trading book	377	6,082	28,265	34,724	0	0	1	–1	111	–292
Purchase	192	2,622	13,765	16,579	0	0	1	0	111	0
Sale	185	3,460	14,500	18,145	0	0	0	–1	0	–292
Coupon swap – trading book	0	0	0	0	0	0	0	0	0	0
Purchase	0	0	0	0	0	0	0	0	0	0
Sale	0	0	0	0	0	0	0	0	0	0
Interest rate contracts, total	377	6,082	28,265	34,724	0	0	1	–1	111	–292
Derivative trades relating to securities and other derivatives	0	0	2,000	2,000	0	0	0	0	107	0
Purchase	0	0	2,000	2,000	0	0	0	0	107	0
Trades relating to securities and other derivatives Total	0	0	2,000	2,000	0	0	0	0	107	0
Total trading book	377	6,082	30,265	36,724	0	0	1	–1	218	–292
Non-transacted derivatives Total financial instruments	1,354,153	933,376	692,370	2,979,899	12,351	–4,988	27,928	–24,906	48,715	–6,468

The trading volume is divided by the type of underlying financial instrument into the categories of interest rate, currency rate and security related trades. The selected classification of volumes by maturity categories is in line with international recommendations, as is the classification into interest, currency and security-related transactions. At the end of 2016, BTV only had OTC transactions on its books.

The derivative instruments held for non-trading purposes are mainly represented by interest rate contracts primarily requested by customers. Alongside interest swaps customers also asked for cross-currency swaps and interest rate options. BTV closes off these positions with back-to-back transactions with other credit institutions and does not carry any risk on its own book. BTV itself uses primarily interest rate swaps to manage the overall bank rate risk. For management of currency rate risks BTV mainly uses foreign exchange futures and currency swaps. The securities-related transactions relate solely to issued structured investment products. The options required for these were bought in through third-party banks.

The hedging period for derivatives used in hedge accounting is identical to that for the hedged item.

The group uses fair value hedge accounting predominantly through interest rate swaps, in order to hedge against changes in the fair values of fixed-income financial instruments due to movements in market interest rates. The fair values of the hedging instruments are classified under miscellaneous assets and miscellaneous liabilities.

The following table shows the current fair market value of derivatives, which are held as part of fair value hedges:

DERIVATIVES FAIR VALUE (AS PART OF FAIR VALUE HEDGES) in EUR thousand	Other assets 2016	Other liabilities 2016	Other assets 2015	Other liabilities 2015
Derivatives in fair value hedges	44,104	2,815	41,108	5,536

39 FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS WHICH ARE VALUED AT FAIR VALUE

The financial instruments reported at fair value are classified at fair value in the three tier valuation hierarchy as follows.

This hierarchy reflects the significance of the input data used for the valuation and is classified as follows:

Quoted prices in active markets (Level 1):
This category contains equity, corporate bonds and government lending listed on major exchanges. The fair value of financial instruments traded in active markets is calculated on the basis of quoted prices, in so far as these represent prices applied within the context of regular and current transactions.

An active market must fulfil cumulatively the following conditions:

- the products traded on the market are homogeneous,
- normally willing contractual buyers and sellers can be found any time and
- prices are available to the public.

A financial instrument is seen as listed on an active market if its prices are available easily and regularly from a stock exchange, a trader or broker, an industry group, a price service agency or a supervisory authority and these prices represent actual and regularly occurring market transactions.

Valuation procedure through observable parameters (Level 2):
This category includes OTC derivative contracts, receivables and issued debt securities of the Group classified at fair value.

Valuation procedures through significant unobservable parameters (Level 3):
The financial instruments in this category show input parameters which are based on unobservable markets.

The allocation of certain financial instruments to the categories requires a systematic assessment, especially if the valuation is based on both observable as well as unobservable market parameters. The instrument classification may also change over time in consideration of changes to the market parameters.

For securities and other investments which are valued at fair value, the following valuation processes are applied:

Level 1
The fair value is derived from the transaction prices as traded on the stock exchange.

Level 2
Securities which are not traded in an active market are valued by means of the discounted cash flow method. This means that the future projected cash flows are discounted by means of suitable discount factors in order to calculate the fair value. The discount factors contain both the credit curve without credit risk as well as the credit spreads which follow the credit rating and the rank of the issuer. The interest curve for discounting contains securities account, money-market futures and swap rates as observable on the market. The calculation of the credit spread follows a 3-step process:

1) If there is for the issuer a bond of the same rank and of the same remaining term which is actively traded on the market, this credit spread is used.
2) If there is no comparable bond which is actively traded on the market, the credit default swap spread (CDS spread) with a similar term is applied.
3) If there is neither a comparable bond traded on the market nor an actively traded CDS, then the credit spread from a comparable issuer is applied (level 3). This approach is currently not being used at the BTV group.

Level 3
The accompanying current values of the mentioned financial assets in the third stage where determined in accordance with generally recognised valuation processes. Significant parameters are the depreciation rate as well as long-term success and capitalisation values with consideration of the experience of the management as well as knowledge of the market conditions of the specific industry.

The issues are categorised at level 2 and the valuation takes place in accordance with the following process:

Level 2
The own issues are not subject to active trade on the capital market. Instead they are retail issues and private placements. The valuation consequently takes place by means of a discounted cash flow valuation model. This is based on a yield curve based on money market interest rates and swap interest as well as BTV's credit spreads. The credit spreads align themselves with the spreads that are payable at the time for an interest rate hedging transaction (interest spread on swap).

The derivatives are also categorised at level 2.

The following valuation processes are applied:

Level 2
Derivative financial instruments are divided into derivatives with a symmetrical payment profile as well as derivatives with an asymmetrical payment profile.

At BTV, derivatives with a symmetrical payment profile contain interest derivatives (interest swaps and interest rate forwards) and foreign currency derivatives (FX Swaps, cross currency swaps and FX outright transactions). These derivatives are calculated by means of the discounted cash flow method which is based on money market interest rates, money market futures interest rates, swap interest rates as well as basis spreads which can be observed continually on the market.

At BTV, derivatives with an asymmetrical payment profile contain interest derivatives (caps and floors). The calculation of the fair value occurs here by means of the Black-76-Option price model. All inputs are either completely directly observable on the market (money market rates, money market futures- interest rates as well as swap interest rates) or derived from input factors observable on the market (caps / floor volatilities implicitly deducted from option prices).

The following tables show the fair value valuation methods used in order to determine the fair value of the balance sheet financial instruments.

FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS WHICH ARE VALUED AT FAIR VALUE AS OF 31/12/2016 in EUR thousand	Prices listed in active markets Level 1	Valuation methods based on market data Level 2	Valuation methods not based on market data Level 3
Financial assets stated at fair value			
Trading portfolio securities	0	1	0
Positive market values from derivative financial instruments	0	81,918	0
Assets classified at fair value	106,998	26,250	0
Financial assets available for disposal	1,263,792	80,722	63,752
Overall financial assets classified at fair value	1,370,790	188,891	63,752
Financial liabilities stated at fair value			
Negative market values from derivative financial instruments	0	33,744	0
Liabilities classified at fair value	0	566,401	0
Overall liabilities classified at fair value	0	600,145	0

FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS WHICH ARE VALUED AT FAIR VALUE AS AT 31/12/2015 in EUR thousand	Prices listed in active markets Level 1	Valuation methods based on market data Level 2	Valuation methods not based on market data Level 3
Financial assets stated at fair value			
Trading portfolio securities	0	0	0
Positive market values from derivative financial instruments	0	89,163	0
Assets classified at fair value	124,115	25,781	61
Financial assets available for disposal	1,345,074	41,064	65,285
Overall financial assets classified at fair value	1,469,189	156,008	65,346
Financial liabilities stated at fair value			
Negative market values from derivative financial instruments	0	36,608	0
Liabilities classified at fair value	0	623,554	0
Overall liabilities classified at fair value	0	660,162	0

MOVEMENTS IN LEVEL 3 OF FINANCIAL INSTRUMENTS AT FAIR VALUE 2016 in EUR thousand	Dec. 2015	Result P&L	Result in other operating income	Purchases	Sales, repayments	Transfer to level 3	Transfer from level 3	Currency conversion	Dec. 2016
Trading portfolio securities	0	0	0	0	0	0	0	0	0
Positive market values from derivative financial instruments	0	0	0	0	0	0	0	0	0
Assets classified at fair value	61	–1	0	0	–60	0	0	0	0
Financial assets available for disposal	65,285	–13	625	1,178	–3,323	0	0	0	63,752
Overall financial assets classified at fair value	65,346	–14	625	1,178	–3,383	0	0	0	63,752

MOVEMENTS IN LEVEL 3 OF FINANCIAL INSTRUMENTS ASSESSED AT FAIR VALUE IN 2015 in EUR thousand	Dec. 2014	Result P&L	Result in other operating income	Purchases	Sales, repayments	Transfer to level 3	Transfer from level 3	Currency conversion	Dec. 2015
Trading portfolio securities	0	0	0	0	0	0	0	0	0
Positive market values from derivative financial instruments	0	0	0	0	0	0	0	0	0
Classified at fair value - assets	128	–3	0	0	–64	0	0	0	61
Available for sale financial assets	66,836	0	–1,551	0	0	0	0	0	65,285
Overall financial assets classified at fair value	66,964	–3	–1,551	0	–64	0	0	0	65,346

In the reporting period there was no reclassification between the individual levels. Because of the extension of the other holdings valued at fair value and other affiliated companies, the total for level 3 financial instruments as of 31/12/2016 was EUR 63.752 million (previous year: EUR 65.346 million).

In financial year 2016 sales of assets classified at fair value in Level 3 led to losses totalling EUR 60,000. On the sale of available for sale financial assets, a capital reduction of EUR 3.323 million was recorded for one shareholding, and for another holding a parent company subsidy of EUR 1.178 million is shown. The amounts in level 3 through the profit and loss resulted mainly from valuation losses. EUR 625 thousand of valuation gains were included in other earnings.

At the end of a reporting period, BTV AG checks to what extent regroupings have taken place owing to changes in relevant parameters between the different levels of the fair value hierarchy. Regroupings take place on the basis of the portfolios in the reporting period concerned.

On 31 December 2016, the book values of financial instruments without a calculable fair value was EUR 17.427 million (previous year EUR 16.946 million) for other shareholdings, and EUR 8.860 million (previous year: EUR 8.658 million) for other associated shareholdings.

Calculation of the fair value for the assets declared in Level III was done on the basis of future payment flows or using the market value and net asset value method.

Determination of the fair value of shareholdings assessed at fair value in the level 3 available for sale inventory based on the following significant, non-observable input factors:

	Significant, non-observable input factors	Connection between significant, non-observable input factors and the assessment of the fair value
Shareholdings available for sale	• NAV • Calculated rates	The estimated fair value would increase (fall), if • the NAV were higher (lower), • the ongoing rate were higher (lower)

For the fair values of the shareholdings in the available for sale inventory, a change considered possible in the significant, non-observable input factors, while retaining the other input factors, would have the following impacts on the other earnings after taxes:

SENSITIVITY ANALYSIS in EUR thousand	Reduction 31/12/2016	Increase 31/12/2016	Reduction 31/12/2015	Increase 31/12/2015
Change in the ongoing price / NAV of 5%	–3,188	3,188	–3,205	3,205

40 FAIR VALUE OF FINANCIAL INSTRUMENTS, WHICH ARE NOT VALUED AT FAIR VALUE

In the following table, for each balance sheet item the fair market value is compared with the book value. The market value is the amount which, in an active market, could be raised from the sale of a financial instrument or which would need to be paid to make an equivalent purchase.

For positions without a contractually fixed term the relevant book value was applied. If no market prices exist, then generally accepted valuation models were applied, in particular analysis using discounted cash flow and the option price model.

ASSETS in EUR thousand	Fair value 31/12/2016	Book value 31/12/2016	Fair value 31/12/2015	Book value 31/12/2015
Cash reserves	316,527	316,527	146,757	146,757
Loans to credit institutions	318,574	318,185	320,115	319,764
Loans to clients	7,336,962	6,962,087	6,922,973	6,556,443
Financial assets – held to maturity	0	0	0	0

LIABILITIES in EUR thousand	Fair value 31/12/2016	Book value 31/12/2016	Fair value 31/12/2015	Book value 31/12/2015
Liabilities to credit institutions	1,192,133	1,194,271	1,001,151	981,843
Liabilities to clients	5,944,902	5,930,629	5,658,150	5,642,782
Securitised debt	765,588	768,039	685,266	687,817
Subordinated capital	58,338	58,328	66,638	66,557

Assets

Level 1
For securities which were assigned to the accounting category ‚held to maturity' (HtM), the fair value is calculated from the price created on the market.

Level 2
For securities which cannot be valued through prices created on the market (mostly regarding securities traded on stock exchanges and on functioning markets), the fear value is determined in accordance with the discounted cash flow method. This means that the future projected cash flows are discounted by means of suitable discount factors in order to calculate the fair value. In this case, adequate credit spreads per bond issuer are flowing in. The credit spread is primarily derived for illiquid securities from credit default swaps. If no credit default swap spread is available, the calculation of the credit spread is made via comparable financial instruments from comparable issuers available on the market. Furthermore, external valuations by third parties are also taken into consideration which however have indicative character at any rate.

Level 3
At level 3, the fair value calculation takes place via models, whereby a part of the input parameters contains data not observable on the market and, consequently, are based on assumptions which are made within the bank. This primarily effects non-securitised loans to customers and banks which are valued ‚at cost'. Herewith, for the fair value calculation the underlying credit spread per counter party is normally not known and also cannot be derived from the market.

Liabilities

Level 2
For liabilities which are not accounted for at fair value, the fair value is determined according to the discounted cash flow method. This means that the future projected cash flows are discounted by means of suitable discount factors in order to calculate the fair value. In the case of securitised liabilities, BTV's credit spread is used which orientates itself with the spreads of bond issues payable at the time.

Level 3
In the same way as the non-securitised loans, the non-securitised liabilities to customers and banks are also components of level 3. These products are also generally not valued at market value. The creation of a fair value also takes place by means of the discounted cash flow method whereby the credit spread remains disregarded here.

41 FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS, WHICH ARE NOT VALUED AT FAIR VALUE AS AT 31/12/2016 in EUR thousand	Prices listed in active markets	Valuation methods based on market data	Valuation methods not based on market data
Financial assets not valued at fair value			
Loans to credit institutions	0	0	318,574
Loans to clients	0	0	7,336,962
Financial assets held until maturity	0	0	0
Overall financial assets not valued at fair value	0	0	7,655,536
Financial liabilities not valued at fair value			
Liabilities to credit institutions	0	0	1,192,133
Liabilities to clients	0	0	5,944,902
Securitised debt	0	765,588	0
Subordinated capital	0	58,338	0
Overall liabilities not valued at fair value	0	823,926	7,137,035

FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS THAT ARE NOT VALUED AT FULL FAIR VALUE AS OF 31/12/2015 in EUR thousand	Prices listed in active markets	Valuation methods based on market data	Valuation methods not based on market data
Financial assets not valued at fair value			
Loans to credit institutions	0	0	320,115
Loans to clients	0	0	6,922,973
Financial assets held until maturity	0	0	0
Overall financial assets not valued at fair value	0	0	7,243,088
Financial liabilities not valued at fair value			
Liabilities to credit institutions	0	0	1,001,151
Liabilities to clients	0	0	5,658,150
Securitised debt	0	685,266	0
Subordinated capital	0	66,638	0
Overall liabilities not valued at fair value	0	751,904	6,659,301

42 TERM TO MATURITY BREAKDOWN

ASSETS AS AT 31/12/2016 in EUR thousand	overnight	< 3 months	3 months – 1 year	1- 5 years	> 5 years	Total
Loans to credit institutions	55,659	162,278	100,249	0	0	318,185
Loans to clients	876,097	584,216	1,362,684	2,414,400	1,724,689	6,962,087
Trading assets	0	1,712	6,776	7,075	3,199	18,762
Financial assets - at fair value through profit or loss	20,701	19,922	78,540	2,838	11,247	133,248
Financial assets - available for sale	6,898	34,641	135,736	1,016,523	240,755	1,434,553
Financial assets – held to maturity	0	0	0	0	0	0
Total assets	959,355	802,769	1,683,985	3,440,836	1,979,890	8,866,835

LIABILITIES AS AT 31/12/2016 in EUR thousand	overnight	< 3 months	3 months – 1 year	1- 5 years	> 5 years	Total
Liabilities to credit institutions	137,122	254,676	196,317	476,239	129,917	1,194,270
Liabilities to clients	3,189,334	1,211,759	508,127	724,884	296,526	5,930,629
Securitised debt	0	65,883	162,803	597,842	353,215	1,179,744
Trading liabilities	0	7,153	3,438	295	134	11,020
Subordinated capital	0	41,795	28,208	22,497	120,523	213,024
Total liabilities	3,326,456	1,581,266	898,893	1,821,757	900,315	8,528,687

ASSETS AS AT 31 DECEMBER 2015 in EUR thousand	overnight	< 3 months	3 months – 1 year	1- 5 years	> 5 years	Total
Loans to credit institutions	113,326	96,707	85,923	23,486	323	319,764
Loans to clients	960,062	410,069	1,149,753	2,372,070	1,664,489	6,556,443
Trading assets	0	3,723	7,262	11,126	2,993	25,104
Financial assets - at fair value through profit or loss	40,404	7,273	9,209	93,071	0	149,957
Financial assets - available for sale	25,912	31,350	127,829	965,800	326,136	1,477,027
Financial assets – held to maturity	0	0	0	0	0	0
Total assets	1,139,704	549,122	1,379,975	3,465,553	1,993,941	8,528,295

LIABILITIES AS AT 31 DECEMBER 2015 in EUR thousand	overnight	< 3 months	3 months – 1 year	1- 5 years	> 5 years	Total
Liabilities to credit institutions	193,131	184,829	186,421	358,386	59,076	981,843
Liabilities to clients	3,430,885	1,021,221	537,656	527,026	125,994	5,642,782
Securitised debt	0	29,671	119,178	655,538	296,724	1,101,111
Trading liabilities	0	2,394	717	6,489	364	9,964
Subordinated capital	0	4,776	91,788	124,798	55,453	276,815
Total liabilities	3,624,016	1,242,892	935,760	1,672,237	537,611	8,012,515

43 bodies of BTV AG

The following members of the Board of Directors and the Supervisory Board were active for BTV:

Chairman
Gerhard Burtscher, Chairman of the Executive Board
Mario Pabst, Member of the Executive Board
Michael Perger, Member of the Executive Board

Supervisory Board

Honorary president
KR Honorary Chairman Dr Hermann Bell, Linz

Chairman
General Director Consul Dr Franz Gasselsberger, MBA, Linz

Deputy Chairperson:
Board Chairperson Consul Dr Herta Stockbauer, Klagenfurt

Members
Pascal Broschek, Fieberbrunn
DI Johannes Collini, Hohenems
Franz Josef Haslberger, Freising (D)
Peter Hofbauer (until 30/09/2016), Vienna
Dr Dietrich Karner (until 11/05/2016), Vienna
RA Dr Andreas König, Innsbruck
Consul General „Councillor of Commerce“ Business School Graduate Dr Johann F. Kwizda, Vienna
Director Karl Samstag, Vienna Councillor of Commerce
Hanno Ulmer, Wolfurt
Executive Board Director Arno Schuchter (from 11/05/2016), Vienna

Employee representative
Chairman of the Central Works Council, Harald Gapp, Innsbruck
Deputy Chairman of the Works Council, Alfred Fabro (until 20/10/2016), Wattens
Deputy Chairman of the Works Council, Harald Praxmarer, Neustift im Stubaital
Stefan Abenthung, Götzens
Birgit Fritsche, Nüziders
Bettina Lob, Vils

Government commissioner:
Government commissioner Privy councillor Dr Erwin Trawöger, Innsbruck
Government commissioner deputy Privy councillor Dr Elisabeth Stocker, Innsbruck

44 PRESENTATION OF SHAREHOLDINGS AS AT 31 DECEMBER 2016

As at 31 December 2016, the company had holdings in at least 20% of the shares in the following companies which are not included in the Group accounts as being insignificant as a whole:

NAME OF COMPANY AND REGISTERED OFFICE	Total capital holding	Direct capital holding	Equity in EUR thousand [1]	Results in EUR thousand [2]	Reporting date
a) Affiliated companies					
1. Domestic financial institutions:					
BTV Real-Leasing VI Gesellschaft m.b.H., Vomp	100.00%		830	11	31/12/2016
2. Other domestic companies:					
Beteiligungsholding 3000 GmbH, Innsbruck	100.00%	100.00%	7,693	5	30/11/2016
Beteiligungsverwaltung 4000 GmbH, Innsbruck	100.00%		4,173	7	30/11/2016
Stadtforum Tiefgaragenzufahrt GmbH, Innsbruck	100.00%	100.00%	35	–7	31/12/2016
Freiraum I GmbH, Mayrhofen	50.52%		13	–63	30/11/2015
KM Immobilienservice GmbH, Innsbruck	100.00%		–98	–32	31/12/2015
KM Immobilienprojekt IV GmbH, Innsbruck	100.00%		533	–2	31/12/2015
Miniaturpark Bodensee GmbH, Meckenbeuren	100.00%		0	13	31/12/2015
PV Management GmbH, Innsbruck	100.00%	100.00%	48	7	31/10/2016
C3 Logistik GmbH, Innsbruck	100.00%		301	198	30/09/2016
IC Telfs-Untermarkt Grundverwertungs GmbH, Innsbruck	100.00%		–38	339	31/12/2015
Wilhelm-Greil-Strasse 4 GmbH, Innsbruck	100.00%	99.71%	77	36	31/12/2015
3. Other foreign companies:					
AG für energiebewusstes Bauen AGEB, Staad	50.00%		202	51	30/06/2016
KM Beteiligungsinvest AG, Staad	100.00%		29,779	538	31/12/2015

NAME OF COMPANY AND REGISTERED OFFICE	Total capital holding	Direct capital holding	Equity in EUR thousand [1]	Results in EUR thousand [2]	Reporting date
b) Associated companies					
Other domestic companies:					
Montafoner Kristberg-Bahn Silbertal Gesellschaft m.b.H., Silbertal	32.29%		577	–38	30/04/2016
Beteiligungsverwaltung Gesellschaft m.b.H., Linz	30.00%	30.00%	13,810	730	31/12/2016
DREI-BANKEN-EDV Gesellschaft m.b.H., Linz	30.00%	30.00%	3,611	0	31/12/2016
3-Banken Beteiligung Gesellschaft m.b.H., Linz	30.00%		7,666	387	31/12/2016
3 Banken Versicherungsmakler Gesellschaft m.b.H., Innsbruck	30.00%	30.00%	880	333	31/12/2016
Sitzwohl in der Gilmschule GmbH, Innsbruck	25.71%		104	55	30/09/2016
SHS Unternehmensberatung GmbH, Innsbruck	25.00%		506	57	31/12/2015

1 Equity in the sense of Section 229 UGB
2 Annual profit/loss after taxes on income, before transfer to reserves or application of results, for fiscal entities and non-limited companies annual profit before taxes.

Innsbruck, 14 March 2017

The Board of Directors

Michael Perger
Member of the Board

Member of the Executive Board, responsible for retail customer business; 3 Banks Insurance Brokers Group; group audit; compliance and anti-money laundering.

Gerhard Burtscher
Chairman of the Board

Chairman of the Executive Board with responsibility for corporate business and institutional customers and banks; leasing; the areas of staff management; marketing; group auditing; compliance and anti-money laundering.

Mario Pabst
Member of the Board

Member of the Executive Board with responsibility for the back office; the areas of credit management, finance and controlling; legal matters and shareholdings; service centre; effectiveness and efficiency; property and procurement (HQ); group auditing; compliance and anti-money laundering.

Declaration by the statutory representatives pursuant to Section 82 (4) and 87 (1) BörseG (Stock Exchange Act)

We confirm that to the best of our knowledge the group accounts, drawn up in accordance with the statutory accounting standards provides a true picture of the assets, financial and profit situation of the group, that the management report presents the course of business, the results of business activities and the situation of the group in a way which provides a true and fair view of the assets, financial and earnings situation of the group, and that the management report discloses all significant risks and uncertainties to which the group is exposed.

We confirm that to the best of our knowledge that the accounts of the parent company, drawn up in accordance with the statutory accounting standards provides a true picture of the assets, financial and earnings situation of the company, that the management report presents the course of business, the results of business activities and the situation of the company in a way which provides a true and fair view of the assets, financial and earnings situation of the company, and that the management report discloses all significant risks and uncertainties to which the company is exposed.

Innsbruck, 14 March 2017

The Board of Directors

Michael Perger
Member of the Board

Member of the Executive Board, responsible for retail customer business; 3 Banks Insurance Brokers Group; group audit; compliance and anti-money laundering.

Gerhard Burtscher
Chairman of the Board

Chairman of the Executive Board with responsibility for corporate business and institutional customers and banks; leasing; the areas of staff management; marketing; group auditing; compliance and anti-money laundering.

Mario Pabst
Member of the Board

Member of the Executive Board with responsibility for the back office; the areas of credit management, finance and controlling; legal matters and shareholdings; service centre; effectiveness and efficiency; property and procurement (HQ); group auditing; compliance and anti-money laundering.

Report from independent auditors

Audit Certificate

Report on Group Accounts Auditors' opinion

We have audited the group financial statements of

Bank für Tirol und Vorarlberg AG Aktiengesellschaft,
Innsbruck,

and its subsidiaries (the group) consisting of the group balance sheet as of 31 December 2016, the group comprehensive income statement, the capital flow statement and the group statement of changes in equity for the financial year ending at this reporting date, plus the notes to the consolidated accounts.
In our opinion, the group financial statements comply with the legal requirements and present a true and fair picture of the assets and financial position of the group as of 31 December 2016, as well as the income situation and the cash flows of the group for the financial year ending on this reporting date, in line with the International Financial Reporting Standards, as applied in the EU (IFRS) and the additional requirements of Sections 245a UGB and 59a BWG.

Basis for the audit opinion

We conducted our audit in accordance with the generally accepted Austrian standards for the audit of financial statements. These standards require the application of the International Standards on Auditing (ISA). Our responsibilities under these regulations and standards are described in more detail in the section „Responsibilities of auditors for the audit of group financial statements" in our audit opinion. We are independent of the group as requires by the Austrian company, banking and professional rules and we have fulfilled our other professional duties in agreement with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as a basis for our audit opinion.

Particularly important audit items

Particularly important audit items are items that in our best judgement were the most important for our audit of the consolidated financial statements for this financial year. These items were taken into account in the context of our audit of the consolidated financial statements as a whole, and in preparing our audit opinion, and we do not offer a separate audit opinion on these items.

Value of customer loans and valuation of provisions for contingent liabilities and credit risks

The risk for the accounts

Customer lending is shown in the balance sheet at a value of EUR 6,962.087 million. This includes risk provisions totalling EUR 207.890 million. Provisions are also created for contingent liabilities and credit risks. The Executive Board of the Bank für Tirol und Vorarlberg Aktiengesellschaft explained the approach to determining the risk provisions in the Notes in the section on accounting and valuation principles.

The bank checks as part of the credit monitoring whether a default event exists, and whether individual bad debt impairments or provisions need to be created. This includes estimating whether customers can pay the contractually agreed reimbursements in full value, without realising collateral.

The calculation of credit risk provisions for significant customers in default (specific bad debt provisions) is based on an analysis of the expected future cash flow on an individual basis. This is significantly influenced by an appraisal of the economic situation and likely trend for customers, the valuation of loan collateral, and the amount and timing of the derived cash flow.

The creation of provisions for non-significant, defaulting customers and for non-defaulting customers (portfolio impairment) is carried out on the basis of valuation models. These models take as input the customer loan value and collateral and also parameters which are based on statistical assumptions. These parameters include especially the likelihood of default based on the creditworthiness rating of the customer, the loss quotient and the time till the identification of the default event.

The identification of default events, and the calculation of the risk provisions as well as the valuation of reserves for contingent liabilities and credit risks are therefore subject to substantial uncertainties of estimation and scope for judgement.

The provisions created using statistical methods for portfolio impairments for loans where as yet no individual impairments have been identified, are based on models and statistical parameters and therefore include significant room for judgement and estimating uncertainties.

Our approach to the audit

We evaluated the suitability of the applied estimates relating to risk provisions as follows:

- We reviewed the loan approvals and monitoring process at the Bank für Tirol und Vorarlberg Aktiengesellschaft. To do so, we talked to the employees responsible for these, and analysed the internal guidelines critically. Using individual cases from the existing loans we tested whether certain key controls had been carried out as part of the process.

- Based on individual cases of existing loans we checked whether default events had been recognised in good time and an adequate amount of individual bad debt impairments or provisions created for contingent liabilities and credit risks. The selection of samples in this case was risk-based, giving particular weighting to the rating levels with a higher risk of default. Where defaults occurred the estimates made of the size and timing of future cash flows from the customer and the collateral were examined, as well as the assumptions made and any existing external indications were investigated or assessed critically.

- For the calculated level of risk provision required at the portfolio level, the underlying calculation models along with the internal approval and validation processes were evaluated to see if they were appropriate to determine a suitable level of provisions at the portfolio level. The development of input parameters was critically assessed by applying rating checks and historical defaults. Based on the data provided, we checked the correct application of the input parameters and the arithmetical correctness of the provision calculation.

- Finally, the disclosures in the Notes concerning customer loans and about risk provisions were evaluated to see whether they were appropriate in relation to the credit risk provisions.

Classification and evaluation of associated companies

The risk for the accounts

The Bank für Tirol und Vorarlberg Aktiengesellschaft books it shares in associated companies using the equity method. Overall, the at-equity consolidated companies produce a book value of EUR 534.941 million. This relates to Oberbank AG, BKS Bank AG, Moser Holding AG and the Drei-Banken Versicherungsagentur GmbH (formerly: Drei-Banken Versicherungs-Aktiengesellschaft). The Executive Board of the Bank für Tirol und Vorarlberg Aktiengesellschaft describes the procedure for the classification and valuation of at-equity valued companies in the section on consolidation principles and the scope of consolidation as well as under items 9 and 37e+d in the Notes to the consolidated financial statements.

In relation to the classification of a company in which a stake is held as an associated company, there is room for judgement especially for stakeholdings in terms of either capital or voting rights which are under 20%. This relates mainly to whether a controlling influence exists on the company in which shares are held.

The equity method is an accounting method where the shareholding is first accounted for at its acquisition cost. This value is then adjusted proportionally for changes to the net assets of the company in which shares are held. If market prices are reviewed, or an expert opinion is sought and there are objective indications that an impairment is necessary, then the Bank für Tirol und Vorarlberg

Aktiengesellschaft will if necessary determine a value in use. The result of this kind of valuation depends on factors such as forecast cash flows, observed market prices, discounting factors or the measurement of a perpetual annuity, and therefore involves judgement calls. Earnings that qualify for dividend payments, subject to the various equity rules represent the relevant revenue for valuation, that is discounted using the cost of equity rate to a present value at the valuation date. The result of this valuation depends on internal and external factors such as for example the future expected results used as the basis of the integrated budget calculations, dividend policy, the discounting rate applied, and the sustainable future income used as the basis for the perpetual annuity, and is therefore very much influenced by judgements.

Our approach to the audit

- We reviewed the classification of companies included at-equity by an evaluation of the internal documentation as well as any contractual documents that were available, looking at the question of controlling influence of the v Bank für Tirol und Vorarlberg Aktiengesellschaft.

- We assessed critically the valuation report for the planned values and the valuation parameters it applied. For the impairments, the book value was compared with the likely amount that would be the higher of an in-use value and a discounted present value, minus sales costs, and checked for appropriateness. The company budgets were judged compared to market data and publicly available information to check whether the underlying assumptions were within an acceptable range. When determining the assumptions used to fix the discount rate, we compared them with market and sectoral guidelines for their suitability, and we also checked that the calculation used was itself correct.

- Finally, we reviewed whether the details in the Notes about the companies valued at-equity are appropriate.

Financial instruments - Fair value measurement
The risk for the accounts

When first recorded, the financial instruments must be assigned to a category. Allocation to a category is important for the subsequent valuation. The valuation of the fair value for financial instruments shown on the balance sheet as assets and liabilities is strongly influenced by judgements, especially in the case of level 3 instruments, given the heavy dependency on internal valuation models and internal estimates of input factors that cannot be observed.

The Executive Board of the Bank für Tirol und Vorarlberg Aktiengesellschaft describes the procedure for the classification of financial instruments and the valuation of financial instruments at fair value in the Notes in the section on accounting and valuation principles, as well as in item 39 of the Notes to the consolidated financial statements.

Our approach to the audit

- We have examined the classification of financial instruments using random samples to see whether the underlying criteria are met, and checked whether the subsequent valuation matches the relevant category.

- We employed mathematicians as part of the audit team in order to check the financial instruments, who investigated the valuation models and the assumptions made and the parameters applied in terms of market compliance and suitability. In addition the mathematicians recalculated the fair value of individual financial instruments and compared this to the bank‘s calculations of fair value.

- Finally, it was assessed whether the information provided in this area in the Notes to the consolidated financial statements relating to classification and the presentation of the level 3 valuation methods was complete and appropriate.

Legal representatives‘ and Audit committee‘s responsibility for the consolidated financial statements

The legal representatives of the company are responsible for the preparation of the consolidated financial statements, for ensuring that they present a true and fair picture of the group‘s asset, financial and income situation, in accordance with the IFRS as applied in the EU, and the additional requirements of Section 245a of the Austrian Commercial Code (UGB) and 59a of the Austrian Banking Act (BWG). The legal representatives are also responsible for the internal controls which they deem necessary in order to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

When preparing the consolidated financial statements, the legal representative are responsible for determining whether the group is a going concern, and for presenting any information relating to the ability of the group to continue trading – if relevant, as well as applying the going concern accounting principle, unless the legal representatives intend to either liquidated the group or to stop its business activities, or have no realistic alternative to doing so.

The audit committee is responsible for monitoring the accounting process within the group.

Responsibilities of the company auditors for the audit of the consolidated financial statements

Our goals are to provide adequate certainty that the consolidated financial statements as a whole are free of material misrepresentation – whether deliberate or in error – and to issue an audit opinion with the results of our audit. Adequate certainty means a high level of certainty, but not a guarantee that the audit of the financial statements, carried out in accordance with the Austrian principles of correct audit of annual accounts, that require the application of the ISAs, will always uncover a materially false presentation, if this is the case. False representations may result from malicious acts or errors, and are regarded as material if it can be expected that they, individually or collectively, could influence the business decisions taken by users on the basis of these consolidated financial statements.

As part of the audit of the financial statements, in line with the Austrian principles of correct auditing, requiring the application of ISAs, we use our professional judgement and retain a critical approach.

In addition:

- We identify and rank the risks of material misrepresentation – whether deliberate or in error – in the financial statements, plan audit activities in terms of these risks, perform them and acquire audit proofs that are sufficient and adequate to use as the basis of our audit opinion. The risk that malicious actions resulting in materially false representation will not be discovered, is greater than one resulting from errors, as malicious actions can include collusion, falsification, deliberate omissions, misleading representations or bypassing internal controls.

- We familiarise ourselves with the internal control system relevant to the audit of the financial statements in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company‘s internal control system.

- We evaluate the appropriateness of accounting principles used and the tenability of the valuation estimates made by the legal representatives in the consolidated financial statements and its annexes.

- We draw conclusions about the suitability of the application of the going concern accounting principle by the legal representatives as well as, based on the evidence acquired during the audit, about whether there is any substantial uncertainty in relation to events or facts that could cast serious doubts on the ability of the group to continue its commercial activity. Should we reach the conclusion that a substantial uncertainty exists, we are required to draw attention to the relevant data in our audit opinion on the consolidated financial statements or, if these data require it, to amend our audit opinion. We draw our conclusions on the basis of the audit evidence acquired by the date of our audit opinion. Future events or factors can may, however, result in the group deciding not to continue its business activity.

- We judge the overall presentation, the structure and the contents of the consolidated financial statements including the additional information, as well as whether the consolidated financial statements accurately reflect the underlying business transactions and events, so that a true and fair picture is presented.

- We obtain sufficient suitable audit evidence about the financial information for the entities or business activities within the group in order to be able to issue an audit opinion on the consolidated financial statements. We are responsible for organising, monitoring and implementing the audit of the underlying consolidated financial statements. We are solely responsible for our audit opinion.

- We inform the Audit committee among others about the planned scope and the planned timetable of the audit of the consolidated financial statements, as well as about significant audit conclusions, including any significant shortcomings of the internal control system, that we uncover during audit of the consolidated financial statements.

- We also provide the Audit committee with a statement that we have complied with the professional conduct requirements relating to independence, and discuss with them any relationships or other factors which could lead to the logical conclusion that they might impact our independence and – if relevant – any related protective measures required.

- We determine which factors of those which we have discussed with the Audit committee are the most relevant for the audit of the consolidated financial statements for this financial year, and therefore which are the most important items for audit. We describe these factors in our audit opinion, unless laws or other legal provisions prevent the publication of the information or we decide, in very rare cases, that an item should not be mentioned in our audit opinion because one could reasonably expect negative consequences from its publication that would outweigh the benefits in the public interest.

Other legal and regulatory requirements

Report on the Management report

Austrian company law requires that the Management report be reviewed to determine that it is in line with the consolidated financial statements and that it was prepared in compliance with the current legal requirements.
The legal representatives are responsible for the preparation of the Management report, in compliance with the requirements of Austrian company law.

We have performed our audit in line with the professional principles for the audit of the Group Management report.

Conclusions

In our opinion, the Group Management report was drawn up in compliance with the current legal requirements, that it contains accurate information under Section 243a UGB and is consistent with the consolidated financial statements.

Declaration

In the light of the information acquired during the audit of the consolidated financial statements and the understanding of the Group and its environment, we have not detected any material incorrect information in the Group Management report.

Additional information

The legal representatives are responsible for all additional information. The additional information comprises all information in the business report, excluding the consolidated financial statements, the group management report and the audit opinion on these.

Our audit opinion on the consolidated financial statements does not cover this additional information, and we provide no assurances of any kind in respect to it.

As part of our audit of the consolidated financial statements our responsibility is to read this additional information and to consider if there are major discrepancies between the additional information and the consolidated financial statements, or with the knowledge we gained in the course of the audit, or whether the additional information are presented in a fundamentally incorrect way.

If, based on the work we have carried out, we reach the conclusion that the additional information is substantially incorrect, we must report this. We have no comments to make in this respect.

Responsible Auditor

The auditor responsible for the contract to audit the consolidated financial statements is Mr Ulrich Pawlowski.

Innsbruck, 14 March 2017

KPMG Austria GmbH
Auditor and Accounting Company

Ulrich Pawlowski
Auditor

Report from the supervisory board

The Supervisory Board has carried out the tasks required of it by the law and the company statutes while adhering to the regulations of the current version of the Austrian Code of Corporate Governance. The Board of Directors reported regularly on the progress of business and the situation of the company and the group. In particular, the development of the economic environment as well as the implementation of the regulatory specifications were again at the centre and were comprehensively discussed and debated at the meetings of the supervisory board and its committees. During the financial year, the supervisory board convened each quarter, whereby the Board of Directors has also been communicating outside the sessions of the supervisory board and its committees with the supervisory board in particular in relation to significant events.

Both the Working Committee and the Risk and Loans Committee of the supervisory board have continuously monitored the business events which required its approval. In addition, the auditing committee met twice, as planned, and has performed its legally required audit and monitoring tasks to the fullest extent, particularly in relation to the internal control system, the risk management system, the accounting process as well as the corporate governance report. The remuneration committee met as planned on one occasion and fully performed during the financial year the duties assigned to it especially through the Banking Act, especially the passing, auditing and controlling of the principles of the remuneration policy as well as the measuring of the variable remuneration of the Members of the Board. The appointments committee met once as planned, and fulfilled the duties assigned to it under the Banking Act to their full extent, in particular in relation to the succession planning for the Board of Directors and the Supervisory Board, monitoring the achievement of a target rate for the under-represented gender, and the evaluation of the knowledge, capabilities and experience both of the Directors and of the individual members of the Supervisory Board, as well as the body in its entirety. The risk and credit committee met once, as planned, and fully performed during the financial year the duties assigned to it under the Banking Act, particularly advising management on risk appetite and risk strategy and monitoring the implementation of the risk strategy, and checking the appropriateness of the pricing and of the risk incentives inherent in the remuneration system. The meetings and decisions of the committees of the Supervisory Board were reported to the plenum of the Supervisory Board at the respective subsequent meeting.

To permanently ensure the professional suitability of members of the Supervisory Board and management of BTV, educational and training courses run by both external and in-house lecturers took place throughout the year.

The auditor of the financial statements, KPMG Austria GmbH Auditor and Accounting Company, Innsbruck, has checked the book-keeping, the individual and the group financial statements as well as the individual and group management reports for the company. The audit conformed to the legal requirements and did not give rise to any objections. The financial statements are accompanied by an unqualified opinion.

At its meeting on 31 March 2017, the Audit Committee examined the individual and group annual accounts and the individual and group management report of the company and also the Corporate Governance report and recommended the adoption of the annual accounts to the full meeting of the Supervisory Board, in which regard this was reported to the full meeting of the Supervisory Board accordingly.

The Supervisory Board adopts the results of the audit, declares that it is in agreement with the financial statements presented by the Executive Board including the management report and approves the financial statements for 2016 for the company, which are thereby established as required by Section 96 para 4 of the Shares Act.

The Supervisory Board had available to it copies of the Financial Statements and Management Report, drawn up as required by the Austrian company legal requirements. The Financial Statements show a true and fair view as of 31 December 2016 of the capital and financial situation of the Bank für Tirol und Vorarlberg Aktiengesellschaft. A similar view for the time period 1 January up to 31 December 2016 is provided by the attached comments on the earnings situation. The audit carried out by KPMG Austria GmbH Auditing and Accounting Company, Innsbruck, did not give rise to any objections.

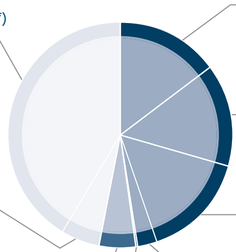
The recommendation of the Board of Directors to pay out a dividend of EUR 0.30 per share for the year 2016, i.e. EUR 8,250,000.00 and to carry forward the residual profit is endorsed by the Supervisory Board.

Innsbruck, 31 March 2017

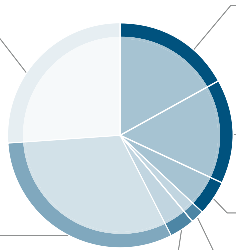
The Supervisory Board

3 Banken shareholder structure

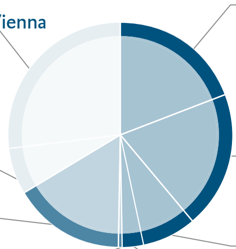
BTV SHAREHOLDER STRUCTURE BY VOTING RIGHTS



OBERBANK BY VOTING RIGHTS



BKS BANK BY VOTING RIGHTS



*) Affiliated group company
**) Shareholders who form part of the syndicate agreement

Overview of 3 Banken Group – Group information

	BKS Bank		Oberbank		BTV	
PROFIT AND LOSS in EUR million	2016	2015	2016	2015	2016	2015
Net interest income	154.2	166.4	359.6	381.2	144.8	161.7
Loan loss provisions in the credit business	–31.0	–48.5	–25.0	–47.1	–16.1	–15.7
Net commission income	48.8	53.0	130.9	132.7	47.5	49.2
Operating expenses	–106.4	–105.1	–251.8	–243.3	–169.2	–163.2
Other operating income/expenditure	–15.4	–5.7	–6.1	–41.8	63.5	61.9
Annual net profit before tax	49.8	60.7	219.1	191.5	73.5	172.5
Consolidated annual profit after tax	46.2	53.6	181.3	166.4	63.8	138.7

PROFIT & LOSS STATEMENT in EUR million						
Total assets	7,581.1	7,063.4	19,158.5	18,243.3	10,013.8	9,426.3
Loans and advances to clients after loan loss provisions	5,175.3	4,920.1	13,328.2	12,351.7	6,754.2	6,359.6
Primary funds	5,568.0	5,109.8	13,008.9	12,620.0	7,323.4	7,020.7
of which savings deposits	1,529.0	1,629.8	2,794.2	2,912.6	1,248.2	1,200.8
of which securitised debt including subordinated capital	743.2	758.1	2,064.5	2,098.5	1,392.8	1,377.9
Equity	958.8	860.2	2,282.8	1,925.7	1,219.4	1,148.7
Managed deposits	13,723.1	13,212.1	26,528.1	25,245.1	13,238.4	12,732.3
of which customer deposits	8,155.1	8,102.3	13,519.1	12,625.1	5,915.0	5,711.6

EQUITY UNDER CRR/AUSTRIAN BANKING ACT (BWG) in EUR million						
Basis for measuring capital	4,974.1	4,883.4	12,821.3	12,216.7	6,708.8	6,262.7
Equity	670.0	599.9	2,482.2	2,158.0	988.2	977.8
of which common equity (CET1)	625.9	575.6	2,009.4	1,650.8	975.1	950.9
of which total core capital (CET1 and AT1)	625.9	575.6	2,086.0	1,733.3	975.1	950.9
Common equity ratio in %	12.58%	11.79%	15.67%	13.51%	14.54%	15.18%
Core capital ratio in %	12.58%	11.79%	16.27%	14.19%	14.54%	15.18%
Total capital ratio in %	13.47%	12.28%	19.36%	17.66%	14.73%	15.61%

COMPANY KEY INDICATORS in%						
Return on Equity before tax	5.48%	7.33%	10.76%	11.20%	6.21%	15.88%
Return on equity after tax	5.08%	6.48%	8.91%	9.73%	5.39%	12.77%
Cost/income ratio	56.2%	48.7%	50.8%	50.5%	65.4%	58.6%
Risk/earnings ratio	20.1%	29.2%	7.0%	12.4%	11.2%	9.7%

NUMBER of resources						
Weighted average number of employees	926	923	2,048	2,025	1,350	1,354
Number of branches	60	59	159	156	36	36

Imprint

Bank für Tirol und Vorarlberg Aktiengesellschaft
Stadtforum 1
6020 Innsbruck

T +43(0)5 05 333-0
F +43(0)5 05 333-1180
SWIFT/BIC: BTVAAT22
BLZ: 16000
DVR: 0018902
FN: 32.942w
UID: ATU 317 12 304
btv@btv.at
www.btv.at

Notes

Any reference in the company reports to a person (e.g. he, him) is intended to apply equally to women and men.

In the BTV company report there may be slightly differing values between tables or charts.

This report contains forward-looking statements relating to the future performance of BTV. These statements reflect estimates which have been made on the basis of all information available to us on the reporting date. Should the assumptions underlying such forward-looking statements prove incorrect, or should risks materialise to an extent not anticipated, actual results may vary from those expected at present.

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Daniel Stöckl-Leitner
Tobias Schmidhuber

BTV Finance & Controlling (pages 27–174)
Hanna Meraner
Nicole Margreiter, BSc.
Carina Zieher, BA
MA Martin Wurzer

Design

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Markus Geets

Photographs

Thomas Schrott (P. 05, 07)
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14 March 2017

Bank für Tirol und Vorarlberg
Aktiengesellschaft
Stadtforum 1
6020 Innsbruck
Austria

T +43 (0)5 05 333 – 0
F +43 (0)5 05 333 – 11 80
btv@btv.at

A pilot provides safe passage. All our employees have a little BTV pilot's flag in their buttonhole. A meaningful symbol: We guide you on your route to success.

www.btv.at