BANK FÜR TIROL UND VORARLBERG AKTIENGESELLSCHAFT
ANNUAL REPORT 2020

Annual Report

BTV VIER LÄNDER BANK

3 Banken Gruppe

Contents

Group

Management report

Consolidated financial statement

Important dates for BTV shareholders

Annual General Meeting	07/05/2021, 11:00 a.m., Stadtforum 1, Innsbruck (held virtually) 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	14/05/2021
Payment of dividend	18/05/2021
Interim Report as at 31/03/2021	Published on 28/05/2021 (www.btv.at)
Half-Year Financial Report as at 30/06/2021	Published on 27/08/2021 (www.btv.at)
Interim Report as at 30/09/2021	Published on 26/11/2021 (www.btv.at)

Profit and loss in EUR million	31/12/2020	31/12/2019	% change
Net interest income	130.9	139.9	–6.5%
Risk provisions in the credit business	–47.3	–0.9	>+100%
Net commission income	54.6	49.4	+10.4%
Revenue from companies valued at equity	30.2	53.0	–43.1%
Operating expenses	–187.1	–191.1	–2.1%
Other operating income	72.3	83.8	–13.8%
Annual net profit before tax	54.1	144.5	–62.5%
Group annual net profit	53.0	126.7	–58.2%

Balance sheet figures in EUR million	31/12/2020	31/12/2019	% change
Balance sheet total	13,969	12,549	+11.3%
Loans to customers after risk provisions	8,026	7,938	+1.1%
Primary funds	9,649	8,937	+8.0%
of which savings deposits	1,531	1,391	+10.1%
of which own issues	1,390	1,421	–2.2%
Equity	1,787	1,749	+2.1%
Managed deposits	16,438	15,717	+4.6%

Regulatory capital (CRR) in EUR million	31/12/2020	31/12/2019	% change
Total amount at risk	7,866	8,300	–5.2%
Capital	1,317	1,293	+1.9%
of which common equity (CET1)	1,086	1,087	–0.1%
of which total core capital (CET1 and AT1)	1,086	1,087	–0.1%
Common equity Tier 1 ratio	13.8%	13.1%	+0.7 pp
Core capital ratio	13.8%	13.1%	+0.7 pp
Equity ratio	16.7%	15.6%	+1.1 pp

Key indicators in pp	31/12/2020	31/12/2019	Change in percentage points
Return on equity before tax (RoE)	3.1%	8.5%	–5.5 pp
Return on equity after tax	3.0%	7.5%	–4.5 pp
Cost/income ratio	64.8%	57.9%	+6.8 pp
Risk/earnings ratio	36.2%	0.7%	+35.5 pp

Number of resources	31/12/2020	31/12/2019	Change figure
Weighted average number of employees	1,414	1,455	–42
Number of branches	35	36	–1

Key indicators for BTV shares	31/12/2020	31/12/2019
Number of ordinary no par value shares	31,531,250	31,531,250
Number of preference shares	2,500,000	2,500,000
Highest price of ordinary/preference share in EUR	30.20/27.80	29.60/28.00
Lowest price of ordinary/preference share in EUR	26.80/24.80	23.80/21.80
Closing price of ordinary/preference share in EUR	30.20/27.20	29.00/26.60
Market capitalisation in EUR million	1,020	981
IFRS earnings per share in EUR	1.58	3.65
P/E ratio, ordinary share	19.1	7.9
P/E ratio, preference share	17.2	7.3

Ladies and Gentlemen,

In 2020, in addition to many other important tasks, we faced two major issues. Number one was the COVID-19 crisis, which we have not yet left behind. When the pandemic reached Austria and the first lockdown was just around the corner, the immediate concerns were the safety and health of both our employees and our customers. The implemented measures have proven successful.

We found new ways to stay close to our customers despite “social distancing” and in doing so took care of the urgently needed liquidity. The funding and deferrals we provided for private individuals and companies amounted to EUR 437 million. The high level of customer focus at BTV is also reflected in the increase in primary funds of EUR 712 million, thereby increasing the level of managed deposits to EUR 16,438 million. Particularly in times of crisis, it is important to position yourself as a reliable partner. We are very pleased with the positive feedback we have received from our customers in this respect.

At the same time, our share price rose by +4.1% to EUR 30.20, continuing its reliable performance in 2020. The average over the past 5 years is +8.3% p.a.* It is a result that is not to be taken for granted in times like these and that confirms our work.

Our second major task in 2020 was implementation of our new BTV Strategy 2030. The design strategy is based on the motto “Future-ready. Values. Creativity.” and encompasses the five action points of employees, customers, digitalisation, culture and organisation. To ensure that our strategy is put into practice and supported by all employees, we have developed it in a broad manner and conveyed it comprehensively right from the start. As many people as possible were involved and the results were communicated in a completely new format – the BTV Future Forum. This lets us make the strategy tangible for everyone, not with hard figures but instead with experiences that appeal to the head and heart.

In 2020, the attack by UniCredit on the independence of BTV and its two sister banks Oberbank AG and BKS Bank AG continued with undiminished vigour. We are therefore all the more pleased with the further victories that we were able to achieve this year – especially with two rulings from the high courts that fully confirmed the legal positions of BTV. We hope that this development will lead to a rethink on the part of UniCredit and we are ready to work together to develop a solution, provided that BTV and the 3 Banken Group remain independent.

There are not many who are sad to see the past year gone. But what happens next? The crisis still has its grip on us and, in addition to a lack of planning certainty, vaccinations for the population have also been slow to roll out. Until vaccination progresses satisfactorily and we can plan with certainty, the economic outlook is very challenging. Nevertheless, we remain confident and optimistic. As soon as there is sufficient immunisation and planning certainty, the economy will recover rapidly; we are convinced of this. And we are expecting to be able to look back positively on the coming year together with our employees, customers, guests and partners.

We would like to take this opportunity to express particular gratitude to our employees. In difficult times, they have shown once again how much commitment and devotion they have. Whether working from home or increasing their workload – they overcame the challenges of 2020 with flying colours. Without them, the successes we have seen despite all the obstacles would not have been possible.

Gerhard Burtscher
Chairman of the Executive Board

* Source: Bloomberg, as at: 31 December 2020; BTV share performance over the last 5 years as at the reporting date: 31 December 2016: –0.43%, 31 December 2017: +10.73%, 31 December 2018: +5.36%, 31 December 2019: +23.17%, 31 December 2020: +4.14%; past performance does not guarantee future events or performance. The listed performance is reduced by entry and exit fees and ongoing costs of up to 1.48% p.a. With an assumed investment sum of EUR 10,000, this would be EUR 148.00 p.a. for the 5 years.

Chairman of the Executive Board Gerhard Burtscher

The bicycle serves as a metaphor for our employee strategy. Only by pressing the pedals evenly and powerfully can you make steady and stable progress. Colleagues had this same experience when trying to balance a coin together using bicycles.

Strategy 2030: Future-ready. Values. Creativity.
With BTV Strategy 2030, we have a very long-term horizon in mind – but it is already taking effect now. Particularly in these challenging times, it serves as a guide and provides the framework for continued work by BTV in the areas of innovation and development.

The BTV corporate strategy was evaluated in a broad and in-depth process, jointly developed and redefined in accordance with market requirements. With the guiding principle "Future-proof. Values. Creativity." BTV will continue to develop over the next ten years. These three terms are an expression of our mission, vision and identity. The focus is on creating, managing, securing and passing on value for all our stakeholders.

Long-term thinking – short-term creation
Concrete goals, projects and measures were defined in five strategic priority areas. These will now be implemented gradually, with a clear, long-term target as well as the necessary flexibility and agility to be able to respond to new situations and environmental factors. We create stability through continuous motion – just like cycling.

Culture: Lived corporate culture is the heart, mind and soul of an organisation. By 2030, we will consciously develop the BTV culture further.

Customers: We focus on the profitable development of the customer business. In accordance with the premise "Future-proof. Values. Creativity." we are consistently expanding our strengths and exploiting the opportunities and potentials of the market.

BTV's strategy includes five central fields of action, which BTV will develop and build on: Customers, employees, organisation, digitalisation and culture.

BTV employees had the opportunity to write down their thoughts on the strategy.

Chairman of the Executive Board Gerhard Burtscher was one of the hosts of the BTV Future Forum who accompanied colleagues.

Employees: Our qualified and motivated employees are the key to the company's success. We want to be an attractive, modern and ambitious employer.

Organisation: We see the organisation as a living organism with clear structures, processes and guiding principles. This is how we create a dynamically robust organisation together – and is therefore the key to success, especially in turbulent times.

Digitalisation: The targeted and customer-focused use of technology is a central strategic area of action and development. We will tackle this with ambitious projects within BTV and the 3 Banken Group.

Discover the strategy in the BTV Future Forum

Defining a strategy is the easier exercise when compared to implementation. Anyone who wants and needs to bring something new to work in everyday life knows this. This awareness is used to manage, communicate and implement the strategy.

Strategy communication is transparent, participation-based and inspiring. In line with this idea, the BTV Future Forum was also designed and implemented to convey the strategy commitments.

Setting forth together

BTV is excellently positioned for the future. We now need to tackle the strategic challenges in a bold and entrepreneurial manner. The cooperatively designed strategy process forms the basis for qualitative and quantitative growth.

A company with spirit and attitude

Over 100 years ago, BTV set out on its own path. With clear values: independent and responsible to its customers. BTV is taking this path together with its employees. Responsible actions and sustainable solutions are becoming increasingly important. BTV acts in a forward-looking, reputable and honest manner at a personal level. It cares about social, economic and environmental issues for the benefit of future generations.

Customers

BTV focuses on a long-term customer relationship characterised by trust. BTV has been supporting the projects of corporate and retail customers for many years with its expertise and experience. In 2020, we focused on topics such as funding and financing for companies, sustainable investments and innovative payment options.

Architect Rainer Köberl received the Aluminium Architecture Award 2020 for the design of BTV Dornbirn. BTV Dornbirn is the hub for comprehensive support for our customers locally and beyond the region.

Corporate customers

New customers: Acquiring new BTV customers in the core target groups of SMEs and corporates is a central task and an important growth driver for BTV. In the current market environment as a result of the COVID-19 pandemic, BTV has remained true to this motto but the focus is now on an even more targeted and differentiated acquisition of customers. In times of economic uncertainty, it is essential for BTV and its customers to enter into the right partnerships. In 2020, we gained 413 new corporate customers who were impressed by the qualities of BTV.

Loan business: After a robust start to 2020 and solid demand for credit, the first wave of the COVID-19 pandemic in March caused the first sharp downturn, particularly in medium and long-term new investments. The primary concern of companies was to secure liquidity through a wide range of measures, such as deferrals of existing loans and utilisation of various COVID-19 special programmes. Planned investments were partly postponed. In this very challenging environment, BTV succeeded in further strengthening its status as a regular bank or core bank with its customers and in being a reliable partner in this crisis situation. This is reflected in loan growth in the corporate division of EUR +108.6 million.

Structured financing: In the structured financing segment, real estate, M&A and growth financing amounting to EUR 488 million was provided despite the very low investment activity of companies in the interim. Experts from the Corporate Finance team serve more than 50 customers. The bonded loan segment, which is close to the capital market, had a very pleasing start to 2020. With the spread of the COVID-19 pandemic in Europe, the market suddenly came to a halt and almost stood still until the summer months. The team of experts therefore increasingly focused on maintaining existing volumes and supporting existing customers in these challenging times.

Investment support in Austria: A total of 425 funding applications (+337%) and the associated financing volume of EUR 174 million (+196%) represent absolute record values. This is backed up by the outstanding commitment of BTV's funding experts to corporate customers. Together with the Austrian funding bodies, the increased need for liquidity in the domestic economy was met and companies stabilised. As a result, BTV assumed its responsibility as a strong and reliable partner to numerous domestic companies, even in these difficult economic phases.

Development loans in Germany: Corporate funding in Germany painted a similar picture. Characterised by numerous applications to the special COVID-19 programmes of KfW LfA and L-Bank, both the number of applications and the application volume increased significantly: 160 applications (+177%) and financing volume of EUR 274 million (+313%). Whereas in 2019 there was still a strong focus on supporting investment projects, in 2020 it was primarily necessary to organise operating loans with exemptions from liability by the funding institutions.

Development loans in Switzerland: The funding experts in Switzerland are breaking new ground. In order to safeguard the liquidity of the Swiss economy, new security collateral programmes will be established within a few days by the Swiss government in cooperation with the cantonal security collateral cooperatives. BTV's participation in these security collateral programmes makes an important contribution to securing liquidity and financial stabilisation of companies for many of our existing clients in Switzerland.

Bank guarantees/sureties: The guarantee business continues to perform well. For example, the assumed liabilities reached a new high of around EUR 1.15 billion (+13% compared to 31/12/2019). Guarantee contracts can now also be placed online in foreign markets.

Export financing: In 2020, there was particularly strong demand in this area. Compared to year-end 2019, the business volume in Austria grew by +33% to EUR 345 million. In addition to traditional export financing programmes, this development was also based on specific COVID-19 special programmes.

Hedging currency risks in foreign trade: BTV customers appreciate the cooperative partnership in the foreign exchange sector, even in economically challenging times. As a result, both the number of customers and the number of transactions reached new record highs in 2020.

Payment transactions: In the cash logistics segment, BTV is introducing the new Cash^{System5} product, a unique solution for corporate customers with high cash revenues. The Cash^{System5} implements central needs in connection with the physical movement of cash – security, immediately available liquidity in the account, simple and efficient processing – in a single product solution.

Occupational provisions: Especially in times of increased uncertainty, occupational provisions are an important approach for a holistic consulting service. Tailored solutions are implemented for numerous entrepreneurs and companies in proven cooperation with the experts at 3 Banken Versicherungsmakler GmbH.

BTV Lienz celebrated its 60th birthday: In 1960, a site was opened in Lienz, the city that boasts the most hours of sunshine in Austria.

Retail customers

VM Future Strategy: Sustainable investment is also becoming increasingly important in the coronavirus crisis. The ethically sustainable solution in asset management, “VM Future Strategy” not only impressed in terms of performance in 2020, but also saw significant growth: BTV Asset Management currently manages over EUR 50 million in sustainable investment (as at 31 December 2020).

BTV focuses on shares: Since 2020, BTV’s investment spectrum has been expanded by the trends of “Demography and urbanisation,” “Dividend securities” and “Switzerland.”

BTV Fund Plan Plus: In 2020, the BTV Fund Plan Plus was added to the BTV product range. The BTV Fund Plan Plus offers an interesting opportunity for medium to long-term asset growth by investing in exchange traded funds (ETFs) and in national and international investment funds.

BTV bonds: BTV continued to expand its product range in the issue segment in 2020. With the Europe ESG capital protection bond and the Austria capital protection bond, BTV customers have the opportunity to supplement their portfolio with attractive and innovative “satellite investments” in the bond segment, while at the same time investing in BTV.

Residential construction financing: New business from private residential construction financing in 2020 was once more above EUR 215 million.

“360° Investments” event in Kitzbühel: As part of the event, BTV experts offered interested customers the opportunity to exchange views on all aspects of financial investment.
BTV once again proved its expertise as an investment bank during this event.

Payment transactions: Since spring 2020, new mobile and digital payment options have been available to BTV customers with Apple Pay, new functions in BTV Wallet and Garmin Pay.
The contactless payment limit was increased to EUR 50.00, making shopping even quicker and more convenient. The free exchange of all Maestro debit cards for Mastercard debit cards was completed in October. As a result, BTV customers can now not only use their card in millions of places around the world, they can also use it for their online purchases.

Financial markets

Managing interest rate and liquidity risk: The Financial Markets division contributes significantly to overall management of the bank, primarily through the management of interest rate and liquidity risk. The continuing low interest rate environment and massive excess liquidity on the market, among other things, were challenging in 2020.

Network: The long-lasting and good personal contacts with institutional clients and banking partners are essential for BTV. As personal contacts and network maintenance were severely restricted due to the pandemic, BTV increasingly relied on the use of digital communication channels.

Noteworthy events: BTV concluded its first synthetic securitisation with the European Investment Fund and the European Investment Bank in 2020.

BTV Leasing

BTV Business Cycle Leasing®: BTV Leasing developed a special form of financing back in 2018: In the event of economic fluctuations, lease instalments can be reduced to up to 10% of the original instalment for a maximum period of 12 months. Especially in times of the COVID-19 pandemic, BTV Leasing customers appreciated this option and managed to avoid complicated deferrals. On the one hand, the solution secures the liquidity of the company and, on the other hand, the expenditure posted to profit and loss is also adjusted to the circumstances. This has a positive effect on the business figures and therefore on the rating in the following year.

Employees

Constructive teamwork, joint successes and the exchange of ideas, experience and knowledge are key to dynamic cooperation at BTV. BTV also supports its employees in balancing family and work, promotes young talent and is committed to diversity.

BTV Chairman of the Executive Board Gerhard Burtscher, MUKKI Manager Sarah Schöpf and Human Resources Director Ursula Randolf open the childcare facility in September 2020.

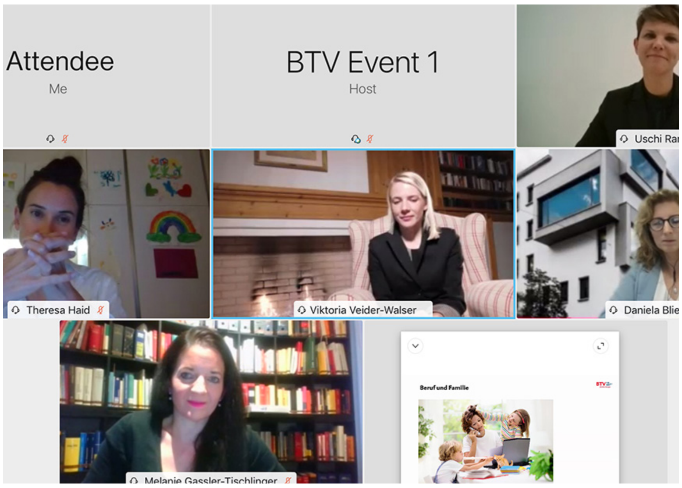
The group room of the MUKKI childcare facility invites children to discover and play.

MUKKI for a better work-life balance

Since 2020, BTV has been supporting its employees with its in-house childcare facility MUKKI in the BTV Stadtforum in Innsbruck to create the ideal balance between work and family life. Childcare is provided for children aged 18 months to 3 years on weekdays from 7 am to 5 pm. Gardens, group rooms, rest rooms, child-friendly sanitary facilities, studios, a dining area with kitchen island and a movement room make MUKKI a place where the little ones feel especially comfortable. Non-BTV families can also apply for available childcare places. The opening ceremony for the new childcare facility was held on 03 September 2020.

Home office

As part of the Strategy 2030, BTV is intensively working on new working models, such as working from home. As part of the COVID-19-related recommended and prescribed measures for reducing contact, BTV is already gathering valuable experience in this regard in 2020 with an eye to further implementation.
BTV set up its own COVID-19 crisis management group before the start of the first COVID-19 wave in Central Europe. More than half of all BTV employees are working from home, the Board members are divided between different locations, parents with younger children without other childcare options are exempted from work. Protective measures are installed in the service areas. Meetings take place via video conference.



Theresa Haid, Viktoria Veider-Walser, Daniela Bliem-Ritz and Melanie Gassler-Tischlinger in a meeting. HR Director Ursula Randolf moderates.

Gudrun Wiederin from Human Resources and Stefanie Hosp from Operations are available to answer questions from the students.

DIVÖRSITY networking evening: "Women in front of the curtain"

Diversity is an indispensable part of the Strategy 2030. In 2020, BTV organised a digital networking evening in which female entrepreneurs recounted their success stories to employees throughout the BTV Group. Four remarkable women provided insight into their lives and careers. Daniela Bliem-Ritz, Project Manager BTV, Melanie Gassler-Tischlinger, Partner at the law firm Greiter Pegger Kofler & Partner, Theresa Haid, Managing Director VITALPIN, and Viktoria Veider-Walser, Managing Director Kitzbühel Tourismus, discussed the topics of mentoring and networks, profession and family, challenges and hurdles, reinforcement and motivation. The audience also had the chance to ask questions. The event was held as part of the DIVÖRSITY campaign. DIVÖRSITY is an Austrian platform dedicated to diversity.

Careers day at BHAK Innsbruck Business Academy

At the beginning of 2020, BTV visited BHAK Innsbruck Business Academy as part of its first career day. The aim was to give students an insight into the exciting and varied tasks awaiting young graduates.

MCI Recruiting Forum 2020

On 18 November, the MCI Recruiting Forum was held in digital format for the first time. The aim of the event was to enable students and recent graduates to get to know the potential employers of tomorrow and to obtain detailed information about companies in a wide range of industries. As in previous years, BTV was also involved. This time the event was held virtually.

The brilliant winners of "eco telfs" take the trophy and prize money home with them.

BTV Marketing Trophy – outstanding marketing talents

At the 22nd BTV Marketing Trophy 2020, the finalists presented their project work to the jury – this time without an audience. Almost 600 spectators watched via live stream. The BTV Marketing Trophy was launched in 1999 with the aim of strengthening cooperation between school and business. Contact with schools has always been important for BTV and the promotion of young people is one of our key causes. After all, today's students are the potential employees of tomorrow.

This year, two project groups from the Bezauer Wirtschafts-Schulen and a team from eco telfs impressed the jury with their written work. The graduates of eco telfs prevailed and took first place. In cooperation with the bookstore Tyrolia, they developed a marketing concept for Generation Z with the aim of increasing the attractiveness of bookshops to this target group. The telfs project group also won in the eyes of public opinion. For the first time, viewers were able to choose their favourite.

Social

As a regional bank, BTV supports projects in the regions in which it operates. As part of joint social initiatives, BTV employees donate their time, helpfulness, talents and ideas to help people in need immediately and simply, for example, due to disasters, illness or storms.

BTV employees provide food packages for people in need in the Innsbruck area.

Blood saves lives. BTV employees make a valuable blood donation every year.

BTV's Action Team

BTV employees are socially committed and support each other in their works. In addition to SOS interventions in crisis or emergency situations organised at short notice, BTV also works on longer-term planned projects. In October 2020 for example, BTV employees delivered food packages for people in need in Innsbruck for the "Gotlpack" project of Innsbruck Community Services.

BTV blood drive

Whether in accidents, surgeries, during labour or for the treatment of serious illnesses: Blood is a life-saving medicine, but cannot be produced artificially. BTV employees made their contribution as part of the annual blood drive on 01 October 2020.

Art and culture

Being a successful business also means taking on social responsibilities. For BTV this includes promoting art and culture, among other things. As part of its INN SITU art and culture programme, it creates regional added value as part of the local cultural scene in Innsbruck. As part of this programme, BTV invites international artists to design an exhibition in the BTV Stadtforum twice a year. Visitors can enter the gallery for free. BTV also organises concerts and ensures special cultural experiences.

The two Spaniards Carlos Spottorno and Guillermo Abril present a spoken and picture report on the border between Austria and Italy, North Tyrol and South Tyrol in the INN SITU exhibition “DIE VERWERFUNG.”

INN SITU: The BTV art and culture programme, under the artistic direction of Hans-Joachim Gögl, combines photography, music and dialogue.

On 18 May, photographer Carlos Spottorno and journalist Guillermo Abril opened the exhibition “DIE VERWERFUNG”. The pair look at the phenomenon and history of a border shared by two nations and two regions – Austria and Italy, Tyrol and South Tyrol. Spottorno and Abril share their impressions and findings in the form of a graphic novel, a form of narrative in images that can be found in comics for adults.

The INN SITU gallery in the BTV Stadtforum is transformed into a walk-in comic in the exhibition “DIE VERWERFUNG.”

The opening of the exhibition, the associated concerts and the dialogue event were cancelled along with guided tours on site due to the COVID-19 pandemic. In order to bring those interested in art and culture closer to the exhibition, a newly developed digital programme is offered in the form of digital tours, music videos and live talks. On 7 August, a special kind of audio experience was held in the form of a finissage: a short concert by the R.E.T. Brass Band in response to the exhibition.

On 23 September, Bettina von Zwehl launched the exhibition “WUNDERKAMMER” at BTV Stadtforum in Innsbruck. Born in Munich and based in London, the photographer was inspired by the “Kunst- und Wunderkammer” (Chamber of Art and Wonders) of Ambras Castle in Innsbruck and developed portrait works together with a group of students from an Innsbruck secondary technical school. Ambras Castle is regarded as the oldest museum in the world and contains the only Chamber of Art and Wonder from the Renaissance still preserved on site.

London based artist Bettina von Zwehl was inspired by the Chamber of Wonders of Ambras Castle in Innsbruck.

Bettina von Zwehl's fascinating exhibition "WUNDERKAMMER" showing her portrait work, which was created in cooperation with students of a secondary technical school in Innsbruck.

Bettina von Zwehl shows her own chamber of wonders, filled with new and previous works, in the INN SITU gallery at the BTV Stadtforum in Innsbruck.

It represents the start of modern museum management in Europe through the systematic collecting activities of Archduke Ferdinand II. The opening week and all tours on site were cancelled due to the COVID-19 pandemic. A digital media programme in the form of music videos, social media posts and live talks made it possible to visit the exhibition online and gain insights into the works of Bettina von Zwehl.

BTV Three Kings Concert in Bregenz and Innsbruck: At the start of the year, Sharon Kam played a festive soiree with Enrico Pace on 5 January in the Festspielhaus Bregenz and on 6 January in the BTV Stadtforum in Innsbruck. Sharon Kam has been one of the world's leading clarinettist for over 20 years and plays with the most notable orchestras in the world. She is regarded as a great storyteller on her instrument.

At the end of the exhibition "DIE VERWERFUNG": a short concert by the R.E.T. Brass Band in response to the exhibition.

Environment

BTV attaches great importance to the responsible use of natural resources. With its membership of respACT, BTV commits to the principles of the Austrian CSR mission statement and the vision for sustainable business. In the BTV investment portfolio, the bank offers its customers the opportunity to make ethically sustainable investments. In the mobility concept, developed in the fourth quarter of 2020 and implemented in 2021, BTV increasingly focuses on the topics of environmental friendliness, efficiency and performance.

BTV uses CO_2-neutral means of transport as part of the 2021 mobility concept.

Mobility concept

When it comes to environmental friendliness, BTV relies on the use of CO_2-neutral means of transport as part of its mobility concept. The top priority is use of public transport. Low CO_2 emissions and fuel consumption, alongside the increased use of alternative forms of propulsion are the decision criteria when selecting cars. At the BTV Stadtforum in Innsbruck there is also a pilot project with five electric bicycles, which are available to employees for both business and personal use.

Sustainable investment

In a time of major environmental and social challenges, more and more investors and entrepreneurs want to know what is happening with their money – in other words, how it is used by banks. In addition to income, security and liquidity, BTV also explicitly takes into account ESG criteria from the areas of environment, such as the conservation of resources, social aspects, such as health and safety at work, and the welfare of states and companies (governance), such as the transparent handling of risks.

respACT Managing Director Daniela Knieling and BTV Chairman of the Executive Board Gerhard Burtscher.

Cooperation with respACT

Responsible companies such as BTV are aware that they act as part of the environment and society. The Austrian business council for sustainable development – respACT – is Austria's leading platform for corporate social responsibility (CSR) and sustainable development. With BTV, respACT now has a partner in the western federal states of Austria. The association currently supports its more than 300 member companies in achieving environmental and social goals economically and independently. The respACT association has been the coordinating body of the Global Compact Network Austria since 2004. With its membership, BTV is not only committed to respACT's charter, but also to the principles of the Austrian CSR mission statement and the vision for sustainable business.

BTV Chairman of the Executive Board Gerhard Burtscher is delighted with the industry award.

Awards

Successful sowing reaps rewards

Austria's top employers

For the fourth time in a row, the magazine "trend," in cooperation with the employer rating platform "kununu" and the statistics portal "Statista" has compiled a ranking of Austria's 300 best employers. 1,000 companies from 20 sectors were assessed. From this, 300 winners were determined and all of the companies mentioned have one thing in common: They are among the 300 best employers in Austria. BTV is up there with them and can call itself a "Top Employer."

Outstanding – FMVÖ Recommender Seal of Approval

BTV was awarded the Recommender Seal of Approval for outstanding customer focus by the Austrian Financial Marketing Association (Finanz-Marketing Verband Österreich, FMVÖ) in May 2020. The Recommender Award measures the willingness of customers to recommend banks and insurance companies. Based on a representative study, a total of 8,000 customers of Austrian banks, insurers and building societies were surveyed in the first quarter of 2020.

"Service Champions" seal

Since October 2020, BTV has been able to call itself a "Service Champion." The bank received this title in 2020 as part of Austria's largest service ranking. Behind the "Service Champion" ranking are the famous German analysis and consulting firm ServiceValue and the Goethe University Frankfurt am Main. These surveyed around 107,000 customers throughout Austria about their opinion on the quality of service in a total of 408 companies from 43 different industries. The pleasing result for banking: BTV took top ranking as an industry champion.

firstfive – BTV Asset Management awarded once again

For the eleventh time in a row, BTV Asset Management has received an award for outstanding results from independent ratings form "firstfive."* In the "Top returns" and "Sharpe ratio" categories, it scored five stars (outstanding results) in the "dynamic" risk class with the observation periods of 12, 36 and 60 months respectively.

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

BTV opened its head office on Erlerstraße in Innsbruck on 16/08/1904.

116 years ago BTV set out on its own path with clear values: independently and responsibly with its customers.

The history of BTV began 116 years ago. On 08 April 1904, the Allgemeine Verkehrsbank in Vienna, established by order of the Emperor of Austria, received approval from the Austrian Ministry of the Interior to found a public company. After receiving approval, the bank bought the two banking houses "Payr & Sonvico" in Innsbruck and "Ludwig Brettauer sel. Erben" in Bregenz which were both also involved in the banking and money exchange business. The first directors of the new company were the former company directors Hans Sonvico and Ferdinand Brettauer. Entry into the commercial register on 18 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.

The wonder of the Inn and an economic boom

At the end of the First World War, European borders were redrawn and South Tyrol given to Italy. This meant 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 give its customers their savings deposits immediately and so survived 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. It even emerged stronger from the 20th century thanks to the targeted takeover of domestic banks. The Austrian press therefore hailed BTV as the "Wonder from the Inn." After the Second World War, gradual economic stabilisation created the financial foundations for reconstruction. By issuing loans to regional companies, BTV targeted and promoted the domestic economy which then experienced a "golden" decade.

1904
Establishment

1924
The wonder of the Inn

1952
3 Banken Group

1986
First "Western Bank"
on the Vienna Stock Exchange

1988
BTV Leasing

1989
Vienna

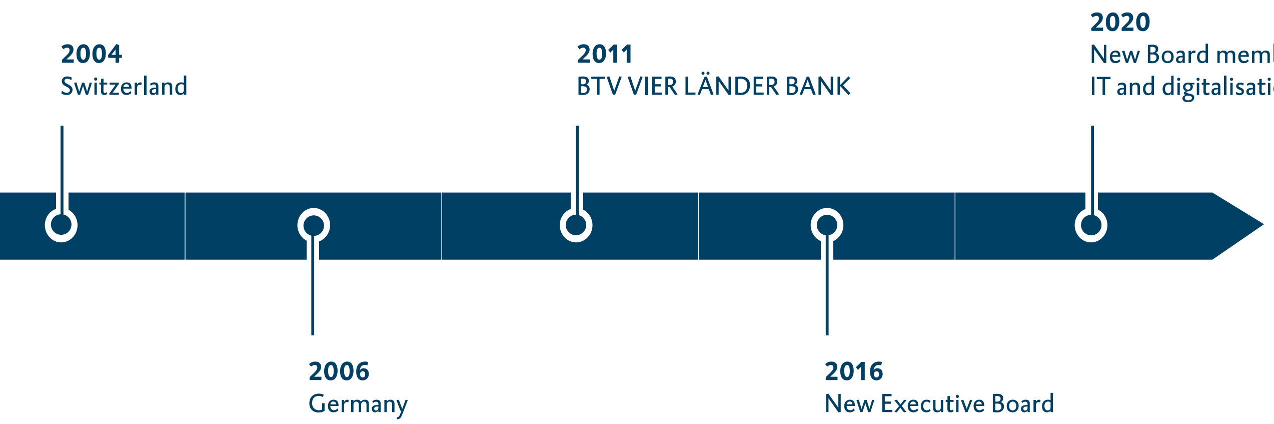
3 Banken Group association

In 1952, new shareholders joined BTV in the form of the Bank für Oberösterreich und Salzburg and the Bank für Kärnten und Steiermark. Today, Oberbank AG, BKS Bank and BTV together form the 3 Banken Group. It is a voluntary union oriented towards democratic principles. Now, more than ever, it is considered an important partner of the domestic economy and represents a convincing and highly competitive counter-model to international financial groups. For all three banks, this cooperation is a central component of their autonomy and independence. The 3 Banken Group covers the whole of Austria, as well as nearby border regions.

Focus on customers

BTV's network of branches was expanded significantly in the 1970s and 1980s. 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 regional west Austrian bank to be quoted on the Vienna Stock Exchange – "a giant leap for Alpine inhabitants," in the eyes of the Tyrolean artist Paul Flora, who captured this important event for BTV in his pictures. In 1989, the company expanded to Vienna. In 2004 – celebrating 100 years since its founding – it opened its first foreign branch in Staad by Lake Constance in Switzerland. In 2006, it entered the markets in Bavaria, Baden-Wuerttemberg, and South Tyrol. BTV has been operating as BTV VIER LÄNDER BANK (BTV FOUR-COUNTRY BANK) since 2011. With its new brand name BTV VIER LÄNDER BANK, BTV is demonstrating a pledge: namely, that its commitment is sustainable and profitable. On 01 January 2016, Gerhard Burtscher, Mario Pabst and Michael Perger took over responsibility for the Executive Board. In order to promote processes, IT and digitalisation, Dr Markus Perschl joined the BTV Executive Board as at 01 July 2020 and as COO is responsible for the above areas. Michael Perger took over the position as Managing Director of BTV Leasing on 01 January 2021. All Executive Board members adhere firmly to the cornerstones of BTV; autonomy, enterprise, refreshing conservatism and complete focus on customers and employees.


Then as today, our customers are at the centre of how we act.



BTV STADTFORUM

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Gerhard Burtscher, Mario Pabst, Dr Markus Perschl, MBA, Michael Perger

Executive Office (VOB)
Mag. (FH) Eva-Maria Ringler

Human Resources (HR)
Mag. Ursula Randolf

Customers Division (GBK)
Dr Jürgen Brockhoff, Thomas Gapp

Organisation & IT (OI)
Michael Draschl

Project, Process Management and Infrastructure (PPI)

Regulatory, Tax & Compliance (RTC)
Mag. Paul Jäger

Risk Management (RM)
Christoph Meister
Risk manager within the meaning of Section 39(5)
Austrian Banking Act (BWG)

Finance and Controlling (KRC)
MMag. Daniel Stöckl-Leitner

Credit Management (KM)
Mag. Robert Walcher

Operations (OP)
Dr Bernd Jorda

Internal Audit (IR)
Mag. Rainer Gschnitzer

Legal and Corporate Investments (RB)
Dr Stefan Heidinger

Financial Markets (FM)
Silvia Vicente

Tyrol

Tyrol, retail (TIP)
Mag. Stefan Nardin

Tiroler Unterland, corporate (TUF)
Bernd Scheidweiler

Tyrolean Oberland and Ausserfern, corporate (OAF)
Michael Falkner

East Tyrol

Innsbruck and South Tyrol, corporate (IBF)
Mag. Christoph Wenzl

Vorarlberg

Vorarlberg, retail (VP)
Christof Kogler

Vorarlberg, corporate (VOF)
Mag. Michael Gebhard

Vienna

Vienna (WP)
Josef Sebesta

Vienna, corporate (WIF)
Mag. Martina Pagitz

Switzerland

Switzerland, retail (CP)
Martin Anker

Switzerland, corporate (CF)
Mag. Markus Scherer

Southern Germany

B.-W., Bavaria & Kitzbühel, retail (BKP)
Mag. Peter Kofler

Bavaria/Baden-Württemberg, corporate (BBF)
Dr Hansjörg Müller

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* Only BTV service area

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Management report

Economic environment

At the beginning of the year, the lights were green for a broad economic recovery. The two biggest uncertainties – the trade conflict originating in the USA and Brexit - had lost their fear factor. The convergence between the USA and China in the trade dispute and the UK's withdrawal from the EU on 31 January, led to hopes for an increasing growth dynamic compared to the previous year. This was supported by the outlook for a continued loose monetary policy on the part of the global central banks. However, the worldwide spread of the coronavirus soon dashed this outlook. After first appearing in China at the beginning of January, the virus soon reached Europe and the USA in February/ March. Drastic quarantine measures had to be taken around the world to combat the pandemic. The closure of businesses and educational institutions, as well as the isolation of private individuals abruptly slowed down economic activity and pushed the global economy into a deep recession. As a result, central banks and governments worked more closely together to stave off the collapse in GDP through expansionary monetary policies and targeted fiscal support, and to enable a rapid recovery. At the same time, testing and treatment options have been greatly improved within a very short period of time in order to control the spread of the virus and relieve it of its horror. After falling infection figures and a sharp increase in economic activity when coronavirus measures were eased in the summer months, infections rose again worldwide in autumn/winter. Quarantine measures were imposed again, which dampened the rapid economic recovery since the summer. Towards the end of the year, improved successes in vaccine development and the expectation of imminent approvals improved the economic outlook and reduced the uncertainties surrounding the virus. Nevertheless, the quarantine measures still required will affect economic recovery until a high vaccination rate can achieve herd immunity. Additional measures by the central banks and governments will provide support in the meantime.

Interest rates

The severe global recession prompted central banks around the globe to implement further expansionary measures to ensure the affordability of the necessary fiscal support packages.
The measures adopted were very extensive. In March, the ECB launched its own bond purchase programme called the Pandemic Emergency Purchase Programme (PEPP) of EUR 750 billion to provide further support to the ailing economy. This was increased by EUR 600 billion in June and by a further EUR 500 billion in December, to a total of EUR 1.85 trillion. The programme is set to run until March 2022 and can be extended if necessary. In addition, the offer of long-term refinancing measures was further expanded and the capital requirements for banks were temporarily relaxed. The ECB's intervention had a relatively rapid effect: Yields on comparatively safe government bonds from the European core countries fell even further into the negative range, the euro interest curve flattened due to the crisis and the expansion of bond purchases over the course of the year. The credit spreads for EUR peripheral bonds and corporate bonds that had risen sharply at the beginning of the pandemic narrowed considerably over the course of the year. The massive fiscal support measures also forced the US Federal Reserve into a zero interest rate policy. In two steps, the target range for the key interest rate as a whole was reduced in March by 1.5% to between 0% and 0.25%. An unlimited purchase of US government bonds was also resolved. As a result, US interest rates fell sharply both at the short and long end of the curve. In addition to the ECB and the Fed, other central banks from industrialised and emerging countries were also very expansionary. Riskier bond segments such as high-yield and emerging market bonds benefited from central bank measures and the risk premiums narrowed sharply towards the end of the year following the sharp increase at the peak of the crisis in the spring.

Compared to previous years, the long-term euro interest rates decreased significantly (–47 basis points to –0.26% for a 10-year euro swap). The money market rates (3-month Euribor) fell slightly compared to 31 December 2019 by 17 basis points to –0.55%.

Currency markets

The euro was able to overcome its weak phase in 2020. After the uncertainties caused by the coronavirus pandemic gradually eased in the second quarter, the euro began to appreciate. Firstly, this was the result of a general “risk on” mood on the markets triggered by the improved economic outlook, which reduced the demand for safe havens such as the US dollar or the Swiss franc. Secondly, the agreement on a European recovery fund led to greater perceived solidarity in the EU, which also had a positive impact on the stability of the euro. Investors therefore expected a less volatile and crisis-proof currency. The euro moved in a narrow range against the Swiss franc in the first few months of the year, but was able to gain almost +3.0% after the peak of the crisis. At the end of the year, the EUR/CHF currency pair was 1.08. Against the US dollar, the euro rose very sharply in 2020 by just under +9.0%. In addition to the strength of the euro, the dwindling interest rate advantage put strain on the US dollar, which contributed to this currency movement. At the end of the year the EUR/USD exchange rate was 1.22. The euro was also able to appreciate against the yen over the year as a whole, by +3.5%. Above all, it was the relatively better economic prospects of the eurozone that helped to strengthen the common currency. The pound sterling also lost against the euro, mainly due to uncertainties regarding the UK/EU agreement after the Brexit transition period at the end of 2020, which depressed the British currency.

Stock markets

2020 was a year of extremes. The start of the year for stock markets was excellent once the uncertainties surrounding the trade conflict and Brexit had decreased and the economic outlook had improved. Despite the increasing spread of the coronavirus in China and the starting quarantine measures, an initial correction was mainly affecting the Chinese stock market or, to a lesser extent, the Asian stock markets, as nobody was expecting a pandemic at that time.

The massive outbreak of the disease in Italy took investors by surprise. The prospect of a rapid spread of the pandemic and the measures to be taken worldwide to curb it meant that economic actors could, for the first time, get a feel for the extent of the economic damage. A severe global recession was then factored in very quickly, causing global stock markets to fall by 20% to 40% after their peak in mid-February. The VIX volatility index, which measures the volatility intensity of the US S&P 500 benchmark index, shot up to 82 points very quickly, exceeding the level during the global financial crisis in 2008/09. As a result, central banks and governments around the globe stepped in to mitigate economic damage. The recovery following the sharp sell-off was just as rapid and intense. Following the lows of 23 March, international stock indices rose sharply within a few months, in some cases even reaching new all-time highs. This development was brought about by improved economic prospects thanks to the support measures from the central banks and governments, the low interest rate environment and a high degree of liquidity in the market. The financial market therefore priced in a rapid economic recovery after the number of cases fell sharply in the summer. The second wave of infections from autumn onwards and the US elections at the beginning of November once again caused uncertainty, repeatedly resulting in minor corrections. With Joe Biden’s clear victory and the successes in vaccine development, the mood improved significantly again in mid-November and the stock market rally continued. The ongoing quarantine measures barely unsettled the market at the end of the year against the backdrop of imminent vaccine availability. Some of the global equity indices even ended 2020 with price gains. The large regional and sectoral differences in performance are striking.

The US markets were convincing with a positive performance in this difficult year, especially the technology sector. The NASDAQ Composite technology index in the US recorded an enormous increase of +43.6% over the year. The US benchmark index S&P 500 also ended 2020 successfully with an increase of +16.3%.

The broad European equity market (STOXX 600) was unable to make up losses after the drop in spring and closed the year down by –4.0%. On the other hand, the German DAX achieved an annual increase of +3.6% and the Swiss SMI also struggled into positive territory at +0.8%. The Spanish IBEX performed particularly poorly among European stock markets, and had to accept an annual loss of –15.5%. The Japanese Nikkei 225 gained +16.0%. Among emerging markets, the Asia region (MSCI Asia ex Japan) performed best with a performance of +25.0%, as virus control measures worked comparatively better there. The Eastern Europe (MSCI Eastern Europe) and Latin America (MSCI LatAm) regions recorded significant declines of –15.6% and –13.8% respectively. Among Chinese indices, the Shenzhen Index was able to boast an increase of +27.2%. The Hong Kong Hang-Seng Index, on the other hand, had to settle with a loss of –3.4% due to the conflict raging with China.

BTV's ordinary shares rose by +4.1% across 2020 as a whole to EUR 30.20, whilst preference shares rose by +2.3% to EUR 27.20.

Business development

IFRS Consolidated financial statement

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as exempting consolidated financial statements as defined by Section 59a Austrian Banking Act (BWG) in conjunction with Section 245a Austrian Commercial Code (UGB). In establishing the present consolidated financial statements, all standards which were required for this financial year were applied. An overview of the standards and the accounting principles is provided in the Notes, from page 54 onwards. Detailed explanations of 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 126.

The business activities of the BTV Group are analysed below, taking into account the most important financial and non-financial performance indicators for the business activity.

Profit trend

BTV can look back on an overall challenging financial year 2020. COVID-19 and the associated measures against the spread of the pandemic led to massive restrictions on social and economic life, depriving many companies of the basis of their business. In terms of operations, BTV was able to report a good result. Corresponding provisions were made on the risk side, which are reflected in the result.

BTV has continued to grow in its operational customer business. As a retail bank, BTV operates the way that banking was intended to work. Deposits from the region are added to the bank's balance sheet and then made available for lending and regional projects. The result is therefore determined by the interest and provision business. This business model requires not only a particular closeness to customers but also a good equity base. This allows us to be a strong partner for the economy and at the same time a secure location for financial investments – meaning we can grow with our customers. In addition to risk provisions, the negative effects of the pandemic on the results of business activities primarily affected interest and investment/valuation results. However, the net commission income fortunately increased significantly.

Selected breakdown of changes in earnings	in EUR thousand
Net interest income	–9,035
Risk provisions in the credit business	–46,413
Net commission income	+5,160
Revenue from companies valued at equity	–22,845
Trading income	–2,746
Operating expenses	+4,017
Other operating income	–11,548
Revenue from financial transactions	–6,940
Annual net profit before tax	–90,350
Group annual net profit	–73,683

Interest income after risk provisions

One important parameter for interest income is volume development, which was pleasing. New business exceeded repayments. A positive one-off effect from 2019 (release of provisions), continued decline in income from securities held by the bank, and higher interest expenses from cash reserves had a negative impact on earnings performance.

In terms of risk provisions in the credit business, there were exceptionally high expenses due to COVID-19, especially in the ECL area: The balance of risk provision allocations and releases, including direct write-downs on loans and income from loans that had previously been written off was EUR –47.3 million in the reporting year.

Nevertheless, the NPL ratio (non-performing loans ratio) remained at an extremely low level. At 2.0%, the share of defaulted customer loans in total customer loans was comparable to the figure as at 31 December 2019 (1.9%).

Net commission income

The service business was extremely robust over the course of the year despite the challenging framework conditions. This was largely due to the securities business, which recorded an increase of EUR +2.4 million (+9.6%) to EUR 27.3 million. The result from the credit business improved almost as significantly in 2020. Although BTV felt the crisis, which was reflected in a reluctance on the part of customers for investment loans and therefore slower new business, this earnings item benefited from the increased portfolio business. The credit business increased from EUR 7.5 million to EUR 9.6 million. Income from payment transactions fell moderately by EUR –0.1 million to EUR 13.2 million. The remaining categories in the service result were all above the previous year's level: Net income from the currency, foreign exchange and precious metals business amounted to EUR 4.2 million. Other miscellaneous services achieved a figure of EUR 0.3 million. Overall, net commission revenue increased by EUR +5.2 million compared to the previous year, to EUR 54.6 million in 2020, which represents growth of +10.4%.

Revenue from companies valued at equity

This item includes the profit or loss from companies valued at equity included in the scope of consolidation. The total contribution of these companies of EUR 30.2 million represents a fall of EUR –22.8 million compared to the previous year. This significant decline was essentially caused by a negative result from the parent bank in the first quarter of 2020, which resulted from COVID-19-related depreciation requirements and a negative profit contribution from the holding in voestalpine AG.

Trading income and profit from financial transactions

The collapse of the securities markets during 2020 had a significant impact on trading income and the result from financial transactions: Trading income fell by EUR –2.7 million, to EUR 1.0 million, compared to 31 December 2019. This was mainly due to the valuation and realisation losses from funds. Revenue from financial transactions fell by EUR –6.8 million to EUR –0.4 million.

Operating expenses

Many businesses were forced to close during lockdown, particularly in the tourism sector; BTV's fully consolidated cable car participations were among those affected by the temporary closures of operations. This led to a fall in operating expenses compared to the previous year of EUR 191.1 million, to EUR 187.1 million. The fall of EUR –4.0 million is spread among the three major categories of expenditure as follows: Staff expenditure fell by EUR –7.4 million to EUR 98.1 million, while material expenditure increased by EUR +0.5 million to EUR 56.1 million and depreciation and amortisation by EUR +2.9 million to EUR 32.9 million.

In 2020, the average number of employees fell by –42 to 1,414. Compared to 2019, the number of BTV branches decreased by one to 35. BTV has a subsidiary in Switzerland, BTV Switzerland with headquarters in Staad. BTV has a subsidiary in Germany, BTV Germany based in Munich. Details of BTV's existing branches and subsidiaries can be found on pages 24 and 25 of the Annual Report.

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 sense of Art. 243(3)(2) Austrian Commercial Code (UGB).

Other operating income

The temporary closure of the fully consolidated cable car companies had a negative effect on other operating profit in the year-on-year comparison, as this item includes revenue. After the very strong start of the season up until the end of February, conditions then became difficult until the end of June. Summer was again satisfactory until September, when a new Europe-wide increase in COVID-19 cases led to travel warnings for Austria and, with the wave of cancellations, abruptly led to further sales declines. Overall, these factors in particular led to a decline in this item of EUR –11.5 million to EUR 72.3 million compared to 31 December 2019.

Taxes on income and revenue

In addition to current corporation tax, the amounts shown under the item "Taxes on income and revenue" relate primarily to the deferred taxes to be paid on accruals and prepayment adjustments for the consolidated companies, in accordance with IFRS. Tax expenditure fell by EUR –16.7 million compared to the previous year to EUR 1.1 million as at 31 December 2020.

Annual pre-tax profit and Group annual net profit

Annual pre-tax profit 2020, burdened by the severe recession in the eurozone due to the pandemic that began in the first quarter, decreased by EUR –90.4 million, or –62.5%, to EUR 54.1 million. Group annual net profit fell from EUR 126.7 million to EUR 53.0 million.

Earnings per share

Earnings per share were EUR 1.58 (previous year: EUR 3.65).

For the 2020 financial year, the Executive Board will propose a dividend of EUR 0.12 per share. For the 2019 financial year, EUR 0.12 per share was distributed.

Balance sheet performance

The statements in the following Management Report refer to the balance sheet as at 31 December 2020 according to the respective legal situation.

Trends in assets

BTV's strength is its customer business. In 2020, business volume across all main items, such as loans to customers, managed customer deposits, equity or balance sheet totals, achieved the highest level in the bank's 116-year history despite the pandemic.

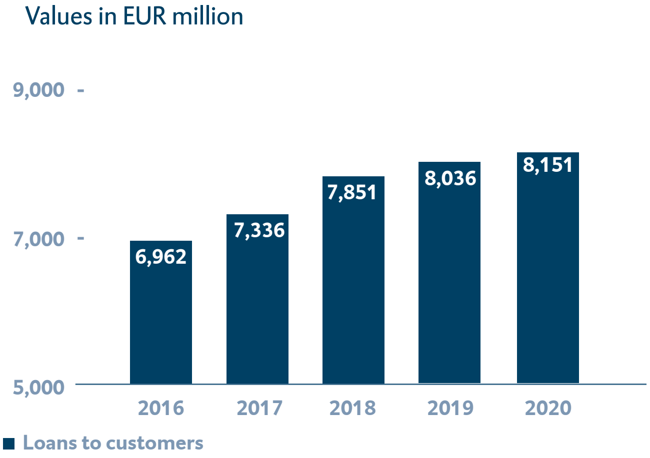
The balance sheet total of the BTV Group increased during the reporting year by EUR +1,420 million to EUR 13,969 million. The driving force behind this increase was the loans to customers, as well as cash reserves which increased from EUR 1,428 million to EUR 2,908 million. Loans to credit institutions fell by EUR –95 million to EUR 373 million.

The success of the customer loans at BTV is directly linked to the close relationship our account managers have with customers and their understanding of their customers' business models. As a result, the "Loans to customers" item increased by EUR +115 million compared to the previous year, to EUR 8,151 million. The growth driver was the corporate customers business, which performed well in the past year.

The portfolio of risk provisions increased in the reporting year mainly due to the formation of ECL in the performing segment and was EUR 125 million at the end of 2020 (previous year: EUR 98 million). For risk management objectives and methods regarding existing default and market risks, please see the detailed risk report starting on page 126.

Other financial assets including shares in companies valued at equity and trading assets were EUR –44 million below the previous year's level at the end of 2020 at EUR 2,183 million. The shares in companies valued at equity grew by EUR +19 million, and trading assets by EUR +6 million.

Trends in loans to customers 2016 – 2020



Changes to major balance sheet items in 2020	in EUR million
Balance sheet total	+1,420
Cash reserves	+1,481
Loans to credit institutions	–95
Loans to customers	+115
Other financial assets incl. shares in companies valued at equity and trading assets	–44
Liabilities to credit institutions	+652
Primary funds	+712
Equity	+38

Trends in liabilities

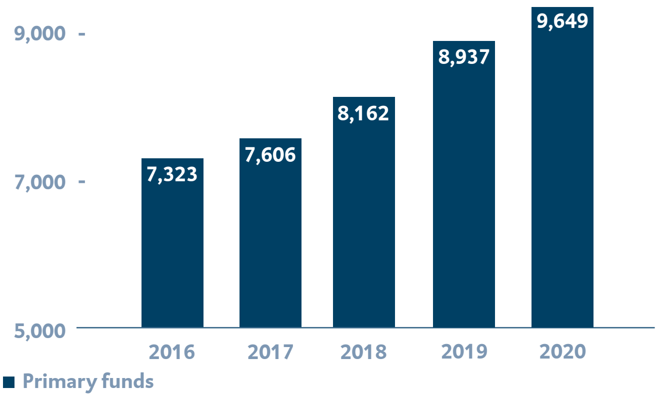
Customers' high level of trust in BTV and its business model is once again reflected in the trend of liabilities: Primary funds rose in 2020 by EUR +712 million, or +8.0%, to EUR 9,649 million. BTV's strategic aim to refinance customer lending through primary funds was achieved, whereby growth in customer loans is covered in its entirety by the growth in customer deposits. The expansion was supported in particular by higher account deposits, which recorded a gain of EUR +604 million. Savings deposits also grew particularly significantly by +10.1%, or EUR +140 million. Supplementary capital was expanded in 2020 by EUR +29 million to EUR 249 million. The loan-deposit ratio, the ratio between loans to customers after risk provisions to primary funds, at the end of the year was 83.2% (previous year: 88.8%). Liabilities to credit institutions rose by EUR +652 million to EUR 2,162 million, as a result of higher volumes from the TLTRO programme.

Managed customer funds, the sum of deposit volumes and primary funds, grew by EUR +721 million to EUR 16.4 billion, primarily due to growth in primary funds. The massive slump in the stock markets, particularly in March, led to a significant fall in the value of securities and therefore in the volume of deposits during the year, but by the end of 2020 the deposit volume was increased moderately by EUR +9 million to EUR 6,789 million.

Particularly pleasing for BTV was the growth in balance sheet equity in the reporting year since the strength of capital is particularly significant for the bank's business model. Particularly in times of crisis, equity becomes even more important than usual. Overall, equity increased by EUR +38 million to EUR 1,787 million, mainly due to income.

Trends in primary funds 2016 – 2020

Values in EUR million

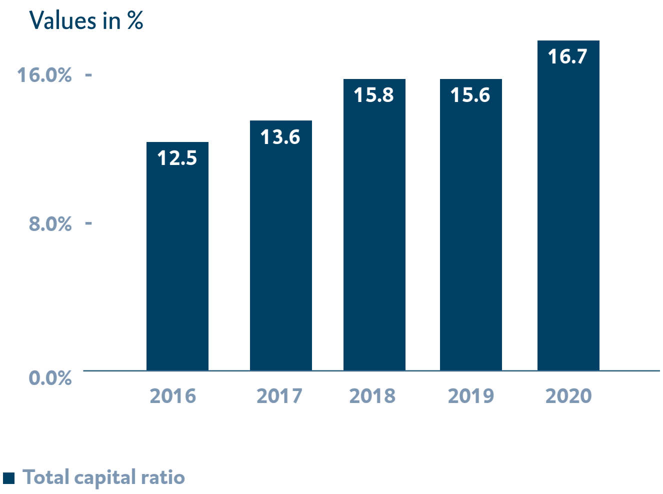


Qualifying capital pursuant to the CRR

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, the qualifying capital of the banking group increased by EUR +24 million compared to the previous year to EUR 1,317 million as at 31 December 2020. Common equity Tier 1 (CET1) and core capital decreased to EUR 1,086 million (EUR –1 million). The total amount at risk decreased by EUR –434 million to EUR 7,866 million, mainly due to the effects of synthetic securitisation. 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 common equity ratio was 13.8% as at 31 December 2020 (previous year: 13.1%), and the core capital ratio 13.8% (previous year: 13.1%). The total capital ratio was 16.7% (previous year: 15.6%).

Since 2014, the basis for calculation has been Regulation (EU) No 575/2013 (CRR), in conjunction with the CRR accompanying regulation of the FMA, subject to application of the transitional provisions (= Basel 3 currently).

Trends in total capital ratio 2016 – 2020



Key indicators

Return on equity fell before tax by –5.5 percentage points to 3.1%, and fell after tax by –4.5 percentage points to 3.0% based on the annual net profit at the end of 2020. The loan deposit ratio (ratio of customer loans after risk provisions to primary funds) was 83.2% (previous year: 88.8%). At 7.8%, the leverage ratio also significantly exceeded the required minimum figure of 3.0%. The cost/income ratio increased from 57.9% to 64.8% in the 2020 reporting year. These key figures are significantly affected by the fully consolidated mountain railways. The risk/earnings ratio totalled 36.2% (previous year: 0.7%). The non-performing loans ratio increased from 1.9% to 2.0%.

Key indicators in %	**31/12/2020**	**31/12/2019**
Return on equity before tax	3.1%	8.5%
Return on equity after tax	3.0%	7.5%
Loan deposit ratio	83.2%	88.8%
LCR	216.3%	160.1%
NSFR	130.2%	114.8%
Leverage ratio	7.8%	8.7%
Cost/income ratio	64.8%	57.9%
Risk/earnings ratio	36.2%	0.7%
Non-performing loans ratio	2.0%	1.9%
Core capital ratio according to CRR	13.8%	13.1%
Total capital ratio according to CRR	16.7%	15.6%

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 statement

Detailed information on the financial situation (liquidity, equity position, cash flow statements), and on the investment and financing area (balance-sheet structure, liquidity, debt ratio) are published in the consolidated financial statement starting on page 47.

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-id92033.html). The Corporate Governance Report of BTV is also linked to on the aforementioned website.

Compliance pursuant to Austrian Securities Supervision Act (Wertpapieraufsichtsgesetz)

At the Bank für Tirol und Vorarlberg Aktiengesellschaft (BTV), employees undertake, on joining, to comply with the provisions of BTV's compliance code regarding financial instruments. This code is based on the provisions of the EU Market Abuse Regulation, the compliance provisions of the Austrian Securities Supervision Act (Wertpapieraufsichtsgesetz, WAG 2018), the Austrian Stock Exchange Act, and relevant delegated regulations of the EU. The objective of these regulations is not only to prevent insider trading, market manipulation or abuse, and avoid conflicts of interest, but also to prevent or minimise all compliance-relevant risks concerning financial instruments, which could result from non-compliance with laws, regulations, non-statutory recommendations or internal guidelines. Internal procedures and measures for compliance with these rules, which are regularly checked and documented, have been defined by company compliance officers, with no infringements being ascertained during the reporting period.

741 BTV employees have refreshed their knowledge using the compliance e-learning programme and successfully passed the final test. In addition, 18 new employees in the branches and divisions participated in classroom training in the reporting year. Further classroom seminars were cancelled due to COVID-19. In July 2020, a new e-learning module – "Introduction of compliance-compliant action" – was launched and successfully completed by 31 employees by the end of the year. These measures ensure compliance with the provisions of the Compliance Rules relating to financial instruments and in particular the EU Market Abuse Regulation and the Securities Supervision Act (WAG 2018).

Compliance in accordance with Section 39(6) Austrian Banking Act (BWG)

As a significant credit institute pursuant to Section 5(4) BWG, BTV established another permanent and independent compliance function with direct access to the management on 01 January 2019. The primary aim of the compliance function pursuant to the BWG is to minimise the risk arising from non-compliance with supervisory requirements, and to establish an appropriate culture of compliance at BTV.

The compliance function pursuant to the BWG is therefore responsible for constantly monitoring and regularly assessing the appropriateness and effectiveness of the principles and processes established in this regard in order to limit the risks of management, Supervisory Board members and employees failing to observe regulatory guidelines as a minimum. No anomalies were identified in this regard during the reporting period.

In 2020, due to COVID-19 a total of 90 participants were trained at four online classroom sessions. This training focused on current amendments or updates within supervisory law.

Anti-money laundering

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.

566 BTV employees have refreshed their knowledge using the money laundering e-learning tool and successfully passed the final test. E-learning included the legal stipulations of the Austrian Financial Market Money Laundering Act (FM-GwG), the legal requirements of the Austrian Economic Ownership Register Act (WiEReG) and relevant internal guidelines.

26 BTV employees took part in classroom training with a focus on understanding risky transactions and business cases, as well as individual employee responsibility regarding the prevention of money laundering and the financing of terrorism.

BTV has decided to publish the NFI declaration (reporting obligation of non-financial information under section 243b UGB) as a separate report. This is available on the BTV website at www.btv.at/nachhaltigkeit.

Reporting on the significant features of the internal control and risk management system in relation to the financial reporting process

As required by Section 243a(2) Austrian Commercial Code (UGB), the most important characteristics of BTV's internal control and risk management system in relation to the financial reporting process are cited below.

BTV's Executive Board 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 financial reporting process. This report provides an overview of how the internal controls are regulated in relation to the financial reporting process.

The following explanations follow an opinion of the Austrian Financial Reporting and Auditing Committee (AFRAC) on drawing up the management report required under Section 243, 243a and 267 Austrian Commercial Code (UGB) of March 2016, and also the tasks of the Audit Committee as set out under Section 63a Austrian 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).

Group accounting and its associated processes, as well as the associated risk management, fall within the Finance and Controlling areas of the Finance & Controlling teams, and in the Risk Management area of the Reporting and Risk Controlling teams.

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, BTV's own principles of conduct 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 financial reporting process in a proper and timely fashion. The department employees have at their disposal the knowledge and experience required to work in accordance with their remits.

In order to comply with the prescribed legal provisions and relevant financial reporting standards, within BTV, financial reporting process (IFRS and the applicable national financial reporting standards), in particular key processes, are supported by numerous guidelines, manuals, working aids and written instructions in the Finance & Controlling and Risk Management departments. These are regularly checked and updated where necessary.

Furthermore, the teamRADAR tool ensured that all key updates were analysed at an early stage at BTV.

Risk assessment

A catalogue of risks has been developed covering the most significant typical company business processes within financial reporting, with the identification of the most important risk areas. These are monitored with controls on an ongoing basis, 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. For this reason, 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.

Control measures

These activities include systemic controls defined by BTV and IT service providers, as well as manual controls, such as plausibility inspections, the dual control principle (also in part with the involvement of the respective department manager or team and group leader) or job rotation within the department. 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, check lists, process descriptions and job descriptions with their associated areas of responsibility. In addition, reconciliations are performed and data subjected to plausibility checks by the Accounting teams in the Finance & Controlling areas, and by the Risk Controlling and Reporting teams in the Risk Management area. 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 financial reporting processes and group activities, are drawn up for the Executive Board (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 financial reporting process is guaranteed on the one hand, by the functional internal control system which is regularly updated (IKS), and on the other, by the independent Audit department of BTV (which reports directly to BTV's Executive Board).

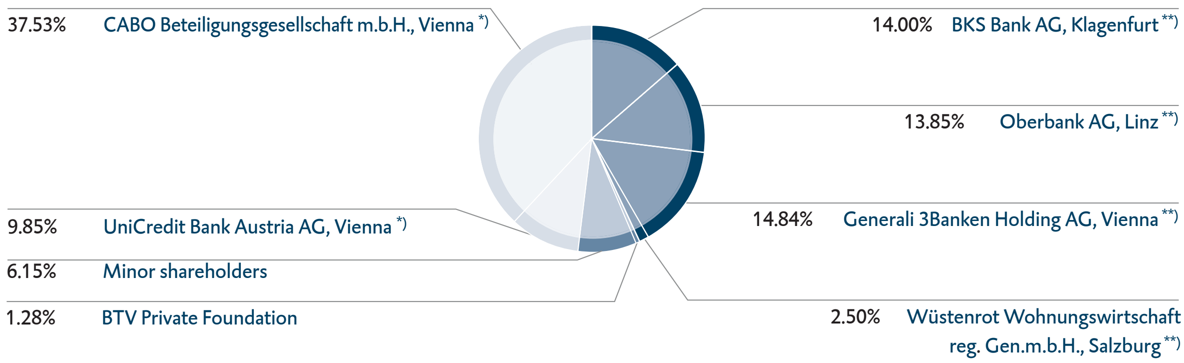
The head of department, as well as the responsible team and group leaders, carry out a supporting supervisory and oversight function for the financial accounting processes.

Additional supervisory measures to guarantee the reliability and correctness of the financial reporting process and its associated reporting are executed by the legally designated auditors of the consolidated financial statements and the Audit Committee mandatorily appointed at the level of the Supervisory Board.

The Bank für Tirol und Vorarlberg Aktiengesellschaft (BTV) has EUR 68,062,500 in share capital which is divided into 31,531,250 ordinary shares (previous year: around EUR 31.53 million) and 2,500,000 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.

Its purpose is to preserve the autonomy of BTV, it being in the interests of the syndicate partners for BTV to continue to develop as a revenue and profit-oriented company. In order to realise this objective, the syndicate partners have agreed on joint exercise of their corporate rights associated with their shareholdings and of their pre-emptive rights.

BTV shareholder structure by size of holding

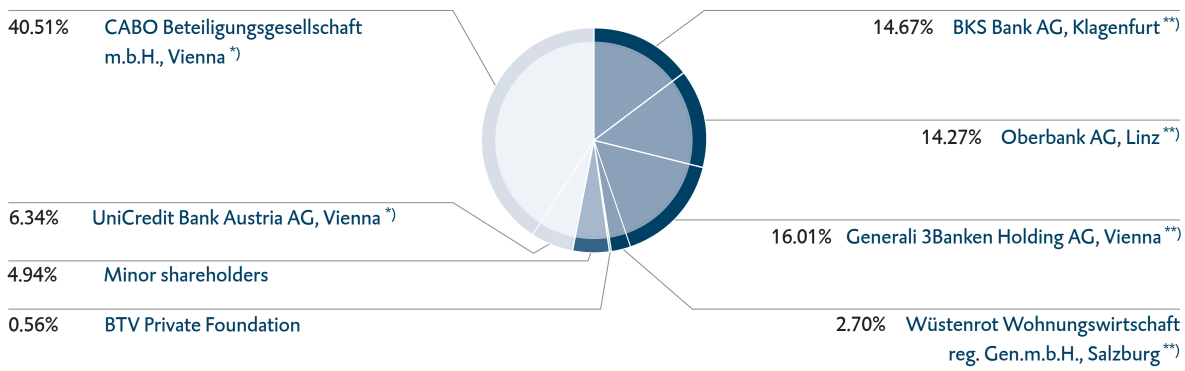


*) Affiliated group company
**) Shareholders who form part of the syndicate agreement

BTV employees have a stake in the company in the form of the BTV Private Foundation. The Executive Board, the Foundation's Advisory Board and its auditors constitute the executive bodies of the BTV Private Foundation. The exclusive purpose of the BTV Private Foundation is to pass on, directly and in full, revenue 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 to purchase its own shares for the purposes of securities trading, as well as for its own employees, managers, members of the Executive Board and the Supervisory Board by 19 November 2022, with the caveat that the trading portfolio of shares acquired for this purpose may not exceed five per cent of the share capital at the end of any day. On the basis of these decisions, shares may only be purchased if the equivalent per share does not differ either positively or negatively by more than 20% from the average of the official BTV share price on the Vienna stock exchange during the three trading sessions preceding the purchase.

BTV shareholder structure by voting rights



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

Outlook

The subsequent positive economic development after the massive slump in 2020 should be reflected in growth rates of real GDP of 4% to just under 6% in the markets relevant to BTV in 2021. Other economic indicators should develop differently depending on official COVID-19 measures or the expiry of government support measures. Inflation rates of less than 2% are expected in all four countries, whilst the unemployment rate should see stable development at a now higher level under the assumed framework conditions. Sustainable competitiveness should be reflected again in sound current account balances in most countries. The budgetary situation should also improve again after the significant budget deficits in 2020. Government debt is now expected to be stable for the most part at a significantly higher level. It remains uncertain how the mood on the financial markets in 2021 will be influenced by political events.

BTV will continue its growth strategy in this environment. Particular drivers of this include the development of customer loans as well as the increased service income. The strategic principle of fully refinancing customer loans by means of primary funds will be retained in this respect. For interest rates, it is assumed for 2021 that, at the very least, the current, historically low level will persist. Therefore, securities will remain an interesting alternative for investments. Higher volatility on the equity and bond markets is to be expected, as these have already recorded sharp price increases in recent years.

Against the backdrop of net credit growth, net interest income was budgeted slightly above the previous year in 2021. Risk costs are difficult to predict accurately in light of the current COVID-19 environment. Based on the scenario described above with the expected expiry of state support measures, we expect risk provisions in the credit business to remain at a similar level to those in the reporting year.

Net commission income should continue to be driven by the securities business in 2021; below the previous year's level, the contribution from the credit business is expected due to the additional risk hedging within the framework of synthetic securitisation and the associated costs. Trading income was budgeted moderately positively together with the income from financial transactions, and the income from companies valued at equity was significantly higher. Other operating income, on the other hand, was budgeted much lower. From today's perspective, the two fully consolidated mountain railways have seen sales declines of around 90%.

General operating expenses are budgeted as moderately lower than the development of consumer prices. In particular due to the continuing highly budgeted risk provisions in the credit business and the income from the fully consolidated cable cars, an annual net profit before tax below the previous year's result is assumed for 2021 – with an expected range of EUR 40 to 47 million.

Innsbruck, 12 March 2021

The Executive Board

Gerhard Burtscher
Chairman of the Executive Board

Chairman of the Executive Board with responsibility for the corporate and retail customers business area; financial markets; legal and corporate investments; human resources; executive office; holding: BTV Leasing; internal audit division.

Mario Pabst
Member of the Executive Board

Member of the Executive Board with responsibility for the back office; the areas of credit management business, finance & controlling; risk management; regulatory, tax and compliance; holding: C3 Logistik GmbH; internal audit division.

Dr Markus Perschl
Member of the Executive Board
since 01/07/2020

Member of the Executive Board with responsibility for the back office; digitalisation; operations; organisation and IT; project management, process management & infrastructure; holdings: 3 Banken Versicherungsmakler; 3 Banken IT; internal audit division.

Contents

Balance sheet as at 31 December 2020

Assets in EUR thousand	**31/12/2020**	**31/12/2019**	**Absolute change**	**Change in %**
Cash reserves [1] [Reference to Notes]	2,908,211	1,427,659	+1,480,552	>+100%
Loans to credit institutions [2]	373,450	468,459	–95,009	–20.3%
Loans to customers [3]	8,150,749	8,036,081	+114,668	+1.4%
Other financial assets [4]	1,398,608	1,468,796	–70,188	–4.8%
Shares in companies valued at equity [5]	732,030	712,776	+19,254	+2.7%
Risk provisions [6]	–124,692	–97,773	–26,919	+27.5%
Trading assets [7]	52,364	45,919	+6,445	+14.0%
Intangible assets [8a]	1,448	1,483	–35	–2.4%
Property, plant and equipment [8b]	351,895	347,536	+4,359	+1.3%
Properties held as financial investments [8c]	61,171	61,902	–731	–1.2%
Current tax refunds [9]	1,175	1,075	+100	+9.3%
Deferred tax refunds [9a]	23,224	9,046	+14,178	>+100%
Other assets [10]	39,866	66,237	–26,371	–39.8%
Total assets	**13,969,499**	**12,549,196**	**+1,420,303**	**+11.3%**

Liabilities in EUR thousand	**31/12/2020**	**31/12/2019**	**Absolute change**	**Change in %**
Liabilities to credit institutions [11]	2,162,229	1,510,520	+651,709	+43.1%
Liabilities to customers [12]	8,259,502	7,515,918	+743,584	+9.9%
Other financial liabilities [13]	1,441,031	1,469,840	–28,809	–2.0%
Trading liabilities [14]	5,671	9,096	–3,425	–37.7%
Reserves [15]	171,375	148,495	+22,880	+15.4%
Current tax debts [16]	4,600	6,114	–1,514	–24.8%
Deferred tax debts [9a]	1,224	849	+375	+44.2%
Other liabilities [17]	136,944	139,021	–2,077	–1.5%
Equity [18]	1,786,923	1,749,343	+37,580	+2.1%
Non-controlling interests	43,754	43,686	+68	+0.2%
Owners of the parent company	1,743,169	1,705,657	+37,512	+2.2%
Total liabilities	**13,969,499**	**12,549,196**	**+1,420,303**	**+11.3%**

Comprehensive income statement as at 31 December 2020

Comprehensive income statement in EUR thousand	**01/01–31/12/2020**	**01/01–31/12/2019**	**Absolute change**	**Change in %**
Interest and similar revenue from application of effective interest method	152,387	162,795	–10,408	–6.4%
Other interest and similar income	19,377	21,947	–2,570	–11.7%
Interest and similar expenses	–40,910	–44,853	+3,943	–8.8%
Net interest income [19]	**130,854**	**139,889**	**–9,035**	**–6.5%**
Risk provisions in credit business [20]	–47,323	–910	–46,413	>+100%
Commission revenue	59,481	54,314	+5,167	+9.5%
Commission expenses	–4,878	–4,871	–7	+0.1%
Net commission income [21]	**54,603**	**49,443**	**+5,160**	**+10.4%**
Revenue from companies valued at equity [22]	30,172	53,017	–22,845	–43.1%
Trading income [23]	998	3,744	–2,746	–73.3%
Revenue from financial transactions [24]	–375	6,565	–6,940	>–100%
Operating expenses [25]	–187,078	–191,095	+4,017	–2.1%
Other operating revenue	115,572	119,338	–3,766	–3.2%
Other operating expenses	–43,322	–35,540	–7,782	+21.9%
Other operating income [26]	**72,250**	**83,798**	**–11,548**	**–13.8%**
Annual net profit before tax	**54,101**	**144,451**	**–90,350**	**–62.5%**
Taxes on income and revenue [27]	–1,089	–17,756	+16,667	–93.9%
Group annual net profit	**53,012**	**126,695**	**–73,683**	**–58.2%**
Non-controlling interests	–732	2,764	–3,496	>–100%
Owners of the parent company	53,744	123,931	–70,187	–56.6%

Other income in EUR thousand	**01/01–31/12/2020**	**01/01–31/12/2019**
Group annual net profit	**53,012**	**126,695**
Revaluations from performance-oriented pension plans	644	–9,928
Changes in companies valued at equity recognised directly in equity	–850	–4,063
Changes in equity instruments recognised directly in equity	–11,033	5,445
Fair-value adjustment of own creditworthiness risk of financial liabilities	3,042	–639
Profits/losses with regard to deferred taxes, applied directly against total profit	2,040	4,947
Total of items which could subsequently not be allocated to profit or loss	**–6,157**	**–4,238**
Changes in companies valued at equity recognised directly in equity	–2,687	706
Changes in debt securities recognised directly in equity	1,317	2,658
Unrealised profits/losses from adjustments in currency conversion	102	233
Profits/losses with regard to deferred taxes, applied directly against total profit	–354	–5,108
Total of items which could subsequently be allocated to profit or loss	**–1,622**	**–1,511**
Total other income	**–7,779**	**–5,749**
Total result for the financial year	**45,233**	**120,946**
Non-controlling interests	93	2,764
Owners of the parent company	45,140	118,182

Key indicators	**31/12/2020**	**31/12/2019**
Diluted and undiluted earnings per share in EUR [28]	1.58	3.65

Statement of changes in equity in EUR thousand	Subscribed capital	Capital reserves	Retained earnings	OCI non-recyclable	OCI recyclable	Total owners of parent company	Non-controlling interests	Equity
Equity at 31/12/2018	**68,063**	**242,030**	**1,267,961**	**–8,000**	**27,746**	**1,597,799**	**41,183**	**1,638,982**
Reclassifications within equity	0	0	1,190	–857	–333	0	0	0
Equity at 01/01/2019	**68,063**	**242,030**	**1,269,151**	**–8,857**	**27,413**	**1,597,799**	**41,183**	**1,638,982**
Capital increases	0	0	0	0	0	0	0	0
Comprehensive income for the period								
Group net profit for the period	0	0	123,931	0	0	123,931	2,764	126,695
Other income without companies valued at equity	0	0	222	–175	–2,217	–2,170	0	–2,170
Other income from companies valued at equity	0	0	–720	–4,063	706	–4,077	0	–4,077
Distributions	0	0	–10,182	0	0	–10,182	–99	–10,281
Own shares	0	409	0	0	0	409	0	409
Other changes recognised directly in equity	0	–3	–50	0	0	–53	–162	–215
Equity at 31/12/2019	**68,063**	**242,436**	**1,382,352**	**–13,095**	**25,902**	**1,705,657**	**43,686**	**1,749,343**

Statement of changes in equity in EUR thousand	Subscribed capital	Capital reserves	Retained earnings	OCI non-recyclable	OCI recyclable	Total owners of the parent company	Non-controlling interests	Equity
Equity at 31/12/2019	**68,063**	**242,436**	**1,382,352**	**–13,095**	**25,902**	**1,705,658**	**43,686**	**1,749,344**
Reclassifications within equity	0	0	6	0	–6	0	0	0
Equity at 01/01/2020	**68,063**	**242,436**	**1,382,358**	**–13,095**	**25,896**	**1,705,658**	**43,686**	**1,749,344**
Capital increases	0	0	0	0	0	0	0	0
Comprehensive income for the period								
Group net profit for the period	0	0	53,744	0	0	53,744	–732	53,012
Other income without companies valued at equity	0	0	1,369	–5,307	1,065	–2,873	825	–2,048
Other income from companies valued at equity	0	0	–4,355	–850	–2,687	–7,892	0	–7,892
Distributions	0	0	–4,076	0	0	–4,076	–25	–4,101
Own shares	0	–1,392	0	0	0	–1,392	0	–1,392
Other changes recognised directly in equity	0	0	3,291	–738	–2,553	0	0	0
Equity at 31/12/2020	**68,063**	**241,044**	**1,432,331**	**–19,990**	**21,721**	**1,743,169**	**43,754**	**1,786,923**

Cash flow statement as at 31 December 2020

Cash flow statement in EUR thousand	**31/12/2020**	**31/12/2019**
Annual net profit	**53,012**	**126,695**
Non-cash items in annual net profit and reconciliations to the cash flow from operating activities:		
– Depreciations/appreciations on intangible assets, property, plant and equipment, properties held as financial investments and other financial assets, as well as other assets from operational business	32,864	28,909
– Increase/reduction in reserves and risk provisions	67,957	13,283
– Profit/loss from disposal of intangible assets, property, plant and equipment, properties held as financial investments, and other financial assets	478	–292
– Adjustments for other non-cash items	–1,383	–1,380
– Share of profit/loss in companies accounted for using the equity method	–30,172	–53,017
– Net interest revenue	–130,853	–139,889
– Tax expense/income	1,089	17,756
Sub-total	**–7,008**	**–7,935**
Changes to assets and liabilities from operating activities after correction for non-cash components:		
– Loans to credit institutions	94,931	–101,673
– Loans to customers	–80,845	–191,056
– Other financial assets	184,031	373,906
– Trading assets	–5,092	–9,798
– Other assets from operating activities	23,178	33,051
– Liabilities to credit institutions	651,698	–6,371
– Liabilities to customers	746,001	710,215
– Other financial liabilities	–52,705	87,492
– Trading liabilities	–5,896	–4,964
– Reserves and provisions	–8,653	–6,289
– Other liabilities from operating activities	–2,078	–3,459
– Interest received	140,806	190,111
– Dividends received	7,277	15,569
– Interest paid	–40,248	–39,046
– Payment of tax on income	–14,820	–27,428
Cash flow from operative business	**1,630,577**	**1,012,325**
Funds inflow from sales of		
– intangible assets, property, plant and equipment, and properties held as financial investments	579	1,552
– other financial assets	6,526	104,565
Funds outflow through investment in		
– intangible assets, property, plant and equipment, and properties held as financial investments	–37,470	–24,667
– other financial assets	–143,514	–497,880
Investment cash flow*	**–173,879**	**–416,430**
Capital increases	0	0
Dividend payments	–4,076	–10,182
Subordinated liabilities**	27,930	–25,551
Cash flow from financing activity	**23,854**	**–35,733**
Cash position at the end of the previous period	**1,427,659**	**867,497**
Cash flow from operative business	1,630,577	1,012,325
Investment cash flow	–173,879	–416,430
Cash flow from financing activity	23,854	–35,733
Cash position at the end of the period	**2,908,211**	**1,427,659**

The cash position includes the cash reserve balance sheet items comprising cash on hand and credit balances at central banks. The presentation has been restructured compared to the Annual Report 2019 for reasons of clarity. The previous year's figures have been adjusted and reallocated accordingly.

* Investment cash flow comprises the cash inflows and outflows of those securities that have been assigned to the "Hold" business model, as well as equity instruments that are valued at fair value through other comprehensive income (FVOCI).

** This item includes payments in from the issue of subordinated capital of EUR 30,930 thousand and payments out from the repayment of subordinated capital of EUR –3,000 thousand.

The consolidated financial statement of the Bank für Tirol und Vorarlberg Aktiengesellschaft (BTV) has 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 preparing this consolidated financial statement, all standards which were required for this financial year were applied.

The Bank für Tirol und Vorarlberg Aktiengesellschaft is an "Aktiengesellschaft" (public limited company) with headquarters in Austria. The company's registered office is in Innsbruck. The main activities of the company and its subsidiaries include asset management, corporate and retail banking, the holding of participations and the operation of cable cars and other tourism business. 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 consolidated 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 accounting policies and valuation methods of the consolidated financial statements as at 31 December 2020 remained essentially unchanged compared to the audited BTV consolidated financial statements for 2019. An overview of all new applicable standards is presented on page 80 onwards.

Approval to publish the consolidated financial statements was given by the Executive Board to the Supervisory Board on 12 March 2021. The approval for publication of the consolidated financial statements by the Supervisory Board is planned for 26 March 2021.

Principles and consolidated entities

All significant subsidiaries which are controlled by BTV under IFRS 10 are included in the consolidated 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 values at the time of acquisition. As part of the consideration, shares of other shareholders 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 lesser significance for the asset, financial and income situation of the Group are not fully consolidated.

There has been a change in consolidated entities compared to 31 December 2019. On 06 December 2019, Silvretta Montafon Holding GmbH acquired three companies: "Besitzgesellschaft St. Gallenkirch Appartment A & B Joint Venture GmbH", "Besitzgesellschaft St. Gallenkirch Appartment C Joint Venture GmbH" and "Besitzgesellschaft St. Gallenkirch Hotel Joint Venture GmbH", with the purpose of developing hotel and apartment projects in Montafon. In the second quarter of 2020, PURE Schruns GmbH was sold and has since ceased to be part of the consolidated group of companies. BTV Hybrid I GmbH in Liqu. was removed from the commercial register on 23 September 2020 following completion of the liquidation procedure and ceased to be part of the consolidated group of companies in the third quarter of 2020.

In addition to the Bank für Tirol und Vorarlberg Aktiengesellschaft, consolidated entities include the following participations:

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%
TiMe Holding GmbH, Innsbruck	100.00%	100.00%
Silvretta Montafon Holding GmbH, Schruns	100.00%	100.00%
Silvretta Montafon Bergbahnen GmbH, Schruns	100.00%	100.00%
Silvretta Montafon Gastronomie GmbH, Schruns	100.00%	100.00%
Silvretta Montafon Skischule Schruns GmbH, Schruns	100.00%	100.00%
Silvretta Montafon Sporthotel GmbH, Schruns	100.00%	100.00%
Silvretta Montafon Sporthotel GmbH & Co. KG, Gaschurn	100.00%	100.00%
Sporthotel Schruns GmbH, Schruns	100.00%	100.00%
Silvretta Montafon Sportshops GmbH, Schruns	100.00%	100.00%
Skischule Silvretta Montafon St. Gallenkirch GmbH, St. Gallenkirch	50.00%	50.00%
Silvretta Montafon Bergerlebnisse GmbH, Schruns	100.00%	100.00%
Besitzgesellschaft St. Gallenkirch Appartment A & B Joint Venture GmbH	100.00%	100.00%
Besitzgesellschaft St. Gallenkirch Appartment C Joint Venture GmbH	100.00%	100.00%
Besitzgesellschaft St. Gallenkirch Hotel Joint Venture GmbH	100.00%	100.00%
BTV Beteiligungsholding GmbH, Innsbruck	100.00%	100.00%
BTV 2000 Beteiligungsverwaltungsgesellschaft m.b.H., Innsbruck	100.00%	100.00%
Mayrhofner Bergbahnen Aktiengesellschaft, Mayrhofen	50.52%	50.52%
Beteiligungsholding 5000 GmbH, Innsbruck	100.00%	100.00%
Wilhelm Greil Strasse 4 GmbH, Innsbruck	100.00%	100.00%

The leasing companies and the companies of the Silvretta Montafon Holding GmbH were included in the Annual Report as at 30 September, in accordance with their divergent financial year. BTV Beteiligungsholding GmbH, BTV 2000 Beteiligungsverwaltungsgesellschaft m.b.H. and Mayrhofner Bergbahnen AG finish their financial year on 30 November. The companies of Silvretta Montafon Holding GmbH and Mayrhofner Bergbahnen Aktiengesellschaft have a divergent reporting 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 consolidated using the reporting date of 31 December.

The financial statements of the companies in the scope of consolidation are adjusted for the effects of significant business event or incidents between the reporting date for associated companies on 30 September and the consolidated financial statement's balance sheet date on 31 December.

The Bank für Tirol und Vorarlberg Aktiengesellschaft holds 100% of shares in Silvretta Montafon Holding GmbH as at 31 December 2020. Only indirect minority interests exist, which are the result of the holding in Skischule Silvretta Montafon St Gallenkirch GmbH. 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 participation in Mayrhofner Bergbahnen Aktiengesellschaft.

Group annual net profit allocated to the minority interests amounts to EUR –732 thousand.

Significant holdings over which BTV has a major influence are accounted for using the equity method. As a rule, a stake of between 20% and 50% is considered to be a significant influence ("associated companies"). According to the equity method, holdings in associated companies are included in the financial statements at acquisition cost plus any changes in the Group's share of the net assets of the associated company after the initial consolidation.

The following holdings were included using the equity method:

Companies consolidated at equity	Share in %	Voting rights in %
BKS Bank AG, Klagenfurt	18.89%	18.89%
Oberbank AG, Linz	16.15%	16.15%
Moser Holding Aktiengesellschaft, Innsbruck	24.99%	24.99%

BKS Bank AG based in Klagenfurt and Oberbank AG based in Linz are regional universal banks and, together with BTV, form the 3 Banken Group. Moser Holding AG is active in publishing with a focus on print (daily newspapers, free weekly newspapers and magazines) and online.

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

For the holding in Oberbank AG, there is a syndicate agreement between BTV, BKS Bank AG and Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H. For the holding in BKS Bank AG, there is a syndication contract between BTV, Oberbank AG and Generali 3Banken Holding AG. The purpose of each of these syndication contracts is the maintenance of the independence of the bank. In this way, for both of the cited companies, there is the possibility of exercising a significant influence.

Associated companies are considered to have a reporting date of 30 September, in order to permit the drawing up of the annual financial statements in timely fashion. Intercompany loans and liabilities, expenses and income are eliminated.

ALPENLÄNDISCHE GARANTIE- GESELLSCHAFT m.b.H. is classed as a joint operation. The company has a concession pursuant to Article 1(1)(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 cash 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 considered on the reporting date of 31 December.

Proportionally consolidated company	Share in %	Voting rights in %
ALPENLÄNDISCHE GARANTIE - GESELLSCHAFT m.b.H.	25.00%	25.00%

Accounting and valuation principles

The BTV consolidated financial statements are drawn up in 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.

Spot transactions

Spot transactions in financial assets are recorded or closed out on the settlement date.

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 for managing the essential activities are controlled on the basis of contractual principles. In the BTV Group, in particular 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 period, 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, especially through use of the name BTV in the firm or on business documents in companies for which BTV Group acts as broker. BTV did not maintain any material business connections in the reporting period and in this sense did not act as a sponsor.

Financial instruments pursuant to IFRS 9

Financial instruments pursuant to IFRS 9 are used for the approach with other comprehensive income, plus transaction costs, if applicable.

In the event of classification and subsequent evaluation of financial assets pursuant to IFRS 9, a differentiation must be made between debt instruments, equity instruments and derivatives.

Debt instruments may be designated as evaluated at fair value through other comprehensive income upon allocation for the subsequent evaluation (fair value option) if incongruities during evaluation or allocation are resolved or significantly reduced as a result of such. If the fair value option is not exercised, then on the one hand the classification of debt instruments shall be coupled to the business model for managing these assets, and on the other the properties of the cash flows associated with the debt instrument shall be taken into account.

A business model is an observable instance of how a company manages financial assets for the purposes of collecting cash flows. The business model relevant for classification has been determined by the management of BTV. In doing so, the intentions with respect to an individual financial asset are not authoritative, rather reference shall be made to a higher aggregation level – the management level. The following business models shall be differentiated for classifying debt instruments:

“Hold”: The objective of this business model is to hold the debt instruments in order to collect contractual cash flows until maturity. Allocation to the “Hold” business model presupposes the intention to hold the debt instruments until their respective maturity. A basic willingness to dispose prematurely and subsequently to realise profits and losses means that the intention to hold necessary for this business model is not present. In this context, BTV has defined detailed provisions on the “Non-intervention thresholds” for unexpected sales. These sales are thus only in accordance with the “Hold” business model if they occur irregularly, even if they are of significant value, or if the sales occur regularly and are of insignificant value. The corresponding quantitative “Non-intervention thresholds” have been approved by the Executive Board and documented internally in the “IFRS 9 Policy”.

“Hold and Sell”: The debt instruments are held as part of a business model, the objective of which is to collect the contractual cash flows and dispose of the debt instruments.

“Sell”: The objective of this business model is to maximise cash flows through short-term sales and purchases. The collection of contractually agreed cash flows is incidental.

The management of BTV has defined the business models as follows:

The “Hold” business model is principally allocated to loans to credit institutions and customers, as well as securities.

The “Hold and Sell” business model is principally allocated to securities which primarily serve as additional liquidity reserves.

The “Sell” business model is principally allocated to all financial assets which cannot be allocated to either of the other two business models. This includes in particular securities inscribed in the Austrian Commercial Code/Austrian Banking Act accounts books and investment funds inscribed in the Commercial Code/ Banking Code.

If the business model of BTV for managing financial instruments has changed and if such is of great significance for the business activity then all affected financial assets shall be reclassified, prospectively from the time of reclassification – that is, the first day of the next reporting period. The amendment of the objective of the business model must have become effective before the time of reclassification. In order that a reclassification is permissible, activities which corresponded to the previous business model may not be exercised after the amendment of the business model.

In addition to the business model, the cash flow criterion is also crucial in classifying according to valuation categories. This means that the contractual provisions on cash flows lead to established times which represent repayments and interest payments on the outstanding capital amount only (solely payment of principal and interest – SPPI). Interest in the sense of IFRS 9 is the fee for making money available over a specific period of time, taking into account the risk of default and other risks of basic credit provision, such as liquidity risk. The assessment of contractual payment features shall be performed for each individual financial instrument using the conditions of contract applicable upon allocation.

As part of a comprehensive IFRS 9 implementation project, a checklist has been drawn up for use in reviewing the cash flow criteria for the “Hold” and “Hold and Sell” business models. The review of the cash flow criterion is performed using defined criteria. The decision of whether the cash flow criterion is fulfilled or not in individual cases is made under consideration of all relevant factors and represents a discretionary decision. If there is interest deleteriousness (modification of fair value of the money), then the transaction does not necessarily have to be reported at fair value. Fulfilment or non-fulfilment of the cash flow criterion depends on the type and significance with which the fair value component has been violated. The review can be performed using a benchmark. If it can be clarified with no or minimal analytical effort that the contractual cash flows of the financial asset differ significantly from the comparison cash flows of a non-deleterious benchmark instrument, then a qualitative analysis is sufficient. If this is not possible, a quantitative benchmark test shall be performed.

In the event of significant retroactive amendments of contractual cash flows, this shall lead to derecognition of the original financial instrument in the balance sheet and a new recognition in the balance sheet of a “new” modified financial instrument. In the event of insignificant retroactive amendments which do not lead to a derecognition of the financial instrument, the gross book value of the financial asset shall be recalculated and a change in profit or loss recognised through profit or loss. In the absence of clear regulations in IFRS 9 regarding demarcation between significant and insignificant amendments, a company-specific demarcation shall be applied (see here also “Significant discretionary decisions,” page 68).

Debt instruments are classified as valued at amortised costs for the subsequent valuation if both of the following conditions have been fulfilled and the fair value option not exercised:

- “Hold” business model
- Cash flow criterion fulfilled

Debt instruments are classified as valued at fair value directly in equity under other income for the subsequent valuation if both of the following conditions have been fulfilled and the fair value option not exercised:

- “Hold and Sell” business model
- Cash flow criterion fulfilled

With IFRS 9, the separation of embedded derivatives in case of debt instruments was excluded. The classification criteria shall consequently be applied to the hybrid contract comprising debt instruments and embedded derivatives.

If debt instruments do not pass the SPPI test, or if such are allocated to the "Sell" business model, then such shall be classified for the subsequent valuation at fair value with no effect for the result. At BTV, the lending business is in principle allocated to the "Hold" business model, hence loans to credit institutions and customers with fixed or definable payments are valued at amortised cost, if the SPPI criterion is met. Where direct write-downs have been made, these reduce the receivables. Value adjustments are reported openly as risk provisions.

Equity instruments are in principle valued at fair value. The fair value of investments in equity instruments is determined either on the basis of a stock exchange price or on the basis of recognised valuation models.

For investments in equity instruments which are not held for trading purposes there exists a one-off, irrevocable option to recognise all changes in value in other comprehensive income (OCI option). This option can be exercised separately for each individual financial instrument. In order to avoid or eliminate volatility in the income statement, this option is primarily exercised by BTV. In the event of derecognition of the financial asset before maturity, the cumulative amount recorded under other income shall not be reposted in the profit and loss account (no recycling). Reposting under another equity item is permissible.

Derivatives which are not used as hedging instruments shall be classified for the subsequent valuation as valued at fair value with no effect for result according to IFRS 9, just as according to IAS 39 previously.

Financial liabilities shall in principle be classified for the subsequent valuation as valued at amortised costs. These may optionally be designated for the subsequent valuation as valued at fair value through profit and loss (fair value option) if incongruities in the valuation or allocation are resolved or significantly reduced as a result of such. In the BTV Group, the fair value option is used for certain securitised liabilities and subordinate capital loans which have been secured with derivative financial instruments in the context of interest risk control.

Derivative liabilities and liabilities from the trading portfolio are mandatorily classified as valued at fair value.

Hedge accounting

Insofar as hedge accounting is applied at BTV, as defined in IFRS 9, it is used to cover the income from interest rates and the market risk. Fair value hedges are applied as measures to minimise interest rate change risk and to reduce market risk. The prospective or retrospective provable and documentable effectiveness of hedge accounting is an essential prerequisite for application of fair value hedge accounting in this respect.

The fair value hedge transactions are offset by swapping interest rates on fixed-interest basic transactions for derivative financial instruments linked to the money market which are largely identical but opposing with respect to key parameters.

Balance sheet reporting of hedging transactions as part of fair value hedge accounting is performed under the "Other financial assets" and "Other financial liabilities" items.

Hedged basic transactions as part of fair value hedge accounting are presented under the following balance sheet items:

- Loans to customers
- Liabilities to customers
- Other financial liabilities

The profit or loss from fair value hedge accounting is recognised through profit or loss under the item "Income from financial transactions".

Revenue from customer contracts

The regulations of IFRS 15 define when and how revenue not connected with the receipt of revenue from financial instruments, which falls under the regulations of IFRS 9, is received. At BTV, processes and associated internal controls have been implemented to ensure that realisation of revenue from contracts with customers is in accordance with IFRS 15.
According to IFRS 15, it is specified, using a five-step model, at what point in time (or over which period of time) and in what amount revenue is recorded. 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. Depending on the fulfilment of certain criteria, revenue is recognised as follows:

- Over a period of time, in such a way that the performance of the company is reflected; or
- At a point in time when control of the good or service is transferred to the customer.

Revenue must therefore be recognised in the amount of the consideration most likely to be received by the company in exchange for the transfer of goods or services. In order to achieve this, the principles of the standard, which are laid down in the following five "core areas," are observed:

1) Identify the contract(s) with a customer
2) Identify the performance obligations in the contract
3) Determine the transaction price
4) Allocate the transaction price to the performance obligations in the contract
5) Recognise revenue when (or as) the entity satisfies a performance obligation.

In addition, the realization of income requires fulfilment of the following approach criteria:

BTV's ordinary business activities comprise the provision of banking services, which are essentially outside the scope of IFRS 15.

Silvretta Montafon Holding GmbH's ordinary business activities comprise revenue from the sale of ski passes (daily, seasonal and annual tickets), revenue from ski school activities, revenue from the rental and sale of ski and snowboard equipment as well as clothing, revenue from the operation of a hotel and revenue from catering facilities. Mayrhofner Bergbahnen Aktiengesellschaft's ordinary business activities include revenue from the sale of ski passes (daily, seasonal and annual tickets).

Purchased ski passes are usually paid in cash or settled immediately by bank transfer. Revenue from the sale of season or annual tickets is accrued according to period. In individual cases, short-term receivables may occur if larger ski pass quotas are sold to hotels. Catering revenue is paid immediately; hotel revenue is paid at the latest upon departure. Services provided by ski schools are usually paid before the service is provided.

Revenue generated in the sports trade is settled immediately upon handover of the goods.

No contracts with significant financing components or contracts that require distinctions in accordance with the criteria of IFRS 15 arise from all of these described circumstances.

Government grants pursuant to IAS 20

BTV recognises the "Targeted Long-Term Refinancing Transactions III (TLTRO III)" issued by the European Central Bank, which pay interest at a rate below the market interest rate when certain conditions are met, in accordance with the principles of IAS 20. The benefit from the grants must only be recognised if there is reasonable certainty that BTV will fulfil the associated conditions and that the grants will be awarded.

BTV's participation in the ECB tender programme TLTRO III (Targeted Longer-Term Refinancing Operations III) contains the following key data:

- Term of three years with early redemption option after 12 months at the earliest
- Refinancing of up to 50% of loans eligible for refinancing
- Determination of two reference periods (01 March 2020 – 31 March 2021 and 01 April 2019 – 31 March 2021) with two different interest rate periods (special interest rate period [SIRP] from 24 June 2020 to 23 June 2021 and the remaining time thereafter)
- Interest on the periods depends on the achievement of the targets for lending, which are either 0% in the period from 01 March 2020 to 31 March 2021 or +1.15% in the period from 01 April 2019 to 31 March 2021

BTV estimates the TLTRO III programme as follows: If the lending targets are not met, the external interest rate is –0.50%. This is a common maturity-compliant refinancing rate among banks, even outside the public sector, and is therefore not state aid. On the other hand, if the lending targets are achieved, the external interest rate falls by a further –0.5% to –1.0%. This additional –0.5% is to be measured as government aid in accordance with IAS 20, as this leads to a refinancing interest rate that is not in line with the market. BTV expects to achieve the lending targets and is planning (management resolution, reported to the Supervisory Board in November 2020) to repay the tranche at the first opportunity in June 2021. The underlying remaining term is therefore less than six months, meaning that no discount is applied by means of an effective interest rate.

BTV's liability amounts to EUR 1,150,000 thousand; this sum was booked at cost at the end of the year under "Liabilities to credit institutions". Whether the interest rate advantage of 0.5% will be achieved will only become certain at the end of March 2021. Accordingly, no accruals and deferrals were recognised in the profit and loss in net interest income as at the end of 2020. The interest bonus of 0.5% in each case was accrued. This resulted in a recorded interest income of EUR 3,035 thousand for the TLTRO III programme in the 2020 period.

With regard to the "Targeted Long-Term Refinancing Transactions II (TLTRO II)" issued by the European Central Bank, BTV was able to fulfil the conditions specified by the European Central Bank and thus record grants amounting to EUR 376 thousand in the balance sheet in the 2020 financial year.

In addition, the cable car companies made use of the short-time working allowance in connection with COVID-19 to the amount of EUR 1,878 thousand. BTV has also opted for the net presentation here, in which the grants reduce the expenditure shown. In addition, other operating income includes fixed cost subsidies in connection with COVID-19 of EUR 338 thousand. Receipts of funding after the reporting dates of the cable car companies are not included in the amounts shown.

Recognition of depreciations pursuant to IFRS 9

The depreciation model of IFRS 9 stipulates a risk provision to the amount of the expected credit loss (ECL). According to the model, expected losses shall be recoded even if no concrete indication of a payment default exists at the time of posting. A value correction for expected credit losses shall be recorded for debt instruments which are valued at either amortised costs or fair value under other result, and for loan commitments and financial guarantees, except if such are posted at fair value through profit or loss.

The depreciation model stipulates a categorisation of financial assets in three levels of depreciation. The amount of the depreciation depends on the allocation of the financial instrument to one of three levels:

Generally, when initially recognised, all financial assets are allocated to Level 1, in which value adjustments for the amount of anticipated 12-month loan losses are calculated. If the credit risk increases significantly after the initial recording of financial assets, then a transfer shall be performed from Level 1 to Level 2.

Depreciation corresponds to the value that may arise from possible defaulting during the remaining lifetime of the financial asset (total lifetime credit loss).

IFRS 9 stipulates a comparison of the risk of default on the current balance sheet date with the risk of default since the initial application for determining a significant increase in the credit risk.

The allocation of financial assets to the three levels as part of the determination of depreciation is performed at BTV using the transfer logic below. In this context, the entry of the rating and process-related indicators specified in the table determines the level to be applied.

Risk level	Description	Amount of credit loss
1 – low risk	new business or no significant increase in probability of default/no negative risk information	12-month ECL
1 – low risk	"low credit risk exemption" (only for owned debt securities)	12-month ECL
2 – increased risk	customer is 30 days overdrawn (no forbearance granted)	Total lifetime ECL
2 – increased risk	forbearance granted	Total lifetime ECL
2 – increased risk	refers to a foreign currency loan	Total lifetime ECL
2 – increased risk	refers to a repayment vehicle	Total lifetime ECL
2 – increased risk	significant increase in expected probability of default between first application and current balance sheet date	Total lifetime ECL
2 – increased risk	current rating changed compared to initial rating by at least 4 points	Total lifetime ECL
2 – increased risk	no new business but initial or current rating missing	Total lifetime ECL
3 – default	customer has defaulted	Discounted cash flow method/ blanket calculation of depreciation

The "low credit risk exemption" is an option and allows banks to assume no significant increase in risk of default of a specific financial asset on the accounting date compared to the time of first application if the risk of default of the financial asset is low on the accounting date. This means that the total lifetime ECL is not applied since a significant increase in the credit risk can be excluded by assumption, hence the value correction shall be calculated based on the 12-month credit loss. The "low credit risk exemption" is only applied at BTV for debt securities owned.

The risk of default of a financial asset can be considered low if:

- there exists a low risk of credit default for the financial instrument;
- the borrower is capable of fulfilling their short-term contractual payment obligations without issue; and
- long-term disadvantageous changes to the economic and commercial framework conditions may reduce the ability of the borrower to fulfil their contractual payment obligations, though this is not absolutely certain.

The estimation of the expected credit losses of a financial asset is performed using a function in which the probability of default (PD), the loss given default (LGD) under consideration for securities, the exposure at default (EAD) expected in the future, and guarantees received are taken into account. The marginal expected credit losses resulting from the function are discounted and aggregated.

For financial assets with deterministic cash flows, the expected exposure at default results from the contractually owed future payments. For financial assets with non-deterministic cash flows the expected exposure at default results, on the one hand, from the amount withdrawn on the accounting date, and on the other from additional amounts, the future withdrawal of which can be expected in case of default, by means of applying credit conversion factors.

In general, in the context of depreciation pursuant to IFRS 9, BTV differentiates its customers on the basis of their segment, whereby a total of four segments are used: (i) corporate customers, (ii) retail customers, (iii) states and (iv) banks. The segment allocation of a customer influences the predicted probability of default and the loss given default since different empirical models, approaches and parameters are used in the calculations based on the allocation. The loss ratio in case of default for the non-securitised part of a loan and the predicted probability of default are based on segment-specific empirical evaluations or statistical models.

The probability of default allocated to a financial asset is estimated using segment-specific models which take account of not just the customer rating but also future-oriented macroeconomic information. Within the framework of the models, the probabilities of default inferred from the one-year segment-specific through-the-cycle rating migration matrices which are dependent on the rating are adjusted over the next two years using macroeconomic predictions from an established external organisation. Forecasts include the development of macroeconomic variables, such as real gross domestic product growth or growth of real gross fixed capital formation, and are used to forecast segment-specific portfolio default rates, which are subsequently used to scale through-the-cycle failure probabilities. The choice of macroeconomic variables taken into account is based on an empirical analysis, aiming to illustrate as accurately as possible the segment-specific, historical portfolio default rates by means of macroeconomic variables.

Therefore, the (marginal) probabilities of default thus applied in the calculation do not correspond to the through-the-cycle probabilities, but rather are point-in-time probabilities. For longer time horizons, probabilities of default are extrapolated based on through-the-cycle ratings. The predictions of the macroeconomic variables of the external organisation represent a baseline scenario. The expected credit loss for this baseline scenario is estimated for all financial assets. Moreover, the baseline scenario is complemented by two further internally modelled scenarios, whereby one scenario reflects a more positive development and the other a more negative development of the macroeconomic situation. An expected credit loss is also estimated for all financial assets for these two scenarios. Subsequently, a weighted average of the scenario-dependent expected credit losses is calculated per financial asset which represents the credit loss actually expected, whereby for the expected credit loss over the entire lifetime all periods up to the end of the lifetime are used for the calculation. For the 12-month expected credit loss, all periods up to the end of the first year, or the end of the lifetime if this is less than one year, are used.

In case of actual occurrence of losses or the presence of objective evidence of depreciation, the financial asset shall be categorised as depreciated and transferred to Level 3. At BTV, therefore, the third level covers all items for which default exists pursuant to BTV's internal definition of default.

At BTV, all Level 3 items are arranged into significant and insignificant cases depending on the liability of the individual customer:

For significant cases – that is, where the liability of the individual customer is greater than EUR 1 million – the individual value adjustment or reserve is calculated using the DCF (discounted cash flow) method in which future discounted cash flows are contrasted with current exposures and possible liability. The allocation of cash flows differs from case to case, but in principle follows the internally set logic which differentiates both in the going concern and gone concern approach between the three scenarios "best case", "realistic case" and "worst case". The amount and time of a cash flow is therefore recorded differently depending on the approach and scenario.

For insignificant cases – that is, those where the liability of the individual customer is less than EUR 1 million – calculation of depreciation is performed according to blanket criteria. This means that, depending on the respective level of creditworthiness, a flat-rate percentage of blank volumes (liability less collateral values) – which is based on historical experiential values of the affected default portfolio – in depreciation is calculated.

Depreciation is performed analogously to Level 2 to the amount of the total lifetime credit loss. While in Level 1 and 2 interest and depreciation are recorded separately and interest revenue is calculated on the basis of the gross book value, interest revenue in Level 3 is calculated on the basis of amortised cost and therefore on the basis of the gross book value after deduction of the risk provision.

If, in the past, there has been a significant increase in the credit risk compared to the initial application such that a financial asset was transferred to Level 2 or 3 but the previously determined significant increase in credit risk no longer exists at the time of the current accounting date, then the financial asset shall be transferred back to Level 1.

For assets that already show signs of depreciation upon acquisition or issuing (purchased or originated credit impaired – POCI), depreciation is not recorded during first-time application due to the use of a creditworthiness-adjusted effective interest rate. For these assets, only the changes in the credit loss expected upon allocation accumulated since the first-time application are recognised in income or expenses in the risk provision. The POCI assets are allocated to Level 3 upon entry.

BTV has established its definition of default based on the provisions under Article 178 of EU Regulation 575/2013 (Capital Requirements Regulation – CRR), taking into account EBA GL 2016/07 on the application of the definition of default and Section 23 CRR-BV on the definition of threshold values. A risk item is thus considered defaulted if:

- a significant obligation of the debtor to BTV is overdue for more than 90 days, or;
- BTV considers it unlikely that the debtor will settle their obligations to BTV to the full amount without BTV resorting to utilisation of collateral (pending payment default), or;
- a significant obligation of the debtor who has been granted forbearance has been defaulted on during the forbearance period, and is more than 30 days overdue to BTV upon expiry of the interruption in the period, or;
- a debtor who has been granted forbearance has defaulted during the forbearance period and BTV grants further forbearance upon expiry of the interruption of the period.

The assessment of whether a loan is overdue to a customer is based solely on the civil law maturity of the risk item.

Depreciations of financial assets which are valued at amortised costs are deducted from the gross book value of the assets. Depreciations on borrowed equity instruments, which are valued at fair value under other result with no effect for the result, shall be presented in the profit and loss account. The deprecation itself does not lead to any decrease in the book value of these assets in the balance sheet, rather it is presented under other result.

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 on profit carried forward are recognised in equity. Alongside financial instruments in the functional currency there are primarily financial instruments in Swiss francs and US dollars.

Cash reserves
Cash holdings and credit with central banks are included in the cash reserves.

Risk 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.

Shares in companies valued at equity
This item records the holdings in those associated companies which are included according to the equity method. On the balance sheet date, the BTV Group assesses whether there are objective indications that the holdings in associated companies could go down in value, for example, if the book values of net equity exceed the market capitalisation in value. If there are objective indications of this, the book value is checked for reduction in value by comparing it to the realisable amount, which corresponds to the higher of in-use value and discounted present value, minus sales costs.

Mutual holdings with Oberbank AG and BKS Bank AG are known as "circular holdings." When determining the value of the circular holding, the planned net income for the year at the level of individual financial statements (thus including expected dividends from the sister banks) is used. Secondly, the planned dividends of the sister banks are eliminated. Thirdly, any reserve allocations are deducted in the detailed planning phase (to comply with capital adequacy requirements). The result of this and therefore the basis for the valuation is the distributable result (where appropriate including refinancing expenses). The recoverability of the mutual holdings was ensured in the reporting year.

According to a sensitivity analysis in which the discount rate was increased by +1 percentage point or decreased by –1 percentage point, the company value of BKS Bank AG would change by EUR –29 million (+1 percentage point) and by EUR +39 million (–1 percentage point). For Oberbank AG, the company value would change by EUR –67 million (+1 percentage point) and by EUR +90 million (–1 percentage point).

Trading assets
Financial assets held for trading purposes are reported under trading assets (see Note 7). These financial instruments serve to achieve a profit from exchange rate and price differences or fluctuations in interest within a short-term or medium-term resale. All trading assets, that is, positive market values from derivative financial instruments and funds, are valued at fair value through profit and loss.

Intangible assets

This item includes rental leases, industrial property rights and other rights. These are valued at acquisition costs, reduced by regular amortisation. The scheduled amortisation is applied linearly based on the estimated useful life. The expected useful life and the amortisation method are checked at the end of each financial year and all changes in estimates are considered prospectively. As a rule, the amortisation of intangible assets is performed via a useful life of between 3 and 10 years or 40 years for long-term lease rights and other easements.

In the event of a depreciation under IAS 36, extraordinary amortisations are performed. If the reason for an earlier extraordinary amortisation has lapsed, an allocation will be made to the amortised acquisition or production cost, except in the case of goodwill.

Property, plant and equipment

Property, plant and equipment are valued at acquisition or manufacturing costs, reduced by scheduled and, where necessary, unscheduled depreciation. Scheduled depreciation is applied linearly. The depreciation period is 33 to 50 years for buildings; for operating and office equipment it is 3 to 25 years. Derecognition of the fully depreciated fixed assets takes place upon decommissioning. In the event of derecognition of assets, the procurement or manufacturing costs, as well as the accumulated write-offs, are offset. Earnings on asset disposals (sale proceeds less carrying amount) are recorded under other operating income or other operating expenses. Assets are capitalised at acquisition or manufacturing costs.

Acquisition and production incidental costs and expansion investments are capitalised; however, maintenance expenses are recognised in the period in which they have arisen.

Borrowing costs that can be directly apportioned to the acquisition or production of a qualified asset are included in the acquisition or production 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 scheduled linear depreciation over their expected useful life.

For buildings, the useful life is 5 to 50 years; for fittings in rented property, the useful life is determined according to the duration of rental. The corresponding lease agreements are shown in the profit and loss item “Other operating income”.

Leasing

The BTV Group recognises leases in accordance with the provisions of IFRS 16 “Leases.“

Lessee:
If there exists a leasing relationship, BTV records a right of use, relating to the underlying asset, and a corresponding leasing liability on the balance sheet.

When determining whether an agreement involves a lease pursuant to IFRS 16, BTV assesses, upon conclusion of any contract, whether the contractual agreement constitutes or establishes a leasing relationship. To do this, BTV assesses, on the basis of the individual contract, whether the asset value underlying the agreement is a concretely identifiable asset, whether BTV as lessee is entitled to essentially extract the entire financial benefit from use of the asset, and whether BTV holds the right to determine use of the asset. If these three criteria are cumulatively fulfilled, there exists a leasing relationship in the sense of IFRS 16.

Pursuant to IFRS 16, a leasing liability should be valued at the start of the lease at the cash value of lease payments not yet made at that time. In the absence of all information required to determine the discounting of the implicit interest rate to be applied as a priority, BTV discounts the future lease payments using the incremental borrowing rate. The leasing liability should then be updated in following periods depending on the repayments agreed. The leasing liability should be re-valued if there has been a change to an estimation of payment expectations already made as part of the initial valuation.

The right to use a lease object is valued at amortised cost. These costs include the amount from the first-time valuation of the leasing liability, all lease payments made at or before the start of the term of the lease, initial direct costs and estimated dismantling costs.

The term of the lease relationship is comprised of the non-cancellation period and periods for which an extension option will, with sufficient certainty, be exercised or for which a unilateral termination option will, with sufficient certainty, not be exercised. When assessing whether the exercising or non-exercising of the options is sufficiently certain, BTV takes into account, in particular, the significance of the asset for the Group, termination costs, costs relating to defining an alternative asset value and material installations of BTV. If this consideration of all factors as at the date of preparation results in a term of a maximum of 12 months, then there exists a short-term lease.

For short-term leases and leases whose underlying asset does not exceed a nominal value of EUR 5 thousand at the time of assessment, BTV makes use of the optional right not to report these leases on the balance sheet, and instead reports payments from these contracts linearly as expenditure across the term of the lease.

Lessor:
If all risks and opportunities associated with ownership are transferred as part of a lease, this is considered financial leasing. Based on the following indicators, BTV assesses in particular whether a lease could be classified as financial leasing:

- At the end of the term of the lease, ownership of the asset is transferred to the lessee.
- The lessee has the option to acquire the asset at a price that is significantly lower than the fair value of the asset at the time of the potential exercise of an option, such that it is sufficiently certain at the start of the lease that the option will be exercised.
- The term of the lease covers the majority of the economic useful life of the asset, even if the right of ownership is not transferred.
- The asset is special such that it can only be used by the lessee without significant change.

If all risks and opportunities associated with ownership are not essentially transferred, a lease is classified as an operational lease.

In the case of finance leasing, the assets held as part of the lease are entered as receivables to the amount of the net investment in the lease. The lease instalments are broken down into repayment and interest, whereby the latter should be distributed across the term of the lease such that the returns from the net investment value are equal across the period on the basis of the lessor's internal interest rate.

Lease payments from operational leases are reported linearly as revenue. In the case of an operational lease, the lessor must value the asset at the outset at acquisition and manufacturing cost, and report this on the balance sheet according to its type. The asset is subsequently updated pursuant to IAS 16 “Property, plant and equipment” or IAS 38 “Intangible assets” depending on whether it is a movable asset or immovable property.

Current assets

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

Reserves

Long-term staff reserves (pension, severance, 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 the balance sheet, but also the expected future rates of increase.

Other provisions are created as required by IAS 37 if the company has existing legal or factual liabilities that 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 that 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 refunds 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 that 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 be generated. 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 remain on 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 repurchase agreements is classified as liabilities to credit institutions or liabilities to customers.

Net interest income
The net interest income includes revenue and expenses that represent compensation for the provision of capital. In addition, revenue from other assets, from holdings and from trading assets are also documented under this item. Expenditure from other financial liabilities, trade liabilities, and interest expenditure for long-term staff reserves are also posted under this item. In addition, negative interest rates are reported 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.

Risk provisions in the credit business
The item "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 loans in connection with the credit business.

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

Revenue from companies valued at equity
Revenue from companies valued at equity is posted under this item.

Trading income
This item includes profits and losses realised from the sale of currencies, securities, derivatives and other financial instruments from the trading portfolio, and unrealised valuation profits and losses from the market valuation of currencies, securities, derivatives and other financial instruments from the trading portfolio.

Revenue from financial transactions
The valuation result and also income achieved from the derecognition of securities, derivatives, loans and own issues is recognised under this item.

Operating expenses
The operating expenses include staff expenditure, material expenditure as well as scheduled depreciation of fixed assets, amortisation of intangible assets and of properties held as financial investments for the reporting period.

Staff costs include 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 severance, pensions, anniversary payments and death benefits, insofar as they are not included in the other results.

Material expenditure include IT costs, office building costs and the costs for running offices, costs for advertising and marketing, legal and consultancy costs, and other operating costs.

Other operating income
Other operating income shows all the revenue and expenditure of the BTV Group which is 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 from non-banking activities, such as insurance and revenue from cable cars and tourism. Furthermore, in addition to expenses for other taxes and levies, this item also includes expenses for the increase in reserves as well as income from the liquidation of other reserves.

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

Discretionary decisions, assumptions and estimates
In drawing up the BTV consolidated 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 may make it necessary to adjust the book value on the balance sheet. The management's 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, with the objective of providing meaningful information on the asset, financial and earnings situation of the company. For discretionary decisions regarding the risk status of the Group, please refer to the Risk Report (page 126 onwards).

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.

Retroactive amendments of contractual cash flows pursuant to IFRS 9
In assessing whether a modification leads to a significant change in contractual cash flows and thus to a derecognition of the financial instrument, qualitative and quantitative factors are taken into consideration. A qualitative assessment is always sufficient for financial assets if this assessment can be used to clearly identify a significant modification. This shall be considered in particular in the event of a change of debtor or currency or the granting of a contractual clause which does not fulfil the cash flow conditions. In the event of a modification of a financial asset which was not defined beforehand as a clearly significant contract adjustment, the assessment is performed using a cash value test. Accordingly, there is a significant changes in contract conditions if a present value difference between the remaining debt of the original cash flows and the new cash flows results from the modification and amounts to at least 10%.

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 other comprehensive income 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, derived from observable market data.

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 bonds listed on major exchanges. The fair value of financial instruments traded on active markets is calculated on the basis of quoted prices, insofar 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 market data. 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 on 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 risk-free interest curve 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 three-step process:

1) If for the issuer there is 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 application case does not currently exist in the BTV Group.

Level 3
The fair values of the mentioned financial assets in Level 3 were 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 allocated to Level 2 and valuation is performed in accordance with the following process:

Level 2
Own issues are not subject to active trading on the capital market. Instead, they are retail issues and private placements. Valuation is consequently performed by means of a discounted cash flow valuation model. This is based on an interest curve that applies money market interest rates and swap interest as well as BTV's credit spreads.

Derivatives are also allocated to Level 2. The following valuation processes are applied:

Level 2
Derivative financial instruments are divided into derivatives with a symmetrical payment profile and derivatives with an asymmetrical payment profile. At BTV, derivatives with a symmetrical payment profile contain interest derivatives (interest swaps and forward interest rate contracts) 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 is performed here by means of the Black-76-Option price model. All inputs are either directly observable on the market in their entirety (money market rates, money market futures and interest rates as well as swap interest rates) or derived from input factors observable on the market (cap/floor volatilities implicitly deducted from option prices).

Loans that are to be recognised at fair value are valued as follows:

Level 3
Loans that are to be recognised at fair value are valued using a discounted cash flow method in which the future projected cash flows are discounted for the lifespan of the instrument taking into account the credit risk. The discount curve is increased by one epsilon, which is calibrated in such a way that the transaction corresponds to the nominal value at the time of initialisation and thus does not generate a valuation gain/loss. The sum of the cash flows discounted in this way gives the fair value.

The fair value hierarchy and fair values of financial instruments are explained in more detail under Notes 36 and 36a.

Risk provisions in the lending business
Risk 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 risk provisions to estimate the amount and timing of future cash flows.

Depreciations of financial instruments that cannot yet be identified are established based on expected credit loss (ECL). These depreciations are based on ratings estimates and probabilities of default. Notes on the principles of the applied input factors, assumptions and estimation procedures for measuring expected credit losses, for determining whether the risk of default of a financial instrument has increased significantly since first application, and for determining whether a financial asset is exposed to impaired creditworthiness are explained in more detail in the Section "Recognition of depreciations pursuant to IFRS 9" on page 61.

Long-term staff reserves
Long-term staff 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.

Other reserves
The formation of reserves 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 cash flows are necessary for the calculation of reserves. Further details can be found in Notes 15h.

Legal disputes of 3 Banken with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H.:
UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H. (jointly abbreviated as "UniCredit") submitted a motion at the Annual General Meeting of BTV in May 2019 to conduct a special audit with regard to all capital increases performed by BTV since 1993. This motion was not approved. In light of the rejection of this motion for resolution, UniCredit subsequently submitted an application to the District Court Innsbruck in June 2019 requesting the ordering of a special audit.

The request was dismissed and rejected respectively in both the first and second instance, and the extraordinary audit appeal filed by UniCredit to the Austrian Supreme Court was finally rejected by decision of the Supreme Court of 25 November 2020, meaning that these proceedings are legally concluded.

In June 2019, UniCredit then lodged a claim before the Innsbruck Regional Court to challenge individual resolutions of BTV's 101st Annual General Meeting of 16 May 2019. The Innsbruck Regional Court suspended the proceedings for clarification of a preliminary matter by the Takeover Commission in a decision of 19 January 2020. On 09 July 2020, UniCredit filed an action before the Innsbruck Regional Court to challenge individual resolutions of BTV's 102nd Annual General Meeting of 10 June 2020. The first hearing in these proceedings will be held in July 2021. These proceedings have not had a discernible impact on the balance sheet.

At the end of February 2020, UniCredit submitted applications to the Takeover Commission to review whether the shareholder syndicates existing at 3 Banken have breached a bid obligation under takeover law. BTV is affected by these proceedings as a member of the syndicates with Oberbank AG and BKS BANK AG.

UniCredit is alleging that, since 2003, the composition and decision-making organ of the syndicates have changed and that as a whole these have expanded their voting weight in a manner relevant to takeover law, and that thus a bid obligation should have been triggered.

In the period from 28 September 2020 to 01 Oktober 2020, the proceedings for taking evidence took place in these review proceedings before the Takeover Commission; the decision of the Takeover Commission is made in writing. After careful review, with the involvement of external experts, the Executive Board is under the impression that even a new audit under takeover law will not lead to any assertion of a bid obligation.

Taxes on income

Current tax assets and liabilities for the reporting year and prior periods are recognised at the amount at which reimbursement of or payment to the tax authority is expected. Significant discretionary decisions in this regard for the 2020 financial year arise from a tax procedure of BTV Leasing that has not yet been completed with regard to input tax deduction for a leased building.

BTV and its subsidiaries are subject to regular tax audits by tax authorities with the possibility of assessments. At the end of the 2020 financial year, a tax audit began in Austria for the financial years 2015 to 2018.

Deferred taxes

Deferred tax assets are recognised for applicable temporary tax differences. This assumes that in future taxable earnings are available to offset the losses. Discretionary decisions and estimations are required in order to determine at what level deferred tax assets are to be set, based on future taxable profit and future tax planning. Details on deferred tax assets can be found in Note 9a.

COVID-19

The COVID-19 pandemic and related measures led to a global economic downturn in 2020. BTV responded comprehensively to this development in order to provide its customers with the best possible support in their respective situations and with due regard for risks.

Support for customers

As early as March 2020, various support packages were made possible for BTV's customers. With these, BTV was able at an early stage to fulfil its responsibility to support the real economy by responding quickly and simply to the individual needs of its customers in order to enable financial security in an uncertain environment.

The various measures related to COVID-19 include different types and arrangements of bridge financing, credit line increases and deferrals with and without maturity amendments.

The gross book value of all loans to customers with a COVID-19 measure in the 2020 financial year is around EUR 870.2 million. Moreover, additional credit risks from unused credit lines amount to around EUR 87.8 million and the value for guarantees and liabilities to around EUR 0.2 million.

Customer loans from transactions involving COVID-19 measures by industry and IFRS 9 impairment level
in EUR thousand

Industry	Level 1	Level 2	Level 3	Total
Tourism	110,399	158,185	6,422	275,006
Services	110,122	34,677	1,848	146,647
Physical goods manufacturing	110,187	27,508	1,650	139,344
Trade	59,545	28,766	2,996	91,308
Retail	44,296	24,265	323	68,884
Real estate management	41,029	18,630	0	59,659
Transport and communications	17,290	36,859	0	54,149
Construction	10,529	2,276	435	13,240
Cable cars	3,134	2,407	0	5,541
Loans and insurance	4,115	0	0	4,115
Energy and water utilities	20	0	0	20
Other	5,962	6,286	0	12,248
Total	**516,628**	**339,858**	**13,674**	**870,160**

State guarantee programmes and support financing

In parallel to risk analyses, the support measures of the national states were examined and the respective guidelines were incorporated into BTV's rules and regulations. In Austria, Germany and Switzerland, customers were able to benefit from all aid financing via BTV in the respective countries. Representative examples include loans with liabilities from Austria Wirtschaftsservice in Austria, financing with KfW guarantees in Germany or support funds with solidarity guarantees in Switzerland. In addition to the use of the respective guarantee programmes, there were also independent new loans or top-up options if the corresponding risk analyses allowed for this.
For customer loans of EUR 169.9 million, there are public guarantees in accordance with state guarantee programmes in connection with COVID-19, which collateralise customer loans at around 82.7%.

In addition, in April, there was a separate loan application option in the corporate customer business that was specifically tailored to financing in connection with COVID-19. Particularly in this phase of the pandemic, speed was of great importance in order to cushion any liquidity bottlenecks on the part of customers. The special loan application was able to ensure that all relevant information was pooled together for the loan decision, resulting in lead times in the decision-making process of less than two days on average. Competence levels remained unchanged during the COVID-19 pandemic.

Payment moratoria

In addition to support financing, BTV has also been granting its customers payment moratoria since March 2020 as the main measure, which has enabled it to make a significant contribution to easing the liquidity situation of its customers. BTV has concluded that to date all moratoria introduced in Austria fulfil the conditions as defined in the EBA Statement of 25 March and the EBA Guideline 2020/02 of 02 April 2020. BTV has also joined the Austrian non-legislative moratorium notified to the EBA and has implemented the corresponding framework conditions. All measures taken were documented at the business level from the start of the pandemic so that continuous monitoring and comprehensive reporting are ensured.

Measures within the framework of payment moratoria are not automatically considered as triggers for a level transfer with regard to the assessment of a significant increase in default risk. For the assessment of a level transfer, BTV continues to apply its defined assessment criteria, which consist of qualitative information and quantitative values. Further details on the estimation of expected credit losses are described in the accounting and valuation principles from page 57 onwards.

When determining the deferral periods, the customers' individual situations were taken into account. Statutory deferrals with consumers in accordance with Section 2 of the Second COVID-19 Judicial Accompany Act were used sparingly.

Customer loans from transactions that were deferred within the framework of the statutory moratorium amount to less than EUR 1 million.

BTV mainly concluded agreements that go beyond the scope of the statutory moratorium or are with customers who do not fall within the scope of the statutory moratorium. Some of these deferrals took place in accordance with EBA Guidelines 2020/02 on non-legislative payment moratoria. In general, BTV reviewed all deferral measures individually to determine to what extent there was a financial urgency to the extent that fulfilment of the customer's contractual obligations would have been impossible or unlikely without the deferral measure, and whether the deferral assists the customer in overcoming its financial distress.

The amount of customer loans from transactions that were deferred during the financial year outside the legal moratorium due to COVID-19 is EUR 669.8 million. Of this, around EUR 372.6 million is covered by the non-legislative payment moratorium. On the one hand, this value is made up of deferral measures with financial distress, which, without the existence of the non-legislative payment moratorium, would lead to a forbearance classification (EUR 153.2 million), and on the other hand of deferrals granted without such financial distress, despite the negative effects of COVID-19 on the customer (EUR 219.4 million).

Customer loans of around EUR 297.2 million were deferred outside the legislative payment moratorium or the non-legislative payment moratorium due to COVID-19. Of this amount, around EUR 96.6 million is attributable to deferral measures with customers, which, however, would have been able to fulfil their contractual obligations according to the original payment plan without the measure, whereby the measure is not to be regarded as a forbearance or forbearance measure. Further customer loans of EUR 200.6 million are related to deferrals, which were assessed as a forbearance or forbearance measure after a case-by-case review. Accordingly, all affected transactions as at 31 December 2020 are in Level 2 or Level 3.

In light of the changed payment schedules, there may be a loss in present value of the individual credit agreement, which is generally recognised as an immaterial modification of this contract in BTV's income statement with a one-off adjustment of the gross book value. In the 2020 financial year, EUR 0.6 million was included in Group net income in this regard.

Customer loans from transactions involving COVID-19 measures by type of measure and IFRS 9 impairment level
in EUR thousand

Industry	Level 1	Level 2	Level 3	Total
Capital accumulation	8,039	1,420	0	9,458
Bridge financing	147,692	39,748	2,804	190,245
Deferments, thereof	360,897	298,690	10,870	670,457
Legal payment moratorium	263	380	0	643
Non-legislative payment moratorium without financial distress	180,600	38,828	0	219,428
Non-legislative payment moratorium with financial distress	100,368	44,163	8,622	153,154
Outside payment moratoria without financial distress	79,666	16,810	143	96,618
Outside payment moratoria with financial distress	0	198,509	2,104	200,614
Total	**516,628**	**339,858**	**13,674**	**870,160**

Credit risk analyses

Shortly after COVID-19 emerged, when the outbreak was still deemed an epidemic with a focus on China or Southeast Asia, BTV started with impact analyses. These initially focused on any dependencies with China in relation to BTV customers' value chains and raising awareness among decision-makers involved in any loan decisions. With the further global spread of COVID-19, the impact analyses have been extended – on the one hand to the countries most affected (especially Italy) and on the other to the sectors most affected at the start of the crisis with a focus on shipping, aviation and tourism.

When the virus started to spread in BTV's market area and national governments implemented the first lockdown measures, a full review of all sub-portfolios, which were particularly affected by the pandemic or the mitigation measures introduced, was initiated as part of several priority actions. With regard to tourism, transport services, the automotive industry, mechanical engineering and trade in particular, tests were carried out down to the individual customer level due to BTV's risk content. Both front office and back office employees were involved to take all available information into account in the analyses. The results of these analyses were pooled into a watch-list that was continuously monitored and updated in the following months.

In addition, it was already stipulated in spring 2020 that the creditworthiness of individual customers would be checked as a risk factor for all loan applications and extensions as well as in the context of risk analyses, explicitly taking COVID-19 into account.

Current business developments were taken into account within the rating process, primarily through the use of warning indicators (e.g. weak/strong declines in sales or earnings). Taking account of customer heterogeneity, including within sectors, the approach at the individual customer level was preferred over general rating downgrades at the portfolio level.

Factors impacting the determination of expected credit losses pursuant to IFRS 9

Compared to the previous year, the value adjustments and reserves for unused credit lines and guarantees increased by around EUR 51.7 million. This increase in risk provisions consists of an increase of around EUR 29.9 million in Level 3 and of around EUR 18.8 million in Levels 1 and 2, as well as a further EUR 3.0 million management overlay in Level 2.

The increase in Level 1 and Level 2 is almost entirely the result of the overall situation affected by the COVID-19 pandemic and the resulting increase in expected credit losses. This is mainly due to the following factors:

- Forecast increase in future portfolio default rates based on Forward-Looking Information (FLI) and consequently increased point-in-time default probabilities per rating class. The effect on the level of risk provisions in Level 1 and Level 2 is around EUR 15.1 million
- Deteriorations in customer ratings
- Transfer of transactions from Level 1 to Level 2 due to debt forbearance, rating deterioration and/or increase in point-in-time default probability

Risk provisions by industry, level and year

in EUR thousand

Industry	2020				2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Physical goods manufacturing	3,668	4,662	33,714	**42,044**	1,917	1,031	23,679	**26,628**
Services	3,302	3,648	17,444	**24,394**	1,377	1,615	25,318	**28,310**
Tourism	1,398	4,169	18,385	**23,952**	662	323	4,861	**5,846**
Retail	904	958	12,533	**14,396**	505	775	13,279	**14,560**
Trade	1,060	1,112	14,593	**16,764**	642	251	8,428	**9,321**
Loans and insurance	584	122	14,347	**15,053**	507	180	4,555	**5,242**
Construction	1,737	927	6,311	**8,975**	741	182	6,406	**7,328**
Real estate management	4,209	2,028	1,886	**8,123**	1,995	806	2,276	**5,077**
Energy and water utilities	144	4	3,732	**3,880**	35	0	3,732	**3,767**
Transport and communications	268	200	1,176	**1,644**	141	62	1,404	**1,606**
Cable cars	421	107	0	**528**	95	31	0	**126**
Public sector	91	0	107	**197**	111	2	109	**222**
Other	51	15	461	**528**	43	37	723	**803**
Total	**17,836**	**17,952**	**124,690**	**160,478**	**8,771**	**5,295**	**94,770**	**108,836**

Risk provisions by country, level and year

in EUR thousand

Country	2020				2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Austria	9,557	9,523	91,178	**110,259**	4,870	3,470	56,738	**65,079**
Germany	6,518	6,067	23,760	**36,345**	2,888	750	27,221	**30,859**
Switzerland	790	1,841	4,827	**7,458**	521	718	6,183	**7,421**
Italy	637	391	839	**1,867**	256	286	349	**891**
Other	334	130	4,085	**4,550**	236	70	4,279	**4,586**
Total	**17,836**	**17,952**	**124,690**	**160,478**	**8,771**	**5,295**	**94,770**	**108,836**

The difference in the two previous tables to the information in Note 6 of EUR 40,777 thousand results firstly from the provision for ALGAR guarantees in Level 1 of EUR 37,778 thousand, and secondly from a subsequent management overlay of EUR 3,000 thousand. The amount of the provision for ALGAR guarantees in Level 1 in the previous year was EUR 40,707 thousand.

In connection with the current COVID-19 pandemic, the expected credit loss is also determined using existing calculation logic. However, in order to adequately take into account the current situation, a model component was adjusted using the information available at the reporting date on current conditions and forecasts of future economic developments, including the effect of any government stabilisation measures.

The adjusted model component relates to scenario-dependent forecasts of the portfolio default rates for corporate and retail customers. These are used to transform through-the-cycle default probabilities into point-in-time. Prior to the COVID-19 pandemic, portfolio default rate forecasts were determined using econometric models that used macroeconomic factor forecasts as input variables. In the current situation, however, expectations for future portfolio default rates are formed on a qualitative basis and used directly to transform the through-the-cycle default probabilities into point-in-time default probabilities.

This approach is based on the estimation that the portfolio default rate forecasts determined by econometric models are not sufficiently accurate. The point-in-time default probabilities used in the calculation of the expected credit loss are higher than when using the previous econometric model due to the use of the qualitatively determined forecasts for portfolio default rates. The qualitative calculation of the portfolio default rate forecasts is based on current forecasts for various macroeconomic factors (including the development of output gap and GDP, unemployment rate, business expectations) from various providers (including OECD, ECB, WIFO, EIU) in combination with the current situation and the expected development of the COVID-19 pandemic with regard to government containment and stabilisation measures. These were comprehensively analysed to determine their impact on future portfolio default rates. Portfolio default rates are expected to increase significantly in the near future in all three scenarios and in each segment compared to the current level of portfolio default rates.

The three scenarios are a baseline scenario, which represents the expected trend of portfolio default rates, as well as a scenario for a negative and a positive deviation from the baseline scenario. The respective scenario is based on the following developments:

Baseline scenario
- Slow relaxation of travel restrictions from the end of Q1 2021/beginning of Q2 2021, so that summer holidays are possible without significant restrictions in Q3 2021.
- Gradual relaxation of other COVID-19 measures over the first half of 2021.
- Increase in economic growth rates from Q2 2021 onwards, but the economic performance level from the end of 2019 will not be achieved again by 2022.
- Normalisation of the situation in the second half of 2021 due to broad immunity of the population through vaccinations, rendering lockdown measures obsolete.

Negative scenario
- Delays in the vaccination of the population combined with higher infectiousness of new virus variants lead to an extension of lockdown measures, so that there are restrictions on public life until the end of 2021.
- As a result, the practical travel restrictions also remain in force until the end of 2021 and the summer tourism season will be cancelled.
- Economic recovery will only start to a full extent in 2022.

Positive scenario
- Economic recovery following the rapid vaccinations and the corresponding relaxation of measures is stronger than expected in the baseline scenario.
- Decrease in numbers of infections before vaccination of the general population is completed leads to earlier relaxation of current measures, including travel restrictions.
- Summer tourism is possible without restrictions and the figures for overnight stays by foreign guests almost reach pre-crisis levels.
- Effect of government stabilisation measures with regard to the prevention of payment defaults assumed to be greater than in the baseline scenario.

The three scenarios used in the ECL calculation therefore reflect the present uncertainty regarding the expected economic recovery, how the COVID-19 pandemic will proceed, the medium-term effect of any government stabilisation measures and the resulting effect on the expected portfolio default rates. This uncertainty is also reflected in a broader spread of expected credit losses by scenario.

The following table presents sensitivities of the risk provisions formed in Level 1 and Level 2, separated by value adjustments for the credit business and reserves for unused lines of credit, as well as for guarantees. In addition to the scenarios underlying the ECL calculation, which are weighted at 60% for the baseline scenario and 20% each for the negative and positive scenarios for determining the ECL, the table also shows the influence of an ECL calculation without the use of forward-looking information (through-the-cycle calculation), the effect of the legislative payment moratorium and the non-legislative payment moratorium in the level allocation, and the hypothetical effects if, on the one hand, deferrals in connection with COVID-19 were generally not to lead to forbearance or, on the other hand, all transactions currently in Level 1 with COVID-19 measures were to be transferred to Level 2. While the first three value columns of the table show the difference from the relevant initial value, the last column shows the aggregated portfolio values. Each scenario/topic is to be interpreted ceteris paribus and not cumulatively.

Sensitivity of risk provisions in Level 1 and Level 2 in EUR thousand

		Level 1	Level 2	Level 1 + Level 2	Total
Total	**31/12/2020**	**55,614**	**20,952**	**76,566**	**76,566**
Difference from initial value by scenario	Baseline scenario	–321	–297	–618	**75,948**
	Negative scenario	+5,849	+4,832	+10,681	**87,248**
	Positive scenario	–4,887	–3,941	–8,828	**67,739**
ECL calculation without FLI (TTC)		–4,585	–3,549	–8,134	**68,432**
No consideration of payment moratoria in the level allocation		–284	+906	+622	**77,188**
No forbearance due to COVID-19 deferrals		+897	–4,085	–3,188	**73,378**
Transfer of all transactions in Level 1 with COVID-19 measure to Level 2		–1,830	+6,563	+4,732	**81,299**
Loan loss allowances	**31/12/2020**	**10,746**	**14,696**	**25,442**	**25,442**
Difference from initial value by scenario	Baseline scenario	–189	–211	–400	**25,042**
	Negative scenario	+3,450	+3,358	+6,809	**32,251**
	Positive scenario	–2,884	–2,724	–5,608	**19,834**
ECL calculation without FLI (TTC)		–2,969	–2,078	–5,047	**20,395**
No facilitation through payment moratoria in the level allocation		–223	+660	+437	**25,879**
No forbearance due to COVID-19 deferrals		+785	–3,153	–2,368	**23,074**
Transfer of all transactions in Level 1 with COVID-19 measure to Level 2		–1,315	+4,432	+3,117	**28,559**
Reserves for unused lines of credit	**31/12/2020**	**5,118**	**3,000**	**8,118**	**8,118**
Difference from initial value by scenario	Baseline scenario	–95	–57	–152	**7,966**
	Negative scenario	+1,724	+968	+2,692	**10,810**
	Positive scenario	–1,438	–797	–2,235	**5,883**
ECL calculation without FLI (TTC)		–1,153	–984	–2,137	**5,981**
No consideration of payment moratoria in the level allocation		–18	+58	+39	**8,158**
No forbearance due to COVID-19 deferrals		+48	–132	–84	**8,035**
Transfer of all transactions in Level 1 with COVID-19 measure to Level 2		–241	+677	+436	**8,554**
Reserves for guarantees	**31/12/2020**	**39,749**	**3,256**	**43,006**	**43,006**
Difference from initial value by scenario	Baseline scenario	–37	–29	–65	**42,940**
	Negative scenario	+675	+506	+1,181	**44,186**
	Positive scenario	–565	–420	–985	**42,021**
ECL calculation without FLI (TTC)		–463	–487	–950	**42,056**
No consideration of payment moratoria in the level allocation		–42	+188	+146	**43,152**
No forbearance due to COVID-19 deferrals		+64	–801	–736	**42,269**
Transfer of all transactions in Level 1 with COVID-19 measure to Level 2		–274	+1,454	+1,179	**44,185**

The comprehensive review of the individual credit ratings taking into account the customer-specific exposure to COVID-19 or its effects and the continuous and consistent monitoring of the individual risk positions since then, taking explicit account of the current situation, reflects the potential increase in the default risk in the respective individual customer ratings. These are directly and indirectly incorporated into the level allocation via the probabilities of default. Due to the situation-appropriate and current default risk assessment of individual customers, there was no collective consideration of entire sectors during the level allocation.

Due to COVID-19 developments in Tyrol after the balance sheet date, a management overlay of a total of EUR 3 million was formed in addition to the existing risk provisions shortly before the financial statements were finalised (EUR 1.8 million value adjustments for the credit business in Level 2 and EUR 1.2 million provisions for unused lines of credit in Level 2). The basis for the amount of the management overlay is the hypothetical increase in the risk provision originally determined for the transfer of all transactions from Level 1 to Level 2 of customers who are, on the one hand, part of the "tourism" sector and, on the other hand, resident in Tyrol.

Deferrals in connection with COVID-19, which on the one hand took place outside of legislative payment moratoria or non-legislative payment moratoria, which were notified to the EBA, and on the other hand represented a forbearance or forbearance measure, were mandatorily transferred to Level 2. Capital increases and bridge financing related to COVID-19 did not automatically lead to a significant increase in default risk. In addition, due to a transaction measure, the forbearance classification leads to the transfer of all of the customer's transactions from Level 1 to Level 2.

The public financial guarantees granted in connection with the COVID-19 government stabilisation measures for new credit facilities constitute an integral part of the contract and are counted as collateral when determining the expected credit losses. However, they are not considered when assessing any potential significant increase in the risk of default.

The uncertainty regarding future economic development resulting from the current COVID-19 situation also increases the uncertainty with regard to the expected credit losses. BTV generally expects an increase in risk provisions for the 2021 financial year due to:

- rating migrations
- (re-) deferrals outside payment moratoria with forbearance classification, and
- an increase in defaults after government stabilisation measures have ended.

This was taken into account accordingly in the budget for 2021.

Market and liquidity risk

The outbreak of the COVID-19 pandemic and the reaction of the markets also had an impact on the quantified risk of BTV's own investments. While the interest rate risk was not significantly affected by the pandemic, the increased volatility and the valuation losses occurring on the stock markets, and the increase in credit spreads led to an increase in the quantified risk. The effects of this are also reflected in the ICAAP. Over the course of the year, however, the markets recovered, so that the actual valuation losses of BTV's own investments were balanced out again and the effect in the valuation result is negligible.

The initial expectation that the pandemic would lead to a liquidity shortage has not been met. The reluctance to invest and consume led to an increase in deposits in many customer positions. As can be seen from the credit balance with central banks in Note 1 on page 84, BTV also significantly increased its liquidity buffer during 2020. The increase in liquidity is due both to the receipt of additional primary deposits and to participation in the long-term tender of the ECB. The supervisory liquidity ratios show this calming development and continued to improve significantly in 2020.

Main business events in the reporting period

By means of an ad hoc report dated 21 April 2020, BTV adjusted its profit forecast compared to publication in the 2019 Annual Report due to the measures taken to combat the COVID-19 pandemic.

The resolutions at the 102nd Annual General Meeting of Bank für Tirol und Vorarlberg AG, held on 10 June 2020, are published on the BTV homepage (www.btv.at) under Menu > Company > Investor Relations > Annual General Meeting.

The resolutions of the extraordinary general meeting of preferred shareholders of Bank für Tirol und Vorarlberg Aktiengesellschaft on 10 June 2020 can be found online at www.btv.at under Company > Investor Relations > Extraordinary General Meeting.

Events after the financial statement date

Between the end of the financial year and the creation and preparation of the annual financial statements, there were no significant events relating to the business. With regards to the legal disputes of the 3 Banken with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H, we refer you to Discretionary decisions, assumptions and estimates (from page 70).

Since the reporting date of the annual financial statements, there have not been any other activities or events in the BTV Group which are relevant to the report because of their form or content, and which would affect the picture of the asset, financial and earnings situation conveyed by this report.

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

The disclosure of the BTV Group pursuant to Part 8 of Regulation (EU) No 575/2013 (CRR) can be found online at www.btv.at under the menu item Company > Investor Relations > Publications / Financial Reports > Information.

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 application of other IFRS and specified IFRIC interpretations had a minor effect on the consolidated financial statement of the Bank für Tirol und Vorarlberg AG Aktiengesellschaft as at 31 December 2020 as the changes were only applicable in a few isolated locations. No changes occurred to the balance sheet policies and valuation methods.

First used in the reporting period:

Standard/ Interpretation	Name	To be applied for financial years from	Already adopted by EU
Amendments to References to the Conceptual Framework in IFRS standards		01/01/2020	yes
IAS 1 and IAS 8	Amendments: Definition of Material	01/01/2020	yes
IFRS 3	Amendments: Business Combinations	01/01/2020	yes
IFRS 9, IAS 39 and IFRS 7	Amendments: Interest Rate Benchmark Reform	01/01/2020	yes
IFRS 16	Amendment: COVID-19-related Rent Concessions	01/07/2020	yes

Amendments to References to the Conceptual Framework in IFRS standards

The new Framework includes revised definitions of assets and liabilities as well as new guidelines on measurement and derecognition, presentation and disclosure. The new Conceptual Framework does not represent a fundamental revision of the document and does not override any standard regulations. Rather, the IASB has limited itself to those issues that were previously unregulated or which had recognisable deficits that had to be addressed. The revised Conceptual Framework is not subject to the endorsement process. Together with the revised Framework, the IASB has also issued amendments to references to the Conceptual Framework in some standards. This includes amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32. Amendments to the standards as a result of the publication of the new Conceptual Framework are subject to the endorsement process. This has no material impact on the consolidated financial statements.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments to IAS 1 and IAS 8 tighten up the definition of "material" and harmonise the various definitions in the Conceptual Framework and standards. Information is material when it is reasonably expected that its omission, misstatement or concealment in financial statements for general purposes, which include financial information about a particular entity, may influence the decisions of the primary addressees. The application of IAS 1 and IAS 8 has no material influence on the consolidated financial statements.

Amendments to IFRS 3: Business Combinations

The closely delineated amendments to IFRS 3 aim to solve the problems that arise when an entity determines whether it has acquired a business or a group of assets. The problems result from the fact that the accounting rules for goodwill, acquisition costs and deferred taxes when acquiring a business are different from when acquiring a group of assets. The amendment clarifies that a business comprises an integrated group of activities and assets which can be managed with the aim of generating goods or services for customers and generating investment income or other income from ordinary activities.

A business consists of resource inputs and applicable processes that can contribute to the ability to produce outputs. The new regulations also include an optional "concentration test", which enables a simplified assessment of whether a business exists. The changes in "Definition of a Business" are solely changes in the Notes.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

The changes are intended to mitigate the impact that the reform of benchmark interest rates (IBOR Reform) may have on financial reporting. To this end, the IASB included the IBOR project in its standard-setting programme in December 2018 and divided it into the following two phases:

- Phase 1: Issues relating to financial reporting in the period before an existing interest rate benchmark is replaced by an alternative interest rate.
- Phase 2: Issues relating to financial reporting at the time of replacement of an existing interest rate benchmark with an alternative interest rate.

The standard amendments represent the result of the first phase and deal with the effects on certain hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement as well as related disclosures in the notes to IFRS 7 Financial Instruments: Disclosures arising from the uncertainties regarding alternative interest rates themselves and their introduction. The amendments to the first phase provide a temporary exemption from the application of specific hedge accounting requirements for hedging relationships that are directly affected by IBOR reform.

As a result of the relief, the IBOR reform should not generally lead to the termination of hedge accounting. Any ineffectiveness, however, must still be recognised in the income statement in accordance with IAS 39 and IFRS 9. In addition, the amendments include conditions for an end to the applicability of the relief, including in particular the end of the uncertainty resulting from the IBOR reform. BTV has implemented an IBOR reform programme with the aim of ensuring a smooth transition to alternative interest rate benchmarks. The necessary decisions were taken under the reform programme for the first phase changes to be applied on or after 01 January 2020.

Amendment to IFRS 16, Leases: COVID-19-related Rent Concessions

The amendments grant lessees an exemption from assessing whether lease concessions granted due to the COVID-19 pandemic (e.g. rent-free periods or temporary rent reductions) represent a lease modification. When exercising the exemption, the lease concessions must be recognised as if they were not a modification of the lease contract. The amendments apply to lease concessions that reduce rent payments due on or before 30 June 2021. The first mandatory application is planned for financial years beginning on or after 01 June 2020. BTV does not avail itself of this exemption provision and therefore the amendments have no effect on the consolidated financial statements.

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.

Newly published or amended standards and interpretations:

Standard/ Interpretation	Name	To be applied for financial years from	Already adopted by EU
IFRS 17	Insurance Contracts	01/01/2023	no
IFRS 9; IAS 39; IFRS 7; IFRS 4 and IFRS 16	Amendments: Interest Rate Benchmark Reform	01/01/2021	yes
IFRS 4	Amendments: Insurance Contracts – deferral of IFRS 9	01/01/2021	yes
IFRS 3; IAS 16; IAS 37	Amendments: Annual Improvements 2018–2020	01/01/2022	no
IAS 1	Amendments: Presentation of Financial Statements; Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current – Deferral of Effective Date	01/01/2023	no

New standards, which have not yet been applied:

IFRS 17: Insurance Contracts

The standard governs the accounting for insurance contracts. IFRS 17 replaces the previously applicable transition standard IFRS 4. The scope of application includes insurance contracts, reinsurance contracts and investment contracts with discretionary surplus participation. In accordance with IFRS 17, insurance contracts are generally measured according to the general model. The settlement value and contractual service margin are determined for a group of insurance contracts upon initial recognition. Depending on what changes in the underlying parameters relate to, either the underwriting result or the underwriting financial income/expenses are affected as part of the subsequent measurement or an adjustment of the contractual service margin may initially occur, which only affects the profit and loss in subsequent periods. IFRS 17 is expected to come into force for reporting periods beginning on or after 01 January 2023. Based on our current analyses, BTV does not expect any noteworthy impacts on the consolidated financial statement.

Other changes:

Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16: Interest Rate Benchmark Reform

The amendments to the standards are the result of the second phase (see previous section) and address issues that could affect financial reporting after the reform of a benchmark rate, including its replacement with alternative benchmark rates. The amendments have been adopted by the EU and will take effect for reporting periods beginning on or after 01 January 2021. BTV has implemented an IBOR reform programme with the aim of ensuring a smooth transition to alternative interest rate benchmarks. The necessary decisions will be taken under the reform programme for the second phase changes to be applied on or after 01 January 2021.

Amendments to IFRS 4: Insurance Contracts

The amendments stipulate that insurers who avail themselves of the temporary exemption from IFRS 9 must apply the amendments in IFRS 9 when accounting for modifications arising directly from the IBOR reform. The amendments have been adopted by the EU and are expected to take effect for reporting periods beginning on or after 01 January 2021. Based on our current analyses, BTV does not expect any material impacts from application on the consolidated financial statement.

Amendments to IFRS 3: Business Combinations

The amendments update IFRS 3 so that the standard now refers to the 2018 Conceptual Framework and no longer to the 1989 Conceptual Framework. Two additions have also been added: An acquirer must apply these same provisions (instead of the Conceptual Framework) to transactions and similar events within the scope of IAS 37 or IFRIC 21 when identifying debts it has assumed in a business combination. In addition, it was explicitly stated that any contingent acquired in a business combination is not to be recognised. The amendments have not yet been adopted by the EU and are expected to take effect for reporting periods beginning on or after 01 January 2022. Based on our current analyses, BTV does not expect any material impacts from application on the consolidated financial statement.

Amendments to IAS 16: Property, Plant and Equipment

The amendments make it inadmissible to deduct, from the costs of a tangible asset, the income generated from the sale of goods that are produced while a tangible asset is brought to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. Costs for test runs to verify that the tangible asset is correct continue to be an example of directly attributable costs. The amendments have not yet been adopted by the EU and are expected to take effect for reporting periods beginning on or after 01 January 2022. BTV is currently evaluating the effects of application on the consolidated financial statements.

Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets

The amendments stipulate that the "costs of contract performance" shall consist of the "costs directly related to the contract." These can either be additional costs for the performance of this contract (e.g. direct labour costs, materials) or an allocation of other costs directly related to the performance of contracts (e.g. the allocation of depreciation for an item of property, plant and equipment used in the performance of the contract). The amendments have not yet been adopted by the EU and are expected to take effect for reporting periods beginning on or after 01 January 2022. BTV is currently evaluating the effects of application on the consolidated financial statements.

Amendments to IAS 1: Presentation of Financial Statements

The amendments to IAS 1 are intended to clarify the criteria for classifying debt as current or non-current. In future, only "rights" in place at the end of the reporting period should be decisive for the classification of a debt. Supplementary guidelines for the interpretation of the criterion "right to defer settlement by at least twelve months" and explanations of the feature "settlement" were also included. The amendments have not yet been adopted by the EU and are expected to take effect for reporting periods beginning on or after 01 January 2022. BTV is currently evaluating the effects of application on the consolidated financial statements.

1 Cash reserves in EUR thousand	**31/12/2020**	**31/12/2019**
Cash on hand	83,617	32,580
Credit with central banks	2,824,594	1,395,079
Cash reserves	**2,908,211**	**1,427,659**

2 Loans to credit institutions in EUR thousand	**31/12/2020**	**31/12/2019**
Amortised cost	373,450	468,459
Loans to credit institutions	**373,450**	**468,459**

3 Loans to customers in EUR thousand	**31/12/2020**	**31/12/2019**
Amortised cost	7,861,107	7,761,136
Mandatorily at fair value	289,642	274,945
Loans to customers	**8,150,749**	**8,036,081**

The loans to customers include finance-lease contracts with a net investment value to the amount of EUR 955,190 thousand (previous year: EUR 961,900 thousand). The corresponding gross investment values of these leasing relationships amounts to EUR 1,020,852 thousand (previous year: EUR 1,026,491 thousand), the associated unrealised financial revenue amounted to EUR 65,662 thousand (previous year: EUR 64,591 thousand). The residual value of the total lease assets are guaranteed both in the current and previous financial years. At the date of the balance sheet there were non-collectable lease receivables of EUR 11,259 thousand (previous year: EUR 9,267 thousand). For expected losses from customer loans in the next 12 months, a risk provision (Level 1) was established to the amount of EUR 473 thousand (previous year: EUR 356 thousand), and for expected losses from customer loans over the entire contract term (Level 2) to the amount of EUR 937 thousand (previous year: EUR 421 thousand).

3a Lifetime to maturity breakdown 2020

Financial lease receivables in EUR thousand	< 1 year	1–5 years	> 5 years	Total
Gross investment value	269,858	581,343	169,651	1,020,852
Unrealised financial revenue	25,836	30,723	9,103	65,662
Net investment value	244,022	550,620	160,548	955,190

Lifetime to maturity breakdown 2019

Financial lease receivables in EUR thousand	< 1 year	1–5 years	> 5 years	Total
Gross investment value	271,923	580,167	174,401	1,026,491
Unrealised financial revenue	21,472	34,701	8,418	64,591
Net investment value	250,451	545,466	165,983	961,900

4 Other financial assets in EUR thousand	31/12/2020	31/12/2019
Debt securities valued at amortised cost	877,491	899,342
Debt securities valued at fair value through other comprehensive income (FVOCI)	322,971	345,342
Debt securities mandatorily valued at fair value	9,885	10,194
“Hold” business model	0	0
“Hold and Sell” business model	9,885	10,194
Debt securities (fair value option)	0	2,610
“Hold” business model	0	0
“Hold and Sell” business model	0	2,610
Equity instruments valued at fair value through other comprehensive income (FVOCI)	111,191	124,890
Securities	15,512	21,473
Other shareholdings	86,161	93,603
Other associated companies	9,518	9,814
Equity instruments valued at fair value through profit and loss (FVTPL)	35,055	35,055
Securities	0	0
Other shareholdings	35,055	35,055
Positive market values from derivative hedging instruments	42,015	51,363
Fair value hedge/valuation of hedging instrument	24,981	36,327
Positive market values of negotiated swaps/options	17,034	15,036
Other financial assets	**1,398,608**	**1,468,796**

As at 31 December 2020, there were no financial assets which are designated as valued at fair value (fair value option). The maximum default risk is EUR 0 thousand (previous year: EUR 2,610 thousand).

BTV used interest swaps which do not have any financial effects on the amount of the maximum default risk as hedging transactions for these financial assets.

Due to changes in the risk of default, the fair value of these financial assets has changed as follows:

4a Change in fair value due to changes in risk of default of financial assets (designated as valued at fair value through profit and loss) in EUR thousand	**2020**	**2019**
As at 01/01	30	30
Changes during the financial year	–30	0
Changes in fair value cumulatively as at 31/12	**0**	**30**

In order to avoid or resolve incongruities in the profit and loss statement, the following equity instruments were designated as valued at fair value through other comprehensive income:

4b Equity instruments, designated as valued at fair value through other comprehensive income as at 31/12/2020 in EUR thousand	**Fair value as at 31/12/2020**	**Total dividends 2020***	**Stock of dividends***	**Stock of dividends derecognised**
Egger Holzwerkstoffe GmbH	5,360	244	244	0
SANOFI SA	1,920	77	77	0
Bayerische Motoren Werke Aktiengesellschaft	1,705	59	59	0
Remaining securities (< EUR 1.5 million)	6,527	408	317	91
Securities	**15,512**	**788**	**697**	**91**
Generali 3Banken Holding AG	39,010	0	0	0
Oesterreichische Kontrollbank Aktiengesellschaft	20,248	1,000	1,000	0
Beteiligungsverwaltung Gesellschaft m.b.H.	8,581	2,460	2,460	0
Zeller Bergbahnen Zillertal GmbH & Co KG	5,663	0	0	0
BWA Beteiligungs- und Verwaltungs-Aktiengesellschaft	5,657	0	0	0
3 Banken Kfz-Leasing GmbH	2,203	450	450	0
3 Banken IT GmbH	1,050	0	0	0
Remaining other holdings (< EUR 1.0 million)	3,749	361	360	0
Other shareholdings	**86,161**	**4,271**	**4,270**	**0**
Beteiligungsholding 3000 GmbH	8,243	0	0	0
Remaining other associated companies (< EUR 1.0 million)	1,275	–17	–17	0
Other associated companies	**9,518**	**–17**	**–17**	**0**
Total equity instruments valued at fair value through other comprehensive income	**111,191**	**5,042**	**4,950**	**91**

* The dividends include the result from agreements on transfer of profits and losses.

Equity instruments, designated as valued at fair value through other comprehensive income as at 31/12/2019 in EUR thousand	**Fair value as at 31/12/2019**	**Total dividends 2019***	**Stock of dividends***	**Stock of dividends derecognised**
Securities	21,473	782	725	57
Other shareholdings	93,602	6,182	6,182	0
Other associated companies	9,814	166	166	0
Total equity instruments valued at fair value through other comprehensive income	**124,889**	**7,130**	**7,073**	**57**

* The dividends include the result from agreements on transfer of profits and losses.

4c Derecognised equity instruments as at 31/12/2020 in EUR thousand	**Fair value at time of derecognition**	**Accumulated profit/ loss from sale**
Securities	4,574	1,308
Other shareholdings	0	7
Other associated companies	165	0
Total equity instruments valued at fair value through other comprehensive income	**4,739**	**1,315**

Derecognised equity instruments as at 31/12/2019 in EUR thousand	**Fair value at time of derecognition**	**Accumulated profit/ loss from sale**
Securities	2,854	857
Other shareholdings	485	–609
Other associated companies	0	0
Total equity instruments valued at fair value through other comprehensive income	**3,339**	**248**

During the financial year, profits to the amount of EUR 1,308 thousand (previous year: EUR 857 thousand) were reclassified within equity due to deductions of equity instruments which are not held as holdings .

Furthermore, profits to the amount of EUR 7 thousand (previous year: loss of EUR 609 thousand) were reclassified within equity due to disposals of holdings .

5 Shares in companies valued at equity in EUR thousand	**31/12/2020**	**31/12/2019**
Credit institutions	714,869	694,580
Non-credit institutions	17,161	18,196
Shares in companies valued at equity	**732,030**	**712,776**

6 Risk provisions 2020 (presentation of portfolio) in EUR thousand	As at 01/01/2020	Appro-priation	Releases	Consump-tion	Currency conversion	Splitting	As at 31/12/2020
Value adjustments Level 1	5,512	8,900	–3,666	0	0	0	10,746
Value adjustments Level 2	4,482	13,683	–3,469	0	0	0	14,696
Value adjustments Level 3	87,779	38,020	–18,179	–8,379	9	0	99,250
Risk provisions in the credit business	**97,773**	**60,603**	**–25,314**	**–8,379**	**9**	**0**	**124,692**
Reserves for guarantees/ unused lines of credit Level 1	43,966	12,902	–25,155	0	0	13,154	44,867
Reserves for guarantees/ unused lines of credit Level 2	813	7,844	–2,401	0	0	0	6,256
Reserves for guarantees/ unused lines of credit Level 3	6,991	23,451	–5,006	0	4	0	25,440
Reserves for guarantees and credit	**51,770**	**44,197**	**–32,562**	**0**	**4**	**13,154**	**76,563**
Total risk provisions	**149,543**	**104,800**	**–57,876**	**–8,379**	**13**	**13,154**	**201,255**

Within the risk provisions, the counterparty risk was recorded directly in the relevant balance sheet items in the reporting period. Reclassifications into reserves for guarantees and unused credit in Level 1 result from the pro rata consolidation of ALPENLÄNDISCHE GARANTIE - GESELLSCHAFT m.b.H.

The columns Allocation (+) and Release (–) contain new business, disposal of financial assets, change in the likelihood of default, the adjustment of contractual cash flows and transfers between the individual levels, which are detailed in the following tables.

No collateral that may be disposed of independent of the debtor's default was held by BTV in the financial year 2020.

Risk provisions 2019 (presentation of portfolio) in EUR thousand	As at 01/01/2019	Additions	Releases	Consumption	Currency conversion	Reclassification	As at 31/12/2019
Value adjustments Level 1	7,746	1,945	–4,179	0	0	0	5,512
Value adjustments Level 2	7,093	2,449	–5,060	0	0	0	4,482
Value adjustments Level 3	82,538	19,088	–15,128	–3,357	70	4,568	87,779
Risk provisions in the credit business	**97,377**	**23,482**	**–24,367**	**–3,357**	**70**	**4,568**	**97,773**
Reserves for guarantees/ unused lines of credit Level 1	42,250	3,784	–2,068	0	0	0	43,966
Reserves for guarantees/ unused lines of credit Level 2	686	496	–369	0	0	0	813
Reserves for guarantees/ unused lines of credit Level 3	7,197	5,806	–6,048	0	36	0	6,991
Reserves for guarantees and credit	**50,133**	**10,086**	**–8,485**	**0**	**36**	**0**	**51,770**
Total risk provisions	**147,510**	**33,568**	**–32,852**	**–3,357**	**106**	**4,568**	**149,543**

Within the risk provisions, the counterparty risk was recorded directly in the relevant balance sheet items in the reporting period. Reclassifications in the individual value adjustment of loans to customers and the reserves for performance bonds result from the pro rata consolidation of ALPENLÄNDISCHE GARANTIE - GESELLSCHAFT m.b.H.

6a Level transfer in EUR thousand

Value adjustment 01/01/2020 – 31/12/2020	Level 1	Level 2	Level 3
Transfer from Level 1 to Level 2	–941	941	0
Transfer from Level 1 to Level 3	–73	0	73
Transfer from Level 2 to Level 1	711	–711	0
Transfer from Level 2 to Level 3	0	–88	88
Transfer from Level 3 to Level 1	550	0	–550
Transfer from Level 3 to Level 2	0	76	–76
Total	**247**	**218**	**–465**

Reserves for guarantees 01/01/2020 – 31/12/2020	Level 1	Level 2	Level 3
Transfer from Level 1 to Level 2	–232	232	0
Transfer from Level 1 to Level 3	–27	0	27
Transfer from Level 2 to Level 1	16	–16	0
Transfer from Level 2 to Level 3	0	–2	2
Transfer from Level 3 to Level 1	0	0	0
Transfer from Level 3 to Level 2	0	1,547	–1,547
Total	**–243**	**1,761**	**–1,518**

Provisions for credit 01/01/2020 – 31/12/2020	Level 1	Level 2	Level 3
Transfer from Level 1 to Level 2	–399	399	0
Transfer from Level 1 to Level 3	–25	0	25
Transfer from Level 2 to Level 1	51	–51	0
Transfer from Level 2 to Level 3	0	–1	1
Transfer from Level 3 to Level 1	0	0	0
Transfer from Level 3 to Level 2	0	333	–333
Total	**–373**	**680**	**–307**

At BTV, the transfers reported from one level to another are posted to the profit and loss account via allocation to or release from the respective items and are included in the values under Note 6 in the respective items Additions (+) and Releases (–).

6a Level transfer in EUR thousand

Value adjustment 01/01/2019 – 31/12/2019	Level 1	Level 2	Level 3
Transfer from Level 1 to Level 2	–328	328	0
Transfer from Level 1 to Level 3	–56	0	56
Transfer from Level 2 to Level 1	922	–922	0
Transfer from Level 2 to Level 3	0	–156	156
Transfer from Level 3 to Level 1	0	0	0
Transfer from Level 3 to Level 2	0	0	0
Total	**538**	**–750**	**212**

Reserves for guarantees 01/01/2019 – 31/12/2019	Level 1	Level 2	Level 3
Transfer from Level 1 to Level 2	–8	8	0
Transfer from Level 1 to Level 3	–18	0	18
Transfer from Level 2 to Level 1	93	–93	0
Transfer from Level 2 to Level 3	0	0	0
Transfer from Level 3 to Level 1	0	0	0
Transfer from Level 3 to Level 2	0	0	0
Total	**67**	**–85**	**18**

Provisions for credit 01/01/2019 – 31/12/2019	Level 1	Level 2	Level 3
Transfer from Level 1 to Level 2	–12	12	0
Transfer from Level 1 to Level 3	–2	0	2
Transfer from Level 2 to Level 1	71	–71	0
Transfer from Level 2 to Level 3	0	0	0
Transfer from Level 3 to Level 1	0	0	0
Transfer from Level 3 to Level 2	0	0	0
Total	**57**	**–59**	**2**

The following table explains the extent to which significant changes in the gross book value of the financial instruments in the current financial year have contributed to changes in the value adjustment:

6b Gross book value of financial assets valued at AC in EUR thousand	**Level 1**	**Level 2**	**Level 3**	**POCI**	**Total**
As at 01/01/2020	7,889,615	1,085,873	153,449	0	9,128,937
Transfer to Level 1	188,320	–187,632	–688	0	0
Transfer to Level 2	–879,885	880,502	–617	0	0
Transfer to Level 3	–32,293	–9,466	41,759	0	0
Additions	2,183,372	253,277	21,010	0	2,457,659
of which newly acquired or issued financial assets	1,947,580	204,817	17,845	0	2,170,242
of which portfolio business	235,793	48,459	3,165	0	287,417
Disposals	–2,001,546	–408,160	–60,750	0	–2,470,456
of which derecognised financial assets	–4,490	–1,614	0	0	–6,104
of which write-offs	0	0	–275	0	–275
Changes due to contract modifications which do not lead to derecognition	–378	–27	0	0	–405
Exchange rate changes	–2,642	–1,023	–21	0	–3,686
As at 31/12/2020	**7,344,563**	**1,613,344**	**154,142**	**0**	**9,112,049**

Gross book value of financial assets valued at FV/OCI in EUR thousand	**Level 1**	**Level 2**	**Level 3**	**POCI**	**Total**
As at 01/01/2020	345,342	0	0	0	345,342
Transfer to Level 1	0	0	0	0	0
Transfer to Level 2	0	0	0	0	0
Transfer to Level 3	0	0	0	0	0
Additions	131,062	0	0	0	131,062
of which newly acquired or issued financial assets	125,543	0	0	0	125,543
of which portfolio business	5,519	0	0	0	5,519
Disposals	–153,433	0	0	0	–153,433
of which derecognised financial assets	0	0	0	0	0
of which write-offs	0	0	0	0	0
Changes due to contract modifications which do not lead to derecognition	0	0	0	0	0
Exchange rate changes	0	0	0	0	0
As at 31/12/2020	**322,971**	**0**	**0**	**0**	**322,971**

Gross book value of financial assets valued at AC in EUR thousand	**Level 1**	**Level 2**	**Level 3**	**POCI**	**Total**
As at 01/01/2019	7,813,483	986,830	141,055	0	8,941,368
Transfer to Level 1	113,666	–113,666	0	0	0
Transfer to Level 2	–327,570	327,882	–312	0	0
Transfer to Level 3	–34,614	–4,328	38,942	0	0
Additions	2,599,983	138,327	13,538	0	2,751,848
of which newly acquired or issued financial assets	2,225,598	104,822	11,625	0	2,342,045
of which portfolio business	374,385	33,504	1,913	0	409,802
Disposals	–2,300,813	–264,325	–40,299	0	–2,605,436
of which derecognised financial assets	–482	126	–3,660	0	–4,016
of which write-offs	0	0	–3,660	0	–3,660
Changes due to contract modifications which do not lead to derecognition	–60	10	0	0	–50
Exchange rate changes	25,540	15,143	524	0	0
As at 31/12/2019	**7,889,615**	**1,085,873**	**153,449**	**0**	**9,128,937**

Gross book value of financial assets valued at FV/OCI in EUR thousand	**Level 1**	**Level 2**	**Level 3**	**POCI**	**Total**
As at 01/01/2019	311,301	0	0	0	311,301
Transfer to Level 1	0	0	0	0	0
Transfer to Level 2	0	0	0	0	0
Transfer to Level 3	0	0	0	0	0
Additions	236,159	0	0	0	236,159
of which newly acquired or issued financial assets	235,674	0	0	0	235,674
of which portfolio business	485	0	0	0	485
Disposals	–202,118	0	0	0	–202,118
of which derecognised financial assets	0	0	0	0	0
of which write-offs	0	0	0	0	0
Changes due to contract modifications which do not lead to derecognition	0	0	0	0	0
Exchange rate changes	0	0	0	0	0
As at 31/12/2019	**345,342**	**0**	**0**	**0**	**345,342**

For financial assets which were written off but which are still subject to an enforcement measure, a provision is established with an individual value adjustment to the amount of the outstanding sum less the material value of the securities. Provisions are established for contingent liabilities. BTV's Operations department is employing all legal measures to collect the outstanding amount.

If the entire loan cannot be collected with these measures, the outstanding portion shall be derecognised and the operational measures ceased.

The following table contains information on financial assets where the contractual cash flows have been amended and their value adjustment measured to the amount of the credit losses expected over the lifetime:

6c Change in contractual cash flows during the financial year

in EUR thousand	2020	2019
Amortised costs before change	7,404	657
Net profit from change	–27	0

In the reporting year, there were no financial assets which were measured before the change in contractual cash flows over the term of expected credit losses or where the value adjustment was converted to the amount of the expected 12-month credit loss.

In the current reporting period, nothing significant has changed in the estimation procedures or material assumptions made during the year.

7 Trading assets in EUR thousand	**31/12/2020**	**31/12/2019**
Funds	31,960	32,430
Listed	2,185	2,058
Unlisted	29,775	30,372
Positive market values arising from derivative transactions	20,404	13,489
Currency-related transactions	3,137	1,618
Interest-related transactions	17,213	11,775
Other transactions	54	96
Trading assets	**52,364**	**45,919**

8 Fixed asset overview 31/12/2020 in EUR thousand	**Acquisition value 01/01/2020**	**Additions**	**Disposals**	**Transfers**	**Changes to currency exchange rates**	**Acquisition value 31/12/2020**
Intangible assets	14,849	478	–7,525	141	0	7,942
Land and buildings	347,180	14,571	–391	449	0	361,809
of which land and buildings pursuant to IFRS 16	23,873	5,622	–325	0	0	29,170
Operating and office equipment	399,533	21,572	–8,542	–590	8	411,980
of which operating and office equipment pursuant to IFRS 16	360	0	–75	0	0	285
Properties held as financial investments (IAS 40)	90,936	849	0	0	47	91,833
of which properties held as financial investments (IAS 40) pursuant to IFRS 16	5,960	51	0	0	0	6,011
Total	**852,498**	**37,470**	**–16,458**	**0**	**55**	**873,564**

Fixed asset overview 31/12/2019 in EUR thousand	**Acquisition value 01/01/2019**	**Change in basis of consolidation**	**Additions**	**Disposals**	**Transfers**	**Changes to currency exchange rates**	**Acquisition value 31/12/2019**
Intangible assets	14,105	0	977	–245	11	0	14,848
Land and buildings	331,826	7,760	3,021	0	4,573	0	347,180
of which land and buildings pursuant to IFRS 16	23,110	0	764	0	0	0	23,873
Operating and office equipment	389,999	3	19,049	–5,005	–4,580	67	399,533
of which operating and office equipment pursuant to IFRS 16	360	0	0	0	0	0	360
Properties held as financial investments (IAS 40)	88,828	0	1,619	0	–4	493	90,936
of which properties held as financial investments (IAS 40) pursuant to IFRS 16	5,808	0	152	0	0	0	5,960
Total	**824,758**	**7,763**	**24,666**	**–5,250**	**0**	**560**	**852,497**

Accumulated depreciation 01/01/2020	Additions depreciation	Revaluations depreciation	Disposals depreciation	Transfers depreciation	Changes to currency exchange rates depreciation	Total depreciation 31/12/2020	Balance sheet value 31/12/2020	Balance sheet value 31/12/2019
–13,365	–654	0	7,525	0	0	–6,493	1,448	1,484
–134,422	–11,982	0	32	0	0	–146,372	215,438	212,757
–2,609	–2,758	0	5	0	0	–5,362	23,808	21,264
–264,754	–18,608	0	7,844	0	–5	–275,523	136,457	134,779
–120	–114	0	44	0	0	–190	95	240
–29,034	–1,627	0	0	0	0	–30,662	61,171	61,902
–438	–443	0	0	0	0	–881	5,130	5,522
–441,575	**–32,871**	**0**	**15,401**	**0**	**–5**	**–459,050**	**414,514**	**410,922**

Accumulated depreciation 01/01/2019	Change in basis of consolidation	Additions depreciation	Appreciations depreciation	Disposals depreciation	Transfers depreciation	Changes to currency exchange rates depreciation	Total depreciation 31/12/2019	Balance sheet value 31/12/2019	Balance sheet value 31/12/2018
–12,999	0	–611	0	245	0	0	–13,365	1,483	1,105
–126,259	–309	–9,266	201	0	1,211	0	–134,422	212,757	182,457
0	0	–2,609	0	0	0	0	–2,609	21,264	0
–248,830	–2	–18,423	0	3,744	–1,211	–32	–264,754	134,779	140,809
0	0	–120	0	0	0	0	–120	240	0
–28,007	0	–1,676	648	0	0	0	–29,034	61,902	55,013
0	0	–438	0	0	0	0	–438	5,522	0
–416,095	**–311**	**–29,976**	**849**	**3,989**	**0**	**–32**	**–441,575**	**410,921**	**379,384**

8a Intangible assets in EUR thousand	31/12/2020	31/12/2019
Intangible assets	1,448	1,483
Intangible assets	**1,448**	**1,483**

8b Property, plant and equipment in EUR thousand	31/12/2020	31/12/2019
Land and buildings	215,438	212,757
of which activated easements for leased assets pursuant to IFRS 16	23,808	21,264
Operating and office equipment	136,457	134,779
of which activated easements for leased assets pursuant to IFRS 16	95	240
Property, plant and equipment	**351,895**	**347,536**

In the reporting period, no borrowing capital costs were capitalised (previous year: EUR 15 thousand with interest rate of 0.20%).

8c Properties held as financial investments in EUR thousand	31/12/2020	31/12/2019
Properties held as financial investments	61,171	61,902
of which activated easements for leased assets pursuant to IFRS 16	5,130	5,522
Properties held as financial investments	**61,171**	**61,902**

The fair value of the properties held as financial investments amounted to EUR 72,011 thousand (previous year: EUR 70,100 thousand). 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 5,269 thousand (previous year: EUR 5,231 thousand), the expenses relating to achieving the rental income totalled including depreciation EUR 2,724 thousand (previous year: EUR 2,221 thousand). Revenue from operating lease agreements in the reporting year totalled EUR 491 thousand (previous year: EUR 489 thousand).

8d Lifetime to maturity breakdown Operating lease contracts in EUR thousand	< 1 year	1–5 years	> 5 years	Total
Future minimum leasing payments	491	1,963	9,496	11,950

The item “Properties held as financial investments” includes book values for operating lease contracts to the amount of EUR 11,950 thousand (previous year: EUR 11,903 thousand). The fair value totals EUR 11,950 thousand (previous year: EUR 11,903 thousand). For conditional rental payments there was no revenue during the reporting year.

The following table presents the amortisations, additions and book value of the easement according to class of underlying asset:

8e Easements pursuant to IFRS 16 in EUR thousand	Book value 01/01/2020	New contracts	Easements adjustment	Depreciation	Book value 31/12/2020
Land and buildings	21,264	2,502	2,800	–2,758	23,808
Operating and office equipment	240	0	–31	–114	95
Properties held as financial investments	5,522	0	51	–443	5,130
Total	**27,026**	**2,502**	**2,820**	**–3,315**	**29,033**

Easements pursuant to IFRS 16 in EUR thousand	Book value 01/01/2019	New contracts	Easements adjustment	Depreciation	Book value 31/12/2019
Land and buildings	23,110	6	758	–2,609	21,264
Operating and office equipment	360	0	0	–120	240
Properties held as financial investments	5,808	0	152	–438	5,522
Total	**29,278**	**6**	**910**	**–3,167**	**27,026**

The capitalised easements originate from lease agreements which were concluded by Mayrhofner Bergbahnen Aktiengesellschaft and the Silvretta Montafon Holding GmbH above all for the purposes of erecting and operating lifts and cable cars, and for use as winter sports facilities on rented land.

Further capitalised easements originate essentially from existing lease agreements which are concerned with the renting of property and parking spaces by a BTV Group company

9 Tax refunds in EUR thousand	31/12/2020	31/12/2019
Current tax refunds	1,175	1,075
Deferred tax refunds	23,224	9,046
Tax refunds	**24,399**	**10,121**

9a Deferred tax refunds/debts in EUR thousand	31/12/2020	Tax refunds	Tax debts	31/12/2019
Revaluation of finance leasing and other	3,225	27,746	–24,521	3,605
Other financial assets and liabilities	1,902	15,781	–13,879	–2,310
Risk provisions	4,838	6,872	–2,034	1,717
Assets and liabilities held for trading	–1,132	326	–1,458	–4,892
Reserves	13,167	13,167		10,077
Deferred tax refunds/debts	**22,000**	**63,892**	**–41,892**	**8,197**
Netting	1,224	–40,668	40,668	849
Deferred tax refunds	**23,224**	**23,224**	**–1,224**	**9,046**
Deferred tax debts	**–1,224**			**–849**

10 Other assets in EUR thousand	31/12/2020	31/12/2019
Other assets	39,866	66,237
Other assets	**39,866**	**66,237**

11 Liabilities to credit institutions in EUR thousand	**31/12/2020**	**31/12/2019**
Liabilities to credit institutions	2,162,229	1,510,520
Liabilities to credit institutions	**2,162,229**	**1,510,520**

12 Liabilities to customers in EUR thousand	**31/12/2020**	**31/12/2019**
Savings deposits	1,530,786	1,390,739
Other deposits	6,728,716	6,125,179
Liabilities to customers	**8,259,502**	**7,515,918**

13 Other financial liabilities in EUR thousand	**31/12/2020**	**31/12/2019**
Amortised cost	856,338	869,549
Bonds	637,187	636,234
Domestic bonds	111,713	157,189
Supplementary capital	107,438	76,126
Fair value option	533,266	551,161
Bonds	392,087	407,468
Supplementary capital	141,179	143,693
Negative market values from derivative hedging instruments	22,169	21,938
Fair value hedge/valuation of hedging instrument	3,753	6,371
Negative market values of negotiated swaps/options	18,416	15,567
Liabilities from leasing relationships pursuant to IFRS 16	29,258	27,192
Other financial liabilities	**1,441,031**	**1,469,840**

BTV has designated financial liabilities as valued at fair value through profit and loss. The cumulative total of the changes in fair value which can be traced back to changes in the credit risk of these financial liabilities is EUR –1,043 thousand (previous year: EUR –4,084 thousand). The change in value was recorded under other income. 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 financial liabilities and the change to the fair value resulting from market risk factors. The fair value was determined by discounting future cash flows on the reporting date, the default risk add-on was valued based on the funding for comparable maturities.

For financial liabilities that were derecognised during the period, an amount of EUR 55 thousand (previous year: EUR –84 thousand) were reclassified from OCI to profit reserves.

The repayment amount for the financial liabilities including accrued interest, for which the fair value option was exercised, totals EUR 516,140 thousand (previous year: EUR 536,461 thousand). The difference between the fair value of the financial liabilities for which the fair value option was chosen and their repayment amount totalled EUR 17,125 thousand (previous year: EUR 14,700 thousand).

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

The supplementary capital presented under other financial liabilities shows maturities during financial years 2024 – 2030 and interest of between 1.700% and 3.500% (previous year: maturities 2020 – 2029: 1.750% and 3.500%).

In the reporting year, subordinated supplementary capital of EUR 30,800 thousand was issued with final maturity by 2030 (previous year, final maturity 2029: EUR 25,000 thousand). In the reporting year, as in the previous year, no listed supplementary capital was repaid, and EUR 3,000 thousand (previous year: EUR 15,550 thousand) of non-listed supplementary capital.

Interest can only be paid if it is 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 01 January 2010, the interest is only to be paid out if this is covered by disposable profits.

The overall expenditure for supplementary capital bonds in the reporting year was EUR 6,590 thousand (previous year: EUR 5,843 thousand). No issued supplementary capital is due in the 2021 financial year (previous year: maturity with a total nominal value of EUR 3,000 thousand).

Of the subordinated borrowings by BTV during the financial year, no issue exceeded 10% of the overall volume of subordinated borrowings.

During the reporting year for the BTV Group, no hybrid loans were issued (previous year: EUR 35,000 thousand). As in the previous year, no hybrid loans were issued in the reporting year. Overall interest paid for the hybrid loans amounted to EUR 0 thousand (previous year: EUR 947 thousand).

13a Leasing liabilities pursuant to IFRS 16 in EUR thousand	Book value 01/01/2020	New contracts	Leasing liabilities adjustment	Repay-ments	Interest rates	Foreign currency	Book value 31/12/2020
Land and buildings	21,404	2,502	2,800	–2,866	137	11	23,988
Operating and office equipment	240	0	–31	–114	0	0	95
Properties held as financial investments	5,548	0	51	–479	55	0	5,175
Total	**27,192**	**2,502**	**2,820**	**–3,459**	**192**	**11**	**29,258**

Leasing liabilities pursuant to IFRS 16 in EUR thousand	Book value 01/01/2019	New contracts	Leasing liabilities adjustment	Repay-ments	Interest rates	Foreign currency	Book value 31/12/2019
Land and buildings	23,110	6	758	–2,700	151	79	21,404
Operating and office equipment	360	0	0	–120	0	0	240
Properties held as financial investments	5,808	0	152	–469	57	0	5,548
Total	**29,278**	**6**	**910**	**–3,289**	**208**	**79**	**27,192**

BTV makes use of the optional right not to report short-term lease relationships with a term of less than 12 months or minimal-value lease relationships with an original value of less than EUR 5 thousand on the balance sheet, and to instead report payments from these contracts linearly under expenditure over the term of the lease relationships.

The following table shows the expenditure for short-term lease relationships and for minimal-value lease relationships in the financial year 2020:

Leasing expenditure in EUR thousand	2020	2019
Short-term lease relationships	–1,075	–1,162
Minimal-value lease relationships	–29	–36
Total leasing expenditure	**–1,104**	**–1,198**

In total, cash outflows from lease agreements in the financial year 2020 were as follows:

Cash outflows in EUR thousand	2020	2019
Fixed and variable payments linked to an index		
for short-term and minimal-value lease relationships	–1,104	–1,198
for lease relationships with a term of more than 12 months	–3,459	–3,289
Variable payments linked to an index		
for lease relationships with a term of more than 12 months	–1,051	–1,024
Total cash outflow	**–5,614**	**–5,511**

Variable lease payments not linked to an index or interest rate are not included in the valuation of leasing liabilities. This expenditure results from agreements concluded by Silvretta Montafon Holding GmbH with property owners, in particular for the operation of lifts and cable cars, and for the use of third-party land as winter sports areas. The amount of these payments is dependent on the turnover achieved by Silvretta Montafon Holding GmbH on the land parcels of the owners. These variable payments comprised around 18.7% (previous year: 18.6%) of total payments (fixed and variable) to the respective lessors in the financial year 2020.

BTV has agreed to value retention of lease payments with some lessors. Adjustments to lease payments are made depending on the agreed index, index series and reference value. In the financial year 2020, adjustments were made to lease payments on the basis of the change in indices, with the result that leasing liabilities were revalued.

This led to an addition, with effect for the book value but not for profit/loss, relating to the easement and leasing liability to the amount of the difference between the scheduled book value of the lease payments and the revised cash value.

In the estimation of leasing liabilities, all extension and termination options are taken into account. If it is sufficiently certain that an extension or termination option will not be claimed, this estimation is included in the valuation of the leasing liabilities. Adjustments expected after the balance sheet date are not taken into account in the valuation of the leasing liabilities.

In total, adjustments to lease payments, as well as term amendments and contract terminations in the financial year 2020 led to an increase in the easement or leasing liabilities to the amount of EUR 2,820 thousand (previous year: EUR 910 thousand).

In the financial year 2020, and in the previous financial year, no sale-and-lease-back transactions were performed at BTV.

14 Trading liabilities in EUR thousand	**31/12/2020**	**31/12/2019**
Negative market values arising from derivative transactions	5,671	9,096
Currency-related transactions	5,285	8,487
Interest-related transactions	386	609
Trading liabilities	**5,671**	**9,096**

15 Reserves in EUR thousand	31/12/2020	31/12/2019
Long-term staff reserves	85,010	87,414
Other reserves	86,365	61,081
Reserves	**171,375**	**148,495**

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 01 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 death benefits.

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 at Silvretta Montafon Holding GmbH and Mayrhofner Bergbahnen Aktiengesellschaft are based on the benefits agreed in detail between the company and its employees.

Severance pay provisions

In accordance with employment law regulations and/or severance pay law, all employees in the BTV Group in Austria whose working relationship began before 01 January 2003, have the right to claim a severance payment under certain conditions. For all other working relationships, the group companies pay contributions into the corporate pension insurance fund according to the regulations of the BMSVG.

Furthermore, in accordance with the collective bargaining agreement for banks and bankers, there exists a claim to two additional months' pay as severance payment if the working relationship lasted more than 5 years and was terminated by the employer or more than 15 years and is terminated due to an old-age pension or a disability pension being taken. In contrast to the legal severance, this collective-bargaining claim also exists for working relationships which began after 31 December 2002 and those yet to begin. In addition, according to the provisions to the pension fund collective bargaining agreement, there is an additional entitlement to 3 months' pay (20 years of service) or 4 months' pay (25 years of service) for employees who joined after 31 December 1996 if the employer gives notice. For employees in Germany and in Switzerland, there is no obligation to form pension and severance reserves.

15a Staff reserves for benefits after termination of the working relationship: performance-oriented plans in EUR thousand	Pension reserves	Severance reserves	Total
Pension and severance reserves as at 01/01/2019	**46,953**	**20,058**	**67,011**
Income recorded for the period			
Interest expenditure	933	406	1,339
Period of service cost	84	846	929
Included in other income			
Actuarial profit (–)/loss (+) from changes to demographic assumptions	0	0	0
Actuarial profit (–)/loss (+) from changes to financial assumptions	6,160	2,625	8,784
Actuarial profit (–)/loss (+) from changes to experience-related assumptions	1,444	–95	1,348
Other			
Payments from these liabilities	–3,389	–1,137	–4,526
Change in basis of consolidation	0	0	0
Pension and severance reserves as at 31/12/2019	**52,185**	**22,702**	**74,887**
Income recorded for the period			
Interest charge	493	218	711
Period of service cost	96	978	1,074
Included in other income			
Actuarial profit (–)/loss (+) from changes to demographic assumptions	0	0	0
Actuarial profit (–)/loss (+) from changes to financial assumptions	369	268	637
Actuarial profit (–)/loss (+) from changes to experience-related assumptions	–901	–396	–1,297
Other			
Payments from these liabilities	–3,180	–1,237	–4,417
Change in basis of consolidation	0	0	0
Pension and severance reserves as at 31/12/2020	**49,062**	**22,533**	**71,595**

15b Other long-term staff reserves in EUR thousand	**Anniversary reserves**	**Other staff reserves**	**Total**
Other long-term staff reserves as at 01/01/2019	**7,322**	**3,281**	**10,603**
Income recorded for the period			
Interest charge	148	67	215
Period of service cost	617	0	617
Actuarial profit (–)/loss (+) from changes to demographic assumptions	0	0	0
Actuarial profit (–)/loss (+) from changes to financial assumptions	1,085	834	1,919
Actuarial profit (–)/loss (+) from changes to experience-related assumptions	–401	38	–363
Other			
Payments from these liabilities	–373	–90	–463
Change in basis of consolidation	0	0	0
Other long-term staff reserves as at 31/12/2019	**8,397**	**4,130**	**12,527**
Income recorded for the period			
Interest charge	82	40	122
Period of service cost	727	0	727
Actuarial profit (–)/loss (+) from changes to demographic assumptions	13	0	13
Actuarial profit (–)/loss (+) from changes to financial assumptions	74	–163	–89
Actuarial profit (–)/loss (+) from changes to experience-related assumptions	–45	569	524
Other			
Payments from these liabilities	–362	–47	–409
Change in basis of consolidation	0	0	0
Other long-term staff reserves as at 31/12/2020	**8,886**	**4,529**	**13,415**

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

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

15c Overview of long-term staff reserves 2016–2020

in EUR thousand	31/12/2020	31/12/2019	31/12/2018	31/12/2017	31/12/2016
Pension reserves	49,062	52,185	46,953	52,590	56,294
Redundancy reserves	22,533	22,702	20,058	20,874	21,984
Anniversary reserves	8,886	8,397	7,322	6,551	6,736
Other staff reserves	4,529	4,130	3,281	3,509	3,707
Total	**85,010**	**87,414**	**77,614**	**83,524**	**88,721**

The weighted average term of the defined contractual obligations (duration) for the banking sector is 11.56 years in the reporting year for severance payments (previous year: 11.83 years), 14.31 years for pension commitments (previous year: 14.59 years) and 21.77 years for death benefits (previous year: 22.18 years). For non-banking services, the duration in the reporting year was 10.13 years for severance payments (previous year: 10.66 years), and 11.00 years for pension commitments (previous year: 11.78 years).

No contributions to the plan are expected for the next reporting periods. The valuation of the existing staff reserves is based on assumptions regarding the calculated interest rate, the retirement age, the life expectancy, the fluctuation rate and 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.

15d Actuarial assumptions for the banking sector	2020	2019
Financial assumptions		
Rate for discounting, pensions	0.97%	0.98%
Rate for discounting, severance	0.86%	0.98%
Rate for discounting, anniversary bonuses	0.92%	0.98%
Rate for discounting, death benefits	1.20%	0.98%
Pay increase	2.85%	2.80%
Old-age pension increase	2.34%	2.28%
Discount for employee turnover	–	–
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 2018	AVÖ 2018

From 2020, the interest rates corresponding to their respective duration will be used for discounting pensions, severance payments, anniversary bonuses and death benefits.

Due to the non-banking services and the different accounting year for Silvretta Montafon Holding GmbH and Mayrhofner Bergbahnen Aktiengesellschaft, different actuarial assumptions apply than for Bank für Tirol und Vorarlberg Aktiengesellschaft.

15e Actuarial assumptions for the non-banking sector 2020	BTV Leasing	Mayrhofner Bergbahnen	Silvretta Montafon
Financial assumptions			
Rate for discounting	–	0.86%	1.03%
Pay increase	–	2.90%	2.80%
Old-age pension increase	–	2.39%	2.29%
Discount for employee turnover	–	5.00%	18.15%
Demographic assumptions			
Age for pension entitlement: female employees	65 years	65 years	65 years
Age for pension entitlement: male employees	65 years	65 years	65 years
Mortality table	AVÖ 2018	AVÖ 2018	AVÖ 2018

Actuarial assumptions for the non-banking sector 2019	BTV Leasing	Mayrhofner Bergbahnen	Silvretta Montafon
Financial assumptions			
Rate for discounting	0.65%	0.96%	0.65%
Pay increase	2.80%	2.99%	2.94%
Old-age pension increase	–	2.47%	2.42%
Discount for employee turnover	–	5.00%	13.00%
Demographic assumptions			
Age for pension entitlement: female employees	65 years	65 years	65 years
Age for pension entitlement: male employees	65 years	65 years	65 years
Mortality table	AVÖ 2018	AVÖ 2018	AVÖ 2018

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.

Salary risk

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 in the calculated interest rate by +/– 0.50 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 remained the same:

15f Sensitivity analysis 2020 in EUR thousand	Calculated interest rate		Pay increase		Pension increases	
	–0.50%	+0.50%	–0.50%	+0.50%	–0.50%	+0.50%
Severances	23,843	21,331	21,347	23,810	0	0
Pensions	52,640	45,883	48,925	49,206	46,129	52,312
Death benefits	5,049	4,079	4,502	4,558	4,128	4,986

Sensitivity analysis 2019 in EUR thousand	Calculated interest rate		Pay increase		Pension increases	
	–0.50%	+0.50%	–0.50%	+0.50%	–0.50%	+0.50%
Severances	24,054	21,462	21,478	24,022	0	0
Pensions	56,072	48,738	52,029	52,347	49,007	55,711
Death benefits	4,614	3,714	4,102	4,162	3,763	4,551

The maturity profile of the expected benefit payments from the staff reserves formed for the reporting years 2021 to 2025 is as follows:

15g Maturity profile of the expected benefit payments in EUR thousand	2021	2022	2023	2024	2025	Total
Severances	1,424	862	982	1,053	848	5,169
Pensions	2,846	2,727	2,605	2,455	2,279	12,912
Death benefits	95	107	120	136	153	611

15h Other reserves in EUR thousand	As at 01/01/2020	Additions	Releases	Consump-tion	Currency conversion	Reclassifica-tion	As at 31/12/2020
Reserves for guarantees/ unused lines of credit Level 1	43,966	12,902	–25,155	0	0	13,154	44,867
Reserves for guarantees/ unused lines of credit Level 2	813	7,844	–2,401	0	0	0	6,256
Reserves for guarantees/ unused lines of credit Level 3	6,991	23,451	–5,006	0	4	0	25,440
Reserves for miscellaneous	9,311	5,185	–824	–3,872	2	0	9,802
Other reserves	**61,081**	**49,382**	**–33,386**	**–3,872**	**6**	**13,154**	**86,365**

Other reserves in EUR thousand	As at 01/01/2019	Additions	Releases	Consump-tion	Currency conversion	Reclassifica-tion	As at 31/12/2019
Reserves for guarantees/ unused lines of credit Level 1	42,250	3,784	–2,068	0	0	0	43,966
Reserves for guarantees/ unused lines of credit Level 2	686	496	–369	0	0	0	813
Reserves for guarantees/ unused lines of credit Level 3	7,197	5,806	–6,048	0	36	0	6,991
Reserves for miscellaneous	5,665	7,073	–1,969	–1,472	14	0	9,311
Other reserves	**55,798**	**17,159**	**–10,454**	**–1,472**	**50**	**0**	**61,081**

The other reserves have been created as required by IAS 37 for legal or actual Group liabilities. At BTV, this balance sheet item mainly includes reserves for off-balance sheet guarantees and other liabilities, legal cases, and for taxes and duties.

The consumption of reserves in the coming years can be expected with a high degree of probability.

16 Tax debts in EUR thousand	31/12/2020	31/12/2019
Current tax debts	4,600	6,114
Deferred tax debts	1,224	849
Tax debts	**5,824**	**6,963**

17 Other liabilities in EUR thousand	31/12/2020	31/12/2019
Other liabilities	136,944	139,021
Other liabilities	**136,944**	**139,021**

Other liabilities include accruals and deferrals for interest and commissions as well as provisions for risks that are most likely to arise in connection with the Bank's and its subsidiaries' operational business. In addition, this item records the negative business developments of the cable car companies that occurred between the balance sheet dates of the subsidiaries and the balance sheet date of the Group.

18 Equity in EUR thousand	**31/12/2020**	**31/12/2019**
Subscribed capital	68,063	68,063
Capital reserves	241,044	242,436
Profit reserves (including net profit)	1,432,331	1,382,352
Other reserves	1,731	12,807
of which items which could subsequently not be allocated to profit or loss	–19,990	–13,094
Revaluations from performance-oriented pension plans	–35,266	–35,910
Changes in companies valued at equity recognised directly in equity	–14,198	–13,348
Changes in equity instruments recognised directly in equity	28,777	39,810
Fair-value adjustment of own creditworthiness risk of financial liabilities	–1,042	–4,084
Profits/losses with regard to deferred taxes, applied directly against total profit	1,739	438
of which items which could subsequently be allocated to profit or loss	21,721	25,901
Changes in companies valued at equity recognised directly in equity	16,471	19,158
Changes in debt securities recognised directly in equity	4,636	3,326
Unrealised profits/losses from adjustments in currency conversion	1,955	1,852
Profits/losses with regard to deferred taxes, applied directly against total profit	–1,341	1,565
Owners of the parent company	**1,743,169**	**1,705,657**
Non-controlling interests	43,754	43,686
Equity	**1,786,923**	**1,749,343**

As at 31 December 2020, subscribed capital totals EUR 68.1 million (previous year: EUR 68.1 million). The share capital is represented by 31,531,250 (previous year: 31,531,250) – bearer – voting individual shares (ordinary 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 3,163 thousand on the balance sheet date (previous year: EUR 1,762 thousand). The capital reserves include premium values from the share issues. In the profit reserves, both retained earnings as well as income and expenses with no effect on profits were reported. The shares presented correspond to the approved shares.

Development of the shares in circulation in shares	**2020**	**2019**
Issued shares in circulation 01/01	33,956,862	33,943,242
Purchase of own shares	–53,824	–31,532
Sale of own shares	1,005	45,152
Capital increase	0	0
Issued shares in circulation 31/12	33,904,043	33,956,862
plus own shares in Group portfolio	127,207	74,388
Issued shares 31/12	34,031,250	34,031,250

19 Net interest income in EUR thousand	**01/01 – 31/12/2020**	**01/01 – 31/12/2019**
Interest and similar income from:		
Lending and money market transactions with credit institutions	5,574	8,053
Lending and money market transactions with customers	152,671	160,642
Other financial assets	9,011	12,885
Trading assets	21	0
Contract adjustments	207	12
Liabilities	4,280	3,150
Unwinding	0	0
Sub-total interest and similar revenue	**171,764**	**184,742**
Interest and similar expenses on:		
Credit institutions' deposits	–2,690	–5,166
Customer deposits	–13,527	–12,617
Other financial liabilities	–14,194	–19,562
Trading liabilities	0	0
Long-term staff reserves	–1,283	–2,632
Contract adjustments	–606	–62
Assets	–8,610	–4,814
Sub-total interest and similar expenses	**–40,910**	**–44,853**
Net interest income	**130,854**	**139,889**

The amounts reported in the above table include interest revenue and expenditure calculated according to the effective interest method which relate to the following financial assets and liabilities:

19a Interest income: Details in EUR thousand	**01/01 – 31/12/2020**	**01/01 – 31/12/2019**
Interest and similar revenue:		
Total interest revenue from application of effective interest method	152,387	162,795
From assets valued at amortised costs	147,692	158,579
From assets valued at fair value through other comprehensive income (recyclable)	415	1,066
Positive interest expenditure from liabilities valued at amortised cost	4,280	3,150
Total other interest revenue	19,377	21,947
From assets valued at fair value through profit and loss	14,336	14,818
From assets valued at fair value through other comprehensive income (not recyclable)	5,041	7,129
Sub-total interest and similar revenue	**171,764**	**184,742**
Interest and similar expenses:		
Total interest expenditure from application of effective interest method	–31,017	–32,166
For liabilities valued at amortised cost	–25,824	–27,352
Negative interest revenue from assets valued at amortised costs	–5,193	–4,814
Total other interest expenditure	–9,893	–12,687
For liabilities valued at fair value through profit and loss	–8,610	–10,055
Interest expenditure from non-financial liabilities	–1,283	–2,632
Sub-total interest and similar expenses	**–40,910**	**–44,853**
Net interest income	**130,854**	**139,889**

For written-down financial assets a total interest income of EUR 410 thousand (previous year: EUR 507 thousand) was collected.

In addition to the negative income shown under "Interest income from liabilities" and "Interest expense on assets," in 2020 negative credit interest of EUR 7,067 thousand (previous year: EUR 6,539 thousand) and negative debit interest of EUR 4,190 thousand (previous year: EUR 3,271 thousand) were recorded for derivatives.

20 Risk provisions in the lending business in EUR thousand	01/01 – 31/12/2020	01/01 – 31/12/2019
Allocations to loan loss provisions on-balance	–61,148	–23,758
Level 1 + 2 loans to credit institutions/customers	–21,676	–3,784
Level 1 + 2 debt securities AC	–906	–610
Level 1 + 2 debt securities OCI	–23	–81
Level 3 loans to credit institutions/customers	–38,020	–19,088
Allocations CVA	–523	–195
Allocations to loan loss provisions off-balance	–44,197	–10,086
Level 1 + 2 guarantees	–13,524	–2,145
Level 1 + 2 unused credit	–7,222	–2,135
Level 3 guarantees	–18,333	–4,469
Level 3 unused credit	–5,118	–1,337
Release of loan loss provisions on-balance	25,388	24,486
Level 1 + 2 loans to credit institutions/customers	5,955	8,955
Level 1 + 2 debt securities AC	1,180	284
Level 1 + 2 debt securities OCI	37	94
Level 3 loans to credit institutions/customers	18,179	15,128
Releases CVA	37	25
Release of loan loss provisions off-balance	32,562	8,485
Level 1 + 2 guarantees	25,535	973
Level 1 + 2 unused credit	2,021	1,464
Level 3 guarantees	3,893	4,663
Level 3 unused credit	1,113	1,385
Direct write-downs	–275	–535
Income from amortised loans	347	498
Risk provisions in the credit business	**–47,323**	**–910**

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

21 Net commission income in EUR thousand	**01/01 – 31/12/2020**	**01/01 – 31/12/2019**
Commission revenue from		
Credit transactions	10,277	8,045
Payment transactions	14,582	14,806
Securities trading	29,276	26,795
Currency, foreign exchange and precious metals trading	4,195	3,651
Other services business	1,151	1,017
Sub-total commission revenue	**59,481**	**54,314**
Commission expenses for		
Credit transactions	–692	–504
Payment transactions	–1,399	–1,508
Securities trading	–1,943	–1,866
Currency, foreign exchange and precious metals trading	0	0
Other services business	–844	–993
Sub-total commission expenses	**–4,878**	**–4,871**
Net commission income	**54,603**	**49,443**

The commission revenue and expenditure reported in the above table include revenue to the amount of EUR 18,957 thousand (previous year: EUR 16,890 thousand) and expenditure to the amount of EUR 859 thousand (previous year: EUR 169 thousand) from financial assets and liabilities which are not valued at fair value through profit and loss.

Amounts which are referred to for determining the effective interest rate are not included in this revenue and expenditure.

The securities business includes commission revenue which is achieved by BTV as part of fiduciary and other similar transactions where BTV holds or invests customer assets.

22 Revenue from companies valued at equity in EUR thousand	31/12/2020	31/12/2019
Revenue from companies valued at equity	30,172	53,017
Revenue from companies valued at equity	**30,172**	**53,017**

23 Trading income in EUR thousand	01/01 – 31/12/2020	01/01 – 31/12/2019*
Valuation and realisation gains from derivatives	61	271
Valuation and realisation gains from debt securities	–210	–892
Valuation and realisation gains from funds	525	3,489
Revenue from foreign exchange and currencies	622	876
Trading income	**998**	**3,744**

* Compared to the previous year, the sub-item "Valuation and realisation gains from equity instruments" has bee merged with the sub-item "Valuation and realisation gains from derivatives." The reclassified previous year's figure of EUR 107 thousand was adjusted in the presentation.

24 Revenue from financial transactions in EUR thousand	31/12/2020	31/12/2019
Realisation gains – valued at amortised costs	13	722
Valuation and realisation gains – valued at fair value through other comprehensive income (FVOCI)	–96	136
Valuation and realisation gains from debt securities	–17	34
Gains realised from change in OCI reserve	–79	102
Valuation and realisation gains from equity instruments which are not maintained as holdings	0	0
Valuation and realisation gains from equity instruments which are maintained as holdings	0	0
Valuation and realisation gains – mandatorily valued at fair value	–250	5,133
Exchange rate gains from loans to credit institutions/customers (SPPI-deleterious)	236	–73
Valuation and realisation gains from debt securities	–486	709
Valuation and realisation gains from equity instruments	0	4,497
Valuation and realisation gains – fair value option	208	539
Valuation and realisation gains from securities (assets)	–12	–120
Valuation and realisation gains from debt securities hedging instrument (assets)	10	795
Valuation and realisation gains from emissions (liabilities)	–5,607	–6,011
Valuation and realisation gains from emissions hedging instrument (liabilities)	5,817	5,875
Result from fair value hedge accounting	–250	35
Revenue from financial transactions	**–375**	**6,565**

The book values of financial assets sold, and the profits and losses from derecognition of these assets totalled the following:

24a Derecognition of financial assets (valued at amortised costs) in EUR thousand	2020		
	Book value of sold assets	Profits from derecognition	Losses from derecognition
Debt securities – "Hold" business model	6,290	13	0
Total derecognition of financial assets	**6,290**	**13**	**0**

During the financial year, debt securities valued at amortised cost were derecognised due to the exercise of an early termination option.

Derecognition of financial assets (valued at amortised costs) in EUR thousand	2019		
	Book value of sold assets	Profits from derecognition	Losses from derecognition
Loans to customers – "Hold" business model	24,222	722	0
Total derecognition of financial assets	**24,222**	**722**	**0**

In the 2019 financial year, fixed-rate loans to customers, which were valued at amortised costs, were sold due to the disqualification of the total risk amount.

24b Net profit/loss in EUR thousand	31/12/2020	31/12/2019
Financial investments in equity instruments valued at fair value through other comprehensive income Profit or loss under other income	–9,719	5,693
Financial investments in borrowed capital instruments valued at fair value through other comprehensive income	1,221	2,794
Profit or loss under other income	1,317	2,658
Reclassification into profit or loss for the financial year	–96	136

For financial investments in equity instruments which are valued at fair value through other comprehensive income, a cumulative loss to the amount of EUR 9,719 thousand (previous year: profit of EUR 5,693 thousand) was recorded directly under other income.

In the reporting period, a loss from other investments and other associated companies of fair-value hierarchy Level 1 to the amount of EUR 2,926 thousand (previous year: profit of EUR 8,393 thousand) was recorded directly under other income.

In the reporting period, a loss from other investments and other associated companies of fair-value hierarchy Level 3 to the amount of EUR 4,646 thousand (previous year: loss of EUR 6,939 thousand) was recorded directly under other income. Of this, a loss to the amount of EUR 4,515 thousand (previous year: loss of EUR 7,310 thousand) fell to other holdings, and a loss to the amount of EUR 131 thousand (previous year: profit of EUR 371 thousand) to other associated companies.

For financial investments in debt instruments which are valued at fair value through other comprehensive income, a cumulative profit to the amount of EUR 1,317 thousand (previous year: profit of EUR 2,658 thousand) was recorded directly under other income. In addition, in the reporting year, due to sales or repayments, a loss of EUR 96 thousand (previous year: profit of EUR 136 thousand) was posted in this Profit and loss item.

The loss from fair value hedge accounting amounted to EUR 250 thousand in the reporting year (previous year: profit of EUR 35 thousand). Hedged underlying transactions incurred a profit of EUR 8,472 thousand (previous year: loss of EUR 2,941 thousand) while hedging instruments made a loss of EUR 8,722 thousand (previous year: profit of EUR 2,976 thousand).

25 Operating expenses in EUR thousand	31/12/2020	31/12/2019
Staff expenditure	–98,127	–105,565
of which salaries and wages	–72,932	–75,539
of which statutory social contributions	–20,741	–20,743
of which other staff expenditure	–2,654	–7,641
of which expenditure for long-term staff reserves	–1,800	–1,642
Material expenditure	–56,080	–55,554
Amortisations	–32,871	–29,976
of which amortisation of activated easements for leasing objects according to IFRS 16	–3,314	–3,168
Operating expenses	**–187,078**	**–191,095**

Staff expenditure includes expenses for contribution-based pension plans to the amount of EUR 2,109 thousand (previous year: EUR 2,053 thousand).

The short-time working allowance in connection with COVID-19 was used in the cable car companies to the amount of EUR 1,878 thousand. In accordance with IAS 20, BTV has opted for the net presentation in which the grants reduce the reported staff expenditure.

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 consolidated financial statements as well as other services rendered amounted to (incl. VAT):

25a Auditor expenses in EUR thousand	**2020**	**2019**
Audit of individual and consolidated financial statements	587	512
Tax advisory services	62	76
Other services	18	85
Auditor expenses	**668**	**673**

25b Average number of employees, weighted according to staff years in person-years	**31/12/2020**	**31/12/2019**
White collar	973	967
Blue collar	441	488
Number of employees	**1,414**	**1,455**

In addition, in the reporting year, an average of 21 employees (previous year: 22 employees) were dispatched to closely related companies. These are not taken into account in the table above.

26 Other operating income in EUR thousand	**31/12/2020**	**31/12/2019**
Revenue from other transactions	115,572	119,338
Expenses from other transactions	–43,322	–35,540
Other operating income	**72,250**	**83,798**

Sales revenue from non-banking activities (cable car segment) are reported under "Revenue from other activities" to the amount of around EUR 92,306 thousand (previous year: EUR 104,833 thousand). The total of other taxes included in expenditure from other transactions totalled EUR 5,486 thousand in 2020 (previous year: EUR 5,444 thousand).

Other operating income includes fixed cost subsidies in connection with COVID-19 of EUR 338 thousand.

The renewed lockdown in November and that in December, with its repeated extensions in 2021, and the associated travel warnings, resulted in business transactions and events occurring between the balance sheet dates of Silvretta Montafon Holding GmbH (reporting date: 30 September) and Mayrhofner Bergbahnen Aktiengesellschaft (reporting date: 30 November) and a negative result of EUR –9,258 thousand was taken into account in other income on the reporting date of the BTV Group.

27 Taxes on income and revenue in EUR thousand	**31/12/2020**	**31/12/2019**
Current tax expenditure	–12,959	–25,749
Deferred tax expenditure (–)/revenue (+)	11,870	7,993
Taxes on income and revenue	**–1,089**	**–17,756**

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.

27a Taxes: Reconciliation account in EUR thousand	**2020**	**Reconciliation of tax rate**	**2019**	**Reconciliation of tax rate**
Annual net profit before tax	54,101		144,451	
Calculated tax expenditure	–13,525	25.0%	–36,113	25.0%
Tax exemption of at-equity revenues	7,543	–13.9%	13,254	–2.8%
Tax expenditure (–)/revenue (+) for other periods	552	–1.0%	1,357	0.4%
Tax increase from non-deductible expenses	–889	1.6%	–646	–0.3%
Other tax expenditure (–)/revenue (+)	5,230	–9.7%	4,392	–0.9%
Taxes on income and revenue	**–1,089**	**2.0%**	**–17,756**	**12.3%**

The "Other tax expenditure/revenue" item comprises essentially the differences from foreign taxation. The tax revenue not relating to the period contains taxes on revenue from previous periods and other sources of tax.

In the reporting year, EUR 1,686 thousand (previous year: EUR –161 thousand) of deferred taxes were passed to account under equity within the comprehensive income statement.

The deferred taxes passed to account directly under equity, which cannot subsequently be reclassified to the profit/loss account, total EUR 2,040 thousand (previous year: EUR 4,947 thousand) and result primarily from the revaluation from performance-based pension plans.

The deferred taxes passed to account directly under equity, which can subsequently be reclassified to the profit/loss statement, total EUR –354 thousand (previous year: EUR –5,108 thousand), and relate to the changes in debt securities through other comprehensive income which are valued at fair value.

28 Earnings per share (ordinary and preference shares)	2020	2019
Shares (ordinary and preference shares)	34,031,250	34,031,250
Average float (ordinary and preference shares)	33,920,050	33,932,445
Group annual net profit attributable to the owners in EUR thousand	53,744	123,931
Earnings per share in EUR	1.58	3.65
Diluted earnings per share in EUR (ordinary and preference shares)	1.58	3.65
Dividend per share in EUR	0.12	0.12

No financial instruments with dilution effect on ordinary or preference shares were in circulation during the reporting period. The result of this is that there is no difference between the "earnings per share" and "diluted earnings per share" values.

29 Application of profits

The distributable profits are determined based on the annual financial statements of the Bank für Tirol und Vorarlberg Aktiengesellschaft. The net annual profit for the financial year 2020 amounted to EUR 25,178 thousand (previous year: EUR 45,868 thousand). After transfer to reserves of EUR 25,078 thousand (previous year: EUR 35,508 thousand) and adding back the profits carried forward there is an available sum of EUR 6,801 thousand (previous year: EUR 10,705 thousand). The Executive Board will recommend to the Annual General Meeting that for the financial year 2020 a dividend of EUR 0.12 per share (previous year: EUR 0.12) be paid out. The distribution therefore requires a total of EUR 4,084 thousand (previous year: EUR 4,084 thousand). The total amount of dividends on preference shares was EUR 300 thousand (previous year: EUR 300 thousand). The remaining retained profit shall be carried forward to the next statement.

The planned distribution of EUR 0.30 per share for the 2019 financial year, which was published in the Annual Report 2019, was reduced to EUR 0.12 minimum dividend per non-voting preference share based on the recommendation of the European Central Bank (ECB/2020/1 [ECB/2020/19] 2020/C 102 I/01) due to COVID-19.

The claim of ordinary shares entitled to dividends was reduced to a dividend of EUR 0.12 under the conditions precedent that the recommendation of the European Central Bank to refrain from discretionary dividend distributions (recommendation of the European Central Bank of 27/03/2020 on dividend distributions during the COVID-19 pandemic and repealing the recommendation ECB/2020/1 [ECB/2020/19] 2020/C 102 I/01) is no longer upheld on 31 December 2020 or earlier and that there is no legally binding prohibition on distribution at the time of the above condition precedent.

With publication of the recommendation of the European Central Bank (ECB/2020/62) on 15 December 2020, the previous recommendation of the European Central Bank regarding the refrainment to pay a discretionary dividend was repealed. Since there was also no legally binding prohibition on distribution, the conditions precedent for the entitlement and payment of the dividend for each dividend-approved ordinary share in the amount of EUR 0.12 per ordinary share on 15 December 2020 were thus met.

30 Segment reporting

Segment reporting is performed by the BTV Group as required by the information and valuation rules of IFRS 8. Segment information is based on 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 the allocation of resources to the segments and for assessing 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.

The basis of segment reporting is the profit centre accounting for the Corporate and Retail Customers business areas and the overall bank report for the Financial Markets (formerly Institutional Clients and Banks) business area. For the leasing segment and the cable cars segment, the corresponding reporting package has been used for reporting.

Profit centre accounting is used to provide the markets with an overall view of the earnings situation of the sales unit and thereby to strengthen enterprise on location. The market environment has become even more competitive. It is therefore also necessary to raise awareness and consider the costs at a decentralised level. At BTV, a distinction is made between profit centre and service centre, whereby the profit centres can be assigned services and income directly, while the service centres perform the services for the profit centres. The operating expenses are calculated based on direct personnel, material and occupancy expenditure as well as overhead personnel, material and occupancy expenditure.

The aforementioned reports reflect the structure of management responsibilities within the BTV Group in 2020. These internal reports to the Executive Board, which only satisfy IFRS accounting standards in part, 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 about the internal and external accounting system is based on the same base data and is agreed in the “Finance and Controlling” and “Risk Management” divisions for the reports.

Reciprocal checks, ongoing reconciliations or validation checks between the Accounting, Controlling, Risk Controlling, and Reporting teams are therefore guaranteed. The criterion for the separation of business areas is primarily designed to ensure responsibility for looking after 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.

In 2020, the following business areas have been defined within BTV:

The Corporate Customers segment is responsible for small, medium and large corporate customers, and chartered accountants and auditors. The Retail Customer segment is responsible for the market segments retail customers, freelance professionals and micro-companies. The Financial Markets business area mainly comprises treasury and trading activities. BTV Leasing brings together all leasing operations of BTV. The cable cars segment includes Silvretta Montafon Holding GmbH and Mayrhofner Bergbahnen Aktiengesellschaft, which contain all of the two companies’ tourism activities. The profit or loss of these segments also include transactions between segments, particularly between the Corporate Customer segment and leasing and the funiculars. 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 Corporate Investments, Executive Office, Group Auditing etc. In addition, it is mainly the effects of consolidation and fully consolidated companies below the thresholds (ALPENLÄNDISCHE GARANTIE - GESELLSCHAFT m.b.H., Wilhelm Greil Straße 4 GmbH and TiMe Holding GmbH) that are allocated to this segment.

The results of the five reporting segments are detailed below.

Corporate customer segment

The Corporate Customer segment is the largest in terms of earnings. Operating interest income forms its main revenue component. Compared to the end of 2019, interest income increased by EUR +9.0 million to EUR 121.0 million. Risk provisions in the credit business had a negative impact on this segment's results amounting to EUR –31.3 million.
The segment's net commission revenue recorded an increase of EUR +1.2 million to EUR 22.3 million. Operating expenses were down slightly by EUR –1.2 million, at EUR 44.8 million.
Income from financial transactions resulted in a balance of EUR 0.2 million. New business provided for an increase in segment loans of EUR +293 million to EUR 6,814 million. Segment liabilities increased from EUR 3,254 million to EUR 3,819 million. In total, annual profit before tax reached EUR 67.4 million and was therefore EUR –16.5 million below the previous year's figure.

Retail customers segment

Retail customers business contributed EUR +1.0 million more to the interest income at BTV compared to the end of 2019 with interest revenue of EUR 39.3 million. Risk provisions in the credit business amounted to EUR –0.8 million in the reporting period. Net commission income costs rose by EUR +1.9 million to EUR 34.6 million. The typically high resources invested in staff and premises in the retail sector resulted in operating expenses of EUR 66.9 million. Other operating income remained roughly at the same level as last year at EUR 0.8 million. Overall, the retail customers segment achieved annual profit before tax of EUR 7.1 million, compared to EUR 3.7 million in the previous year.

Financial markets segment

The profit for the Financial Markets segment fell substantially compared to the same period in the previous year. Interest income fell by EUR –1.4 million to EUR 2.8 million. Income from financial transactions, including trading income, showed a marked decrease of EUR –5.6 million to EUR 0.3 million. The risk provisions in the credit business had a negative impact on the profit for the segment. Compared to the previous year, these gained EUR +11.3 million to EUR 9.8 million. Operating expenses for the segment remained stable compared to last year, totalling EUR 4.5 million. In total, the profit before tax for the period was down EUR –18.3 million to EUR –11.2 million.

Leasing segment

The development of BTV Leasing was stable during the reporting period. Customer cash volumes fell by EUR –16 million to EUR 987 million. Compared with the previous year, net interest income grew by EUR +1.0 million, to EUR 15.7 million. Risk provisions in the credit business fell by EUR –5.2 million to EUR –5.4 million compared to the previous year. At EUR 0.4 million, net commission revenue stood at the same level as the previous year. Operating expenses increased by EUR +1.9 million to EUR 8.7 million and other operating income increased from EUR +0.5 million to EUR 4.1 million. Earnings before tax for the period fell by EUR –5.5 million to EUR 6.3 million.

Cable cars segment

The cable cars segment comprises the consolidated financial statements of Mayrhofner Bergbahnen Aktiengesellschaft and Silvretta Montafon Holding GmbH. The business of both companies is dominated by tourism; the profit or loss is therefore subject to strong seasonal fluctuations. Interest income totalled EUR –2.3 million. The difficult economic situation in the tourism sector caused by the COVID-19 pandemic caused other operating income, which mainly includes revenue, to fall by EUR –19.3 million compared to the previous year, to EUR 69.1 million. This also had a significant impact on Silvretta Montafon Holding GmbH, with its average of 423 employees in the reporting period, and Mayrhofner Bergbahnen Aktiengesellschaft, which employed an average of 158 employees during the reporting period. As a result of the temporary closures, the operating expenses of the two companies decreased by EUR –4.0 million to EUR 66.6 million. Overall, the segment achieved annual profit before tax to the amount of EUR –0.3 million, EUR –15.0 million lower compared to the previous year.

Segment reporting in EUR thousand	**Year**	**Corporate customers**	**Retail customers**	**Financial markets**	**Leasing**	**Cable cars**	**Segments that must be reported**	**Other segments/ consolidation/misc.**	**Group balance sheet / P/L**
Net interest income incl. at-equity result	12/2020	120,997	39,264	2,842	15,709	–2,348	176,465	–15,439	161,026
	12/2019	111,992	38,246	4,247	14,710	–2,522	166,673	26,233	192,906
Risk provisions in the credit business	12/2020	–31,339	–778	–9,838	–5,369	0	–47,323	0	–47,323
	12/2019	–3,134	945	1,473	–194	0	–910	0	–910
Net commission income	12/2020	22,250	34,635	0	431	–531	56,785	–2,183	54,603
	12/2019	21,044	32,756	0	408	–581	53,627	–4,184	49,443
Operating expenses	12/2020	–44,792	–66,881	–4,549	–8,692	–66,606	–191,520	4,442	–187,078
	12/2019	–45,959	–68,967	–4,584	–6,816	–70,595	–196,921	5,826	–191,095
Other operating income	12/2020	0	846	0	4,138	69,134	74,118	–1,867	72,250
	12/2019	0	740	0	3,646	88,448	92,834	–9,035	83,798
Revenue from financial transactions and trading income	12/2020	237	0	325	110	43	714	–91	623
	12/2019	–73	0	5,954	101	–56	5,926	4,383	10,309
Annual profit before tax	**12/2020**	**67,353**	**7,087**	**–11,221**	**6,328**	**–308**	**69,239**	**–15,138**	**54,101**
	12/2019	**83,870**	**3,720**	**7,090**	**11,854**	**14,693**	**121,228**	**23,223**	**144,451**
Segment loans	12/2020	6,813,733	1,364,792	4,456,035	987,378	15,129	13,637,067	–709,320	12,927,747
	12/2019	6,520,531	1,388,490	3,207,725	1,003,337	13,802	12,133,885	–613,018	11,520,867
Segment liabilities	12/2020	3,818,651	4,347,060	2,543,102	933,893	97,377	11,740,083	100,511	11,840,594
	12/2019	3,254,489	3,972,541	2,331,136	954,484	109,513	10,622,163	–147,822	10,474,341

Segment reporting: Explanatory notes

The net interest income is allocated according to the market interest method. Sales figures are included under Corporate Customers and Retail Customers for management reasons, among other items. Income from companies valued at equity is allocated to the “Other segments/consolidation/misc.” segment. 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 correct segment on the basis of origin. The expenses of BTV Leasing GmbH or respectively Silvretta Montafon Holding GmbH and Mayrhofner Bergbahnen Aktiengesellschaft are directly allocatable according to the individual reporting packages. Costs not directly allocatable are shown under “Other segments/consolidation/misc.” Other operating income includes, among other things, earnings from Silvretta Montafon Holding GmbH and Mayrhofner Bergbahnen and, in addition to the consolidation effects, essentially the stability tax and rental operations under “Other segments/consolidation/misc.”

The segment loans include the entries for “Loans to central banks,” “Loans and advances to banks,” “Loans and advances to customers,” “Other financial assets” of the valuation categories “Amortised costs,” “Fair value in equity,” “Fair value through profit and loss,” and “Fair value option,” as well as guarantees and liabilities. The “Other segments/consolidation/misc.” item includes risk 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 segment liabilities are allocated to the entries “liabilities to banks,” “liabilities to customers,” and “other financial liabilities” of the valuation categories “amortised costs” and “fair value option” as well as “other financial liabilities from leasing liabilities.” Consolidating entries are also included in the “Other segments/consolidation/misc.” column.

The success of the business area in question is measured by the annual net profit before tax generated by that segment.

Risk strategy and policy for risk management

As part of the risk report, a qualitative and quantitative disclosure is made of risk management at BTV. Risk management is seen at BTV as an integral component of strategic and operative company management. As a component of strategic company management, risk management is aimed in particular at raising awareness that strategic decisions always carry risks which must be dealt with. In the context of operative company management, it is the duty of the risk management team to adequately manage risks that have been entered into.

This Risk Report covers both the supervisory consolidated group pursuant to Art. 18 CRR, and the consolidated group pursuant to the reporting framework of the IFRS.

Within BTV, risk is understood as the risk of a negative deviation between the actual and expected result. The following figure shows the full systematisation of risk categories and risk types applied at BTV.

Credit risk
- Risk of default by other party
- Credit concentration risk
- Residual risks from credit risk reducing techniques
- Risk from adjusting credit assessment

Equity investment risk

Market risk
- Interest rate risk
- Credit spread risk
- Share price risk
- Currency risk
- Volatility risk

Liquidity risk

Operational risk
- Failure of processes
- Human error
- Risk of losses due to external events
- Legal risk including compliance and money laundering
- Information and communication technology risk
- Model risk

Macro-economic risk

Concentration risks
- Inter-concentration risks
- Intra-concentration risks

Risk of excessive debt

Other risks
- Risk from the business model
- Reputation risk
- Systemic risk

Global stress scenarios
- Risk from a pandemic
- Sustainability risk

The conscious and selective assumption of risks and their appropriate management represents one of the core functions of BTV. 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.

Due to the operational necessity of maintaining risk-bearing capacity with respect to capital and liquidity adequacy, and of achieving a balance between risk and return, both bank-wide and detailed risk strategies have been developed at BTV.

BTV understands a risk strategy as the concise documentation of adherence to risk policy focused on strategic content. Therefore, the bank-wide and detailed risk strategies are understood as an instrument for safeguarding the company's objectives over time and are in line with the business strategy.

The bank-wide and detailed risk strategies are characterised by a conservative approach to operational banking risks, resulting from the demands of a customer-oriented focus in the banking business and the attitude towards the legal and supervisory framework 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
- Credit concentration risk
- Risks from credit risk-reducing techniques
- Risk from adjusting credit assessment

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. The counterparty default risk exists in the following 4 control units:

- Corporate customers
- Retail customers
- Financial markets
- Other

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 customers. 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 annual borrower reviews and regular individual case reviews on the basis of early-warning systems. 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 customer segments. At an individual level, risk management techniques include assessment of creditworthiness when granting loans, the acceptance of collateral, on-going monitoring of account management and scheduled reviews of ratings and the soundness of collateral. Risk provisions are carefully formed, taking into consideration existing collateral, for default risks identified and quantified during the financial year.

Transactions involving forbearance

Forbearance is understood as concessions to a borrower who is having difficulties fulfilling his financial obligations, or will face such financial difficulties shortly. Forbearance measures are indicated at the level of individual transactions.

A concession is understood as:

- A change in the original contractual conditions in favour of the borrower or
- a complete or partial restructuring of the debt or a restructuring of a problematic contract.

Types of forbearance

The following types of forbearance measures are distinguished at BTV:

Short-term (max. 2 years):

- Suspension of repayments over a short set period of time
- Reduction of repayments over a short set period of time
- Postponement of/moratorium on repayments (see also suspension of repayments)
- Capitalisation of arrears/interest

Long-term:

- Lowering of interest rate (reduction of conditions/pricing) either permanently or temporarily
- Extension of term
- Additional securities as part of the restructuring process to compensate for the higher risk
- Change to repayment plan
- Currency conversion, i.e. adjusting currency of credit to currency of cash flow
- Other amendment of contractual conditions/agreements
- Refinancing/new credit lines to support financial recovery
- Consolidation of debts
- Debts are waived in part or as a whole

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 customer, 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. However, this risk is taken into account sufficiently by the sustainability analysis performed every time before forbearance is granted. If the result of this sustainability analysis is negative, forbearance is not granted and the necessary steps regarding collection are initiated. This guarantees that there is no delay of default.

Risk management and risk control

The internal regulations of BTV provide that forbearance is only to be granted if, on the basis of the available data, documents and information, a proper repayment can be guaranteed (sustainability analyses, e.g. creditworthiness analysis or expenditure account). The approval is made through the decision-making channels. The agreements made with the borrower are always 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.

Removal of forbearance note

In the living segment:
Stricter criteria apply for the monitoring of forbearance customers. After forbearance ends, a 2-year probation period begins; at the end of this period, the system automatically checks whether:

- the customer is in the living segment
- there are any overdrafts > 30 days
- there are any outstanding payment obligations (significant, regular payments over at least half of the probation period)

In addition, a review is carried out by the account manager and a credit check is performed regarding whether the borrower, according to the current financial situation, can return the loans. If the criteria are met, the forbearance note is removed.

In the default segment:
If the customer defaults during the probation period, the probation period is reset; after recovery (ratings improvement possible no earlier than 1 year after forbearance applied), a new 2-year probation period begins, whereby the following stricter criteria apply:

- Overdraft > 30 days again automatically leads to default
- Second forbearance on account with one forbearance note again automatically leads to default
- Forbearance removed at the end of two years after recovery and automatic review pursuant to the criteria for the performing segment.

Accounting policies and valuation methods, value adjustment indicators

Forbearances granted to borrowers automatically lead to the formation of an increased portfolio value adjustment (Level 2, based on the expected credit loss over the remaining lifetime). If the agreed measures are not complied with, the customer is subjected to a renewed and timely credit check. Within the context of this check, a change in the borrower's rating for default as well as the formation of an individual value adjustment or a reserve will be evaluated.

If, within a credit commitment, a credit default is to be expected, a value adjustment or a reserve is created for the part that is probably not recoverable. The amount of this value adjustment or reserves is determined exclusively by the Credit Management division (restructuring management and debt collection) or the Service Centre and determined in accordance with the rules of competency.

The IFRS international financial reporting standards stipulate the formation of portfolio valuation adjustments. Provisions for loan losses which have already occurred by the balance sheet date but have not yet been recognised are represented under portfolio valuation adjustments. For calculation, a model is used with which the need for value adjustment is determined based on historical loss experiences in the portfolio.

The total amount of value adjustment is shown explicitly as a reduction on the asset side of the balance sheet. Reserves 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 customers who have already defaulted and after assessment by the Restructuring Management & Enforcement team in accordance with the rules on competency. 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 customers who have not defaulted.

Credit concentration risk

Within BTV, credit risk concentration is defined as the risks which arise from an 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.

Residual 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, macroeconomic 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 revenue due or loss of the capital invested.

Market risks include interest rate, currency, share price, credit spread and volatility risks. 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. Interest rate, share price and credit spread risks should be seen here as mainly being connected with financial securities. 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, macro-economic and other risks – corresponding to the definitions in the following sections – may result in parts of the collateral portfolio losing 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.

Risk of a credit valuation adjustment

The adjustment of a credit valuation is understood as the adjustment of the valuation of a portfolio of transactions with a counterparty to the valuation at the mean market value. This adjustment reflects the market value of the credit risk of the counterparty to BTV, but not the market value of BTV's credit risk to the counterparty. The risk here is that the positive replacement value for derivative financial instruments is reduced because the risk premium for the counterparty has increased without it dropping out.

Equity investment risk

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

Market risk

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

Control of market risks

Management of market risks is undertaken centrally in the Financial Markets 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 financial reporting 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

The interest rate risk is understood as the risk that the achievable interest income will not be achieved due to changes occurring to the market interest rate. Interest rate changes affect the revenue and risk situation of BTV in different ways. The two significant economic effects here are the cash value effect and the income effect. On the one hand, the present value effect poses the risk of reduced present values due to the changes of market rates in the interest register. On the other hand, the income effect poses the 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:

Risk of interest rate gap: The risk results from the interest rate structure of interest rate-sensitive instruments and the associated timing of the interest rate adjustment. The risk of an interest rate gap includes risks related to timing mismatches and the revaluation of assets, liabilities and off-balance sheet items (revaluation risk), risk arising from changes in the slope and shape of the interest structure curve (interest structure curve risk).

Basis risk: This risk arises from different interest rate responsiveness of asset and liability positions with the same fixed interest rate and arises when a hedging transaction is based on a different interest rate compared to an interest rate risk position, so that a revaluation leads to slightly different conditions.

Non-linear risks: Non-linear interest rate risks, also called option risks, arise from the gamma and vega effects of options, including embedded options.

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 is reflected in fluctuations in the net value of bond portfolios which cannot be attributed to interest rate changes.

Currency risk

Currency risks arise for a credit institution if receivables or liabilities are entered into in a foreign currency that are not offset by an equivalent position or derivative transaction. Adverse exchange rate developments can therefore lead to losses.

Share price risk

Share price risk is understood as the risk that price changes of equities and equity funds will have a negative impact on the expected result.

Volatility risk

Volatility risk is understood to be the risk of change in the price of options purchased and sold due to changes in the volatility of the base value, which adversely affect the expected result.

Liquidity risk

At BTV, liquidity risk is broken down as follows:

- Dispositive liquidity risk
- Refinancing risk (structural liquidity risk in ICAAP)
- Market liquidity risk
- Risk of a refinancing concentration
- Liquidity risk from derivative positions

Optional liquidity risk (also known as liquidity risk in the narrower sense or insolvency risk/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. Within BTV, this essentially consists of the following risk subtypes:

- Due date risk: The risk of an unscheduled extension to the capital commitment period of lending operations due to behaviour of the counterparty which is not contractually compliant.
- Withdrawal risk: The risk arising from unexpected drawdown of lending commitments or the unexpected withdrawal of deposits with an indeterminate capital commitment.
- Replacement risk: Any risk of not being able to extend or replace expiring financing.

Liquidity risk in the broader sense, i.e. the risk from structural liquidity, is referred to at BTV as refinancing risk. This essentially describes the effects on profit or loss due to a refinancing structure that does not comply with the term. 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 with discounts in the market and thus only a minimal liquidity inflow will be achieved.

The risk of a concentration in refinancing arises when some of the refinancing resources available are disproportionately high in relation to certain instruments, one or more lenders, residual maturities, currencies or geographic areas compared to the total of all refinancing funds.

In the case of liquidity risk from derivative positions, there is a risk that unforeseen liquidity outflows may arise from these transactions, especially as these transactions are collateralised via collateral agreements.

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 Financial Markets division is responsible for short to medium-term liquidity risk management. The primary task of short-term to medium-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 incl. minimisation of refinancing costs
- Sufficient provision of primary funds
- Diversification of sources of refinancing
- Optimisation of the liquidity buffer
- Clear investment strategy for tenderable 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
The operational risk is divided into the following risk types:
- Risk of failure of processes
- Risk of human error
- Risk of losses due to external events
- Legal risk including money laundering and compliance
- Information and communication technology risk
- Model risk

Reputational risk is classified as other risk and therefore not seen as operational risk.

The risk of failures of processes is understood as the risk that losses will arise due to inadequate or lacking process organisation.

The risk of human error is understood as the risk that losses will arise due to the improper behaviour or actions of persons involved. This includes improper behaviour or actions which were performed with wilful intent or gross negligence, as well as such which arise due to errors in execution of the work process (human error).

The risk of external events is understood as the risk that losses will arise due to disruptions in operations which cannot be actively managed. The risks of losses due to external events cannot be specified exhaustively.

The legal risk is the possibility that processes, legal judgements, or contracts which are proven to be unenforceable lead to a negative deviation from the expected result since the transactions or condition of the bank are impaired by such, or because there exists the danger that failure to observe, improper application, or over-representation of legal regulations will lead to failure to observe the bank's own obligations. This also includes the risk of suffering losses due to non-feasance. Legal risk includes both behavioural risk as well as the risk from money laundering and terrorist financing and the risk from any violation of compliance rules.

Information and communication technology (ICT) covers all technical resources which support the processing or transfer of information. The processing of information includes the collecting, recording, use, storage, transfer, program-supported processing, internal presentation, and issuing of information.

The information and communication technology risk (ICT risk) is the present or future risk of losses due to the inappropriateness or failure of the hardware and software of the technology infrastructure which could impair the availability, integrity, accessibility, and security of these infrastructures or of data. This includes the risks arising from ICT availability and continuity, ICT security, ICT changes, ICT data integrity, and ICT outsourcing. These sub-categories are defined as follows:

- The availability and continuity risk is the risk that the performance and availability of ICT systems and data will be negatively affected, including the loss of capacity to restore ICT hardware and software components in good time after a failure, as well as the negative effect of weaknesses in the ICT system management or other events affecting the services of BTV. Potential business interruptions due to system failures are also covered by the availability and continuity risk.
- The security risk is understood as the risk of unauthorised access to ICT systems and data access from within or outside of BTV (e.g. cyber attacks).
- The change risk results from BTV being incapable of managing pending ICT system changes in good time and in a controlled fashion, in particular with respect to comprehensive and complex change projects.
- The data integrity risk is the risk that the data stored and processed by ICT systems is incomplete, imprecise, or inconsistent across ICT systems. For example, due to defective or lacking ICT controls during the different phases of the ICT data life cycle (i.e. draft of data architecture, development of the data model and/or data dictionary, reviewing data input, controlling data extractions, transfers and processing, incl. data outputs rendered) which leads to an impairment of BTV's ability to render services and produce (risk) management and financial information in and orderly and timely fashion.
- The outsourcing risk arises when the commissioning of a third party or other group company (internal outsourcing) with the provision of ICT systems or the rendering of associated services negatively influences the performance and risk management of BTV.

The model risk is defined as follows: Possible loss from the consequences of decisions based on the results of internal approaches resulting from errors in the development, implementation and application of such approaches.

Macro-economic risk

Risks are described as macro-economic risks if they result from unfavourable changes in the overall economic development of the markets in which BTV transacts business and have a negative impact on the expected profit of BTV. These risks lie outside the sphere of influence of BTV, the sensitivity of customer groups, sectors and markets versus negative economic changes but are expressed to different degrees and are 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 various risk categories. The interactions between the various positions may arise due to an underlying common risk factor or from interrelated risk factors.

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

Other risks

The other risks are broken down at BTV as follows:

- Risk from the business model
- Reputation risk
- Systemic risk

BTV defines these types of risk as follows:

The business model risk is the danger posed by a business model or strategy lacking sustainability. Both exist when no acceptable yields can be achieved.

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 regards to its competence, integrity and trustworthiness resulting from the perceptions of public stakeholders (shareholders, employees, customers, etc.).

The systemic risk describes the risk of the functionality and stability of the entire financial system being compromised. For example, the insolvency of one market participant can lead to a chain reaction, which leads to significant liquidity and solvency problems for a large number of other market participants.

Risk of excessive debt

The risk of excessive debt is the risk arising from a credit institution's actual or potential indebtedness for its stability and requiring unforeseen corrections to its business plan, including the sale of asset items from an emergency situation, which could lead to losses or valuation adjustments of the remaining asset items.

Global stress scenarios

Global stress scenarios for BTV are significant events, the significance of which changes economic life at an international level in many areas. The effects of such a crisis can be reflected in all types of risk, so that they can only be covered by a comprehensive stress test.

Risk from a pandemic

A pandemic is understood to mean the worldwide spread of an infectious disease. At BTV, the risks from a pandemic are considered as part of the existing risks. This is based on the assumption that risks of a pandemic may have an impact in the form of credit risks, for example. For example, a lockdown during the pandemic can lead to business closures and therefore increased credit defaults. Furthermore, ill employees and lack of resources can cause operational damage. A lack of employees can also cause system failures. The year 2020 has demonstrated how diverse the effects of such a crisis can be. This risk is therefore mapped via an integrated bank stress test.

Sustainability risks

BTV considers sustainability risks to be such from the areas of environment, social or governance, the occurrence of which can have actually or potentially significant negative impacts on the asset, finance, and revenue situation, and on the reputation of a company. They include climate-related risks in the form of physical risks (storms, droughts, rising sea levels, rising snow lines, floods etc.), and transition risks (risks from transitioning to a low-CO2 economy – e-mobility, changes in purchasing behaviour etc.). These are taken into account in the annual risk self-assessment.

At BTV, sustainability risks are considered part of the existing risks, in particular the default risk – due to their being taken into consideration in the customer rating and in the risk-policy buffers – but also part of the operational risk. The potential impacts of sustainability risks are integrated, for example, into early risk identification, stress tests etc. – in particular in industries which are particularly exposed to such risks (e.g. automotive industry, winter tourism).

In the area of operational risk, a precise analysis of damage events is performed in connection with physical risks.

In order to record sustainability risks holistically, BTV will further develop stress testing across all types of risk. This guarantees that sustainability risks are integrated into BTV's risk management to a sufficient degree.

The central responsibility for appropriate risk management lies with the entire Executive Board. The entire Executive Board is responsible in particular for the following duties in this respect:

- Responsible for working out business and risk strategy
- Establishing the risk policy and principles thereof
- Anchoring the risk management process as a core component of the overall management of the bank
- Determination of risk appetite
- Determining strategic limits and operating benchmarks
- Establishing corresponding set-up and process organisation to ensure capital adequacy (ICAAP) and liquidity adequacy (ILAAP)
- Communication of risk strategy to employees
- Installing an appropriate internal control system
- Functional and organisational separation of responsibilities to avoid conflicts of interest
- Ensuring sufficient human resources are in place
- Ensuring employees are qualified
- Regular – at least annual – review of processes, systems and procedures

The committee that acts above all during the phase of adjusting the risk management process is BTV Bank Management. At present the BTV Bank Management meets monthly. It consists of the full Executive Board and the heads of the Risk Management, Finance & Controlling, Credit Management, as well as the Customers and Financial Markets business areas, and the heads of the Risk Controlling and Treasury teams. 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 and refinancing risk as well as operational and macroeconomic risk. Strategic, reputation, and system risks, as well as the risk of excess indebtedness, are combined under the "Other risks" category and are also discussed within the context of BTV Bank Management. BTV Bank Management has at its disposal several reports compiled by the Risk Management and Credit Management teams as essential sources of information. BTV Bank Management also holds the function of "restructuring governance."

Within the framework of risk management, the Supervisory Board of BTV has responsibility for approving individual credit risk limits as part of the defined competence path and 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 Risk Management on the types of risk and the risk position of BTV to the Risk and Credit Committee
- Risk report by full Executive Board as part of the preparatory meetings of the Audit Committee and within the full Supervisory Board meeting.
- Annual ICAAP report to the Audit Committee
- Annual ILAAP report to the Audit Committee
- Annual session of the Risk Committee
- Ongoing reports by the Group Audit to the audits undertaken with different areas of emphasis
- Annual report of the auditor on the functional capacity of the risk management system to the Chairman of the Supervisory Board and at the Audit Committee
- Reporting on the continuous compliance with the recovery indicators according to the Supervisory Board's recovery plan

The risk management function required by Section 39(5) BWG, which is to be filled accordingly by a manager, is performed at BTV by the Head of Risk Management.

The liquidity management function is carried out by the Head of the Financial Markets division.

The Risk Management team is a risk management department separated from the operational business, with direct access to the directors, which has the corresponding competences and skills to ensure fulfilment of the following core tasks:

- Identification, assessment, aggregation and monitoring of risks
- Reporting to the Management with respect to risks and the risk situation
- Participating in the drawing up of the BTV risk strategy and all key decisions on risk management
- Complete overview of the designing of key risk categories, risk types and risk sub-types, and of the risk situation of BTV
- Advising responsible persons in company divisions and processes
- Vote and conditions for approval of new processes and products

- Assessment of new processes and products with regard to risk content in the ICAAP and the ILAAP and the reproducibility in the systems
- Maintaining the instrument catalogue for products in the Financial Markets area

Through these core tasks, Risk Management provides an important supportive business management service to managers for risk-oriented planning and management.

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

The WAG compliance function monitors all legal regulations and internal guidelines relating to financial services in particular according to the Austrian Securities Supervision Act (WAG 2018) and the Market Abuse Regulation (MAR). The supervision of employee and customer transactions is intended to prevent insider trading and ensure confidence on the capital markets, whereby compliance contributes directly to protecting the reputation of BTV.

As a significant credit institution pursuant to Section 5(4) BWG, BTV set up a permanent BWG compliance function on 01 January 2019. In organisational terms, it is part of the Regulatory Tax & Compliance division, which reports directly to the entire BTV Executive Board. The BWG compliance function is furthermore responsible solely to the entire Executive Board within the context of fulfilment of its duties and assumes its duties independently. It coordinates the processes associated with the valuation and implementation of, and compliance with, regulatory guidelines pursuant to Section 69(1) BWG. It also advises and supports the Executive Board in matters of compliance.

Whilst the BWG compliance function is responsible for coordinating processes related to the valuation and implementation of and compliance with regulatory guidelines, responsibility for the introduction of and compliance with processes which serve to implement the regulatory guidelines lies with the specialist departments.

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 Executive Board.

Within BTV, the functions of Risk Management and Group Audit, and of WAG Compliance, BWG Compliance and Anti-Money Laundering are organised 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.

Within BTV, the requirements for quantitative risk management to ensure capital adequacy that result from the pillar 2 of Basel III and from the operational necessity are covered, above all, by the risk-bearing capacity calculation. With the help of this calculation, BTV determines the extent to which it is able to absorb unexpected losses.

In calculating risk-bearing capacity, BTV assumes two viewpoints – the going concern and the perspective of liquidation. From the perspective of a going concern, the continued existence of a regular going concern is to be assured. From a liquidation perspective, BTV aims to guarantee the claims of outside financial backers (holders of debt securities, savings deposits, etc.). In addition, BTV has built an early warning stage for both approaches. 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.

The determination of the risk and the risk coverage capital (= internal 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.

In the going-concern approach, the risk coverage capital is essentially comprised of the retroactive accounting of deductibles for companies in the finance sector which can be traced back to the CET1 instruments of companies in the finance sector, in which BTV holds a significant stake, plus the maximum available free capital components (which exceed the legal minimum capital requirement), the planned annual net profit, and the hidden reserves from holdings, securities and properties. The excess/shortfall arising from the IRB approach is also taken into account.

The internal capital (risk coverage capital) in the liquidation approach essentially comprises the supervisory equity plus the aforementioned deductibles, taking into account the excess/shortfall. Furthermore, an adjustment is performed on the basis of hidden reserves or hidden charges from holdings, securities and properties. In the liquidation approach, the net annual profit already earned but not yet allocated is also taken into account.

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

Risk category/parameters	Liquidation approach	Going-concern approach
Confidence level	99.9%	95.0%
Time horizon	250 days or 1 year	
Internal capital (Risk coverage capital)	Regulatory equity	Maximum available free capital components
	Hidden reserves and charges	Hidden reserves
	Annual net profit already earned	Planned annual net profit
	Excess/Shortfall	
	Regulatory non-chargeable preference shares	
	Regulatory non-chargeable hybrid capital	
	Deductions for companies in the financial sector	
		Dividends resolved
Credit risk		
Risk of default by other party	IRB basic approach/standard approach	
Credit concentration risk		
Risks from high credit volumes	IRB Granularity Adjustment	
Risks from foreign-currency loans	Foreign currency stress test	
Risks from loans with repayment vehicles	Repayment vehicle stress test	
Equity investment risk	IRB-PD/LGD approach/standard approach	
Market risk	Diversification across market risks considered	
Interest rate risk	VaR (historical simulation)	
Currency risk	VaR (historical simulation)	
Share price risk	VaR (historical simulation)	
Credit spread risk	VaR (historical simulation)	
Refinancing risk	Approach to quantifying refinancing risk	
Operational risk	Loss distribution approach	
Macro-economic risk	Macroeconomic stress scenario	
Other risks	10% buffer	

Furthermore, limits are defined for each risk category as well as for the controlling units (Corporate Customers, Retail Customers, Financial Markets) 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 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. This is derived from internal bank ratings. For corporate and retail customers, 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 the 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 engineering industry
- Automotive industry
- Tourism industry
- Real estate development projects
- Investment real estate projects
- Repayment vehicle loans
- Foreign currency loans
- Large positions with liability > EUR 40 million
- Financial securities
- Property securities

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.

Equity investment risk

BTV uses the IRB-PD/LGD approach to quantify the equity investment risk. As with credit risk, the probability of default is the central parameter for the calculation, and is derived from internal bank ratings.

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 estimated on the basis of a historic simulation method. The basis for the market parameters used are historical time series from the last four 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
- Allocation of products to 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

The market risk is measured at a bank-wide level monthly.

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. The basis for this is BTV's interest rate portfolio, which comprises all interest-rate-driven 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). The interest risk is measured at a bank-wide level monthly.

Currency risk

The quantifying of the foreign currency risk is also carried out on the basis of a historical value-at-risk approach. The foreign currency risk is measured at a bank-wide level monthly.

Share price risk

The quantifying of the share price risk is carried out on the basis of a historical value-at-risk approach. Individual shares are directly assigned to the respective rate histories. Share price risk is measured at a bank-wide level monthly.

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 spread is determined by comparing the return on securities with the return from a risk-free interest curve. The return on securities is taken from the issuer's yield curve or from a yield curve of bonds with the same credit rating from the same sector. The risk-free interest rate is taken from the overnight index swap curve.

Refinancing risk (structural liquidity risk in the ICAAP)

To calculate the liquidity risk, a capital commitment balance sheet or liquidity progress review is compiled. The liquidity gaps resulting from the liquidity progress review arise as a result of the maturity transformation function assumed by the bank and the maturity mismatches knowingly entered into from revenue perspectives. In the liquidity progress review, future incoming payments on the assets side of the balance sheet are contrasted with future outgoing payments on the liabilities side of the balance sheet. These incoming and outgoing payments are then arranged into maturity bands by length of time.

The refinancing risk in the ICAAP is quantified as the total

- of the increase in price of refinancing costs under a stress test in order to achieve a target refinancing structure (based on a target NSFR ratio) and
- the increase in the refinancing costs under stress conditions for rolling the liquidity cap by one year.

The stress conditions are defined within the quantification of the refinancing risk as an expansion of the BTV-specific credit spread, whereby the expansion results from a combination (aggregation) of the expansion of the credit spread due to the ratings downgrade (worsening of creditworthiness) and a worsening of the general market environment.

This approach (costs for achieving target refinancing structure and cycling of liquidity gaps by one year) is based on the assumption that the liquidity positioning is consciously entered into after achieving a target refinancing structure in order to assume the function of maturity transformation from the perspective of revenue.

Operational risk

At 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 relevant subsidiaries or processes are investigated for possible operational risks. These risks are assessed through interviews and, if necessary, internal processes and systems are then adapted.

In the ICAAP, BTV has been using a loss distribution approach (LDA) to quantify the operational risk in both the liquidation and the going-concern approach since the start of 2019. The measure of risk that is used in the risk capacity calculation is the unexpected loss beyond a horizon of one year, since BTV already takes the expected loss into consideration in the risk capacity calculation appropriately through its internal business practices. Based on the loss distribution calculated, the unexpected loss results from the difference between the 95% quantile (99.9% quantile) in the going-concern approach (liquidation approach) and the expected loss. The loss distribution is modelled using the guiding paradigm of a robust, sufficiently stable, risk-sensitive and risk-conservative estimation which also takes into account losses or extreme events that are rare or have not yet occurred. This includes methods from the extreme value theory and a robustness test based on the results of the operational risk self-assessment are used for this purpose. This is intended to ensure that the model is also capable of mapping potentially serious loss events at the edge of the assumed distribution. The loss distribution results primarily from statistical modelling of historical operational risk damage events since 2005.

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.

Macro-economic risk

The macro-economic 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. The maintaining of the risk-bearing capacity in the case of stress is calculated implicitly here.

Other risks

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

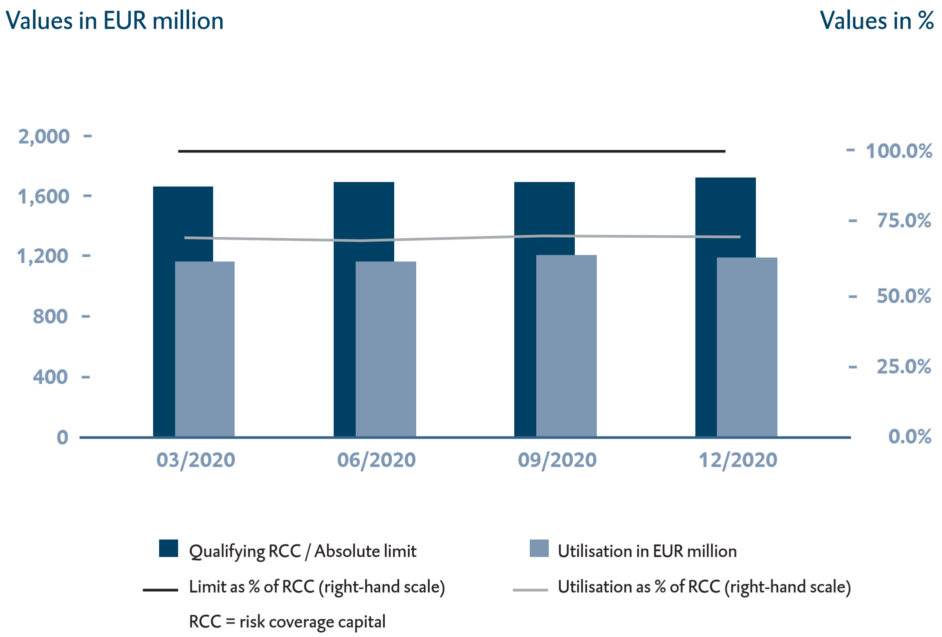
Risk reporting system

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

The measurement of overall bank risk in the ICAAP, as well as the individual risk categories, excluding the market risk, is performed each quarter. The market risk is measured at a bank-wide level monthly. The short-term refinancing risk as well as the individual market risks in the trading book are measured daily. In addition, an ad hoc report is drawn up insofar as this is necessary. Within the BTV Bank Management Committee, a report is given on the current utilisation levels and limiting of overall bank risk, as well as of the individual risk categories, together with definition and monitoring of control measures. The reporting on operational risks is provided quarterly.

Utilisation of the quantified overall risk at year-end amounted to EUR 1,201.3 million. This corresponds to a limit utilisation rate of 68.2% of the risk coverage capital. The highest relative level of usage of 68.2% of the risk coverage capital was in the fourth quarter of 2020. 10% of the risk coverage capital is reserved for unquantifiable other risks and is reported as already used.

Overall bank risk– liquidation approach



Overall bank risk– liquidation approach		Maximum	Average	Year-end
31/12/2020	Utilisation in EUR million	1,201.3	1,183.9	1,201.3
	Utilisation in % of risk coverage capital	68.2%	67.4%	68.2%
31/12/2019	Utilisation in EUR million	1,204.8	1,184.1	1,198.5
	Utilisation in % of risk coverage capital	70.8%	69.9%	69.7%

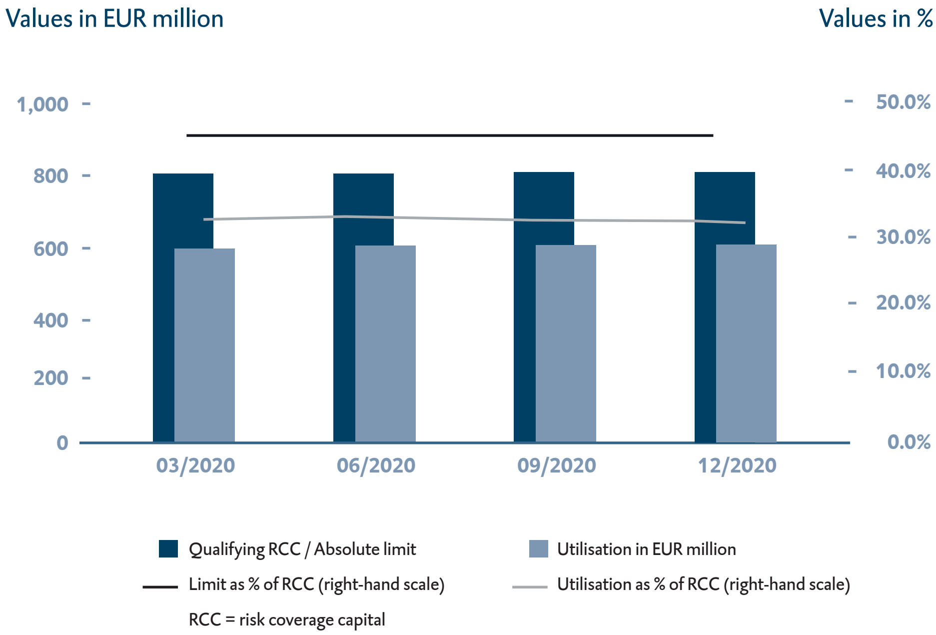
The limit has been respected at all times at the total bank level. In addition, an adequate buffer for the applied limit was available at all times. Account was thus taken at all times during the financial year 2020 of the compulsory coordination process between the quantified risk and the allocated risk coverage capital (RCC).

Credit risk

The illustrations below show the risks in comparison with the allocated risk coverage capital and the fixed limit for counterparty default, as well as the credit risk concentrations.

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.

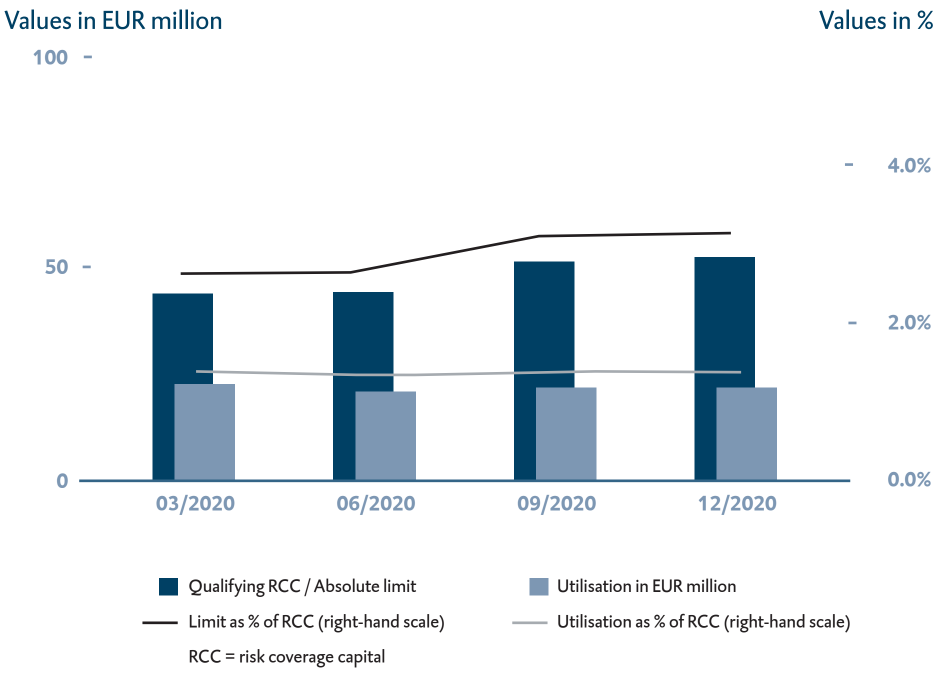
Counterparty default – liquidation approach



Counterparty default – liquidation approach		Maximum	Average	Year-end
31/12/2020	Utilisation in EUR million	577.0	569.7	560.9
	Utilisation in % of risk coverage capital	32.8%	32.4%	31.9%
31/12/2019	Utilisation in EUR million	579.0	562.0	579.0
	Utilisation in % of risk coverage capital	33.7%	33.2%	33.7%

Over the course of the year, counterparty risk relative to risk coverage capital decreased from 33.7% to 31.9%. The decrease is primarily due to the formation of higher risk provisions due to the COVID-19 situation.

Concentration of credit risk – liquidation approach



Concentration of credit risk – liquidation approach		Maximum	Average	Year-end
31/12/2020	Utilisation in EUR million	26.2	25.8	26.2
	Utilisation in % of risk coverage capital	1.5%	1.5%	1.5%
31/12/2019	Utilisation in EUR million	52.3	46.3	52.3
	Utilisation in % of risk coverage capital	3.0%	2.7%	3.0%

In the 2020 financial year, the utilisation of the “Credit concentration risk” category fell from EUR 52.3 million by EUR –26.1 million to EUR 26.2 million. The primary driver of this is the risk sub-category “Risk from high credit volumes.” This fell over the course of the year by EUR –18.3 million, from EUR 26.7 million to EUR 8.4 million. The remainder of the decrease is primarily due to the risk sub-category “Risk from loans in foreign currencies” which fell by EUR –7.3 million to EUR 16.3 million.

Credit risk – overview

The credit risk volume consists of the balance sheet items "Loans to credit institutions," "Loans to customers," "Other financial assets" excluding equity instruments and derivatives, debt securities in "Trading assets" as well as guarantees and liabilities. BTV customers are summarised in risk categories in the following tables. Rating classes AA, A1, 1a, 1b, 2a, 2b and 3a are in the category "No visible risk of default." Rating classes 3b and 4a are included in the "With note" stage and rating class 4b in the "High risk of default" stage.

The "Bad debt" category contains those credit risk volumes for which a default criterion in the sense of Basel III applies and which are therefore included in the following rating classes: Rating class 5a includes those credit risk volumes that are not yet being processed; the credit risk volumes in rating classes 5b and 5c are already being actioned.

The difference in risk provisions between the following tables and the information in Note 6 of EUR 55.5 million results from the provision for ALGAR guarantees in Level 1 of EUR 37.8 million, the reserves for credit lines of EUR 14.7 million and a subsequent management overlay of EUR 3.0 million.

Total creditworthiness structure in EUR thousand

Due date	Data	No visible risk of default	With note	High risk of default	Bad debt	Total
31/12/2020	Overall utilisation	9,087,215	797,677	54,731	177,453	10,117,077
	Amortised cost	8,483,510	781,059	54,291	175,719	9,494,579
	Fair value	603,705	16,618	440	1,734	622,497
	Share in %	89.8%	7.9%	0.5%	1.8%	100.0%
	Risk provisions	18,011	6,979	2,696	118,044	145,729
	Coverage Ratio	0.2%	0.9%	4.9%	66.5%	1.4%
31/12/2019	Overall utilisation	9,348,522	590,885	25,735	160,646	10,125,788
	Amortised cost	8,726,088	582,830	25,401	159,083	9,493,402
	Fair value	622,434	8,055	334	1,564	632,386
	Share in %	92.3%	5.8%	0.3%	1.6%	100.0%
	Risk provisions	9,586	4,084	393	94,772	108,836
	Coverage ratio	0.1%	0.7%	1.5%	59.0%	1.1%
Change	Overall utilisation, previous year	–261,307	206,793	28,996	16,806	–8,712
	Amortised costs, previous year	–242,578	198,229	28,890	16,636	1,177
	Fair value, previous year	–18,729	8,563	107	170	–9,889
	to the overall utilisation of the previous year (in %)	–2.8%	34.0%	113.7%	10.5%	–0.1%
	of risk provisions to previous year	8,425	2,895	2,302	23,272	36,893
	of risk provisions to previous year (in %)	87.9%	70.9%	585.6%	24.6%	33.9%

BTV's total loan volume fell year-on-year by EUR –8.7 million or –0.1% to EUR 10,117.1 million. The portfolio of non-performing loans rose by EUR +16.8 million or +10.5%. The share of the total volume at the year-end therefore totalled 1.8%, compared to 1.6% the previous year.

Due to the COVID-19 situation and the measures mentioned in the section about COVID-19, deterioration occurred within the risk categories. The greatest movement took place here from "No visible risk of default" to "With note."

Creditworthiness structure domestic and overseas

The presentation is based on the tax domicile of the borrower or issuer. In Austria, the overall credit risk volume rose by EUR +26.1 million, or +0.5%, relative to the previous year. The foreign component of the credit risk volume reduced by EUR –34.8 million or –0.8%.

Creditworthiness structure domestic in EUR thousand

Due date	Data	No visible risk of default	With note	High risk of default	Bad debt	Total
31/12/2020	Overall utilisation	5,091,029	494,159	35,834	110,390	5,731,411
	Amortised cost	4,756,719	477,541	35,393	108,913	5,378,566
	Fair value	334,310	16,618	440	1,477	352,845
	Share in %	88.8%	8.6%	0.6%	1.9%	100.0%
	Risk provisions	9,813	4,094	1,966	85,594	101,468
	Coverage ratio	0.2%	0.8%	5.5%	77.5%	1.8%
31/12/2019	Overall utilisation	5,178,439	417,452	18,984	90,443	5,705,318
	Amortised cost	4,851,606	409,719	18,792	89,066	5,369,184
	Fair value	326,833	7,733	191	1,377	336,134
	Share in %	90.8%	7.3%	0.3%	1.6%	100.0%
	Risk provisions	5,218	2,812	311	56,738	65,079
	Coverage ratio	0.1%	0.7%	1.6%	62.7%	1.1%
Change	Overall utilisation, previous year	–87,410	76,708	16,850	19,946	26,094
	Amortised costs, previous year	–94,887	67,822	16,601	19,847	9,382
	Fair value, previous year	7,477	8,886	249	100	16,711
	to the overall utilisation of the previous year (in %)	–2.0%	16.6%	88.3%	22.3%	0.5%
	of risk provisions to previous year	4,596	1,283	1,655	28,856	36,389
	of risk provisions to previous year (in %)	88.1%	45.6%	531.3%	50.9%	55.9%

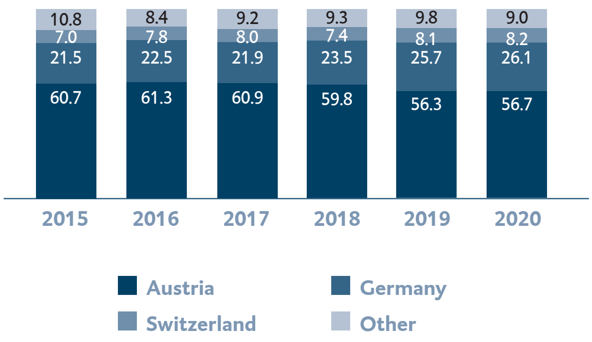
Creditworthiness structure overseas in EUR thousand

Due date	Data	No visible risk of default	With note	High risk of default	Bad debt	Total
31/12/2020	Overall utilisation	3,996,186	303,518	18,898	67,063	4,385,665
	Amortised cost	3,726,791	303,518	18,898	66,806	4,116,013
	Fair value	269,395	0	0	257	269,652
	Share in %	91.1%	6.9%	0.4%	1.5%	100.0%
	Risk provisions	8,197	2,885	729	32,450	44,261
	Coverage ratio	0.2%	1.0%	3.9%	48.4%	1.0%
31/12/2019	Overall utilisation	4,170,083	173,433	6,751	70,203	4,420,470
	Amortised cost	3,874,482	173,111	6,609	70,016	4,124,218
	Fair value	295,601	322	143	187	296,252
	Share in %	94.3%	3.9%	0.2%	1.6%	100.0%
	Risk provisions	4,369	1,273	82	38,034	43,757
	Coverage ratio	0.1%	0.7%	1.2%	54.2%	1.0%
Change	Overall utilisation, previous year	–173,897	130,085	12,146	–3,140	–34,805
	Amortised costs, previous year	–147,691	130,407	12,289	–3,210	–8,205
	Fair value, previous year	–26,206	–322	–143	70	–26,600
	to the overall utilisation of the previous year (in %)	–3.8%	75.3%	185.9%	–4.6%	–0.8%
	of risk provisions to previous year	3,829	1,612	648	–5,585	504
	of risk provisions to previous year (in %)	87.6%	126.7%	792.5%	–14.7%	1.2%

Creditworthiness structure of credit risk by country

Around 56.7% of the loan loss provision (sum of amortised costs and fair value) relates to domestic borrowers. 26.1% is accounted for by German borrowers and 8.2% by Swiss borrowers. The remaining 9.0% is distributed as follows: 4.9 percentage points for Italy, the Netherlands, US and France. The remaining 4.1 percentage points are spread across borrowers in other countries.

Change in country structure credit risk in %



Creditworthiness structure of credit risk by sector

Real estate management continues to be the most important sector, and in the financial year 2020 once again had the biggest share. The largest outflow was in the area of credit and insurance at EUR –155.8 million.

Creditworthiness structure by sector total in EUR thousand

All sectors together	No visible risk of default	With note	High risk of default	Bad debt	Total	Share in %
Amortised cost						
Physical goods manufacturing	1,394,721	154,907	8,664	45,892	1,604,185	15.9%
Real estate management	1,317,446	131,748	11,830	4,493	1,465,517	14.5%
Services	1,276,456	149,516	7,960	23,374	1,457,306	14.4%
Retail	1,143,777	63,086	5,827	24,689	1,237,379	12.2%
Loans and insurance	856,429	11,652	250	17,041	885,373	8.8%
Trade	583,461	48,691	11,063	20,125	663,340	6.6%
Tourism	432,889	164,023	7,328	25,648	629,888	6.2%
Public sector	579,322	0	0	107	579,429	5.7%
Construction	384,473	20,735	741	8,752	414,700	4.1%
Cable cars	228,754	16,257	0	0	245,011	2.4%
Transport and communications	203,260	17,825	577	1,387	223,050	2.2%
Energy and water utilities	69,876	172	0	3,732	73,781	0.7%
Other	12,646	2,447	50	479	15,622	0.2%
Fair value						
Real estate management	240,654	12,217	0	1,365	254,235	2.5%
Loans and insurance	202,759	0	0	0	202,759	2.0%
Public sector	101,254	0	0	0	101,254	1.0%
Transport and communications	24,653	0	0	0	24,653	0.2%
Services	16,731	4,250	0	0	20,981	0.2%
Retail	12,391	151	440	369	13,351	0.1%
Energy and water utilities	3,187	0	0	0	3,187	0.0%
Trade	2,077	0	0	0	2,077	0.0%
Physical goods manufacturing	0	0	0	0	0	0.0%
Other	0	0	0	0	0	0.0%
Total	**9,087,215**	**797,677**	**54,731**	**177,453**	**10,117,077**	**100.0%**

Compared to the previous year, there was an increase domestically of EUR +26.1 million. This development is primarily attributable to the sectors of physical goods manufacturing at EUR +83.9 million, retail at EUR +54.7 million and credit and insurance at EUR –95.4 million. The remaining sectors show a sideways movement. In foreign markets, the largest movements were recorded in the financing volume in the tourism industry at EUR +47.7 million and in the credit and insurance sector at EUR –60.3 million.

Creditworthiness structure of credit risk by type of business

The share of the corporate customer segment in the total credit risk volume was 70.2% (previous year: 68.9%). Retail customers represent a share of 13.8% (previous year: 14.0%), whilst the remaining 16.1% (previous year: 17.1%) relate to financial markets.

Creditworthiness structure by type of business in EUR thousand

Type of business	Data	No visible risk of default	With note	High risk of default	Bad debt	Total
Corporate customers	Overall utilisation	6,223,836	694,065	45,642	135,320	7,098,863
	Amortised cost	5,966,352	677,598	45,642	133,955	6,823,548
	Fair value	257,484	16,467	0	1,365	275,316
	Share in %	87.7%	9.8%	0.6%	1.9%	100.0%
	Risk provisions	16,261	6,167	2,544	90,493	115,466
	Coverage ratio	0.3%	0.9%	5.6%	66.9%	1.6%
Retail customers	Overall utilisation	1,246,864	103,612	8,888	32,133	1,391,496
	Amortised cost	1,232,808	103,461	8,447	31,764	1,376,480
	Fair value	14,055	151	440	369	15,016
	Share in %	89.6%	7.4%	0.6%	2.3%	100.0%
	Risk provisions	1,041	812	140	17,551	19,544
	Coverage ratio	0.1%	0.8%	1.6%	54.6%	1.4%
Financial markets	Overall utilisation	1,616,515	0	202	10,000	1,626,717
	Amortised cost	1,284,349	0	202	10,000	1,294,551
	Fair value	332,166	0	0	0	332,166
	Share in %	99.4%	0.0%	0.0%	0.6%	100.0%
	Risk provisions	708	0	11	10,000	10,719
	Coverage ratio	0.0%	0.0%	5.5%	100.0%	0.7%
Total	**Overall utilisation**	**9,087,215**	**797,677**	**54,731**	**177,453**	**10,117,077**
	Amortised costs	**8,483,510**	**781,059**	**54,291**	**175,719**	**9,494,579**
	Fair value	**603,705**	**16,618**	**440**	**1,734**	**622,497**
	Share in %	**89.8%**	**7.9%**	**0.5%**	**1.8%**	**100.0%**
	Risk provision	**18,011**	**6,979**	**2,696**	**118,044**	**145,729**
	Coverage ratio	**0.2%**	**0.9%**	**4.9%**	**66.5%**	**1.4%**

Creditworthiness structure of credit risk by currency

89.3% (previous year: 88.5%) of the credit risk volume related to loans in euros. The Swiss franc covers 9.4% (previous year: 9.7%), whilst the remaining currencies represent 1.2% (previous year: 1.8%) of the loan volume. The share of CHF financing in the eurozone thus fell from 3.5% to 2.6%.

Creditworthiness structure by currency in EUR thousand

Currency	No visible risk of default	With note	High risk of default	Bad debt	Total	Share in %
Amortised cost						
EUR	7,496,772	717,000	42,271	161,446	8,417,489	83.2%
CHF with Swiss customers	620,345	44,581	9,233	11,074	685,234	6.8%
CHF	243,525	19,325	2,445	2,223	267,518	2.6%
USD	92,603	0	117	976	93,696	0.9%
JPY	9,590	55	145	0	9,791	0.1%
Other	20,676	98	79	0	20,852	0.2%
Fair value						
EUR	602,327	16,618	440	369	619,754	6.1%
CHF	1,331	0	0	1,365	2,695	0.0%
CHF with Swiss customers	48	0	0	0	48	0.0%
USD	0	0	0	0	0	0.0%
Total	**9,087,215**	**797,677**	**54,731**	**177,453**	**10,117,077**	**100.0%**

Collateral received

BTV groups collateral according to mortgages, securities and other assets. For higher risk classes in particular, we ensure that, with a decrease in the quality of borrower creditworthiness, the amount of collateralisation increases. The lower level of securities in the creditworthiness class "bad debt" (this category contains customers who have defaulted) is due to securities having already been used.

Collateral received as at 31/12/2020 in EUR thousand

Value	No visible risk of default	With note	High risk of default	Bad debt	Total
Amortised cost					
Overall utilisation	8,483,510	781,059	54,291	175,719	9,494,579
Land register collateral	2,273,965	279,915	14,457	21,364	2,589,700
Collateral securities	119,936	18,475	1,521	1,100	141,032
Other collateral	997,580	147,887	12,030	18,527	1,176,024
Total collateral in %	37.2%	51.7%	47.0%	22.6%	38.2%
Risk provisions	18,011	6,979	2,696	118,044	145,729
Fair value					
Overall utilisation	603,705	16,618	440	1,734	622,497
Land register collateral	128,561	7,819	385	1,264	138,029
Collateral securities	843	1	0	0	844
Other collateral	17,673	81	20	321	18,094
Total collateral in %	23.9%	47.5%	91.8%	91.4%	24.8%
Risk provisions	0	0	0	0	0
Total					
Overall utilisation	**9,087,215**	**797,677**	**54,731**	**177,453**	**10,117,077**
Land register collateral	**2,402,526**	**287,734**	**14,841**	**22,628**	**2,727,729**
Collateral securities	**120,779**	**18,476**	**1,521**	**1,100**	**141,876**
Other collateral	**1,015,253**	**147,967**	**12,050**	**18,848**	**1,194,119**
Total collateral in %	**36.3%**	**51.7%**	**47.3%**	**23.3%**	**37.4%**
Risk provisions	**18,011**	**6,979**	**2,696**	**118,044**	**145,729**

Collateral received as at 31/12/2019 in EUR thousand

Value	No visible risk of default	With note	High risk of default	Bad debt	Total
Amortised cost					
Overall utilisation	8,726,088	582,830	25,401	159,083	9,493,402
Land register collateral	2,162,236	207,016	13,016	27,810	2,410,079
Collateral securities	140,214	16,721	527	664	158,126
Other collateral	891,030	78,898	3,207	15,565	988,700
Total collateral in %	36.6%	51.9%	65.9%	27.7%	37.5%
Risk provisions	9,586	4,084	393	94,772	108,836
Fair value					
Overall utilisation	622,434	8,055	334	1,564	632,386
Land register collateral	95,087	3,638	290	914	99,929
Collateral securities	311	611	0	0	922
Other collateral	14,771	235	1	344	15,352
Total collateral in %	17.7%	55.7%	87.3%	80.5%	18.4%
Risk provisions	0	0	0	0	0
Total					
Overall utilisation	**9,348,522**	**590,885**	**25,735**	**160,646**	**10,125,788**
Land register collateral	**2,257,323**	**210,654**	**13,306**	**28,724**	**2,510,008**
Collateral securities	**140,524**	**17,333**	**527**	**664**	**159,048**
Other collateral	**905,802**	**79,134**	**3,208**	**15,909**	**1,004,051**
Total collateral in %	**35.3%**	**52.0%**	**66.2%**	**28.2%**	**36.3%**
Risk provisions	**9,586**	**4,084**	**393**	**94,772**	**108,836**

Risk structure of transactions involving debt forbearance according to credit quality

See the section on COVID-19 for additional information. The table below illustrates transactions involving debt forbearance structured according to their credit quality.

The credit quality is differentiated hereby as follows:

- Not 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 formed or the value of the securities is illustrated. Within the risk provisions illustrated in the first three credit rating levels, these are risk provisions pursuant to IFRS 9 Stage 1 and 2. The risk provisions shown in the category "bad debt" are value adjustments or reserves.

The credit risk volume increased in the "Not individually value-adjusted and not bad debt" category by EUR +155.5 million compared to the previous year. The volume under "Value-adjusted and bad debt" (EUR –1.5 million) and "Not value-adjusted and bad debt" decreased slightly (EUR –0.2 million).

Risk structure of transactions involving debt forbearance, by credit quality as at 31/12/2020 in EUR thousand

Credit quality	Values	No visible risk of default	With note	High risk of default	Bad debt	Total
Not value-adjusted and not bad debt	Overall utilisation	149,179	54,888	15,425	0	219,493
	Risk provision	1,097	411	1,069	0	2,577
	Collateral	102,939	32,022	7,988	0	142,949
Not value-adjusted and bad debt	Overall utilisation	0	0	0	442	442
	Risk provision	0	0	0	0	0
	Collateral	0	0	0	441	441
Value-adjusted and bad debt	Overall utilisation	0	0	0	17,497	17,497
	Risk provision	0	0	0	8,117	8,117
	Collateral	0	0	0	6,478	6,478
Total	**Overall utilisation**	**149,179**	**54,888**	**15,425**	**17,939**	**237,431**
	Risk provision	**1,097**	**411**	**1,069**	**8,117**	**10,694**
	Collateral	**102,939**	**32,022**	**7,988**	**6,919**	**149,869**

Risk structure of transactions involving debt forbearance, by credit quality as at 31/12/2019 in EUR thousand

Credit quality	Values	No visible risk of default	With note	High risk of default	Bad debt	Total
Not value-adjusted and not bad debt	Overall utilisation	4,010	57,367	2,615	0	63,992
	Risk provision	14	712	52	0	777
	Collateral	2,670	26,478	1,695	0	30,844
Not value-adjusted and bad debt	Overall utilisation	0	0	0	622	622
	Risk provision	0	0	0	0	0
	Collateral	0	0	0	621	621
Value-adjusted and bad debt	Overall utilisation	0	0	0	18,955	18,955
	Risk provision	0	0	0	9,345	9,345
	Collateral	0	0	0	6,399	6,399
Total	**Overall utilisation**	**4,010**	**57,367**	**2,615**	**19,577**	**83,569**
	Risk provision	**14**	**712**	**52**	**9,345**	**10,122**
	Collateral	**2,670**	**26,478**	**1,695**	**7,020**	**37,864**

Risk structure of transactions with forbearance according to type and number per transaction

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

The type of capital repayment was adjusted for the largest section of the volume affected by forbearances, just as in the previous year. This relates to a loan volume to the amount of EUR 231.9 million or 97.7%. At EUR 2.4 million or 1.0%, there was a reduction in interest payments to be made. The total customer financing structure was rearranged for a loan volume of EUR 3.1 million or 1.3%. Other agreements were adjusted to an amount of EUR 0.1 million. In principle, it can be asserted that the volume with forbearance has increased compared to the previous year by EUR +153.9 million.

The risk structure of transactions with forbearance, by type and number per business as at 31/12/2020 in EUR thousand

Type of forbearance	Number of forbearances/ transaction	No visible risk of default	With note	High risk of default	Bad debt	Total
Capital repayment was adjusted	1	146,265	54,531	14,430	9,027	224,253
	2	2,914	0	686	1,546	5,147
	3	0	357	0	1,890	2,247
	4	0	0	0	0	0
	5	0	0	212	0	212
Interest payment to be made was reduced	1	0	0	0	2,354	2,354
	2	0	0	0	0	0
	3	0	0	0	0	0
Revision of credit relationship	1	0	0	97	3,052	3,149
	2	0	0	0	0	0
	3	0	0	0	0	0
Easing of compliance with binding obligations (covenants)	1	0	0	0	70	70
	2	0	0	0	0	0
	3	0	0	0	0	0
Total		**149,179**	**54,888**	**15,425**	**17,939**	**237,431**

The risk structure of transactions with forbearance by type and number per business as at 31/12/2019 in EUR thousand

Type of forbearance	Number of forbearances/ transaction	No visible risk of default	With note	High risk of default	Bad debt	Total
Capital repayment was adjusted	1	3,854	31,934	2,406	14,545	52,739
	2	144	0	209	2,058	2,411
	3	0	0	0	0	0
Interest payment to be made was reduced	1	0	25,322	0	2,380	27,702
	2	0	0	0	0	0
	3	0	0	0	0	0
Revision of credit relationship	1	12	112	0	74	198
	2	0	0	0	0	0
	3	0	0	0	0	0
Easing of compliance with binding obligations (covenants)	1	0	0	0	517	517
	2	0	0	0	2	2
	3	0	0	0	0	0
Total		**4,010**	**57,367**	**2,615**	**19,577**	**83,569**

Risk structure of transactions involving debt forbearance according to segment

As in the previous year, debt forbearance was granted in particular regarding loans to corporate customers.

Risk structure of transactions with forbearance by segments as at 31/12/2020 in EUR thousand

Segment	No visible risk of default	With note	High risk of default	Bad debt	Total
Corporate customers	135,471	52,500	15,167	16,877	220,014
Retail customers	13,708	2,389	258	1,062	17,417
Financial markets	0	0	0	0	0
Total	**149,179**	**54,888**	**15,425**	**17,939**	**237,431**

Risk structure of transactions with forbearance by segments as at 31/12/2019 in EUR thousand

Segment	No visible risk of default	With note	High risk of default	Bad debt	Total
Corporate customers	952	56,769	2,272	18,254	78,247
Retail customers	3,058	599	343	1,323	5,322
Financial markets	0	0	0	0	0
Total	**4,010**	**57,367**	**2,615**	**19,577**	**83,569**

Risk structure of transactions with forbearance according to economic sector

In the previous year, forbearances were distributed across all economic sectors without significant concentrations. At 58.3%, the volume of loans for 2020 is mainly focused on tourism. The remaining sectors show a dispersion and therefore no concentrations.

Risk structure of transactions with forbearance by economic sector as at 31/12/2020 in EUR thousand

Sector	No visible risk of default	With note	High risk of default	Bad debt	Total
Tourism	101,812	27,667	3,779	5,053	138,311
Services	10,251	14,238	0	658	25,147
Trade	7,350	10,765	1,445	3,568	23,128
Real estate management	8,127	745	9,609	0	18,481
Retail	13,746	1,318	258	722	16,045
Physical goods manufacturing	1,363	59	97	5,983	7,503
Transport and communications	4,852	0	236	0	5,089
Construction	67	0	0	1,622	1,689
Cable cars	1,599	0	0	0	1,599
Loans and insurance	0	0	0	332	332
Other	11	98	0	0	109
Total	**149,179**	**54,888**	**15,425**	**17,939**	**237,431**

Risk structure of transactions with forbearance by economic sector as at 31/12/2019 in EUR thousand

Sector	No visible risk of default	With note	High risk of default	Bad debt	Total
Tourism	347	28,251	192	2,584	31,373
Services	321	18,645	296	1,868	21,130
Physical goods manufacturing	0	101	0	11,383	11,483
Real estate management	345	9,803	209	0	10,356
Retail	2,746	569	343	1,315	4,972
Trade	252	0	1,493	701	2,445
Construction	0	0	31	1,726	1,757
Transport and communications	0	0	53	0	53
Total	**4,010**	**57,367**	**2,615**	**19,577**	**83,569**

Risk structure of transactions with forbearance by country

The following table shows the risk structure of transactions with debt forbearance structured according to country.
The largest part of the volume, with a volume of loans amounting to EUR 171.5 million or 72.2%, concerns borrowers from Austria. In addition, forbearances were agreed with borrowers in Germany, who have a share of EUR 42.0 million or 17.7%. The remaining 10.1% of the loan volume is distributed between Switzerland and Italy.

Risk structure of transactions with forbearance, by country as at 31/12/2020 in EUR thousand

Country	No visible risk of default	With note	High risk of default	Bad debt	Total
Austria	114,183	29,042	15,425	12,858	171,508
Germany	25,520	11,952	0	4,541	42,013
Switzerland	4,502	8,802	0	540	13,845
Italy	4,973	5,092	0	0	10,065
Other	0	0	0	0	0
Total	**149,179**	**54,888**	**15,425**	**17,939**	**237,431**

Risk structure of transactions with forbearance, by country as at 31/12/2019 in EUR thousand

Country	No visible risk of default	With note	High risk of default	Bad debt	Total
Austria	3,980	54,963	2,615	15,727	77,285
Germany	29	2,405	0	3,850	6,284
Switzerland	0	0	0	0	0
Italy	0	0	0	0	0
Other	0	0	0	0	0
Total	**4,010**	**57,367**	**2,615**	**19,577**	**83,569**

Income structure of transactions with forbearance by segment

Transactions where forbearance was agreed yielded interest revenue of EUR 8.3 million in the financial year 2020.

Income structure of transactions with forbearance, by segment as at 31/12/2020 in EUR thousand

Segment	No visible risk of default	With note	High risk of default	Bad debt	Total
Corporate customers	4,881	1,657	698	629	7,864
Retail customers	336	59	8	23	426
Financial markets	0	0	0	0	0
Total	**5,216**	**1,716**	**706**	**652**	**8,291**

Income structure of transactions with forbearance, by segment as at 31/12/2019 in EUR thousand

Segment	No visible risk of default	With note	High risk of default	Bad debt	Total
Corporate customers	46	5,643	168	645	6,502
Retail customers	159	22	8	26	216
Financial markets	0	0	0	0	0
Total	**205**	**5,665**	**176**	**671**	**6,718**

Risk structure for derivatives according to segments

The credit volume of derivatives presented corresponds to the fair value. The credit volume consists of the positive market values of the balance sheet items “Other assets” in Note 4 and “Trading assets” in Note 7.

The volume of derivatives as at the reporting date 31 December 2020 was EUR 62.4 million. Of this, EUR 45.0 million or 72.1% is related to loans to financial markets. Loans to corporate customers amounted to EUR 17.1 million or 27.5% and to retail customers EUR 0.2 million or 0.4%.

Risk structure of derivatives by segments as at 31/12/2020 in EUR thousand

Segment	No visible risk of default	With note	High risk of default	Bad debt	Total
Corporate customers	14,167	2,341	656	0	17,164
Retail	237	0	0	0	237
Financial markets	45,019	0	0	0	45,019
Total	**59,423**	**2,341**	**656**	**0**	**62,419**

Risk structure of derivatives by segments as at 31/12/2019 in EUR thousand

Segment	No visible risk of default	With note	High risk of default	Bad debt	Total
Corporate customers	13,060	1,834	0	0	14,894
Retail	290	44	0	0	334
Financial markets	49,625	0	0	0	49,625
Total	**62,975**	**1,877**	**0**	**0**	**64,852**

Derivative risk structure by segment and currencies

At around 97.9% of the volume, the largest portion accounts for loans in EUR, just as in the previous year. 0.3% originates from CHF transactions, whilst the remaining 1.8% relates to USD and other currencies.

Risk structure of derivatives by segment and currency as at 31/12/2020 in EUR thousand

Segment	Currency	No visible risk of default	With note	High risk of default	Bad debt	Total
Corporate customers	EUR	13,862	2,294	656	0	16,812
	CHF	163	44	0	0	207
	USD	7	0	0	0	7
	JPY	0	0	0	0	0
	Other	135	3	0	0	138
Retail customers	EUR	237	0	0	0	237
	CHF	0	0	0	0	0
Financial markets	EUR	44,088	0	0	0	44,088
	CHF	0	0	0	0	0
	USD	398	0	0	0	398
	Other	533	0	0	0	533
Total		**59,423**	**2,341**	**656**	**0**	**62,419**

Risk structure of derivatives by segment and currency as at 31/12/2019 in EUR thousand

Segment	Currency	No visible risk of default	With note	High risk of default	Bad debt	Total
Corporate customers	EUR	12,439	1,731	0	0	14,170
	CHF	250	27	0	0	277
	USD	139	0	0	0	139
	JPY	55	0	0	0	55
	Other	177	75	0	0	252
Retail customers	EUR	246	44	0	0	289
	CHF	44	0	0	0	44
Financial markets	EUR	49,072	0	0	0	49,072
	CHF	2	0	0	0	2
	USD	51	0	0	0	51
	Other	499	0	0	0	499
Total		**62,975**	**1,877**	**0**	**0**	**64,852**

Risk structure of derivatives by country

45.3% of loans relate to counterparties in Germany. A further 37.5% relates to Austrian partners. The remainder is distributed amongst clients in Switzerland and other countries.

Risk structure of derivatives by country as at 31/12/2020 in EUR thousand

Country	No visible risk of default	With note	High risk of default	Bad debt	Total
Germany	27,793	456	0	0	28,249
Austria	20,893	1,859	656	0	23,407
Switzerland	1,470	25	0	0	1,495
France	1,292	0	0	0	1,292
USA	7	0	0	0	7
Other	7,968	0	0	0	7,968
Total	**59,423**	**2,341**	**656**	**0**	**62,419**

Risk structure of derivatives by country as at 31/12/2019 in EUR thousand

Country	No visible risk of default	With note	High risk of default	Bad debt	Total
Germany	32,243	55	0	0	32,299
Austria	21,837	1,794	0	0	23,632
Switzerland	787	27	0	0	814
France	749	0	0	0	749
USA	4	0	0	0	4
Other	7,354	0	0	0	7,354
Total	**62,975**	**1,877**	**0**	**0**	**64,852**

Risk structure of derivatives by transaction type

94.5% of loans arise from interest rate swaps, 5.0% from currency futures, and 0.5% from interest or loan options. Currently there is no credit risk in relation to derivatives on asset values.

As in the previous year, the highest volume comes from interest swaps which also exhibit the greatest growth. There are no currency swaps.

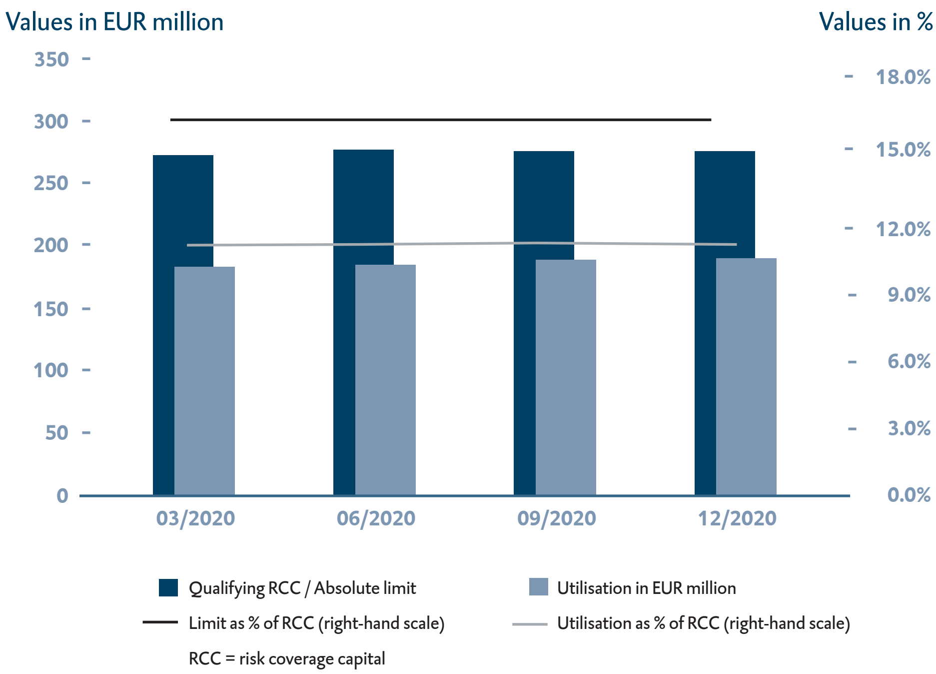
Risk structure of derivatives by transaction type as at 31/12/2020 in EUR thousand

Transaction type	No visible risk of default	With note	High risk of default	Bad debt	Total
Interest swaps	56,014	2,316	656	0	58,985
Foreign exchange forwards	3,112	25	0	0	3,137
Interest options	243	0	0	0	243
Currency swaps	0	0	0	0	0
Bond options	54	0	0	0	54
Total	**59,423**	**2,341**	**656**	**0**	**62,419**

Risk structure of derivatives by transaction type as at 31/12/2019 in EUR thousand

Transaction type	No visible risk of default	With note	High risk of default	Bad debt	Total
Interest swaps	61,308	1,802	0	0	63,110
Foreign exchange forwards	1,543	75	0	0	1,618
Interest options	28	0	0	0	28
Currency swaps	0	0	0	0	0
Bond options	96	0	0	0	96
Total	**62,975**	**1,877**	**0**	**0**	**64,852**

Investment risk – liquidation approach



Investment risk – liquidation approach		Maximum	Average	Year-end
31/12/2020	Utilisation in EUR million	191.8	189.8	191.8
	Utilisation in % of Risk coverage capital	10.9%	10.8%	10.9%
31/12/2019	Utilisation in EUR million	189.0	187.2	189.0
	Utilisation in % of risk coverage capital	11.2%	11.0%	11.0%

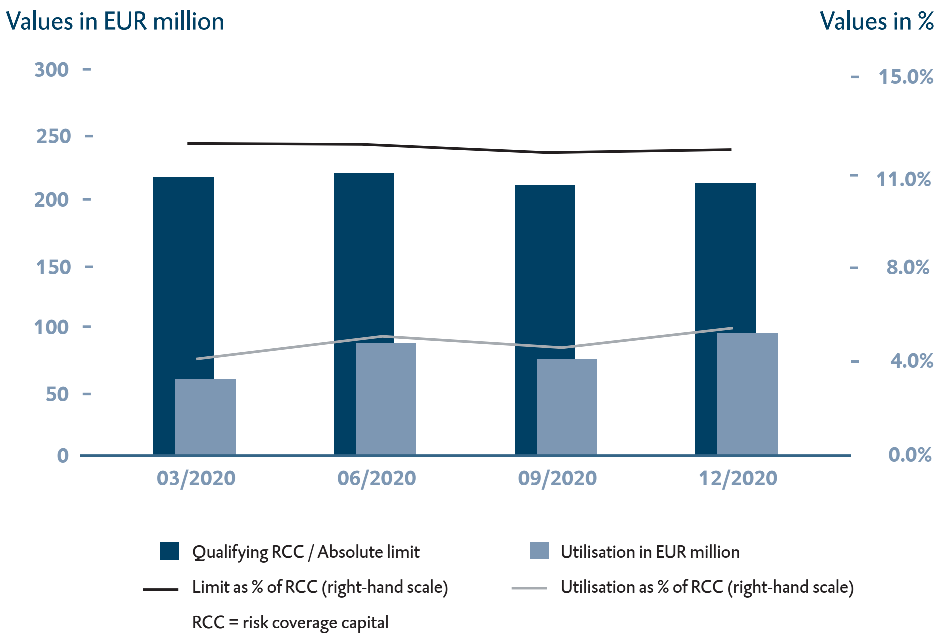
The equity investment risk rose by EUR +2.8 million during the course of 2020 from EUR 189.0 million to EUR 191.8 million. This increase is mainly attributable to the valuation adjustments of Oberbank AG and BKS Bank AG.

Market risk

The following diagram shows the utilisation of market risk limits at the bank-wide 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.

Over the course of 2020, market risk relative to risk coverage capital increased from 3.4% in the first quarter to 5.5% in the fourth quarter. The main drivers of market risk are interest rate risk and credit spread risk. The increase in market risk is mainly due to an increase in volatility on the markets due to COVID-19.

Market risk – liquidation approach

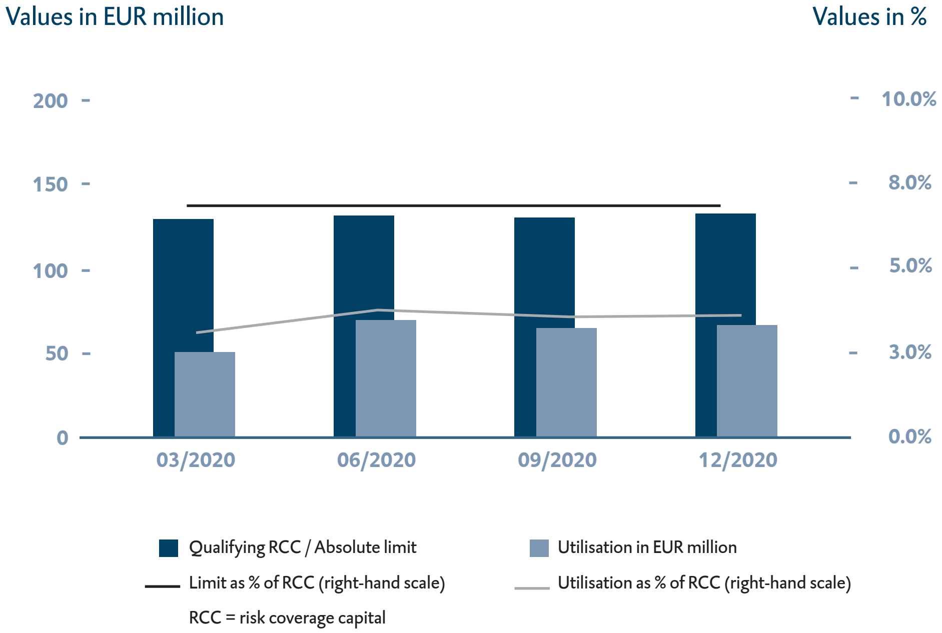


Market risk – liquidation approach		Maximum	Average	Year-end
31/12/2020	Utilisation in EUR million	97.2	81.0	97.2
	Utilisation in % of risk coverage capital	5.5%	4.6%	5.5%
31/12/2019	Utilisation in EUR million	88.4	69.6	61.9
	Utilisation in % of risk coverage capital	5.2%	4.1%	3.6%

Interest rate risk

The following illustration depicts the risk in comparison to the allocated risk coverage capital and the limit set for the interest risk. Utilisation in relation to the risk coverage capital increased slightly over the course of the year from 3.0% to 3.8%. Here, too, the COVID-19 pandemic led to a slight increase in volatility on the market in the short term.

Interest rate risk – liquidation approach

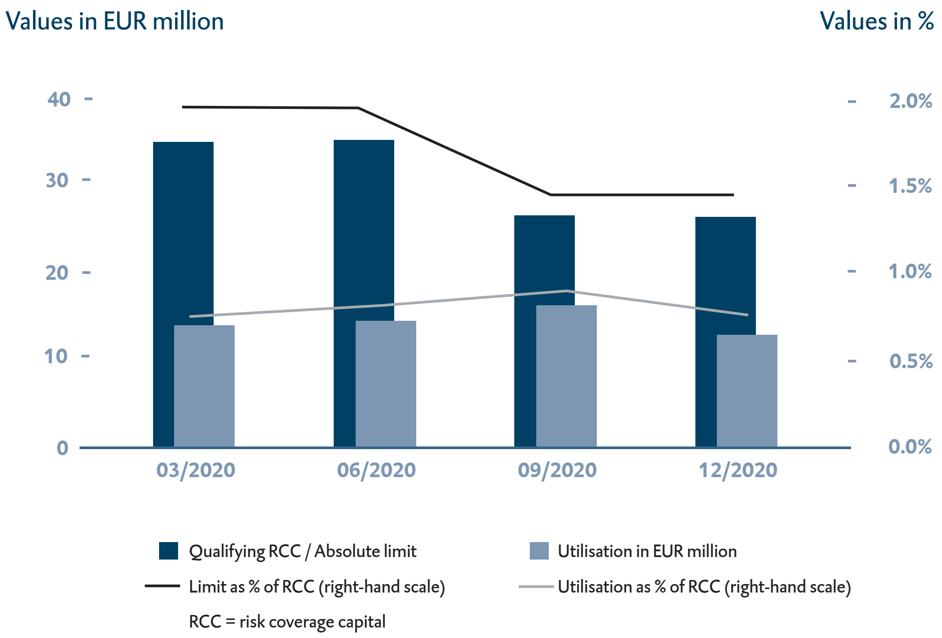


Interest rate risk – liquidation approach		Maximum	Average	Year-end
31/12/2020	Utilisation in EUR million	69.9	63.4	67.0
	Utilisation in % of risk coverage capital	4.0%	3.6%	3.8%
31/12/2019	Utilisation in EUR million	90.0	66.9	64.4
	Utilisation in % of risk coverage capital	5.3%	3.9%	3.7%

Currency risk

The following illustration depicts the risk in comparison to the allocated risk coverage capital and the limit set for the currency risk. Foreign currency risk remained between 0.7% and 0.9% of the risk coverage capital over the course of the year.

Currency risk – liquidation approach



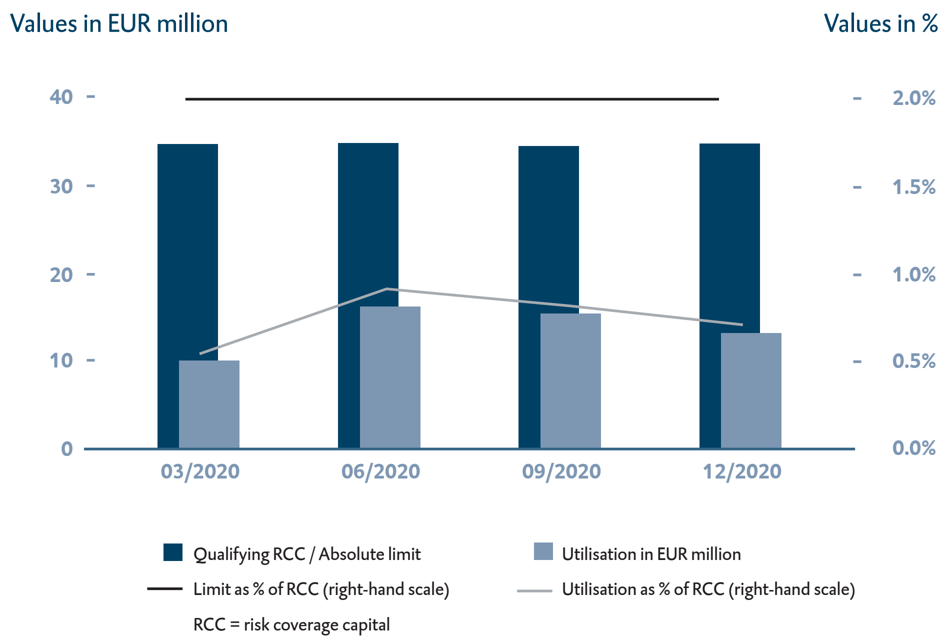
Currency risk – liquidation approach		Maximum	Average	Year-end
31/12/2020	Utilisation in EUR million	16.1	14.5	13.0
	Utilisation in % of risk coverage capital	0.9%	0.8%	0.7%
31/12/2019	Utilisation in EUR million	15.0	9.7	12.0
	Utilisation in % of risk coverage capital	0.9%	0.6%	0.7%

Share price risk

The following illustration depicts the risk in comparison to the allocated risk coverage capital and the limit set for the share price risk. The generation of revenue from the equity business is not part of BTV's core business.

This is underlined by an average utilisation of EUR 14.3 million or 0.8% of the risk coverage capital. In the reporting year 2020, however, the share price risk increased slightly due to COVID-19 and stood at EUR 14.7 million at the end of the year.

Share price risk – liquidation approach



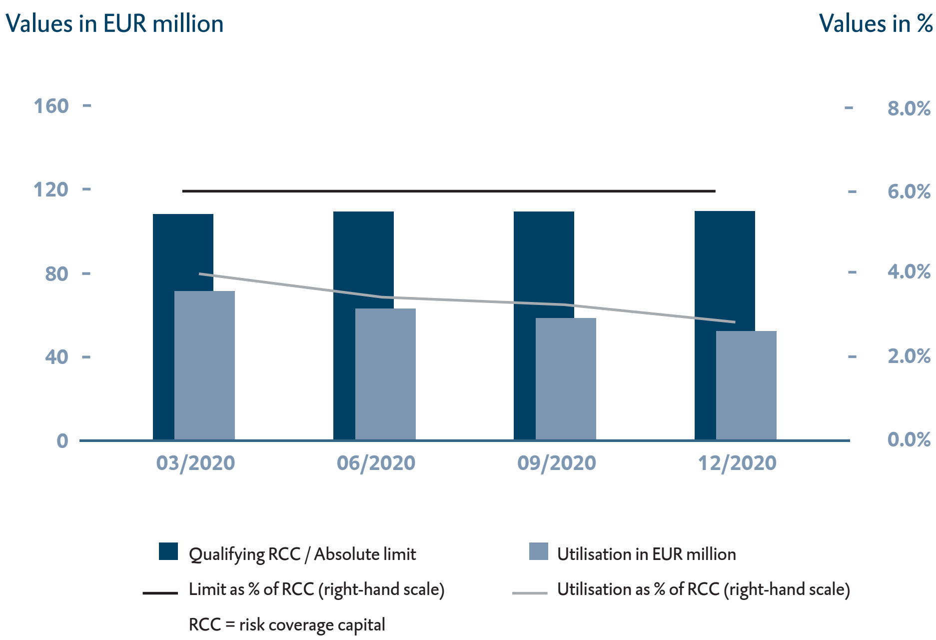
Share price risk – liquidation approach		Maximum	Average	Year-end
31/12/2020	Utilisation in EUR million	16.4	14.3	14.7
	Utilisation in % of risk coverage capital	0.9%	0.8%	0.8%
31/12/2019	Utilisation in EUR million	9.1	7.8	9.1
	Utilisation in % of risk coverage capital	0.5%	0.5%	0.5%

Credit spread risk

The following illustration depicts the risk in comparison to the allocated risk coverage capital and the limit set for the credit spread risk.

Credit spread risk relative to risk coverage capital at the bank-wide level rose to 4.1% in the first quarter due to the COVID-19 pandemic, but has since decreased to 2.6%.

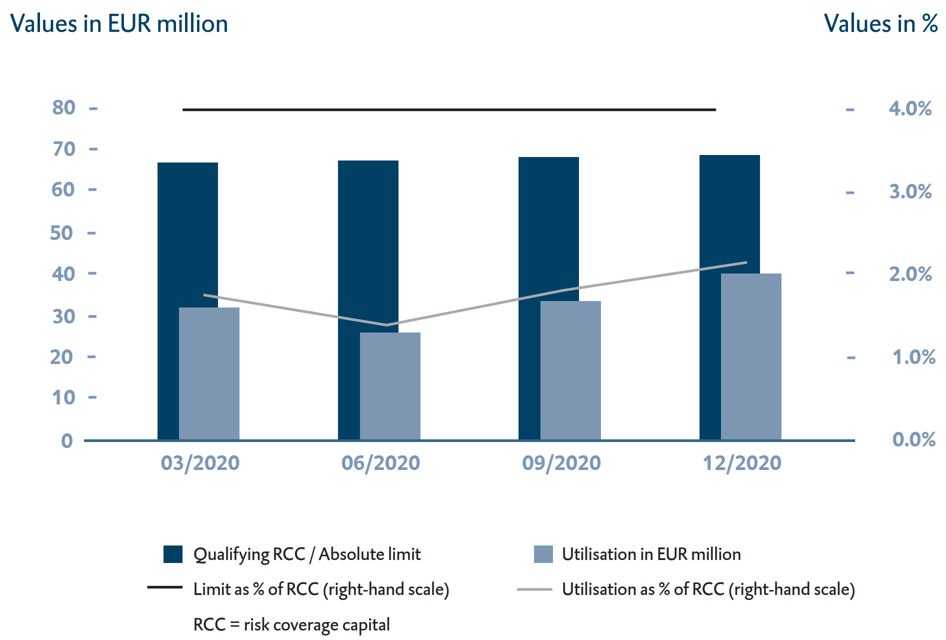
Credit spread risk – liquidation approach



Credit spread risk – liquidation approach		Maximum	Average	Year-end
31/12/2020	Utilisation in EUR million	71.4	58.9	46.4
	Utilisation in % of risk coverage capital	4.1%	3.4%	2.6%
31/12/2019	Utilisation in EUR million	55.3	52.5	53.4
	Utilisation in % of risk coverage capital	3.2%	3.1%	3.1%

Refinancing risk
Utilisation of the refinancing risk rose slightly to 2.3% of the risk coverage capital over the course of 2020. Here, too, the COVID-19 pandemic played a role by causing an increase in credit spreads on the markets.

Refinancing risk – liquidation approach



Refinancing risk – liquidation approach		Maximum	Average	Year-end
31/12/2020	Utilisation in EUR million	40.4	33.2	40.4
	Utilisation in % of risk coverage capital	2.3%	1.9%	2.3%
31/12/2019	Utilisation in EUR million	39.6	33.0	26.2
	Utilisation in % of risk coverage capital	2.4%	2.0%	1.5%

Residual maturities of liabilities 2020 according to IFRS 7.39

in EUR thousand	due daily	< 3 m	3 m – 1 y	1 – 5 y	> 5 y	Total
Liabilities to credit institutions	363,090	72,084	69,588	1,368,606	288,861	2,162,229
Liabilities to customers	5,579,564	353,725	701,940	1,510,847	113,427	8,259,502
Other financial liabilities	0	97,546	46,757	769,929	526,799	1,441,031
Not derivative Liabilities	**5,942,654**	**523,355**	**818,285**	**3,649,382**	**929,086**	**11,862,762**
Derivative liabilities	14	994	3,738	12,702	4,604	22,051
Total	**5,942,667**	**524,349**	**822,023**	**3,662,084**	**933,690**	**11,884,814**
Financial guarantees	29,140	65,470	219,661	46,311	21,946	382,529
Credit facilities not utilised	197,208	276,536	939,155	563,004	461,402	2,437,305
Contingent liabilities	**226,348**	**342,006**	**1,158,816**	**609,315**	**483,349**	**2,819,834**

Residual maturities of liabilities 2019 according to IFRS 7.39

in EUR thousand	due daily	< 3 m	3 m – 1 y	1 – 5 y	> 5 y	Total
Liabilities to credit institutions	293,101	126,354	364,764	531,041	263,854	1,579,114
Liabilities to customers	4,701,525	592,302	843,948	1,334,702	85,750	7,558,226
Other financial liabilities	0	102,733	86,578	735,015	585,821	1,510,146
Not derivative Liabilities	**4,994,626**	**821,388**	**1,295,289**	**2,600,757**	**935,425**	**10,647,486**
Derivative liabilities	14	937	3,291	10,755	4,513	19,509
Total	**4,994,640**	**822,325**	**1,298,581**	**2,611,512**	**939,938**	**10,666,995**
Financial guarantees	**289,201**	**352,237**	**810,728**	**649,926**	**384,146**	**2,486,238**
Credit facilities not utilised	**21,685**	**73,914**	**177,145**	**79,369**	**12,351**	**364,464**
Contingent liabilities	**267,516**	**278,324**	**633,583**	**570,556**	**371,795**	**2,121,774**

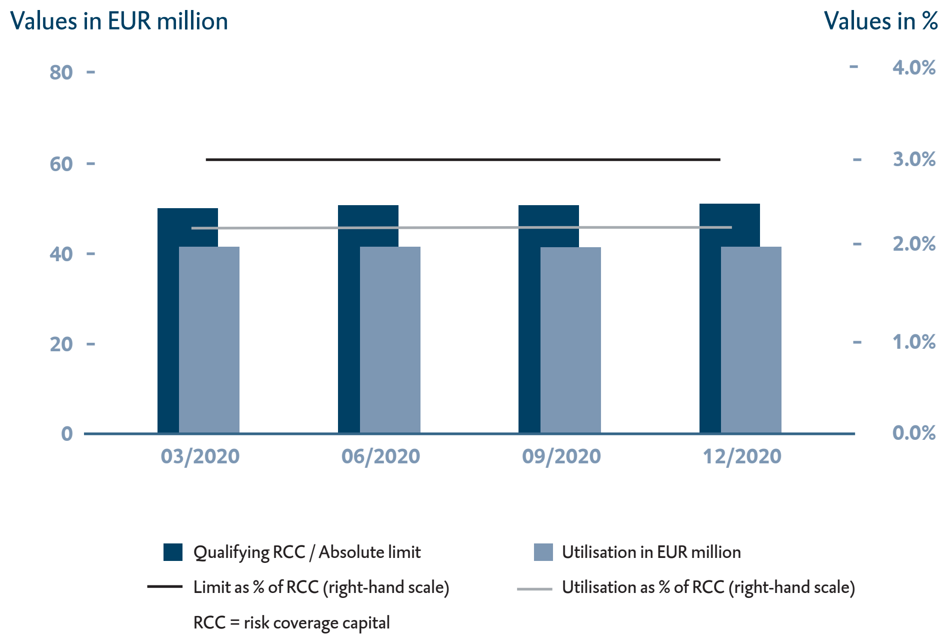
In accordance with contractual residual maturities under IFRS 7.39, the structure of liabilities again showed a significant total year-on-year increase in liabilities. Growth is visible across all maturity bands.

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 performed annually. Therefore, the absolute utilisation remains constant throughout the year. Relative utilisation, on the other hand, varies depending on the risk coverage capital available at the time.

Operational risk – liquidation approach

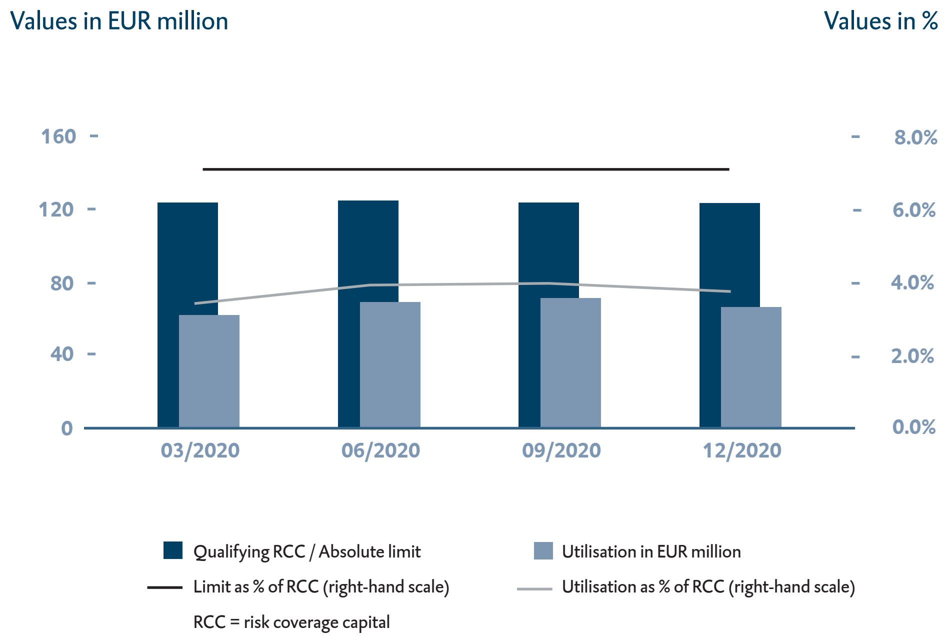


Operational risk – liquidation approach		Maximum	Average	Year-end
31/12/2020	Utilisation in EUR million	40.1	40.1	40.1
	Utilisation in % of risk coverage capital	2.3%	2.3%	2.3%
31/12/2019	Utilisation in EUR million	34.9	34.9	34.9
	Utilisation in % of risk coverage capital	2.1%	2.1%	2.0%

Macro-economic risk

The following illustration depicts the risk in comparison to the allocated risk coverage capital and the limit set for the macro-economic risk. The absolute utilisation of the macro-economic risk increased slightly over the course of the year. Relative utilisation moved laterally over the course of the year at 3.9%.

Macro-economic risk – liquidation approach



Macro-economic risk – liquidation approach		Maximum	Average	Year-end
31/12/2020	Utilisation in EUR million	72.1	68.6	68.5
	Utilisation in % of risk coverage capital	4.1%	3.9%	3.9%
31/12/2019	Utilisation in EUR million	83.2	81.7	83.2
	Utilisation in % of risk coverage capital	4.9%	4.8%	4.8%

For BTV Risk Management, 2020 was shaped by the COVID-19 pandemic. In order to determine the potential effects, a comprehensive COVID-19 stress test was carried out in spring 2020. An integrated analysis of liquidity, market and credit risks provided a comprehensive picture of BTV's capital and liquidity availability.

With regard to the quantification of credit risks within the scope of IFRS 9, it is necessary to continuously review and adjust the models for their appropriateness, as the models developed on the basis of historical data do not correctly reflect the current crisis.

In addition to the pandemic, sustainability risks were also significant in 2020. In addition to the FMA guidelines in this regard, a wide range of other regulations have also been adopted. BTV is primarily exposed to ESG risks in the area of credit risk. In 2021, more steps will be taken here to limit these risks in the lending process.

With implementation of the ECB guidelines on the ICAAP and ILAAP, BTV has developed the perspective of normative and economic outlooks.

The COVID-19 stress test forms the basis of the required adverse scenarios. In this context, significant steps were also taken in the area of planning and budgeting. The completion or conversion in the control system will take place in 2021.

Another focus in 2020 was implementation of the CRR II requirements, some of which had already been brought forward to 31 December 2020. This includes the early adjustment of thresholds and risk weighting for small and medium-sized enterprises. Full implementation of CRR II is mandatory as at 28 June 2021. This includes, among other things, introduction of the new standard approach for counterparty default risks and binding introduction of the net stable funding ratio. These regulatory innovations will be implemented in the systems over the current year.

BTV carried out a synthetic securitisation with the EIB Group at the end of the year. The systems and processes required for this were developed and implemented in the past year, so that the transaction could take place on time.

32 Regulatory capital and debt levels

The consolidated capital of the Group is reported in accordance with the framework 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 and including the results of the supervisory review and evaluation process (SREP) conducted, a minimum requirement of 5.800% is stipulated by the financial supervisory authority for CET1, which will be increased by the capital buffer of 2.500% and by the analytical capital buffer of 0.001% defined under CRD IV (Capital Requirements Directive IV). For the entire core capital, a minimum requirement of 10.201% is stipulated; the total equity must have a minimum value of 12.801%.

The EBA published the "Opinion of the European Banking Authority on the prudential treatment of legacy instruments" on 21 October 2020. Accordingly, with expiry of the protection for legacy instruments that do not meet the definition and recognition criteria of own funds in accordance with the provisions of the CRR, an "infection" could occur as at 01 January 2022 with regard to other own funds components. As at 31 December 2020, the share capital of the Bank für Tirol und Vorarlberg Aktiengesellschaft includes 2.5 million preference shares, which currently fall under the CRR legacy instrument protection provisions. BTV administration will therefore add the conversion of preference shares into a CET1-capable instrument to the agendas of the shareholders' meetings on 07 May 2021.
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 calculation and disclosure of the leverage ratio within the EU are implemented by BTV as part of its disclosure obligations. The debt level ratio was 7.801% as at 31 December 2020 and 8.670% as at 31 December 2019.

32a Consolidated equity pursuant to the CRR in EUR million	31/12/2020	31/12/2019
Common equity (CET1)		
Capital instruments qualifying as CET1	300.2	300.2
Proprietary CET1 instruments	–31.7	–32.7
Retained earnings and other profit reserves	1,295.7	1,242.1
Aggregated other income	–1.7	9.3
Other reserves	140.2	140.2
Transitional changes owing to the transitional provisions for CET1 capital instruments	1.0	1.5
Prudential filters	–1.2	1.8
Goodwill	0.0	0.0
Other intangible assets	–0.9	–0.9
Securitisation positions to which a risk weighting of 1.250% can alternatively be attributed	–13.6	0.0
Regulatory changes in connection with CET1 instruments of financial companies, in which the bank holds a substantial interest	–577.8	–565.0
Amount exceeding the threshold value of 17.65%	–24.5	–10.0
Other transitional changes to CET1	0.0	0.0
Common equity – CET1	**1,085.8**	**1,086.6**
Additional core capital (Additional Tier 1)		
Changes owing to the transitional provisions for Additional Tier 1 capital instruments	0.0	0.0
Other transitional changes to Additional Tier 1	0.0	0.0
Additional core capital (Additional Tier 1)	**0.0**	**0.0**
Core capital (Tier 1): sum of common equity (CET1) and additional (AT1) core capital	**1,085.8**	**1,086.6**
Supplementary capital (Tier 2)		
Paid-up capital instruments and subordinated loans	231.2	205.3
Direct positions in supplementary capital instruments	–0.2	–0.3
Changes owing to the transitional provisions for supplementary capital instruments and subordinated loans	0.0	1.1
Other transitional changes to supplementary capital	0.0	0.0
Supplementary capital (Tier 2)	**230.9**	**206.1**
Total qualifying capital	**1,316.7**	**1,292.6**
Total amount at risk	**7,866.1**	**8,300.4**
Common equity Tier 1 ratio	13.80%	13.09%
Core capital ratio	13.80%	13.09%
Equity ratio	16.74%	15.57%

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.

33 Other notes in EUR thousand	**31/12/2020**	**31/12/2019**
Assets deposited as guarantees:		
Debenture bonds and other fixed-interest securities	622,555	515,687
Loans to credit institutions	6,910	8,430
Loans to customers	2,230,332	1,705,748
I) Assets deposited as collateral	**2,859,797**	**2,229,865**
Liabilities for which collateral was transferred:		
Trust fund deposits	21,627	21,916
Bonds issued	323,616	378,159
Liabilities to credit institutions	940,686	724,520
II) Liabilities for which collateral was provided	**1,285,929**	**1,124,595**
Subordinated assets:		
Debenture bonds and other fixed-interest securities	10,198	10,475
Equities and other variable-interest securities	5,360	5,240
III) Subordinated assets	**15,557**	**15,716**
Foreign currency volumes		
Receivables	1,281,363	1,337,538
Liabilities	603,677	585,157
IV) Foreign currency volumes		
Foreign volumes:		
Foreign assets	4,620,052	4,665,371
Foreign liabilities	2,622,195	2,310,737
V) Foreign volumes		
Trust loans:	14,604	12,750
Loans to customers	14,604	12,750
Trust liabilities:	14,604	12,750
Liabilities to customers	14,604	12,750
VI) Fiduciary operations		
VII) Genuine repurchase agreements	**1,149,524**	**603,045**
Performance guarantees and credit risks:		
Performance guarantees	359,693	358,945
Credit risks	2,437,305	2,121,774
VIII) Performance bonds and credit risks	**2,796,998**	**2,480,719**
IX) Open Capital Calls	**9,120**	**9,296**

In the reporting year 2019, Bank für Tirol und Vorarlberg Aktiengesellschaft participated in Gain Capital Private Equity III SCSp, headquartered in Luxembourg, in the form of a limited partner deposit to the amount of maximum EUR 10 million.

The total limited partner deposit committed, to the amount of EUR 10 million, can be called by Gain Capital Private Equity III SCSp as a whole or in several tranches (capital calls). As at 31 December 2020, there are still outstanding capital calls to the amount of EUR 9,120 thousand.

Transactions in which securities are sold with the agreement of a retrocession on a specific date are referred to as repurchase agreements. The securities sold under repurchase agreements are still shown on the Bank für Tirol und Vorarlberg Aktiengesellschaft's balance sheet, as all the risks and opportunities related to ownership essentially remain with the Bank für Tirol und Vorarlberg Aktiengesellschaft. The financial instruments are retroceded on expiry of the repurchase agreement. During the term of the repurchase agreement, the Bank für Tirol und Vorarlberg Aktiengesellschaft 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 repurchase agreements, securities were transferred to third parties. As at 31 December 2020, the market value without accrued interest totalled EUR 565,264 thousand (previous year: EUR 462,565 thousand), and the book value without accrued interest totalled EUR 559,718 thousand (previous year: EUR 459,428 thousand). The securities in each case amount to EUR 213,741 thousand (previous year: EUR 110,682 thousand) in the category "Debt securities valued at fair value through other comprehensive income", with EUR 0 thousand (previous year: EUR 2,512 thousand) in the "Debt securities (fair value option)" category and EUR 345,977 thousand (previous year: EUR 346,234 thousand) dedicated to the category "Debt securities valued at amortised cost". The associated liabilities are shown under "Liabilities to credit institutions", and utilisation as at 31 December 2020 amounts to EUR 1,149,524 thousand (previous year: EUR 603,045 thousand). As part of an unfair repurchase agreement, the deferred premium of EUR 108 thousand (previous year: EUR 108 thousand) was recorded in trading income under valuation and realisation gains from derivatives. The market value of the derivative was EUR 0 thousand (previous year: EUR 0 thousand). The nominal amount of the guarantees and letters of credit issued totals EUR 1,213,627 thousand as at 31 December 2020 (previous year: EUR 1,073,021 thousand). In addition, there are commitments for unsolicited payment guarantees with a nominal amount of EUR 410,348 thousand (previous year: EUR 381,504 thousand).

33a Notes regarding balancing of financial instruments as at 31/12/2020 in EUR thousand	**Financial assets/debts**	**Effects from settlement agreements**	**Collateral received/issued in the form of financial instruments**	**Financial assets/ debts (net)**
Trading assets – derivatives	68,489	–47,280	–18,742	2,467
Total loans	**68,489**	**–47,280**	**–18,742**	**2,467**
Liabilities to credit institutions and customer deposits	10,421,731	0	–2,384,887	8,036,844
Trading liabilities – derivatives	26,982	–47,280	–2,560	–22,858
Total liabilities	**10,448,713**	**–47,280**	**–2,387,447**	**8,013,986**

Notes regarding balancing of financial instruments as at 31/12/2019 in EUR thousand	**Financial assets/debts**	**Effects from settlement agreements**	**Collateral received/issued in the form of financial instruments**	**Financial assets/ debts (net)**
Trading assets – derivatives	64,738	–46,656	–18,085	–3
Total loans	**64,738**	**–46,656**	**–18,085**	**–3**
Liabilities to credit institutions and customer deposits	9,026,438	0	–1,683,436	7,343,002
Trading liabilities – derivatives	27,561	–46,656	–5,838	–24,934
Total liabilities	**9,053,999**	**–46,656**	**–1,689,275**	**7,318,068**

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

33b Notes pursuant to Section 64 BWG (Banking Act)

Selected data and key indicators 2020 concerning branches pursuant to SECTION 64 BWG

in EUR thousand	Austria	Switzerland	Germany
Net interest revenue	100,077	5,701	25,076
Operating income	173,407	11,208	32,012
Number of employees in persons/years	1,323	22	70
Annual profit before tax	29,756	5,370	18,974
State aid received	2,592	0	0

Selected data and key indicators 2019 concerning branches pursuant to SECTION 64 BWG

in EUR thousand	Austria	Switzerland	Germany
Net interest revenue	105,226	7,921	26,741
Operating income	201,069	12,754	32,270
Number of employees in persons/years	1,355	25	75
Annual profit before tax	117,376	8,062	19,012
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 Munich, and BTV Leasing has a branch, BTV Leasing Deutschland GmbH also with its registered office in Munich.

Return on investment pursuant to SECTION 64 BWG	2020	2019
Return on investment	0.38%	1.01%

33c Comfort letters

During the reporting year, and as in the previous year, BTV did not issue any comfort letters.

33d Securitisation transaction

BTV carried out its first synthetic securitisation transaction in December 2020. Securitisation aims to hedge the credit risk of a largely Austrian SME loan portfolio by means of a guarantee. The significant transfer of risk to an investor reduced risk-weighted assets and released regulatory capital for new lending.

The EIB Group, consisting of the European Investment Bank (EIB) and the European Investment Fund (EIF), has provided BTV with a guarantee for a mezzanine tranche of EUR 130.5 million as part of the European Fund for Strategic Investments (EFSI). The transaction was arranged by Erste Bank der oesterreichischen Sparkassen AG. In total, guarantees were provided for an upper mezzanine tranche of EUR 44.2 million and for a lower mezzanine tranche of EUR 86.3 million with the EIB's counter-guarantee. This collateralised a granular portfolio totalling EUR 690.6 million, consisting of loans from BTV to SMEs and mid-cap companies.

BTV's risk-bearing capacity increases due to the capital relief. Because BTV can issue more loans as a result, a new portfolio of eligible loans to SMEs and mid-cap companies totalling around EUR 435 million is established – mainly in Tyrol, Vorarlberg, Vienna and Southern Germany.

There is no derecognition of the receivables in BTV's balance sheet. They are still maintained in BTV's books. The guarantee commission is recognised in the comprehensive income statement in the item "Commission expenses/credit business". The transaction was not advised. The regulatory formula approach (SEC-SA approach) was used to calculate the risk weightings of the tranches. BTV has exercised its option pursuant to Article 253(1) of Regulation 2017/2401 and deducts the securitisation positions with a risk weighting of 1.250% from the capital and no longer takes them into account in the risk-weighted assets. The transaction has a recovery period of two years and is due in September 2038 at the latest, subject to the exercise of early termination rights. The retention obligation is met by retaining at least 5% of each securitised loan of the securitisation (Article 6[3b] of Regulation 2017/2402).

TRANCHE	Tranche amount in EUR million as at 31/12/2020	Share in %	Guaranteed share (EIF)
Senior	547.7	79.3%	
Upper mezzanine	44.2	6.4%	100.0%
Lower mezzanine	86.3	12.5%	100.0%
Junior	12.4	1.8%	
Total	**690.6**	**100.0%**	
Excess spread	2.5		

34 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:

Business relationships in EUR thousand	2020	2019
Executive Board		
Asset-side transactions	0	0
Asset-side transactions unused credit	16	16
Guarantees	55	0
Liabilities-side transactions	821	522
Revenue	3	2
Expenditure	2	3
Supervisory Boards		
Asset-side transactions	3,813	4,501
Asset-side transactions unused credit	2,652	3,116
Guarantees	98	33
Liabilities-side transactions	39,901	23,214
Revenue	181	221
Expenditure	99	126

34a Remuneration to members of the Executive Board and Supervisory Board

In the reporting year, remuneration of the current members of the Executive Board amounted to EUR 1,598 thousand (previous year: EUR 1,201 thousand). Pension payments to former members of the Executive Board, including adjustments to social benefits capital reserves, amounted to EUR 686 thousand (previous year: EUR 5,008 thousand). In the reporting year, expenses for Supervisory Board remuneration amounted to EUR 270 thousand (previous year: EUR 280 thousand).

The principles for remuneration of the Executive Board are laid down in the remuneration policy of the Bank für Tirol und Vorarlberg Aktiengesellschaft in accordance with Sections 78a and 98a AktG. The principles for remuneration of members of the BTV Executive Board were determined by resolution of the BTV Supervisory Board of 27 March 2020 on the basis of the proposal of the Remuneration Committee set up on the BTV Supervisory Board in accordance with Section 39c BWG in accordance with Section 78a AktG and L-Rule 26b of the Austrian Corporate Governance Code in the version of January 2020 (ÖCGK).

BTV's remuneration policy was submitted to the BTV Annual General Meeting of 20 May 2020 for vote in accordance with Section 78b(1) AktG and was subsequently applied to remuneration of the members of the Executive Board from the 2020 financial year onwards. The remuneration policy must be submitted to the Annual General Meeting in accordance with Section 78b(1) AktG for vote at least every fourth financial year.

The objective of the remuneration policy is to provide appropriate behavioural incentives for sustainable corporate development and to promote the business strategy and long-term development of the BTV Group. It also ensures that the total remuneration of the members of the Executive Board is proportionate to the situation of BTV and to the remuneration customary in comparable companies.The members of the Executive Board receive fixed remuneration components that are independent of profit or loss, as well as variable remuneration components that are based on the fulfilment of financial performance criteria, risk criteria, and general and individual non-financial performance criteria. The variable remuneration components are based on a guide value of 20% of the annual fixed remuneration, but do not exceed 40% of the fixed remuneration or an amount of EUR 150,000.00. The price development of BTV shares has no influence on remuneration of the members of the Executive Board.

Given that BTV represents a "highly complex institution" within the meaning of the banking supervisory provisions, the provisions of Section 39b BWG including the annex to Section 39b BWG apply in full to the assessment and payment of the variable remuneration of the members of the Executive Board. According to these banking supervisory provisions, a share of at least 40% of the variable remuneration must be deferred for a period of five years. In this minimum period, the deferred remuneration will not be acquired faster than pro rata, i.e. a maximum of one fifth of the amount deferred each year, starting from the first anniversary of the award. In addition, variable remuneration components, including the deferred portion, are only paid if this is sustainable in view of BTV's financial situation and justified according to the performance of the respective member of the Executive Board.

The banking supervisory provisions also stipulate that 50% of the variable remuneration, thus both with regard to the portion to be granted immediately and the portion to be redeemed, must be granted in shares. At BTV, ordinary shares are granted to the members of the Executive Board for this purpose. The proportion of instruments granted immediately is subject to a three-year retention or vesting period. The portion of instruments to be deferred is subject to a retention or vesting period of one year, following the respective award.

As there is currently no approval for share purchases, no shares have yet been purchased for BTV Executive Board members for the purposes of immediate payment (basis 60% of the performance bonus, 50% of which for shares), but only a reserved amount of money has been transferred to a restricted account, whereby the disclosures in accordance with Section 239 (1) (5) UBG, IFRS 2 and AFRAC Statement 3, in particular note 52, are for the most part not applicable. For the Executive Board, these amounts gross were: Gerhard Burtscher: EUR 36,600.00, Mario Pabst: EUR 21,000.00, Michael Perger: EUR 17,100.00. The following amounts are retained for share purchases for the full five years as the respective total amount from the variable share until payment after approval by the Remuneration Committee: Gerhard Burtscher: EUR 24,400.00, Mario Pabst: EUR 14,000.00, Michael Perger: EUR 11,400.00. There are no options; the shares will be bought at the current market value shortly after the respective meeting of the Remuneration Committee, meaning that there can also be no valuation effects as at 31 December 2020.

34b Receivables and liabilities to associated, non-consolidated companies and holdings in EUR thousand	**31/12/2020**	**31/12/2019**
Loans to credit institutions	0	0
Loans to customers	4,355	4,316
Total receivables	**4,355**	**4,316**
Liabilities to credit institutions	0	0
Liabilities to customers	44,904	43,462
Total liabilities	**44,904**	**43,462**

In the context of the profit and loss account, revenue of EUR 38 thousand (previous year: EUR 29 thousand) and expenses of EUR 29 thousand (previous year: EUR 5 thousand) were incurred for transactions with the parent company and its associated companies.

34c Receivables and liabilities with respect to associated companies and holdings in EUR thousand	**31/12/2020**	**31/12/2019**
Loans to credit institutions	33,355	982
Loans to customers	0	148
Total receivables	**33,355**	**1,130**
Liabilities to credit institutions	2,797	4,348
Liabilities to customers	2	1,880
Total liabilities	**2,799**	**6,227**

In the context of the profit and loss account, revenue of EUR 18 thousand (previous year: EUR 21 thousand) and expenses of EUR 27 thousand (previous year: EUR 60 thousand) were incurred for transactions with the parent company and its associated companies.

The fair value of the listed companies which are included according to the equity method, was EUR 582,564 thousand on the reporting date (previous year: EUR 674,691 thousand), of which BKS Bank AG accounted for EUR 101,518 thousand (previous year: EUR 129,931 thousand) and Oberbank AG EUR 481,046 thousand (previous year: EUR 544,759 thousand). The total of temporary differences relating to shares in associated companies, for which no deferred tax debts were reported on the balance sheet, total EUR 531,848 thousand as at the balance sheet date (previous year: EUR 512,595 thousand).

The number of shares held by associated companies was 9,478,262 (previous year: 9,123,252 shares).

34d Reconciliation of the equity book value of the associated companies included in the consolidated financial statement based on the portfolio as at 31/12/2020 in EUR thousand	**Book value carried forward as at 01/01/2020**	**Change not recognised in profit and loss 2020**	**Change recognised in profit and loss 2020**	**Book value carried forward as at 31/12/2020**	**Stock exchange price of ordinary shares**	**Stock exchange price of preference shares in conversion***
BKS Bank AG	231,751	–3,853	11,149	239,047	12.50	13.60
Oberbank AG	462,829	–6,022	19,015	475,822	84.40	84.00
Moser Holding Aktiengesellschaft	18,196	1,980	–3,015	17,161	n.a.	n.a.

* Market price of former preference shares being converted into ordinary shares

Reconciliation of the equity book value of the associated companies included in the consolidated financial statement based on the portfolio as at 31/12/2019 in EUR thousand	**Book value carried forward as at 01/01/2019**	**Change not recognised in profit and loss 2019**	**Change recognised in profit and loss 2019**	**Book value carried forward as at 31/12/2019**	**Stock exchange price of ordinary shares**	**Stock exchange price of preference shares**
BKS Bank AG	217,710	–755	14,796	231,751	16.00	14.30
Oberbank AG	437,761	–2,554	27,622	462,829	95.80	89.50
Drei Banken Versicherungsagentur GmbH*	1,639	–1,639	0	0	n.a.	n.a.
Moser Holding Aktiengesellschaft	17,342	–523	1,377	18,196	n.a.	n.a.

* liquidated in the financial year 2019

n.a. = not available

34e The associated companies valued at equity showed the following values at the balance sheet date in EUR thousand

	2020	2019
Assets	34,731,903	31,858,386
Debts	30,324,182	27,547,984
Earnings	980,449	970,027
Group annual net profit	153,212	335,769
Other income	–20,352	–19,432
Total result for the financial year	132,860	316,337
Dividends received	3,024	9,223

34f The associated companies valued at amortised costs or fair value showed the following values at the balance sheet date in EUR thousand

	2020	2019
Assets	72,936	78,281
Debts	50,948	48,272
Earnings	82,396	76,634
Group annual net profit	442	3,474

For the calculation of the values in tables 34e and 34f the last available annual financial statements were used as the basis for the calculation.

35 Total volume of not yet transacted derivative financial products

Total volume of not yet transacted derivative financial products as at 31/12/2020:

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 swaps	123,906	716,596	626,955	1,467,456	986	–591	22,144	–7,033	32,599	–14,611
Purchase	34,563	219,763	251,198	505,524	0	–591	0	–6,997	0	–14,420
Sale	89,342	496,833	375,757	961,933	986	–0	22,144	–36	32,599	–191
Interest rate options	3,000	56,742	26,000	85,742	0	–0	9	–9	232	–197
Purchase	1,500	28,371	13,000	42,871	0	0	9	0	232	0
Sale	1,500	28,371	13,000	42,871	0	–0	0	–9	0	–197
Total interest rate contracts	126,906	773,337	652,955	1,553,198	986	–591	22,154	–7,042	32,832	–14,808
Currency swaps	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
Foreign exchange forwards	77,455	2,525	0	79,981	676	–2,431	19	–25	0	0
FX Swaps	917,080	0	0	917,080	2,901	–2,334	0	0	0	0
Total currency exchange rate contracts	994,535	2,525	0	997,061	3,578	–4,765	19	–25	0	0
Derivative trades relating to securities and other derivatives	4,000	39,300	62,500	105,800	808	0	1,831	–119	1,687	0
Purchase	0	0	0	0	0	0	0	0	0	0
Sale	4,000	39,300	62,500	105,800	808	0	1,831	–119	1,687	0
Trades relating to securities and other derivatives Total	4,000	39,300	62,500	105,800	808	0	1,831	–119	1,687	0
Total bank register	1,125,441	815,163	715,455	2,656,059	5,372	–5,356	24,004	–7,186	34,518	–14,808
Interest rate options – trading book	0	3,572	8,217	11,788	0	0	0	–0	2	–2
Purchase	0	1,709	3,916	5,625	0	0	0	0	2	0
Sale	0	1,863	4,300	6,164	0	0	0	–0	0	–2
Interest swaps – trading book	0	3,000	0	3,000	0	0	0	–31	0	0
Purchase	0	3,000	0	3,000	0	0	0	–31	0	0
Sale	0	0	0	0	0	0	0	0	0	0
Total interest rate contracts	0	6,572	8,217	14,788	0	0	0	–31	2	–2
Derivative trades relating to securities and other derivatives	0	0	2,000	2,000	0	0	0	0	54	0
Purchase	0	0	2,000	2,000	0	0	0	0	54	0
Trades relating to securities and other derivatives Total	0	0	2,000	2,000	0	0	0	0	54	0
Total trading book	0	6,572	10,217	16,788	0	0	0	–31	56	–2
Non-transacted derivatives Total financial instruments	**1,125,441**	**821,734**	**725,672**	**2,672,847**	**5,372**	**–5,356**	**24,004**	**–7,217**	**34,574**	**–14,810**

Total volume of not yet transacted derivative financial products as at 31/12/2019:

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 swaps	112,762	592,653	901,741	1,607,156	599	–176	21,803	–5,536	40,628	–16,756
Purchase	17,036	154,738	366,260	538,034	0	–161	141	–5,215	1,429	–16,530
Sale	95,727	437,915	535,481	1,069,122	599	–14	21,662	–321	39,199	–227
Interest rate options	2,895	28,235	16,885	48,014	11	–9	2	–3	12	–12
Purchase	1,447	14,117	8,442	24,007	0	–9	2	0	12	0
Sale	1,447	14,117	8,442	24,007	11	0	0	–3	0	–12
Total interest rate contracts	115,657	620,887	918,625	1,655,170	610	–184	21,805	–5,539	40,639	–16,769
Currency swaps	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
Foreign exchange forwards	81,148	8,618	0	89,766	1,072	–354	159	–23	0	0
FX Swaps	1,167,410	0	0	1,167,410	1,094	–7,239	0	0	0	0
Total currency exchange rate contracts	1,248,558	8,618	0	1,257,176	2,166	–7,593	159	–23	0	0
Derivative trades relating to securities and other derivatives	0	4,000	75,000	79,000	0	0	0	–33	1,695	–19
Purchase	0	0	0	0	0	0	0	0	0	0
Sale	0	4,000	75,000	79,000	0	0	0	–33	1,695	–19
Trades relating to securities and other derivatives Total	0	4,000	75,000	79,000	0	0	0	–33	1,695	–19
Total bank register	1,364,215	633,505	993,625	2,991,346	2,776	–7,777	21,964	–5,595	42,334	–16,788
Interest rate options – trading book	1,617	1,005	12,471	15,094	0	0	0	0	3	–4
Purchase	818	508	5,927	7,253	0	0	0	0	3	0
Sale	799	498	6,544	7,841	0	0	0	0	0	–4
Interest swaps – 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
Total interest rate contracts	1,617	1,005	12,471	15,094	0	0	0	0	3	–4
Derivative trades relating to securities and other derivatives	0	0	2,000	2,000	0	0	0	0	96	0
Purchase	0	0	2,000	2,000	0	0	0	0	96	0
Trades relating to securities and other derivatives Total	0	0	2,000	2,000	0	0	0	0	96	0
Total trading book	1,617	1,005	14,471	17,094	0	0	0	0	99	–4
Non-transacted derivatives Total financial instruments	**1,365,832**	**634,511**	**1,008,096**	**3,008,439**	**2,776**	**–7,777**	**21,964**	**–5,595**	**42,433**	**–16,792**

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 subdivision of the volumes by time to maturity concords with international recommendations, as does the classification into interest rate, currency rate and security based trades. BTV had only OTC (over the counter) transactions on its books at the end of 2020.

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 forwards 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 included under other financial assets on the positive side and other financial liabilities on the negative side.

36 Fair value hierarchy of financial instruments which are valued at fair value as at 31/12/2020 in EUR thousand	Prices listed on 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			
Loans to customers mandatorily valued at fair value	0	0	289,642
Debt securities valued at fair value through other comprehensive income (FVOCI)	302,217	20,754	0
Debt securities mandatorily valued at fair value	9,191	0	694
Debt securities (fair value option)	0	0	0
Equity instruments valued at fair value through other comprehensive income (FVOCI)	54,522	0	56,669
Equity instruments valued at fair value through profit and loss (FVTPL)	35,055	0	0
Positive market values from derivative hedging instruments	0	42,015	0
Trading assets – funds	31,960	0	0
Trading assets – positive market values from derivative financial instruments	0	20,404	0
Total financial assets classified at fair value	**432,945**	**83,173**	**347,005**
Financial liabilities stated at fair value			
Fair value option	0	533,266	0
Negative market values from derivative hedging instruments	0	22,169	0
Trading liabilities – negative market values arising from derivative financial instruments	0	5,671	0
Total liabilities classified at fair value	**0**	**561,106**	**0**

Fair value hierarchy of financial instruments which are valued at fair value as at 31/12/2019 in EUR thousand	Prices listed on 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			
Loans to customers mandatorily valued at fair value	0	0	274,944
Debt securities valued at fair value through other comprehensive income (FVOCI)	324,685	20,657	0
Debt securities mandatorily valued at fair value	9,490	0	704
Debt securities (fair value option)	2,610	0	0
Equity instruments valued at fair value through other comprehensive income (FVOCI)	63,409	0	61,481
Equity instruments valued at fair value through profit and loss (FVTPL)	35,055	0	0
Positive market values from derivative hedging instruments	0	51,363	0
Trading assets – funds	32,430	0	0
Trading assets – positive market values from derivative financial instruments	0	13,489	0
Total financial assets classified at fair value	**467,679**	**85,509**	**337,129**
Financial liabilities stated at fair value			
Fair value option	0	551,161	0
Negative market values from derivative hedging instruments	0	21,938	0
Trading liabilities – negative market values arising from derivative financial instruments	0	9,096	0
Total liabilities classified at fair value	**0**	**582,195**	**0**

36a Movements on Level 3 of financial instruments assessed at fair value

in EUR thousand	01/01/2020	P/L result	Result from other operating income
Loans to customers mandatorily valued at fair value	274,944	237	0
Debt securities mandatorily valued at fair value	704	–186	0
Equity instruments valued at fair value through other comprehensive income (FVOCI)	61,481	0	–4,646
Total financial assets classified at fair value	**337,129**	**51**	**–4,646**

Movements on Level 3 of financial instruments assessed at fair value

in EUR thousand	01/01/2019	P/L result	Result from other operating income
Loans to customers mandatorily valued at fair value	200,567	–73	0
Debt securities mandatorily valued at fair value	0	0	0
Equity instruments valued at fair value through other comprehensive income (FVOCI)	69,007	0	–6,939
Total financial assets classified at fair value	**269,574**	**–73**	**–6,939**

Purchases	Sales, repayments	Transfer to Level 3	Transfer from Level 3	Currency conversion	31/12/2020
66,285	–51,824	0	0	0	289,642
176	0	0	0	0	694
0	–166	0	0	0	56,669
66,461	**–51,990**	**0**	**0**	**0**	**347,005**

Purchases	Sales, repayments	Transfer to Level 3	Transfer from Level 3	Currency conversion	31/12/2019
155,224	–80,774	0	0	0	274,944
704	0	0	0	0	704
726	–1,313	0	0	0	61,481
156,654	**–82,087**	**0**	**0**	**0**	**337,129**

During the reporting period, there were no reclassifications between the individual levels. For the other holdings and other associated companies valued at fair value, the level of Level 3 financial instruments on 31 December 2020 was EUR 56,669 thousand (previous year: EUR 61,481 thousand).

In the reporting year 2020, sales of equity instruments recognised in Level 3, which are valued at fair value through other comprehensive income (FVOCI), resulted in profit of EUR 7 thousand (previous year: loss of EUR 649 thousand) being recognised in other income. Valuation losses of EUR 4,646 thousand (previous year: loss of EUR 6,939 thousand) were recognised in other income.

At the end of a reporting period, BTV 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.

The book values of financial instruments which are SPEs of subordinate significance, and the book value thus calculated as fair value totals EUR 5,364 thousand under other holdings as at 31 December 2020 (previous year: EUR 5,364 thousand), and EUR 9,087 thousand under other associated companies (previous year: EUR 9,252 thousand).

Calculation of the fair value for the assets declared in Level 3 was done on the basis of future cash flows or using the market value and net asset value method. For the sensitivity analysis of the fair value with respect to the value of the holding, those holdings which are categorised as recognised on the balance sheet at fair value and not as SPEs are subjected to an interest shift of +100 or –100 basis points.

The fair values are recalculated based on these shifted interest rate curves and compared with the originally calculated fair value on the basis of the current interest level.

The difference from the originally calculated fair value here is:

36b Sensitivity analysis of holdings in EUR thousand	**Interest rates +100 BP 31/12/2020**	**Interest rates +100 BP 31/12/2019**	**Interest rates –100 BP 31/12/2020**	**Interest rates –100 BP 31/12/2019**
Change in fair value in scenario	–821	–5,259	+1,113	+5,005

For the sensitivity analysis of the fair value with respect to the credit risk, those loans to customers which are recorded in the balance sheet at fair value are recalculated under a negative and a positive scenario.

To do this, macro-economic factors influencing the credit risk are set at a negative or positive level and the ECL used for the valuation under fair value recalculated in these scenarios. The difference from the originally calculated fair value here is:

36c Change in fair value under loans to customers caused by creditworthiness in EUR thousand	**Negative scenario 31/12/2020**	**Negative scenario 31/12/2019**	**Positive scenario 31/12/2020**	**Positive scenario 31/12/2019**
Change in fair value in scenario	–269.1	–39.5	+198.7	+38.4

For the sensitivity analysis of the fair value with respect to the market level, those loans to customers which are recognised on the balance sheet at fair value are subjected to an interest rate shift of +100 or –100 basis points.

The fair values are recalculated based on these shifted interest rate curves and compared with the originally calculated fair value on the basis of the current interest level.

36d Change in fair value under loans to customers caused by creditworthiness in EUR thousand	**Interest rates +100 BP 31/12/2020**	**Interest rates +100 BP 31/12/2019**	**Interest rates –100 BP 31/12/2020**	**Interest rates –100 BP 31/12/2019**
Change in fair value in scenario	–1,050.1	–951.6	+1,707.2	+1,880.4

The scenario-related change in expected credit loss can be found on page 77 of the Annual Report.

37 Fair value of financial instruments, which are not valued at fair value

In the following table the fair values are compared to the book values. The market value is the amount which could be raised from the sale of a financial instrument on an active market 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 31/12/2020**	**Book value 31/12/2020**	**Fair value 31/12/2019**	**Book value 31/12/2019**
Cash reserves	2,908,211	2,908,211	1,427,659	1,427,659
Loans to credit institutions valued at amortised cost	363,450	363,398	468,461	468,238
Loans to customers valued at amortised cost	7,853,498	7,746,744	7,757,737	7,664,135
Other financial assets valued at amortised cost	889,332	877,214	906,788	898,791

Liabilities **in EUR thousand**	**Fair value 31/12/2020**	**Book value 31/12/2020**	**Fair value 31/12/2019**	**Book value 31/12/2019**
Liabilities to credit institutions valued at amortised cost	2,148,165	2,162,229	1,510,654	1,510,520
Liabilities to customers valued at amortised cost	8,238,886	8,259,502	7,500,064	7,515,918
Other financial liabilities valued at amortised cost	902,729	885,598	908,799	896,741

Assets

Level 1
For securities which were allocated to the category “Other financial assets,” 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 fair 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 also included. 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”. Therefore, for the fair value calculation the underlying credit spread per counterparty 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.

38 Fair value hierarchy of financial instruments, which are not valued at fair value as at 31/12/2020 in EUR thousand	Prices listed on 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 valued at amortised cost	0	0	363,450
Loans to customers valued at amortised cost	0	0	7,853,498
Other financial assets valued at amortised cost	809,666	79,667	0
Total financial assets not valued at fair value	**809,666**	**79,667**	**8,216,948**
Financial liabilities not valued at fair value			
Liabilities to credit institutions valued at amortised cost	0	0	2,148,165
Liabilities to customers valued at amortised cost	0	0	8,238,886
Other financial liabilities valued at amortised cost	0	873,471	29,258
Total liabilities not valued at fair value	**0**	**873,471**	**10,416,309**

Fair value hierarchy of financial instruments, which are not valued at fair value as at 31/12/2019 in EUR thousand	Prices listed on 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 valued at amortised cost	0	0	468,461
Loans to customers valued at amortised cost	0	0	7,757,737
Other financial assets valued at amortised cost	892,574	5,758	8,456
Total financial assets not valued at fair value	**892,574**	**5,758**	**8,234,654**
Financial liabilities not valued at fair value			
Liabilities to credit institutions valued at amortised cost	0	0	1,510,654
Liabilities to customers valued at amortised cost	0	0	7,500,064
Other financial liabilities valued at amortised cost	0	881,607	27,192
Total liabilities not valued at fair value	**0**	**881,607**	**9,037,910**

39 Hedge accounting

Underlying transactions as at 31/12/2020 in EUR thousand	Book value of underlying transaction		Cumulative book value adjustment for underlying transactions in fair value hedges	
	Assets	Liabilities	Assets	Liabilities
Fair value hedges				
Interest rate risk				
Loans to customers	166,304		3,777	
Liabilities to customers		98,030		10,150
Other financial liabilities		133,117		14,966

Hedging transactions as at 31/12/2020 in EUR thousand	Nominal amount	Book value	
		Assets	Liabilities
Fair value hedges			
Interest rate risk			
Other financial assets	228,800	25,002	0
Other financial liabilities	165,478	0	3,770

Underlying transactions as at 31/12/2019 in EUR thousand	Book value of underlying transaction		Cumulative book value adjustment for underlying transactions in fair value hedges	
	Assets	Liabilities	Assets	Liabilities
Fair value hedges				
Interest rate risk				
Loans to customers	166,244		5,457	
Liabilities to customers		111,103		16,023
Other financial liabilities		150,288		19,246

Hedging transactions as at 31/12/2019 in EUR thousand	Nominal amount	Book value	
		Assets	Liabilities
Fair value hedges			
Interest rate risk			
Other financial assets	258,800	35,378	0
Other financial liabilities	165,399	951	6,374

Positive market values for hedging transactions are posted to other financial assets under derivatives, and negative market values for hedging transactions under derivatives in other financial liabilities.

Ineffectiveness 01/01 – 31/12/2020 **in EUR thousand**	**Ineffectiveness recorded in the P/L**	**Ineffectiveness recorded in the OCI**	**Items in the P/L and in the OCI which show hedge ineffectiveness**
Fair value hedges			
Interest rate risk			
Loans to customers	–27	0	Revenue from financial transactions
Liabilities to customers	–72	0	Revenue from financial transactions
Other financial liabilities	–152	0	Revenue from financial transactions

Ineffectiveness 01/01 – 31/12/2019 **in EUR thousand**	**Ineffectiveness recorded in the P/L**	**Ineffectiveness recorded in the OCI**	**Items in the P/L and in the OCI which show hedge ineffectiveness**
Fair value hedges			
Interest rate risk			
Loans to customers	6	0	Revenue from financial transactions
Liabilities to customers	14	0	Revenue from financial transactions
Other financial liabilities	15	0	Revenue from financial transactions

40 Lifetime to maturity breakdown

Assets as at 31/12/2020 in EUR thousand	**due daily**	**< 3 months**	**3 months – 1 year**	**1 – 5 years**	**> 5 years**	**Total**
Loans to credit institutions	69,184	279,362	24,904	0	0	373,450
Loans to customers	2,371,691	499,250	813,039	2,514,682	1,952,087	8,150,749
Other financial assets – Debt securities valued at amortised costs	0	28,568	162,917	578,349	107,657	877,491
Other financial assets – Debt securities valued at fair value through other comprehensive income (FVOCI)	0	13,696	21,418	280,727	7,129	322,971
Other financial assets – Debt securities mandatorily valued at fair value	0	251	0	0	9,634	9,885
Other financial assets – Debt securities (fair value option)	0	0	0	0	0	0
Other financial assets – Equity instruments valued at fair value through other comprehensive income (FVOCI)	10,152	197	0	5,163	95,679	111,191
Other financial assets – Equity instruments valued at fair value through profit and loss (FVTPL)	0	0	0	0	35,055	35,055
Other financial assets – Positive market values from derivative hedging instruments	0	21	750	15,154	26,090	42,015
Trading assets/trading	31,960	3,307	821	8,675	7,600	52,364
Total assets	**2,482,987**	**824,653**	**1,023,850**	**3,402,749**	**2,240,932**	**9,975,171**

Liabilities as at 31/12/2020 in EUR thousand	**due daily**	**< 3 months**	**3 months – 1 year**	**1 – 5 years**	**> 5 years**	**Total**
Liabilities to credit institutions	330,752	44,218	6,602	1,353,856	426,801	2,162,229
Liabilities to customers	5,187,737	434,857	705,886	1,626,114	304,907	8,259,502
Other financial liabilities – Amortised costs	0	72,936	17,799	438,187	327,417	856,339
Other financial liabilities – Fair value option	0	23,579	12,890	299,738	197,059	533,266
Other financial liabilities – Derivatives	0	3	588	6,985	14,592	22,169
Other financial liabilities – IFRS 16	0	510	2,822	12,658	13,268	29,258
Trading liabilities	0	2,906	2,354	217	194	5,671
Total liabilities	**5,518,489**	**579,009**	**748,942**	**3,737,755**	**1,284,238**	**11,868,434**

Assets as at 31/12/2019 in EUR thousand	due daily	< 3 months	3 months – 1 year	1 – 5 years	> 5 years	Total
Loans to credit institutions	71,695	274,781	121,983	0	0	468,459
Loans to customers	2,387,382	443,062	726,656	2,611,609	1,867,372	8,036,081
Other financial assets – Debt securities valued at amortised costs	0	18,501	107,798	671,191	101,851	899,342
Other financial assets – Debt securities valued at fair value through other comprehensive income (FVOCI)	0	3,619	27,203	289,893	24,628	345,342
Other financial assets – Debt securities mandatorily valued at fair value	0	250	0	0	9,944	10,194
Other financial assets – Debt securities (fair value option)	0	2,610	0	0	0	2,610
Other financial assets – Equity instruments valued at fair value through other comprehensive income (FVOCI)	16,233	196	0	5,044	103,417	124,890
Other financial assets – Equity instruments valued at fair value through profit and loss (FVTPL)	0	0	0	0	35,055	35,055
Other financial assets – Positive market values from derivative hedging instruments	0	22	414	17,795	33,133	51,363
Trading assets/trading	32,430	1,115	571	4,121	7,681	45,919
Total assets	**2,507,740**	**744,156**	**984,625**	**3,599,652**	**2,183,081**	**10,019,254**

Liabilities as at 31/12/2019 in EUR thousand	due daily	< 3 months	3 months – year	1 – 5 years	> 5 years	Total
Liabilities to credit institutions	237,928	107,681	295,336	500,740	368,836	1,510,520
Liabilities to customers	4,302,989	642,763	849,570	1,460,467	260,129	7,515,918
Other financial liabilities – Amortised costs	0	79,839	44,940	449,139	295,631	869,549
Other financial liabilities – Fair value option	0	20,653	30,187	224,829	275,491	551,161
Other financial liabilities – Derivatives	0	0	159	5,251	16,529	21,938
Other financial liabilities – IFRS 16	0	461	2,622	11,659	12,451	27,192
Trading liabilities	0	6,979	1,532	377	209	9,096
Total liabilities	**4,540,917**	**858,376**	**1,224,347**	**2,652,461**	**1,229,275**	**10,505,376**

41 Organs of the Bank für Tirol und Vorarlberg Aktiengesellschaft

The following members of the Executive Board and the Supervisory Board were active for BTV:

Executive Board

Gerhard Burtscher, Chairman of the Executive Board
Mario Pabst, Member of the Executive Board
Michael Perger, Member of the Executive Board (to 31 December 2020)
Dr Markus Perschl MBA, Member of the Executive Board (from 01 July 2020)

Supervisory Board

Honorary president

KR Honorary Chairman Dr Hermann Bell, Linz

Chairman

General Director Consul Dr Franz Gasselsberger, MBA, Linz (to 10 June 2020)
Hanno Ulmer, Wolfurt (from 10 June 2020)

Deputy Chairperson

Board Chairperson Consul Mag. Dr Herta Stockbauer, Klagenfurt (to 10 June 2020)
RA Dr Andreas König, Innsbruck (from 10 June 2020)

Members

Mag. Hannes Bogner, Arcozelo, Portugal (from 10 June 2020)
Mag. Pascal Broschek, Fieberbrunn
DI Johannes Collini, Hohenems
Angela Falkner, Sölden
General Director Consul Dr Franz Gasselsberger, MBA, Linz
Board Chairperson Mag. Gregor Hofstätter-Pobst, Vienna (to 10 June 2020)
RA Dr Andreas König, Innsbruck
KR Director Karl Samstag, Mödling (to 10 June 2020)
Executive Board Director Arno Schuchter, Vienna
Board Chairperson Consul Mag. Dr Herta Stockbauer, Klagenfurt
Hanno Ulmer, Wolfurt
Mag. Sonja Zimmermann, Vienna

Employee representative

Chairperson of the Central Works Council, Harald Gapp, Innsbruck
Deputy Chairperson of the Works Council, Harald Praxmarer, Neustift im Stubaital
Stefan Abenthung, Götzens
Birgit Fritsche, Nüziders
Mag. Lydia Liphart, BSc, Innsbruck (to 10 June 2020)
Bettina Lob, Vils

Government commissioner

Government commissioner HR Dr Michael Manhard, Vienna
Government commissioner deputy HR Mag. Hubert Woischitzschläger, Linz (to 05 August 2020)
Government commissioner deputy Mag. Ewelina Boula, Vienna (from 01 October 2020)

42 Presentation of shareholdings as at 31 December 2020

As at 31 December 2020, the company had holdings of at least 20% of the shares in the following companies which are not included in the consolidated financial statement and which are insignificant as a whole:

Name of company and registered office	Total capital holding	Direct capital holding	Equity in EUR thousand [1]	Result in EUR thousand [2]	End of year
a) Affiliated companies					
1. Domestic financial institutions: n/a					
2. Other domestic companies:					
BTV Real-Leasing VI Gesellschaft m.b.H., Vomp	100.00%		621	–1	31/12/2020
Beteiligungsholding 3000 GmbH, Innsbruck	100.00%	100.00%	8,214	–5	30/11/2020
Beteiligungsverwaltung 4000 GmbH, Innsbruck	100.00%		4,951	–345	30/11/2020
Stadtforum Tiefgaragenzufahrt GmbH, Innsbruck	100.00%	100.00%	35	35	31/12/2020
Freiraum I GmbH, Mayrhofen	50.52%		132	10	30/11/2019
C3 Logistik GmbH, Innsbruck	100.00%		672	88	30/09/2019
3. Other foreign companies:					
AG für energiebewusstes Bauen AGEB, Staad	50.00%		209	–96	30/06/2019
KM Beteiligungsinvest AG, Staad	100.00%		35,236	4,803	31/12/2019

Name of company and registered office	Total capital holding	Direct capital holding	Equity in EUR thousand [1]	Result in EUR thousand [2]	End of year
b) Associated companies					
1. Other domestic companies:					
Montafoner Kristberg-Bahn Silbertal Gesellschaft m.b.H., Silbertal	32.29%		574	64	30/04/2020
Beteiligungsverwaltung Gesellschaft m.b.H., Linz	30.00%	30.00%	13,627	–15	31/12/2020
3 Banken IT GmbH, Linz	30.00%	30.00%	3,681	24	31/12/2020
3-Banken Beteiligung Gesellschaft m.b.H., Linz	30.00%		2,554	144	31/12/2020
3 Banken Versicherungsmakler Gesellschaft m.b.H., Innsbruck	30.00%	30.00%	533	–14	31/12/2020
Sitzwohl in der Gilmschule GmbH, Innsbruck	25.71%		4	–24	30/09/2019
SHS Unternehmensberatung GmbH, Innsbruck	25.00%		728	165	31/12/2019
KopfStart GmbH, Vienna	25.03%		142	54	31/12/2019
Innfoliolytix GmbH, Innsbruck	26.00%		30	–5	31/12/2019
2. Other foreign companies:					
Impulse4Success GmbH, Munich	25.00%		113	48	31/12/2019

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

Innsbruck, 12 March 2021

The Executive Board

Gerhard Burtscher
Chairman of the Executive Board

Chairman of the Executive Board with responsibility for the corporate and retail customers business area; financial markets; legal and corporate investments; human resources; executive office; holding: BTV Leasing; internal audit division.

Mario Pabst
Member of the Executive Board

Member of the Executive Board with responsibility for the back office; the areas of credit management business, finance & controlling; risk management; regulatory, tax and compliance; holding: C3 Logistik GmbH; internal audit division.

Dr Markus Perschl
Member of the Executive Board since 01/07/2020

Member of the Executive Board with responsibility for the back office; digitalisation; operations; organisation and IT; project management, process management & infrastructure; holdings: 3 Banken Versicherungsmakler; 3 Banken IT; internal audit division.

Declaration by the statutory representatives pursuant to Art. 124(1) and Art. 125(1) BörseG (Austrian Stock Exchange Act) 2018

We confirm that to the best of our knowledge the consolidated financial statement, drawn up in accordance with the statutory financial reporting 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 that 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, the accounts of the parent company, drawn up in accordance with the statutory accounting standards, provide 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 that 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, 12 March 2021

The Executive Board

Gerhard Burtscher
Chairman of the Executive Board

Chairman of the Executive Board with responsibility for the corporate and retail customers business area; financial markets; legal and corporate investments; human resources; executive office; holding: BTV Leasing; internal audit division.

Mario Pabst
Member of the Executive Board

Member of the Executive Board with responsibility for the back office; the areas of credit management business, finance & controlling; risk management; regulatory, tax and compliance; holding: C3 Logistik GmbH; internal audit division.

Dr Markus Perschl
Member of the Executive Board
since 01/07/2020

Member of the Executive Board with responsibility for the back office; digitalisation; operations; organisation and IT; project management, process management & infrastructure; holdings: 3 Banken Versicherungsmakler; 3 Banken IT; internal audit division.

Audit Certificate

Report on consolidated financial statement
Audit opinion

We have audited the consolidated financial statements of

Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck,

and its subsidiaries ("the Group"), consisting of the Group balance sheet as at 31 December 2020, the Group comprehensive income statement, the Group statement of changes in equity and the cash flow statement for the financial year ending at this reporting date, plus the notes to the consolidated accounts.

In our opinion, the consolidated financial statements comply with the legal requirements and present a true and fair picture of the assets and financial position of the group as at 31 December 2020, 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 Section 245a UGB and Section 59a BWG and the special statutory provisions.

Basis for the audit opinion

We conducted our audit in accordance with EU Regulation 537/2014 (hereinafter EU Regulation) and 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 consolidated financial statements" in our audit opinion. We are independent of the Group as required by the Austrian company, banking and professional rules and we have fulfilled our other professional duties in line with these requirements. We believe that the audit evidence we have obtained up to the date of this audit certificate is sufficient and appropriate to serve as a basis for our audit opinion as at this date.

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.

The following particularly important audit items have been identified for these financial statements:

- Recoverability of loans to customers
- Measurement of companies accounted for at equity
- Debt instruments valued at fair value (Level 3)
- Legal disputes of 3 Banken Group with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H.

Recoverability of loans to customers

The risk for the financial statements

Loans to customers are recognised in the consolidated balance sheet to an amount of EUR 8,150,749 thousand. Risk provisions of EUR 124,692 thousand existed for these loans as at the reporting date.

The Executive Board of the Bank für Tirol und Vorarlberg Aktiengesellschaft explains the procedure for creating risk provisions in the Notes to the consolidated financial statements in the section "Accounting policies and valuation methods – Recognition of depreciations pursuant to IFRS 9".

The identification of defaults events and the determination of individual value adjustments for defaulted significant loan losses are subject to significant estimation uncertainties and discretionary judgements that arise from the economic situation and development of the borrower, as well as from the valuation of loan collateral, which therefore have an impact on the amount and timing of expected future cash flows.

For defaulted, insignificant loan receivables, the bank performs an individual value adjustment of the specific loan loss provision on the basis of fixed flat-rate loss rates.

For all other loans, a portfolio value adjustment is formed for the expected credit loss (ECL). In principle, the 12-month ECL (Level 1) is used for this. If there is a significant increase in the credit risk, the ECL is calculated on the basis of the total term (Level 2). Extensive estimates and assumptions are required when determining the ECL. These include rating-based default probabilities and loss rates that consider both present and forward-looking information.

Since the impairment model used currently cannot adequately reflect extraordinary circumstances such as the COVID-19 crisis, the bank has increased the provision amount (“management overlay”) on the basis of internal bank estimates in addition to the model result.

The risk for the financial statements arises from the fact that the level transfer and the determination of the risk provisions are based to a significant extent on estimates and assumptions, which are additionally influenced by expectations relating to the COVID-19 crisis.

Approach to the audit

When assessing the recoverability of loans to customers, we carried out the following significant audit procedures:

- We analysed existing documentation of the processes for monitoring and risk provisions for customer loans and critically examined whether these processes are adequate for identifying loan defaults and adequately replicating the recoverability of customer loans. To this end, we have reviewed selected key controls for their design and implementation as well as their effectiveness in random checks.
- Based on a sample of loans to customers from different portfolios, we examined whether there are indicators of loan defaults. The sample was selected with a focus on risk, taking particular account of the rating levels.
- In the event of defaults of individually significant loans, the assumptions made by the bank with regard to consistency of the timing and amount of the assumed return flows were examined in random samples. We used our real estate specialists in test cases to check the appropriateness of the expected return flows from mortgage collateral.
- We have checked the arithmetical accuracy and completeness of the risk provisions for defaulted, insignificant loans. We reviewed the approach to collateral values in test cases with the involvement of real estate specialists.
- For all other loans whose risk provisions were calculated on the basis of the ECL, we analysed the bank’s methodological documentation for consistency with the requirements of IFRS 9. On the basis of internal bank validations, we also checked the models and the parameters used to determine whether these are adequate for calculating the appropriate amount of provisions. In addition, the selection and measurement of forward-looking estimates and scenarios were analysed and their consideration was verified as part of the level allocation and parameter estimation. We assessed the derivation and justification of the management overlay as well as the underlying assumptions with regard to their appropriateness. We reproduced the arithmetical correctness of the provisions in test cases. We involved our financial risk management specialists in these audit activities. We checked the arithmetical accuracy of the calculation of the portfolio adjustment in test cases.

Measurement of companies accounted for at equity

The risk for the financial statements

Investments in associated companies are accounted for using the equity method. In total, the updated carrying amounts of the investments in associated companies accounted for at equity amount to EUR 732,030 thousand.

The Executive Board explains the procedure for the measurement of companies accounted for using the equity method in the Notes in the section “Notes to individual balance sheet items (sub-item: Investments in companies accounted for using the equity method)”.

Investments in companies accounted for at equity are subject to an impairment test by the Executive Board if there is objective evidence of impairment. A value in use is determined on the basis of a dividend discount model. In doing so, the future distributable results, taking into account the relevant equity regulations, represent the revenues relevant to measurement, which are discounted with an equity cost rate to the measurement date. The respective measurements depend on internal and external factors, such as corporate planning, the amount of the discount rate and the sustainable future income underlying the perpetuity.

The risk for the financial statements is a possible misstatement, as the measurement is associated with material uncertainties of judgement and estimation.

Our approach to the audit

When assessing the valuation of companies accounted for at equity, we carried out the following significant audit procedures:

- The appropriateness of the measurement model as well as the significant assumptions and judgements made therein were assessed by our specialists. The assumptions used in determining the discount rates were checked for appropriateness by comparison with market and industry-specific benchmarks and the derivation of the discount rates was retraced.
- We analysed the data basis of the company plans that go into the valuation model and checked, among other things, their planning reliability by comparing the actual values of the current year with the planning values used in the previous year.
- In addition, we checked the arithmetical accuracy of the measurement result.

Debt instruments valued at fair value (Level 3)

The risk for the financial statements

In the consolidated financial statements, the Bank für Tirol und Vorarlberg Aktiengesellschaft reports debt instruments at fair value in Level 3 in the amount of EUR 289,642 thousand.

The Executive Board explains the accounting policies for financial instruments in the section on accounting and valuation principles and in point 36 of the Notes.

The risk for the financial statements is a possible misstatement, as the measurement of the debt instruments at fair value in Level 3 is based on an internal model, using parameters that are not observable on the market and that are subject to material uncertainties of judgement and estimation.

Approach to the audit

When assessing the debt instruments valued at fair value (Level 3), we carried out the following significant audit procedures:

- We assessed the bank's internal documentation and the procedure for measurement of debt instruments accounted for at fair value in Level 3 and assessed whether this is in accordance with the currently valid accounting standards and is adequate for appropriately determining the fair value.
- When assessing the appropriateness of the valuation models used and the valuation parameters used, we consulted our valuation specialists.
- On the basis of a random sample, we checked the calculation accuracy of the fair value calculation.

Legal disputes of the 3 Banken with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H.

The risk for the financial statements

The Executive Board of the Bank für Tirol und Vorarlberg Aktiengesellschaft describes the status of the disputes of the 3 Banken (Bank für Tirol und Vorarlberg Aktiengesellschaft, Oberbank AG and BKS Bank AG) with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H in the Notes, and also offers a current assessment of the situation (see "Discretionary decisions, assumptions and estimates" in the Notes). UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H. have filed applications with the Austrian Takeover Commission for a review of compliance with the regulations of takeover law (mandatory bid obligation).

The Executive Board has made an assessment of the legal risks and impact on the accounts based on estimates of external legal experts, available expert reports and the current status of proceedings.

The risk for the accounts arises from the estimation of the aforementioned factors, in particular the estimation of further decisions in the ongoing proceedings and the estimation regarding potential claims of the shareholders, should it transpire that the bank (as a member of the syndicates of Oberbank and BKS) was obliged to make a bid. This results in estimation uncertainties regarding potentially necessary provisions from the legal disputes with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H.

Our approach to the audit

In assessing the appropriateness of provisions for legal risks, we carried out the following significant audit procedures:

- As part of our audit, we inspected relevant documents, reproduced estimations on the formation of provisions, and reviewed the presentation of the balance sheet.
- We reproduced the assessment of the Executive Board, in particular the assumptions and balance sheet findings contained therein. To do this, we obtained those expert reports and opinions of the law firm appointed to the proceedings by the bank which were brought by the applicants, and analysed whether the estimations of the Executive Board are consistent with the current status of the proceedings.
- We then reviewed whether the information in the Notes to the annual financial statements in this regard is appropriate.

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 statement, the Group Management Report and the audit opinion.

Our audit opinion on the consolidated financial statements does not extend to this other information and we make no representation whatsoever in respect of it.

In connection with our audit of the consolidated financial statements, we have the responsibility to read this other information and to assess whether the other information has material inconsistencies with the consolidated financial statements or our knowledge obtained during the audit of the financial statements or otherwise appears to be misstated.

If, on the basis of the other information obtained by us prior to the date of the audit opinion, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Legal representatives' and Audit Committee's responsibility for the consolidated financial statements

The legal representatives are responsible for the maintenance of the consolidated financial statement, and for such reflecting as true a picture as possible of the assets, financial and earnings situation of the Group in accordance with the IFRS, as they are applied in the EU, and the additional requirements of Section 245a Austrian Commercial Code (UGB) and Section 59a Austrian Banking Act (BWG). The legal representatives are furthermore responsible for those internal controls considered necessary in order to prepare a consolidated financial statement that is free from material misstatement due to malicious acts or error.

When preparing the consolidated financial statements, the legal representatives 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 financial reporting principle, unless the legal representatives intend to either liquidate the Group or to stop its business activities, or have no realistic alternative to doing so.

The Audit Committee is responsible for monitoring the financial reporting process within the Group.

Responsibilities of the company auditors for the audit of the consolidated financial statements

Our goal is to obtain sufficient certainty concerning whether the consolidated financial statement as a whole is free from material misstatement due to malicious acts or error and to issue an audit certificate which contains our audit opinion. 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. Misstatements 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 EU Regulation and 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 misstatement due to malicious acts or error in the financial statements, plan audit procedures in light 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 material misstatements 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 auditing 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 Notes.
- We draw conclusions about the suitability of the application of the going concern financial reporting 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 significant 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 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 statement. 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 statement, as well as about significant audit conclusions, including any significant shortcomings of the internal control system that we uncover during auditing of the consolidated financial statement.
- 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.
- We determine which factors of those which we have discussed with the Audit Committee are the most relevant for the auditing of the consolidated financial statement for this financial year, and therefore which are the most important items for the 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 statement 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 and special legal provisions.

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, contains accurate information under Section 243a UGB and is consistent with the consolidated financial statement.

Declaration
In the light of the information acquired during the audit of the consolidated financial statement and the understanding of the Group and its environment, we have not detected any materially incorrect information in the Group Management Report.

Additional information pursuant to Article 10 EU Regulation
We were chosen as auditors by the General Meeting on 16 May 2019, and commissioned by the Supervisory Board on 04 July 2019 to audit the annual financial statement of the company for the financial year ending 31 December 2020.

On 10 June 2020, we were chosen for the financial year ending 31 December 2021 and commissioned on 12 June 2020 by the Supervisory Board to audit the financial statements.

We have been auditors of the Company without interruption since the consolidated financial statements as at 31 December 1946.

We declare that the opinion in the section "Report on the Consolidated Financial Statements" is consistent with the additional report to the Audit Committee pursuant to Article 11 EU regulation.

We declare that we have not provided any prohibited non-audit services (Article 5[1] EU Regulation) and that we have maintained our independence from the Group companies in conducting the audit.

Responsible Auditor
The auditor responsible for the contract to audit the consolidated financial statements is Mr Mag. Christian Grinschgl.

Innsbruck, 12 March 2021

KPMG Austria GmbH Auditor and Accounting Company

Mag. Christian Grinschgl
Auditor

Chairman of the Supervisory Board Hanno Ulmer.

Dear Reader,

I would like to begin by thanking the members of the Supervisory Board of the Bank für Tirol und Vorarlberg Aktiengesellschaft (BTV) for my election as Chairman of the Supervisory Board at the constituent meeting on 10 June 2020 and for the trust they have placed in me.

In this role, I follow in the footsteps of Dr Franz Gasselsberger, who has led BTV's Supervisory Board as Chairman for 14 years. With his high level of expertise, his commitment and his dedication over all these years, he has played a decisive role in shaping BTV's development. I would like to sincerely thank Dr Gasselsberger for this.

I myself graduated from the Bregenz Business Academy in 1976 and joined the company Doppelmayr in Wolfurt the same year. I then passed the accountancy and balance sheet accounting examination and completed university courses for export and international management. From 1994 to September 2019, for almost 25 years, I was a member of the board at Doppelmayr Holding AG, the global market and technology leader in ropeway construction.

Taking over the chairmanship of BTV's Supervisory Board is a very special challenge in view of the current dispute with UniCredit Bank Austria AG and in the midst of the world's largest economic crisis for many decades. In my professional career, however, I got to know and appreciated BTV as an extremely reliable partner with the personal touch, that is always there for its customers, even in difficult times. In this respect, I see it as an obligation for me to make a contribution in my new role to ensuring that this tradition continues, especially in the current difficult environment, and thus to continue BTV's success story. I am firmly convinced that we will succeed in doing just that. Last year, 150 employees developed the BTV Strategy that will take the bank into 2030. The path followed and the high level of employee involvement are unique. This, however, will ensure that the strategy will also be successfully put into practice. BTV will continue to create sustainable value for its customers in the future and as a result will be a healthy bank in 2030.

For BTV, the 2020 financial year was characterised firstly by the massive effects of the COVID-19 pandemic. Secondly, BTV had to deal with the ongoing attacks by UniCredit Bank Austria AG on the 3 Banken Group, which were based on the systematic exercise of shareholder rights for purposes other than those of the company. As before, no court or public authority has agreed with the central legal views presented by UniCredit Bank Austria AG. There is still hope that, in light of this, there will be some rethinking and that solutions for the issues raised can be found amicably (though without ignoring the autonomy of the 3 Banken). The Executive Board and the Supervisory Board of BTV are more than willing to oblige.

The Supervisory Board has carried out the tasks required of it by law and the articles of association, whilst adhering to the regulations of the Austrian Code of Corporate Governance in the wording applicable for the reporting year. It is the duty of the Supervisory Board to supervise and support the Executive Board. In the context of the Supervisory Board meetings, members of the Supervisory Board together with the Executive Board discuss the economic situation, including the risk situation, risk management, strategic development and other bank-related events. During the financial year, the Supervisory Board convened at least once every quarter, whereby the Executive Board has also been in communication outside the sessions of the Supervisory Board and with its committees in the Supervisory Board, particularly regarding significant events. The Supervisory Board was thus involved in the key decisions and was comprehensively and thoroughly informed about business activities by the BTV Executive Board.

The Supervisory Board has established seven committees for the purpose of efficient performance of the Supervisory Board's tasks, or by way of implementing legal requirements. These are namely the Audit, Working, Risk, Credit, Remuneration, Appointments, and the Legal Committees. The committees essentially prepare topics and resolutions for subsequent discussion at a full meeting. As far as legally possible, the Supervisory Board's decision-making powers are delegated to the committees in individual cases. The Chairman of the Supervisory Board chairs two committees (Remuneration Committee and Appointments Committee). Each committee chairperson reports regularly and comprehensively in plenary sessions on the contents and subject of the decisions of the committee meetings. The Working Committee and the Loans Committee of the Supervisory Board have continuously monitored and reviewed those business events which required their approval. In addition, the Audit Committee met twice, as planned, and has performed its legal auditing and monitoring tasks to the fullest extent, particularly in relation to the internal control system, the risk management system, the financial reporting process, the internal auditing system, the audit of the consolidated financial statements, and the independence of the auditor, as well as the corporate governance report. The Remuneration Committee met on one occasion, as planned, and performed the duties assigned to it by the Banking Act, in particular the passing, auditing and controlling of the principles of the remuneration policy as well as measuring of the variable remuneration of the Members of the Executive Board, in full during the financial year. The Appointments Committee met three times and fulfilled the duties assigned to it under the Banking Act to their full extent, in particular in relation to the succession planning in the Board of Directors and the Supervisory Board, monitoring the achievement of a target rate for the under-represented sex, 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. As part of a structured appointment process, Dr Markus Perschl, MBA, was submitted to the plenary session of the Supervisory Board as a member of the Executive Board with regard to the functions of the Chief Operating Officer (IT, digitalisation, processes) from 01 July 2020 for a period of three years, or until 30 June 2023. In addition, the voluntary renewal of the mandate by Michael Perger was accepted with effect from 31 December 2020. I would like to take this opportunity to thank Mr Perger for his tremendous dedication and valuable cooperation. The Risk Committee met once, as planned, and performed the duties assigned to it by the Banking Act, in particular advising management on risk appetite and risk strategy as well as monitoring the implementation of the risk strategy, checking the appropriateness of the pricing and of the risk incentives inherent in the remuneration system, in full during the financial year. The Credit Committee fulfilled the duties assigned to it, in particular approval of credit engagements over a threshold of EUR 23 million, in full – in accordance with planning, it did not hold a meeting. The scope of duty of the Legal Committee covers BTV's interaction with the UniCredit Group and with Generali 3Banken Holding AG, as well as all current or future court and public authority proceedings associated with such. The Legal Committee met on six occasions during the reporting period.

The meetings and decisions of the committees of the Supervisory Board were reported to the plenum of the Supervisory Board at the subsequent meeting. I would like to thank the members of the Supervisory Board for their tremendous dedication and valuable discussions.

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 financial year.

The auditor of the financial statements, KPMG Austria GmbH Auditor and Accounting Company, Innsbruck, has checked the book-keeping, the individual and the consolidated financial statements, and the individual and Group management reports for the company. The statutory regulations were complied with. The audit did not lead to any objections. The financial statements are accompanied by an unqualified opinion. At its meeting on 26 March 2021, the Audit Committee examined the individual and consolidated annual financial statements and the individual and Group management report of the company, as well as the non-financial report and the Corporate Governance report and recommended the findings from the annual financial statements to the full meeting of the Supervisory Board, which was reported to the full meeting of the Supervisory Board accordingly.

The Supervisory Board had at its disposal copies of the financial statements and management report, drawn up in accordance with the legal commercial stipulations in Austria, as well as the non-financial report. The financial statements show a true and fair picture of the capital and financial situation of the Bank für Tirol und Vorarlberg Aktiengesellschaft as at 31 December 2020. A similar picture for the period 01 January to 31 December 2020 is provided by the attached comments on the earnings situation.

The recommendation of the Executive Board to pay out a dividend of EUR 0.12 per share for the year 2020, i.e. EUR 4,083,750.00 total, and to carry forward the residual profit is endorsed by the Supervisory Board.

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 non-financial report, and approves the annual financial statements for 2020 for the company, which are thereby established as required by Section 96(4) Austrian Share Act.

We owe the success of our bank on the one hand to our customers and, on the other, to our skilled and highly qualified employees. They are what make our bank unique. However, this development is only possible because the Executive Board creates the corresponding framework. On behalf of the Supervisory Board, I would therefore like to thank the Executive Board and the bank employees for the high level of dedication and personal commitment of each individual, without which we would certainly not have been able to close the past year on such a positive note in the current economic environment.

Innsbruck, 26 March 2021

The Supervisory Board
Hanno Ulmer
Chairman of the Supervisory Board

Imprint

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Note

Any reference in the company reports to a person (e.g. he, him) is intended to apply equally to women and men.

The BTV company report may contain slightly differing values between tables or charts due to rounding differences.

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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BTV Executive Office (p. 1–25)
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BTV Risk Management (p. 126–173)

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12 March 2021

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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.

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