BANK FÜR TIROL UND VORARLBERG AG

ANNUAL REPORT 2017

Annu
Report

BTV VIER LÄNDER BANK

3 Banken Gruppe

Income in EUR million	**2017**	**2016**	**% change**
Net interest income	165.8	144.8	+14.5 %
Loan-loss provisions in the credit business	–21.1	–16.1	+30.8 %
Net commission income	50.9	47.5	+7.1 %
Operating expenses	–173.5	–169.2	+2.6 %
Other operating income/expenditure	71.1	63.5	+12.0 %
Annual net profit before tax	91.2	73.5	+24.1 %
Group net profit for the year	76.0	63.8	+19.1 %

Balance sheet figures in EUR million	**31/12/2017**	**31/12/2016**	**% change**
Total assets	10,463	10,014	+4.5 %
Loans and advances to clients after loan loss provisions	7,142	6,754	+5.7 %
Primary funds	7,606	7,323	+3.9 %
of which savings deposits	1,266	1,248	+1.4 %
of which securitised debt including subordinated capital	1,318	1,393	–5.4 %
Equity	1,367	1,219	+12.1 %
Managed deposits	13,905	13,238	+5.0 %

Equity under CRR IN EUR MILLION	**31/12/2017**	**31/12/2016**	**% change**
Risk-weighted assets	7,108	6,709	+6.0 %
Equity	1,125	988	+13.9 %
of which common equity (CET1)	1,070	975	+9.7 %
of which total core capital (CET1 and AT1)	1,070	975	+9.7 %
Common equity Tier 1 ratio	15.05 %	14.54 %	+0.51 pp
Core capital ratio	15.05 %	14.54 %	+0.51 pp
Equity ratio	15.83 %	14.73 %	+1.10% pp

Key indicators in pp	**31/12/2017**	**31/12/2016**	**Change** in pp
Return on equity before tax (RoE)	7.05 %	6.21 %	+0.84% pp
Return on Equity after tax	5.87 %	5.39 %	+0.48% pp
Cost/income ratio	60.8 %	65.4 %	–4.6% pp
Risk/earnings ratio	12.7 %	11.2 %	+1.5% pp

Resources	**31/12/2017**	**31/12/2016**	**Change** Number
Weighted average number of employees	1,401	1,350	+51
Number of branches	36	36	+0

Key indicators for BTV shares	**31/12/2017**	**31/12/2016**
Number of ordinary no par value shares	28,437,500	25,000,000
Number of preference shares	2,500,000	2,500,000
Top price of ordinary/preference share in EUR	23.40/20.00	21.30/20.00
Bottom price of ordinary/preference share in EUR	21.40/18.40	20.70/19.00
Closing price of ordinary/preference share in EUR	22.85/18.95	21.00/19.00
Market capitalisation in millions of euro	715	573
IFRS EPS in EUR	2.49	2.25
P/E ratio, ordinary share	9.2	9.3
P/E ratio, preference share	7.6	8.4

Contents

Important dates for BTV shareholders

Annual General Meeting	08/05/2018, 10:00 am, Stadtforum 1, Innsbruck, Austria The dividend will be published on the BTV homepage and in the gazette of the Wiener Zeitung the day after the Annual General Meeting.
Ex-dividend date	16/05/2018
Payment of dividend	18/05/2018
Interim Report as at 31 March 2018	Published on 25/05/2018 (www.btv.at)
Interim Financial Report as at 30 June 2018	Published on 24/08/2018 (www.btv.at)
Interim Report as at 30 September 2018	Published on 30/11/2018 (www.btv.at)

Ladies and Gentlemen,

A successful year is behind us. As a customer bank, we are happy when we grow with our customers – and thankfully the BTV gained further market share in 2017. The good capitalisation enables us to be a strong partner for local business, as well as a safe place for productive investment. In all of the major balance sheet items, including loans to customers, managed deposits and total assets, the volume of business rose to its highest levels in the bank's 113-year history.

BTV operates the way that banking was invented: We add deposits from the region to the bank's balance sheet and make them available for lending and regional projects. Our market region covers Tyrol, Vorarlberg and Vienna, stretching through Bavaria and Baden-Württemberg into German-speaking Switzerland and to our customers in South Tyrol, who are served from Austria. It is a particularly attractive economic area in which fantastic entrepreneurs operate. Discussions with our customers are extremely varied. It is a privilege to assist in the implementation of so many ideas!

Overall, economic conditions in 2017 were positive thanks to robust economic growth, and stock market prices also performed very well. Various heads of state were concerned with security and economic policy decisions, as well as the EU's exit negotiations with the United Kingdom.

The abundance of operational milestones in the past financial year highlights the capital increase successfully launched in May 2017, which laid the foundation for further growth through the strengthening of the capital structure. In Vorarlberg, after two years of construction, employees moved into the new BTV branch in Dornbirn. With the opening of the BTV branch in Mannheim, we completed our move into the Baden area.

Top trained employees ensure the quality of our services. Our employees have completed more than 3,000 training days. Our reliability as a contact and our professional competence have resulted in a very pleasing number of referrals in 2017. The Recommender Award, which was again awarded to BTV (the only bank in Tyrol to receive it), is proof of this.

We would like to thank our customers, our employees and all those who made this success possible. We are looking forward to continuing on this path with exciting discussions and meetings!

Yours sincerely,

Michael Perger
Member of the Board

Gerhard Burtscher
Chairman of the Board

Mario Pabst
Member of the Board

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

Director of BTV Stadtforum headquarters and regional business areas

BTV Stadtforum Headquarters

Private clients
Dr Jürgen Brockhoff

- Branch business Norbert Peer
- Productive investment Martin Mausser
- Asset management Dr Robert Wiesner
- Housing construction Mario Scherl

Corporate clients
Thomas Gapp

- Payment transfers and support Rudolf Oberleiter
- Structured financing and funding Robert Platter
- Foreign trade and markets in Germany, Switzerland

Institutional clients and banks
Rainer Gschnitzer

- Institutional clients Silvia Vicente

Service centre
Paul Jäger

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

Finance & controlling
Mag. (FH) Manuela Bauer

- Risk manager in the meaning of Section 39 Para. 5 BWG
- Regulatory and financial reporting Hanna Meraner
- Risk controlling
- Strategy and Sales Controller Hannes Gruber

Corporate audit
Richard Altstätter

Credit management
Robert Walcher

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

Marketing, Communication, Executive Board matters
MA Daniel Stöckl-Leitner

- Brands and events Markus Wieser

Human resources
Ursula Randolf

- Human resources support Friedrich Braito

Legal and corporate investments
Dr Stefan Heidinger

Compliance and Money laundering prevention
Martin Rohner
Manfred Unterwurzacher

Effectiveness and efficiency
Michael Draschl

Chairman Central Works Council
Harald Gapp

BTV Leasing
Gerd Schwab
Johannes Wukowitsch

3 Banks Insurance Brokers
Walter Schwinghammer

BTV regional business areas

Tyrol private
Stefan Nardin

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

– Ausserfern
Urs Schmid
– Asset investments and endowments
Karl Eder
– Asset investments and liberal professions Innsbruck
Edi Plattner
– Co-support Innsbruck, private
Kerstin Schuchter
– Asset investments Italy

EAST TYROL
– East Tyrol Private
Manfred Steurer

Vorarlberg private
Christof Kogler

– Bludenz Alpine region
Dipl. (FH) Markus Amann, MBA
– Lake Constance
Dominik Schuchter
– Rhine Valley
Stephan Kirchmann, MBA
– Montfort
Hubert Kotz

Innsbruck and South Tyrol corporate
Christoph Wenzl

– Key accounts and special financing
– Property, tourism and South Tyrol
Mag. (FH) Karl Silly
– SMEs
Dr Norbert Erhart

Tiroler Oberland and Außerfern corporate
Michael Falkner

– Corporate customers Imst
– Corporate customers Reutte
Andreas Wilhelm

Tiroler Unterland corporate
Bernd Scheidweiler

– Co-support
Günter Mader

Vorarlberg corporate
Michael Gebhard

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

Vienna private
Josef Sebesta

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

Vienna corporate
Martina Pagitz

– Key accounts and special financing
– Real estate and project financing
Marion Nikodem
– SMEs and tourism

Bavaria Kitzbühel Retail
Peter Kofler

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

Baden-Württemberg Retail
Jürgen Hofer

– Asset investments and endowments Stuttgart

Bavaria/Baden-Württemberg Corporate
Dr Hansjörg Müller

– Corporate customers Munich
Mile Savic
– Corporate customers Memmingen
Tobias Bott
– Corporate customers Nuremberg
Dkfm. Marc Ludescher
– Corporate customers Stuttgart
Thomas Weber
- Corporate customers Ravensburg
Andreas Kleiner
- Corporate customers Mannheim
Dipl.-Vw. Stefan Fischer
– Corporate customers Real estate
Michael Hildebrand, M.A.

Germany

– Compliance
Bianca Zaspel

Switzerland private
Martin Anker

Switzerland corporate
Markus Scherer

– Corporate customers Staad
Bruno Kaufmann
– Corporate customers Winterthur
– Co-support
Mag. (FH) Markus Hämmerle

Switzerland

– Risk Management Compliance
Johannes Hämmerle, Dipl. BW HF

BTV VIER
LÄNDER
BANK

Addresses

Vorarlberg

Bludenz
Werdenbergerstrasse 39
6700 Bludenz
T +43 505 333 – 0
E bludenz@btv.at

Bregenz
Kaiserstrasse 33
6900 Bregenz
T +43 505 333 – 0
E bregenz@btv.at

Bregenz Vorkloster
Mariahilfstrasse 45 a
6900 Bregenz
T +43 505 333 – 0
E vorkloster@btv.at

Dornbirn
Bahnhofstraße 13
6850 Dornbirn
T +43 505 333 – 0
E dornbirn@btv.at

Feldkirch
Bahnhofstrasse 8
6800 Feldkirch
T +43 505 333 – 0
E feldkirch@btv.at

Wolfurt
Unterlinden 23
6922 Wolfurt
T +43 505 333 – 0
E wolfurt@btv.at

Tiroler Oberland and Ausserfern

Imst
Dr.-Pfeiffenberger-Str. 18
6460 Imst
T +43 505 333 – 0
E imst@btv.at

Landeck
Malser Strasse 34
6500 Landeck
T +43 505 333 – 0
E landeck@btv.at

Reutte
Untermarkt 23
6600 Reutte
T +43 505 333 – 0
E reutte@btv.at

Sölden
Dorfstrasse 31
6450 Sölden
T +43 505 333 – 0
E soelden@btv.at

Telfs
Anton-Auer-Strasse 2
6410 Telfs
T +43 505 333 – 0
E telfs@btv.at

Tiroler Unterland and Zillertal

Kirchbichl
Corporate clients
E3 Wirtschaftspark
Europastrasse 8
6322 Kirchbichl
T +43 505 333 – 0
E kirchbichl@btv.at

Kitzbühel
Vorderstadt No. 9
6370 Kitzbühel
T +43 505 333 – 0
E kitz@btv.at

Kufstein
Oberer Stadtplatz 4
6330 Kufstein
T +43 505 333 – 0
E kufstein@btv.at

Mayrhofen
Hauptstrasse 440
6290 Mayrhofen
T +43 505 333 – 0
E mayrhofen@btv.at

Schwaz
Innsbrucker Strasse 5
6130 Schwaz
T +43 505 333 – 0
E schwaz@btv.at

St. Johann in Tirol
Dechant-Wieshofer-Str. 7
6380 St. Johann in Tirol
T +43 505 333 – 0
E st.johann@btv.at

Wörgl
Bahnhofstrasse 18
6300 Wörgl
T +43 505 333 – 0
E woergl@btv.at

Innsbruck Stadt

Innsbruck-DEZ
Amraser-See-Strasse 56 a
6020 Innsbruck
T +43 505 333 – 0
E dez@btv.at

Innsbruck-Hötting*
Schneeburggasse 7
6020 Innsbruck

Innsbruck-Mitterweg
Mitterweg 9
6020 Innsbruck
T +43 505 333 – 0
E mitterweg@btv.at

Innsbruck-
Olympisches Dorf
Schützenstrasse 49
6020 Innsbruck
T +43 505 333 – 0
E olympischesdorf@btv.at

Innsbruck-Sonnpark
Amraser Strasse 54
6020 Innsbruck
T +43 505 333 – 0
E sonnpark@btv.at

Innsbruck-Stadtforum
Stadtforum 1
6020 Innsbruck
T +43 505 333 – 0
E filiale.stadtforum@btv.at

Innsbruck-Wilten
Leopoldstrasse 31 a
6020 Innsbruck

Innsbruck Land

Seefeld
Klosterstrasse 397
6100 Seefeld
T +43 505 333 – 0
E seefeld@btv.at

Hall in Tirol
Stadtgraben 19
6060 Hall in Tirol
T +43 505 333 – 0
E hall@btv.at

East Tyrol

Lienz
Südtiroler Platz 2
9900 Lienz
T +43 505 333 – 0
E lienz@btv.at

* Only BTV service area

BTV headquarters

Innsbruck Head Office
Stadtforum 1
6020 Innsbruck
T +43 505 333 – 0
E info@btv.at
www.btv.at

Business area
Private clients
T +43 505 333 – 1110
E privatkunden@btv.at

Business area
Corporate clients
T +43 505 333 – 1300
E firmenkunden@btv.at

Business area
Institutional clients
and banks
T +43 505 333 – 1204
E treasury@btv.at

Service centre
T +43 505 333 – 2100
E dienstleistungszentrum@btv.at

Finance & controlling
T +43 505 333 – 1420
E finanzwesen@btv.at

Corporate audit
T +43 505 333 – 1530
E revision@btv.at

Credit management
T +43 505 333 – 1360
E kreditmanagement@btv.at

Marketing, Communication,
Executive Board matters
T +43 505 333 – 1400
E kommunikation@btv.at

Human resources
T +43 505 333 – 1480
E personalmanagement@btv.at

Legal and corporate
investments
T +43 505 333 – 1500
E recht@btv.at

Vienna

Albertinaplatz
Tegetthoffstrasse 7
1010 Wien
T +43 505 333 – 0
E firmen.wien@btv.at
E privat.wien@btv.at

Germany

Garmisch-Partenkirchen
Mohrenplatz 6
82467 Garmisch-Partenkirchen
T +49 8821 75 26 85 – 0
E garmisch-partenkirchen@btv-bank.de

Mannheim
Q7, 23
68161 Mannheim
T +49 621 150469 – 0
E mannheim@btv-bank.de

Memmingen
Hopfenstraße 35
87700 Memmingen
T +49 8331 92 77 – 8
E memmingen@btv-bank.de

Munich
Neuhauser Strasse 5
80331 München
T +49 89 255 44 730 – 8
E muenchen@btv-bank.de

Nuremberg
Gleissbühlstrasse 2
90402 Nuremberg
T +49 911 23 42 08 – 0
E nuernberg@btv-bank.de

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

Stuttgart
Marktstraße 6
70173 Stuttgart
T +49 711 787 803 – 8
E stuttgart@btv-bank.de

Switzerland

Staad
Hauptstrasse 19
9422 Staad
T +41 71 85 810 – 10
E btv.staad@btv-bank.ch

Winterthur
Zürcherstrasse 14
8400 Winterthur
T +41 52 20 819 – 10
E btv.winterthur@btv-bank.ch

BTV Leasing

BTV Stadtforum
Stadtforum 1
6020 Innsbruck
T +43 505 333 – 2028
E info@btv-leasing.com

Bregenz
Kaiserstrasse 33
6900 Bregenz
T +43 505 333 – 6006
E info@btv-leasing.com

Albertinaplatz Vienna
Tegetthoffstrasse 7
1010 Wien
T +43 505 333 – 8818
E info@btv-leasing.com

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

Winterthur
Zürcherstrasse 46
8400 Winterthur
T +41 52 20 40 450
E info.ch@btv-leasing.com

BTV Leasing
Deutschland GmbH
Geschäftsstelle München
Neuhauser Strasse 5
80331 München
T +49 89 255 44 730 – 7542
E info.de@btv-leasing.com

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

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

Stuttgart
Marktstraße 6
70173 Stuttgart
T +49 711 78 78 03 – 7450
E info.de@btv-leasing.com

The new premises of BTV Dornbirn offer numerous possibilities for attentive customer service and ensure a modern, appealing working environment. The building ensemble including forecourt is a meeting place that encourages communication and interaction.

The book „Alpine Tourism of the Future“ was developed in close cooperation with the Fraunhofer IAO and highlights important trends in alpine tourism.

Corporate clients

- Market share gained: Loans and bank guarantees are in high demand in 2017. The total volume of receivables is increased by EUR +445 million to EUR 5.5 billion.
- 524 new customers are gained in the corporate client business.
- Hedging currency risks overseas: Political and economic uncertainties create volatile currency markets. More and more customers have learned the value of the range of services on offer and the uncomplicated processes at BTV in the area of currency management.
- Pension in good hands: Jointly with the 3 Banken Versicherungsmakler Gesellschaft m.b.H, the experts at BTV arrange bespoke pension solutions for companies, owners and employees. Also in the area of property insurance, BTV customers benefit from the industry competence of 3BVM.
- Significant increase in export financing. The volume of export financing can be increased by more than 21% in 2017. Thanks to new business and increases, growth of EUR +55 million is achieved.
- Positive bonus for Austrian subsidies: In 2017, the new AWS „Investment premium bonus“ promotional campaign will provide important impulses. The ERP fund, the ÖHT financing and the AWS guarantee programs also feature numerous company-friendly innovations. The BTV funding experts inform customers in personal discussions, information campaigns and via the online brochure „BTV Fördermatrix“. As a result of these measures, the BTV funding experts will submit more than 120 investment projects for customers to support agencies in 2017 – an increase of around 50%.
- Further expansion of development loans in Germany: In collaboration with the KfW development bank, the LfA and the L-Bank, the volume of new development loans to SMEs was further extended by +25% compared with the previous year. Newly approved development loans in 2017 totalled around EUR 121 million.
- Payment transactions marked by new banking applications: In Switzerland we are starting with a new e-banking service, in Germany the groundwork for the update on the new MultiCash 4.0 is being laid, in Austria the new BTV Business App for ELBA is in the starting blocks. In addition, in 2017, the number of our customers‘ transactions will once again increase by around 10% compared to the previous year. The volume transferred totalled around EUR 63 billion.
- Alpine tourism of the future: Trends, ideas and opportunities for 2030 are published in the new BTV book and presented to over 450 interested tourists. These are based on the results of the pan-Alpine research project „Alpen FutureHotel Y“ with the Frauenhofer IAO, in which BTV was a sponsor.
- Quality in consulting: Thanks to sound training and rich experience, it is possible for the BTV advisors to recognise developments and industry trends at an early stage and to discuss business and future market developments on equal terms. In addition to advising on typical finance and investment instruments, we are on hand with help and advice to answer any questions whatsoever regarding possibilities for enterprise investment, foreign trade deals, company succession planning, company pension scheme, cross-border operations, tailored structuring of financing and investment instruments, interest and currency hedging as well as cash management and leasing arrangements.
- Payment transaction consulting: BTV advisors inform and advise customers on topics such as cash management, accounts receivable and payable management, payment options for the future, e-commerce or even the possibilities of cash logistics. In 2017, BTV will handle more than 21 million transactions
  across its market, an increase of well over 50% since the year 2000.

Private clients

- 2,766 new customers: In 2017, BTV will be able to gain numerous new customers in the private customer business and expand its market share.
- BTV asset management: 2017 is another successful year for BTV asset management. This is reflected in the positive development of assets under management and the number of new mandates.
- Award-winning: At the Austrian Dachfonds Award, the 3 Banken-Generali Investment-Gesellschaft is once again honoured for its asset management.*
- Clients make provisions: In the course of demand-oriented advice, the result in the area of capital insurance can once again be increased.
- Well insured: Our partner, Generali, offers pension solutions that adapt flexibly to life circumstances.
- BTV securities analysis: BTV securities or other securities belonging to our customers are professionally analysed with the support of the BTV experts in Innsbruck and compared with the tried and tested BTV investment strategy.
- Event series „Passing on assets": As part of our customer events, the regional managers of BTV interviewed notaries (our network partners) on the topics of inheritance and property transfer.
- BTV Advisory Mandate: Since 2017, BTV has offered BTV's advisory mandate to clients with complex and demanding investment interests on the securities side. With a corresponding investment volume of more than EUR 1 million, the highest degree of individuality, coupled with the most professional support from BTV experts, should be tangible for customers.
- BTV focuses on shares: There are issues that are of greater interest, primarily due to very recent events. At the same time, however, there are always those that can be well positioned at any time for inclusion in a well diversified portfolio. „Searching for pearls for the custody account" BTV therefore regularly tries to get to the heart of various investment ideas and represent them with several independent investment solutions.
- Focus on shares: Based on the BTV recommendation list, a manageable selection of shares is regularly made available as part of „Focus on shares". The list is aligned as far as possible with BTV's view of the market and the asset allocation used for asset management.
- BTV range of funds: BTV's range of funds stands out thanks its broad range of bond, equity and mixed funds over a huge variety of regions, sectors and themes. The funds are selected according to the best-in-class approach. The objective is to use a qualitative and quantitative test to find the funds that consistently perform well over several years and have stable management. The best fund is included in the BTV recommendation list, which is regularly reviewed.
- Award-winning: BTV Asset Management is awarded 5 stars (Outstanding Results) in the „balanced" risk class for the year 2017 by firstfive in the Sharpe Ratio (36 and 60 months) and Top Return (60 months) categories.*
- BTV asset investments with strategy: The BTV investment strategy is in line with the needs and requirements of clients and provides a wide range of investment forms, from flexible savings products and custody accounts to asset management. Continuous active management ensures success.
- Residential construction financing: In 2017, BTV is able to further increase the level of new business in residential construction. Our customers value our tailored financing concepts.
- BTV ANLAGEKOMPASS: This publication provides regular information on market developments and trends in BTV asset management. There are 11 editions per year, of which one is published in printed form per quarter.
- Modern postal delivery: BTV is pushing for modern mail delivery through the use of e-box solutions. This will allow us to save the customer money and protect the environment.
- ZOIN: With the ZOIN service and BTV Wallet, customers can easily and securely send money via their smartphone to another smartphone.

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

In 2017, BTV opened its northernmost location in Mannheim and thus now offers optimal care options in the Baden region through BTV employees.

BTV Leasing

- Mannheim: With the new location in Mannheim, BTV Leasing is also represented in the Baden region for the first time.
- Good business development: In 2017, BTV Leasing achieved a total increase of more than 17% in its movable property inventory, putting it in 4th place in the Austria ranking.
- Customer volume: BTV Leasing's customer volume exceeds the EUR 900 million mark for the first time.

Institutional clients and banks

- Sustainable customer care: The active and personal cultivation of relationships creates the conditions for lasting customer loyalty in this demanding sector. Well-known new customers can again be won in 2017 – including some on the recommendation of long-standing customers.
- Networking banking partners: Yet again, BTV is bringing together partner banks as part of an information and networking event at BTV Vienna. The combination of business and culture always proves a hit in these cases.
- Cross-border skills: The level of personal contact with above all our German and Swiss bank partners continues to be a priority in banking support, to reinforce BTV's reputation overseas and to expand our good business connections.
- Dispositive liquidity management: Due to the challenging market environment, intensive contacts with money market partners form the basis for sound liquidity management. The management of Institutional Clients and Banks thereby underpins the activities of the business area.
- Regulatory requirements: The complexity and density of regulatory issues is becoming increasingly challenging. Coordinated cross-divisional treatment of issues takes account of the high demands of regulatory requirements.

The 2017 FO.KU.S shows a broad spectrum from art to documentary photography.

Art and culture

- BTV Epiphany concert in Innsbruck and Bregenz: With the young violin virtuoso Emmanuel Tjeknavorian, a „Rising Star“ will shine on the 6 January in the Ton Halle in Innsbruck‘s Stadtforum and on the 8 January in the Seestudio of the Bregenz Festspielhaus.
- toninton: In 2017 the concert series in the Ton Halle is all about gypsy jazz, samba, tango, flamenco, groove, rock and classical music
- FO.KU.S: Bruno Barbey – Passages: In the spring exhibition (2 March – 6 May) the FO.KU.S will be showing works by the French Magnum photographer Bruno Barbey, who has documented world events of the past decades with his empathetic style. His photographs are witnesses of the beauty and fragility of this world.
- BTV concert in Vienna: With RESOUND Beethoven, BTV is organising a concert in Vienna for the first time on 5 May.
- Pour le Piano: Young up-and-coming pianists and master students of the Tiroler Landeskonservatorium will present classical works and world premieres by renowned Tyrolean composers in the Ton Halle on 6 May. The evening will conclude with the extravagant finale with virtuoso pieces for four to eight hands on one and two Steinway grand pianos.
- FO.KU.S: Donata Wenders – Im Licht der Zeit: The exhibition from 18 May to 29 July will focus on portrait works by Berlin-based photo artist Donata Wenders. Her expressive photographs, predominantly in black and white, tell stories captured in the poetry of the fleeting moment.
- FO.KU.S: Viviane Sassen – Lexicon: FO.KU.S is presenting one of Europe‘s most exciting and idiosyncratic female photographers in its autumn exhibition (7 September - 4 November). With her performative and strongly stylised, sometimes even surreal works, the Dutch artist Viviane Sassen shows an archaic yet modern image of Africa far removed from clichés.
- BTV Youth Jazz Prize: On 10 October 2017, the BTV Youth Jazz Prize and the Jazz Prize of the City of Innsbruck will once again be presented in the Ton Halle for extraordinary musical achievements and activity in the regional jazz scene. This year‘s winners are the tuba player Tobias Ennemoser (BTV Youth Jazz Award), musician and composer Manu

In the Ton Halle, a wide range of musical features are emphasised.

Delago (Jazz Prize of the City of Innsbruck) and the hip-hop formation „Von Seiten der Gemeinde“ (TonArtTirol Special Award).

- FO.KU.S: Gregor Sailer – The Potemkin Village: Vom 16 November 2017 to 20 January 2018, the FO.KU.S is dedicated to the Tyrolean artist Gregor Sailer, who deals with socio-political issues in a complex and critical manner in his photo project „The Potemkin Village“. His photographs, mostly devoid of people, provide the viewer with access to the world of fakes, copies and backdrops.
- BTV autumn concert:Imaginative, virtuoso, rousing – in just a few years, the young Serbian violinist Nemanja Radulović has taken the classical music world by storm with his extraordinary playing and exciting concert programs. As was the case for the audience at the autumn concert on 24 November in the Ton Halle.

Ads over the course of time

Bank for Tyrol and Vorarlberg And Southern Germany. And Vienna. And Switzerland. And Northern Italy. Over 113 years, BTV has grown from the regional bank to become BTV VIER LÄNDER BANK.

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

The wonder of the Inn

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

Congratulations to the winners of the BTV Marketing Trophy 2017.

Economic boom

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

True customer proximity

The BTV branch network was greatly expanded under the two executive boards of Dr Gerhard Moser and Dr Otto Kaspar in the 1970s and 1980s of the 20th century. With this step, BTV successfully made its endeavour „to be close to the customer" and „to expand into the regions" a reality. The personal relationship between the customer and employees was and is a central success factor for BTV. Since 1986, BTV has been the only Austrian regional bank to be quoted on the Vienna Stock Exchange - ‚a giant leap for the alpine inhabitants', in the eyes of the Tyrolean artist Paul Flora, who has captured this important event for BTV in his pictures. BTV is a market leader in corporate and private client business in its key markets of Tyrol and Vorarlberg. However, as one of the highest revenue banks in Austria, BTV also seizes the opportunities provided by contemporary Europe. In 1989 the company expanded to Vienna, and in 2004, its 100th year of existence, it opened its first foreign branch in Staad am Bodensee in Switzerland. BTV was successfully launched onto the market in Bavaria, Baden-Württemberg, Germany and South Tyrol, Italy in 2006. With its new brand name BTV VIER LÄNDER BANK (the Bank of Four Countries), which was introduced in 2011, BTV is demonstrating a pledge: namely, that its commitment in all four countries is sustainable and profitable. Thus, today BTV's heart is not only beating in Tyrol and Vorarlberg, but also passionately in Vienna, Bavaria, Baden-Wuerttemberg, Switzerland and Northern Italy (served from Innsbruck).

In focus: BTV's clients

BTV's clients are at the heart of its strategy. Building on their needs and desires, customer-friendly innovations are developed on an ongoing basis.

Ready for international experience, the winner of the Talent Private Trust 2017.

With entrepreneurial spirit, BTV focuses on above-average performances, thus securing its long-term autonomy. Because of the mergers in the banking sector in past years, this autonomy has become an extraordinary advantage which is becoming ever rarer. BTV generates profits, has its outgoings in hand and masters technology to reinforce and further expand a good asset basis.

Offering tailored solutions

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

Approaching and listening to clients

BTV is a regional service provider specialised in handling money. This is apparent from solutions which are individually tailored to the customer and first and foremost from the highly qualified employees who, with their specialist expertise, constitute BTV's most important possession. The customer structure primarily comprises family-owned medium-sized companies and demanding retail clients. Fulfilling their needs and desires in the best possible way – that is what is near and dear to BTV. BTV employees therefore actively approach clients, not only to inform them but also to discover their needs. BTV wants to remain in business, not make business. Our task, which we fulfil prudently and sustainably, is not to maximise profit but to secure BTV's autonomy. BTV's clients benefit from this, especially in times like these.

1904

1964

2011

1986

1997

A logo can change, but the personality of a strong brand and a company remain unchanged. So, BTV has always remained true to its business model and also to the guiding principle of „Refreshingly Conservative“. One bank for today and tomorrow.

The BTV brand over the years

Just as BTV has changed in the years since its founding, so too has the logo. In 1964 it was still a dark green. The T drawn over the B and the V symbolises a roof, which is intended to illustrate that BTV focuses on the provinces of Tyrol and Vorarlberg. With the IPO in 1986, it was time to adapt the logo. The owner structure opens and with it the logo. BTV continues to pursue its own path with purpose. For generations. For generations. In 1997, the merger with the 3 Banken Group follows, which will henceforth be mentioned in the logo. In 2011, BTV expands its market area and accompanies customers to Switzerland, Germany and Italy. This development is also reflected in the new BTV logo with the addition VIER LÄNDER BANK. The BTV emphasizes that her „heart beats today not only in Tyrol and Vorarlberg, but also in Vienna, southern Germany, Switzerland and northern Italy.“ One bank for four countries.

Another peculiarity is that today, as then, the headquarters, the Stadtforum, can be found in the same place. In 2006, the Stadtforum was reopened and since then has been a meeting place beyond the banking industry. The events in the Ton Halle and the exhibitions in the FO.KU.S as well as the culinary delights of the award-winning restaurant contribute to the well-being of the place. This is why in the Stadtforum, BTV with can be experienced with multiple senses.

Management report

Business trends
Compliance and anti-money laundering
Non-financial report
Characteristics of the internal control and risk management system
Shares and shareholder structure
Outlook

Economic environment

A turbulent year is behind us: The spectrum ranged from important elections in the Eurozone to further Brexit negotiations and conflicts with North Korea. All the more surprising is the fact that the financial markets reacted relatively calmly to the wealth of events and that the global economic situation was able to improve further. The economic upturn in the Eurozone has been progressing steadily and the economically weaker member states have also recorded positive development. For the full year of 2017, the Eurozone grew by 2.4% in real terms, so that growth momentum increased by 0.6 percentage points compared to the previous year. In particular, higher domestic consumption boosted economic growth and production output also increased. This was also reflected in the labour market, with the unemployment rate declining slowly but steadily from 9.6% to 8.7% during the year. The US economy was also able to record decent growth in the full year 2017, with growth of 2.3% in real terms. In the United States, too, strong private consumption proved to be the mainstay of economic growth. In addition, expectations regarding the US tax reform and, ultimately, its implementation at the end of the year, were able to improve economic figures. In addition to the positive performance of the major industrial regions, emerging markets also benefited, which is why we can speak of an economic upturn on a broad front for 2017.

Interest rates

Last year, the US Federal Reserve raised its benchmark interest rate target range three times by 25 basis points to between 1.25% and 1.50%. As a result, the short-term US interest rates in particular rose and the interest rate curve thus flattened further. In the Eurozone, on the other hand, interest rate increases were observed across all maturities, mainly due to the improved economic outlook and the associated expectations of an early termination of the existing bond purchase program. The investment environment in the bond segment was therefore challenging. The positive performance contributions in recent years, triggered by falling interest rates, could no longer be achieved by the bond investor could no in 2017. In order to generate performance, it was therefore necessary to venture into riskier segments. Corporate, high-yield and emerging market debt were more in demand in 2017 and also benefited from declining credit spreads from the positive global economic trend. The motto in 2017 was „credit risk before interest rate risk“.

Year-on-year, the long-dated euro interest rates rose (+23 basis points to 0.89% on the 10-year euro swap). Money market rates (3-month Euribor) proved to be very stable and fell compared to 31 December 2016 by just -1 base point to -0.33%.

Currency markets

In 2017, the euro was strong, with none of the other key currencies able to outperform it. The year-to-date increase was particularly pronounced against the US dollar (+14.1%) and the Japanese yen (+10.0%). Against the Swiss franc, the euro gained 9.2%. The common currency first gained momentum in late April/early May with the election victory of Emmanuel Macron in the French presidential election, which for the time being curbed fears of a noticeable shift to the right in Europe. At that time, it seemed that the euro could only gain strength, with the positive economic trend giving it an additional boost. In September, however, the euro suffered a slight setback against the US dollar, as the divisive tendencies in Catalonia and the arduous coalition negotiations in Germany put pressure on the single currency, while the US dollar benefited from higher US interest rate expectations and the planned tax reform. However, the temporary weakness of the euro would only last for a short time, as towards the end of the year the euro started to rise again. Very good economic data combined with expectations of a less expansionary ECB monetary policy boosted the euro. Even the steadily rising interest rate differential between the US and the Eurozone could not knock the euro off its appreciation trend. At the end of the year, the EUR/USD exchange rate was 1.20 and the EUR/CHF rate was 1.17.

Equity markets

In local currency, all the major stock markets developed very strongly and, as is often the case in a dynamic economic environment, emerging markets were ahead. The Asian region in particular – with China as the driving force – benefited from an improving global economy. Above all, a strong technology sector provided additional thrust. The Japanese Nikkei 225 began a rarely seen catch-up. As one of the weakest indices in September, it was able to outperform many stock markets by the end of the year. Of the largest and most important stock markets, the North American market has become stronger and more stable than the European one, which has also benefited from a very good economy. Both regions were hampered by political turmoil in the short term. The strong euro, as expected, put pressure on export-oriented European companies. The North American markets have been revived again since September. The reason for this was the first big success of US President Trump - his tax reform. To what extent the relief actually reaches the companies and citizens remains to be seen in the next few years. The share indices, in any case, reacted with euphoria.

The broad European STOXX 600 index made a gain of 7.7% over the year. Among the European indices, the Austrian ATX performed best with a year-on-year increase of 30.6%, but the Italian FTSE MIB also made strong gains with a plus of 13.6%. Outside of the eurozone, the Swiss SMI also performed very well with a gain of 14.1%. The US S&P 500 recorded an increase of 19.4% and the Japanese Nikkei 225 gained 19.1%, with the figures being in line with the performance of the index in local currency. For the euro investor, the performance of non-European equity investments decreased due to the strength of the euro.

Business trends

IFRS Group accounts

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 in conjunction with Section 245a UGB. In establishing the present financial statements, all standards which were required for this financial year were applied. An overview of the standards and the accounting principles is provided in the Annex, from page 46 onwards.

Detailed explanations about risk management as well as descriptions of the relevant risks and uncertainties to which the company is exposed can be found in the risk report starting on page 88.

Analysis of business performance

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

Profit trend

As in the previous year, 2017 will continue to be characterized by persistent low interest rates. The established business model of banks will continue to be put to the test and in many cases adaptations or alternatives to this will be developed. For companies, this interest rate landscape will continue to mean low financing costs. However, credit demand, even though there is a slight increase, is modest. Here, fortunately, BTV is clearly differentiating itself from this market trend. In the area of investment, classic forms of savings are confronted with a real loss. Alternative forms of investment, especially in the securities sector, thus become significantly more interesting.

With an increase of EUR 17.7 million to EUR 91.2 million, the profit for the year before tax rose significantly in 2017. This

was mainly due to the EUR +21.0 million increase in net interest income. Risk provisions increased by EUR 5.0 million compared to the previous year, meaning that BTV's credit risk remained pleasingly low. The fee and commission income also increased by EUR 3.4 million. At +2.6%, operating expenses saw moderate growth. Other operating income increased by EUR 7.6 million to reach EUR 71.1 million in the year under review. By contrast, BTV's trading profit
showed a significant decline of EUR -5.4 million.

Breakdown of changes in profit in 2017	in EUR thou- sand
Net interest income	+21,040
Provision for risks	–4,967
Net commission income	+3,393
Trading income	–5,427
Operating expenses	–4,317
Other operating profit	+7,623
Income from financial assets	+377
Annual net profit before tax	+17,722
Group net profit for the year	+12,185

Net interest income

The low level of interest rates continues to be a challenge for credit institutions. BTV increased its net interest income excluding at-equity income by EUR 12.4 million to EUR 119.6 million. This was mainly attributable to the successful loan growth and lower overall interest expenses. The earnings from at-equity valued companies rose by EUR 8.6 million to EUR 46.2 million, representing an increase of +22.9%.

Loan loss provisions

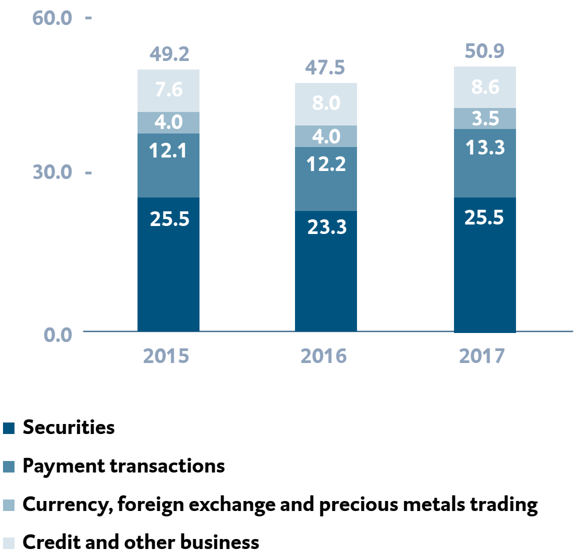
The loan loss provisions in the lending business, the balance from inflows and reversals of loss provisions, including direct write-downs on receivables and income from receivables that had previously been written off, rose in the reporting year by EUR 5.0 million to EUR 21.1 million, which is below the long-term trend of BTV. This can also be seen from the lower NPL ratio (non-performing loan ratio). This describes the share of non-performing customer receivables in the total customer receivables and, at 2.5% at the end of 2017, is well below the figure at 31/12/2016. The NPE (Non-Performing Exposure Ratio) ratio, which sets the non-performing credit risk volume in relation to total credit risk exposure, also fell from 2.6% in the previous year to 2.0%.

Net commission income

The persistently low interest rate environment increases the focus on commission business, whose importance for the overall bank result will continue to rise. A key role here is played by the securities business. In the past financial year, this product line generated EUR 25.5 million, which equates to a good 50% of total commission income. The increase of EUR +2.3 million or +9.7% reflects customer confidence in the BTV and its securities expertise. Growth in lending business was above average, expanding by EUR +1.5 million or +22.6% to EUR 8.2 million. The increase in the result from payments by EUR +1.2 million to EUR 13.3 million was largely attributable to a shift from other services business, which in turn declined by EUR -1.0 million. The foreign exchange, precious metals and precious metals business had to settle slightly after two very successful years. The result of EUR 3.5 million represents a loss of EUR -0.6 million compared to 2016. In total, net fee and commission income increased by EUR +3.4 million or +7.1% to
EUR 50.9 million.

Change in net commission income 2015-2017

Amounts in EUR million



Trading income
Trading income fell compared to last year to EUR 2.2 million, a reduction of EUR –5.4 million. Income from foreign exchange and notes and coins decreased by EUR -2.9 million, while the valuation results from derivative hedging transactions decreased by EUR -2.4 million. Profits on security trading were slightly down on the previous year at EUR 0.5 million.

Operating expenses
Compared with the previous year, administrative expenses increased by +2.6% to EUR 173.5 million. Responsible for this were personnel expenses, which increased by EUR 5.6 million from EUR 91.8 million to EUR 97.4 million. The items „Other administrative expenses“ and „Depreciation and amortisation“ are largely dependent on developments in the fully consolidated Group Mountain railways, which explains their high level for a bank. Compared to the previous year, general and administrative expenses were reduced by EUR -1.1 million. At EUR 27.1 million, depreciation was slightly down on the previous year at EUR -0.1 million.

Compared with 2016, the number of BTV branches remained constant at 36 due to the closure of the Völs branch and the opening of the Mannheim location. For details, please refer to the back cover of this Annual Report for the existing BTV branches.

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

Other operating profit
The result for other operating profit increased in 2017 by 12.0% to EUR 71.1 million. In addition to the success of the fully consolidated mountain railways, which is reported in this item, it should be noted that the stability levy was recorded as a one-time payment in 2016, which had a corresponding negative impact on the previous year‘s result.

Income from financial assets
Income from financial assets improved with an increase of EUR +0.4 million to EUR 0.3 million.

Taxes on earnings and profit
Besides the ongoing effect of corporation tax, the amounts recorded at ‚Taxes on income and profit‘ relate primarily to the deferred taxes to be paid on accruals and prepayment adjustments, in accordance with IFRS. Due to the higher result, tax expenses increased by EUR +5.5 million compared with the previous year to EUR 15.2 million.

Annual pre-tax profit and group net profit for the year
In 2017, BTV can once again look back on a successful year in which its profit before tax rose by EUR +17.7 million to EUR 91.2 million. After tax earnings of EUR 76.0 million were achieved.

Earnings per share
The profit per share increased from EUR 2.25 in the previous year to EUR 2.49.

For the financial year 2017, the Board of Directors will propose an unchanged dividend (from previous year) of EUR 0.30 per share at the Annual General Meeting.

Balance sheet performance

The year 2017 was marked partly by very positive stock markets and a barely changed interest rate landscape. Despite the persistently low interest rates, BTV was able to successfully assist its clients in their investment and financing decisions in the year under review, which resulted in a positive balance sheet performance.

Change in assets

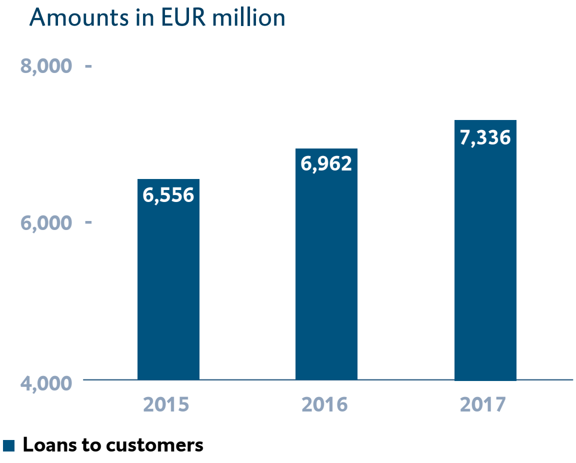
BTV's growth also continued in 2017.
The total assets rose by EUR +449 million or +4.5% to EUR 10,463 million.

Loans to customers contributed significantly to this. An expansion of the lending business is a necessity for BTV in order to ensure a positive of net interest income trend in the existing low interest rate environment. posting growth of EUR 374 million or +5.4% to EUR 7,336 million. Taking into account the still generally subdued credit demand, this is a very pleasing result. Loans and advances to banks were EUR 288 million, EUR -30 million lower than in the previous year. The stock of risk provisioning also declined, from EUR 208 million to EUR 194 million.

For risk management objectives, methods and declarations regarding existing default and market risks, please see the detailed risk report starting on page 88.

The „Financial assets and interests, including trading assets" item increased by EUR 69 million compared with the previous year, to EUR 2,190 million.

Changes in loans to customers 2015-2017



Changes to major balance sheet items 2017	in EUR million
Total assets	+449
Loans to credit institutions	–30
Loans to clients	+374
Financial assets including holdings	+69
Liabilities to credit institutions	+18
Primary investments including supplementary capital	+282
Equity	+148

Change in liabilities

In line with the principle of refinancing loans entirely through primary funding growth, BTV focuses on customer business. Primary funds of EUR 7,606 million were reported as of 31 December 2017, an increase of EUR +282 million or +3.9% compared to the previous year. The increase was mainly due to other deposits, i.e. account deposits, which increased by EUR +339 million. Savings deposits also increased slightly, rising by EUR +17 million. BTV emissions declined, falling by EUR -75 million. The loan-deposit ratio, the ratio between loans to customers after loan loss provisions to primary funds, at the end of the year was 93.9%.

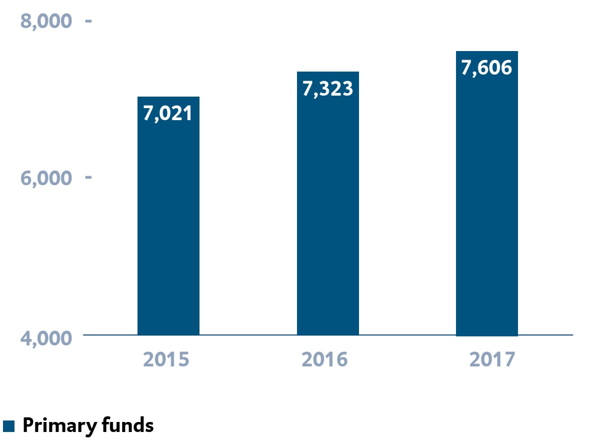
Liabilities to credit institutions rose by EUR +18 million to EUR 1,212 million.

As already described in the context of the income statement, the securities business was significantly expanded in the year under review. This is accompanied by an increase in custody account volume, which represents an increase of EUR +384 million or +6.5% to EUR 6,299 million compared to the previous year. Customer funds under management, the sum of deposit volumes and primary deposits, rose by EUR +667 million or +5.0% to EUR 13,905 million.

Balance sheet equity, including the capital increase in the spring, jumped by EUR +148 million to EUR 1,367 million.

Change in primary funds 2015-2017

Amounts in EUR million



Qualifying capital as per the CRR

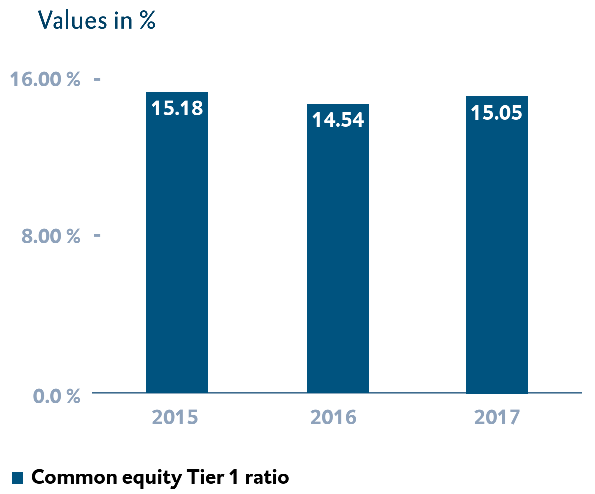
In accordance with Regulation (EU) No 575/2013 (CRR), in conjunction with the accompanying regulation of the Austrian Financial Market Authority (FMA), subject to application of the transitional provisions, the qualifying equity according to the Capital Requirements Regulation (CRR) amounted to EUR 1,125 million as at 31 December 2017. Common Equity Tier 1 capital (CET1) increased to EUR 1,070 million (EUR +95 million). Risk-weighted assets (RWA) rose by EUR +399 million to EUR 7,108 million.

In accordance with Regulation (EU) No 575/2013 (CRR), in conjunction with the CRR accompanying regulation of the FMA, subject to application of the transitional provisions, the CET1 ratio was 15.05% as at 31 December 2017. This value corresponds to the core capital ratio. The total capital ratio was 15.83%.

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

The equity calculation for 2017 included retained earnings totalling EUR 10,459 million, subject to approval of the annual financial statements by the Supervisory Board on 23 March 2018.

Change in common equity Tier 1 ratio 2015-2017



Key indicators

The return on equity (RoE) on the basis of pre-tax annual net profit at the end of 2017, rose by 0.85 percentage points to 7.05%. After tax, there was growth of +0.49 percentage points to 5.87%. The loan deposit ratio (ratio of customer loans by loan loss provisions to primary funds) was 93.9% (previous year: 92.2%). At 9.79%, the leverage ratio also significantly exceeded the required minimum figure of 3.00%.
The cost-income ratio for the reporting year 2017 was 60.8%. The year-on-year decline of -4.7 percentage points is attributable mainly to higher interest income and lower administrative overheads. This figure is significantly affected by the fully consolidated mountain railways. The risk/earnings ratio was 12.7% (previous year: 11.2 %).

KPIs in %

RoE before tax	7.05 %
RoE after tax	5.87 %
Loan Deposit Ratio	93.90 %
Liquidity-coverage ratio	121.48 %
Leverage Ratio	9.79 %
Cost/income ratio	60.76 %
Risk/earnings ratio	12.73 %
Core capital ratio according to CRR	15.05 %
Equity ratio according to CRR	15.83 %

Events after the financial statement date

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

References to information in the consolidated financial statements

Detailed information on the financial situation (liquidity, equity position, cash flow statements), on the investment and financing area (balance-sheet structure, liquidity, debt ratio) are published in the Group accounts from page 39.

Corporate governance report

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

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

Compliance

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

341 BTV employees were prepared as part of e-learning and classroom training sessions on MiFID II and successfully completed the final test.
In addition, more than 82 new employees in the branches and divisions participated in classroom training in order to ensure full compliance with the regulations of the Compliance Rules and in particular the EU Market Abuse Regulation and the Securities Supervision Act (WAG).

Money laundering prevention

BTV's goal is to prevent any form of money laundering or the financing of terrorism within its business activities. For this purpose, various procedures and systems are set up within BTV in order to uncover unusual transactions and business cases, and to pass these on 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.

458 BTV employees have refreshed their knowledge using the money laundering e-learning tool and successfully passed the final test. E-learning already included the new Financial Market Money Laundering Act and the legal requirements of the New Economic Ownership Register Act (WiEReG).
82 BTV employees took part in classroom-based training with the 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 UG) as a separate report. This is also available on the BTV homepage at www.btv.at/Sustainability.

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

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

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

The following explanations follow an opinion of the Austrian Financial Reporting and Auditing Committee (AFRAC) on drawing up the management report required under
Sections 243, 243a and 267 of the Commercial Code (UGB) of March 2017, and also the tasks of the Audit Committee as laid down in Section 63a of the Banking Act (BWG). The description of the significant characteristics is structured pursuant to the framework concept of the Committee of Sponsoring Organisations of the Treadway Commission (COSO).

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

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

Control environment

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

For the overall control environment, descriptions of jobs with their associated competences and allocated areas of responsibility exist for the entire department, with corresponding training pyramids for the optimal further development of employee expertise. In this way, it is also possible for innovations to be included in the accounting process in a proper and timely fashion. The department employees have the necessary knowledge and experience at their disposal to work in accordance with their remits.

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

Risk assessment

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

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

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

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

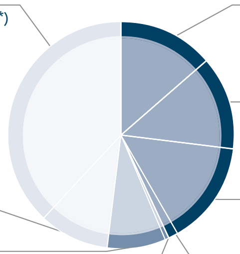
The head of department, as well as the responsible team leaders, carry out a supporting supervisory and oversight function for the accounting processes.

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

BTV is autonomous and independent.

The Bank für Tirol und Vorarlberg Aktiengesellschaft (BTV) has EUR 61,875,000 in share capital (previous year: EUR 55.0 million) which is divided into 28,437,500 ordinary shares (previous year: 25.0 million) and also unchanged since last year, in 2.5 million non-voting preference shares with a minimum dividend payable of 6% of its proportional share in the share capital. In relation to the holding of own shares and the changes that occurred during the financial year, we refer to the information in the Notes. The shareholders Oberbank AG, BKS Bank AG, Generali 3 Banken Holding AG and Wüstenrot Wohnungswirtschaft reg. Gen.m.b.h. form a syndicate. The purpose of this syndicate is to maintain BTV's independence, this being in the interest of the syndicate partners that BTV continues to evolve as an income and profit-oriented group. To achieve this goal, the partners in the syndicate have agreed to join forces to act jointly when exercising their rights as shareholders and purchase options.

BTV shareholder structure by size of holding

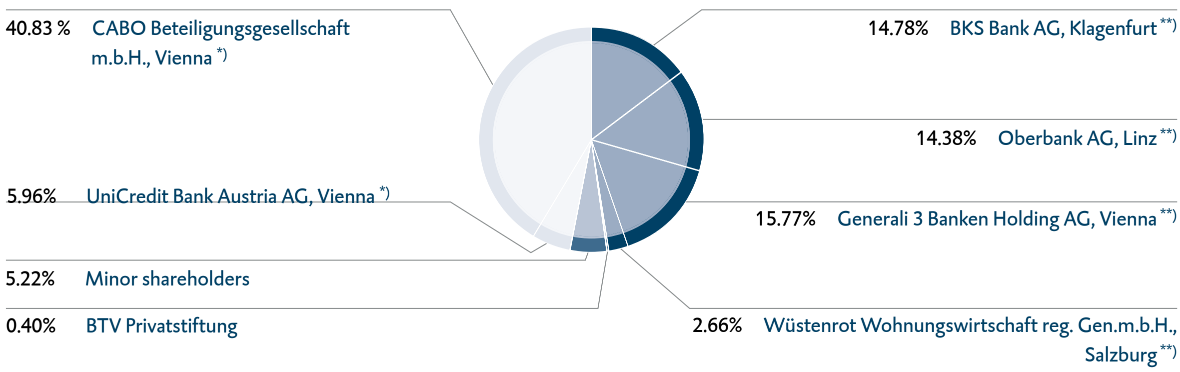


*) Affiliated group company
**) Shareholders who form part of the syndicate agreement

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

BTV is authorised, until 11 November 2019, to purchase its own shares, both for the purposes of securities trading and also for its own employees, senior managers, members of the executive board and the supervisory board, subject to the conditions that the trading balance of shares acquired for these purposes shall never represent more than five per cent of the share capital at the end of any day. On the basis of these decisions, shares may only be acquired when the value of each share is no more than 20% of the average of the officially determined unit price of BTV shares on the Vienna stock exchange over the three days prior to the purchase.

BTV Shareholder structure by voting rights



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

In terms of economic development, 2018 should not bring any extraordinary surprises. BTV is assuming for its budget base scenario that there will be a moderately positive growth in the global economy. For Austria, growth estimates based on 2017 were used. What remains uncertain is how the mood in the most influential markets will be affected by political events in 2018. The overall improving and moderately positive environment allows BTV to continue its successful growth strategy. In the corporate client business, the growth will be driven in particular by the expansion markets in Germany, Vienna and Switzerland. The branch opened in Mannheim in 2017 will help the existing branches in these markets to drive up the volume of customer borrowing. The strategic principle of fully refinancing customer loans by means of primary funds, will be retained in future.

Due to the low interest rates, securities continue to be an interesting alternative in private customer investment. Performance in 2018 is expected to be a continuation of the past year, albeit not quite as steep as in the highly successful stock market year 2017. An increase in volatility on the stock markets, however, is expected. Growth in managed client assets should be very balanced between the volume of deposits and primary funds.

Interest earnings in 2018 are budgeted to be slightly higher than 2017 due to the increasing customer volumes. However, loan-loss provisions will be planned without significant changes. The service income is expected to be above the previous year‘s level, and the securities business should continue to be the growth driver. Income from financial assets is assumed to be relatively unremarkable. Other operating income is increasingly being planned, with the two fully consolidated mountain rail companies once again making a pleasing contribution to earnings. The general administration costs are expected to increase moderately.

Based on these developments, the profit before tax in 2018 is expected to exceed the previous year.

Innsbruck, 7 March 2018

The Board of Directors

Michael Perger
Member of the Board

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

Gerhard Burtscher
Chairman of the Board

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

Mario Pabst
Member of the Board

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

Contents

Other and supplementary notes to the balance sheet

Balance Sheet at 31 December 2017

Assets in EUR thousand	**31/12/2017**	**31/12/2016**	**Change as value**	**Change in %**
Cash reserve [1] [Reference to Notes]	320,708	316,527	+4,181	+1.3 %
Loans to Credit Institution [2]	288,415	318,185	–29,770	–9.4 %
Loans to Customers [3]	7,336,377	6,962,087	+374,290	+5.4 %
Risk provisions [4]	–194,474	–207,890	+13,416	–6.5 %
Trading assets [5]	19,948	18,762	+1,186	+6.3 %
Financial assets – at fair value through profit or loss [6]	35,685	133,248	–97,563	–73.2 %
Financial assets – available for sale 7	1,545,238	1,434,553	+110,685	+7.7 %
Financial assets – held to maturity [8]	0	0	+0	+0.0 %
Shares in at-equity valued companies [9]	589,556	534,941	+54,615	+10.2 %
Intangible fixed assets [10a]	944	3,471	–2,527	–72.8 %
Property, plant and equipment [10b]	301,410	291,176	+10,234	+3.5 %
Properties held as financial investments [10c]	57,785	55,357	+2,428	+4.4 %
Current tax refunds [11]	276	253	+23	+9.1 %
Deferred tax assets [11a]	29,782	27,856	+1,926	+6.9 %
Other Assets [12]	130,958	125,242	+5,716	+4.6 %
Total assets	**10,462,608**	**10,013,768**	**+448,840**	**+4.5 %**

Liabilities in EUR thousand	**31/12/2017**	**31/12/2016**	**Change as value**	**Change in %**
Liabilities to Credit Institutions [13]	1,212,086	1,194,270	+17,816	+1.5 %
Liabilities to customers [14]	6,287,594	5,930,629	+356,965	+6.0 %
Securitised debt [15]	1,156,916	1,179,744	–22,828	–1.9 %
Trading Liabilities [16]	6,091	11,020	–4,929	–44.7 %
Reserves 17	131,196	126,375	+4,821	+3.8 %
Current tax owed [18]	6,759	4,340	+2,419	+55.7 %
Deferred tax owed 18a	5,535	5,887	–352	–6.0 %
Other liabilities 19	127,896	129,045	–1,149	–0.9 %
Subordinated capital [20]	161,209	213,024	–51,815	–24.3 %
Equity [21]	1,367,326	1,219,434	+147,892	+12.1 %
Non-controlling interests	38,257	35,815	+2,442	+6.8 %
Owners of the parent company	1,329,069	1,183,619	+145,449	+12.3 %
Total liabilities	**10,462,608**	**10,013,768**	**+448,840**	**+4.5 %**

Key indicators	**31/12/2017**	**31/12/2016**
RoE before tax	7.05 %	6.21 %
RoE after tax	5.87 %	5.39 %
Cost/income ratio	60.8 %	65.4 %
Risk/earnings ratio	12.7 %	11.2 %

Statement of comprehensive income as at 31 December 2017

Profit and loss account in EUR thousand	**2017**	**2016**	**Change as value**	**Change in %**
Interest and similar income	155,913	144,602	+11,311	+7.8 %
Interest and similar expenses	–36,317	–37,436	+1,119	–3.0 %
Income from at-equity valued companies	46,205	37,595	+8,610	+22.9 %
Net interest income, incl. at-equity result [22]	**165,801**	**144,761**	**+21,040**	**+14.5 %**
Loan loss provisions for credit transactions [23]	–21,101	–16,134	–4,967	+30.8 %
Commission income	55,058	52,262	+2,796	+5.3 %
Commission expenses	–4,187	–4,784	+597	–12.5 %
Net commission income [24]	**50,871**	**47,478**	**+3,393**	**+7.1 %**
Trading income 25	–2,242	3,185	–5,427	>–100 %
Operating expenses [26]	–173,494	–169,177	–4,317	+2.6 %
Other operating profit [27]	71,094	63,471	+7,623	+12.0 %
Income from financial assets – at fair value through profit or loss 28	311	–1,742	+2,053	>–100 %
Profit arising from financial assets – available for sale [29]	–25	1,651	–1,676	>–100 %
Profit arising from financial assets – held to maturity [30]	0	0	+0	+0.0 %
Annual net profit before tax	**91,215**	**73,493**	**+17,722**	**+24.1 %**
Taxes on earnings and profit 31	–15,245	–9,710	–5,535	+57.0 %
Group net profit for the year	**75,970**	**63,783**	**+12,187**	**+19.1 %**
Non-controlling interests	2,464	1,993	+471	+23.6 %
Owners of the parent company	73,506	61,790	+11,716	+19.0 %

OTHER COMPREHENSIVE INCOME IN EUR THOUSAND	**2017**	**2016**
Group net profit for the year	**75,970**	**63,783**
Revaluation from performance-oriented pension plans	2,409	–4,282
Changes in at-equity valued companies recognised directly in equity	3,770	2,250
Gains/losses with regard to deferred taxes, applied directly against total profit	–602	1,071
Total of items which could subsequently not be allocated into profit or loss	**5,577**	**–961**
Unrealised profit/loss on assets held for sale (AfS reserve)	–1,094	13,010
Changes in at-equity valued companies recognised directly in equity	3,618	2,747
Unrealised gains/losses from adjustments in currency conversion	–1,457	31
Gains/losses with regard to deferred taxes, applied directly against total profit	–271	–243
Total of items which could subsequently be allocated into profit or loss	**795**	**15,545**
Total of other comprehensive income	**6,372**	**14,584**
Overall profit for the financial year	**82,342**	**78,367**
Non-controlling interests	2,464	1,993
Owners of the parent company	79,878	76,374

Key indicators	**2017**	**2016**
Earnings per Share in EUR[32]	2.49	2.25

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

Statement of changes in equity in EUR thousand	Sub-scribed capital	Reserves	Retained earnings	AfS reserve	Actuarial profit/loss	Total owners of the parent company	Non-controlling interests	Equity
Equity at 01/01/2017	55,000	106,996	1,031,836	24,012	–34,225	1,183,619	35,815	1,219,434
Capital increases	6,875	67,719	0	0	0	74,594		74,594
Overall profit for the financial year								
Revenue	0	0	73,506	0	0	73,506	2,464	75,970
Other income	0	0	5,057	–1,094	2,409	6,372	0	6,372
Distributions	0	0	–8,351	0	0	–8,351	–129	–8,480
Own shares	0	–488	0	0	0	–488	0	–488
Other changes with a neutral effect on results	0	–95	–88	0	0	–183	107	–76
Equity at 31 December 2017	**61,875**	**174,132**	**1,101,960**	**22,918**	**–31,816**	**1,329,069**	**38,257**	**1,367,326**

Cash flow statement as at 31 December 2017

Cash flow statement in thousands of EUR	31/12/2017	31/12/2016
Annual Profit	75,970	63,783
Non-cash items in annual profit and reconciliations to the cash flow from operating activities:		
– Depreciation/revaluation of fixed assets/financial assets/other working capital	28,477	28,689
– Increase/reduction in reserves and provisions for risks	38,679	14,204
– Profits/losses from sale of financial and fixed assets	687	–2,861
– Adjustments for other non-cash items	–43,953	–28,175
Sub-total	**99,860**	**75,640**
Changes to assets and liabilities from operating activities after correction for non-cash items:		
– Loans to credit institutions	28,463	–2,030
– Loans to customers	–451,372	–508,507
– Trading assets	–3,849	619
– Other working capital	–29,503	145,046
– Other assets from operating activities	–13,548	–35,616
– Liabilities to credit institutions	90,311	288,422
– Liabilities to customers	353,682	288,265
– Securitised liabilities	–10,212	85,799
– Other liabilities from operating activities	–25,793	1,260
Operating cash flow	**38,039**	**338,898**
Funds inflow from sales of		
– Fixed assets and intangible assets	–2,213	8,040
– Financial assets	18,381	4,302
Funds outflow through investment in		
– Fixed and intangible assets	–30,020	–46,231
– Financial assets	–27,794	–67,538
Investment cash flow	**–41,646**	**–101,427**
Capital increases	74,499	0
Dividend payments	–8,480	–8,450
Subordinated liabilities and other financing activities	–58,231	–59,251
Financing cash flow	**7,787**	**–67,701**
Cash position at the end of the previous period	**316,527**	**146,757**
Operating cash flow	38,039	338,898
Investment cash flow	–41,646	–101,427
Financing cash flow	7,787	–67,701
Cash position at the end of the period	**320,708**	**316,527**
Interest received	129,984	119,684
Dividends received	3,163	2,916
Interest paid	–36,047	–37,970
Payment of tax on income	–18,570	–11,431

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

Changes in liabilities from financing activity 31 DECEMBER 2017 in EUR thousand	**Position 31/12/2016**	**Financing cash flows**	**Non-cash changes**				**Position 31 December 2017**
			Change in ownership structure	Exchange rate changes	Change in fair value	Other changes	
Subordinated liabilities	213,024	–49,379	0	0	–2,582	146	161,209
Other financial activities	71,881	–8,852	0	0	1,708	11,128	75,865
Total changes in liabilities from financing activity	**284,905**	**–58,231**	**0**	**0**	**–874**	**11,274**	**237,074**

Accounting and valuation principles

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

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

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

Approval to publish the group financial statements was given by the Board of Directors to the Supervisory Board on 7 March 2018. The approval for publication of the Group Financial Statements by the Supervisory Board is planned for 23 March 2018.

Principles of consolidation and scope of consolidation

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

The scope of full consolidation has changed compared to 31 December 2016. BTV Hybrid II GmbH was in liquidation and was deleted from the register of companies on 18 May 2017. The liquidation proceeds of EUR 41,000 are included in the item „Other business revenues".

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

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

After the balance sheet date of MPR Holding GmbH, the following changes have been made:
With entry in the commercial register dated 09 November 2017, the balance sheet date of MPR Holding GmbH was brought forward to 30 September. The company will in future assume the holding function for the group of companies of Silvretta Montafon GmbH with headquarters in Gaschurn and be a managing holding company. The name of the company is in the future Silvretta Montafon Holding GmbH. The registered office of the company has been relocated to Schruns. The intention is to transfer from the assets of Silvretta Montafon Holding GmbH, as the transferring company, by way of a spin-off by taking its share in the nominal amount of EUR 35 thousand in TiMe Holding GmbH to its sole shareholder, Bank für Tirol und Vorarlberg Aktiengesellschaft, as acquiring company, in accordance with the provisions of Section 17 SpaltG.

The company name „Silvretta Montafon GmbH“ was changed to „Silvretta Montafon Bergbahnen GmbH“ with the entry in the company register on November 30, 2017. „Silvretta Verwaltungs GmbH“ was renamed „Silvretta Montafon Sporthotel GmbH“ with the registration in the company register of 18 November 2017. Also with the entry in the companies register from 18 November 2017, the company name changed from „HJB Projektgesellschaft mbH“ to „Sporthotel Schruns GmbH“. With the companies register entry of 24 November 2017, „Silvretta Sports Service GmbH“ was renamed „Silvretta Montafon Sportshops GmbH“.

The scope of consolidation will be expanded to include the companies „Silvretta Montafon Ferienimmobilien GmbH“ and „Silvretta Montafon Bergerlebnisse GmbH“with registration of 22 November 2017 as of the balance sheet date of 31 March 2018.

Leasing companies, the companies of the Silvretta Montafon Bergbahnen Group, and MPR Holding GmbH were included in the Business Forecast as at 30/09, 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 30/11. The companies of Silvretta Montafon and Mayrhofner Bergbahnen AG have a divergent accounting date due to their seasonal activity. Owing to the structural situation in the group organisation, there is a different reporting date for both the leasing companies and BTV Beteiligungsholding GmbH.

The remaining fully consolidated companies were considered to have a reporting date for their financial statements of 31 December.
As at 30 September 2017 MPR Holding GmbH holds 100% of the shares in Silvretta Montafon GmbH. There are only indirect minority interests, 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 holding in Mayrhofner Bergbahnen AG. At the Annual General Meeting of the Mayrhofner Bergbahnen AG on 26 June 2017, a dividend of EUR 200,000 was agreed, of which EUR 99,000 was assigned to minority interests.

The group annual profit that is allocated to minority interests totals EUR 2.464 million.

Significant holdings over which BTV has a major influence are recorded by 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 %	19.50 %
Oberbank AG, Linz	16.15 %	16.98 %
Drei-Banken Versicherungsagentur GmbH, Linz	20.00 %	20.00 %
Moser Holding AG, Innsbruck	24.99 %	24.99 %

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

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

The associated companies are all considered to have a balance sheet date of 30 September, in order to permit the drawing up of the annual financial statements in timely fashion. Receivables and liabilities, expenses and income internal to the group are eliminated except where they are insignificant. An interim net profit elimination has been waived, since material interim net profit figures were not available.

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

Proportionally consolidated companies	Share in %	Voting rights in %
Alpenländische Garantie-Gesellschaft m.b.H.	25.00 %	25.00 %

Structured entities

Structured entities are companies that have been designed in such a way that voting or similar rights are not the dominating factor when assessing control. For example, this is the case if voting rights only relate to administrative tasks and the rights to manage essential activities are controlled on the basis of contractual principles. In the BTV Group, mainly project and leasing companies with limited areas of activity, as well as public investment funds, third-party financial companies and securitisation companies, are regarded as structured entities, provided that the business connection to these entities does not constitute ordinary business activity. In the reporting year 2017 there were no material contractual or non-contractual relationships with structured companies. BTV is regarded as the sponsor of a structured entity if market operators associate the entity with the Group, mainly by using the name BTV in the firm or on business documents in companies for which the BTV Group acts as broker. BTV did not maintain any material business connections in the 2017 financial year and in this sense did not act as a sponsor.

Valuation principles

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

Currency conversion

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

Cash reserves

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

Receivables

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

Loan loss provisions

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

Trading assets

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

Financial assets - at fair value through profit or loss

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

Interest and dividend income from the fair value option is shown under net interest income.

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

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

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

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

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

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

If the fair value option under IAS 39 is applied, then the derivative financial instruments are being used to avoid or remove valuation mismatches between initial value and the valuation of assets and liabilities.

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

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

the reason for an earlier recognised impairment loss has lapsed, an allocation will be made to the amortised acquisition or production cost, except in the case of goodwill.

Property, plant and equipment

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

Derecognition of the fully depreciated fixed assets takes place at decommissioning. In the case of asset disposals, the acquisition or production cost and accumulated depreciation are deducted. Earnings on asset disposals (sale proceeds less carrying amount) are recorded under other operating income or other operating expenses. Assets are capitalised at the acquisition or production cost. Acquisition and production incidental costs and expansion investment are capitalised; however, maintenance expenses in the period in which they have arisen are recognised as an expense. 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 planned straight line depreciation over their expected useful life. For buildings, the useful life is 50 years, for fittings in rented property, the useful life is determined according to the duration of rental. The corresponding rental contracts are shown in the P&L item „Other business revenues“.

Leasing

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

Current assets

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

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

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

Liabilities

Liabilities to customers or credit institutions as well as securitised debts are measured at amortized cost using the effective interest method. The amount of the securitised liabilities is reduced by the acquisition cost of the issues held in the object.

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

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

Trading liabilities

In trading liabilities the negative market values of derivatives in the trading portfolio are recognised. Measurement is carried out at fair value.

Reserves and provisions

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

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

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

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

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

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

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

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

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

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

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

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

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

Operating expenses
In the operating expenses are included staff costs, material costs as well as scheduled depreciation of fixed assets,

amortisation of intangible assets and of properties held as financial investments for the reporting period.

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

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

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

Profit arising from financial assets – at fair value through profit or loss
The income from the revaluation or sale of securities, derivatives, loans and own issues in the fair value portfolio is recognised under this item.

Profit arising from financial assets – available for sale
Revenue from sales and impairments of securities and holdings in the available-for-sale portfolio are posted here.

Profit arising from financial assets – held to maturity
Under this item is the income from sales and impairments of securities in the held-to-maturity portfolio.

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

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

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

Financial assets held until maturity
In 2015, the management decided to redesignate the Group's financial assets held until maturity as financial assets available for disposal and to sell them. As a sanction, BTV may not reform the „Held to Maturity" category until the end of the financial year following the year of sale. The

inventory of financial assets – held to maturity therefore stands at EUR 0 for this reporting year (previous year: EUR 0).

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

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

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

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

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

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

Deferred taxes

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

Useful life of fixed assets

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

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

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

Use of modified/new IFRS/IAS standards

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

The adoption of the IFRS and IFRIC quoted had a minor impact on BTV AG's consolidated financial statements as at 31 December 2017 as the changes were applicable only here and there. There were no changes to the accounting policies and valuation methods.

First used in the reporting period:

Standard/Interpretation	Name	To be applied for financial years from	Already adopted by EU
IAS 7	Amendments: Disclosure Initiative	01/01/2017	yes
IAS 12	Amendments: Recognition of Deferred Tax Assets for Unrealised Losses	01/01/2017	yes

The next table shows newly published or amended standards and interpretations as of the balance sheet date, which have been fully implemented by the IASB or partly by the EU endorsement procedure, but are 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
Improvements to IFRS (2014-2016)		1 January 2017 or 1 January 2018	yes
IFRS 15	Revenue from Contracts with Customers	01/01/2018	yes
IFRS 15	Clarifications to Revenue from Contracts with Customers	01/01/2018	yes
IFRS 9	Financial Instruments	01/01/2018	yes
IFRS 2	Amendments: Classification and Measurement of Share-based Payment Transactions	01/01/2018	no
IFRS 4	Amendments: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	01/01/2018	yes
IAS 40	Amendments: Transfers of Investment Property	01/01/2018	no
IFRIC 22	Foreign Currency Transactions and Advance Consideration	01/01/2018	no
Annual Improvements to IFRS 2015–2017		01/01/2019	no
IFRS 16	Leases	01/01/2019	yes
IFRS 9	Amendments: Prepayment Features with Negative Compensation	01/01/2019	no
IAS 28	Amendments: Long-term Interests in Associates and Joint Ventures	01/01/2019	no
IFRIC 23	Uncertainty over Income Tax Treatments	01/01/2019	no
IFRS 17	Insurance Contracts	01/01/2021	no
IFRS 10 and IAS 28	Amendments: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	deferred until a date to be determined by the IASB	deferred

New standards, which have not yet been applied:

As BTV has already investigated the remaining standards and interpretations, with the exception of IFRS 9 „Financial Instruments", no significant changes in terms or materiality are expected in future consolidated financial statements. BTV did not adopt the new or amended standards prematurely when preparing the consolidated financial statements.

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

The Group has assessed the estimated impact of the first-time adoption of IFRS 9 on the consolidated financial statements. The actual impact as of 1 January 2018 may differ as the Group has not completed its testing, reconciliation and assessment of controls on its new IT systems.

The IFRS 9 is the new regulation for the three following issues:

- Categorisation and evaluation of the financial instruments:
  For financial assets, IFRS 9 provides for three different valuation categories: valuation at amortised acquisition cost, fair value through profit and loss (FVTPL) and fair value through other comprehensive income (FVOCI). The allocation to one of the three valuation categories depends on the contractual cashflow characteristics (SPPI) and the business model.

  The SPPI criterion says that transactions may only be valued at amortised acquisition cost if the payments only cover the remaining capital amount and the fair current value of the money. In BTV, the lending business is allocated to the holding business model in accordance with IFRS 9 and, if the SPPI criterion is met, it is therefore measured at amortized cost, less any impairment. Foreign currency receivables are valued at the ECB spot exchange rate on the balance sheet date.

  The old loan portfolio is assigned to the holding business model. In the event of a breach of defined SPPI criteria, loans in the lending business will in future be valued at fair value through the income statement. For the legacy stock, BTV will not be able to carry out a retrospective benchmark test. For this reason, all loans from the old portfolio with identified SPPI harmfulness are valued at fair value. From today's perspective, loans in the volume of around 3% of the total volume do not meet the SPPI criteria due to harmful interest and contract conditions.

  For securities on its own account, all three business models (hold, hold and sell, and sell) are used. BTV assigns to the hold business model securities in euros that are SPPI-compliant and suitable for measurement at amortized cost. Currently, it is estimated that approximately 70% of the total volume is intended for the business model. 25% of securities are denominated both in euros and in foreign currencies, which are carried at fair value through other comprehensive income. Securities that are SPPI-affected or in which the fair value option is exercised are recognized in the income statement at fair value.

  Interest from securities is delimited on an accrual basis and shown in net interest. For new acquisitions, processes were defined in-house to record and value the SPPI criterion, and the existing core systems adapted accordingly. The benchmark test is integrated in the system.

  Equity instruments held are in principle to be measured at fair value. However, there is a one-off and irrevocable option to recognise all changes in value in other comprehensive income in equity for all individual instruments with the exception of the trading portfolio. A later recycling is not possible. BTV will apply the OCI right to vote for all existing holdings of equity instruments. In total, the right to vote is exercised for around EUR 140 million.

  Derivatives continue to be carried at fair value in accordance with IFRS 9. This means there are no changes to IAS 39 for BTV. There are likely to be no significant changes on the liability side.

- Rules regarding depreciation:
  IFRS-9 impairment rules replace the „incurred losses"

model of the IAS 39 through the application of an expected credit loss models, where a loan loss provisions is created in anticipation, i.e. future expected losses are taken into account. The expected credit loss is an expected value weighted by probabilities.

At BTV probability weightings are applied to the expected losses derived using various macro-economic scenarios that describe potential future economic conditions. The expected credit loss takes into account the time value of money, with future expected payment flows are discounted using an effective interest rate. The future expected loss itself is defined by BTV from the marginal likely counterparty risk and the payment flows structure, for the entire period of the transaction, as well as the loss rate in the event of default. An expected credit loss is to be created for all assets that are valued at amortised acquisition costs or at fair value via OCI, for all credit approvals and finance guarantees that are not valued at fair value, as well as leasing receivables and trade receivables.

In this case we differentiate between a 12-month expected credit loss and a lifetime expected credit loss. The maximum period of observation for a lifetime expected credit loss is basically the contract term of the transaction. If the credit risk has not changed significantly since the time of acquisition, then the level of the impairment is that of the 12-month expected credit loss. If, on the other hand, the credit risk has worsened significantly since the time of acquisition, or are their objective indications of impairment, then the lifetime expected credit loss is to be used for the calculation. A transfer logic can determine for each transaction whether a 12-month expected credit loss or a lifetime expected credit loss should be used. For loans that are already impaired at the time of acquisition, there is an exception to the rule, which says that an impairment should be applied which equals the change in the lifetime expected credit loss since the time of acquisition. For leasing receivables and trade receivables there is an option to apply the impairment model in full or as a simplification to always enter the impairment at the level of the lifetime expected credit loss. At BTV, the full-scale calculation model is applied. Implementation of the Expected Credit Loss Impairment is performed by Wolters Kluwer's OneSumX application. A tiered-transfer logic and forward-looking information model has been developed and integrated with OneSumX. A decrease in the level of portfolio allowance is expected.

- Hedge Accounting:
  With IFRS 9 in the area of hedge accounting, there is increasing convergence of the accounting to the actual risk management through broader definition of the permitted underlying and hedging transactions. For the effectiveness test, the rigid quantitative limits have been lifted. With the introduction of IFRS 9 on 1 January 2018, there is a one-time option of applying the new rules under IFRS 9 or to retain the old IAS 39 rules. BTV has decided to exercise the option and switch to hedge accounting in accordance with IFRS 9. At the time of adoption of the new regulations, there are no significant effects.

At the current time, BTV believes that the first-time effect will have a positive impact on equity with an increase of between 4% and 6.5%.

Information:
IFRS 9 requires a lot of new information. BTV analysed the resulting data requirements and, using its own project, introduced new software that it considers necessary for the required data collection.

As part of the project, the far-reaching changes in IT systems are currently being finalised and coordinated. Above all, the introduction of the OneSumX software required the development and implementation of numerous coordination processes in-house.
The necessary internal processes for the delivery of the data for further processing in OneSumX were reorganized in the course of the project last year or existing processes and the cooperation of the internal departments were adapted to the new requirements.

Transition:
Changes in accounting policies resulting from the application of IFRS 9 are generally applied retroactively, except in the following cases:
BTV will make use of the exception not to adjust comparative information for previous periods with respect to changes in classification and valuation (including impair-

ment). Differences between the carrying amounts of financial assets and financial liabilities due to the application of IFRS 9 are generally recognised in retained earnings and other reserves as of 1 January 2018.

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

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

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

In January 2016 the IASB published IFRS 16 „Leases“ which includes the approach, the valuation and the reporting, along with the disclosure requirements in relation to leasing relationships. IFRS 16 replaces the existing rules, so IAS 17 „Leases“, IFRIC 4 „Determining whether an Arrangement contains a Lease“, SIC 15 „Operating Leases - Incentives“ and SIC 27 „ Evaluating the Substance of Transactions Involving the Legal Form of a Lease“. The standard was adopted by the EU into European Law on 31 October 2017.

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

The mandatory application of IFRS 16 applies initially to financial years beginning on or after 1 January 2019. BTV is currently working on initial impact analyses. Quantification is not possible at this time.
Other changes:
The amendments to IFRS 2 (Classification and Measurement of Share-based Payments) and IFRS 10 (Consolidated Financial Statements) and IAS 28 (Sale or Transfer of Assets between an Investor and an Associate or Joint Venture) have no material effect on the consolidated financial statements of BTV.

1 Cash reserve in EUR thousand	31/12/2017	31/12/2016
Petty cash balance	22,293	22,384
Credit with central bank	298,415	294,143
Cash reserves	**320,708**	**316,527**

2 Loans to credit institutions in EUR thousand	31/12/2017	31/12/2016
Austrian credit institutions	57,598	93,746
Foreign credit institutions	230,817	224,439
Loans to credit institutions	**288,415**	**318,185**

3 LOANS TO CLIENTS IN EUR THOUSAND	31/12/2017	31/12/2016
Austrian clients	4,923,114	4,620,991
Foreign clients	2,413,263	2,341,096
Loans to clients	**7,336,377**	**6,962,087**

Loans to customers includes financial leases with a net investment value of EUR 864.746 million (previous year EUR 811.446 million). The corresponding gross investment values of these leasing relationships amounts to EUR 927.327 million (previous year: EUR 875.241 million), the associated unrealised financial revenue amounted to EUR 62,581 million (previous year: EUR 63,794 million). The residual value of the total lease assets are guaranteed both in the current and the prior financial years. At the date of the balance sheet there were non-collectable lease receivables of EUR 8.494 million (previous year: EUR 7.859 million).

3A BREAKDOWN BY REMAINING TERM 2017 **financial lease receivables in EUR thousand**	< 1 year	1–5 years	> 5 years	Total
Gross investment value	218,002	530,674	178,651	927,327
Unrealised financial revenue	21,723	29,207	11,651	62,581
Net investment value	196,279	501,467	167,000	864,746

Life to maturity breakdown 2016 **financial lease receivables in EUR thousand**	< 1 year	1–5 years	> 5 years	Total
Gross investment value	199,707	488,094	187,439	875,241
Unrealised financial revenue	17,615	31,893	14,287	63,794
Net investment value	182,093	456,202	173,152	811,446

4 Loan loss provisions 2017 (inventories) in EUR thousand	**Position 31/12/2016**	**Appro-priation**	**Releases**	**Con-sumption**	**Currency conversion**	**Splitting**	**Position 31/12/2017**
Individual valuation adjustment of loans to credit institutions	0	0	0	0	0	0	0
Individual valuation adjustment of loans to customers	123,292	28,476	–13,495	–21,329	–405	–4,709	111,830
Portfolio valuation adjustments pursuant to IAS 39	84,598	0	–1,954	0	0	0	82,644
Loan-loss provisions in the credit business	**207,890**	**28,476**	**–15,449**	**–21,329**	**–405**	**–4,709**	**194,474**
Reserves and provisions commitments	33,429	9,924	–2,043	–614	–19	–16	40,661
Total risk provisions	**241,319**	**38,400**	**–17,492**	**–21,943**	**–424**	**–4,725**	**235,135**

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

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

5 Trading assets in EUR thousands	31/12/2017	31/12/2016
Debenture bonds and other fixed-interest securities	0	1
Listed	0	1
Unlisted	0	0
Equities and other variable-interest securities	0	0
Positive market values arising from derivative transactions	19,948	18,762
Currency related trades	564	1,130
Interest related trades	19,284	17,539
Other trades	99	93
Trading assets	**19,948**	**18,762**

6 FINANCIAL ASSETS – AT FAIR VALUE THROUGH PROFIT OR LOSS IN EUR THOUSAND	31/12/2017	31/12/2016
Debenture bonds and other fixed-interest securities	13,744	112,546
Listed	13,744	112,546
Unlisted	0	0
Equities and other variable-interest securities	21,941	20,702
Listed	0	0
Unlisted	21,941	20,702
Financial assets - at fair value through profit or loss	**35,685**	**133,248**

7 FINANCIAL ASSETS – AVAILABLE FOR SALE IN EUR THOUSAND	31/12/2017	31/12/2016
Debenture bonds and other fixed-interest securities	1,436,705	1,337,691
Listed	1,418,452	1,309,366
Unlisted	18,253	28,325
Equities and other variable-interest securities	15,853	6,823
Listed	15,853	2,986
Unlisted	0	3,837
Other shareholdings	56,157	51,400
Credit institutions	11,791	11,738
Non-credit institutions	44,366	39,662
Other affiliated shareholdings	36,523	38,639
Financial assets - available for sale	**1,545,238**	**1,434,553**

8 FINANCIAL ASSETS – HELD TO MATURITY IN EUR THOUSAND	31/12/2017	31/12/2016
Debenture bonds and other fixed-interest securities	0	0
Financial assets – held to maturity	**0**	**0**

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

9 HOLDINGS IN AT-EQUITY VALUED COMPANIES IN EUR THOUSAND	31/12/2017	31/12/2016
Credit institutions	570,961	518,557
Non-credit institutions	18,595	16,384
Shares in at-equity valued companies	**589,556**	**534,941**

The fair value of the shares in companies valued at equity amounted to EUR 616.752 million (previous year: EUR 478.958 million).

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

10 Fixed Asset Overview – 31/12/2017 in EUR thousand	Acquisition value 01/01/2017	Additions	Disposals	Transfers	Changes to currency exchange rates	Acquisition value 31/12/2017
Intangible fixed assets	19,526	327	–19	–1,239	0	18,595
Land and buildings	280,769	5,917	–2,320	5,589	0	289,955
Production and business fittings	347,337	29,289	–4,015	–5,691	–118	366,802
Properties held as financial investments (IAS 40)	81,154	4,180	0	–6	–602	84,726
Total	**728,786**	**39,713**	**–6,354**	**–1,347**	**–720**	**760,078**

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

	Accumulated depreciation 01/01/2017	Additions depreciation	Revaluations depreciation	Additions depreciation	Transfers depreciation	Changes to currency exchange rates Depreciation	Accumulated depreciation 31 December 2017	Balance sheet value 31/12/2017	Balance sheet value 31/12/2016
	–16,055	–269	0	19	–1,346	0	–17,651	944	3,471
	–113,829	–6,194	0	997	0	0	–119,026	170,929	166,941
	–223,102	–16,739	251	3,228	–1	41	–236,321	130,481	124,235
	–25,797	–1,144	0	0	0	0	–26,941	57,785	55,357
	–378,783	**–24,346**	**251**	**4,245**	**–1,347**	**41**	**–399,939**	**360,139**	**350,004**

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

10A INTANGIBLE FIXED ASSETS IN EUR THOUSAND	31/12/2017	31/12/2016
Intangible fixed assets	944	3,471
Intangible fixed assets	**944**	**3,471**

10B PROPERTY, PLANT AND EQUIPMENT IN EUR THOUSAND	31/12/2017	31/12/2016
Land and buildings	170,929	166,941
Production and business fittings	130,481	124,235
Property, plant and equipment	**301,410**	**291,176**

In the reporting period borrowing costs of EUR 20,000 were capitalised (previous year: EUR 11,000). An interest rate of 0.71% applied in this case.

10C PROPERTIES HELD AS FINANCIAL INVESTMENTS IN EUR THOUSAND	31/12/2017	31/12/2016
Properties held as financial investments	57,785	55,357
Properties held as financial investments	**57,785**	**55,357**

The fair value of the assets held as investments was EUR 72.844 million (previous year: EUR 63.266 million). The determination of fair value was achieved by use of revenue value calculations for which the agreed rents provided the basis.

The rental income in the reporting year amounted to EUR 4.919 million (previous year: EUR 4.357 million), the expenses relating to earning the rental income, including depreciation, totalled EUR 2.208 million (previous year: EUR 2.481 million).

10D REMAINING LIFE TO MATURITY BREAKDOWN Operating lease contracts in EUR thousand	< 1 year	1–5 years	> 5 years	Total
Future minimum leasing payments	463	1,851	8,955	11,268

The item „Properties held as financial investments“ includes the book values for operating lease contracts for a total of EUR 11.268 million (Prior year: EUR 11.870 million). The fair value amounts to EUR 11.268 million (Previous year: EUR 11.870 million). For conditional rental payments there was no income during the reporting year.

11 TAX REFUNDS IN EUR THOUSAND

11 TAX REFUNDS IN EUR THOUSAND	31/12/2017	31/12/2016
Current tax refunds	276	253
Deferred tax refunds	29,782	27,856
Tax refunds	**30,058**	**28,109**

11A DEFERRED TAX REFUNDS IN EUR THOUSAND

11A DEFERRED TAX REFUNDS IN EUR THOUSAND	31/12/2017	31/12/2016
Financial assets - at fair value through profit or loss	2,310	3,001
Financial assets - available for sale	–1,596	–1,200
Financial assets – held to maturity	0	0
Long-term payroll reserves	10,211	10,203
Hedge Accounting and Derivatives	–2,445	–3,649
Portfolio impairments	20,661	21,150
Revaluation Finance Leasing and Other	963	–1,794
Deferred tax refunds from losses carried forward	0	0
Other deferred tax refunds and tax debts abroad	–322	145
Deferred tax refunds	**29,782**	**27,856**

12 OTHER ASSETS IN EUR THOUSAND

12 OTHER ASSETS IN EUR THOUSAND	31/12/2017	31/12/2016
Positive market values from derivatives trades	50,390	63,157
Other assets	80,568	62,085
Other assets	**130,958**	**125,242**

13 LIABILITIES TO CREDIT INSTITUTIONS IN EUR THOUSAND	31/12/2017	31/12/2016
Austrian credit institutions	826,879	686,931
Foreign credit institutions	385,207	507,339
Liabilities to credit institutions	**1,212,086**	**1,194,270**

14 LIABILITIES TO CLIENTS IN EUR THOUSAND	31/12/2017	31/12/2016
Savings deposits		
Austrian	1,097,818	1,080,040
Foreign	167,900	168,193
Sub-total savings deposits	**1,265,718**	**1,248,233**
Other deposits		
Austrian	3,536,817	3,367,234
Foreign	1,485,059	1,315,162
Sub-total other deposits	**5,021,876**	**4,682,396**
Liabilities to clients	**6,287,594**	**5,930,629**

15 SECURITISED LIABILITIES IN EUR THOUSAND	31/12/2017	31/12/2016
Debentures	918,376	886,166
Domestic bonds	238,540	293,578
Securitised debt	**1,156,916**	**1,179,744**
of which fair value	**403,948**	**411,705**

The repayment amount for the securitised liabilities including premium/discount and accrued interest, for which the fair value option was exercised, totals EUR 396.482 million (previous year: EUR 400.926 million). The difference between the fair value of the securitised liability for which the fair value option was chosen and its repayment amount totals EUR 7.466 million (previous year: EUR 10.779 million).

BTV AG placed its own issues associated with loan security in the form of housing loans.

The change to the fair value for the securitised debt due to the changes in the risk of default during the reporting period amounted to EUR 3.621 million (previous year: EUR 1.115 million). The change to the fair value due to changes in the risk of default is determined by the difference between the overall change to the fair value of the securitised debts and the change to the fair value resulting from market risk factors. The fair value was determined by discounting future payment flows on the reporting date, the default risk add-on was valued based on the funding for comparable maturities.

16 TRADING LIABILITIES IN EUR THOUSAND	31/12/2017	31/12/2016
Negative market values arising from derivative transactions	6,091	11,020
Currency related trades	398	869
Interest related trades	5,693	10,151
Trading liabilities	**6,091**	**11,020**

17 RESERVES IN EUR THOUSAND	31/12/2017	31/12/2016
Long-term payroll reserves	83,524	88,721
Other reserves and provisions	47,672	37,654
Reserves and provisions	**131,196**	**126,375**

Pensions reserves

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

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

In the calculation of the reserves, the entitlements are also included in addition to the benefits. By January 2000, the entitlements to the old-age and early retirement pensions, including related survivor benefits, are transferred to the VBV pension fund.

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

Severance pay provisions

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

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

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

17A STAFF RESERVES FOR BENEFITS AFTER TERMINATION OF THE WORKING RELATIONSHIP: PERFORMANCE-ORIENTED PLANS IN EUR THOUSAND.	Reserves for pensions	Severance reserves	Total
Old-age pension severance reserves as at 1 January 2016	**54,653**	**20,665**	**75,318**
Income recorded for the period.			
Interest charge	1,213	470	1,683
Period of service cost	206	949	1,155
Included in the other results			
Actuarial Profit (–)/Loss (+) from changes to demographic assumptions			
Actuarial Profit (–)/Loss (+) from changes to financial assumptions	0	0	0
Actuarial Profit (–)/Loss (+) from changes to experience-related assumptions			
	4,168	1,204	5,371
	–699	–390	–1,089
Other			
payments from these obligations	–3,246	–914	–4,160
Change in consolidation scope	0	0	0
Old-age pension and severance reserves as at 31 December 2016	**56,294**	**21,984**	**78,278**
Income recorded for the period.			
Interest charge	955	373	1,328
Period of service cost	211	987	1,198
Included in the other results			
Actuarial Profit (–)/Loss (+) from changes to demographic assumptions			
Actuarial Profit (–)/Loss (+) from changes to financial assumptions	0	0	0
Actuarial Profit (–)/Loss (+) from changes to experience-related assumptions			
	–2,192	–1,111	–3,303
	771	–756	15
Other			
payments from these obligations	–3,449	–603	–4,052
Change in consolidation scope	0	0	0
Old-age pension severance reserves as at 31 December 2017	**52,590**	**20,874**	**73,464**

17B OTHER LONG-TERM PERSONNEL RESERVES IN EUR THOUSAND EUR	Anniversary reserves	Other staff reserves	Total
Other long-term staff reserves as at 1 January 2016	**6,308**	**3,147**	**9,455**
Income recorded for the period.			
Interest charge	137	71	208
Period of service cost	492	0	492
Actuarial Profit (–)/Loss (+) from changes to the demographic assumptions	0	0	0
Actuarial Profit (–)/Loss (+) from changes to financial assumptions	496	414	910
Actuarial Profit (–)/Loss (+) from changes to experience-based assumptions	–256	88	–168
Other			
payments from these obligations	–441	–14	–455
Change in consolidation scope	0	0	0
Other long-term staff reserves as at 31 December 2016	**6,736**	**3,707**	**10,443**
Income recorded for the period.			
Interest charge	115	64	179
Period of service cost	615	0	615
Actuarial Profit (–)/Loss (+) from changes to the demographic assumptions	0	0	0
Actuarial Profit (–)/Loss (+) from changes to financial assumptions	–197	–215	–412
Actuarial Profit (–)/Loss (+) from changes to experience-based assumptions	–478	–11	–489
Other			
payments from these obligations	–240	–36	–276
Change in consolidation scope	0	0	0
Other long-term staff reserves as at 31 December 2017	**6,551**	**3,509**	**10,060**

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

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

17C OVERVIEW LONG-TERM PERSONNEL RESERVES 2013–2017

in EUR thousand	31/12/2017	31/12/2016	31/12/2015	31/12/2014	31/12/2013
Pension reserves	52,590	56,294	54,653	55,492	42,808
Redundancy reserves	20,874	21,984	20,665	21,983	17,039
Anniversary reserves	6,551	6,736	6,308	6,386	5,243
Other payroll reserves	3,509	3,707	3,147	3,541	2,742
Total	**83,524**	**88,721**	**84,773**	**87,402**	**67,832**

The weighted average term of the defined contractual obligations (duration) for the banking sector is 11.15 years in the reporting year for severance payments (previous year: 12.01 years), for pension commitments 14.48 years (previous year: 14.92 years) and for death benefits 21.51 years (previous year: 22.54 years). For non-banking benefits, the duration in the reporting year was 10.44 years for severance payments (previous year: 11.19 years), and for pension commitments 11.66 years (previous year: 12.55 years). No contributions to the plan are expected for the next reporting periods. The evaluation of the existing personnel reserves is based on assumptions regarding the calculated interest rate, the retirement age, the life expectancy, the fluctuation rate and the future salary developments. In the calculations, the current regulations for the gradual alignment of the retirement age for men and women to 65 were taken on board.

17D ACTUARIAL ASSUMPTIONS FOR THE BANKING SECTOR	2017	2016
Financial assumptions		
Rate for the discount	1.91 %	1.76 %
Pay increase	2.94 %	3.12 %
Increase the old-age pension	2.37 %	2.51 %
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 2008	AVÖ 2008

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

17E ACTUARIAL ASSUMPTIONS FOR THE NON-BANKING SECTOR	BTV Leasing	Mayrhofner Bergbahnen	Silvretta Montafon
Financial assumptions			
Rate for the discount	1.87 %	1.91 %	1.87 %
Pay increase	2.94 %	2.68 %	2.73 %
Increase the old-age pension	-	2.20 %	2.16 %
Discount for employee turnover	-	5.00 %	-
Demographic assumptions			
Age for pension entitlement: female employees	65 years	60-65 years	65 years
Age for pension entitlement: male employees	65 years	65 years	65 years
Mortality table	AVÖ 2008	AVÖ 2008	AVÖ 2008

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

Risk of a change in interest rates
A drop in the interest rate leads to an increase in the liability.

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

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

17F SENSITIVITY ANALYSIS in EUR thousand	**Calculated interest rate**		**Pay increase**		**Pension increases**	
	–1.00 %	+1.00 %	–0.50 %	+0.50 %	–0.50 %	+0.50 %
Severances	23,296	18,821	19,811	22,017	0	0
Pensions	60,667	46,227	51,463	52,248	48,636	54,701
Death grants (Sterbequartale)	4,351	2,882	3,484	3,536	3,214	3,847

The maturity profile of the expected benefit payments from the staff reserves formed looks as follows for the reporting years 2018 to 2022:

17G MATURITY PROFILE OF THE EXPECTED BENEFIT PAYMENTS in EUR thousand	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
Severances	704	727	1,469	1,623	1,584	6,107
Pensions	3,423	3,418	3,057	2,901	2,646	15,445
Death grants (Sterbequartale)	89	89	100	111	125	514

17h Other Reserves and provisions in EUR thousand	**Position 31/12/2016**	**Currency conversion**	**Additions**	**Consump-tion**	**Reductions**	**Reclassifica-tion**	**Position 31 December 2017**
Reserves for guarantees (off-balance)	33,429	–18	9,924	–614	–2,043	–16	40,662
Reserves for other	4,224	–32	2,873	–31	–24	0	7,010
Other reserves and provi-sions	**37,654**	**–50**	**12,797**	**–645**	**–2,067**	**–16**	**47,672**

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

18 TAX DEBTS IN EUR THOUSAND	31/12/2017	31/12/2016
Current tax owed	6,759	4,340
Deferred tax owed	5,535	5,887
Tax debts	**12,294**	**10,227**

18A DEFERRED TAX OBLIGATIONS IN EUR THOUSAND	31/12/2017	31/12/2016
Revaluation Finance Leasing and Other	322	689
Other deferred tax refunds and tax debts abroad	5,213	5,198
Deferred tax owed	**5,535**	**5,887**

19 OTHER LIABILITIES IN EUR THOUSAND	31/12/2017	31/12/2016
Negative market values from derivatives trades	18,744	22,724
Other liabilities	109,152	106,321
Other liabilities	**127,896**	**129,045**

20 SUBORDINATED CAPITAL IN EUR THOUSAND	31/12/2017	31/12/2016
Supplementary capital	124,881	176,696
Hybrid capital	36,328	36,328
Subordinated capital	**161,209**	**213,024**
of which fair value	**124,881**	**154,696**

The subordinated capital shown as supplementary capital shows maturities during financial years 2018-2027 and coupons of between 2.400% and 5.500% (previous year: maturities 2017-2026 0.000% and 6.000%).

During this financial year, there was EUR 18.041 million of subordinated supplementary capital, with maturities in 2027, (previous year: maturity 2026: EUR 27.511 million). In this financial year, no listed capital was redeemed and EUR 65.950 million (previous year: EUR 88.550 million) non-listed supplementary capital was redeemed.

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

The total cost for supplementary capital borrowing was EUR 4.263 million in this financial year (previous year: EUR 9.280 million). During the 2018 financial year, EUR 3.000 million of issued supplementary capital falls due (previous year: EUR 65.950 million).

The repayment amount for the subordinated capital including premium/discount and accrued interest, for which the fair value option was exercised, totals EUR 120.763 million (previous year: EUR 147.997 million). The amount of the difference between the fair value of the subordinated capital, for which the fair value option was applied, and its repayment amount is EUR 4.118 million (previous year: EUR 6.699 million). During this reporting year for the BTV Group, as in the previous year, no hybrid loan was redeemed and no hybrid loans were issued. Overall interest paid for the hybrid loans amounted to EUR 2.275 million (previous year: EUR 2.279 million).

The change in the fair value of the subordinated capital which is due to the changes in the risk of default during the reporting period amounted to EUR 2,183 thousand (previous year: EUR 223 thousand). The change to the fair value due to changes in the risk of default is determined by the difference between the overall change to the fair value of the subordinated capital and the change to the fair value resulting from market risk factors. The fair value of the subordinated capital was determined by discounting future payment flows on the reporting date, the default risk add-on was valued based on the funding for comparable maturities.

21 Equity

As of 31 December 2017, the subscribed share capital amounted to EUR 61.9 million (previous year: EUR 55.0 million). As part of the capital increase in 2017, BTV issued 3.4 million new ordinary no par value shares. The share capital is represented by 28,437,500 (previous year: 25,000,000) – bearer – voting individual shares (common shares). In addition 2,500,000 (previous year: 2,500,000) – bearer – non-voting shares (preference shares) were issued, with a minimum dividend of 6% attached (in the event of dividends being suspended, to be paid retrospectively).

The change to the total number of voting rights came into effect with the issuance of the new shares on 23 May 2017. On the reporting date, the book value of Treasury stock amounted to EUR 1,167,000 (previous year: EUR 662,000). The capital reserves include premium values from the share issues. As a result of the 2017 capital increase, the premium rose by EUR 67.7 million. In the capital reserves both retained earnings as well as income and expenses with no effect on profits were accounted. The represented shares correspond to the approved shares.

Development of the shares in circulation in shares	2017	2016
Issued shares in circulation 01/01.	27,466,176	27,469,501
Purchase of own shares	–36,538	–6,550
Sale of own shares	14,518	3,225
Capital increase	3,437,500	0
Issued shares in circulation 31/12	30,881,656	27,466,176
plus own shares in Group portfolio	55,844	33,824
Shares issued 31/12	30,937,500	27,500,000

21a Regulatory capital and debt levels

The consolidated capital of the Group is reported in accordance with the provisions of Basel III. This is based on EU Regulation 575/2013 (Capital Requirements Regulation – CRR), in conjunction with the Austrian CRR accompanying regulation. The capital according to CRR consists of the common equity (Common Equity Tier 1 – CET1), the additional core capital (Additional Tier 1 – AT1) and supplementary capital (Tier 2 – T2). The respective capital ratios are determined by contrasting the corresponding regulatory capital component after taking into account all regulatory deductions and transitional provisions of the overall measure of risk. Under the provisions of the CRR, a minimum requirement of 4.5% is required for CET1, which will be increased by 1.25% by the capital buffer defined in CRD IV (Capital Requirements Directive IV). For the entire core capital, a minimum requirement of 7.25% is required; the total capital must reach a level of 9.25%. Additional regulatory capital buffers are not defined for the 2017 reporting period. The leverage ratio indicates the ratio of the common equity (Tier 1) to the leverage exposure (unweighted asset items of the balance sheet and off-balance-sheet transactions pursuant to CRR). The provisions for calculating and disclosure of the leverage ratio within the EU are implemented by BTV as part of their disclosure obligations.

Consolidated equity under CRR in EUR million	31/12/2017	31/12/2016
Common equity (CET1)		
Capital instruments qualifying as CET1	225.4	150.8
Proprietary CET1 instruments	–12.9	–10.0
Retained earnings	1,091.9	1,008.3
Aggregated other income	27.4	28.0
Other reserves	129.0	125.4
Transitional changes owing to the transitional provisions for CET1 capital instruments	2.5	3.0
Deductions and adjustment items due to adjustments of the common equity (Prudential Filters)	–0.2	–0.8
Goodwill	0.0	0.0
Other intangible assets	–0.1	–0.1
Regulatory changes in connection with CET1 instruments of financial companies, in which the bank holds a substantial interest	–443.7	–408.6
Other transitional changes to CET1	50.7	79.1
Common equity (CET1)	**1,069.8**	**975.1**
Additional core capital (Additional Tier 1)		
Changes owing to the transitional provisions for Additional Tier 1 capital instruments	17.5	21.0
Other transitional changes to Additional Tier 1	–17.5	–21.0
Additional core capital (Additional Tier 1)	0.0	0.0
Core capital (Tier 1): sum of common equity (CET1) and additional (AT1) core capital	**1,069.8**	**975.1**
Supplementary capital (Tier 2)		
Paid-up capital instruments and subordinated loans	103.9	93.8
Direct positions in supplementary capital instruments	–11.8	–11.8
Changes owing to the transitional provisions for supplementary capital instruments and subordinated loans	6.3	10.2
Other transitional changes to supplementary capital	–43.1	–79.2
Supplementary capital (Tier 2)	**55.2**	**13.1**
Total qualifying equity	**1,125.3**	**988.2**
Total risk-weighted assets	**7,108.3**	**6,708.8**
Common equity Tier 1 ratio	15.05 %	14.54 %
Core capital ratio	15.05 %	14.54 %
Equity ratio	15.83 %	14.73 %

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

The equity calculation for 2017 included retained earnings totalling EUR 10.459 million, subject to approval of the annual financial statements by the Supervisory Board on 23 March 2018.

22 INTEREST INCOME IN EUR THOUSAND	31/12/2017	31/12/2016
Interest and similar income from		
Lending and money market transactions with credit institutions	6,963	8,444
Lending and money market transactions with clients	130,738	129,250
Debenture bonds and fixed-interest securities	5,181	4,835
Equities and variable-rate securities	687	240
Other transactions	11,287	898
Interest earnings on liabilities	1,057	935
Sub-total interest and similar income	**155,913**	**144,602**
Interest and similar expenses on		
Credit institutions deposits	–4,897	–5,347
Customer deposits	–13,442	–16,655
Securitised debt	–6,375	–7,177
Subordinated capital	–4,856	–4,481
Other trades	–5,703	–3,100
Interest expense from assets	–1,044	–676
Sub-total interest and similar expenses	**–36,317**	**–37,436**
Income from at-equity valued companies	46,205	37,595
Net interest income, incl. at-equity result	**165,801**	**144,761**

The interest income from financial assets, including at-equity income which is not taken through the P&L, but valued at fair value, amounted to EUR 198.450 million (previous year: EUR 180.670 million). The corresponding interest costs for financial liabilities amounts to EUR 16.019 million (previous year: EUR 26.9 million).

For written-down financial assets, a total interest income of EUR 671,000 was earned (previous year: EUR 1.145 million) was collected.

In addition to the negative income shown under Interest income from liabilities and Interest expense on assets, in 2017 negative credit interest of EUR 6.689 million (previous year: EUR 8.562 million) and negative debit interest of EUR 3.092 million (previous year: EUR 2.246 million) were recorded for derivatives.

23 RISK PROVISIONS IN CREDIT TRANSACTIONS IN EUR THOUSAND	31/12/2017	31/12/2016
Allocation of on-balance sheet provision	–28,478	–35,771
Allocation of off-balance sheet provision	–9,924	–827
Release of on-balance sheet provisions	15,690	16,571
Release of off-balance sheet provisions	2,043	5,113
Direct amortisation	–938	–1,438
Income from amortised receivables	506	218
Loan-loss provisions in the credit business	**–21,101**	**–16,134**

24 NET COMMISSION INCOME IN EUR THOUSAND	31/12/2017	31/12/2016
Commission income from		
Credit transactions	8,406	7,074
Payment transactions	14,414	13,958
Securities trading	27,525	25,004
Currency, foreign exchange and precious metals trading	3,497	4,047
Other services business	1,216	2,179
Sub-total commission income	**55,058**	**52,262**
Commission expenses from		
Credit transactions	–180	–362
Payment transactions	–1,086	–1,783
Securities trading	–1,991	–1,721
Currency, foreign exchange and precious metals trading	0	0
Other services business	–930	–918
Sub-total commission expenses	**–4,187**	**–4,784**
Net commission income	**50,871**	**47,478**

25 TRADING INCOME IN EUR THOUSAND	31/12/2017	31/12/2016
Income from derivatives	–1,121	1,293
Income from securities	458	524
Income from foreign exchange and notes and coins transactions	–1,579	1,368
Trading income	**–2,242**	**3,185**

26 OPERATING EXPENSES IN EUR THOUSAND	31/12/2017	31/12/2016
Payroll	–97,374	–91,804
thereof salaries and wages	–72,429	–68,663
thereof legal social contributions	–19,355	–19,105
thereof other personnel costs	–4,177	–2,461
thereof expenditures for long-term personnel deferrals	–1,413	–1,575
Materials	–49,043	–50,171
Amortisation	–27,077	–27,202
Operating expenses	**–173,494**	**–169,177**

The personnel costs item includes expenses for contributable pension plans of EUR 1.784 million (previous year: EUR 1.750 million).

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

26A AUDITOR EXPENSES IN EUR THOUSAND	2017	2016
Audit of year end accounts company and group	382	365
Tax advisory services	32	45
Other services	65	105
Auditor expenses	**480**	**515**

26B AVERAGE NUMBER OF EMPLOYEES, WEIGHTED ACCORDING TO PERSONNEL YEARS	31/12/2017	31/12/2016
White collar	934	923
Blue collar	467	427
Payroll	**1,401**	**1,350**

In addition, in the reporting year, an average of 27 employees (previous year: 26 employees) were sent to closely related companies. These are not taken into account in the table above.

27 OTHER OPERATING INCOME IN EUR THOUSAND	31/12/2017	31/12/2016
Other operating income	102,255	106,905
Other operating expenses	–31,186	–43,416
Hedge accounting income	25	–18
Other operating profit	**71,094**	**63,471**

The total amount of other taxes which are included in other operating income for 2017 totalled EUR 4.162 million (previous year: EUR 23.198 million). The profit from the fair value hedge accounting in the reporting year was EUR 25,000 (previous year: loss of EUR 18,000). This includes a profit on hedged basic operations of EUR 12.705 million (previous year: loss of EUR 5.737 million) and a loss on the hedging instrument of EUR 12.680 million (previous year: profit of EUR 5.719 million).

28 PROFIT FROM FINANCIAL ASSETS – AT FAIR VALUE THROUGH PROFIT OR LOSS IN EUR THOUSAND	31/12/2017	31/12/2016
Profit arising from financial assets – at fair value through profit or loss	311	–1,742
Profit arising from financial assets – at fair value through profit or loss	**311**	**–1,742**

29 PROFIT FROM FINANCIAL ASSETS – AVAILABLE FOR SALE IN EUR THOUSAND	31/12/2017	31/12/2016
Profit arising from financial assets – available for sale	–25	1,651
Profit arising from financial assets – available for sale	**–25**	**1,651**

From the available for sale financial assets, a loss of EUR 2.376 million (previous year: profit of EUR 12.385 million) in the area of fixed interest and non-fixed interest securities combined was taken directly to equity. In the financial year 2017, in the P&L item „Earnings from financial assets - available for sale" there are no permanent impairments of fixed interest and non-fixed interest securities (previous year: EUR 0 thousand).

In addition, in the reporting year, due to sales or reversals of the valuation reserve for AfS, a EUR 732 thousand loss (previous year: profit of EUR 1.505 million) was shown in this P&L item.

In the reporting period, a total profit from other investments and other associated investments in the amount of EUR 143 thousand (previous year: profit of EUR 625 million) was recorded directly within equity. In the reporting year, EUR 1,000 (previous year: EUR 14,000) of impairments were recorded for other investments and other associated investments.

30 INCOME FROM FINANCIAL ASSETS – HELD TO MATURITY IN EUR THOUSAND	31/12/2017	31/12/2016
Profit arising from financial assets – held to maturity	0	0
Profit arising from financial assets – held to maturity	**0**	**0**

31 TAXES ON INCOME AND PROFITS IN EUR THOUSAND	31/12/2017	31/12/2016
Current tax expense	–18,570	–11,431
Tax provision cost (-)/income (+)	3,325	1,721
Taxes on earnings and profit	**–15,245**	**–9,710**

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.

31 A TAXES: RECONCILIATION IN EUR THOUSAND	2017	Reconciliation of tax rate	2016	Reconciliation of tax rate
Annual net profit before tax	91,215		73,493	
Calculated tax expense	–22,804	25.0 %	–18,373	25.0 %
Tax reduction due to tax-exempt revenue from holdings and other tax-exempt revenues	1,830	–2.0 %	2,325	–3.2 %
Tax increase from non-deductible expenses	–235	0.3 %	13	–0.0 %
Other	1,385	–1.5 %	2,430	–3.3 %
Tax expense for other periods	–4,922	5.4 %	–3,567	4.9 %
Tax exemption at-equity revenues	9,500	–10.4 %	7,462	–10.2 %
Taxes on earnings and profit	**–15,246**	**16.7 %**	**–9,710**	**13.2 %**

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

Within the Statement of comprehensive income, in the reporting year EUR –874,000 (previous year: EUR +828,000) deferred taxes were taken against equity. Of these, EUR –271,000 (previous year: EUR –243,000) arise on unrealised gains/losses from the sale of held assets (AfS provision), and EUR –602,000 (previous year: EUR +1.071 million) on the revaluation of performance related pension plans.

32 EARNINGS PER SHARE (COMMON AND PREFERENCE SHARES)	2017	2016
Equities (ordinary and preference shares)	30,937,500	27,500,000
Average float (ordinary and preference shares)	29,463,331	27,468,678
Group net profit attributable to the owners in EUR thousand	73,506	61,790
EPS (Earnings per share) in EUR	2.49	2.25
Diluted earnings per share in EUR (ordinary and preference shares)	2.49	2.25
Dividend per share in EUR	0.30	0.30

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

33 Application of profits

The distributable profits are determined from the financial statements of BTV AG. The net earnings for the financial year 2017 amounted to EUR 23.653 million (previous year: EUR 27.671 million). After transfer to reserves of EUR 14.203 million (previous year: EUR 19.871 million) and adding back the profits carried forward there is an available sum of EUR 9.282 million (previous year: EUR 8.406 million) as distributable profits shown on the balance sheet. The Board of Directors will recommend to the Annual General Meeting that for the financial year 2017 a dividend of EUR 0.30 per share (previous year: EUR 0.30) be paid out. The payment requires therefore a total of EUR 9.281 million (previous year: EUR 8.250 million). The total amount of dividends on preference shares was EUR 750 thousand (previous year: EUR 750 thousand). The remaining profit is to be carried forward as per Section 65 para 5 of the Shares Act (Aktiengesetz).

34 Segment reporting

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

Segment reporting is based on internal divisional accounting for the corporate and retail customers business areas, on the overall bank report for the institutional clients and banks business area, on the Reporting Package and the monthly report for the BTV Leasing subgroup, the respective monthly report for the Silvretta Montafon Group and the respective monthly report for Mayrhofner Bergbahnen AG. These reports reflect the structure of management responsibilities within BTV in 2017. These internal reports to the Board of Directors, which only satisfy IFRS accounting standards in part, are supplied monthly and are almost totally automated by preparatory systems and interfaces. The reporting dates for the data are the respective period closing dates of the subsidiaries included in the consolidated financial statements. The information of the internal and external accounting system is based on the same base data and is agreed in the Finance and Controlling division for the reports. Reciprocal checks, ongoing reconciliations or validation checks between the Sales and Strategy Controlling, Risk Controlling, Statutory and Financial Reporting, and Tax and Accounting teams are therefore guaranteed. The criterion for separation of business areas is primarily who is responsible for looking after the customers. Changes in this responsibility can also lead to changes in attribution to a segment during the course of a year. These effects were, where insignificant, not corrected in the comparison with last year.

In 2017, the following business areas have been defined within BTV:

The corporate client business area is responsible for small, medium and large business clients and chartered accountants and auditors. The retail client business area is responsible for the retail clients, freelance professionals and micro-companies market segments. The institutional clients and banks division mainly includes treasury and trading activities. BTV Leasing brings together all leasing operations of BTV AG. The cable cars segment includes the Silvretta Montafon Group and Mayrhofner Bergbahnen AG, which contain all of the two companies' tourism activities. The results of these segments also include transactions between segments, particularly between the corporate customer segment and leasing and the cable cars. Services are transferred at market prices. Alongside these five reporting segments, under the „Other segments/consolidations/misc." heading results from service areas across BTV are reported, such as Finance and Controlling, Legal and Investments, Marketing, Communications, Board matters, 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., BTV Hybrid I GmbH and TiMe Holding GmbH) that are allocated to this segment.

The results of the five reporting segments are described below.

Corporate client segment

The corporate customer segment is BTV's largest business segment. The operating interest earnings in 2017 were the prime component of the income in this sector. In comparison to 2016, interest earnings rose by EUR +3.5 million to EUR 98.3 million.

In the year under review, risk provisions in the lending business exerted a declining influence on the segment result. Compared to the previous year, these increased by EUR +3.4 million to EUR 13.5 million. The securities business was responsible for the positive development of net commission income, which increased by EUR +1.6 million to EUR 22.4 million Compared to the previous year, operating expenses rose slightly by EUR +0.7 million to EUR 29.8 million. The segment loans grew because of robust new business by EUR +445 million to EUR 5.524 million. The segment liabilities increased compared to 2016 by EUR +253 million to EUR 2.445 million. In total, this led to a profit for the period of EUR 77.4 million, (EUR +1.0 million over the previous year).

Retail client segment

The second pillar of BTV, the retail client business, developed positively in this financial year. Interest earnings showed a rise of EUR +1.0 million and made a contribution of EUR 40.7 million. Loan-loss provisions amounted to EUR –0.7 million in the reporting period. At EUR 30.7 million, net commission income was up EUR 0.8 million on the previous year. The retail client segment is typically highly cost intensive because of the high staff and premises resources required. In the reporting year, costs rose by EUR +2.6 million to EUR 51.1 million. Other operating profits remained stable at EUR 0.7 million, the same as the previous year. In total, this led to a profit before tax for the period of EUR 20.3 million, which was EUR –0.3 million below the previous year's profit.

Institutional clients and banks segment

Earnings in the segment for the business area of institutional clients and banks changed significantly compared to the previous year. Interest earnings fell by EUR –1.3 million to EUR 11.5 million. Income from financial assets, including trading income, fell to EUR –1.8 million. Operating expenses in this segment amounted to EUR 2.3 million (previous year: EUR 2.1 million). The pre-tax profit for the period was EUR 6.0 million in total.

Leasing segment

The leasing subsidiary of BTV can look back over a stable financial year. The asset business showed very positive trends, with the customer cash volume rising by EUR +68 million to EUR 929 million. The profit on interest stands out as well, going up by EUR +1.1 million to EUR 18.5 million. Loan loss provisions in the credit business fell by EUR 0.5 million to EUR 1.2 million. Net commission income fell by EUR –0.6 million, to EUR 0.6 million. A decrease of EUR –0.6 million to EUR 5.9 million was recorded in administrative expenses. The pre-tax profit for the period grew by EUR +1.4 million overall to EUR 15.4 million.

Cable cars segment

Mayrhofner Bergbahnen and the Silvretta Montafon Group form the cable cars segment. Owing to their business activities being dominated by tourism, the result varies drastically with the seasons. Other operating profit of EUR 81.5 million, mainly includes the revenues. These are also the decisive factor for earnings at Silvretta Montafon with its average of 439 employees in the reporting year and Mayrhofner Bergbahnen with its average 157 employees. Administrative expenses were up EUR +1.3 million to EUR 67.6 million. Overall, the annual profits, including a slightly negative net interest income (EUR –1.3 million) were EUR 12.7 million, a reduction of EUR –0.9 million compared with the previous year.

Segment reporting: explanatory notes

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

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

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

Segment reporting in EUR thousand	Year	Corporate clients	Retail clients	Institutional clients and banks	Leasing	Cable cars	Segments that must be reported	Other segments/ consolidation/misc.	Group Balance sheet/P&L
Net interest income	12/2017	98,341	40,661	11,520	18,502	–1,252	167,772	–48,176	119,596
	12/2016	94,873	39,668	12,866	17,375	–907	163,875	–56,709	107,166
Income from at-equity valued companies	12/2017	0	0	0	0	0	0	46,205	46,205
	12/2016	0	0	0	0	0	0	37,595	37,595
Loan-loss provisions in the credit business	12/2017	–13,538	–709	–1,401	–1,209	0	–16,858	–4,244	–21,101
	12/2016	–10,178	–1,177	241	–1,699	0	–12,814	–3,320	–16,134
Net commission income	12/2017	22,403	30,740	0	641	0	53,784	–2,913	50,871
	12/2016	20,778	29,914	0	1,231	0	51,923	–4,445	47,478
Operating expenses	12/2017	–29,834	–51,093	–2,315	–5,887	–67,556	–156,685	–16,809	–173,494
	12/2016	–29,122	–48,518	–2,091	–6,519	–66,227	–152,477	–16,700	–169,177
Other operating profit	12/2017	0	700	0	3,394	81,472	85,566	–14,472	71,094
	12/2016	0	754	0	3,562	80,722	85,038	–21,566	63,471
Profit arising from financial assets and trading profit	12/2017	0	0	–1,830	–1	0	–1,831	–125	–1,956
	12/2016	0	0	2,857	87	0	2,944	150	3,094
Annual profit before tax	**12/2017**	**77,372**	**20,299**	**5,973**	**15,441**	**12,664**	**131,749**	**–40,536**	**91,215**
	12/2016	**76,351**	**20,641**	**13,873**	**14,037**	**13,588**	**138,490**	**–64,997**	**73,493**
Segment loans	12/2017	5,524,661	1,333,038	2,215,672	929,085	18,764	10,021,220	–614,306	9,406,914
	12/2016	5,079,286	1,359,507	2,063,368	861,372	17,609	9,381,142	–379,740	9,001,402
Segment liabilities	12/2017	2,444,907	3,459,928	2,447,468	871,714	101,096	9,325,113	–501,217	8,823,896
	12/2016	2,191,831	3,275,184	2,575,974	807,046	99,177	8,949,212	–420,525	8,528,687

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

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

Risk capability
Credit risk
Risk of default by other party
Equity investment risk
Credit concentration risk
Risks from credit risk reducing techniques
Risks from securitisation
Market risk
Interest rate risk
Currency risk
Share price risk
Credit spread risk
Volatility risk
Risk arising a credit valuation adjustment
Liquidity risk
Operational risk
Macroeconomic risk
Concentration risks
Inter-concentration risks
Intra-concentration risks
Other risks
Strategic risk
Reputation risk
Capital risk
Model risk
Risk from the business model
Systemic risk
Risk of excessive debt

BTV's global bank risk is defined as the sum of credit, market, liquidity, operational, macroeconomic, concentration and other risks. This states the likelihood of BTV continuing to be in a position to meet the risk capability requirements within a foreseeable time horizon.

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

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

Credit risk

At BTV credit risk is broken down as follows:

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

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 arises in BTV from the following 4 control units:

- Corporate clients
- Private clients
- Institutional clients and banks
- 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 clients. This department is also responsible for overall management, restructuring management, management of loan commitments in default, drawing up of financial statements and company analyses, the entire credit and guarantee processing, 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 client segments. At individual level, risk management techniques include assessment of creditworthiness when granting loans, the acceptance of collateral, ongoing monitoring of account management and scheduled reviews of ratings and the soundness of collateral. Loan loss provision is carefully formed, taking into consideration existing collateral, for default risks identified and quantified during the financial year.

Transactions involving debt arrangements

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

Types of debt arrangement

The following types of debt arrangement are distinguished at BTV:

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

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

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

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

Risks

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

Risk management and risk control

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

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

Probation period

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

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

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

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

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

Accounting policies and valuation methods, loan loss provision indicators

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

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

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

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

Equity investment risk

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

Credit concentration risk

Within BTV, credit risk concentration is defined as the risks which arise from 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.
Risks from credit risk reducing techniques This is under-

stood 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 income due or loss of the capital invested.

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

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

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

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

Risks from securitisation

A securitisation is a transaction that divides the credit risk associated with an exposure or a pool of exposures into tranches and has the following characteristics:

- Payments made in the context of the transaction depend on the performance of the risk position or the pool of risk positions.
- The ranking of the tranches determines the distribution of losses during the term of the transaction.

The risks associated with securitisation are as diverse as the possible securitisation structures. The main risks include credit risk, market risk, liquidity risk, operational risk and legal risk.

Market risk

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

Control of market risks

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

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

Interest rate risk

The interest rate risk is understood to be the risk that the recoverable interest result will not be achieved due to market interest rate changes. Interest rate changes have a different impact on the income and risk situation of BTV. The two main economic effects here are the present 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.

Currency risk

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

Share price risk

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.

Credit spread risk

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

Volatility risk

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.

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.

Liquidity risk

At BTV, liquidity risk is broken down as follows:

- Dispositive liquidity risk
- Structural liquidity risk
- Market liquidity risk
- Risk of a refinancing concentration
- Liquidity risk in foreign currency

Optional liquidity risk (and 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 essentially is risk within the structural liquidity, also known as refinancing risk, and describes the effects on earnings of sub-optimal availability of liquidity. 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). At BTV, this risk category is part of the asset/liability control.

Market liquidity risk is the danger, contingent on extraordinary events, that assets may only be realised at discounts in the market.

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.

BTV conducts transactions in foreign currency. The risk is that the necessary refinancing funds in foreign currency cannot be procured at all or can only be obtained on disadvantageous terms in terms of interest rates and exchange rates. As a result, it is exposed to the risk that a sudden change in exchange rates, market liquidity or both will lead to liquidity mismatches or exacerbate existing liquidity mismatches.

Management of liquidity risk

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

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

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

- Optimisation of the refinancing structure with minimisation of refinancing costs
- Sufficient provision of primary funds
- Diversification of sources of refinancing
- Optimisation of the liquidity buffer
- Clear investment strategy for 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

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

Macroeconomic risk

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

Concentration risks

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

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

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

Other risks

The other risks are broken down at BTV as follows:

- Strategic risk
- Reputation risk
- Capital risk
- Model risk
- Risk from the business model
- Systemic risk
- Risk of excessive debt

BTV defines these types of risk as follows:

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

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

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

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

The risk from the business model follows the corporate strategy of BTV and the risk-return profile of the management. This type of risk includes risks that arise from the BTV's business model, while taking into account the effect of diversification strategies. Apparently, the risks arise from a lack of diversification of business areas and the dependencies this causes.

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

The risk of excessive debt is the risk arising from BTV's vulnerability due to its indebtedness or contingent borrowing and may require unscheduled corrections to its business plan, including the sale of assets in distress, which could result in losses or valuation adjustments of the remaining assets.

Structure and organisation of risk management

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

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

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

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

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

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

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

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

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

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

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

In the going-concern approach, the risk cover capital essentially consists of the expected net profits for the financial year, the hidden reserves/charges from shareholdings, securities and property and the core capital surplus. The core capital surplus is defined as an open reserve, which exceeds the common equity Tier 1 capital ratio of 9%. The determination of a common equity tier 1 capital ratio of at least 9% is based on the red threshold of the reorganisation indicator in the BTV reorganisation plan.

In the liquidation approach, internal capital (risk-covering capital) was defined as the eligible own funds plus deduction items attributable to Common Equity Tier 1 instruments of companies in the financial sector in which BTV holds a substantial interest. These are still corrected by excess or shortfall, which are due to the IRB base approach. In addition, adjustments are made on the basis of hidden reserves or hidden liabilities from investments, securities and real estate.

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

Risk category/parameters	Liquidation approach	Going-concern approach
Confidence interval	99.9 %	95.0 %
Probability horizon	250 days	
Internal capital (Risk cover capital)	i. w. qualifying equity	Expected annual net profit, hidden reserves and core capital surplus
Credit risk		
Risk of default by other party	IRB approach / standard approach	
Equity investment risk	IRB-PD/LGD approach/standard approach	
Concentration of credit risk		
Risks from high credit volumes	IRB Granularity Adjustment	
Risks from Foreign currency loans	Foreign currency stress test	
Risks from lending with repayment vehicles	Repayment vehicle stress test	
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)	
Liquidity risk	Structural liquidity risk (GuV risk)	Structural liquidity risk (Cash value risk)
Operational risk	Standard approach	VaR approach
Macroeconomic risk	Macroeconomic stress scenario	
Other risks	10% buffer	

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

Credit risk

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

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

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

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

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

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

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

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

Market risk

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

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

The VaR model can be briefly outlined as follows:

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

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

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

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

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

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

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

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

The drivers of the risk are therefore the amount and the distribution of the liquidity gaps as well as the fluctuations in the risk premiums in the individual terms.
Together with the integration of the liquidity risk as a risk to earnings in the ICAAP, the liquidity risk situation is monitored daily at group level. The opening liquidity forecast has assumptions about new business added in. Normally the cumulative gap with new business is compared to the liquidity reserve. The horizon used for forecasting is three years, with a warning threshold of 90% consumption of the liquidity reserve. This liquidity reserve is made up of lines at institutional customers and banks, from issue lines and the deposits with the central bank that exceed the minimum required reserves. In addition, the liquidity situation is presented under three stress scenarios (default crisis, market crisis and combined crisis). On the one hand, the liquidity gap analysis is exposed to changes in the forecast profiles and on the other hand the new business assumptions are exposed to a specific stress. These varied liquidity gaps are compared to the potential

liquidity. The potential liquidity consists of the strongly reduced liquidity reserve and the liquidity buffer. This potential liquidity must provide at least four weeks cover for the liquidity flows under a stress test. This condition is capped with a limit, and shown both graphically and as a table for each scenario.

Operational risk

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

Under the liquidation approach the operational risk is measured using the standard approach. In the going-concern approach, BTV applies a VaR approach that uses previously sustained losses in the loss database to quantify the risk. In order to guarantee a closed circuit process and the quality of the implemented control loop - risk identification, risk quantification and risk management - decision-makers are kept informed on a continuous basis by a quarterly report on the trend in operational risk (loss events incurred) and the measures taken and their ongoing monitoring.

Macroeconomic risk

The 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. Herein the maintaining of the risk-bearing capacity in the case of stress is now calculated implicitly.

Other risks

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

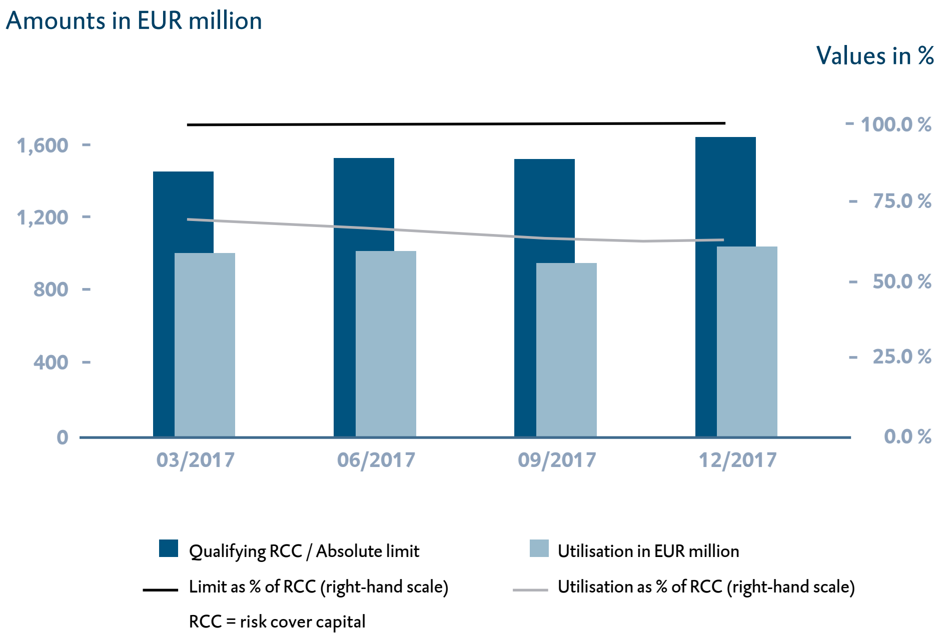
Risk reporting system

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

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

Utilisation of the quantified overall risk at year-end amounted to EUR 1.041.9 million. This corresponds to a limit utilisation of 63.4% of the risk cover capital. The highest relative level of usage of 69.5% of the risk cover capital was in the second quarter of 2017. 10% of the risk cover capital is reserved for unquantifiable other risks and is assumed to be already used.

Total bank risk - liquidation approach



Total bank risk - liquidation approach		Maximum	Average	Year-end
31/12/2017	Utilisation in EUR million	1,041.9	1,004.5	1,041.9
	Utilisation in % of risk cover capital	69.5 %	65.5 %	63.4 %
31/12/2016	Utilisation in EUR million	973.0	944.7	965.8
	Utilisation in % of risk cover capital	70.0 %	67.5 %	66.7 %

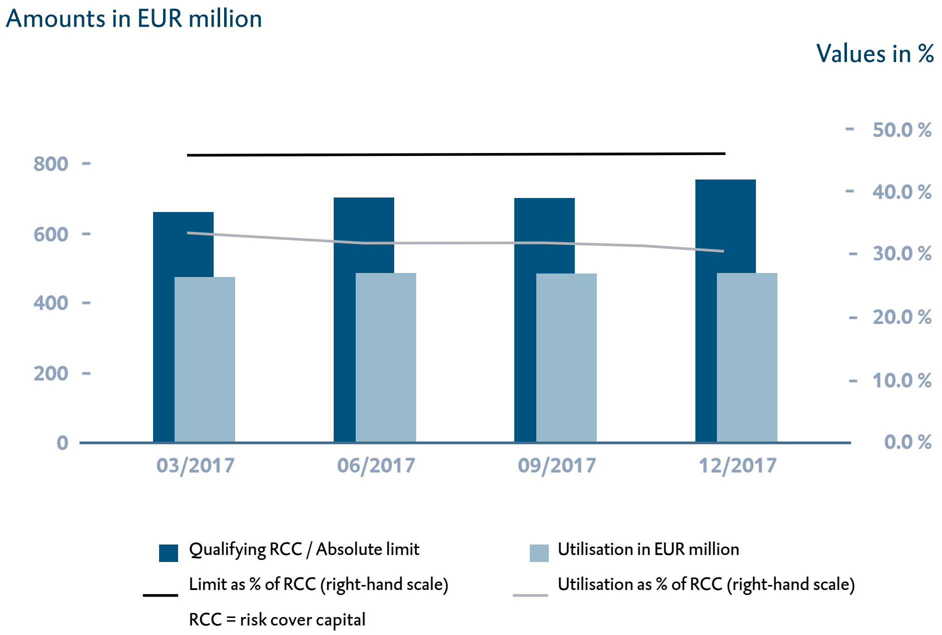
The limit has been respected at all times at the total bank level. In addition, an adequate buffer for the applied limit was available at all times. Account was thus taken at all times during the financial year 2017 of the compulsory reconciliation process between the quantified risk and BTV's allocated capital for risk coverage.

Credit risk

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

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

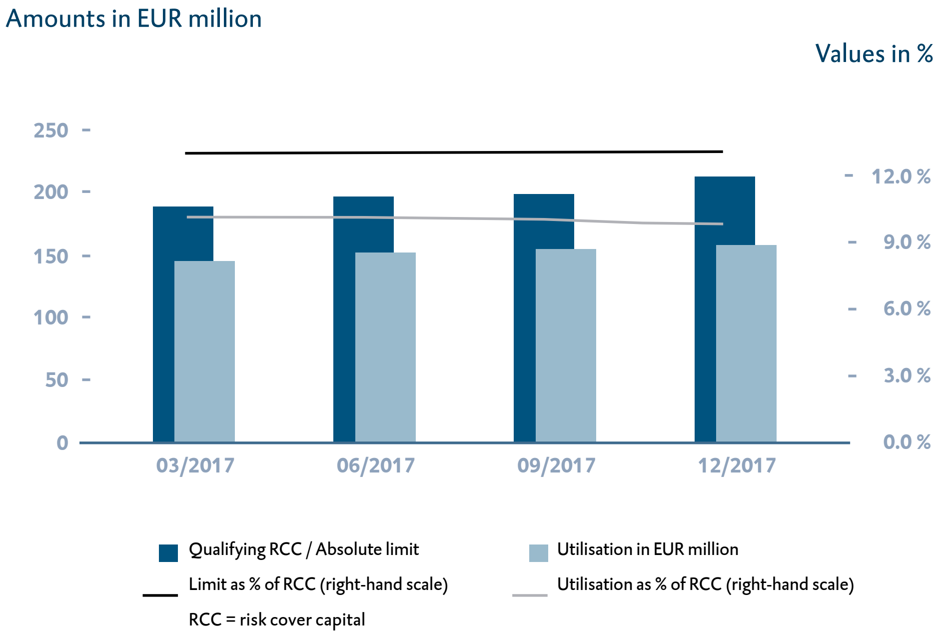
Counterparty default - liquidity approach



Counterparty default - liquidity approach		Maximum	Average	Year-end
31/12/2017	Utilisation in EUR million	492.5	487.3	492.5
	Utilisation in % of risk cover capital	33.2 %	31.8 %	29.9 %
31/12/2016	Utilisation in EUR million	480.8	465.8	478.4
	Utilisation in % of risk cover capital	34.6 %	33.3 %	33.0 %

Over the course of the year, counterparty risk relative to risk cover decreased from 33.0% to 29.9%. In absolute terms, counterparty default risk increased slightly, but risk cover rose during the course of the year mainly due to the capital increase in the second quarter and the revaluation reserve at the end of the year by EUR 197 million.

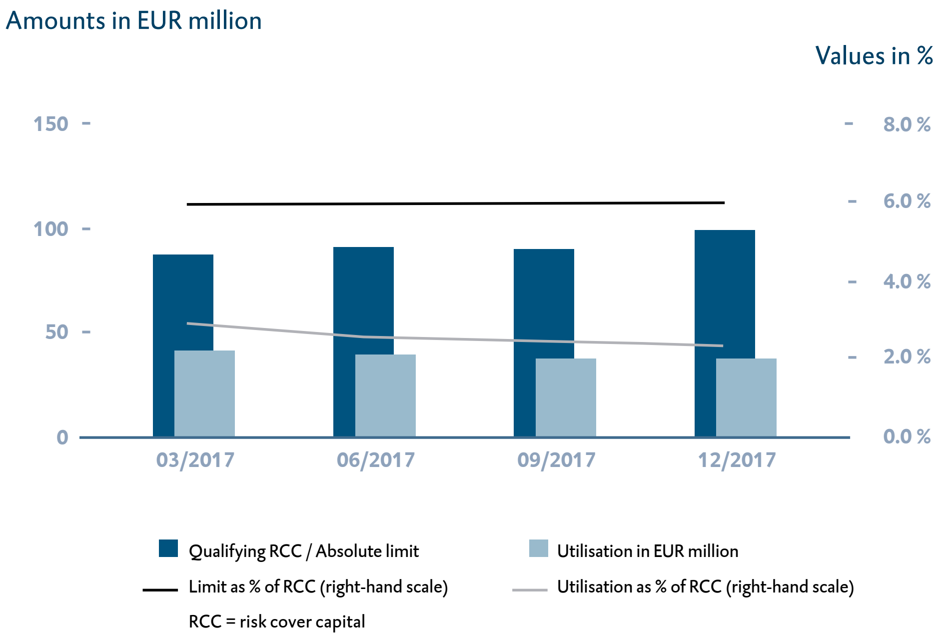
Investment risk - liquidity approach



Investment risk - liquidity approach		Maximum	Average	Year-end
31/12/2017	Utilisation in EUR million	158.6	152.7	158.6
	Utilisation in % of risk cover capital	10.1 %	10.0 %	9.6 %
31/12/2016	Utilisation in EUR million	142.9	126.3	142.9
	Utilisation in % of risk cover capital	9.9 %	9.0 %	9.9 %

As expected, equity investment risk rose steadily from EUR 143 million in the course of 2017 by EUR +15.7 million to EUR 159 million. This increase is mainly attributable to the changes in profit or loss recognised by Oberbank AG and BKS Bank AG (at-equity valuation).

Concentration of credit risk – liquidation approach



Concentration of credit risk – liquidation approach		Maximum	Average	Year-end
31/12/2017	Utilisation in EUR million	41.9	39.0	37.6
	Utilisation in % of risk cover capital	2.9 %	2.5 %	2.3 %
31/12/2016	Utilisation in EUR million	44.8	43.2	42.9
	Utilisation in % of risk cover capital	3.2 %	3.1 %	3.0 %

During the financial year 2017, it could again be seen that the utilisation of the risk sub-category „risks arising from lending with repayment vehicles“, the risk category „credit concentration risk“ are continuing to fall. This reduction is due to current measures that are intended to reduce the portfolio of bullet loans with a repayment vehicle. It could be seen that the utilisation of the risk sub-category „risks arising from foreign currency loans“, also continue to fall. Otherwise, there were no significant changes in the use of this risk category.

Credit risk - overview

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

The total loan volume of BTV rose year on year by EUR +404.3 million or + 5.7% to EUR 9,405.7 million. The amount of bad debt fell by EUR -44.5 million or -18.9%. The share of the total volume is now 2.0%, following 2.6% in the previous year.

Creditworthiness structure overall in EUR thousand

Due date	Data	No visible risk of default	With comment	High risk of default	Bad debt	Total
31/12/2017	Total drawn	8,550,479	636,544	27,735	190,949	9,405,706
	Amortised costs	8,536,735	636,544	27,735	190,949	9,391,962
	Fair value	13,744	0	0	0	13,744
	Share in %	90.9 %	6.8 %	0.3 %	2.0 %	100.0 %
	Loan loss provisions	59,852	19,577	3,200	118,633	201,263
	Percentage of cover	0.7 %	3.1 %	11.5 %	62.1 %	2.1 %
31/12/2016	Total drawn	7,922,378	778,589	64,958	235,477	9,001,403
	Amortised costs	7,809,830	778,589	64,958	235,477	8,888,855
	Fair value	112,547	0	0	0	112,547
	Share in %	88.0 %	8.6 %	0.7 %	2.6 %	100.0 %
	Provision for risks	55,245	23,453	7,175	125,266	211,139
	Percentage of cover	0.7 %	3.0 %	11.0 %	53.2 %	2.3 %
Change	Overall utilisation, previous year	628,101	–142,045	–37,223	–44,529	404,304
	Amortised costs, previous year	726,905	–142,045	–37,223	–44,529	503,107
	Fair value of the previous year	–98,804	0	0	0	–98,804
	to the overall utilisation of the previous year (in %)	9.3 %	–18.2 %	–57.3 %	–18.9 %	5.7 %
	of loan loss provisions to previous year	4,607	–3,876	–3,975	–6,633	–9,877
	of loan loss provisions to previous year (in %)	8.3 %	–16.5 %	–55.4 %	–5.3 %	–4.7 %

Creditworthiness structure, domestic and Foreign

The presentation is based on the tax domicile of the borrower or issuer. In Austria, the overall credit risk volume rose by EUR +217.6 million, or +4.2%, relative to the previous year. The foreign component of the credit risk volume, on the other hand, rose by +8.1%, or EUR +186.7 million.

Creditworthiness structure, domestic in EUR thousand

Due date	Data	No visible risk of default	With Notes	Increased risk of default	Bad debt	Total
31/12/2017	Total drawn	5,131,519	464,677	14,666	122,036	5,732,898
	Amortised costs	5,117,775	464,677	14,666	122,036	5,719,155
	Fair value	13,744	0	0	0	13,744
	Share in %	89.5 %	8.1 %	0.3 %	2.1 %	100.0 %
	Loan loss provisions	32,877	14,670	1,827	80,750	130,122
	Percentage of cover	0.6 %	3.2 %	12.5 %	66.2 %	2.3 %
31/12/2016	Total drawn	4,704,593	588,929	50,033	171,727	5,515,282
	Amortised costs	4,679,974	588,929	50,033	171,727	5,490,663
	Fair value	24,619	0	0	0	24,619
	Share in %	85.3 %	10.7 %	0.9 %	3.1 %	100.0 %
	Loan loss provisions	29,438	17,917	6,242	95,424	149,021
	Percentage of cover	0.6 %	3.0 %	12.5 %	55.6 %	2.7 %
Change	Overall utilisation, previous year	426,926	–124,252	–35,367	–49,691	217,616
	Amortised costs, previous year	437,802	–124,252	–35,367	–49,691	228,492
	Fair value of the previous year	–10,876	0	0	0	–10,876
	to the overall utilisation of the previous year (in %)	9.4 %	–21.1 %	–70.7 %	–28.9 %	4.2 %
	of loan loss provisions to previous year	3,438	–3,247	–4,415	–14,674	–18,899
	of loan loss provisions to previous year (in %)	11.7 %	–18.1 %	–70.7 %	–15.4 %	–12.7 %

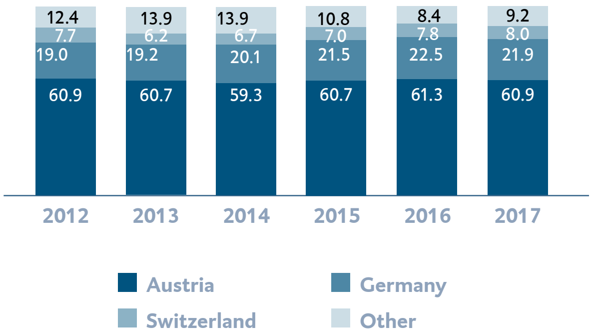
Creditworthiness foreign in EUR thousand

Due date	Data	No visible risk of default	With comment	High risk of default	Bad debt	Total
31/12/2017	Total drawn	3,418,960	171,867	13,069	68,912	3,672,808
	Amortised costs	3,418,960	171,867	13,069	68,912	3,672,808
	Fair value	0	0	0	0	0
	Share in %	93.1 %	4.7 %	0.4 %	1.9 %	100.0 %
	Loan loss provisions	26,976	4,907	1,374	37,883	71,140
	Percentage of cover	0.8 %	2.9 %	10.5 %	55.0 %	1.9 %
31/12/2016	Total drawn	3,217,785	189,660	14,925	63,751	3,486,121
	Amortised costs	3,129,857	189,660	14,925	63,751	3,398,193
	Fair value	87,928	0	0	0	87,928
	Share in %	92.3 %	5.4 %	0.4 %	1.8 %	100.0 %
	Loan loss provisions	25,807	5,536	934	29,842	62,118
	Percentage of cover	0.8 %	2.9 %	6.3 %	46.8 %	1.8 %
Change	Overall utilisation, previous year	201,175	–17,793	–1,856	5,162	186,687
	Amortised costs, previous year	289,103	–17,793	–1,856	5,162	274,615
	Fair value of the previous year	–87,928	0	0	0	–87,928
	to the overall utilisation of the previous year (in %)	9.2 %	–9.4 %	–12.4 %	8.1 %	8.1 %
	of loan loss provisions to previous year	1,169	–629	+440	+8,042	9,022
	of loan loss provisions to previous year (in %)	4.5 %	–11.4 %	47.2 %	26.9 %	14.5 %

Creditworthiness structure of credit risk by country

Around 60.9% of the credit risk volume (sum of continued acquisition costs and fair value) related to domestic borrowers. 21.9% is accounted for by German and 8.0% by Swiss borrowers.
The remaining 9.2% is distributed as follows: 4.6 percentage points for the Netherlands, US and Italy. The remaining 4.6 percentage points are spread across borrowers in other countries.

Change in country structure credit risk in %



Creditworthiness structure by country in EUR thousand

Countries	No visible Risk of default	With Notes	Increased risk of default	Bad debt	Total	Share in %
Amortised costs						
Austria	5,117,775	464,677	14,666	122,036	5,719,155	60.8 %
Germany	1,860,111	144,381	6,175	47,914	2,058,581	21.9 %
Switzerland	699,683	24,837	3,719	19,728	747,967	8.0 %
Netherlands	164,824	292	0	0	165,116	1.8 %
USA	163,377	252	0	0	163,628	1.7 %
Italy	97,468	560	181	868	99,078	1.1 %
France	59,458	1	0	0	59,459	0.6 %
UK	49,777	4	0	59	49,840	0.5 %
Republic of Ireland	10,073	0	0	0	10,073	0.1 %
Hungary	454	19	0	0	474	0.0 %
Spain	0	0	27	165	192	0.0 %
Greece	0	0	0	0	0	0.0 %
Other	313,734	1,521	2,966	178	318,400	3.4 %
Fair value						
Austria	13,744	0	0	0	13,744	0.1 %
Total	**8,550,479**	**636,544**	**27,735**	**190,949**	**9,405,706**	**100.0 %**

Creditworthiness by sector of selected countries

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

The loan and insurance sector accounts for EUR 48.9 million. The credit risk illustrated for Ireland is essentially accounted for by a US group, the financial services subsidiary of which is headquartered in Ireland.

Structure by sector of selected countries in EUR thousand

Sectors	Italy	United Kingdom	Ireland	Spain	Greece	Russia	Total
Loans and insurance	2,609	36,284	10,004	0	0	0	48,898
Public sector	0	0	0	0	0	0	0
Remaining sectors	94,547	13,556	69	192	0	0	108,365
Total	**97,157**	**49,840**	**10,073**	**192**	**0**	**0**	**157,262**

Creditworthiness structure of credit risk by sector

Real estate continues to be the most important, and in financial year 2017 is again the majority. The greatest increase came in the areas of real estate, services, and credit and insurance. The biggest decline could be seen in the public sector.

Creditworthiness by sector total in EUR thousand

All sectors together	No visible Risk of default	With comment	High risk of default	Bad debt	Total	Share in %
Amortised costs						
Property management	1,318,775	228,161	1,147	25,548	1,573,630	16.7 %
Services	1,208,602	99,055	6,697	20,832	1,335,186	14.2 %
Physical goods manufacturing	1,102,701	112,616	552	44,833	1,260,703	13.4 %
Private	1,080,069	57,223	13,216	34,020	1,184,527	12.6 %
Public sector	1,056,867	5	0	128	1,057,000	11.2 %
Loans and insurance	1,008,249	8,807	76	2,708	1,019,839	10.8 %
Trade	599,419	25,546	2,584	24,226	651,775	6.9 %
Tourism	377,598	67,674	1,004	13,622	459,898	4.9 %
Construction	331,462	19,822	2,280	11,722	365,286	3.9 %
Cable cars	228,531	356	0	0	228,888	2.4 %
Transport and communications	164,576	10,455	178	6,530	181,740	1.9 %
Energy and water utilities	51,508	5,409	0	5,578	62,495	0.7 %
Other	8,379	1,415	0	1,202	10,996	0.1 %
Fair value						
Loans and insurance	10,908	0	0	0	10,908	0.1 %
Services	2,836	0	0	0	2,836	0.0 %
Total	**8,550,479**	**636,544**	**27,735**	**190,949**	**9,405,706**	**100.0 %**

Compared to the previous year, the greatest increases can be seen in retail, construction and real estate. In international markets, the fastest growing sector is the loans and insurance industry. Abroad, manufacturing and private goods are declining. Domestically there is a visible reduction in the public sector.

Creditworthiness by sector, domestic in EUR thousand

Domestic sectors	No visible Risk of default	With comment	High risk of default	Bad debt	Total	Share in %
Amortised costs						
Property management	1,043,289	183,119	727	21,496	1,248,631	21.8 %
Services	840,945	88,392	2,299	7,381	939,017	16.4 %
Private	847,377	43,811	6,888	16,303	914,379	15.9 %
Public sector	625,581	5	0	127	625,713	10.9 %
Physical goods manufacturing	384,727	47,308	42	28,725	460,801	8.0 %
Tourism	306,812	43,661	280	9,784	360,537	6.3 %
Trade	302,659	15,343	1,972	18,500	338,475	5.9 %
Construction	235,307	18,718	2,204	9,410	265,639	4.6 %
Cable cars	223,166	356	0	0	223,522	3.9 %
Loans and insurance	186,842	8,243	76	252	195,413	3.4 %
Transport and communications	74,360	9,254	178	5,500	89,292	1.6 %
Energy and water utilities	40,577	5,223	0	3,732	49,532	0.9 %
Other	6,134	1,245	0	826	8,205	0.1 %
Fair value						
Loans and insurance	10,908	0	0	0	10,908	0.2 %
Services	2,836	0	0	0	2,836	0.0 %
Total	**5,131,519**	**464,677**	**14,666**	**122,036**	**5,732,898**	**100.0 %**

Creditworthiness structure by sector, foreign in EUR thousand

Foreign sectors	No visible Risk of default	With comment	High risk of default	Bad debt	Total	Share in %
Amortised costs						
Loans and insurance	821,407	564	0	2,456	824,426	22.4 %
Physical goods manufacturing	717,974	65,308	511	16,109	799,901	21.8 %
Public sector	431,287	0	0	1	431,288	11.7 %
Services	367,657	10,662	4,398	13,451	396,169	10.8 %
Property management	275,486	45,042	420	4,052	324,999	8.8 %
Trade	296,760	10,202	612	5,725	313,300	8.5 %
Private	232,691	13,412	6,328	17,716	270,148	7.4 %
Construction	96,156	1,104	76	2,312	99,647	2.7 %
Tourism	70,785	24,013	724	3,838	99,361	2.7 %
Transport and communications	90,216	1,202	0	1,030	92,448	2.5 %
Energy and water utilities	10,931	186	0	1,846	12,963	0.4 %
Cable cars	5,366	0	0	0	5,366	0.1 %
Other	2,244	171	0	376	2,791	0.1 %
Fair value						
Other	0	0	0	0	0	0.0 %
Total	**3,418,959**	**171,867**	**13,069**	**68,912**	**3,672,807**	**100.0 %**

Creditworthiness structure of credit risk by type of business

The share of corporate business in the total credit risk volume is 66.6% (previous year: 64.6%). Retail clients account for 14.5% (previous year: 15.5%), others 18.9% (previous year: 19.9%) relate to institutional clients and banks. The volumes presented are values of the carried over acquisition costs. For institutional customers and banks an additional EUR 13.7 million at fair value is included.

Creditworthiness structure by type of business in EUR thousand

Types of business	Data	No visible risk of default	With comment	High risk of default	Bad debt	Total
Corporate clients	Total drawn	5,576,488	520,470	11,904	153,992	6,262,853
	Share in %	89.0 %	8.3 %	0.2 %	2.5 %	100.0 %
	Provision for risks	45,022	14,300	961	99,858	160,141
	Percentage of cover	0.8 %	2.7 %	8.1 %	64.8 %	2.6 %
Private clients	Total drawn	1,192,455	116,021	15,831	36,956	1,361,263
	Share in %	87.6 %	8.5 %	1.2 %	2.7 %	100.0 %
	Provision for risks	9,843	5,269	2,240	18,775	36,126
	Percentage of cover	0.8 %	4.5 %	14.1 %	50.8 %	2.7 %
Institutional clients and banks	Total drawn	1,781,536	54	0	0	1,781,590
	Share in %	100.0 %	0.0 %	0.0 %	0.0 %	100.0 %
	Provision for risks	4,987	9	0	0	4,996
	Percentage of cover	0.3 %	16.1 %	0.0 %	0.0 %	0.3 %
Total	**Total drawn**	**8,550,479**	**636,544**	**27,735**	**190,949**	**9,405,706**
	Share in %	**90.9 %**	**6.8 %**	**0.3 %**	**2.0 %**	**100.0 %**
	Provision for risks	**59,852**	**19,577**	**3,200**	**118,633**	**201,263**
	Percentage of cover	**0.7 %**	**3.1 %**	**11.5 %**	**62.1 %**	**2.1 %**

Creditworthiness structure of credit risk by currency

88.9% (previous year: 87.7%) of the credit risk volume related to loans in euro. Of this, Swiss francs account for 9.9% (previous year: 11.0%), other currencies for 1.2% (previous year: 1.5%) of the lending. The proportion of CHF lending in the eurozone fell from 5.4% to 4.0%.

Creditworthiness structure by currency in EUR thousand

Currency	No visible Risk of default	With comment	High risk of default	Bad debt	Total	Share in %
Amortised costs						
EUR	7,569,652	595,008	19,581	170,092	8,354,333	88.8 %
CHF with Swiss customers	518,803	21,614	1,090	13,475	554,982	5.9 %
CHF	346,133	17,967	7,000	5,045	376,146	4.0 %
USD	87,295	878	0	2,213	90,387	1.0 %
JPY	8,934	1,021	63	123	10,141	0.1 %
Other	5,917	55	0	0	5,972	0.1 %
Fair value						
EUR	13,744	0	0	0	13,744	0.1 %
Total	**8,550,479**	**636,544**	**27,735**	**190,949**	**9,405,706**	**100.0 %**

Creditworthiness structure of overdue loans

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

Creditworthiness structure by overdue debts in EUR thousand

Due date	Due date	No visible risk of default	With comment	High risk of default	Total
31/12/2017	31 - 60 days	1,016	51	258	1,324
	61-90 days	463	5	41	509
Total		**1,479**	**55**	**299**	**1,834**
31/12/2016	31 - 60 days	1,375	612	269	2,256
	61-90 days	1	227	42	270
Total		**1,376**	**840**	**311**	**2,526**

Collateral received

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

Collateral received by 31 December 2017 in EUR thousand

Value	No visible Risk of default	With comment	High risk of default	Bad debt	Total
Amortised costs					
Total drawn	8,536,735	636,544	27,735	190,949	9,391,962
Land register collateral	1,924,467	272,394	14,260	35,641	2,246,763
Collateral securities	127,069	15,740	1,577	1,460	145,846
Collateral securities	692,510	56,069	3,648	12,699	764,927
Total collateral in %	32.1 %	54.1 %	70.3 %	26.1 %	33.6 %
Fair value					
Total drawn	13,744	0	0	0	13,744
Land register collateral	0	0	0	0	0
Collateral securities	0	0	0	0	0
Collateral securities	0	0	0	0	0
Total collateral in %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Total					
Total drawn	**8,550,479**	**636,544**	**27,735**	**190,949**	**9,405,706**
Land register collateral	**1,924,467**	**272,394**	**14,260**	**35,641**	**2,246,763**
Collateral securities	**127,069**	**15,740**	**1,577**	**1,460**	**145,846**
Collateral securities	**692,510**	**56,069**	**3,648**	**12,699**	**764,927**
Total collateral in %	**32.1 %**	**54.1 %**	**70.3 %**	**26.1 %**	**33.6 %**

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

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

Risk structure of transactions involving debt arrangements according to credit quality

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

The credit quality is differentiated hereby as follows:

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

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

The credit risk volume fell in the category „No bad debt provision and not bad debts“ by EUR -8.1 million, as well as „Impaired and bad debts“ by EUR -7.7 compared to the previous year. The volume of „No bad debt provision but bad debts“ was also down (EUR -0.8 million).

Risk structure of transactions involving debt forbearance, by credit quality as of 31/12/2017 in EUR thousand

Credit quality	Values	No visible risk of default	With comment	High risk of default	Bad debt	Total
Not individually value-adjusted and not bad debt	Total drawn	7,405	27,409	2,326	0	37,140
	Provision for risks	34	1,102	182	0	1,317
	Shares/other Securities	6,660	4,452	1,575	0	12,687
Not value-adjusted and bad debt	Total drawn	0	0	0	1,857	1,857
	Provision for risks	0	0	0	0	0
	Shares/other Securities	0	0	0	1,133	1,133
Value-adjusted and bad debt	Total drawn	0	0	0	22,305	22,305
	Provision for risks	0	0	0	12,818	12,818
	Shares/other Securities	0	0	0	7,913	7,913
Total	**Total drawn**	**7,405**	**27,409**	**2,326**	**24,162**	**61,302**
	Provision for risks	**34**	**1,102**	**182**	**12,818**	**14,136**
	Shares/other Securities	**6,660**	**4,452**	**1,575**	**9,047**	**21,734**

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

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

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

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

As in the previous year, the type of capital repayment was adjusted for the largest section of the volume affected by debt arrangements. It hereby concerns a volume of loans to the tune of EUR 48.7 million or 79.4%. With regard to EUR 8.9 million or 14.5%, there was a reduction in the interest payments to be made. The entire financing structure of customers was rearranged for a volume of loans totalling EUR 1.3 million or 2.1%. Other agreements were modified amounting to EUR 2.4 million or 4.0%. Generally, it can be stated that the volume has declined by EUR -16.6 million compared to the previous year.

The risk structure of transactions with forbearance by type and number per business as of 31/12/2017 in EUR thousand

Type of debt arrangement	Number of debt arrangements/transaction	No visible Risk of default	With comment	High risk of default	Bad debt	Total
Capital repayment was adjusted	1	7,116	22,188	2,326	14,487	46,117
	2	289	133	0	2,124	2,546
	3	0	0	0	0	0
Interest payment to be made was reduced	1	0	5,087	0	3,804	8,892
	2	0	0	0	0	0
	3	0	0	0	0	0
Revision of credit relationship	1	0	0	0	1,303	1,303
	2	0	0	0	0	0
	3	0	0	0	0	0
Easing of compliance with binding obligations (covenants)	1	0	0	0	2,443	2,443
	2	0	0	0	2	2
	3	0	0	0	0	0
Total		**7,405**	**27,409**	**2,326**	**24,162**	**61,302**

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

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

Risk structure of transactions involving debt arrangements according to segment

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

Risk structure of transactions involving debt forbearance, by segment as of 31/12/2017 in EUR thousand.

Segment	No visible Risk of default	With com-ment	High risk of default	Bad debt	Total
Corporate clients	602	26,961	1,903	21,995	51,461
Private clients	6,803	448	423	2,167	9,841
Total	**7,405**	**27,409**	**2,326**	**24,162**	**61,302**

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

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

Risk structure of transactions involving debt arrangements according to economic sector

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

Risk structure of transactions involving debt forbearance, by industry segment as of 31/12/2017 in EUR thousand.

Sector	No visible Risk of default	With commitment	High risk of default	Bad debt	Total
Services	602	20,644	1,074	1,467	23,787
Physical goods manufacturing	0	5,972	0	12,344	18,316
Private	6,803	448	293	2,159	9,702
Construction	0	0	0	3,172	3,172
Tourism	0	112	0	2,784	2,896
Trade	0	0	828	1,033	1,861
Transport and communications	0	233	0	568	801
Property management	0	0	132	365	496
Other	0	0	0	271	271
Total	**7,405**	**27,409**	**2,326**	**24,162**	**61,302**

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

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

Risk structure of transactions involving debt arrangements according to country

The following table shows the risk structure of transactions involving debt arrangements structured according to country. The largest part of the volume, with a volume of loans amounting to EUR 44.9 million or 73.3%, concerns borrowers from Austria. Furthermore, the forbearance was agreed with borrowers in Germany and Switzerland.

Risk structure of transactions involving debt forbearance, by country as of 31/12/2017 in EUR thousand

Country	No visible Risk of default	With comment	High risk of default	Bad debt	Total
Austria	5,803	21,166	1,097	16,861	44,927
Germany	1,301	6,243	1,229	5,813	14,587
Switzerland	301	0	0	1,458	1,759
Italy	0	0	0	29	29
Other	0	0	0	0	0
Total	**7,405**	**27,409**	**2,326**	**24,162**	**61,302**

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

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

Income structure of transactions with forbearance by segment.
Transactions where forbearance was agreed yielded interest income in financial year 2017 of EUR 2.2 million.

Income structure of transactions involving debt forbearance, by segment as of 31/12/2017 in EUR thousand

Segment	No visible Risk of default	With comment	High risk of default	Bad debt	Total
Corporate clients	12	1,086	49	811	1,958
Private clients	135	7	12	54	207
Total	**147**	**1,093**	**61**	**865**	**2,166**

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

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

Risk structure for derivatives according to segments
The presented credit volume of derivatives corresponds to the fair value. The credit volume from derivatives at the reporting date of 31/12/2017 is EUR 70.3 million. Of this, EUR 55.8 million or 79.4%, is related to loans to institutional customers and banks. Loans to corporate clients amounted to EUR 14.3 million or 20.3% and to retail clients EUR 0.2 million or 0.3%.

Risk structure of derivatives by segment as of 31/12/2017 in EUR thousand

Segment	No visible Risk of default	With comment	High risk of default	Bad debt	Total
Fair value					
Corporate clients	9,755	4,543	0	0	14,298
Private	215	0	4	0	219
Institutional clients and banks	55,821	0	0	0	55,821
Total	**65,791**	**4,543**	**4**	**0**	**70,338**

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

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

Derivative risk structure by type of business and currencies

As in the previous year, the majority, with around 90.0% of the volume, relates to lending denominated in EUR. CHF transactions account for 8.7%, the remaining 1.3% are in USD, JPY and other currencies.

Risk structure of derivatives by segment and currency as of 31/12/2017 in EUR thousand

Segment	Currency	No visible risk of default	With com-ment	High risk of default	Bad debt	Total
Fair value						
Corporate clients	EUR	8,942	4,349	0	0	13,291
	CHF	391	194	0	0	585
	USD	320	0	0	0	320
	Other	103	0	0	0	103
Private clients	EUR	186	0	0	0	186
	CHF	29	0	4	0	33
Institutional clients and banks	EUR	49,810	0	0	0	49,810
	CHF	5,516	0	0	0	5,516
	USD	476	0	0	0	476
	JPY	19	0	0	0	19
	Other	0	0	0	0	0
Total		**65,791**	**4,543**	**4**	**0**	**70,338**

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

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

Risk structure of derivatives by country

41.5% of debts are in respect of counterparties in Austria. A further 39.3% relate to German partners. The remainder is distributed among clients in Switzerland and other countries.

Risk structure of derivatives by country as of 31/12/2017 in EUR thousand

Country	No visible Risk of default	With comment	High risk of default	Bad debt	Total
Fair value					
Austria	24,994	4,175	0	0	29,169
Germany	27,270	368	4	0	27,641
Switzerland	1,294	0	0	0	1,294
Other	12,233	0	0	0	12,233
Total	**65,791**	**4,543**	**4**	**0**	**70,338**

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

Country	No visible Risk of default	With comment	High risk of default	Bad debt	Total
Fair value					
Austria	28,968	5,174	180	0	34,322
Germany	32,958	53	26	0	33,038
Switzerland	1,593	0	0	0	1,593
Other	12,929	37	0	0	12,965
Total	**76,448**	**5,264**	**206**	**0**	**81,918**

Risk structure of derivatives by transaction type

77.7% of loans relate to interest rate swaps, 9.2% to currency futures, 8.1% to interest options and 4.9% to currency swaps. Currently there is no credit risk in relation to derivatives on asset values. As in the previous year, most of the volume is for interest rate swaps while currency swaps are down slightly. Foreign exchange futures show a strong increase, which is reflected in a doubling of the volume.

Risk structure of derivatives by type of business as of 31/12/2017 in EUR thousand

Country	No visible Risk of default	With comment	High risk of default	Bad debt	Total
Fair value					
Interest swaps	53,653	1,027	4	0	54,684
Foreign exchange futures	6,454	0	0	0	6,454
Interest options	5,684	0	0	0	5,684
Currency swaps	0	3,417	0	0	3,417
Bond options	0	99	0	0	99
Total	**65,791**	**4,543**	**4**	**0**	**70,338**

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

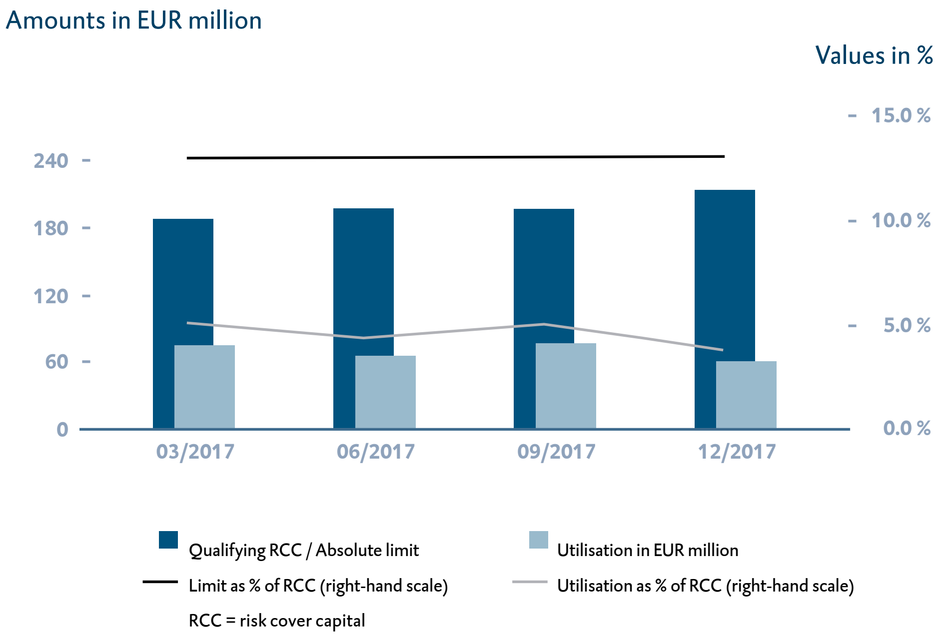
Country	No visible Risk of default	With comment	High risk of default	Bad debt	Total
Fair value					
Interest swaps	68,703	1,421	206	0	70,330
Interest options	4,578	0	0	0	4,578
Currency swaps	0	3,750	0	0	3,750
Foreign exchange futures	3,167	0	0	0	3,167
Bond options	0	93	0	0	93
Total	**76,448**	**5,264**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

Market risk

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

Over the course of 2017, market risk relative to risk coverage decreased from 5.3% in the first quarter to 3.7% in the fourth quarter. The main drivers of market risk are interest rate risk and credit spread risk. As the market situation currently has low volatility, the changes are attributable to the changed composition of risk positions.

Market risk – liquidation approach

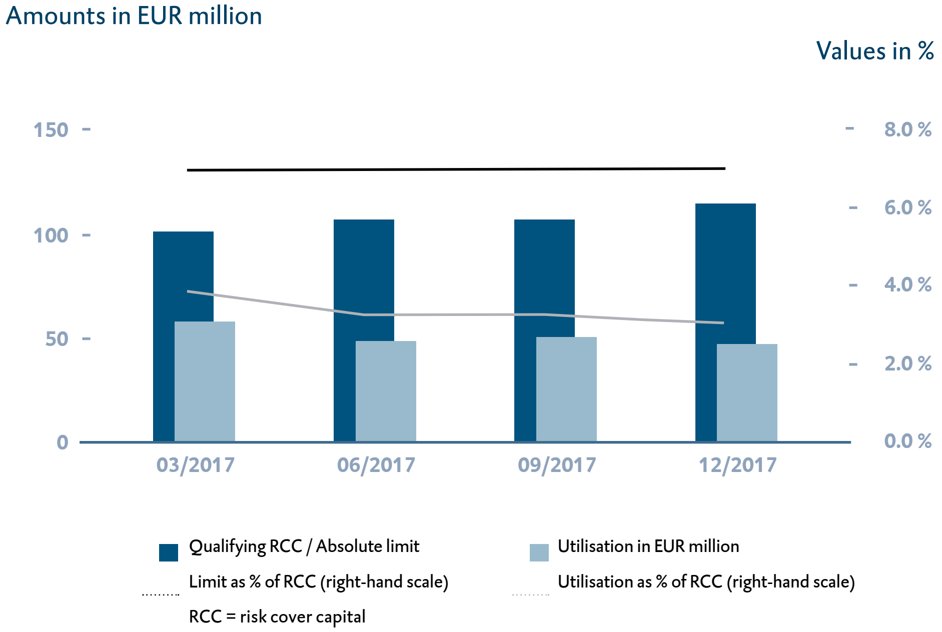


Market risk – liquidation approach		**Maximum**	**Average**	**Year-end**
31/12/2017	Utilisation in EUR million	78.1	70.6	60.7
	Utilisation in % of risk cover capital	5.3 %	4.6 %	3.7 %
31/12/2016	Utilisation in EUR million	71.6	63.2	50.1
	Utilisation in % of risk cover capital	5.2 %	4.5 %	3.5 %

Interest rate risk

The following illustration depicts the risk in comparison to the allocated risk-covering capital and the limit set for the interest risk. Utilization in relation to risk coverage decreased from 4.0% in the first quarter to 2.9% at the end of the year.

interest rate risk - liquidation approach

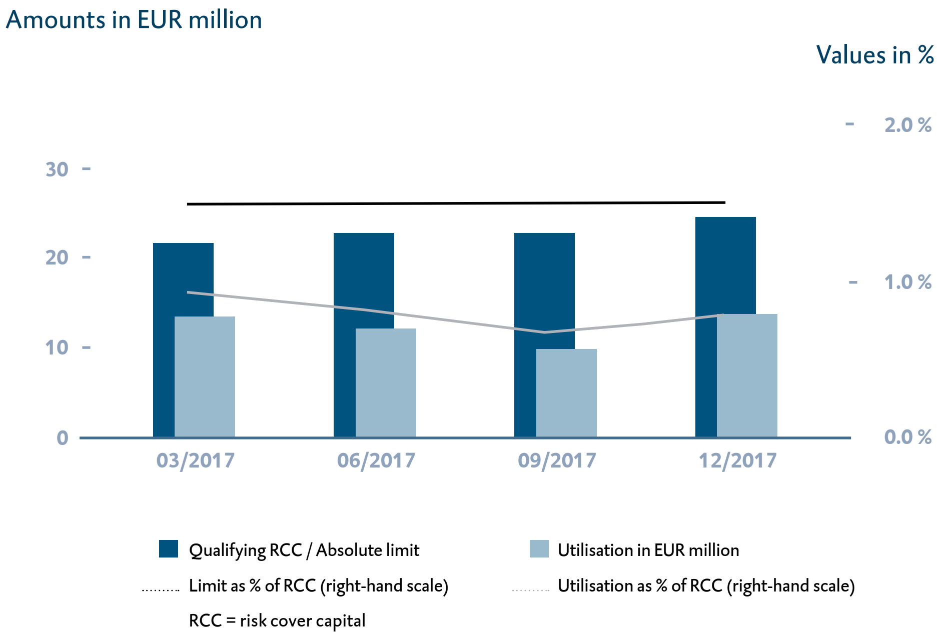


interest rate risk - liquidation approach		Maximum	Average	Year-end
31/12/2017	Utilisation in EUR million	57.8	51.2	47.6
	Utilisation in % of risk cover capital	4.0 %	3.3 %	2.9 %
31/12/2016	Utilisation in EUR million	62.0	55.6	46.0
	Utilisation in % of risk cover capital	4.5 %	4.0 %	3.2 %

Currency risk

The following illustration depicts the risk in comparison to the allocated risk-covering capital and the limit set for the currency risk. Currency risk remained at a low level over the course of the year and stood at 0.8% of the risk cover amount at the end of the year.

Currency risk – liquidation approach

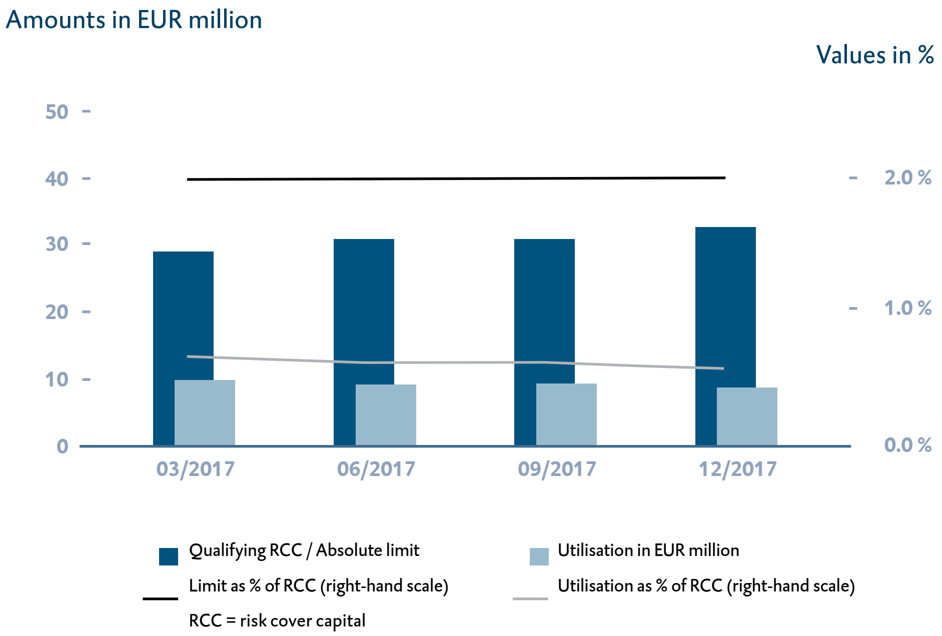


Currency risk – liquidation approach		Maximum	Average	Year-end
31/12/2017	Utilisation in EUR million	13.8	12.4	13.8
	Utilisation in % of risk cover capital	0.9 %	0.8 %	0.8 %
31/12/2016	Utilisation in EUR million	12.6	10.1	6.4
	Utilisation in % of risk cover capital	0.9 %	0.7 %	0.4 %

Share price risk

The following illustration depicts the risk in comparison to the allocated risk-covering capital and the limit set for the share price risk. The generation of income from the equity business is not one of BTV's core activities. This was underlined by an average utilisation of EUR 9.4 million or 0.6% of the risk cover assets. There were no significant changes in the share price risk in the reporting year 2017.

Share price risk - liquidation approach

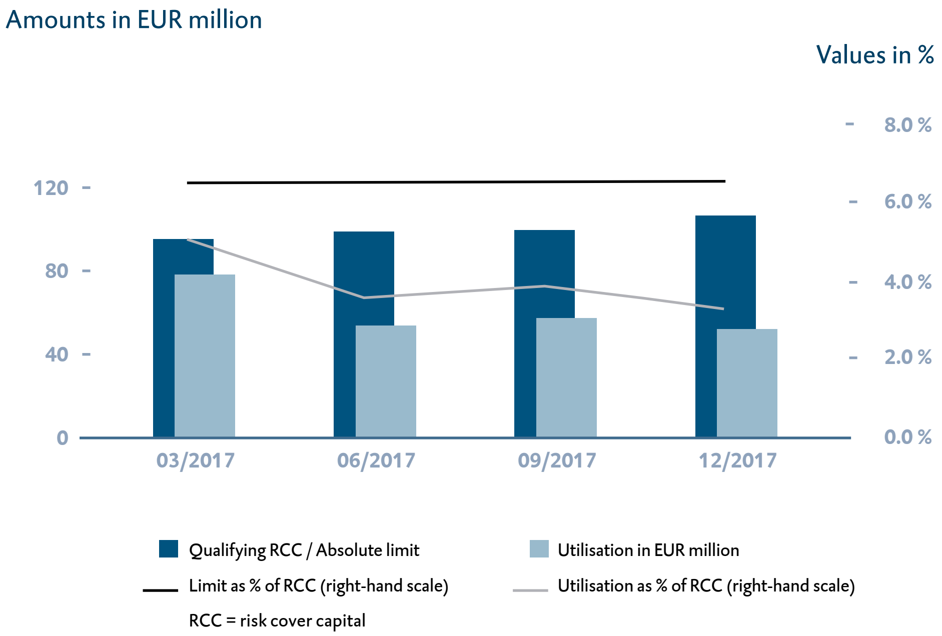


Share price risk - liquidation approach		Maximum	Average	Year-end
31/12/2017	Utilisation in EUR million	9.8	9.4	8.7
	Utilisation in % of risk cover capital	0.7 %	0.6 %	0.5 %
31/12/2016	Utilisation in EUR million	7.4	7.0	6.8
	Utilisation in % of risk cover capital	0.5 %	0.5 %	0.5 %

Credit spread risk

The following illustration depicts the risk in comparison to the allocated risk-covering capital and the limit set for the credit spread risk. The credit spread risk in relation to risk coverage at overall bank level fell from 5.3% in the first quarter to 3.2% at the end of the year.

Credit spread risk - liquidity approach

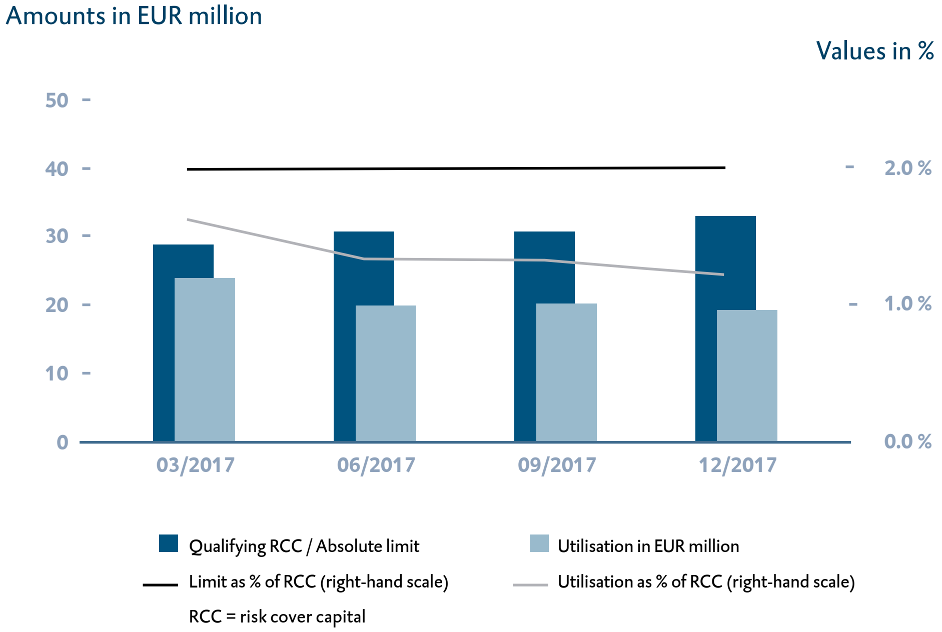


Credit spread risk - liquidity approach		Maximum	Average	Year-end
31/12/2017	Utilisation in EUR million	76.8	60.2	52.0
	Utilisation in % of risk cover capital	5.3 %	4.0 %	3.2 %
31/12/2016	Utilisation in EUR million	53.1	42.0	43.9
	Utilisation in % of risk cover capital	3.8 %	3.0 %	3.0 %

Liquidity risk

Liquidity risk utilisation declined slightly over the course of 2017, falling from 1.6% of the risk cover assets to 1.2% at the end of the year.

Liquidity risk - liquidation approach



Liquidity risk - liquidation approach		Maximum	Average	Year-end
31/12/2017	Utilisation in EUR million	23.8	20.9	19.6
	Utilisation in % of risk cover capital	1.6 %	1.4 %	1.2 %
31/12/2016	Utilisation in EUR million	20.6	15.2	20.6
	Utilisation in % of risk cover capital	1.4 %	1.1 %	1.4 %

Residual maturities of liabilities 2017 according to IFRS 7.39

in EUR thousand	overnight	< 3 M.	3 M.–1 Y.	1–5 Y.	> 5 Y.	Total results
Liabilities to banks	34,840	193,834	40,583	738,675	234,638	1,242,570
Liabilities to clients	3,796,067	935,881	753,156	713,344	98,807	6,297,256
Securitised debt	0	63,670	145,188	645,264	365,005	1,219,128
Subordinated capital	0	4,041	2,492	57,064	101,918	165,515
Not derivatives Liabilities	**3,830,907**	**1,197,425**	**941,420**	**2,154,348**	**800,369**	**8,924,469**
Derivative liabilities	0	1,024	4,026	7,190	–521	11,719
Total	**3,830,907**	**1,198,449**	**945,446**	**2,161,537**	**799,848**	**8,936,188**
Contingent liabilities	82,842	326,747	649,261	629,025	94,152	1,782,027
Financial guarantees	40,062	103,536	35,483	144,377	7,008	330,465
Credit facilities not utilised	42,780	223,211	613,778	484,648	87,144	1,451,562

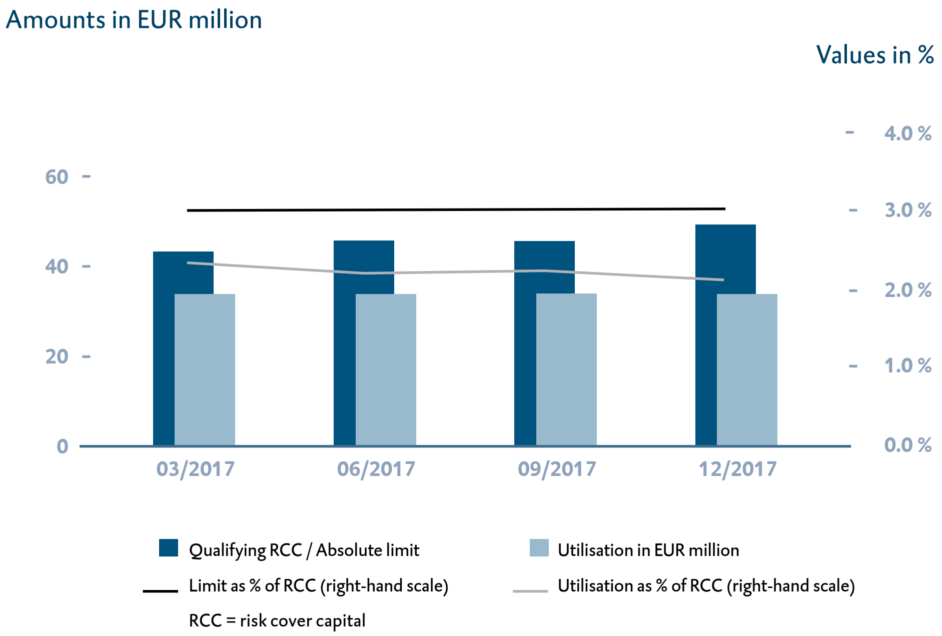
Residual maturities of liabilities 2016 according to IFRS 7.39

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

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. In addition, in 2017 we took care to reduce the relative share of liabilities by up to 3 months and to increase the relative share of longer-term liabilities. This was done particularly against the backdrop of the increasing importance of the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) and the associated goal of further reducing the liquidity risk.

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

Operational risk – liquidation approach

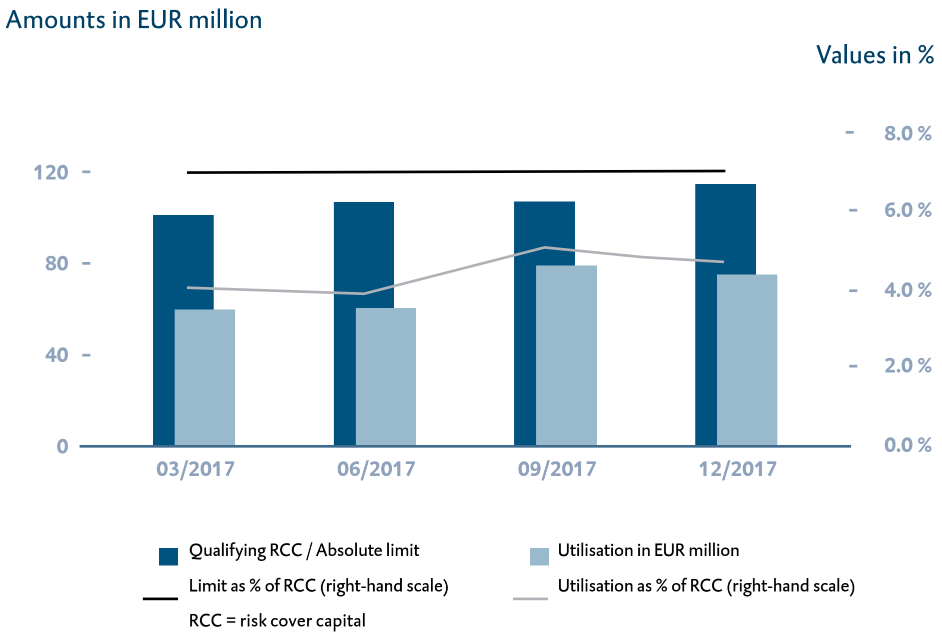


Operational risk – liquidation approach		Maximum	Average	Year-end
31/12/2017	Utilisation in EUR million	33.6	33.6	33.6
	Utilisation in % of risk cover capital	2.3 %	2.2 %	2.0 %
31/12/2016	Utilisation in EUR million	34.2	34.2	34.2
	Utilisation in % of risk cover capital	2.5 %	2.4 %	2.4 %

Macroeconomic risk

The following illustration depicts the risk in comparison to the allocated risk-covering capital and the limit set for the macroeconomic risk in
the liquidation approach of EUR 60.2 million by EUR +18.0 million to EUR 78.2 million. As a result, utilization as a percentage of the limit increased from 56.5% to 73.2%. This is attributable to an adjustment of the methodology used to quantify the macroeconomic credit spread risk.

Macroeconomic risks – liquidation approach



Macroeconomic risk – liquidation approach		Maximum	Average	Year-end
31/12/2017	Utilisation in EUR million	78.2	68.2	74.9
	Utilisation in % of risk cover capital	5.1 %	4.4 %	4.6 %
31/12/2016	Utilisation in EUR million	61.3	56.9	51.9
	Utilisation in % of risk cover capital	4.4 %	4.1 %	3.6 %

So far the calculation of ratings for project financing was done using an externally bought system. Since April 2017, a self-developed application has been used for this, which makes operation and recording easier for the user. At the same time, the rating results are easier to understand and a finer grading of the individual rating results can be achieved.

The new IFRS 9 standard replaces the currently valid IAS 39 standard. Application of the standard will become mandatory on 1 January 2018. Based on the contractual cashflow characteristics and the business model, transactions are divided into the following classes:

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

For impairment, IFRS 9 provides for an expected credit loss model, which also takes future expected losses into account. In the area of hedge accounting, IFRS 9 provides for increasing convergence of the accounting to the actual risk management through broader definition of the permitted underlying and hedging transactions.

The resulting data requirements were covered by the introduction of new software. In addition, in 2017, the necessary changes to the IT systems and the internal processes were finalized and implemented. Details of the concrete implementation of the new standard at BTV can be found in the BTV Group 2017 appendix.

The continuous development of the ICAAP framework is seen as an essential element in ensuring the conscious and selective assumption of risks and their appropriate control within BTV. Furthermore, BTV‘s risk strategy is characterised, among other things, by a conservative approach to banking risks. With this in mind, the methodology for quantifying the macroeconomic credit spread risk was adjusted in the 2017 financial year. The approach adopted in the liquidation approach of the risk-bearing capacity calculation is even more conservative.

In the 2015 financial year, BTV prepared a restructuring plan on the basis of the Federal Act on the restructuring and resolution of banks (BaSAG for short), which was adjusted in 2016 to reflect regulatory changes and regulatory expectations. This plan must be updated at least once a year and if there is a significant need for adjustment. The last update was made on 30 September 2017. The transaction plan was created directly through the Financial Market Authority.

BTV will apply the new IFRS 9 standard as of 1 January 2018. IFRS 9 requires extensive new information.

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

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

Due to regulatory developments such as the CRR-II package or Basel IV, it is planned to update the application mentioned above in 2018 in order to prepare BTV as much as possible for the challenges ahead.

BTV sees management of liquidity and market risk as one of its core tasks. This is why BTV decided to replace the existing application. Thanks to the new software, these points can be combined in a single module. This will further increase the transparency of the results and will make the calculation process more efficient. It will increase the level of integration and significantly improve the performance of simulations.

There are also plans in 2018 to promote the selective development of the ICAAP framework. Specifically, it is planned to further develop the methods for quantifying the operational risk as well as the liquidity risk.

36 OTHER DETAILS IN EUR THOUSAND	31/12/2017	31/12/2016
Assets deposited as guarantees:		
Debenture bonds and other fixed-interest securities	1,324,913	1,223,245
Loans to credit institutions	6,164	12,892
Loans to clients	1,302,897	1,179,120
I) Assets deposited as collateral	**2,633,974**	**2,415,257**
c) Liabilities for which collateral was transferred:		
Trust fund deposits	17,324	15,151
Bonds issued	359,500	356,000
Liabilities to credit institutions	142,083	109,645
II) Liabilities for which collateral was provided	**518,907**	**480,796**
Subordinated assets:		
Loans to credit institutions	54	26
Loans to clients	952	988
Debenture bonds and other fixed-interest securities	32,535	46,115
Equities and other variable-interest securities	0	560
III) Subordinated assets	**33,542**	**48,249**
Foreign currency volumes		
Receivables	971,130	1,066,880
Liabilities	483,448	534,469
IV) Foreign currency volume		
Foreign volumes:		
Foreign assets	3,674,142	3,511,876
Foreign liabilities	1,593,392	1,619,313
V) Foreign volumes		
Trust loans:	67,476	69,774
Loans to clients	67,476	69,774
Trust liabilities:	67,476	69,774
Liabilities to credit institutions	49,925	47,965
Liabilities to clients	17,551	21,809
VI) Fiduciary operations		
VII) Genuine repurchase agreements	**600,000**	**485,000**
Performance guarantees and credit risks:		
Performance guarantees	324,885	267,643
Credit risks	1,451,562	1,395,084
VIII) Performance bonds and credit risks	**1,776,447**	**1,662,727**

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

In the context of pension business, securities were transferred to third parties. The market value without accrued interest at 31/12/2017 totals EUR 1,306,040 thousand (previous year EUR 1,214,926 thousand). The total amount of EUR 1,306,040 thousand (previous year: EUR 1,214,926 thousand) is assigned to the category „Financial assets – available for sale". The book value (without accrued interest) as of 31/12/2017 is EUR 1,295,715 thousand (previous year: EUR 1,200,901 thousand). The associated liabilities are recorded under Liabilities to banks, as of 31 December 2017 the utilisation amounted to
EUR 600.000 million (previous year: EUR 485.000 million)

36a Information related to offsetting of financial instruments as at 31 December 2017 in EUR thousand	Financial assets/ debts	Effects from settlement agreements	Received/ issued securities in the form of financial instruments	Financial assets/debts (net)
Trading assets - derivatives	66,241	–41,168	–21,485	3,588
Total debt	**66,241**	**–41,168**	**–21,485**	**3,588**
Liabilities to credit institutions and customer deposits	7,499,680	0	–1,433,269	6,066,411
Trading liabilities – Derivatives	24,887	–41,168	–3,724	–20,005
Total liabilities	**7,524,567**	**–41,168**	**–1,436,993**	**6,046,406**

Information related to offsetting of financial instruments as at 31 December 2016 in EUR thousand	Financial assets/ debts	Effects from settlement agreements	Received/ issued securities in the form of financial instruments	Financial assets/debts (net)
Trading assets - derivatives	84,086	–20,522	–20,142	43,422
Total debt	**84,086**	**–20,522**	**–20,142**	**43,422**
Liabilities to credit institutions and customer deposits	7,124,899	0	–1,263,540	5,861,359
Trading liabilities – Derivatives	33,649	–20,522	–9,902	3,225
Total liabilities	**7,158,548**	**–20,522**	**–1,273,442**	**5,864,584**

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

36b Notes pursuant to section 64 BWG

Selected data and figures concerning branches pursuant to SECTION 64 BWG
in EUR thousand

	Austria	Switzerland	Germany
Net interest income	138,966	8,966	17,869
Operating income	180,503	13,127	20,801
Number of employees in persons/years	1,302	27	73
Annual profit before tax	86,339	6,709	–1,833
Taxes on earnings	13,211	1,099	935
State aid received	0	0	0

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

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

Return on investment pursuant to SECTION 64 BWG	2017	2016
Return on investment	0.73 %	0.64 %

36c Comfort letters
During the reporting year, and as in the previous year, BTV did not issue any comfort letters.

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

37a Emoluments and loans to members of the Board of Directors and Supervisory Board.
At the end of 2017, as was already the case in the previous year, there were no loans or advances given to members of the Executive Board. Loans of EUR 3.324 million have been made to members of the Supervisory Board (previous year: EUR 6.545 million). The interest rates and other conditions (maturity and collateral) are in line with the market. Members of the Supervisory Board made loan repayments during 2017 of EUR 2.637 million (previous year: EUR 61 thousand).

In the reporting year, remuneration of the current Board of Directors amounted to EUR 1.054 million (previous year: EUR 877 thousand).
The pension payments to former members of the Board of Directors (including reversal of provisions in the amount of EUR 1.840 million) amounted to EUR 937 thousand (previous year: EUR 2.485 million).

During the financial year, active members of the Supervisory Board of BTV AG received annual remuneration for their positions of EUR 263 thousand (previous year: EUR 210 thousand).

37B RECEIVABLES AND LIABILITIES TO ASSOCIATED, NON-CONSOLIDATED COMPANIES AND HOLDINGS IN EUR THOUSAND	31/12/2017	31/12/2016
Loans to credit institutions	0	0
Loans to clients	9,870	12,423
Liabilities to customers	9,870	12,423
Liabilities to credit institutions	0	0
Liabilities to clients	10,713	10,381
Total liabilities	10,713	10,381

In the context of the profit and loss account, there are earnings of EUR 76 thousand (previous year: EUR 94 thousand) and no expenses (previous year: EUR 18 thousand) were incurred for transactions with the parent company and its associated companies.

37c Loans and liabilities to associated companies and holdings in EUR 000s	31/12/2017	31/12/2016
Loans to credit institutions	26	37
Loans to clients	3,631	137
Liabilities to customers	**3,657**	**174**
Liabilities to credit institutions	4,412	19,930
Liabilities to clients	4,132	5,208
Total liabilities	**8,544**	**25,138**

As part of the profit and loss account there are earnings of EUR 15 thousand (previous year: EUR 14 thousand) and expenditure of EUR 59 thousand (previous year: EUR 153 thousand) incurred for transactions with the parent company and its associated companies.

The fair value of the companies listed on the stock exchange, which are included according to the equity method was EUR 598 million on the reporting date (previous year: EUR 463 million). The timing differences under IAS 12.87 at the balance sheet date were EUR 541 million (previous year: EUR 488 million).

The number of own shares held via associated companies is 8,293,856 (previous year: 7,372,836).

37d Reconciliation of the equity carrying value of the associated companies included in the group financial statements based on the portfolio as at 31 December 2017 in EUR	Written-down value as at 1 January 2017	Change not recognised in profit and loss 2017	Change recognised in profit and loss 2017	Written-down value as at 31 December 2017	Market price of ordinary shares	Market price of preference shares
BKS Bank AG	156,372	3,405	9,790	186,757	17.80	17.65
Oberbank AG	295,380	9,670	29,540	384,204	81.95	71.40
Drei-Banken Versicherungs-agentur GmbH	4,471	0	–1,329	1,646	n. v.	n. v.
Moser Holding AG	12,264	1,001	2,539	16,949	n. v.	n. v.

Explanation: n.a. = not available

37e The associated companies valued at equity showed the following values at the balance sheet date in EUR thousand

	31/12/2017	31/12/2016
BKS Bank AG	7,545,270	7,256,773
Oberbank AG	20,094,773	18,913,759
Drei-Banken Versicherungsagentur GmbH	9,181	14,682
Moser Holding AG	141,085	144,626
assets	**27,790,309**	**26,329,840**
BKS Bank AG	6,522,415	6,371,846
Oberbank AG	17,660,001	16,851,815
Drei-Banken Versicherungsagentur GmbH	577	1,607
Moser Holding AG	74,655	82,830
Liabilities	**24,257,648**	**23,308,098**
BKS Bank AG	209,744	162,237
Oberbank AG	581,201	586,732
Drei-Banken Versicherungsagentur GmbH	245	1,330
Moser Holding AG	105,794	106,179
Earnings	**896,984**	**856,477**
Group net profit for the year	60,941	46,515
Other comprehensive income	16,693	–1,605
BKS Bank AG Total annual earnings	77,634	44,910
Group net profit for the year	205,527	170,075
Other comprehensive income	26,507	41,755
Oberbank AG Total annual earnings	232,034	211,830
Group net profit for the year	29	3,809
Other comprehensive income	n. v.	n. v.
Drei-Banken Versicherungsagentur GmbH full year earnings	29	3,809
Group net profit for the year	7,042	5,428
Other comprehensive income	33	–404
Moser Holding AG Total annual earnings	7,075	5,025
Overall profit for the financial year	**316,772**	**265,573**
BKS Bank AG	1,722	1,566
Oberbank AG	3,644	2,879
Drei-Banken Versicherungsagentur GmbH	900	2,931
Moser Holding AG	400	0
Dividends received	**6,666**	**7,376**

Explanation: n.a. = not available

37F ACQUISITION COSTS CARRIED OVER OR ASSOCIATED COMPANIES VALUED AT FAIR VALUE SHOWED THE FOLLOWING VALUES AT THE BALANCE SHEET DATE

in EUR thousand	31/12/2017	31/12/2016
assets	68,047	63,003
Liabilities	39,339	34,557
Earnings	65,757	64,179
Profit/loss over the period	1,162	1,464

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

38 Total volume of not yet unwound derivative financial products

Total volume of not yet transacted derivative financial products at 31/12/2017:

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	139,534	529,650	907,597	1,576,781	891	–643	12,038	–6,881	40,471	–10,158
Purchase	25,761	153,588	299,297	478,646	0	–643	59	–6,384	870	–7,478
Sale	113,772	376,063	608,300	1,098,135	891	0	11,979	–498	39,601	–2,680
Interest rate options	31,825	101,405	21,312	154,542	0	0	170	–148	43	–138
Purchase	15,935	50,703	10,656	77,294	0	0	71	–73	43	0
Sale	15,890	50,703	10,656	77,249	0	0	99	–74	0	–138
Interest rate contracts, total	171,359	631,056	928,909	1,731,323	891	–643	12,208	–7,029	40,514	–10,296
Currency swaps	0	22,464	0	22,464	0	0	3,538	–3,776	0	0
Purchase	0	10,400	0	10,400	0	0	0	–3,776	0	0
Sale	0	12,064	0	12,064	0	0	3,538	0	0	0
Foreign exchange futures	37,170	463	0	37,633	383	–1,381	14	0	0	0
FX Swaps	881,347	0	0	881,347	6,321	–1,089	0	0	0	0
Total currency exchange rate contracts	918,517	22,927	0	941,443	6,704	–2,469	3,552	–3,776	0	0
Derivate trades relating to securities and other derivatives	0	9,875	0	9,875	0	0	1,352	0	0	0
Purchase	0	0	0	0	0	0	0	0	0	0
Sale	0	9,875	0	9,875	0	0	1,352	0	0	0
Trades relating to securities and other derivatives Total	0	9,875	0	9,875	0	0	1,352	0	0	0
Total bank register	1,089,875	663,858	928,909	2,682,642	7,595	–3,112	17,112	–10,806	40,514	–10,296
Coupon swap options – trading book	188	8,271	16,582	25,040	0	0	0	0	57	–143
Purchase	30	3,882	8,055	11,967	0	0	0	0	57	0
Sale	158	4,389	8,527	13,074	0	0	0	0	0	–143
Coupon swap – trading book	0	0	0	0	0	0	0	0	0	0
Purchase	0	0	0	0	0	0	0	0	0	0
Sale	0	0	0	0	0	0	0	0	0	0
Interest rate contracts, total	188	8,271	16,582	25,040	0	0	0	0	57	–143
Derivate trades relating to securities and other derivatives	0	0	2,000	2,000	0	0	0	0	99	0
Purchase	0	0	2,000	2,000	0	0	0	0	99	0
Trades relating to securities and other derivatives Total	0	0	2,000	2,000	0	0	0	0	99	0
Total trading book	188	8,271	18,582	27,040	0	0	0	0	156	–143
Non-transacted derivatives Total financial instruments	**1,090,063**	**672,129**	**947,490**	**2,709,682**	**7,595**	**–3,112**	**17,113**	**–10,806**	**40,670**	**–10,439**

Total volume of not yet completed derivative financial products as at 31/12/2016:

in EUR thousand	Contract volume / residual terms				Market values					
					posi-tive	nega-tive	posi-tive	negative	posi-tive	negative
	< 1 year	1- 5 years	> 5 years	Total	< 1 year		1- 5 years		> 5 years	
Interest swaps	333,780	479,745	744,840	1,558,366	2,614	–4,473	15,160	–5,300	53,818	–10,667
Purchase	173,167	76,441	218,898	468,507	0	–4,473	38	–5,248	240	–9,280
Sale	160,613	403,305	525,942	1,089,859	2,614	0	15,122	–52	53,578	–1,388
Interest rate options	5,898	129,344	30,477	165,720	0	0	290	–245	71	–148
Purchase	2,949	64,725	15,239	82,913	0	0	117	–127	71	0
Sale	2,949	64,620	15,239	82,808	0	0	172	–117	0	–148
Interest rate contracts, total	339,679	609,090	775,318	1,724,086	2,614	–4,473	15,450	–5,544	53,889	–10,815
Currency swaps	0	25,133	0	25,133	0	0	5,583	–6,036	0	0
Purchase	0	11,660	0	11,660	0	0	0	–6,036	0	0
Sale	0	13,473	0	13,473	0	0	5,583	0	0	0
Foreign exchange futures	67,865	2,121	0	69,986	1,077	–1,063	23	–17	0	0
FX Swaps	935,736	0	0	935,736	2,493	–6,234	0	0	0	0
Total currency exchange rate contracts	1,003,601	27,254	0	1,030,855	3,570	–7,297	5,606	–6,053	0	0
Derivate trades relating to securities and other derivatives	0	9,875	0	9,875	0	0	529	–193	0	0
Purchase	0	0	0	0	0	0	0	0	0	0
Sale	0	9,875	0	9,875	0	0	529	–193	0	0
Trades relating to securities and other derivatives Total	0	9,875	0	9,875	0	0	529	–193	0	0
Total bank register	1,343,280	646,219	775,318	2,764,816	6,184	–11,770	21,585	–11,790	53,889	–10,815
Coupon swap options – trading book	322	11,108	18,249	29,678	0	0	0	0	44	–140
Purchase	120	5,177	8,865	14,162	0	0	0	0	44	0
Sale	202	5,931	9,384	15,516	0	0	0	0	0	–140
Coupon swap – trading book	0	0	0	0	0	0	0	0	0	0
Purchase	0	0	0	0	0	0	0	0	0	0
Sale	0	0	0	0	0	0	0	0	0	0
Interest rate contracts, total	322	11,108	18,249	29,678	0	0	0	0	44	–140
Derivate trades relating to securities and other derivatives	0	0	2,000	2,000	0	0	0	0	93	0
Purchase	0	0	2,000	2,000	0	0	0	0	93	0
Trades relating to securities and other derivatives Total	0	0	2,000	2,000	0	0	0	0	93	0
Total trading book	322	11,108	20,249	31,678	0	0	0	0	137	–140
Non-transacted derivatives Total financial instruments	**1,343,601**	**657,327**	**795,566**	**2,796,495**	**6,184**	**–11,770**	**21,585**	**–11,790**	**54,026**	**–10,955**

The trading volume is divided by the type of underlying financial instrument into the categories of interest rate, currency rate and security related trades. The selected classification of volumes by maturity categories is in line with international recommendations, as is the classification into interest, currency and security-related transactions. At the end of 2017, BTV only had OTC transactions on its books.

The derivative instruments held for non-trading purposes are mainly represented by interest rate contracts primarily requested by customers. Alongside interest swaps customers also asked for cross-currency swaps and interest rate options. BTV closes off these positions with back-to-back transactions with other credit institutions and does not carry any risk on its own book. BTV itself uses primarily interest rate swaps to manage the overall bank rate risk. For management of currency rate risks BTV mainly uses foreign exchange futures and currency swaps. The securities-related transactions relate solely to issued structured investment products. The options required for these were bought in through third-party banks.

The hedging period for derivatives used in hedge accounting is identical to that for the hedged item.

The group uses fair value hedge accounting predominantly through interest rate swaps, in order to hedge against changes in the fair values of fixed-income financial instruments due to movements in market interest rates. The fair values of the hedging instruments are classified under miscellaneous assets and miscellaneous liabilities.

The following table shows the current fair market value of derivatives, which are held as part of fair value hedges:

Derivatives fair value (as part of fair value hedges) **in EUR thousand**	**Other assets 2017**	**Other liabilities 2017**	**Other assets 2016**	**Other liabilities 2016**
Derivatives in fair value hedges	35,441	6,825	44,104	2,815

39 Fair value hierarchy of financial instruments which are valued at fair value

The financial instruments reported at fair value are classified at fair value in the three tier valuation hierarchy as follows.

This hierarchy reflects the significance of the input data used for the valuation and is classified as follows:

Quoted prices in active markets (Level 1):
This category contains equity, corporate bonds and government lending listed on major exchanges. The fair value of financial instruments traded in active markets is calculated on the basis of quoted prices, in so far as these represent prices applied within the context of regular and current transactions.

An active market must fulfil cumulatively the following conditions:

- the products traded on the market are homogenous,
- normally willing contractual buyers and sellers can be found any time and
- prices are available to the public.

A financial instrument is seen as listed on an active market if its prices are available easily and regularly from a stock exchange, a trader or broker, an industry group, a price service agency or a supervisory authority and these prices represent actual and regularly occurring market transactions.

Valuation procedure through observable parameters (Level 2):
This category includes OTC derivative contracts, receivables and issued debt securities of the Group classified at fair value.

Valuation procedures through significant unobservable parameters (Level 3):
The financial instruments in this category show input parameters which are based on unobservable markets.

The allocation of certain financial instruments to the categories requires a systematic assessment, especially if the valuation is based on both observable as well as unobservable market parameters. The instrument classification may also change over time in consideration of changes to the market parameters.

For securities and other investments which are valued at fair value, the following valuation processes are applied:

Level 1
The fair value is derived from the transaction prices as traded on the stock exchange.

Level 2
Securities which are not traded in an active market are valued by means of the discounted cash flow method. This means that the future projected cash flows are discounted by means of suitable discount factors in order to calculate the fair value. The discount factors contain both the credit curve without credit risk as well as the credit spreads which follow the credit rating and the rank of the issuer. The interest curve for discounting contains securities account, money-market futures and swap rates as observable on the market. The calculation of the credit spread follows a 3-step process:

1) If there is for the issuer a bond of the same rank and of the same remaining term which is actively traded on the market, this credit spread is used.
2) if there is no comparable bond which is actively traded on the market, the credit default swap spread (CDS spread) with a similar term is applied.
3) If there is neither a comparable bond traded on the market nor an actively traded CDS, then the credit spread from a comparable issuer is applied (level 3). This approach is currently not being used at the BTV group.

Level 3
The accompanying current values of the mentioned financial assets in the third stage where determined in accordance with generally recognised valuation processes. Significant parameters are the depreciation rate as well as long-term success and capitalisation values with consideration of the experience of the management as well as knowledge of the market conditions of the specific industry.

The issues are categorised at level 2 and the valuation takes place in accordance with the following process:

Level 2
The own issues are not subject to active trade on the capital market. Instead they are retail issues and private placements. The valuation consequently takes place by means of a discounted cash flow valuation model. This is based on an interest curve based on money market interest rates and swap interest as well as BTV's credit spreads. The credit spreads align themselves with the spreads that are payable at the time for an interest rate hedging transaction (interest spread on swap).

The derivatives are also categorised at level 2.

The following valuation processes are applied:

Level 2
Derivative financial instruments are divided into derivatives with a symmetrical payment profile as well as derivatives with an asymmetrical payment profile.

At BTV, derivatives with a symmetrical payment profile contain interest derivatives (interest swaps and interest rate forwards) and foreign currency derivatives (FX Swaps, cross currency swaps and FX outright transactions). These derivatives are calculated by means of the discounted cash flow method which is based on money market interest rates, money market futures-interest rates, swap interest rates as well as basis spreads which can be observed continually on the market.

At BTV, derivatives with an asymmetrical payment profile contain interest derivatives (caps and floors). The calculation of the fair value occurs here by means of the Black-76-Option price model. All inputs are either completely directly observable on the market (money market rates, money market futures- interest rates as well as swap interest rates) or derived from input factors observable on the market (caps / floor volatilities implicitly deducted from option prices).

The following tables show the fair value valuation methods used in order to determine the fair value of the balance sheet financial instruments.

Fair value hierarchy of financial instruments which are valued at fair value as at 31/12/2017 in EUR thousand	Prices listed in active markets Level 1	Valuation methods based on market data Level 2	Valuation methods not based on market data Level 3
Financial assets stated at fair value			
Trading portfolio securities	0	0	0
Positive market values from derivative financial instruments	0	70,338	0
Assets classified at fair value	25,020	10,665	0
Financial assets available for sale	1,397,131	55,427	65,834
Overall financial assets classified at fair value	**1,422,151**	**136,430**	**65,834**
Financial liabilities stated at fair value			
Negative market values from derivative financial instruments	0	24,835	0
Liabilities classified at fair value	0	528,830	0
Overall liabilities classified at fair value	**0**	**553,665**	**0**

Fair value hierarchy of financial instruments which are valued at fair value as of 31/12/2016 in EUR thousand	Prices listed in active markets Level 1	Valuation methods based on market data Level 2	Valuation methods not based on market data Level 3
Financial assets stated at fair value			
Trading portfolio securities	0	1	0
Positive market values from derivative financial instruments	0	81,918	0
Assets classified at fair value	106,998	26,250	0
Financial assets available for sale	1,263,792	80,722	63,752
Overall financial assets classified at fair value	**1,370,790**	**188,891**	**63,752**
Financial liabilities stated at fair value			
Negative market values from derivative financial instruments	0	33,744	0
Liabilities classified at fair value	0	566,401	0
Overall liabilities classified at fair value	**0**	**600,145**	**0**

Movements in level 3 of financial instruments assessed at fair value in 2017 in EUR thousand	**Jan. 2017**	**Earn- ings on P&L**	**Success from other operating income**	**Pur- chases**	**Sales, repay- ments**	**Transfer in Level 3**	**Trans- fer from level 3**	**Currency conversion**	**Dec. 2017**
Trading portfolio securities	0	0	0	0	0	0	0	0	0
Positive market values from derivative financial instruments	0	0	0	0	0	0	0	0	0
Classified at fair value - assets	0	0	0	0		0	0	0	0
Available for sale financial assets	63,752	0	–143	2,225	0	0	0	0	65,834
Overall financial assets classified at fair value	**63,752**	**0**	**–143**	**2,225**	**0**	**0**	**0**	**0**	**65,834**

Movements in Level 3 of financial instruments at fair value 2016 in EUR thousand	**Jan. 2016**	**Earn- ings on P&L**	**Success from other operating income**	**Pur- chases**	**Sales, repay- ments**	**Transfer in Level 3**	**Trans- fer from level 3**	**Currency conversion**	**Dec. 2016**
Trading portfolio securities	0	0	0	0	0	0	0	0	0
Positive market values from derivative financial instruments	0	0	0	0	0	0	0	0	0
Classified at fair value - assets	61	–1	0	0	–60	0	0	0	0
Available for sale financial assets	65,285	–13	625	1,178	–3,323	0	0	0	63,752
Overall financial assets classified at fair value	**65,346**	**–14**	**625**	**1,178**	**–3,383**	**0**	**0**	**0**	**63,752**

During the reporting period, there were no reclassifications between the individual levels. For the other investments and other affiliated companies measured at fair value, the level of level 3 financial instruments on 31 December 2017 amounts to EUR 65.834 million (previous year: EUR 63.752 million).

In the 2017 reporting year, were no longer any assets classified at fair value.in Level 3. On the sale of available for sale financial assets, a grandparent subsidy of EUR 2.225 million was recorded for one shareholding. In Level 3, there were no amounts recognised in profit or loss in the reporting period that would essentially result from valuation losses. Included in the other results, EUR –143,000 was recorded in valuation losses.

At the end of a reporting period, BTV AG checks to what extent regroupings have taken place owing to changes in relevant parameters between the different levels of the fair value hierarchy. Regroupings take place on the basis of the portfolios in the reporting period concerned.

On 31 December 2017, the book values of financial instruments without a calculable fair value was EUR 17.928 million (previous year EUR 17.427 million) for other shareholdings, and EUR 8.918 million (previous year: EUR 8.860 million) for other associated shareholdings.

Calculation of the fair value for the assets declared in Level 3 was done on the basis of future payment flows or using the market value and net asset value method.

Determination of the fair value of shareholdings assessed at fair value in the level 3 available for sale inventory based on the following significant, non-observable input factors:

	Significant, non-observable input factors	Connection between significant, non-observable input factors and the assessment of the fair value
Shareholdings available for sale	• NAV · Calculated rates	The estimated fair value would increase (fall), if • the NAV were higher (lower), • the ongoing rate were higher (lower)

For the fair values of the shareholdings in the available for sale inventory, a change considered possible in the significant, non-observable input factors, while retaining the other input factors, would have the following impacts on the other earnings after taxes:

Sensitivity analysis in EUR thousand	Reduction 31/12/2017	Increase 31/12/2017	Reduction 31/12/2016	Increase 31/12/2016
Change in the ongoing price / NAV of 5%	–3,292	3,292	–3,188	3,188

40 Fair value of financial instruments, which are not valued at fair value

In the following table for each balance sheet item the fair market value is compared to the book value. The market value is the amount, which in an active market could be raised from the sale of a financial instrument or which would need to be paid to make an equivalent purchase.

For positions without a contractually fixed term the relevant book value was applied. If no market prices exist, then generally accepted valuation models were applied, in particular analysis using discounted cash flow and the option price model.

Assets in EUR thousand	Fair value 31/12/2017	Book value 31/12/2017	Fair value 31/12/2016	Book value 31/12/2016
Cash reserves	320,708	320,708	316,527	316,527
Loans to credit institutions	288,685	288,415	318,574	318,185
Loans to clients	7,670,777	7,336,377	7,336,962	6,962,087
Financial assets – held to maturity	0	0	0	0

Liabilities in EUR thousand	Fair value 31/12/2017	Book value 31/12/2017	Fair value 31/12/2016	Book value 31/12/2016
Liabilities to credit institutions	1,187,916	1,212,086	1,192,133	1,194,271
Liabilities to clients	6,298,377	6,287,594	5,944,902	5,930,629
Securitised debt	755,478	752,967	765,588	768,039
Subordinated capital	36,324	36,328	58,338	58,328

assets

Level 1
For securities which were assigned to the accounting category ‚held to maturity' (HtM), the fair value is calculated from the price created on the market.

Level 2
For securities which cannot be valued through prices created on the market (mostly regarding securities traded on stock exchanges and on functioning markets), the 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 flowing in. The credit spread is primarily derived for illiquid securities from credit default swaps. If no credit default swap spread is available, the calculation of the credit spread is made via comparable financial instruments from comparable issuers available on the market. Furthermore, external valuations by third parties are also taken into consideration which however have indicative character at any rate.

Level 3
At level 3, the fair value calculation takes place via models, whereby a part of the input parameters contains data not observable on the market and, consequently, are based on assumptions which are made within the bank. This primarily effects non-securitised loans to customers and banks which are valued ‚at cost'. Herewith, for the fair value calculation the underlying credit spread per counter party is normally not known and also cannot be derived from the market.

Liabilities

Level 2
For liabilities which are not accounted for at fair value, the fair value is determined according to the discounted cash flow method. This means that the future projected cash flows are discounted by means of suitable discount factors in order to calculate the fair value. In the case of securitised liabilities, BTV's credit spread is used which orientates itself with the spreads of bond issues payable at the time.

Level 3
In the same way as the non-securitised loans, the non-securitised liabilities to customers and banks are also components of level 3. These products are also generally not valued at market value. The creation of a fair value also takes place by means of the discounted cash flow method whereby the credit spread remains disregarded here.

41 FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS, WHICH ARE NOT VALUED AT FAIR VALUE AS AT 31 DECEMBER 2017 in EUR thousand	**Prices listed in active markets**	**Valuation methods based on market data**	**Valuation methods not based on market data**
Financial assets not valued at fair value			
Loans to credit institutions	0	0	288,685
Loans to clients	0	0	7,670,777
Financial assets held until maturity	0	0	0
Overall financial assets not valued at fair value	**0**	**0**	**7,959,462**
Financial liabilities not valued at fair value			
Liabilities to credit institutions	0	0	1,187,916
Liabilities to clients	0	0	6,298,377
Securitised debt	0	755,478	0
Subordinated capital	0	36,324	0
Overall liabilities not valued at fair value	**0**	**791,802**	**7,486,293**

41 Fair value hierarchy of financial instruments, which are not valued at fair value as at 31/12/2016 in EUR thousand	Prices listed in active markets	Valuation methods based on market data	Valuation methods not based on market data
Financial assets not valued at fair value			
Loans to credit institutions	0	0	318,574
Loans to clients	0	0	7,336,962
Financial assets held until maturity	0	0	0
Overall financial assets not valued at fair value	**0**	**0**	**7,655,536**
Financial liabilities not valued at fair value			
Liabilities to credit institutions	0	0	1,192,133
Liabilities to clients	0	0	5,944,902
Securitised debt	0	765,588	0
Subordinated capital	0	58,338	0
Overall liabilities not valued at fair value	**0**	**823,926**	**7,137,035**

42 Term to maturity breakdown

Assets as at 31/12/2017 in EUR thousand	due daily	< 3 months	3 Month – 1 year	1- 5 years	> 5 years	Total
Loans to credit institutions	77,939	111,773	98,703	0	0	288,415
Loans to clients	2,416,024	430,609	705,553	2,170,935	1,613,256	7,336,377
Trading assets	0	6,047	6,522	4,361	3,018	19,948
Financial assets - at fair value through profit or loss	21,941	97	10,908	2,739	0	35,685
Financial assets - available for sale	15,931	77,934	132,964	1,084,042	234,367	1,545,238
Financial assets – held to maturity	0	0	0	0	0	0
Total assets	**2,531,835**	**626,460**	**954,650**	**3,262,077**	**1,850,641**	**9,225,663**

Liabilities as at 31/12/2017 in EUR thousand	due daily	< 3 months	3 Month – 1 year	1- 5 years	> 5 years	Total
Liabilities to credit institutions	127,916	99,046	39,232	736,039	209,853	1,212,086
Liabilities to clients	3,606,514	850,966	765,155	808,602	256,357	6,287,594
Securitised debt	0	61,742	135,390	600,860	358,924	1,156,916
Trading liabilities	0	1,571	1,352	684	2,485	6,092
Subordinated capital	0	3,686	1,375	54,013	102,135	161,209
Total liabilities	**3,734,430**	**1,017,011**	**942,504**	**2,200,198**	**929,754**	**8,823,897**

Assets as at 31/12/2016 in EUR thousand	due daily	< 3 months	3 Month – 1 year	1- 5 years	> 5 years	Total
Loans to credit institutions	55,659	162,278	100,249	0	0	318,185
Loans to clients	876,097	584,216	1,362,684	2,414,400	1,724,689	6,962,087
Trading assets	0	1,712	6,776	7,075	3,199	18,762
Financial assets - at fair value through profit or loss	20,701	19,922	78,540	2,838	11,247	133,248
Financial assets - available for sale	6,898	34,641	135,736	1,016,523	240,755	1,434,553
Financial assets – held to maturity	0	0	0	0	0	0
Total assets	**959,355**	**802,769**	**1,683,985**	**3,440,836**	**1,979,890**	**8,866,835**

Liabilities as at 31/12/2016 in EUR thousand	due daily	< 3 months	3 Month – 1 year	1- 5 years	> 5 years	Total
Liabilities to credit institutions	137,122	254,676	196,317	476,239	129,917	1,194,270
Liabilities to clients	3,189,334	1,211,759	508,127	724,884	296,526	5,930,629
Securitised debt	0	65,883	162,803	597,842	353,215	1,179,744
Trading liabilities	0	7,153	3,438	295	134	11,020
Subordinated capital	0	41,795	28,208	22,497	120,523	213,024
Total liabilities	**3,326,456**	**1,581,266**	**898,893**	**1,821,757**	**900,315**	**8,528,687**

43 Bodies of BTV AG

The following members of the Board of Directors and the Supervisory Board were active for BTV:

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

Supervisory Board

Honorary president
KR Honorary Chairman Dr Hermann Bell, Linz

Chairman
General Director Consul Dr Franz Gasselsberger, MBA, Linz

Deputy Chairperson
Board Chairperson Consul Dr Herta Stockbauer, Klagenfurt

Members
Pascal Broschek, Fieberbrunn
DI Johannes Collini, Hohenems
Franz Josef Haslberger, Freising (D)
Executive Board Director Gregor Hofstätter-Pobst, Vienna (from 12 May 2017)
RA Dr Andreas König, Innsbruck
Consul General „Councillor of Commerce“ Business School Graduate Dr Johann F. Kwizda, Vienna
Director Karl Samstag, Vienna Councillor of Commerce
Hanno Ulmer, Wolfurt
Executive Board Director Arno Schuchter, Vienna

Employee representative
Chairman of the Central Works Council, Harald Gapp, Innsbruck
Deputy Chairman of the Works Council, Harald Praxmarer, Neustift im Stubaital
Stefan Abenthung, Götzens
Birgit Fritsche, Nüziders
Lydia Liphart, BSc, Innsbruck (from 12/05/2017)
Bettina Lob, Vils

Government commissioner
Government commissioner Privy councillor Dr Michael Manhard, Innsbruck (from 01/06/2017)
Government commissioner deputy Privy councillor Hubert Woischitzschläger, Linz (from 1 August 2017)
Government commissioner Privy councillor Dr Erwin Trawöger, Innsbruck (until 31/05/2017)
Government commissioner deputy Privy councillor Dr Elisabeth Stocker, Innsbruck (until 30/06/2017)

44 Representation of share holdings
On 31 December 2017

As at 31 December 2017, the company had holdings in at least 20% of the shares in the following companies which are not included in the Group accounts as being insignificant as a whole:

name of company and registered office	Total capital holding	Direct capital holding	Equity in EUR thousand[1]	Results in EUR thousand[2]	Date of conclusion
a) Affiliated companies					
1. Domestic financial institutions:					
BTV Real-Leasing VI Gesellschaft m.b.H., Vomp	100.00 %		848	19	31/12/2017
2. Other domestic companies:					
Beteiligungsholding 3000 GmbH, Innsbruck	100.00 %	100.00 %	7,688	–5	30/11/2017
Beteiligungsverwaltung 4000 GmbH, Innsbruck	100.00 %		4,167	–5	30/11/2017
Stadtforum Tiefgaragenzufahrt GmbH, Innsbruck	100.00 %	100.00 %	35	–12	31/12/2017
Freiraum I GmbH, Mayrhofen	50.52 %		106	–42	30/11/2016
KM Immobilienservice GmbH, Innsbruck	100.00 %		–130	–32	31/12/2016
KM Immobilienprojekt IV GmbH, Innsbruck	100.00 %		528	–5	31/12/2016
C3 Logistik GmbH, Innsbruck	100.00 %		301	198	30/09/2016
Wilhelm-Greil-Strasse 4 GmbH, Innsbruck	100.00 %	99.71 %	7	–70	31/12/2016
3. Other foreign companies:					
AG für energiebewusstes Bauen AGEB, Staad	50.00 %		202	51	30/06/2016
KM Beteiligungsinvest AG, Staad	100.00 %		27,598	270	31/12/2016

name of company and registered office	Total capital holding	Direct capital holding	Equity in EUR thousand[1]	Results in EUR thousand[2]	Date of conclusion
b) Associated companies					
Other domestic companies:					
Montafoner Kristberg-Bahn Silbertal Gesellschaft m.b.H., Silbertal	32.29 %		589	13	30/04/2017
Beteiligungsverwaltung Gesellschaft m.b.H., Linz	30.00 %	30.00 %	13,848	689	31/12/2017
DREI-BANKEN-EDV Gesellschaft m.b.H., Linz[3]	30.00 %	30.00 %	3,603	–7	31/12/2017
3-Banken Beteiligung Gesellschaft m.b.H., Linz	30.00 %		7,765	98	31/12/2017
3 Banken Versicherungsmakler Gesellschaft m.b.H., Innsbruck	30.00 %	30.00 %	829	282	31/12/2017
Sitzwohl in der Gilmschule GmbH, Innsbruck	25.71 %		104	55	30/09/2016
SHS Unternehmensberatung GmbH, Innsbruck	25.00 %		537	32	31/12/2016

1 Equity in the sense of Section 229 UGB
2 Annual profit/loss after taxes on income, before transfer to reserves or application of results, for fiscal entities and non-limited companies annual profit before taxes.
3 from 24 January 2018 name change to 3 Banken IT GmbH, Linz

Innsbruck, 7 March 2018

The Board of Directors

Michael Perger
Member of the Board

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

Gerhard Burtscher
Chairman of the Board

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

Mario Pabst
Member of the Board

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

Declaration by the statutory representatives pursuant to Section 82 (4) and 87 (1) BörseG (Stock Exchange Act)

We confirm that to the best of our knowledge the group accounts, drawn up in accordance with the statutory accounting standards provides a true picture of the assets, financial and profit situation of the group, that the management report presents the course of business, the results of business activities and the situation of the group in a way which provides a true and fair view of the assets, financial and earnings situation of the group, and that the management report discloses all significant risks and uncertainties to which the group is exposed.

We confirm that to the best of our knowledge that the accounts of the parent company, drawn up in accordance with the statutory accounting standards provides a true picture of the assets, financial and earnings situation of the company, that the management report presents the course of business, the results of business activities and the situation of the company in a way which provides a true and fair view of the assets, financial and earnings situation of the company, and that the management report discloses all significant risks and uncertainties to which the company is exposed.

Innsbruck, 7 March 2018

The Board of Directors

Michael Perger
Member of the Board

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

Gerhard Burtscher
Chairman of the Board

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

Mario Pabst
Member of the Board

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

Audit Certificate

Report on Group Accounts

Audit opinion

We have audited the group financial statements of

Bank für Tirol und Vorarlberg AG Aktiengesellschaft, Innsbruck,

and its subsidiaries (the group), consisting of the group balance sheet as of 31 December 2017, the group comprehensive income statement, the capital flow statement and the group statement of changes in equity for the financial year ending at this reporting date, plus the notes to the consolidated accounts.
In our opinion, the group financial statements comply with the legal requirements and present a true and fair picture of the assets and financial position of the group as of 31 December 2017, as well as the income situation and the cash flows of the group for the financial year ending on this reporting date, in line with the International Financial Reporting Standards, as applied in the EU (IFRS) and the additional requirements of Sections 245a UGB and 59a BWG.

Basis for the audit opinion

We conducted our audit in accordance with 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 group financial statements“ in our audit opinion. We are independent of the group as requires by the Austrian company, banking and professional rules and we have fulfilled our other professional duties in agreement with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as a basis for our audit opinion.

Particularly important audit items

Particularly important audit items are items that in our best judgement were the most important for our audit of the consolidated financial statements for this financial year. These items were taken into account in the context of our audit of the consolidated financial statements as a whole, and in preparing our audit opinion, and we do not offer a separate audit opinion on these items.

Value of customer loans and valuation of provisions for contingent liabilities and credit risks

The risk for the accounts

Customer lending is shown in the balance sheet at a value of EUR 7,336,377 thousand. This includes risk provisions totalling EUR 194.474 million. Provisions are also created for contingent liabilities and credit risks.
The Executive Board of the Bank für Tirol und Vorarlberg Aktiengesellschaft explained the approach to determining the risk provisions in the Notes in the section on accounting and valuation principles.
The bank checks as part of the credit monitoring whether a default event exists, and whether individual bad debt impairments or provisions need to be created. This includes estimating whether customers can pay the contractually agreed reimbursements in full value, without realising collateral.
The calculation of credit risk provisions for significant customers in default (specific bad debt provisions) is based on an analysis of the expected future cash flow on an individual basis. This is significantly influenced by an appraisal of the economic situation and likely trend for customers, the valuation of loan collateral, and the amount and timing of the derived cash flow.
The creation of provisions for non-significant, defaulting customers and for non-defaulting customers (portfolio impairment) is carried out on the basis of valuation models. These models take as input the customer loan value and collateral and also parameters which are based on statistical assumptions. These parameters include especially the likelihood of default based on the creditworthiness rating of the customer, the loss quotient and the time till the identification of the default event.
The identification of default events, and the calculation of the risk provisions as well as the valuation of reserves for contingent liabilities and credit risks are therefore subject to substantial uncertainties of estimation and scope for judgement.

The provisions created using statistical methods for portfolio impairments for loans where as yet no individual impairments have been identified, are based on models and statistical parameters and therefore include significant room for judgement and estimating uncertainties.

Our approach to the audit

We evaluated the suitability of the applied estimates relating to risk provisions as follows:

- We reviewed the loan approvals and monitoring process at the Bank für Tirol und Vorarlberg Aktiengesellschaft. To do so, we talked to the employees responsible for these, and analysed the internal guidelines critically. Using individual cases from the existing loans we tested whether certain key controls had been carried out as part of the process.

- Based on individual cases of existing loans we checked whether default events had been recognised in good time and an adequate amount of individual bad debt impairments or provisions created for contingent liabilities and credit risks. The selection of samples in this case was risk-based, giving particular weighting to the rating levels with a higher risk of default. Where defaults occurred the estimates made of the size and timing of future cash flows from the customer and the collateral were examined, as well as the assumptions made and any existing external indications were investigated or assessed critically.
- For the calculated level of risk provision required at the portfolio level, the underlying calculation models along with the internal approval and validation processes were evaluated to see if they were appropriate to determine a suitable level of provisions at the portfolio level.
  The development of input parameters was critically assessed by applying rating checks and historical defaults. Based on the data provided, we checked the correct application of the input parameters and the arithmetical correctness of the provision calculation.
- Finally, the disclosures in the Notes concerning customer loans and about risk provisions were evaluated to see whether they were appropriate in relation to the credit risk provisions.

Classification and evaluation of associated companies

The risk for the accounts

The Bank für Tirol und Vorarlberg Aktiengesellschaft books it shares in associated companies using the equity method. Overall, the at-equity consolidated companies produce a book value of EUR 589.556 million. These relate to Oberbank AG, BKS Bank AG, Moser Holding AG and the Drei-Banken Versicherungsagentur GmbH.
The Executive Board of the Bank für Tirol und Vorarlberg Aktiengesellschaft describes the procedure for the classification and valuation of at-equity valued companies in the section on consolidation principles and the scope of consolidation as well as under items 9 and 37e+d in the Notes to the consolidated financial statements.
In relation to the classification of a company in which a stake is held as an associated company, there is room for judgement especially for stakeholdings in terms of either capital or voting rights which are under 20%. This relates mainly to whether a controlling influence exists on the company in which shares are held.

The equity method is an accounting method where the shareholding is first accounted for at its acquisition cost. This value is then adjusted proportionally for changes to the net assets of the company in which shares are held. If market prices are reviewed, or an expert opinion is sought and there are objective indications that an impairment is necessary, then the Bank für Tirol und Vorarlberg Aktiengesellschaft will if necessary determine a value in use. The result of this kind of valuation depends on factors such as forecast cash flows, observed market prices, discounting factors or the measurement of a perpetual annuity, and therefore involves judgement calls. Earnings that qualify for dividend payments, subject to the various equity rules represent the relevant revenue for valuation, that is discounted using the cost of equity rate to a present value at the valuation date. The result of this valuation depends on internal and external factors such as for example the future expected results used as the basis of the integrated budget calculations, dividend policy, the discounting rate applied, and the sustainable future income used as the basis for the perpetual annuity, and is therefore very much influenced by judgements.

Our approach to the audit

- We reviewed the classification of companies included at-equity by an evaluation of the internal documentation as well as any contractual documents that were available, looking at the question of controlling influence of the v Bank für Tirol und Vorarlberg Aktiengesellschaft.
- We assessed critically the valuation report for the planned values and the valuation parameters it applied. For the impairments, the book value was compared with the likely amount that would be the higher of an in-use value and a discounted present value, minus sales costs, and checked for appropriateness. The company budgets were judged compared to market data and publicly available information to check whether the underlying assumptions were within an acceptable range. When determining the assumptions used to fix the discount rate, we compared them with market and sectoral guidelines for their suitability, and we also checked that the calculation used was itself correct.
- Finally, we reviewed whether the details in the Notes about the companies valued at-equity are appropriate.

Financial instruments - Fair value measurement The risk for the financial statement

When first recorded, the financial instruments must be assigned to a category. Allocation to a category is important for the subsequent valuation. The valuation of the fair value for financial instruments shown on the balance sheet as assets and liabilities is strongly influenced by judgements, especially in the case of level 3 instruments, given the heavy dependency on internal valuation models and internal estimates of input factors that cannot be observed.
The Executive Board of the Bank für Tirol und Vorarlberg Aktiengesellschaft describes the procedure for the classification of financial instruments and the valuation of financial instruments at fair value in the Notes in the section on accounting and valuation principles, as well as in item 39 of the Notes to the consolidated financial statements.

Our approach to the audit

- We have examined the classification of financial instruments using random samples to see whether the underlying criteria are met, and checked whether the subsequent valuation matches the relevant category.
- We employed mathematicians as part of the audit team in order to check the financial instruments, who investigated the valuation models and the assumptions made and the parameters applied in terms of market compliance and suitability. In addition the mathematicians recalculated the fair value of individual financial instruments and compared this to the bank's calculations of fair value.
- Finally, it was assessed whether the information provided in this area in the Notes to the consolidated financial statements relating to classification and the presentation of the level 3 valuation methods was complete and appropriate.

Legal representatives' and Audit committee's responsibility for the consolidated financial statements

The legal representatives of the company are responsible for the preparation of the consolidated financial statements, for ensuring that they present a true and fair picture of the group's asset, financial and income situation, in accordance with the IFRS as applied in the EU, and the additional requirements of Section 245a of the Austrian Commercial Code (UGB) and 59a of the Austrian Banking Act (BWG). The legal representatives are also responsible for the internal controls which they deem necessary in order to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

When preparing the consolidated financial statements, the legal representative are responsible for determining whether the group is a going concern, and for presenting any information relating to the ability of the group to continue trading – if relevant, as well as applying the going concern accounting principle, unless the legal representatives intend to either liquidated the group or to stop its business activities, or have no realistic alternative to doing so.
The audit committee is responsible for monitoring the accounting process within the group.

Responsibilities of the company auditors for the audit of the consolidated financial statement

Our goals are to provide reasonable certainty that the consolidated financial statements as a whole are free of material misrepresentation – whether deliberate or in error – and to issue an audit opinion with the results of our audit. Reasonable certainty means a high level of certainty, but not a guarantee that the audit of the financial statements, carried out in accordance with the EU Regulation and the Austrian principles of correct audit of annual accounts, that require the application of the ISAs, will always uncover a materially false presentation, if this is the case. False representations may result from malicious acts or errors, and are regarded as material if it can be expected that they, individually or collectively, could influence the business decisions taken by users on the basis of these consolidated financial statements.
As part of the audit of the financial statements, in line with the 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 misrepresentation – whether deliberate or in error – in the financial statements, plan audit activities in terms of these risks, perform them and acquire audit proofs that are sufficient and adequate to use as the basis of our audit opinion.
  The risk that malicious actions resulting in materially false representation will not be discovered, is greater than one resulting from errors, as malicious actions can include collusion, falsification, deliberate omissions, misleading representations or bypassing internal controls.
- We familiarise ourselves with the internal control system relevant to the audit of the financial statements in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control system.
- We evaluate the appropriateness of accounting principles used and the tenability of the valuation estimates made by the legal representatives in the consolidated financial statements and its annexes.
- We draw conclusions about the suitability of the application of the going concern accounting principle by the legal representatives as well as, based on the evidence acquired during the audit, about whether there is any substantial uncertainty in relation to events or facts that could cast 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 statements. We are responsible for organising, monitoring and implementing the audit of the underlying consolidated financial state-

ments. We are solely responsible for our audit opinion.

- We inform the Audit committee among others about the planned scope and the planned timetable of the audit of the consolidated financial statements, as well as about significant audit conclusions, including any significant shortcomings of the internal control system, that we uncover during audit of the consolidated financial statements.
- We also provide the Audit committee with a statement that we have complied with the professional conduct requirements relating to independence, and discuss with them any relationships or other factors which could lead to the logical conclusion that they might impact our independence and – if relevant – any related protective measures required.
- We determine which factors of those which we have discussed with the Audit committee are the most relevant for the audit of the consolidated financial statements for this financial year, and therefore which are the most important items for audit. We describe these factors in our audit opinion, unless laws or other legal provisions prevent the publication of the information or we decide, in very rare cases, that an item should not be mentioned in our audit opinion because one could reasonably expect negative consequences from its publication that would outweigh the benefits in the public interest.

Other legal and regulatory requirements

Report on the Management report

Austrian company law requires that the Management report be reviewed to determine that it is in line with the consolidated financial statements and that it was prepared in compliance with the current legal requirements.
The legal representatives are responsible for the preparation of the Management report, in compliance with the requirements of Austrian company law.
We have performed our audit in line with the professional principles for the audit of the Group Management report.

Conclusions

In our opinion, the Group Management report was drawn up in compliance with the current legal requirements, that it contains accurate information under Section 243a UGB and is consistent with the consolidated financial statements.

Declaration

In the light of the information acquired during the audit of the consolidated financial statements and the understanding of the Group and its environment, we have not detected any material incorrect information in the Group Management report.

Additional information

The legal representatives are responsible for all additional information. The additional information comprises all information in the Annual Report, excluding the financial and consolidated financial statements, the management and group management report and the audit opinions on these. Our audit opinion on the consolidated financial statements does not cover this additional information, and we provide no assurances of any kind in respect to it.
As part of our audit of the consolidated financial statements our responsibility is to read this additional information and to consider if there are major discrepancies between the additional information and the consolidated financial statements, or with the knowledge we gained in the course of the audit, or whether the additional information is presented in a fundamentally incorrect way. If, based on the work we have carried out, we reach the conclusion that the additional information is substantially incorrect, we must report this. We have no comments to make in this respect.

Additional information pursuant to Article 10 of EU Regula-

tion

We were elected as auditors by the Annual General Meeting on 11 May 2016, and commissioned by the Supervisory Board on 23 May 2017 to audit the consolidated financial statements of BTV AG. We have been Group auditors of the company for more than 20 years.
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 of the EU Regulation.
We declare that we have not provided any prohibited non-audit services (Article 5 (1) of the EU Regulation) and that we have maintained our independence from the Group companies in conducting the audit.
In addition to the audit of the audited company and the companies controlled by it, we have provided the following services, which were not disclosed in the annual financial statements or in the Group management report:

- Advice on accounting issues (in particular the International Financial Reporting Standards)
- Advice on regulatory issues
- Support in the preparation of tax returns
- Consulting services in matters of corporate tax law

Responsible Auditor

The auditor responsible for the contract to audit the consolidated financial statements is Mr Ulrich Pawlowski.

Innsbruck, 7 March 2018

KPMG Austria GmbH
Auditing and
tax advisory company

Ulrich Pawlowski
Auditor

President of the Supervisory Board Dr Franz Gasselsberger, MBA.

Dear reader,

2017 was a very successful year for the Bank für Tirol und Vorarlberg AG. For banks, the current market environment is a challenging one. The historically low interest rates in particular put a strain on the operational business of financial institutions throughout Europe. By contrast, BTV succeeds, as the very good result proves, in taking advantage of the opportunities that still exist and growing together with its customers.

The Supervisory Board has carried out the tasks required of it by the law and the company statutes while adhering to the regulations of the current version of the Austrian Code of Corporate Governance. The tasks of the Supervisory Board are the monitoring and support of the Board of Directors. In the context of the Supervisory Board meetings, the members of the Supervisory Board together with the Board of Directors discuss the economic situation, including the risk situation and risk management, strategic development and other bank-related events. During the financial year, the supervisory board convened each quarter, whereby the Board of Directors has also been communicating outside the sessions of the supervisory board and its committees with the supervisory board in particular in relation to significant events. The Supervisory Board was thus involved in the key decisions and was comprehensively and thoroughly informed about business activities by the BTV Board of Directors.

The Supervisory Board has established five 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 and credit, remuneration and the appointments Committees. The committees essentially prepare topics and resolutions for subsequent discussion at a full meeting. Within the limits of legal possibilities, the Supervisory Board's decision-making powers are delegated to the committees in individual cases. The Chairman of the Supervisory Board chairs all of the committees. In his role as committee chairman, the Chairman of the Supervisory Board has regularly and comprehensively reported at the full meetings on the content and decisions of committee meetings.
Both the Working Committee and the Risk and Loans Committee of the supervisory board have continuously monitored the business events which required its approval. In addition, the auditing committee met twice, as planned, and has performed its legally required audit and monitoring tasks to the fullest extent, particularly in relation to the internal control system, the risk management system, the accounting process, 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 as planned on one occasion and fully performed during the financial year the duties assigned to it through the Banking Act, especially the passing, auditing and controlling of the principles of the remuneration policy as well as the measuring of the variable remuneration of the Members of the Board. The appointments committee met once as planned, and fulfilled the duties assigned to it under the Banking Act to their full extent, in particular in relation to the succession planning for the Board of Directors and the Supervisory Board, monitoring the achievement of a target rate for the

under-represented gender, and the evaluation of the knowledge, capabilities and experience both of the Directors and of the individual members of the Supervisory Board, as well as the body in its entirety. The risk and credit committee met once, as planned, and fully performed during the financial year the duties assigned to it under the Banking Act, particularly advising management on risk appetite and risk strategy and monitoring the implementation of the risk strategy, and checking the appropriateness of the pricing and of the risk incentives inherent in the remuneration system. The meetings and decisions of the committees of the supervisory board where reported to the plenum of the supervisory board at the respective 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 group financial statements as well as the individual and group management reports for the company. The audit conformed to the legal requirements and did not give rise to any objections. The financial statements are accompanied by an unqualified
opinion.

At its meeting on 23 March 2018, the Auditing Committee examined the individual and group annual accounts and the individual and group management report of the company and also the non-financial report and the Corporate Governance report and recommended the findings from the annual accounts to the full meeting of the Supervisory Board, in which regard this was reported to the full meeting of the Supervisory Board accordingly.
The Supervisory Board had available to it copies of the Financial Statements and Management Report, drawn up as required by the Austrian company legal requirements. The Financial Statements show a true and fair view as of 31 December 2017 of the capital and financial situation of the Bank für Tirol und Vorarlberg Aktiengesellschaft. A similar view for the time period 1 January up to 31 December 2017 is provided by the attached comments on the earnings situation.
The recommendation of the Board of Directors to pay out a dividend of EUR 0.30 per share for the year 2017, i.e. EUR 9,281,250.00 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 Board of Directors including management report and approves the financial statements for 2017 for the company, which are thereby established as required by Section 96 para 4 of the Share Act.

On behalf of the Supervisory Board, I would like to thank the Board of Directors and the employees of BTV for their personal commitment.

Innsbruck, 23 March 2018

Dr Franz Gasselsberger, MBA
President of the Supervisory Board

Imprint

Bank für Tirol und Vorarlberg Aktiengesellschaft
Stadtforum 1
6020 Innsbruck

T +43 505 333 – 0
E info@btv.at
www.btv.at
SWIFT/BIC: BTVAAT22
Sort code: 16000
Data processing reg. 0018902
Trade Reg. 32.942w
UID: ATU 317 12 304

Notes

Any reference in the company reports to a person (e.g. he, him) is intended to apply equally to women and men.

In the BTV company report there may be slightly differing values between tables or charts.

This report contains forward-looking statements relating to the future performance of BTV. These statements reflect estimates which have been made on the basis of all information available to us on the reporting date. Should the assumptions underlying such forward-looking statements prove incorrect, or should risks materialise to an extent not anticipated, actual results may vary from those expected at present.

Media owner (Publisher)

Bank für Tirol und Vorarlberg AG
Stadtforum 1
6020 Innsbruck

Design

Marketing, Communications,
Executive board matters
MA Daniel Stöckl-Leitner
Tobias Schmidhuber

BTV Finance & Controlling (p. 21–167)
Hanna Meraner
Nicole Margreiter, MSc
Carina Zieher, MSc
MA Martin Wurzer
Hannes Gruber

Design

Marketing, Communications,
Executive board matters
Markus Geets

Photographs

Thomas Schrott (p. 05, 17, 18, 165)
Erich Roth (p. 10)
Giacomo Albo (p. 13)
Gregor Sailer (p. 14)
Martin Vandory (p. 15)
Gregor Ecker (p. 16)

Final version

7 March 2018

Bank für Tirol und Vorarlberg
Aktiengesellschaft
Stadtforum 1
6020 Innsbruck
Austria

T +43 505 333 – 0
E info@btv.at

A pilot provides safe passage. All our employees
have a little BTV pilot's flag in their buttonhole.
A meaningful symbol: We guide you on your route to success.

www.btv.at