BANK FÜR TIROL UND VORARLBERG AKTIENGESELLSCHAFT

ANNUAL REPORT 2019

Annual Report

BTV VIER LÄNDER BANK

3 Banken Gruppe

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Important dates for BTV shareholders

Annual General Meeting	10/06/2020, 10:00 am, Stadtforum 1, Innsbruck 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	16/06/2020
Payment of dividend	18/06/2020
Interim report as at 31/03/2020	Published on 29/05/2020 (www.btv.at)
Half-Year Financial Report as at 30/06/2020	Published on 28/08/2020 (www.btv.at)
Interim report as at 30/09/2020	Published on 27/11/2020 (www.btv.at)

Profit and loss in EUR million	31/12/2019	31/12/2018	% change
Net interest income	139.9	123.0	+13.7%
Risk provisions in the credit business	–0.9	4.4	>–100%
Net commission income	49.4	51.8	–4.5%
Revenue from companies valued at-equity	53.0	51.7	+2.5%
Operating expenses	–191.1	–181.0	+5.6%
Other operating income	83.8	81.1	+3.3%
Annual net profit before tax	144.5	139.8	+3.3%
Group annual net profit	126.7	107.1	+18.3%

Balance sheet figures in EUR million	31/12/2019	31/12/2018	% change
Balance sheet total	12,549	11,630	+7.9%
Loans to clients after risk provisions	7,938	7,754	+2.4%
Primary funds	8,937	8,162	+9.5%
of which savings deposits	1,391	1,260	+10.4%
of which own issues	1,421	1,357	+4.7%
Equity	1,749	1,639	+6.7%
Managed deposits	15,717	14,195	+10.7%

Regulatory capital (CRR) in EUR million	31/12/2019	31/12/2018	% change
Total amount at risk	8,300	7,728	+7.4%
Capital	1,293	1,222	+5.8%
of which common equity (CET1)	1,087	1,015	+7.1%
of which total core capital (CET1 and AT1)	1,087	1,029	+5.6%
Common equity Tier 1 ratio	13.1%	13.1%	–0.0 pp
Core capital ratio	13.1%	13.3%	–0.2 pp
Equity ratio	15.6%	15.8%	–0.2 pp

Key indicators in pp	31/12/2019	31/12/2018	Change in percentage points
Return on equity before tax (RoE)	8.5%	9.3%	–0.8 pp
Return on equity after tax	7.5%	7.1%	+0.4 pp
Cost/income ratio	57.9%	58.9%	–1.0 pp
Risk/earnings ratio	+0.7%	–3.6%	+4.2 pp

Number of resources	31/12/2019	31/12/2018	Change figure
Weighted average number of employees	1,455	1,438	+17
Number of branches	36	36	+0

Key indicators for BTV shares	31/12/2019	31/12/2018
Number of ordinary no par value shares	31,531,250	31,531,250
Number of preference shares	2,500,000	2,500,000
Highest price of ordinary/preference share in EUR	29.60/28.00	26.00/24.60
Lowest price of ordinary/preference share in EUR	23.80/21.80	23.00/19.40
Closing price of ordinary/preference share in EUR	29.00/26.60	23.80/22.20
Market capitalisation in EUR million	981	806
IFRS earnings per share in EUR	3.65	3.31
P/E ratio, ordinary share	7.9	7.2
P/E ratio, preference share	7.3	6.7

Ladies and Gentlemen,

With an annual net profit before tax of EUR 144.5 million, 2019 was a very successful year for the Bank für Tirol und Vorarlberg Aktiengesellschaft. Thanks to our customers, we are reporting the highest numbers ever in BTV history for both deposits and loans to customers. In total, BTV is managing over EUR 15 billion of customers' money. Equity also increased once again and totals EUR 1,749 million.

One issue that we have been and are dealing with intensively is the attack by UniCredit on the autonomy of the 3 Banken Group (Oberbank AG, BKS Bank AG and BTV) and therefore on our autonomy. Three intermediate victories in court confirm our opinion that the arguments presented by UniCredit are legally untenable, and we are confident about the remainder of the proceedings.

On the market, we were confronted by many uncertainties: the trade war between the USA and China, the effects of Brexit, the first appearance of coronavirus and an economy in decline. Despite all of these developments, however, our financial performance as a whole was solid and our securities recorded large increases in value, triggered by the historically low interest environment.

Internally, we dealt with two issues more intensively than ever in 2019: strategy and sustainability. In order to more firmly embed sustainable action within the company, the issue was included in our new Strategy 2030 which we compiled in minute detail over the course of several months and across various different levels. These two issues will continue to guide us in the coming years.

When it comes to innovation, we have moved towards strong partnerships. In conjunction with the Leopold-Franzen University of Innsbruck, BTV founded the company Innfoliolytix, a spin-off headquartered in Innsbruck, that will develop capital market strategies based on the findings of the latest academic research. BTV also became a commercial partner in the corporate innovation hub weXelerate which, in the autumn of 2019, opened a second location in Dornbirn to complement its Vienna office. The aim of weXelerate is to network start-ups with established companies on joint innovation projects – an ideal approach for a traditional bank like BTV.

As much as we are looking to the future with both of these partnerships, we are concentrating just as much on the here and now, on what it really all comes down to: our customers. They are the ones who make our successes possible. Together with our employees, we want to find the best solutions for them, both for today and tomorrow, and to use our business to strengthen the entire region.

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 Executive 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

Corporate customers
Thomas Gapp

- Foreign trade and markets in Germany, Switzerland
  MMag. Simon Knitel
- Structured financing and funding
  Günter Pfurtscheller
- Sales management
- Payment transfers and support
  Rudolf Oberleiter

Institutional clients and banks
Silvia Vicente

- Institutional clients and client trading
- Treasury
  Bernhard Huber

Retail customers
Dr. Jürgen Brockhoff

- Branch business
  Norbert Peer
- Package service marketing (retail)
- MiFID/Sales organisation
- Asset investments
  Mag. Martin Mausser
- Asset management
  Dr Robert Wiesner
- Sales management
- Housing construction
  Mario Scherl

Service centre
Mag. Paul Jäger

- Enforcement
- Bond service
  Sabine Dadak-Nedl
- Payment and commerce
  Christine Schurl

Finance and controlling
MMag. Daniel Stöckl-Leitner

- Consolidated accounting
- Accounting
- Strategy and Sales Controller
  Mag. Hannes Gruber

Risk management
Christoph Meister

- Risk manager in the sense of Sec. 39(5) Austrian Banking Act
- Reporting
- Risk controlling

Corporate audit
Mag. Rainer Gschnitzer

Credit management
Mag. Robert Walcher

- Corporate customers Germany and Switzerland with KSB retail customers
- Austria and South Tyrol corporate customers
  Thomas Zipprich, MA
- Retail customers and finance law
  Mag. Martin Schwabl
- Risk management and valuation
  Mag. Arno Saxer

Marketing, Communication, Executive Board matters

- Brands and events
  Mag. Markus Wieser
- Marketing & Communications

Legal and corporate investments
Dr. Stefan Heidinger

Compliance and money laundering prevention
Mag. Martin Rohner
Mag. Elisabeth Seywald
Manfred Unterwurzacher

Human resources
Mag. Ursula Randolf

- Human resources support
- Human resources development
  Mag. Sandra Jorda

Effectiveness and efficiency
Michael Draschl

Chairman of the Central Works Council
Harald Gapp

3 Banken Insurance Brokers
Walter Schwinghammer

BTV Leasing
Gerd Schwab
Johannes Wukowitsch

BTV regional business areas

Tyrol, retail
Mag. Stefan Nardin

- Ausserfern
  Urs Schmid
- Hall/Schwaz
  Kurt Moser
- Innsbruck
  Mag. (FH) Eva-Maria Ringler
- Innsbruck Stadtforum
  Marc Schönberger, BSc
- Seefeld/Garmisch-Partenkirchen
  Stefan Glas
- St. Johann
  Markus Lanzinger
- Telfs
  Florian Neuwirt
- Tyrolean Oberland, retail
  Wilfried Gabl
- Unterinntal and Zillertal
  Thomas Naschberger
- Asset investments Italy
- Asset investments and liberal professions Innsbruck
  Edi Plattner
- Asset investments and endowments
  Karl Eder
- Co-support Innsbruck, retail
  Mag. Kerstin Schuchter

EAST TYROL
- East Tyrol, retail
  Manfred Steurer

Vorarlberg, retail
Christof Kogler

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

Innsbruck and South Tyrol, corporate
Mag. Christoph Wenzl

- Key accounts and special financing, Innsbruck
- Real estate, tourism and South Tyrol, Innsbruck
  Mag. (FH) Karl Silly
- SMEs, Innsbruck
  Dr. Norbert Erhart

Tyrolean Oberland and Ausserfern, corporate
Michael Falkner

- Corporate customers Imst
- Corporate customers Reutte
  Andreas Wilhelm

Tyrolean Unterland, corporate
Bernd Scheidweiler

- Corporate customers and co-support
  Mag. Günter Mader

Vorarlberg, corporate
Mag. Michael Gebhard

- Key accounts and special financing, Vorarlberg
  Mag. Philipp Schöflinger
- SMEs and tourism, Vorarlberg
  Mag. Benno Wagner
- Co-support, Vorarlberg corporate
  Evelin Stöckler

Vienna, retail
Josef Sebesta

- Asset investments and liberal professions, Vienna
  Jürgen Jungmayer
- Asset investments and endowments, Vienna

Vienna, corporate
Mag. Martina Pagitz

- Key accounts and special financing, Vienna
- Real estate and project financing, Vienna
  Marion Nikodem
- SMEs and tourism, Vienna

Bavaria Kitzbühel Retail
Mag. Peter Kofler

- Kitzbühel
- Asset investments and endowments Munich
- Nuremberg, retail
  Rolf Maul

Baden-Württemberg Retail
Mag. Jürgen Hofer

- Asset investment and endowments Baden-Württemberg

Bavaria/Baden-Württemberg Corporate
Dr. Hansjörg Müller

- Corporate customers Real estate
- Corporate customers Mannheim
  Dipl.-Vw. Stefan Fischer
- Corporate customers Memmingen
  Tobias Bott
- Corporate customers Munich
  Michele Caruso, BA
- Corporate customers Nuremberg
  Dkfm. Marc Ludescher
- Corporate customers Ravensburg
  Bw. (VWA) Andreas Kleiner
- Corporate customers Stuttgart
  Dipl.-Bw. (BA) Thomas Weber

Bavaria/Baden-Württemberg

- Compliance

Switzerland, retail
Martin Anker

- Switzerland, Retail customers
- Switzerland co-support, Retail customers

Switzerland corporate
Mag. Markus Scherer

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

Switzerland

- Risk Management Compliance
  Dipl. BW HF Johannes Hämmerle

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BTV Munich is celebrating its 30th birthday: the first branch outside the regions of Tyrol and Vorarlberg opened in Vienna in 1989.

Corporate customers

- New customers: The targeted acquisition of new customers has always been a focus of activities in regional business areas. Here, BTV focuses on classic mid-sized businesses across all sub-markets, where personal customer management, tailor-made solutions, and dialogue on an equal footing are really appreciated. In 2019, over 590 new corporate customers were acquired.

- Loan business: In 2019, BTV's customers continued to provide consistently good demand for credit and financing services. The total volume of loans increased by EUR +238 million. Complex financing requirements, in particular, ensure that BTV account managers and experts are in-demand partners in the financing sector, and that they continue to grow together with their customers.

- Structured financing: 2019 once again demonstrated the quality of our experts' network and know-how. Our position as a reliable and stable partner on the market is highlighted by more than 100 invitations to participate in joint financing with noteworthy partner banks and numerous special solutions for BTV customers.

- Investment support in Austria: 2019's positive trend in the area of investment support in Austria was characterised by growth in terms of both quantity and volume. The experienced team successfully assisted BTV customers with the implementation of over 90 tourism, environmental and investment projects, thereby making a valuable contribution to the strengthening of the economic area in BTV's core market.

- Development loans in Germany: Despite a slowing economy, BTV achieved a 20% growth in the volume of development loans in Germany. This pleasing development is guaranteed by our excellent contacts with the funding bodies of KfW, LfA and L-Bank, as well as the experience and expertise of our funding experts.

- Bank guarantees/sureties: Compared to the previous year, the volume of bank guarantees and sureties increased by around EUR +208 million to EUR 1.03 billion (+25.3%). BTV is one of the first Austrian banks to offers its customers the option of acquiring bank guarantees via its customer portal meineBTV Business.

- Export financing: Business in the area of export financing continued its pleasing development with numerous new transactions and capital increases. The "Export Invest Hotel" from Oesterreichische Kontrollbank AG was successfully integrated into the product portfolio.

- Payment transactions: The EU's PSD2 payment services regulation meant that during 2019 all banks had to transition to an authentication process that met certain criteria. To that end, over 2,000 ELBA users were updated to the required new versions. In order to keep up with the times, we are pushing ahead with further training on digital topics for BTV account managers, co-account managers and experts, whilst also investing heavily in BTV's cash supply network. New ATM locations at tourism, travel and trading hubs will guarantee solid revenue for the future as well.

- Hedging currency risks in foreign trade: More and more customers are coming to appreciate the range of services BTV offers in the forex area. The number of transactions increased by +46.4% compared to the previous year.

- Occupational provisions: We are designing and implementing the perfect company pension scheme for countless businesses in close collaboration with the experts at 3 Banken Versicherungsmakler GmbH. BTV's specialised manufacturing customer broker also stands out in many ways in the area of property insurance.

Retail customers

- Event series "Assets 360°": As part of the events, around 600 customers in Tyrol and Vorarlberg talked to BTV experts about "Real estate", "Investing assets", "Securing assets", and "Passing on assets". BTV once again proved its expertise as an investment bank during this event series.

- BTV expert dialogue "Future-proof investing": In times of environmental, economic and social challenges, balancing economic growth with sustainable action for the environment and society is becoming ever more significant. Under the banner of "Future-proof investing", around 200 interested investors joined a high-quality panel of experts at the BTV Ton Halle in Innsbruck to discuss where the opportunities for sustainable investments lie in terms of private asset investment.

- Residential construction financing: New business from private residential construction financing in 2019 is once more above EUR 240 million.

- VM Future Strategy: The issue of "sustainability" affects lots of people, both in their daily lives and in asset management. In December 2018, BTV introduced the asset management option VM Future Strategy which allows customers to make global cash investments in connection with clear and transparent sustainability criteria. in 2019, this product was certified with an Austrian Ecolabel, thus proving the clear implementation of an environmentally and ethically sustainable investment strategy.

- BTV focuses on shares: The trends of "Digitisation and automation" and "Demography and urbanisation" have been expanding BTV's investment spectrum since 2019. Within the context of investing, BTV has published a comprehensive brochure to help its customers familiarise themselves with the options.

- Payment transactions: Over 25,000 meineBTV internet banking users switched to the new PSD2-compliant authorisation process BTV Security App in 2019. Preparations for BTV Banking Wallet, with countless new functions, the introduction of various smartphone payment options, and the transition of BTV debit cards from Maestro to Mastercard are all in full swing.

- Outstanding – Recommender Seal of Approval: BTV has been awarded the Recommender Seal of Approval for very good customer information* (3 out of 5 stars) by the Financial Marketing Association of Austria (FMVÖ). The Recommender Award measures the willingness of customers to recommend banks and insurance companies. Based on a representative study, a total of 8,000 customers of Austrian banks, insurers and building societies were surveyed in the first quarter of 2019.

- Outstanding asset management – firstfive: For the tenth time in a row, BTV Asset Management was awarded 5 stars (outstanding results) by the independent evaluators "firstfive" in the "dynamic" risk class in the categories of Best Returns (12, 36 and 60 months) and Sharpe ratio (60 months). BTV Asset Management also received top marks in the "balanced" risk class in the Sharpe ratio category for an observation period of 60 months.*

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

Around 200 interested investors attended the Expert Dialogue discussion at the BTV Ton Halle in Innsbruck with a high-quality panel featuring (L-R) Dr. Robert Wiesner, Head of BTV Asset Management, Dr. Klaus Gabriel, an expert in ethically sustainable investments, Dr. Kerstin Neumann, Professor of Corporate Sustainability, and Mag. Stefan Nardin, Director of Tyrol Retail.

Institutional clients and banks

- Liquidity: The institutional clients and banks business area makes an important contribution to the overall running of BTV. Last year, particular emphasis was placed on strategic liquidity. The main focus was on building up long-term deposits for strategically hedging the liquidity risk. Our long-lasting and very good personal contacts with money market partners and institutional clients, in particular, are of huge significance in this regard.

- Personal: Despite digitisation and technological progress, BTV continues to put a great emphasis on personal contact. Thanks to our extensive network of national and international bank partners, BTV is also able to offer additional services for payment transactions, financing, and interest and currency hedging.

- Training and education: A high level of expert knowledge is required in the Institutional Clients and Banks business area. That is why we continued to invest in the training and education of our employees in 2019.

BTV Leasing

- Customer volume: BTV Leasing has a customer volume of around EUR 1 billion.

- BTV Leasing Climate Package: With its innovative climate package product, BTV is supporting weather-dependent businesses, such as those in tourism or using inland waterway vessels. This product allows businesses to reduce their ongoing leasing rates in the event of significant impairments caused by weather. This protects liquidity and reduces expenditure recognised under profit and loss.

An atmospheric evening in spring 2019, designed by Walter Rumer in reaction to the INN SITU exhibition of family portraits by Israeli photographer Orly Zailer.

Art and culture

BTV Three Kings Concert in Bregenz and Innsbruck: With a virtuoso strings concert, the German Mandelring Quartet wowed their audience with a festive soiree to kick off the year, performing in Bregenz on 5 January and Innsbruck on 6 January.

toninton: The toninton concert series welcomed three high-quality music ensembles to the BTV Ton Halle between 22 and 24 May: the Radio String Quartet, Quercus and the Wu Wei Trio. These three groups take as their inspiration the historical format of a classical string ensemble, a repertoire of traditional songs, and an ancient instrument from another continent.

BTV Spring Concert: The BTV Spring Concert took place on 9 April at the Haus der Ingenieure in Vienna. Young pianist Alexander Krichel made the spring bloom in Vienna with his highly romantic piano programme.

BTV Autumn Concert: On 24 October, cellist Anja Lechner and guitarist Pablo Márquez brought their subtle, yet contemporary interpretation of Schubert's chamber music to the BTV Autumn Concert, wowing the audience with lively and multi-faceted music.

BTV Jazz Youth Prize: The TonArtTirol Jazz Prize was awarded once again at the BTV Ton Halle on 5 November. Recognition was given to exceptional performances on the regional jazz scene. The Rising Jazz Star Prize this year went to Anna Reisigl.

Israeli photographer Orly Zailer premièred a new series of works with recreated images from Tyrolean and Vorarlberg family albums as part of INN SITU.

London-based photographer and video artist Melanie Manchot highlights the behind-the-scenes work that goes on in winter sports in the Mountainworks exhibition.

INN SITU: INN SITU, BTV's Arts and Culture Programme, combines photography, music and dialogue. The second part of the exhibition opened on 3 April under the artistic leadership of Hans-Joachim Gögl. The internationally successful Israeli photographer Orly Zailer dealt with similarities between family members in her work. She recreated images from her family albums as accurately as possible using the descendants of the people in the photos. The result is the capturing of apparent doppelgängers with an almost magical radiance.

The third part of INN SITU started on 2 October. Here, London artists Melanie Manchot took a look at the behind the scenes of winter sports. After being invited to take part in the INN SITU series, she spent several weeks in the Vorarlberg region of Gaschurn. The resultant photos and videos that she created illustrate the work that goes on behind the scenes of our mountain experiences. The hidden skills, activities and routines that make the winter landscape accessible.

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

Over 115 years, BTV has grown from a regional bank to become BTV FOUR-COUNTRY BANK.

The history of BTV began 115 years ago. On 8 April 1904, the Allgemeine Verkehrsbank in Vienna, established by order of the Emperor of Austria, received approval from the Austrian Ministry of the Interior to found a public company. After receiving approval, the bank bought the two banking houses "Payr & Sonvico" in Innsbruck and "Ludwig Brettauer sel. Erben" in Bregenz which were both also involved in the banking and money exchange business. The first directors of the new company were the former company directors Hans Sonvico and Ferdinand Brettauer. Entry into the commercial register on 18 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 and an economic boom

At the end of the First World War, European borders were redrawn and South Tyrol given to Italy. This meant BTV had to close its South Tyrolean branches in 1922. Like Germany, Austria suffered from galloping inflation which had fatal effects for the Tyrolean and Vorarlberg economy. The population stormed the banks to remove their savings deposits. Unlike most of their competitors, BTV was able to give its customers their savings deposits immediately and so survived these difficult times. BTV's company philosophy, which still applies today – of not making any risky speculations on financial markets – had proven itself. Due to its conservative business policy, BTV was the only regional joint stock bank to survive the economic crisis. It even emerged stronger from the 20th century thanks to the targeted takeover of domestic banks. The Austrian press therefore hailed BTV as the 'Wonder from the Inn'. After the Second World War, gradual economic stabilisation created the financial foundations for reconstruction. By issuing loans to regional companies, BTV targeted and promoted the domestic economy which then experienced a "golden" decade.

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

3 Banken Group association

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

True customer proximity

BTV's network of branches was expanded significantly in the 1970s and 1980s. With this step, BTV successfully made its endeavour "to be close to the customer" and "to expand into the regions" a reality. The personal relationship between the customer and employees was and is a central success factor for BTV. Since 1986, BTV has been the only regional west Austrian bank to be quoted on the Vienna Stock Exchange - "a giant leap for Alpine inhabitants", in the eyes of the Tyrolean artist Paul Flora, who captured this important event for BTV in his pictures. In 1989, the company expanded to Vienna.

In 2004 – celebrating 100 years since its founding – it opened its first foreign branch in Staad by Lake Constance in Switzerland. In 2006, it entered the markets in Bavaria, Baden-Wuerttemberg, and South Tyrol. BTV has been operating as BTV VIER LÄNDER BANK (BTV FOUR-COUNTRY BANK) since 2011. With its new brand name BTV VIER LÄNDER BANK, BTV is demonstrating a pledge: namely, that its commitment is sustainable and profitable. On 1 January 2016, Gerhard Burtscher, Mario Pabst and Michael Perger took over responsibility for the Executive Board. These three Executive Board members adhere firmly to the cornerstones of BTV; autonomy, enterprise, refreshing conservatism and complete focus on customers and employees.

Strategy

Future-ready. Values. Creativity.

BTV constantly looks at trends, innovations and industry developments in order to equip itself for the future. In 2019, we dealt intensively with the strategy period up to 2030, the measures for which will be implemented starting in 2020. The focus here was on our client base, our employees and our company culture, amongst other things.

In focus: BTV's customers

The customer structure at BTV primarily comprises family-owned medium-sized companies and demanding retail customers. Building on their needs and desires, innovations are developed on an ongoing basis. Whether it involves investment, financing or other financial services – BTV's employees impress their customers with their specialist knowledge, their performance and their above-average commitment. With entrepreneurial spirit, BTV focuses on above-average performances, thus securing its long-term autonomy. The mergers in the banking sector in recent years mean that this autonomy has become an extraordinary advantage which is becoming ever rarer and is profiting BTV's customers.

As well as its wide range of banking products, BTV subsidiaries, holdings and co-operations also provide other bank-related services such as leasing and insurance. BTV has access to lots of banking partners 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 customers.

Foresight

To do its absolute best for its customers, BTV calls on its network of strong and innovative partners. Together, they develop and implement new concepts.

• Innfoliolytix: BTV and the Leopold-Franzen University Innsbruck jointly founded Innfoliolytix in 2019. The company develops capital market strategies that are based exclusively on the findings of the latest academic research. BTV's 115 years of experience on the capital markets and the university's research using the latest methods form the basis for outstanding solutions and results.

• weXelerate: weXelerate networks start-ups from all parts of the globe with Austrian companies. weXelerate opened a Corporate Innovation Hub in Vienna back in the autumn of 2017, adding a second location in Dornbirn in the autumn of 2019. At this 1,500 m² location, global companies collaborate with start-ups on innovation projects. BTV is its very first corporate partner.

Company culture as a factor for success

Today, company culture is a crucial factor for success. Independent working, and opportunities to grow, learn and work autonomously are important, not just for Generation Y, but for all age groups. Only with a winning culture will we succeed in acquiring highly qualified and motivated employees who will subsequently provide the best services to BTV's customers. Since 2019, BTV has been collaborating intensively with the consultancy firm "The Culture Institute" to make company culture tangible and measurable.

The desire for further development spurs on BTV. This not only applies to business relationships but also to the relationship with our own staff. In 2019, BTV commissioned a renowned, independent institute to conduct an online employee survey in order to evaluate the perception of BTV as an employer and guide further development steps.

Over the course of the year, management at BTV have been dealing, in particular, with the cultural values of BTV as part of the workshop series "BTV next". Here, the focus has been on consciously reflecting the current cultural image of BTV and looking towards the future.

Acquiring and promoting talent

Every person has their own special, unique talents and aptitudes. To take new roads, old ones must be left behind. This requires courage and ideas. BTV provides a range of initiatives to acquire and promote talent, both internally and externally. In terms of scouting employees, BTV has been collaborating with KopfStart GmbH for many years and also holds a 25.03% participation in the company.

weXelerate in Dornbirn: (L-R) Michael Gebhard (BTV), Dominik Greiner and Awi Lifshitz (weXelerate) celebrate the opening of the new Innovation Hub.

The winners of the BTV Marketing Trophy 2019, Christina Greber and Birgit Nußbaumer, with (L-R) Johannes Schwärzler, Vorarlberg Education Department, Chair of the BTV Executive Board, Gerhard Burtscher, Judge Olivia Peter and Chair of the Judging Panel, Andrea Hemetsberger.

Training and education for employees

Continuous education and training is of great importance to BTV – regardless of whether it involves new or long-serving employees. Therefore, BTV offers a large number of workshops, seminars and training sessions to aid employees in their personal and professional development and to help them be successful. Impulse^{4}Success GmbH, headquartered in Munich, has been our partner in this area for many years. BTV has a 25.00% participation in this training company.

BTV Autumn Academy

In 2019, as part of the ninth BTV Autumn Academy, BTV invited ambitious students to an exclusive week at BTV. During this comprehensive programme of excursions, expert talks and planning games, students got to know BTV intimately.

BTV Marketing Trophy

For the BTV Marketing Trophy, pupils at the commercial colleges in Tyrol and Vorarlberg responded to the challenge of developing a marketing plan for a topic from one of three set themes and one of their choice. Students at the Bezauer School of Economics and the BHAK Innsbruck emerged from a tough pool of competitors to claim victory in the 21st BTV Marketing Trophy 2019.

Brand

The values by which BTV employees live

BTV has been managed on an extremely consistent and rigorous basis since it was founded in 1904, always prudently and with the goal of making those values that have been maintained over more than 115 years tangible for future generations as well. Only values which are experienced by employees and customers over a long period of time create trust. BTV employees convey this value not just when in contact with the customer, but often long before this. Not missing any opportunity to bring about a customer benefit by offering non-standard services and therefore creating a corresponding feeling of worth for the customer – that is what inspires confidence in the BTV brand. BTV's duty to constantly improve the quality, not only of its products and services, but processes too, plays an important role in this.

Brand workshops

In the second half of 2019, all BTV employees were given the opportunity to attend various workshops in order to continuously anchor the BTV brand in employees' minds. This is because every individual BTV employee can influence the perception clients, partners or other persons have at one of several hundred BTV brand contact points.

Economic environment

Economic growth was lower in 2019 than in both previous years. Whilst economic momentum did decrease, financial performance as a whole was nevertheless solid. 2019 got off to a shaky start as concerns over plans for more restrictive economic policies, from the US Federal Reserve and the ECB in particular, made market actors fear a coming recession. To counteract this, the global central banks made a complete about-turn. Not only were the restrictive measures suspended, but expansive steps were made in financial policy. However, the support of the central banks was not enough to completely compensate for the negative impacts of external stress factors on economic activity. The trade conflict with China that originated in the USA, as well as the uncertainty surrounding the progress of Brexit, in particular, unsettled market actors. This led to a decrease in global trading and a fall in investments. This put a strain on the export-driven manufacturing industry in particular. In some economies, this industrial recession had already begun to have initial knock-on effects on the services sector and the job market. The easing of the trade conflict between the USA and China, which paved the way for a first partial treaty, as well as more clarity concerning the progress of Brexit, caused economic indicators to stabilise towards the end of the year and lifted the mood amongst businesses and consumers. Of the industrial regions, it was once more the USA which had the best growth in 2019, whilst the eurozone, Japan and China suffered significantly more from weak global demand. This development also took a toll on developing countries, though these countries were subsequently able to profit from lower US interest rates.

Interest rates

After economic development and stock exchanges suffered heavily from fears of a recession and concerns over interest rates at the start of the year, the US Federal Reserve introduced an interest rate turnaround. The base rates were lowered a total of three times over the course of the year, by 25 base points each time, to a target range of 1.50% to 1.75%. As a result, US interest rates decreased across all maturities – meaning the US interest rate curve fell parallel to previous years. The temporary inversion of the US interest rate curve in the second and third quarters was counteracted by improved economic expectations. As a result, whilst the US interest rate curve was still very flat at the end of 2019, it was no longer inverted. In order to stimulate economic development, the ECB resolved in September to reduce interest on deposits from –0.4% to –0.5% and to relaunch the bond buying programme to a monthly level of EUR 20 billion, starting in November 2019. Purchases of securities are to be continued until inflation approaches a target level of 2.0%. As a result, the EUR interest curve levelled off significantly in 2019, meaning that even long-term bonds delivered negative returns. The absolute lowest interest rate was reached in August 2019. Due to the about-turn of key central banks, it was possible to achieve consistently positive returns in the bonds segment. The best development was achieved with more risky bonds such as developing country bonds and high-interest bonds, since the risk premiums fell at the end of the year thanks to the support of central banks and the improved economic outlook.

Compared to previous years, the long-term euro interest rates decreased significantly (–60 base points to 0.21% for a 10-year euro swap). The money market rates (3-month Euribor) fell slightly compared to 31 December 2018 by 7 base points to –0.38%.

Currency markets

The depreciation of the euro against all leading currencies continued in 2019. Weaker economic data, the heavily impacted German manufacturing industry and the uncertain progress of Brexit unsettled the single currency in 2019. It was above all the Swiss franc which benefited from the uncertainties in the eurozone, achieving consistent appreciation against the euro over the course of the year and ending at an exchange rate of 1.09 EUR/CHF. The Japanese yen was primarily in demand as a safe port in times of increasing aggression in the trade conflict. The easing of the trade conflict between the USA and China led to the yen suffering a loss of demand towards the end of the year. EUR/JPY ended the year at an exchange rate of 121.9. The single currency also depreciated against the dollar during 2019.

Currency losses were able to prop up the euro somewhat towards the end of the year as a result of the calming of the trade conflict and an improved economic outlook in the eurozone. The exchange rate stood at 1.12 at the end of the year.

Across 2019 as a whole, therefore, the euro fell against the yen (–3.3%), the franc (–3.6%) and the US dollar (–2.2%).

Stock markets

2019 was a strong stock market year with an above-average price trend. After finishing 2018 deep in the red due to fears of a recession and fantasies of interest rate increases, global stock markets registered an enormous recovery in January 2019. The announcement of supportive economic policy measures by the central banks caused a sudden upswing in mood amongst market actors. After this recovery in January, however, the stock market rally did not last long before the reductions in interest rates on global bond markets made the shares segment again appear more attractive as a source of income, relatively speaking. In 2019, the global share market achieved its highest annual performance since 2009, even if this upward trend was constantly interrupted by corrections. These corrections were largely down to the fact that the worsening US-China trade conflict was considered a big threat to economic development, company profits and investment activities. In September, the global stock markets saw a year-end rally when the two central banks, the Federal Reserve and the ECB, provided further liquidity replenishment and hope gradually appeared that the USA and China would reach an agreement in their trade conflict. Established global stock indices achieved multi-year or all-time highs and were able to end the year with percentage gains in the two-figure region.

The US exchanges stood out best amongst the established markets in 2019, with the technology index NASDAQ COMPOSITE gaining +35.2% and the S&P 500 +28.9%. The broad European stock market STOXX 600 rose by +23.2%, whilst the Italian FTSE MIB and the Swiss SMI stood out with performances of +28.3% and +26.0% respectively. The Japanese Nikkei 225 achieved the biggest gains, especially towards the end of the year, and increased by +18.2% across the year as a whole.

Amongst developing countries, the Eastern Europe Region (MSCI Eastern Europe) recorded the best growth with a performance of +26.9%. Amongst Chinese indices, the Shenzhen Index was able to boast an increase of +36.1%. The Hong Kong Hang-Seng Index, on the other hand, recorded gains of just +9.1% due to the conflict raging with China.

BTV's ordinary shares rose by +21.8% across 2019 as a whole to EUR 29.00, whilst preference shares rose by +19.8% to EUR 26.60.

Business development

IFRS Consolidated financial statement

The BTV consolidated financial statement has been drawn up according to IFRS regulations as well as the interpretations by the International Financial Reporting Interpretations Committee (IFRIC) as exempting consolidated financial statements as defined by section 59a Austrian Banking Act (BWG) in conjunction with section 245a Austrian Commercial Code (UGB). In establishing this consolidated financial statement, 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 of risk management as well as descriptions of the relevant risks and uncertainties to which the company is exposed can be found in the risk report starting on page 106.

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

Profit trend

The 2019 financial year was a particularly pleasing one for BTV. As a retail bank, BTV operates the way that banking was intended to work. Deposits from the region are added to the bank's balance sheet and then made available for lending and regional projects. The result is therefore determined by the interest and provision business. This business model requires not only a particular closeness to customers but also a good equity base. This allows us to be a strong partner for the economy and at the same time a secure location for financial investments – meaning we can grow with our customers. In 2019, business volume across all important balance sheet items, such as loans to customers, managed customer deposits, equity or balance sheet totals, achieved the highest level in the bank's 115-year history. At the same time, risk provisions in the credit business exhibited an extraordinarily low level. Against the backdrop of a stable economic situation, BTV was able to increase its annual net profit before tax by EUR +4.7 million to EUR 144.5 million.

Selected breakdown of changes in earnings	**in EUR thousand**
Net interest income	+16,896
Risk provisions in the credit business	–5,313
Net commission income	–2,346
Trading income	+3,919
Operating expenses	–10,049
Other operating income	+2,692
Revenue from financial transactions	–2,433
Annual net profit before tax	+4,664
Group annual net profit	+19,611

Interest earnings after risk provisions

Interest income is an essential pillar for profit at any customer-focused universal bank – this is particularly true for BTV. The operative customer segment therefore continued to be the main driver of growth in 2019. This is evident in particular in the higher level of net interest income which grew particularly strongly by EUR +16.9 million to EUR 139.9 million. The growth in volume of loans to customers is ultimately responsible for this improved result.

The high volume of new business was able to significantly exceed repayments. Special effects from revenue from holdings and adjustments to reserves were also recorded. Expenditure on risk provisions in the credit business was therefore extremely low. The balance of risk provision allocations and releases, including direct write-downs on loans and income from loans that had previously been written off was just EUR –0.9 million in the reporting year.

The NPL ratio (non-performing loans ratio) also exhibited an extremely low value. At 1.9%, the share of defaulted customer loans in total customer loans was moderately higher than the value as at 31 December 2018 (1.8%).

Net commission income

Trends in net commission income continued to be largely determined by the securities business. This income of EUR 24.9 million corresponds to a decrease of –7.6% compared to the previous year. As a result, half of all profits from commissions at BTV were achieved in this segment. Payment transactions income also remained moderately lower than the previous year's level, decreasing by –0.2% to EUR 13.3 million, as well as income from the credit business, which decreased EUR –0.4 million to EUR 7.5 million. The forex, foreign notes and coins, and precious metals business grew by EUR +0.4 million to EUR 3.7 million. Other service business contributed EUR 0.0 million to profit. Overall, there was a decrease in net commission income compared to the previous year of EUR –2.3 million to EUR 49.4 million.

Revenue from companies valued at-equity

The contribution to profit of companies valued at-equity achieved a value of EUR 53.0 million, EUR +1.3 million above the level of 2018.

Trading income and profit from financial transactions

At EUR 3.7 million at the end of 2019, trading income was EUR +3.9 million higher than in the previous year. It was predominantly income from forex and currencies, as well as valuation and realisation gains from funds, that was responsible for this. Income from financial transactions fell compared to the previous year by EUR –2.4 million to EUR 6.6 million.

Operating expenses

Operating expenses at BTV increased by EUR +10.0 million to EUR 191.1 million. The largest part of this increase comprises staff expenditure which increased by EUR +4.8 million to EUR 105.6 million. The number of employees in 2019 increased as an annual average by +17 to 1,455. Increases were also recorded in expenditure for depreciation and material expenditure – both items are heavily influenced by the fully consolidated mountain railways. Depreciation increased by EUR +3.5 million to EUR 30.0 million, whilst material expenditure rose by EUR +1.8 million to EUR 55.6 million. The new accounting standard IFRS 16 reduced material expenditure and increased depreciation under operating expenses.

The number of BTV branches remained unchanged from 2018 at 36. Details of BTV's current subsidiaries can be found on page 8 onwards of the Annual Report.

Given that no independent and planned research was carried out in order to uncover new scientific or technical knowledge, nor any development in preparation for commercial production, as in the previous year there were therefore no research and development activities carried out in the sense of Sec. 243(3)(2) Austrian Commercial Code (UGB).

Other operating income

Other operating income showed significant growth to the amount of EUR +2.7 million to EUR 83.8. A significant component of this item is turnover from the fully consolidated mountain railways which can look back on a robust year.

Taxes on income and revenue

In addition to current corporation tax, the amounts shown under the item "Taxes on income and revenue" relate primarily to the deferred taxes to be paid on accruals and prepayment adjustments, in accordance with IFRS. Tax expenditure totalled EUR –17.8 million – following atypically high growth of EUR +17.5 million to EUR 32.7 million from 2017 to 2018 due, above all, to one-time special items.

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

The net annual profit before tax grew by EUR +4.7 million or +3.3% to EUR 144.5 million, in particular due to the positive trend in the interest business. Group net annual profit improved from EUR 107.1 million to EUR 126.7 million.

Earnings per share

The profit per share increased from EUR 3.31 in the previous year to EUR 3.65.

For the financial year 2019, the Executive Board will propose an unchanged dividend (from previous year) of EUR 0.30 per share at the 2020 annual general meeting.

Balance sheet performance

The statements in the following management report refer to the balance sheet as at 31 December 2019 according to the respective legal situation.

Trends in assets

The balance sheet total of the BTV Group increased during the reporting year by EUR +919 million to EUR 12,549 million. The driving force behind this increase was the loans to customers, as well as cash reserves which increased from EUR 867 million to EUR 1,428 million. Loans to credit institutions increased by EUR +103 million to EUR 468 million.

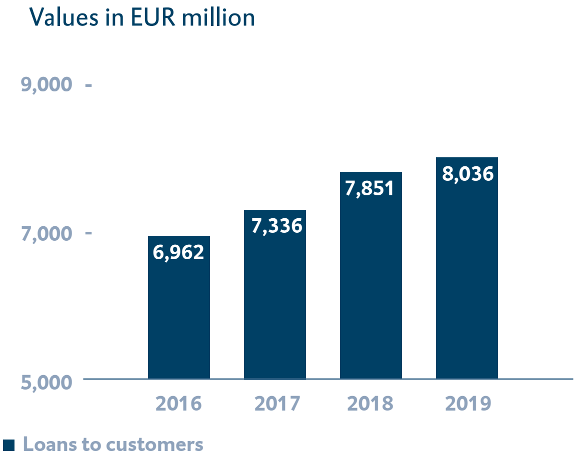
The success of the customer loans at BTV is directly linked to the close relationship our account managers have with customers and their understanding of their customers' business models. As a result, the position "Loans to customers" was able to increase by EUR +185 million compared to the previous year to EUR 8,036 million. This means that the EUR 8 billion threshold was surpassed for the first time in BTV's 115-year history.

In the corporate customer segment (incl. BTV Leasing and institutional business), the volume increased by EUR +238 million. Loans to retail customers increased by EUR +12 million.

Risk provisions increased moderately during the reporting year and sat at EUR 98 million at the end of 2019 (previous year: EUR 97 million). For risk management objectives and methods regarding existing default and market risks, please see the detailed risk report starting on page 106.

Other financial assets, including shares in companies valued at-equity and trading assets, were EUR +65 million above the previous year's level at the end of the year at EUR 2,227 million. The shares in companies valued at-equity grew by EUR +38 million, and trading assets by EUR +15 million.

Trends in loans to customers 2016 – 2019



Changes to major balance sheet items in 2019	in EUR million
Balance sheet total	+919
Cash reserves	+560
Loans to credit institutions	+103
Loans to customers	+185
Other financial assets incl. shares in companies valued at-equity and trading assets	+65
Liabilities to credit institutions	–6
Primary funds	+774
Equity	+110

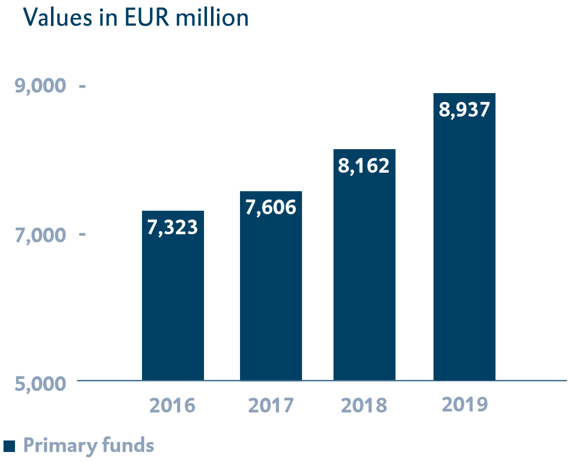
Trends in liabilities

In accordance with BTV's strategic aim to refinance customer lending through primary funds, growth in customer loans should be covered in its entirety by the growth in customer deposits. This aim was achieved in the reporting year as well, with an increase in primary funds of EUR +774 to EUR 8,937 million. This increase was achieved in particular from higher account deposits. These recorded a gain of EUR +579 million. Savings deposits also grew particularly significantly by 10.4%, or EUR +131 million. Supplementary capital was expanded in 2019 by EUR +14 million to EUR 220 million. The loan-deposit ratio, the ratio between loans to customers after risk provisions to primary funds, at the end of the year was 88.8% (previous year: 95.0%). Liabilities to credit institutions fell by EUR –6 million to EUR 1,511 million.

Customer managed deposits, the total of deposit volumes and primary funds, increased by EUR +1,522 million to EUR 15,717 million in the reporting period. Significant drivers behind this were not only the high growth in primary funds, but also the consistently positive development on the stock markets, which caused the value of securities and therefore the volume of deposits to increase, and also very good account manager performance.

Particularly pleasing for BTV was the growth in balance sheet equity in the reporting year since the strength of capital is particularly significant for the bank's business model. In total, equity increased by EUR +110 million to EUR 1,749 million due to the good result.

Trends in primary funds 2016 – 2019

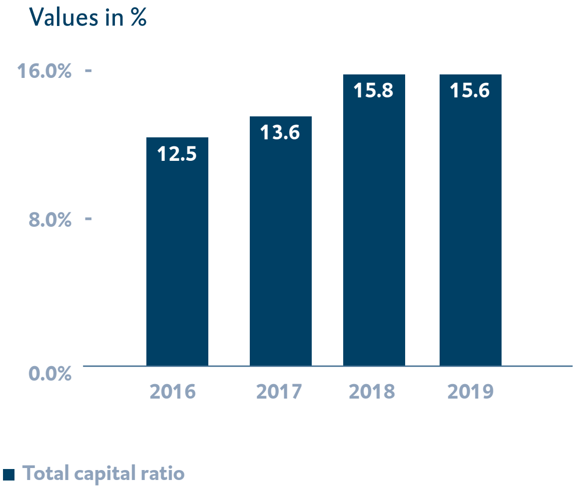


Qualifying capital pursuant to the CRR

In accordance with Regulation (EU) No. 575/2013 (CRR), in conjunction with the accompanying regulation of the Austrian Financial Market Authority (FMA), subject to application of the transitional provisions, the qualifying capital of the banking group increased by EUR +70 million compared to the previous year to EUR 1,293 million as at 31 December 2019. Common equity (CET1) increased to EUR 1,087 million (EUR +72 million), and core capital by EUR +58 million to EUR 1,087 million. The total risk amount increased by EUR +573 million to EUR 8,300 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 common equity ratio was 13.1% as at 31 December 2019 (previous year: 13.1%), and the core capital ratio 13.1% (previous year: 13.3%). The total capital ratio was 15.6% (previous year: 15.8%).

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

Trends in total capital ratio 2016 – 2019



Key indicators

Return on equity fell before tax by –0.8 percentage points to 8.5%, and improved after tax by +0.4 percentage points to 7.5% based on the annual net profit at the end of 2019. The loan deposit ratio (ratio of customer loans by risk provisions to primary funds) was 88.8% (previous year: 95.0%). The liquidity indicators LCR and NSFR total 160.1% and 114.8% respectively. At 8.7%, the leverage ratio also significantly exceeded the required minimum figure of 3.0%. The cost/income ratio improved in the reporting year 2019 thanks above all to the improvement in earnings from net interest income from 58.9% to 57.9%. These key figures are significantly affected by the fully consolidated mountain railways. The risk/earnings ratio was 0.7% (previous year: –3.6%). The non-performing loans ratio increased from 1.8% to 1.9%.

Key Indicators in %

Return on equity before tax	8.5%
Return on equity after tax	7.5%
Loan Deposit Ratio	88.8%
LCR	160.1%
NSFR	114.8%
Leverage Ratio	8.7%
Cost/income ratio	57.9%
Risk/earnings ratio	0.7%
Non-performing loans ratio	1.9%
Core capital ratio according to CRR	13.1%
Total capital ratio according to CRR	15.6%

Events after the financial statement date

Between the end of the financial year and the creation and approval of the financial statement by the auditors there were no significant events relating to the business. With regards to the legal disputes of the 3 Banken with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H, we refer you to Discretionary decisions, assumptions and estimates (from page 60).

References to information in the consolidated financial statement

Detailed information on the financial situation (liquidity, equity position, cash flow statements), and on the investment and financing area (balance-sheet structure, liquidity, debt ratio) are published in the consolidated financial statement starting on page 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-id92033.html). BTV’s Corporate Governance Report is also linked to on the aforementioned website.

Compliance pursuant to Austrian Securities Supervision Act (Wertpapieraufsichtsgesetz)

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

721 BTV employees have refreshed their knowledge using the compliance e-learning programme and successfully passed the final test. In addition, during the reporting year 87 new employees in branches and divisions participated in classroom training in order to ensure full compliance with the regulations of the Compliance Rules concerning financial instruments and in particular the EU Market Abuse Regulation and the Securities Supervision Act (WAG 2018).

Compliance pursuant to Austrian Banking Act (Bankwesengesetz (BWG))

As a significant credit institute pursuant to Sec.5(4) BWG, BTV established another permanent and independent compliance function with direct access to the management on 1 January 2019. The primary aim of the compliance function pursuant to the BWG is to minimise the risk arising from non-compliance with supervisory requirements, and to establish an appropriate culture of compliance at BTV.

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

In 2019, 91 participants were given classroom training across three sessions. This training focused on current amendments or updates within supervisory law.

Anti-money laundering

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

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

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

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

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

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

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

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

Accounting (bookkeeping and presentation of the accounts) and its associated processes, as well as the associated risk management, fall within the Finance and Controlling areas of the Consolidated accounting, Accounting, and Sales and Strategy Controlling teams, and in the Risk Management area of the Reporting and Risk Controlling teams.

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

Control environment

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

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

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

Furthermore, in 2019 the teamRADAR tool ensured that all key updates were analysed at an early stage at BTV.

Risk assessment

A catalogue of risks has been developed covering the most significant typical company business processes within financial reporting, with the identification of the most important risk areas. These are monitored with controls on an ongoing basis, reviewed and, where necessary, evaluated. Internal controls may provide an adequate degree of certainty of meeting these objectives, but no absolute guarantee. The possibility of mistakes when performing activities, or errors when estimating or applying scope for discretion evidently exists.

For this reason, it is not possible to provide an unlimited guarantee that errors in the annual financial statements will be detected or prevented. In order to minimise the risk of a misjudgement, selective use is made of external experts and publicly accessible sources.

Control measures

These activities include systemic controls defined by BTV and IT service providers, as well as manual controls, such as plausibility inspections, the dual control principle (also in part with the involvement of the respective department manager or team leader) or job rotation within the department. As a supplementary safeguard of security within the systems, sensitive activities within BTV are protected through restrictive management of IT authorisations. These comprehensive control measures are backed up by internal handbooks, working aids, check lists, process descriptions and job descriptions with their associated areas of responsibility. In addition, reconciliations are performed and data subjected to plausibility checks by the Consolidated accounting and Accounting teams in the Finance and Controlling areas, and by the Risk Controlling and Reporting teams in the Risk Management area. This guarantees the accuracy and compliance of the data used in the risk reports and legal publications.

Information and communication

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

Supervisory measures

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

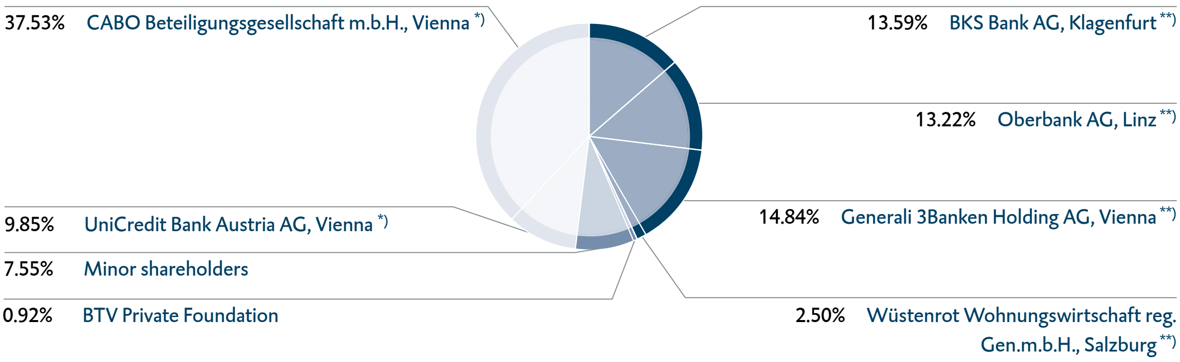
The head of department, as well as the responsible team leaders, carry out a supporting supervisory and oversight function for the financial reporting processes.

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

Shares and shareholder structure

The Bank für Tirol und Vorarlberg Aktiengesellschaft (BTV) has EUR 68,062,500 in share capital (previous year: around EUR 68.06 million) which is divided into 31,531,250 ordinary shares and, unchanged since the previous year, 2,500,000 non-voting preference shares with a minimum dividend payable of 6% of its proportional share in the share capital. In relation to the holding of own shares and the changes that occurred during the financial year, we refer to the information in the Annex. The shareholders Oberbank AG, BKS Bank AG, Generali 3Banken Holding AG and Wüstenrot Wohnungswirtschaft reg. form a syndicate. Its purpose is to preserve the autonomy of BTV, it being in the interests of the syndicate partners for BTV to continue to develop as a revenue and profit-oriented company. In order to realise this objective, the syndicate partners have agreed on joint exercise of their corporate rights associated with their shareholdings and of their pre-emptive rights.

BTV shareholder structure by size of holding

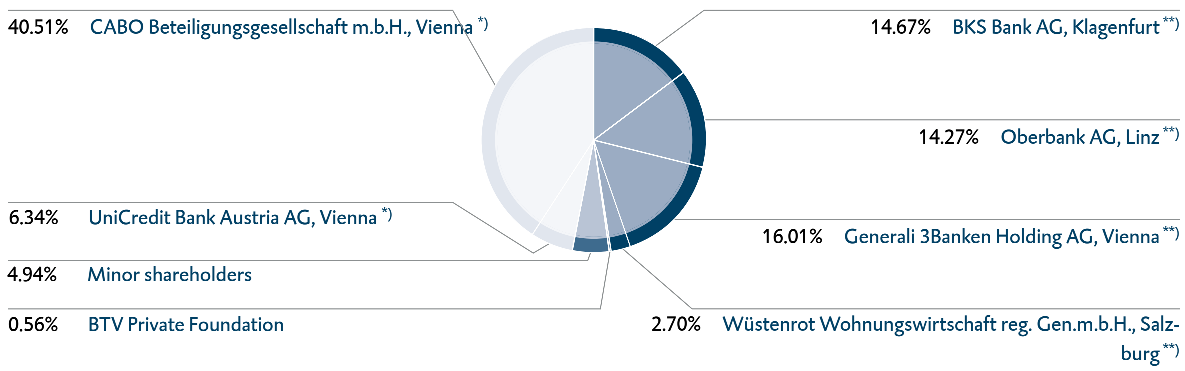


*) Affiliated group company
**) Shareholders who form part of the syndicate agreement

BTV employees have a stake in the company in the form of the BTV Private Foundation. The Executive Board, the Foundation's Advisory Board and its auditors constitute the executive bodies of the BTV Private Foundation. The exclusive purpose of the BTV Private Foundation is to pass on, directly and in full, 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 to purchase its own shares for the purposes of securities trading, as well as for its own employees, managers, members of the Executive Board and the Supervisory Board by 7 November 2020, with the caveat that the trading portfolio of shares acquired for this purpose may not exceed five per cent of the share capital at the end of any day. On the basis of these decisions, shares may only be purchased if the equivalent per share does not differ either positively or negatively by more than 20% from the average of the official BTV share price on the Vienna stock exchange during the three trading sessions preceding the purchase.

BTV Shareholder structure by voting rights



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

Outlook

BTV's budget was prepared in November 2019 under the following assumptions:
Economic development is expected to be good on key markets for BTV. For the budget basis scenario 2020, BTV expects an increase in GDP for Austria, Germany and Switzerland of between 1.2% and 1.7%; a slightly lower level of growth of 0.5% was used for planning with regards to Italy. Inflation rates of less than 2% are expected in all four countries, whilst the unemployment rate should see stable development under the assumed framework conditions. For interest rates, it is assumed for 2020 that at the very least the current, historically low level will persist. As a result, investment in securities remains attractive, even though we are counting on a significant increase in volatility on stock and bond markets.

In the interest business, we are assuming a continuation of the persistently intensive competition and an even lower interest level as an average across the year. The plan for 2020 therefore includes a decrease in total net interest profit, whereas a slight increase in revenue from holdings has been budgeted. BTV is expecting a significant increase in risk provisions in the credit business. Greater net commission income will be borne by the securities business, whilst the development of other sectors is expected to be roughly the same level as the previous year. A moderate decrease in trading income, and significant decreases in revenue from financial transactions and revenue from companies valued at-equity have been budgeted for. Other operating income, on the other hand, is expected to be slightly higher. General operating expenses are budgeted as moderately higher than the development of consumer prices.

For 2020, we are assuming an annual net profit before tax below the excellent level of the previous year's profit – within an expected range of EUR 92 million to EUR 104 million – predominantly because of the budgeting of higher risk provisions in the credit business.

In March, the environment for 2020 changed abruptly.
What was until recently unimaginable, became a reality.
The coronavirus (COVID-19) hit Austria, Europe and ultimately the entire world with some vengeance. Shutdowns, closed shops, reduced working hours, lockdowns – the consequence being an almost complete economic standstill. BTV has been walking the tightrope as best it can in order, on the one hand, to implement the public order to keep systems running and, on the other, to always ensure the health and safety of all our employees and our customers. Over half of BTV's workforce began working from home offices practically overnight. It is not just BTV, but society as a whole that has been confronted with challenges that we could never have imagined a few weeks ago.

Offering a forecast and accurate predictions in this environment is simply not possible. We cannot yet estimate how much further coronavirus (COVID-19) will spread, nor can we yet quantify its impacts on BTV and our customers. Currently, it is impossible to say for certain how heavily the economic impacts and consequences will affect us, and thus the budget. One thing we do know for sure, however, is that we will do our best to come out of 2020 a healthy and future-ready bank using the parameters from the budget we prepared in November 2019. We consider it our duty.

Innsbruck, 13 March 2020

The Board of Directors

Michael Perger
Member of the Executive Board

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

Gerhard Burtscher
Chairman of the Executive Board

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

Mario Pabst
Member of the Executive Board

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

Contents

Balance Sheet as at 31 December 2019

Assets in EUR thousand	31/12/2019	31/12/2018	Absolute change	Change in %
Cash reserves [1] [Reference to Notes]	1,427,659	867,497	+560,162	+64.6%
Loans to credit institutions [2]	468,459	365,402	+103,057	+28.2%
Loans to customers [3]	8,036,081	7,850,903	+185,178	+2.4%
Other financial assets [4]	1,468,796	1,457,700	+11,096	+0.8%
Shares in companies valued at-equity [5]	712,776	674,452	+38,324	+5.7%
Risk provisions [6]	–97,773	–97,377	–396	+0.4%
Trading assets [7]	45,919	30,739	+15,180	+49.4%
Intangible assets [8a]	1,483	1,105	+378	+34.2%
Property, plant and equipment [8b]	347,536	323,266	+24,270	+7.5%
Properties held as financial investments [8c]	61,902	55,013	+6,889	+12.5%
Current tax refunds [9]	1,075	231	+844	>+100%
Deferred tax refunds [9a]	9,046	3,722	+5,324	>+100%
Other assets [10]	66,237	97,452	–31,215	–32.0%
Total assets	**12,549,196**	**11,630,105**	**+919,091**	**+7.9%**

Liabilities in EUR thousand	31/12/2019	31/12/2018	Absolute change	Change in %
Liabilities to credit institutions [11]	1,510,520	1,516,620	–6,100	–0.4%
Liabilities to customers [12]	7,515,918	6,805,812	+710,106	+10.4%
Other financial liabilities [13]	1,469,840	1,372,321	+97,519	+6.6%
Trading liabilities [14]	9,096	8,267	+829	+10.0%
Reserves [15]	148,495	133,412	+15,083	+11.3%
Current tax debts [16]	6,114	8,637	–2,523	–29.2%
Deferred tax debts [16a]	849	3,574	–2,725	–76.2%
Other liabilities [17]	139,021	142,480	–3,459	–2.4%
Equity [18]	1,749,343	1,638,982	+110,361	+6.7%
Non-controlling interests	43,686	41,183	+2,503	+6.1%
Owners of the parent company	1,705,657	1,597,799	+107,858	+6.8%
Total liabilities	**12,549,196**	**11,630,105**	**+919,091**	**+7.9%**

Comprehensive income statement as at 31 December 2019

Comprehensive income statement in EUR thousand	01/01 – 31/12/2019	01/01 – 31/12/2018	Absolute change	Change in %
Interest and similar revenue from application of effective interest method*	162,795	141,403	+21,392	+15.1%
Other interest and similar revenue	21,947	17,435	+4,512	+25.9%
Interest and similar expenses*	–44,853	–35,845	–9,008	+25.1%
Net interest income [19]	**139,889**	**122,993**	**+16,896**	**+13.7%**
Risk provisions in credit business [20]	–910	4,403	–5,313	>–100%
Commission revenue	54,314	56,272	–1,958	–3.5%
Commission expenses	–4,871	–4,483	–388	+8.7%
Net commission income [21]	**49,443**	**51,789**	**–2,346**	**–4.5%**
Revenue from companies valued at-equity [22]	53,017	51,719	+1,298	+2.5%
Trading income [23]	3,744	–175	+3,919	>–100%
Revenue from financial transactions [24]	6,565	8,998	–2,433	–27.0%
Operating expenses [25]	–191,095	–181,046	–10,049	+5.6%
Other operating revenue	119,338	110,310	+9,028	+8.2%
Other operating expenses	–35,540	–29,204	–6,336	+21.7%
Other operating income [26]	**83,798**	**81,106**	**+2,692**	**+3.3%**
Annual net profit before tax	**144,451**	**139,787**	**+4,664**	**+3.3%**
Taxes on income and revenue [27]	–17,756	–32,703	+14,947	–45.7%
Group annual net profit	**126,695**	**107,084**	**+19,611**	**+18.3%**
Non-controlling interests	2,764	3,102	–338	–10.9%
Owners of the parent company	123,931	103,982	+19,949	+19.2%

* Due to a reclassification to the amount of EUR 2,512 thousand of interest revenue as interest expenditure, the previous year's values were adjusted accordingly.

Other income in EUR thousand	01/01 – 31/12/2019	01/01 – 31/12/2018
Group annual net profit	**126,695**	**107,084**
Revaluations from performance-oriented pension plans	–9,928	5,315
Changes in companies valued at-equity recognised directly in equity	–4,063	–2,065
Changes in equity instruments recognised directly in equity	5,693	–2,255
Losses from sale of equity instruments reclassified under profit reserves	–248	281
Fair-value adjustment of own creditworthiness risk of financial liabilities	–639	1,807
Profits/losses with regard to deferred taxes, applied directly against total profit	4,947	–1,320
Total of items which could subsequently not be allocated into profit or loss	**–4,238**	**1,763**
Changes in companies valued at-equity recognised directly in equity	706	8
Changes in debt securities recognised directly in equity	2,658	–787
Unrealised profits/losses from adjustments in currency conversion	233	635
Profits/losses with regard to deferred taxes, applied directly against total profit	–5,108	2,510
Total of items which could subsequently be allocated into profit or loss	**–1,511**	**2,366**
Total other income	**–5,749**	**4,129**
Total result for the financial year	**120,946**	**111,213**
Non-controlling interests	2,764	3,102
Owners of the parent company	118,182	108,111

Key indicators	31/12/2019	31/12/2018
Diluted and undiluted earnings per share in EUR [28]	3.65	3.31

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

Statement of changes in equity in EUR thousand	Subscribed capital	Capital reserves	Retained earnings	Reserves available for sale	Actuarial profit/loss	Total owners of the parent company	Noncon-trolling interests	Total equity
Equity at 01/01/2018	**61,875**	**174,006**	**1,141,521**	**–9,763**	**25,380**	**1,393,020**	**38,257**	**1,431,277**
Capital increases	6,188	68,836	0	0	0	75,023	0	75,023
Total result for the financial year								
Group annual net profit	0	0	103,982	0	0	103,982	3,102	107,084
Other income without companies valued at equity	0	0	–1,084	3,828	2,358	5,101	0	5,101
Other income from companies valued at equity	0	0	32,759	–2,065	8	30,703	0	30,703
Distributions	0	0	–9,257	0	0	–9,257	–99	–9,356
Own shares	0	–742	0	0	0	–742	0	–742
Other changes recognised directly in equity	0	–70	40	0	0	–31	–77	–108
Equity at 31/12/2018	**68,063**	**242,030**	**1,267,961**	**–8,000**	**27,746**	**1,597,799**	**41,183**	**1,638,982**

Cash flow statement in EUR thousand	**31/12/2019**	**31/12/2018**
Annual net profit	**126,695**	**107,084**
Non-cash items in annual net profit and reconciliations to the cash flow from operating activities:		
– Depreciations/appreciations on intangible assets, property, plant and equipment, properties held as financial investments and other financial assets, as well as other assets from operational business	–24,278	–25,221
– Increase/reduction in reserves and risk provisions	4,274	–11,618
– Profit/loss from disposal of intangible assets, property, plant and equipment, properties held as financial investments, and other financial assets	–292	–5,653
– Adjustments for other non-cash items	–8,387	3,757
Sub-total	**98,012**	**68,349**
Changes to assets and liabilities from operating activities after correction for non-cash components:		
– Loans to credit institutions	–103,057	–75,160
– Loans to customers	–183,010	–514,526
– Other financial assets	401,881	151,602
– Trading assets	0	13,397
– Other assets from operating activities	32,880	–16,884
– Liabilities to credit institutions	–6,100	301,829
– Liabilities to customers	710,106	518,218
– Other financial liabilities	85,703	35,452
– Trading liabilities	–14,352	0
– Other liabilities from operating activities	–9,739	31,250
Cashflow from operative business	**1,012,324**	**513,527**
Funds inflow from sales of		
– intangible assets, property, plant and equipment, and properties held as financial investments	1,553	6,657
– other financial assets	104,565	70
Funds outflow through investment in		
– intangible assets, property, plant and equipment, and properties held as financial investments	–24,667	–44,022
– other financial assets	–497,880	–76,694
Investment cash flow	**–416,429**	**–113,989**
Capital increases	0	74,953
Dividend payments	–10,182	–9,257
Subordinated liabilities and other financing activities	–25,551	81,555
Cashflow from financing activity	**–35,733**	**147,251**
Cash position at the end of the previous period	**867,497**	**320,708**
Cashflow from operative business	1,012,324	513,527
Investment cash flow	–416,429	–113,989
Cashflow from financing activity	–35,733	147,251
Cash position at the end of the period	**1,427,659**	**867,497**
Cash flow from operational business includes:		
Interest received	179,955	179,515
Dividends received	15,569	3,454
Interest paid	–31,670	–33,499
Payment of tax on income	–27,428	–28,034

The cash position includes the cash reserve balance sheet items comprising cash in hand and credit balances at central banks.

The consolidated financial statement of the Bank für Tirol und Vorarlberg Aktiengesellschaft (BTV) has been drawn up according to IFRS regulations and the interpretations by the International Financial Reporting Interpretations Committee (IFRIC) as these are to be applied in the European Union. In preparing this consolidated financial statement, all standards which were required for this financial year were applied.

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

The accounting and valuation methods applied uniformly across the Group comply with the standards for European balance sheets, so that the informative value of these consolidated financial statements equates to those pursuant to the provisions of the Austrian Commercial Code (UGB), in conjunction with the provisions of the Austrian Banking Act (BWG). In contrast to the audited BTV consolidated financial statement for 2018, the consolidated financial statement was prepared as at 31 December 2019 in accordance with the new IFRS 16 standard "Leases" accounting principles. The impact of the first-time adoption of IFRS 16 is described in detail on pages 56 – 58.

All accounting and valuation principles not covered by the IFRS 16 standard remain unchanged. An overview of all new applicable standards is presented on page 62.

Approval to publish the consolidated financial statements was given by the Executive Board to the Supervisory Board on 13 March 2020. The approval for publication of the consolidated financial statements by the Supervisory Board is planned for 27 March 2020.

Principles and scope of consolidation

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

The scope of full consolidation has changed compared to 31 December 2018. Wilhelm-Greil-Strasse 4 GmbH, headquartered in Innsbruck, was fully consolidated for the first time on 31 December 2019.

Silvretta Montafon Ferienimmobilien GmbH was renamed PURE Schruns GmbH by entry in the commercial register on 24 September 2019.

In addition to the Bank für Tirol und Vorarlberg Aktiengesellschaft 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 II GmbH in Liqu., Innsbruck	100.00%	100.00%
TiMe Holding GmbH, Innsbruck	100.00%	100.00%
Silvretta Montafon Holding GmbH, Schruns	100.00%	100.00%
Silvretta Montafon Bergbahnen GmbH, Schruns	100.00%	100.00%
Silvretta Montafon Gastronomie GmbH, Schruns	100.00%	100.00%
Silvretta Montafon Skischule Schruns GmbH, Schruns	100.00%	100.00%
Silvretta Montafon Sporthotel GmbH, Schruns	100.00%	100.00%
Silvretta Montafon Sporthotel GmbH & Co. KG, Gaschurn	100.00%	100.00%
Sporthotel Schruns GmbH, Schruns	100.00%	100.00%
Silvretta Montafon Sportshops GmbH, Schruns	100.00%	100.00%
Skischule Silvretta Montafon St. Gallenkirch GmbH, St. Gallenkirch	50.00%	50.00%
PURE Schruns GmbH, Schruns[1]	100.00%	100.00%
Silvretta Montafon Bergerlebnisse GmbH, Schruns	100.00%	100.00%
BTV Beteiligungsholding GmbH, Innsbruck	100.00%	100.00%
BTV 2000 Beteiligungsverwaltungsgesellschaft m.b.H., Innsbruck	100.00%	100.00%
Mayrhofner Bergbahnen Aktiengesellschaft, Mayrhofen	50.52%	50.52%
Beteiligungsholding 5000 GmbH, Innsbruck	100.00%	100.00%
Wilhelm-Greil-Strasse 4 GmbH, Innsbruck	100.00%	100.00%

[1] formerly Silvretta Montafon Ferienimmobilien GmbH, Schruns

The leasing companies and the companies of the Silvretta Montafon Holding GmbH were included in the Annual Report as at 30 September, in accordance with their divergent financial year. BTV Beteiligungsholding GmbH, BTV 2000 Beteiligungsverwaltungsgesellschaft m.b.H. and Mayrhofner Bergbahnen AG finish their financial year on 30 November. The companies of Silvretta Montafon Holding GmbH and Mayrhofner Bergbahnen Aktiengesellschaft have a divergent reporting date due to their seasonal activity. Owing to the structural situation in the Group organisation, there is a different reporting date for both the leasing companies and BTV Beteiligungsholding GmbH.

The remaining fully consolidated companies were consolidated using the reporting date of 31 December.

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

The Bank für Tirol und Vorarlberg Aktiengesellschaft holds 100% of shares in Silvretta Montafon Holding GmbH as at 31 December 2019. Only indirect minority interests exist, which are the result of the holding in Skischule Silvretta Montafon St Gallenkirch GmbH.

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

Annual Group net profit allocated to the minority interests amounts to EUR 2,764 thousand.

At the AGM of Mayrhofner Bergbahnen Aktiengesellschaft on 4 July 2019, a dividend of EUR 200 thousand was agreed. EUR 99 thousand of this was allocated to the minority interests.

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

In the third quarter 2019, the liquidation of Drei Banken Versicherungsagentur GmbH, Linz was completed and the company deconsolidated. The request for deletion of the company was received by the commercial register on 23 September 2019 and the deletion was made on 3 October 2019.

The following holdings were included using the equity method:

Companies consolidated at-equity	**Share in %**	**Voting rights in %**
BKS Bank AG, Klagenfurt	18.89%	19.45%
Oberbank AG, Linz	16.15%	16.98%
Moser Holding Aktiengesellschaft, Innsbruck	24.99%	24.99%

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

The holdings in Oberbank AG and BKS Bank AG have been included in the consolidated financial 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 3Banken Holding AG, the purpose of which is to safeguard the autonomy of these institutions. In this way, for both of the cited companies, there is the possibility of exercising a significant influence.

Associated companies are considered to have a reporting date of 30 September, in order to permit the drawing up of the annual financial statements in timely fashion. Loans and liabilities, expenses and revenue internal to the Group are eliminated except where they are insignificant.

ALPENLÄNDISCHE GARANTIE- GESELLSCHAFT m.b.H. is classed as a joint operation. The company has a concession under Sec. 1(1)(8) 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 of cashflows that contributes to the continued activities of the arrangement. It is therefore classed as a joint operation in accordance with IFRS 11.B29-32. The proportional assets and liabilities of the company are considered on the reporting date of 31 December.

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

Accounting and 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.

Structured entities

Structured entities are companies that have been designed in such a way that voting or similar rights are not the dominating factor when assessing control. For example, this is the case if voting rights only relate to administrative tasks and the rights for managing the essential activities are controlled on the basis of contractual principles. In the BTV Group, 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 2019 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 2019 financial year and in this sense did not act as a sponsor.

Financial instruments pursuant to IFRS 9

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

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

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

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

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

"Hold and sell": The debt instruments are held as part of a business model, the objective of which is to collect the contractual cashflows and dispose of the debt instruments.

"Sell": The objective of this business model is to maximise cashflows through short-term sales and purchases. The collection of contractually agreed cashflows is incidental.

The management of BTV has defined the business models as follows: The "Hold" business model is principally allocated to loans to credit institutions and customers, as well as securities.

The "Hold and sell" business model is principally allocated to securities which primarily serve as additional liquidity reserves. The "Sell" business model is principally allocated to all financial assets which cannot be allocated to either of the other two business models. This includes in particular securities inscribed in the Austrian Commercial Code/Austrian Banking Code accounts books and investment funds inscribed in the Commercial Code/Banking Code.

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

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

As part of a comprehensive IFRS 9 implementation project, a checklist has been drawn up for use in reviewing the cashflow criteria for the "Hold" and "Hold and sell" business models. The review of the cashflow criterion is performed using defined criteria. The decision of whether the cashflow criterion is fulfilled or not in individual cases is performed under consideration of all relevant factors and represents a discretionary decision.

If there is interest deleteriousness (modification of fair value of the money), then the transaction does not necessarily have to be reported at fair value. Fulfilment or non-fulfilment of the cashflow criterion depends on the type and significance with which the fair value component has been violated. The review can be performed using a benchmark. If it can be clarified with no or minimal analytical effort that the contractual cashflows of the financial asset differ significantly from the comparison cashflows of a non-deleterious benchmark instrument, then a qualitative analysis is sufficient. If this is not possible, a quantitative benchmark test shall be performed.

In the event of significant retroactive amendments of contractual cashflows, this shall lead to derecognition of the original financial instrument in the balance sheet and a new recognition in the balance sheet of a "new" modified financial instrument. In the event of insignificant retroactive amendments which do not lead to a derecognition of the financial instrument, the gross book value of the financial asset shall be recalculated and a change in profit or loss recorded with effect for the result. In the absence of clear regulations in IFRS 9 regarding demarcation between significant and insignificant amendments, a company-specific demarcation shall be applied (see here also "Significant discretionary decisions", page 60).

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

- "Hold" business model
- Cashflow criterion fulfilled

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

- "Hold and sell" business model
- Cashflow criterion fulfilled

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

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

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

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

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

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

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

Hedge accounting

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

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

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

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

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

The result from fair value hedge accounting is presented with effect for result under the item "Revenue from financial transactions".

Revenue from customer contracts

The regulations of IFRS 15 define when and how revenue not connected with the receipt of revenue from financial instruments, which falls under the regulations of IFRS 9, is received. At BTV, processes and associated internal controls have been implemented to ensure that realisation of revenue from contracts with customers is in accordance with IFRS 15.

Recording of depreciations pursuant to IFRS 9

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

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

Generally, during first application all financial assets are allocated to Level 1, where depreciations are measured to the amount of the expected 12-month credit loss. If the credit risk increases significantly after the initial recording of financial assets, then a transfer shall be performed from Level 1 to Level 2. Depreciation corresponds to the value that may arise from possible defaulting during the remaining lifetime of the financial asset (total lifetime credit loss).

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

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

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

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

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

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

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

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

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

The probability of default allocated to a financial asset is estimated using segment-specific econometric models which take account of not just customer rating but the also future-oriented macro-economic information. Within the framework of the models, the multi-period probabilities of default inferred from the one-year segment-specific through-the-cycle rating migration matrices and depending on the rating are adjusted over the next two years using macro-economic predictions from an established external organisation. For longer time horizons, extrapolation is performed up to the probability of default dependent on the through-the-cycle rating. The predictions in this context contain prognoses on the development of macro-economic variables, such as of real GDP or growth in real gross investments. The choice of macro-economic variables taken into account is based on an empirical analysis, the aim of which was the best-possible description of the segment-specific, historical default rates by means of macro-economic variables.

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

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

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

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

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

Depreciation is performed analogously to Level 2 to the amount of the total lifetime credit loss. While in Level 2 interest and depreciation are recorded separately and interest revenue is calculated on the basis of the gross book value, interest revenue in Level 3 is calculated on the basis of amortised costs and therefore on the basis of the gross book value after deduction of the risk provision.
If in the past there has been a significant increase in the credit risk compared to the initial application, such that a financial asset was transferred to Level 2 or 3, but the previously determined significant increase in credit risk no longer exists at the time of the current accounting date, then the financial asset shall be transferred back to Level 1.

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

BTV has established its definition of default based on the provisions under Art. 178 of EU Regulation 575/2013 (Capital Requirements Regulation – CRR). A risk item is thus considered defaulted if:

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

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

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

No collateral that may be disposed of independent of the debtor's default was held by BTV in the financial year 2019.

Currency conversion

Assets and liabilities denominated in foreign currencies as well as non-transacted 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

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

Risk provisions

The particular risks of the banking business are recognised by BTV through the creation of value adjustments and reserves as appropriate. For creditworthiness risks, Group-wide standard assessment criteria are applied and provided for by provision of securities.

Shares in companies valued at-equity

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

Trading assets

Financial assets held for trading purposes are reported under trading assets (see Note 7). These financial instruments serve to achieve a profit from exchange rate and price differences or fluctuations in interest within a short-term or medium-term resale.

All trading assets, that is, positive market values from derivative financial instruments and funds, are valued at fair value through profit and loss.

Intangible assets

This item includes rental leases, industrial property rights and other rights. The valuation is done at acquisition costs, reduced by regular amortisation. The scheduled amortisation is applied linearly based on the estimated useful life. The expected useful life and the amortisation method are checked at the end of each financial year and all changes in estimates are 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 a depreciation under IAS 36, extraordinary amortisations are performed. If the reason for an earlier extraordinary amortisation has lapsed, an allocation will be made to the amortised acquisition or production cost, except in the case of goodwill.

Property, plant and equipment

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 linearly. The depreciation period is 40 to 50 years for buildings; for fixtures and fittings it is 3 to 13 years.

Derecognition of the fully depreciated fixed assets takes place at decommissioning. In the event of derecognition of assets, the procurement or manufacturing costs, as well as the accumulated write-offs, are offset. Earnings on asset disposals (sale proceeds less carrying amount) are recorded under other operating income or other operating expenses. Assets are capitalised at acquisition or manufacturing cost. Acquisition and ancillary manufacturing costs as well as expansion investments are capitalised, whilst maintenance expenditure is reported in the period, in which it is incurred, under expenditure. Borrowed capital costs which can be directly allocated to the acquisition or manufacture of a qualified asset are included in acquisition or manufacturing costs.

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 linear 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 lease agreements are shown in the profit and loss item "Other operating income".

Leasing

In January 2016, the IASB published IFRS 16 "Leases" which covers the approach, valuation, evidence, and information obligations with respect to leasing relationships, and which replaces the preceding regulations of IAS 17.

BTV Group applied IFRS 16 "Leases" for the first time from 1 January 2019. The Group changed its accounting methods for the accounting of leasing relationships on the basis of the first-time mandatory application of IFRS 16.

For lessors, IFRS 16 essentially continues the previous regulations of IAS 17, though it brings significant changes for the lessee. As before, the lessor shall categorise a lease relationship as an operating lease relationship or a financing leasing.

The decision was made to apply the simplified transition method (modified retroactive method), meaning that the comparison figures of the previous period will not be adjusted.

Furthermore, all easements are allocated in accordance with the amount of the leasing liability at the time of transition, and the initial direct costs are not taken into account when evaluating the easement. In addition, BTV made use of the option to record leasing relationships with a maximum term of 12 months and leasing relationships regarding assets of minimal value as expenditure and therefore not in the balance sheet.

Lessee:
If there exists a leasing relationship, BTV records an easement, which represents its right to use the underlying asset, and a corresponding leasing liability on the balance sheet.

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

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

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

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

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

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

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

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

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

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

Reconciliation account as at 01/01/2019 in EUR thousand	**Total**
Operating leasing liabilities as at 31/12/2018	**31,144**
Ease of use for short-term lease relationships	–573
Ease of use for lease relationships concerning minimal-value commodities	–22
Gross lease relationships as at 01/01/2019	**30,549**
Discount	–1,271
Additional leasing liabilities due to first-time application of IFRS 16 as at 01/01/2019	**29,278**

The weighted average value of the incremental borrowing rate which was referred to for the discounting of the leasing liabilities as at the time of first application is 0.71% p.a.

With respect to lease relationships where BTV is the lessor, no significant effects resulted from the first-time application of IFRS 16.

For lease relationships where BTV is the lessee and which were previously classified under IAS 17 as operating leasing relationships, easements and leasing liabilities for outstanding leasing payments in the amount of EUR 29,278 thousand were reported in the balance sheet as at 01 January 2019. This led to an insignificant increase in the balance sheet total of less than 1% and an insignificant reduction of the equity ratio.

In the period 1 January 2019 to 31 March 2019, easements were also capitalised to the amount of EUR 916 thousand, and leasing liabilities were classified as liabilities to the amount of EUR 916 thousand. This approach is due to the new conclusion of lease agreements or the adjustment of lease payments according to an index.

Thus far, BTV Group has recorded expenditure from operating leasing relationships linearly over the term of the lease. In accordance with IFRS 16, from 01 January 2019 onwards BTV has allocated amortisations for easements and interest expenditure from leasing liabilities. The distribution of interest expenditure is performed using the effective interest method. The result of this is that the encumbrance of the profit and loss account is higher at the start of the leasing relationship than towards the end, hence the result will be less greatly encumbered as the term of the leasing relationship increases.

The conversion led to an insignificant reduction in return on equity before tax and in return on assets before tax, and to an insignificant increase in the cost/income ratio.

Overall, therefore, there were no significant effects for BTV Group resulting from the first-time application of IFRS 16.

Current assets

Other current assets in the non-banking sector are recorded under other assets and basically include inventories, accounts receivable and other receivables and assets of Silvretta Montafon Holding GmbH and Mayrhofner Bergbahnen Aktiengesellschaft. Inventories are valued at acquisition or production cost, whichever is the lower, less discounts and deductibles, similar price reductions and the net realisable value. The acquisition cost is calculated on a sliding average cost basis. Inventory risks arising from the duration of storage or reduced applicability are taken into account through depreciation. Lower values on the reporting date owing to reduced sales proceeds are taken into account.

Reserves

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

Other reserves are created as required by IAS 37, if the Group 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 in the following year.

Other liabilities

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

Tax refunds and tax debts

Claims and liabilities relating to income tax are presented in the items "Tax refunds" 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 refunds or liabilities must be shown in the balance sheet. Current income tax refunds and liabilities are set at the tax values which are expected to be settled with the respective tax authorities.

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

Genuine repurchase agreements
Genuine repurchase agreements are agreements whereby financial assets are transferred against the payment of an amount and where it is agreed at the same time that the financial assets must be returned to their owner at a later stage against the payment to the transferor of an amount defined in advance. The financial assets in question 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 the repurchase agreement is 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, revenue from other assets, from holdings, and from trading assets are also documented under this item. Expenditure from other financial liabilities, trade liabilities, and interest expenditure for long-term human resources provisions are also posted under 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.

Risk 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.

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

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

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

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

Staff expenditure includes 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, insofar as they have not been included under other income.

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

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

Taxes on income
Current and deferred taxes on income are reported under this item. They include the individual group companies on the basis of calculated taxable results from current income taxes, income tax corrections for previous years and changes to the tax provisions.

Discretionary decisions, assumptions and estimates
In drawing up the BTV consolidated financial statements, values are determined on the basis of discretionary decisions, as well as through the use of assumptions and estimates. The associated uncertainties may lead in future reporting periods to additional income or expenses or 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, with the objective of providing meaningful information on the asset, financial and earnings situation of the company. For discretionary decisions regarding the risk status of the Group, please refer to the Risk Report (page 106 onwards).

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

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

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

Fair value of financial instruments
If the other comprehensive income of financial assets and financial liabilities cannot be derived based on data from an active market, it will be determined using different valuation models. The input parameters for these model calculations are derived from observable market data, as far as possible. Valuation models, input parameters, the fair value hierarchy and fair values of financial instruments are explained in more detail in Notes 36, 36a and 36b.

Risk provisions in the lending business
Risk provisions are determined by expectations regarding future loan losses and the composition of the quality of the loan portfolio. It is also necessary for calculating expenses on risk provisions to estimate the amount and timing of future cashflows. Depreciations of financial instruments which cannot yet be identified are established based on expected credit loss (ECL). These depreciations are based on ratings estimates and probabilities of default. Notes on the principles of the applied input factors, assumptions, and estimation procedures for measuring expected credit losses, for determining whether the risk of default of a financial instrument has increased significantly since first application, and for determining whether a financial asset is exposed to impaired creditworthiness are explained in more detail in the Section "Calculating depreciations pursuant to IFRS 9" on page 51.

Long-term staff 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 15a ff.

Other reserves
The formation of reserves requires an assessment of the extent to which the company has an obligation to third parties as a result of past events. Furthermore, estimates regarding the amount and maturity of future cash flows are necessary for the calculation of reserves. Further details can be found in Notes 15h.

The 3 Banken's legal disputes with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H: UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H. (jointly abbreviated to "UniCredit") submitted an application at the annual general meeting of BTV in May 2019 to conduct a special audit with regards to all capital increases performed by BTV since 1993. This application was not approved. In light of the rejection of this application for resolution, UniCredit subsequently submitted an application to the District Court Innsbruck in June 2019 requesting the ordering of a special audit. This application was rejected by order of the Court on 20 January 2020. UniCredit appealed against this decision to the Supreme District Court Innsbruck.

UniCredit furthermore lodged a claim to challenge individual AGM resolutions before the District Court Innsbruck in June 2019. The District Court Innsbruck suspended the proceedings for clarification of a preliminary matter by the Takeover Commission in a decision of 19 January 2020.

Neither of these proceedings have had a discernible impact on the balance sheet.

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

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

After careful review, with the involvement of external experts, the Executive Board is under the impression that even a new audit under takeover law will not lead to any assertion of a bid obligation.

Deferred taxes
Deferred tax assets are recognised as tax loss carry-forwards and applicable temporary tax differences. This assumes that in the future taxable earnings will be available to offset the losses. Discretionary decisions and estimations are required in order to determine at what level deferred tax assets are to be set, based on future taxable profit and future tax planning. Details on deferred tax assets can be found in notes 9a and 16a.

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 Note 8.

Environment
We cannot yet estimate how much further coronavirus (COVID-19) will spread. Nor, at this time, can we quantify its impacts on BTV and our customers.

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. With regards to the 3 Banken's legal disputes with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H, we refer you to Discretionary decisions, assumptions and estimates (from page 60).

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 online at www.btv.at under the menu item Company > Investor Relations > Publications / Financial Reports > Information.

Use of modified/new IFRS/IAS standards

The table below shows published or modified standards and interpretations on the balance sheet date, which were applied for the first time during this reporting period. The first-time application of IFRS 16 involved a change to the balance sheet and valuation methods, though did not have any material impact on the consolidated financial statement.

The application of other IFRS and specified IFRIC interpretations had a minor effect on the consolidated financial statement of the Bank für Tirol und Vorarlberg AG Aktiengesellschaft as at 31 December 2019 as the changes were only applicable in a few isolated locations. No changes occurred to the balance sheet policies and valuation methods.

First used in the reporting period:

Standard/Interpretation	Name	To be applied for financial years from	Already adopted by EU
Annual Improvements to IFRS 2015 – 2017		01/01/2019	yes
IFRS 16	Leases	01/01/2019	yes
IFRS 9	Amendments: Prepayment Features with Negative Compensation	01/01/2019	yes
IAS 28	Amendments: Long-term Interests in Associates and Joint Ventures	01/01/2019	yes
IFRIC 23	Uncertainty over Income Tax Treatments	01/01/2019	yes
IAS 19	Amendments: Plan Amendment, Curtailment or Settlement	01/01/2019	yes

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

Newly published or amended standards and interpretations:

Standard/Interpretation	Name	To be applied for financial years from	Already adopted by EU
Amendments to References to the Conceptual Framework in IFRS standards		01/01/2020	yes
IFRS 3	Amendments: Business Combinations	01/01/2020	yes
IAS 1 and IAS 8	Amendments: Definition of Material	01/01/2020	no
IFRS 9, IAS 39 and IFRS 7	Amendments: Interest Rate Benchmark Reform	01/01/2020	yes
IFRS 17	Insurance Contracts	01/01/2021	no

New standards, which have not yet been applied:
The new accounting standard IFRS 17 "Insurance Contracts", published in May 2017, will replace the standard IFRS 4. The new standard is not just relevant for insurance companies, but also impacts all companies which issue insurance contracts within the scope of application of the standard. The aim of IFRS 17 is consistent, principle-based accounting of insurance contracts and it stipulates valuation of insurance liabilities at the current settlement value instead of the historical acquisition costs. The standard also aims to establish a uniform basis with regards to the estimation, valuation, documenting and notes for insurance contracts. In the EU, the standard must be applied for financial years which begin on or after 1 January 2021, and still requires adoption into EU law. Based on our current analyses, we do not expect any noteworthy impacts on the consolidated financial statement.

Other changes:
Amendments to IAS 1 and IAS 8 regarding the definition of materiality, and amendments to IFRS 3 regarding the definition of a business operation have no material impact on BTV's consolidated financial statement.

The amendments to IFRS 9, IAS 39 and IFRS 7, as an initial reaction to potential impacts of the IBOR reform, are currently being analysed within the Group.

With respect to other newly published or amended standards and interpretations which were not applied in the financial year 2019, no significant changes are expected for future consolidated financial statements. There are no plans for early adoption of the new standards and interpretations.

1 Cash reserves in EUR thousand	**31/12/2019**	**31/12/2018**
Cash on hand	32,580	30,485
Credit with central banks	1,395,079	837,012
Cash reserves	**1,427,659**	**867,497**

2 Loans to banks in EUR thousand	**31/12/2019**	**31/12/2018**
Amortised costs	468,459	365,402
Loans to credit institutions	**468,459**	**365,402**

3 Loans to customers in EUR thousand	**31/12/2019**	**31/12/2018**
Amortised costs	7,761,136	7,650,336
Mandatorily at fair value	274,945	200,567
Loans to customers	**8,036,081**	**7,850,903**

The loans to customers include financial lease contracts with a net investment value of EUR 961,900 thousand (previous year: EUR 946,686 thousand). The corresponding gross investment values of these leasing relationships totals EUR 1,026,491 thousand (previous year: EUR 1,006,386 thousand), whilst associated unrealised financial revenue totals EUR 64,591 thousand (previous year: EUR 59,701 thousand). The residual value of the total lease assets are guaranteed both in the current and previous financial years. As at the balance sheet date, there were valuation allowances for non-collectable lease receivables of EUR 9,267 thousand (previous year: EUR 9,761 thousand). A risk provision (Level 1) was established to the amount of EUR 356 thousand (previous year: EUR 628 thousand) for expected losses from customer loans in the next 12 months, and to the amount of EUR 421 thousand (previous year: EUR 524 thousand) for expected losses from customer receivables over the entire contract term (Level 2).

3a Lifetime to maturity breakdown 2019

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

Lifetime to maturity breakdown 2018

Financial lease receivables in EUR thousand	**< 1 year**	**1–5 years**	**> 5 years**	**Total**
Gross investment value	238,978	570,867	196,541	1,006,386
Unrealised financial revenue	16,854	31,807	11,040	59,701
Net investment value	222,124	539,060	185,502	946,686

4 Other financial assets in EUR thousand	**31/12/2019**	**31/12/2018**
Debt securities valued at amortised costs	899,342	925,630
Debt securities valued at fair value through other comprehensive income (FVOCI)	345,342	311,301
Debt securities mandatorily valued at fair value	9,490	21,245
"Hold" business model	0	0
"Hold and sell" business model	9,490	21,245
Debt securities fair-value option	2,610	2,729
"Hold" business model	0	0
"Hold and sell" business model	2,610	2,729
Equity instruments valued at fair value through other comprehensive income (FVOCI)	125,594	120,545
Equity instruments which are not maintained as holdings	21,473	17,995
Other shareholdings	94,307	93,070
Other affiliated shareholdings	9,814	9,480
Equity instruments valued at fair value through profit and loss (FVTPL)	35,055	30,558
Equity instruments which are not maintained as holdings	0	0
Other shareholdings	35,055	30,558
Positive market values from derivative hedging instruments	51,363	45,692
Fair value hedge/valuation of hedging instrument	36,327	32,782
Positive market values of negotiated swaps/options	15,036	12,910
Other financial assets	**1,468,796**	**1,457,700**

As at 31 December 2019, the maximum default risk of financial assets which are designated as valued at fair value (fair value option) totals EUR 2,610 thousand (previous year: EUR 2,729 thousand).

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

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

4a Change in fair value due to changes in risk of default of financial assets (designated as valued at fair value through profit and loss) in EUR thousand	**2019**	**2018**
As at 01/01	30	25
Changes during the financial year	0	5
Changes in fair value cumulatively as at 31/12	**30**	**30**

In order to avoid or resolve incongruities in the P/L account, the following equity instruments were designated as valued at fair value through other comprehensive income:

4b Equity instruments, designated as valued at fair value through other comprehensive income as at 31/12/2019 in EUR thousand	**Fair value as at 31/12/2019**	**Total dividends 2019***	**Stock of dividends***	**Stock of dividends derecognised**
Equity instruments which are not maintained as holdings	21,473	782	725	57
Other shareholdings	94,307	2,127	2,127	0
Other associated companies	9,814	166	166	0
Total equity instruments valued at fair value through other comprehensive income	**125,594**	**3,075**	**3,018**	**57**

Equity instruments, designated as valued at fair value through other comprehensive income as at 31/12/2018 in EUR thousand	**Fair value as at 31/12/2018**	**Total dividends 2018***	**Stock of dividends***	**Stock of dividends derecognised**
Equity instruments which are not maintained as holdings	17,995	624	624	0
Other shareholdings	93,070	1,687	1,687	0
Other associated companies	9,480	–12	–12	0
Total equity instruments valued at fair value through other comprehensive income	**120,545**	**2,299**	**2,299**	**0**

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

4c Derecognised equity instruments as at 31/12/2019 in EUR thousand	Fair value at time of derecognition	Accumulated profit/ loss from sale
Equity instruments which are not maintained as holdings	2,854	857
Other shareholdings	485	–609
Other associated companies	0	0
Total equity instruments valued at fair value	**3,339**	**248**

Derecognised equity instruments as at 31/12/2018 in EUR thousand	Fair value at time of derecognition	Accumulated profit/ loss from sale
Equity instruments which are not maintained as holdings	0	0
Other shareholdings	110	–281
Other associated companies	0	0
Total equity instruments valued at fair value	**110**	**–281**

During the financial year, profits to the amount of EUR 857 thousand (previous year: EUR 0 thousand) were reclassified within equity due to deductions of equity instruments which are not held as holdings.

Furthermore, losses to the amount of EUR 609 thousand (previous year: loss of EUR 281 thousand) were reclassified within equity due to deductions of holdings.

5 Shares in companies valued at-equity in EUR thousand	31/12/2019	31/12/2018
Credit institutions	694,580	655,471
Non-credit institutions	18,196	18,981
Shares in companies valued at-equity	**712,776**	**674,452**

The book value of listed shares in companies valued at-equity totalled EUR 694,580 thousand (previous year: EUR 655,471 thousand).

The fair value of the shares in at-equity valued companies amounted to EUR 692,887 thousand (previous year: EUR 665,731 thousand).

6 Risk provisions 2019 (presentation of portfolio) in EUR thousand	As at 01/01/2019	Appro-priation	Releases	Con-sumption	Currency conversion	Splitting	Position 31/12/2019
Value adjustments Level 1	7,746	1,945	–4,179	0	0	0	5,512
Value adjustments Level 2	7,093	2,449	–5,060	0	0	0	4,482
Value adjustments Level 3 to loans to credit institutions	0	0	0	0	0	0	0
Value adjustments Level 3 Loans to customers	82,538	19,088	–15,128	–3,357	70	4,568	87,779
Risk provisions in the credit business	**97,377**	**23,482**	**–24,367**	**–3,357**	**70**	**4,568**	**97,773**
Reserves for guarantees Level 1	40,585	2,057	–863	0	0	0	41,779
Reserves for guarantees Level 2	105	88	–110	0	0	0	83
Reserves for guarantees Level 3	4,529	4,469	–4,663	0	30	0	4,365
Reserves of unused credit Level 1	1,665	1,727	–1,205	0	0	0	2,187
Reserves of unused credit Level 2	581	408	–259	0	0	0	730
Reserves of unused credit Level 3	2,668	1,337	–1,385	0	6	0	2,626
Reserves for guarantees and credit	**50,133**	**10,086**	**–8,485**	**0**	**36**	**0**	**51,770**
Total risk provisions	**147,510**	**33,568**	**–32,852**	**–3,357**	**106**	**4,568**	**149,543**

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

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

Risk provisions 2018 (presentation of portfolio) in EUR thousand	**As at 01/01/2018**	**Appro-priation**	**Releases**	**Consump-tion**	**Currency conversion**	**Reclassifi-cation**	**As at 31/12/2018**
Value adjustments Level 1	10,856	7,147	–10,257	0	0	0	7,746
Value adjustments Level 2	7,517	9,099	–9,523	0	0	0	7,093
Value adjustments Level 3 to loans to credit institutions	0	0	0	0	0	0	0
Value adjustments Level 3 Loans to customers	105,655	13,696	–21,397	–16,844	101	1,327	82,538
Risk provisions in the credit business	**124,028**	**29,942**	**–41,177**	**–16,844**	**101**	**1,327**	**97,377**
Reserves for guarantees Level 1	33,965	6,765	–145	0	0	0	40,585
Reserves for guarantees Level 2	93	102	–90	0	0	0	105
Reserves for guarantees Level 3	5,437	5,953	–6,880	0	19	0	4,529
Reserves of unused credit Level 1	1,515	1,976	–1,826	0	0	0	1,665
Reserves of unused credit Level 2	977	569	–965	0	0	0	581
Reserves of unused credit Level 3	1,352	2,029	–715	0	2	0	2,668
Reserves for guarantees and credit	**43,339**	**17,394**	**–10,621**	**0**	**21**	**0**	**50,133**
Total risk provisions	**167,367**	**47,336**	**–51,798**	**–16,844**	**122**	**1,327**	**147,510**

6a Level transfer in EUR thousand

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

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

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

At BTV, the transfers reported from one level to another are posted to the P/L account via allocation to or release from the respective items and are included in the values in Note 6 in the respective items allocation (+) and release (–).

* Financial instruments with creditworthiness already impaired at the time of acquisition or issue (purchased or originated credit impaired – POCI)

Level transfer in EUR thousand	**Value adjustment 01/01/2018 – 31/12/2018**			
	Level 1	Level 2	Level 3	POCI*
Transfer from Level 1 to Level 2	–767	767	0	0
Transfer from Level 1 to Level 3	–23	0	23	0
Transfer from Level 2 to Level 1	3,903	–3,903	0	0
Transfer from Level 2 to Level 3	0	–145	145	0
Transfer from Level 3 to Level 1	0	0	0	0
Transfer from Level 3 to Level 2	0	3,078	–3,078	0
Total	**3,113**	**–203**	**–2,910**	**0**

	Reserves for guarantees 01/01/2018 – 31/12/2018			
	Level 1	Level 2	Level 3	POCI*
Transfer from Level 1 to Level 2	–1	1	0	0
Transfer from Level 1 to Level 3	–1	0	1	0
Transfer from Level 2 to Level 1	74	–74	0	0
Transfer from Level 2 to Level 3	0	–1	1	0
Transfer from Level 3 to Level 1	19	0	–19	0
Transfer from Level 3 to Level 2	0	0	0	0
Total	**91**	**–74**	**–17**	**0**

	Provisions for credit 01/01/2018 – 31/12/2018			
	Level 1	Level 2	Level 3	POCI*
Transfer from Level 1 to Level 2	–114	114	0	0
Transfer from Level 1 to Level 3	–14	0	14	0
Transfer from Level 2 to Level 1	701	–701	0	0
Transfer from Level 2 to Level 3	0	–1	1	0
Transfer from Level 3 to Level 1	0	0	0	0
Transfer from Level 3 to Level 2	0	0	0	0
Total	**573**	**–588**	**15**	**0**

* Financial instruments with creditworthiness already impaired at the time of acquisition or issue (purchased or originated credit impaired – POCI)

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

6b Gross book value of financial assets valued at AC in EUR thousand	**Level 1**	**Level 2**	**Level 3**	**POCI**	**Total**
As at 01/01/2019	7,813,483	986,830	141,055	0	8,941,368
Transfer to Level 1	113,666	–113,666	0	0	0
Transfer to Level 2	–327,570	327,882	–312	0	0
Transfer to Level 3	–34,614	–4,328	38,942	0	0
Allocation	2,599,983	138,327	13,538	0	2,751,848
of which newly acquired or issued financial assets	2,225,598	104,822	11,625	0	2,342,045
of which portfolio business	374,385	33,504	1,913	0	409,802
Disposals	–2,300,813	–264,325	–40,299	0	–2,605,436
of which derecognised financial assets	–482	126	–3,660	0	–4,016
of which write-offs	0	0	–3,660	0	–3,660
Changes due to contract modifications which do not lead to derecognition	–60	10	0	0	–50
Exchange rate changes	25,540	15,143	524	0	0
As at 31/12/2019	**7,889,615**	**1,085,873**	**153,449**	**0**	**9,128,937**

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

Gross book value of financial assets valued at AC in EUR thousand	**Level 1**	**Level 2**	**Level 3**	**POCI**	**Total**
As at 01/01/2018	7,840,049	460,510	164,202	0	8,464,761
Transfer to Level 1	232,890	–232,337	–553	0	0
Transfer to Level 2	–707,782	714,109	–6,327	0	0
Transfer to Level 3	–6,249	–10,893	17,142	0	0
Allocation	2,062,672	147,783	9,295	0	2,219,750
of which newly acquired or issued financial assets	1,665,343	122,781	3,649	0	1,791,773
of which portfolio business	397,329	25,002	5,646	0	427,977
Disposals	–1,590,082	–77,721	–42,120	0	–1,709,923
of which derecognised financial assets	–1,094,162	–48,242	–13,503	0	–1,155,907
of which write-offs	0	0	–16,844	0	–16,844
Changes due to contract modifications which do not lead to derecognition	–15	11	0	0	–4
Exchange rate changes	–17,999	–14,632	–584	0	–33,215
As at 31/12/2018	**7,813,483**	**986,830**	**141,055**	**0**	**8,941,368**

Gross book value of financial assets valued at FV/OCI in EUR thousand	**Level 1**	**Level 2**	**Level 3**	**POCI**	**Total**
As at 01/01/2018	338,305	0	0	0	338,305
Transfer to Level 1	0	0	0	0	0
Transfer to Level 2	0	0	0	0	0
Transfer to Level 3	0	0	0	0	0
Allocation	28,735	0	0	0	28,735
of which newly acquired or issued financial assets	28,735	0	0	0	28,735
of which portfolio business	0	0	0	0	0
Disposals	–55,738	0	0	0	–55,738
of which derecognised financial assets	–52,910	0	0	0	–52,910
of which write-offs	0	0	0	0	0
Changes due to contract modifications which do not lead to derecognition	0	0	0	0	0
Exchange rate changes	0	0	0	0	0
As at 31/12/2018	**311,301**	**0**	**0**	**0**	**311,301**

6c Financial instruments where a risk provision was not recorded due to securities

in EUR thousand	31/12/2019	31/12/2018
Loans to credit institutions	3	3
Loans to customers	750,827	694,920
Guarantees	26,907	30,803
Credit	60,034	65,066
Total	**837,771**	**790,792**

6d Expected credit losses which were first applied in the reporting period

in EUR thousand	01/01/2019 – 31/03/2019	01/01/2019 – 30/06/2019	01/01/2019 – 30/09/2019	01/01/2019 – 31/12/2019
Loans to credit institutions	21	58	88	67
Loans to customers	1,986	1,721	3,037	3,503
Financial assets	73	103	127	134
Contingent liabilities	155	240	347	309
Unused credit	731	1,094	1,593	2,268
Total	**2,966**	**3,216**	**5,192**	**6,281**

Expected credit losses which were first applied in the reporting period

in EUR thousand	01/01/2018 – 31/03/2018	01/01/2018 – 30/06/2018	01/01/2018 – 30/09/2018	01/01/2018 – 31/12/2018
Loans to credit institutions	22	10	105	96
Loans to customers	1,222	3,458	4,510	4,376
Financial assets	0	0	0	13
Contingent liabilities	17	88	58	276
Unused credit	1,026	1,348	911	1,110
Total	**2,288**	**4,905**	**5,584**	**5,871**

For financial assets which were written off but which are still subject to an enforcement measure, a provision is established with an individual value adjustment to the amount of the outstanding sum less the material value of the securities. Provisions are established for contingent liabilities. BTV's Operations department is employing all legal measures to collect the outstanding amount. If the entire loan cannot be collected with these measures, the outstanding portion shall be derecognised and the operational measures ceased.

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

6e Change in contractual cashflows during the financial year in EUR thousand	**2019**	**2018**
Amortised costs before change	657	410
Net profit from change	0	1

In the reporting year, there were no financial assets which were measured before the change in contractual cashflows over the term of expected credit losses or where the value adjustment was converted to the amount of the expected 12-month credit loss. In the current reporting period, nothing significant has changed in the estimation procedures or material assumptions made during the year.

7 Trading assets in EUR thousand	**31/12/2019**	**31/12/2018**
Funds	32,430	23,073
Listed	2,058	0
Unlisted	30,372	23,073
Positive market values arising from derivative transactions	13,489	7,666
Currency-related transactions	1,618	1,027
Interest-related transactions	11,775	6,547
Other transactions	96	92
Trading assets	**45,919**	**30,739**

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

Fixed asset overview 31/12/2018 in EUR thousand	**Acquisition value 01/01/2018**	**Additions**	**Disposals**	**Transfers**	**Changes to currency exchange rates**	**Acquisition value 31/12/2018**
Intangible assets	18,595	543	–6,760	1,726	0	14,105
Land and buildings	289,955	10,457	–8	8,312	0	308,716
Operating and office equipment	366,802	36,663	–5,812	–8,072	58	389,639
Properties held as financial investments (IAS 40)	84,728	1,002	–2,567	–283	140	83,020
Total	**760,080**	**48,665**	**–15,147**	**1,683**	**198**	**795,480**

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

Accumulated depreciation 01/01/2018	Additions depreciation	Revaluations depreciation	Disposals depreciation	Transfers depreciation	Changes to currency exchange rates depreciation	Accumulated depreciation 31/12/2018	Balance sheet value 31/12/2018	Balance sheet value 31/12/2017
–17,651	–425	0	5,077	0	0	–12,999	1,105	944
–119,026	–7,262	0	0	29	0	–126,259	182,457	170,929
–236,321	–17,657	0	5,199	–29	–22	–248,830	140,809	130,481
–26,943	–1,181	0	117	0	0	–28,007	55,013	57,785
–399,941	**–26,525**	**0**	**10,393**	**0**	**–22**	**–416,095**	**379,384**	**360,139**

8a Intangible assets in EUR thousand	**31/12/2019**	**31/12/2018**
Intangible assets	1,483	1,105
Intangible assets	**1,483**	**1,105**

8b Property, plant and equipment in EUR thousand	**31/12/2019**	**31/12/2018**
Land and buildings	212,757	182,457
of which activated easements for leased assets pursuant to IFRS 16	21,264	n.a.
Operating and office equipment	134,779	140,809
of which activated easements for leased assets pursuant to IFRS 16	240	n.a.
Property, plant and equipment	**347,536**	**323,266**

In the reporting period, borrowing capital costs to the amount of EUR 15 thousand (previous year: EUR 5 thousand) were capitalised. An interest rate to the amount of 0.20% (previous year: 0.89%) was applied.

8c Properties held as financial investments in EUR thousand	**31/12/2019**	**31/12/2018**
Properties held as financial investments	61,902	55,013
of which activated easements for leased assets pursuant to IFRS 16	5,522	n.a.
Properties held as financial investments	**61,902**	**55,013**

The fair value of the properties held as financial investments totalled EUR 70,100 thousand (previous year: EUR 65,249 thousand). The determination of fair value was achieved by use of revenue value calculations for which the agreed rents provided the basis.

The rental income in the reporting year totalled EUR 5,231 thousand (previous year: EUR 4,957 thousand), the expenses relating to earning the rental income, including depreciation, totalled EUR 2,221 thousand (previous year: EUR 2,493 thousand). Revenue from operating lease agreements in the reporting year totalled EUR 489 thousand (previous year: EUR 468 thousand).

8d Lifetime to maturity breakdown **Operating lease contracts** in EUR thousand	**< 1 year**	**1–5 years**	**> 5 years**	**Total**
Future minimum leasing payments	489	1,955	9,459	11,903

The item "Properties held as financial investments" includes the book values for operating lease contracts to the amount of EUR 11,903 thousand (previous year: EUR 11,408 thousand). The fair value totals EUR 11,903 thousand (previous year: EUR 11,408 thousand). For conditional rental payments there was no revenue during the reporting year.

n.a. = not available due to first-time application of IFRS 16

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

8e Easements pursuant to IFRS 16 in EUR thousand	**Book value as at 01/01/2019**	**Additions**	**Depreciation**	**Book value as at 31/12/2019**
Land and buildings	23,110	764	–2,609	21,264
Operating and office equipment	360	0	–120	240
Properties held as financial investments	5,808	152	–438	5,522
Total	**29,278**	**916**	**–3,167**	**27,026**

The capitalised easements originate predominantly from lease agreements which were concluded by Mayrhofner Bergbahnen Aktiengesellschaft and the Silvretta Montafon Holding GmbH above all for the purposes of erecting and operating lifts and cable cars, and for use as winter sports facilities on rented land. Further capitalised easements originate essentially from existing lease agreements which are concerned with the renting of property and parking spaces by a BTV Group company.

9 Tax refunds in EUR thousand	**31/12/2019**	**31/12/2018**
Current tax refunds	1,075	231
Deferred tax refunds	9,046	3,722
Tax refunds	**10,121**	**3,953**

9a Deferred tax refunds/debts in EUR thousand	**Refunds 31/12/2019**	**Refunds 31/12/2018**	**Debts 31/12/2019**	**Debts 31/12/2018**
Other financial assets valued at amortised costs	0	0	–1,237	–3,339
Other financial assets valued at fair value through other comprehensive income (FVOCI)	1,031	1,020	0	0
Other financial assets mandatorily valued at fair value	0	0	–2,104	–447
Long-term staff reserves	10,077	8,208	0	0
Hedge accounting and derivatives	0	0	–4,892	–2,636
Risk provision ECL	2,009	3,370	–292	0
Revaluation of finance leasing and other	7,742	5,109	–3,288	–7,564
Deferred tax debts and tax refunds	**20,859**	**17,707**	**–11,813**	**–13,985**
Deferred tax refunds after balancing	**9,046**	**3,722**		

10 Other assets in EUR thousand	**31/12/2019**	**31/12/2018**
Other assets	66,237	97,452
Other assets	**66,237**	**97,452**

11 Liabilities to credit institutions in EUR thousand	**31/12/2019**	**31/12/2018**
Liabilities to credit institutions	1,510,520	1,516,620
Liabilities to credit institutions	**1,510,520**	**1,516,620**

12 Liabilities to customers in EUR thousand	**31/12/2019**	**31/12/2018**
Savings deposits	1,390,739	1,260,041
Other deposits	6,125,179	5,545,771
Liabilities to customers	**7,515,918**	**6,805,812**

13 Other financial liabilities in EUR thousand	**31/12/2019**	**31/12/2018**
Amortised costs	869,549	873,544
Bonds	636,234	587,537
Domestic bonds	157,189	198,611
Supplementary capital	76,126	51,068
Additional tier I capital	0	36,328
Fair value option	551,161	482,981
Bonds	407,468	327,774
Supplementary capital	143,693	155,207
Negative market values from derivative hedging instruments	21,938	15,796
Fair value hedge/valuation of hedging instrument	6,371	5,810
Negative market values of negotiated swaps/options	15,567	9,986
Liabilities from leasing relationships pursuant to IFRS 16	27,192	n.a.
Other financial liabilities	**1,469,840**	**1,372,321**

n.a. = not available due to first-time application of IFRS 16

BTV has designated financial liabilities as valued at fair value through profit and loss. The cumulative total of the changes in fair value which can be traced back to changes in the credit risk of these financial liabilities is EUR –4,084 thousand (previous year: EUR –3,446 thousand). The change in value was recorded under other income. The change to the fair value due to changes in the risk of default is determined by the difference between the overall change to the fair value of the financial liabilities and the change to the fair value resulting from market risk factors. The fair value was determined by discounting future cash flows on the reporting date, the default risk add-on was valued based on the funding for comparable maturities.

Where financial liabilities were derecognised during the period, BTV achieved a loss of EUR 84 thousand under other income (previous year: EUR 49 thousand).

The repayment amount for the financial liabilities including accrued interest, for which the fair value option was exercised, totals EUR 536,461 thousand (previous year: EUR 475,341 thousand). The difference between the fair value of the financial liabilities for which the fair value option was chosen and their repayment amount totalled EUR 14,700 thousand (previous year: EUR 7,640 thousand).

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

The supplementary capital presented under other financial liabilities shows maturities during financial years 2020 – 2029 and interest of between 1.750% and 3.500% (previous year: maturities 2019 – 2028: 2.400% and 6.000%).

In the reporting year, subordinated supplementary capital of EUR 25,000 thousand was issued with final maturity by 2029 (previous year, final maturity 2028: EUR 84,370 thousand). In the reporting year, as in the previous year, no listed supplementary capital was repaid, and EUR 15,550 thousand (previous year: EUR 3,000 thousand) in unlisted supplementary capital was repaid. As in the previous year, no supplementary capital was terminated ordinarily.

Interest can only be paid if it is covered by the annual profit as defined by company law before assignments to reserves. Repayment on maturity is only possible on proportional deduction for the losses which occurred during the lifetime. For supplementary capital which was issued after 1 January 2010, the interest is only to be paid out if this is covered by disposable profits.

Overall expenditure for supplementary capital bonds in the reporting year was EUR 5,843 thousand (previous year: EUR 5,138 thousand). During financial year 2020, issued supplementary capital with a total nominal value of EUR 3,000 thousand is due (previous year: EUR 15,550 thousand).

Of the subordinated borrowings of BTV during the financial year, the following emissions exceeded 10% of the overall volume of subordinated borrowings:

AT0000A2AZA; Subordinate BTV obl. 19-29/18; nominally EUR 25,000 thousand; interest in 1st year 1.75% (average over lifetime 2.51%); matures 26/11/2029

For these supplementary capital bonds, ordinary termination on the part of the issuer or the holder of these non-dividend values is irrevocably excluded. Extraordinary termination of this supplementary capital bond is possible under the following conditions: The issuer is entitled to terminate the supplementary capital bond in full (but not in part) at nominal value plus interest accrued by the repayment date with approval of the FMA by giving notice of 20 bank working days, if:

- (A) the classification of the supplementary capital bond under supervisory law changes, which would probably lead to the exclusion of the bond from equity or to its reclassification as low-quality equity, and (i) the FMA considers it sufficiently certain that such a change will occur; and (ii) the issuer demonstrates to the FMA sufficiently that the reclassification under supervisory law could not have been predicted at the time of issuing the supplementary capital bond; or
- (B) the applicable tax handling of the supplementary capital bond changes and the issuer demonstrates to FMA sufficiently that this is significant and that it could not have been predicted at the time of issuing the supplementary capital bonds; and the issuer (i) replaces the supplementary capital bond before or simultaneously with repayment through equity instruments of at least equal quality under conditions which are sustainable with regards to the revenue opportunities of the issuer, and (i) has demonstrated to FMA sufficiently that its equity after the repayment exceeds the requirements of Art. 92(1) CRD IV (as defined in the prospectus) and the combined capital buffer requirement in the sense of Art. 128 no. 45 CRD IV by a margin which FMA considers necessary, where applicable, on the basis of Art. 104(3) CRD IV.

Hybrid loans of EUR 35,000 thousand (previous year: EUR 0 thousand) were repaid by the BTV Group in the reporting year. As in the previous year, no hybrid loans were issued in the reporting year. Overall, interest expenditure for the hybrid loans totalled EUR 947 thousand (previous year: EUR 2,275 thousand).

13a Leasing liabilities pursuant to IFRS 16 in EUR thousand	Book value as at 01/01/2019	Additions	Repayments	Interest rates	Foreign currency	Book value as at 31/12/2019
Land and buildings	23,110	764	–2,700	151	79	21,404
Operating and office equipment	360	0	–120	0	0	240
Properties held as financial investments	5,808	152	–469	57	0	5,548
Total	**29,278**	**916**	**–3,289**	**208**	**79**	**27,192**

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

The following table shows the expenditure for short-term lease relationships (excluding those with a term of less than one month) and for minimal-value lease relationships in the financial year 2019:

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

In total, cash outflows from lease agreements in the financial year 2019 were as follows:

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

Variable lease payments not linked to an index or interest rate are not included in the valuation of leasing liabilities. This expenditure results from agreements concluded by Silvretta Montafon Holding GmbH with property owners, in particular for the operation of lifts and cable cars, and for the use of third-party land as winter sports areas. The amount of these payments is dependent on the turnover achieved by Silvretta Montafon Holding GmbH on the land parcels of the owners. These variable payments comprised around 18.6% of total payments (fixed and variable) to the respective lessors in the financial year 2019.

BTV has agreed to value retention of lease payments with some lessors. Adjustments to lease payments are made depending on the agreed index, index series and reference value. In the financial year 2019, adjustments were made to lease payments on the basis of the change in indices, with the result that leasing liabilities were revalued. This led to an addition, with effect for the book value but not for profit/loss, relating to the easement and leasing liability to the amount of the difference between the scheduled book value of the lease payments and the revised cash value. In total, adjustments to lease payments in the financial year 2019 led to an increase in the easement or leasing liabilities to the amount of EUR 910 thousand. Adjustments expected after the balance sheet date are not taken into account in the valuation of the leasing liabilities.

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

In the financial year 2019, and in the previous financial year, no sale-and-lease-back transactions were performed at BTV.

14 Trading liabilities in EUR thousand	**31/12/2019**	**31/12/2018**
Negative market values arising from derivative transactions	9,096	8,267
Currency-related transactions	8,487	6,553
Interest-related transactions	609	1,714
Trading liabilities	**9,096**	**8,267**

15 Reserves in EUR thousand	31/12/2019	31/12/2018
Long-term staff reserves	87,414	77,614
Other reserves	61,081	55,798
Reserves	**148,495**	**133,412**

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 death benefits.

In the calculation of the reserves, the entitlements are also included in addition to the benefits. As of January 2000, entitlements to old age and early retirement pensions, including related benefits to surviving dependants, were transferred over to the VBV pension fund. The company pension schemes granted at Silvretta Montafon Holding GmbH and Mayrhofner Bergbahnen Aktiengesellschaft are based on the benefits agreed in detail between the company and its employees.

Severance pay provisions

In accordance with employment law regulations and/or severance pay law, all employees in the BTV Group in Austria whose working relationship began before 1 January 2003, have the right to claim a severance payment under certain conditions. For all other working relationships, the group companies pay contributions into the corporate pension insurance fund according to the regulations of the BMSVG.

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

15a Staff reserves for benefits after termination of the working relationship: performance-oriented plans in EUR thousand	**Reserves for pensions**	**Severance reserves**	**Total**
Pension and severance reserves as at 01/01/2018	**52,590**	**20,874**	**73,464**
Income recorded for the period			
Interest expenditure	970	393	1,363
Period of service cost	208	910	1,118
Included in other income			
Actuarial Profit (–)/Loss (+) from changes to the demographic assumptions	–884	–425	–1,309
Actuarial Profit (–)/Loss (+) from changes to financial assumptions	–2,698	–588	–3,286
Actuarial Profit (–)/Loss (+) from changes to experience-based assumptions	317	–191	126
Other			
payments from these liabilities	–3,550	–915	–4,465
Change in basis of consolidation	0	0	0
Pension and severance reserves as at 31/12/2018	**46,953**	**20,058**	**67,011**
Income recorded for the period			
Interest expenditure	933	406	1,339
Period of service cost	84	846	929
Included in other income			
Actuarial Profit (–)/Loss (+) from changes to the demographic assumptions	0	0	0
Actuarial Profit (–)/Loss (+) from changes to financial assumptions	6,160	2,625	8,784
Actuarial Profit (–)/Loss (+) from changes to experience-based assumptions	1,444	–95	1,348
Other			
payments from these liabilities	–3,389	–1,137	–4,526
Change in basis of consolidation	0	0	0
Pension and severance reserves as at 31/12/2019	**52,185**	**22,702**	**74,887**

15b Other long-term staff reserves in EUR thousand	**Anniversary reserves**	**Other staff reserves**	**Total**
Other long-term staff reserves as at 01/01/2018	**6,551**	**3,509**	**10,060**
Income recorded for the period			
Interest expenditure	125	66	191
Period of service cost	530	0	530
Actuarial Profit (–)/Loss (+) from changes to the demographic assumptions	885	–24	861
Actuarial Profit (–)/Loss (+) from changes to financial assumptions	–300	–198	–498
Actuarial Profit (–)/Loss (+) from changes to experience-based assumptions	–144	–24	–168
Other			
payments from these liabilities	–325	–48	–373
Change in basis of consolidation	0	0	0
Other long-term staff reserves as at 31/12/2018	**7,322**	**3,281**	**10,603**
Income recorded for the period			
Interest expenditure	148	67	215
Period of service cost	617	0	617
Actuarial Profit (–)/Loss (+) from changes to the demographic assumptions	0	0	0
Actuarial Profit (–)/Loss (+) from changes to financial assumptions	1,085	834	1,919
Actuarial Profit (–)/Loss (+) from changes to experience-based assumptions	–401	38	–363
Other			
payments from these liabilities	–373	–90	–463
Change in basis of consolidation	0	0	0
Other long-term staff reserves as at 31/12/2019	**8,397**	**4,130**	**12,527**

The expense contained in the profit and loss account for severance, pensions, anniversary payments and other staff reserves is shown in staff expenditure, with the exception of interest expense, which is presented in the interest income. Actuarial profit and loss for severance and old-age pensions are shown in other income and are based entirely on adjustments and changes to actuarial assumptions according to experience.

15c Overview of long-term staff reserves 2015 – 2019 in EUR thousand	31/12/2019	31/12/2018	31/12/2017	31/12/2016	31/12/2015
Pension reserves	52,185	46,953	52,590	56,294	54,653
Redundancy reserves	22,702	20,058	20,874	21,984	20,665
Anniversary reserves	8,397	7,322	6,551	6,736	6,308
Other staff reserves	4,130	3,281	3,509	3,707	3,147
Total	**87,414**	**77,614**	**83,524**	**88,721**	**84,773**

The weighted average term of the defined contractual obligations (duration) for the banking sector is 11.83 years in the reporting year for severance payments (previous year: 11.49 years), 14.59 years for pension commitments (previous year: 13.61 years) and 22.18 years for death benefits (previous year: 20.97 years). For non-banking benefits, the duration in the reporting year was 10.66 years for severance payments (previous year: 10.85 years), and 11.78 years for pension commitments (previous year: 11.48 years). No contributions to the plan are expected for the next reporting periods. The valuation of the existing staff reserves is based on assumptions regarding the calculated interest rate, the retirement age, the life expectancy, the fluctuation rate and future salary developments. In the calculations, the current regulations for the gradual alignment of the retirement age for men and women to 65 were taken on board.

15d Actuarial assumptions for the banking sector	2019	2018
Financial assumptions		
Rate for the discount	0.98%	2.06%
Pay increase	2.80%	2.79%
Old-age pension increase	2.28%	2.25%
Discount for employee turnover	–	–
Demographic assumptions		
Age for pension entitlement: female employees	65 years	65 years
Age for pension entitlement: male employees	65 years	65 years
Mortality table	AVÖ 2018	AVÖ 2018

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

15e Actuarial assumptions for the non-banking sector 2019	BTV Leasing	Mayrhofner Bergbahnen	Silvretta Montafon
Financial assumptions			
Rate for the discount	0.65%	0.96%	0.65%
Pay increase	2.80%	2.99%	2.94%
Old-age pension increase	–	2.47%	2.42%
Discount for employee turnover	–	5.00%	13.00%
Demographic assumptions			
Age for pension entitlement: female employees	65 years	65 years	65 years
Age for pension entitlement: male employees	65 years	65 years	65 years
Mortality table	AVÖ 2018	AVÖ 2018	AVÖ 2018

Actuarial assumptions for the non-banking sector 2018	BTV Leasing	Mayrhofner Bergbahnen	Silvretta Montafon
Financial assumptions			
Rate for the discount	2.00%	2.05%	2.00%
Pay increase	2.84%	2.98%	2.92%
Old-age pension increase	–	2.60%	2.38%
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 2018	AVÖ 2018	AVÖ 2018

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

Risk of a change in interest rates

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

Risk of longevity

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

Salary risk

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

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

15f Sensitivity analysis 2019 in EUR thousand	Calculated interest rate		Pay increase		Pension increases	
	–0.50%	+0.50%	–0.50%	+0.50%	–0.50%	+0.50%
Severances	24,054	21,462	21,478	24,022	0	0
Pensions	56,072	48,738	52,029	52,347	49,007	55,711
Death benefits	4,614	3,714	4,102	4,162	3,763	4,551

Sensitivity analysis 2018 in EUR thousand	Calculated interest rate		Pay increase		Pension increases	
	–1.00%	+1.00%	–0.50%	+0.50%	–0.50%	+0.50%
Severances	22,458	18,030	19,005	21,192	0	0
Pensions	53,693	41,591	46,783	47,132	43,225	48,685
Death benefits	4,047	2,709	3,259	3,305	3,011	3,591

The maturity profile of the expected benefit payments from the staff reserves formed for the reporting years 2020 to 2024 is as follows:

15g Maturity profile of the expected benefit payments in EUR thousand	2020	2021	2022	2023	2024	Total
Severances	1,086	1,017	836	1,081	1,445	5,465
Pensions	3,066	2,929	2,810	2,669	2,452	13,926
Death benefits	90	101	113	127	143	574

15h Other reserves in EUR thousand	As at 01/01/2019	Allocation	Releases	Consump-tion	Currency conversion	Reclassifica-tion	As at 31/12/2019
Reserves for guarantees Level 1	40,585	2,057	–863	0	0	0	41,779
Reserves for guarantees Level 2	105	88	–110	0	0	0	83
Reserves for guarantees Level 3	4,529	4,469	–4,663	0	30	0	4,365
Reserves of unused credit Level 1	1,665	1,727	–1,205	0	0	0	2,187
Reserves of unused credit Level 2	581	408	–259	0	0	0	730
Reserves of unused credit Level 3	2,668	1,337	–1,385	0	6	0	2,626
Reserves for miscellaneous	5,665	7,073	–1,969	–1,472	14	0	9,311
Other reserves	**55,798**	**17,159**	**–10,454**	**–1,472**	**50**	**0**	**61,081**

Other reserves in EUR thousand	As at 01/01/2018	Allocation	Releases	Consump-tion	Currency conversion	Reclassifica-tion	As at 31/12/2018
Reserves for guarantees Level 1	33,965	6,765	–145	0	0	0	40,585
Reserves for guarantees Level 2	93	102	–90	0	0	0	105
Reserves for guarantees Level 3	5,437	5,953	–6,880	0	19	0	4,529
Reserves of unused credit Level 1	1,515	1,976	–1,826	0	0	0	1,665
Reserves of unused credit Level 2	977	569	–965	0	0	0	581
Reserves of unused credit Level 3	1,352	2,029	–715	0	2	0	2,668
Reserves for miscellaneous	7,010	3,999	0	–5,358	14	0	5,665
Other reserves	**50,349**	**21,393**	**–10,621**	**–5,358**	**35**	**0**	**55,798**

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

16 Tax debts in EUR thousand	31/12/2019	31/12/2018
Current tax debts	6,114	8,637
Deferred tax debts	849	3,574
Tax debts	**6,963**	**12,211**

16a Deferred tax refunds/debts in EUR thousand	Refunds 31/12/2019	Refunds 31/12/2018	Debts 31/12/2019	Debts 31/12/2018
Deferred tax debts BTV Switzerland	0	0	–42	–99
Deferred tax debts BTV Germany	0	0	0	–2,689
Revaluation of finance leasing and other	0	0	–807	–786
Deferred tax debts	**0**	**0**	**–849**	**–3,574**

17 Other liabilities in EUR thousand	31/12/2019	31/12/2018
Other liabilities	139,021	142,480
Other liabilities	**139,021**	**142,480**

18 Equity in EUR thousand	31/12/2019	31/12/2018
Subscribed capital	68,063	68,063
Reserves	242,436	242,030
Profit reserves (including net profit)	1,382,352	1,267,961
Other reserves	12,807	19,746
Owners of the parent company	**1,705,657**	**1,597,799**
Non-controlling interests	43,686	41,183
Equity	**1,749,343**	**1,638,982**

As at 31 December 2019, subscribed capital totals EUR 68.1 million (previous year: EUR 68.1 million). The share capital is represented by 31,531,250 (previous year: 31,531,250) – bearer – voting individual shares (common shares). In addition 2,500,000 (previous year: 2,500,000) – bearer – non-voting shares (preference shares) were issued, with a minimum dividend of 6% attached (in the event of dividends being suspended, to be paid retrospectively).

The book value of the shares held by the company was EUR 1,762 thousand as at the balance sheet date (previous year: EUR 1,979 thousand). The capital reserves include premium values from the share issues. In the profit reserves, both retained earnings as well as income and expenses with no effect on profits were reported. The shares presented correspond to the approved shares.

Development of the shares in circulation in shares	2019	2018
Issued shares in circulation 01/01	33,943,242	30,881,656
Purchase of own shares	–31,532	–63,509
Sale of own shares	45,152	31,345
Capital increase	0	3,093,750
Issued shares in circulation 31/12	33,956,862	33,943,242
plus own shares in Group portfolio	74,388	88,008
Issued shares 31/12	34,031,250	34,031,250

19 Net interest income in EUR thousand	**01/01 – 31/12/2019**	**01/01 – 31/12/2018**
Interest and similar revenue from:		
Lending and money market transactions with credit institutions*	8,053	6,143
Lending and money market transactions with customers	160,642	137,636
Other financial assets	12,885	9,330
Trading assets	0	82
Contract adjustments	12	16
Liabilities	3,150	5,631
Unwinding	0	0
Sub-total interest and similar revenue	**184,742**	**158,838**
Interest and similar expenses on:		
Credit institutions' deposits	–5,166	–4,508
Customer deposits	–12,617	–11,038
Other financial liabilities	–19,562	–15,811
Trading liabilities	0	0
Long-term staff reserves	–2,632	–1,250
Contract adjustments	–62	–18
Assets*	–4,814	–3,220
Sub-total interest and similar expenses	**–44,853**	**–35,845**
Net interest income	**139,889**	**122,993**

* Due to a reclassification to the amount of EUR 2,512 thousand of interest revenue as interest expenditure, the previous year's values were adjusted accordingly.

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

19a Interest income: Details in EUR thousand	**01/01 – 31/12/2019**	**01/01 – 31/12/2018**
Interest and similar revenue:		
Total interest revenue from application of effective interest method	162,795	141,403
From assets valued at amortised costs*	158,579	134,512
From assets valued at fair value through other comprehensive income (recyclable)	1,066	1,260
Positive interest expenditure from liabilities valued at amortised costs	3,150	5,631
Total other interest revenue	21,947	17,435
From assets valued at fair value through profit and loss	14,818	12,311
From assets valued at fair value through other comprehensive income (not recyclable)	7,129	5,124
Sub-total interest and similar revenue	**184,742**	**158,838**
Interest and similar expenses:		
Total interest expenditure from application of effective interest method	–32,166	–27,717
For liabilities valued at amortised costs	–27,352	–24,496
Negative interest revenue from assets valued at amortised costs*	–4,814	–3,221
Total other interest expenditure	–12,687	–8,128
For liabilities valued at fair value through profit and loss	–10,055	–6,878
Interest expenditure from non-financial liabilities	–2,632	–1,250
Sub-total interest and similar expenses	**–44,853**	**–35,845**
Net interest income	**139,889**	**122,993**

* Due to a reclassification to the amount of EUR 2,512 thousand of interest revenue as interest expenditure, the previous year's values were adjusted accordingly.

For written-down financial assets, total interest revenue of EUR 507 thousand (previous year: EUR 457 thousand) was collected.

In addition to the negative revenue shown under "Interest revenue from liabilities" and "Interest expense on assets", in 2019 negative credit interest of EUR 6,539 thousand (previous year: EUR 5,426 thousand) and negative debit interest of EUR 3,271 thousand (previous year: EUR 2,597 thousand) were reported for derivatives.

20 Risk provisions in lending business in EUR thousand	01/01 – 31/12/2019	01/01 – 31/12/2018
Allocations to loan loss provisions on balance	–23,758	–29,958
Level 1 + 2 Loans to credit institutions/customers	–3,784	–16,213
Level 1 + 2 debt securities AC	–610	–33
Level 1 + 2 debt securities OCI	–81	–8
Level 3 Loans to credit institutions/customers	–19,088	–13,696
Allocations CVA	–195	–8
Allocations to loan loss provisions off-balance	–10,086	–17,395
Level 1 + 2 guarantees	–2,145	–6,867
Level 1 + 2 unused credit	–2,135	–2,546
Level 3 guarantees	–4,469	–5,953
Level 3 unused credit	–1,337	–2,029
Release of loan loss provisions on-balance	24,486	41,210
Level 1 + 2 Loans to credit institutions/customers	8,955	19,687
Level 1 + 2 debt securities AC	284	93
Level 1 + 2 debt securities OCI	94	24
Level 3 Loans to credit institutions/customers	15,128	21,397
Releases CVA	25	9
Release of loan loss provisions off-balance	8,485	10,621
Level 1 + 2 guarantees	973	235
Level 1 + 2 unused credit	1,464	2,791
Level 3 guarantees	4,663	6,880
Level 3 unused credit	1,385	715
Direct write-downs	–535	–515
Income from amortised loans	498	440
Risk provisions in the credit business	**–910**	**4,403**

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

21 Net commission income in EUR thousand	**01/01 – 31/12/2019**	**01/01 – 31/12/2018**
Commission revenue from		
credit transactions	8,045	8,237
payment transactions	14,806	14,467
Securities trading	26,795	29,194
Currency, foreign exchange and precious metals trading	3,651	3,272
Other services business	1,017	1,102
Sub-total commission revenue	**54,314**	**56,272**
Commission expenses for		
credit transactions	–504	–275
payment transactions	–1,508	–1,139
Securities trading	–1,866	–2,220
Currency, foreign exchange and precious metals trading	0	0
Other services business	–993	–848
Sub-total commission expenses	**–4,871**	**–4,483**
Net commission income	**49,443**	**51,789**

The commission revenue and expenditure reported in the table above includes revenue to the amount of EUR 16,890 thousand (previous year: EUR 17,011 thousand) and expenditure to the amount of EUR 169 thousand (previous year: EUR 220 thousand) from financial assets and liabilities which are not valued at fair value through profit or loss. Amounts which are referred to for determining the effective interest rate are not included in this revenue and expenditure.

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

22 Revenue from companies valued at-equity in EUR thousand	31/12/2019	31/12/2018
Revenue from companies valued at-equity	53,017	51,719
Revenue from companies valued at-equity	**53,017**	**51,719**

23 Trading income in EUR thousand	01/01 – 31/12/2019	01/01 – 31/12/2018
Valuation and realisation gains from derivatives	164	118
Valuation and realisation gains from debt securities	–892	–391
Valuation and realisation gains from funds	3,489	–625
Valuation and realisation gains from equity instruments	107	108
Revenue from foreign exchange and currencies	876	615
Trading income	**3,744**	**–175**

24 Revenue from financial transactions in EUR thousand	31/12/2019	31/12/2018
Realisation gains – valued at amortised costs	722	–49
Valuation and realisation gains – valued at fair value through other comprehensive income (FVOCI)	136	–29
Valuation and realisation gains from debt securities	34	–28
Gains realised from change in OCI reserve	102	–1
Valuation and realisation gains from equity instruments which are not maintained as holdings	0	0
Valuation and realisation gains from equity instruments which are maintained as holdings	0	0
Valuation and realisation gains – mandatorily valued at fair value	5,133	7,897
Exchange rate gains from loans to credit institutions/customers (SPPI-deleterious)	–73	5,123
Valuation and realisation gains from debt securities	709	–2,251
Valuation and realisation gains from equity instruments	4,497	5,025
Valuation and realisation gains – fair value option	539	1,231
Valuation and realisation gains from securities (assets)	–120	–107
Valuation and realisation gains from debt securities hedging instrument (assets)	795	87
Valuation and realisation gains from emissions (liabilities)	–6,011	1,295
Valuation and realisation gains from emissions hedging instrument (liabilities)	5,875	–44
Result from fair value hedge accounting	35	–52
Revenue from financial transactions	**6,565**	**8,998**

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

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

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

	2018		
Derecognition of financial assets (valued at amortised costs) **in EUR thousand**	**Book value of sold assets**	**Profits from derecognition**	**Losses from derecognition**
Debt securities - "Hold" business model	6,037	0	49
Total derecognition of financial assets	**6,037**	**0**	**49**

In the financial year 2018, a fixed-interest debt security which was valued at amortised costs was sold due to expected worsening of creditworthiness.

24b Net profit/loss in EUR thousand	31/12/2019	31/12/2018
Financial investments in equity instruments valued at fair value through other comprehensive income Profit or loss under other income	5,693	–2,255
Financial investments in borrowed capital instruments valued at fair value through other comprehensive income	2,794	–772
Profit or loss under other income	2,658	–771
Reclassification into profit or loss for the financial year	136	–1

For financial investments in equity instruments which are valued at fair value through other comprehensive income, profit to the amount of EUR 5,693 thousand (previous year: loss of EUR 2,255 thousand) was reported directly under Other income during the reporting period.

In the reporting period, a total loss from other holdings and other associated companies to the amount of EUR 6,939 thousand (previous year: loss of EUR 504 thousand) was reported under Other income. Of this, a loss to the amount of EUR 7,310 thousand was incurred from other holdings (previous year: loss of EUR 601 thousand), and profit to the amount of EUR 371 thousand from other associated companies (previous year: profit of EUR 97 thousand).

For financial investments in borrowed capital instruments which are valued at fair value through other comprehensive income, a cumulative profit to the amount of EUR 2,658 thousand (previous year: loss of EUR 771 thousand) was reported directly under Other income in the reporting period. In addition, in the reporting year, due to sales or repayments from other income a profit of EUR 136 thousand (previous year: loss of EUR 1 thousand) was posted under this P&L item.

The profit from fair value hedge accounting totalled EUR 35 thousand in the reporting year (previous year: loss of EUR 52 thousand). Here, a loss of EUR 2,941 thousand is incurred from hedged underlying transactions (previous year: profit of EUR 1,586 thousand), and a profit of EUR 2,976 thousand from hedging instruments (previous year: loss of EUR 1,638 thousand).

25 Operating expenses in EUR thousand	31/12/2019	31/12/2018
Staff expenditure	–105,565	–100,735
of which salaries and wages	–75,539	–72,077
of which statutory social contributions	–20,743	–19,808
of which other staff expenditure	–7,641	–6,791
of which expenditure for long-term staff reserves	–1,642	–2,059
Material expenditure	–55,554	–53,786
Amortisations	–29,976	–26,525
of which amortisation of activated easements for objects of lease according to IFRS 16	–3,168	n.a.
Operating expenses	**–191,095**	**–181,046**

Staff expenditure includes expenses for contribution-based pension plans to the amount of EUR 2,053 thousand (previous year: EUR 2,406 thousand).

n.a. = not available due to first-time application of IFRS 16

The costs invoiced by the Group auditors (KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft and KPMG network companies) for the audit of the individual and consolidated financial statements as well as other services rendered totalled (incl. VAT):

25a Auditor expenses in EUR thousand	**2019**	**2018**
Audit of individual and consolidated financial statements	512	427
Tax advisory services	76	5
Other services	85	193
Auditor expenses	**673**	**625**

25b Average number of employees, weighted according to staff years in person-years	**31/12/2019**	**31/12/2018**
White collar	967	951
Blue collar	488	487
Number of employees	**1,455**	**1,438**

In addition, in the reporting year, an average of 22 employees (previous year: 27 employees) were dispatched to closely related companies. These are not taken into account in the table above.

26 Other operating income in EUR thousand	**31/12/2019**	**31/12/2018**
Revenue from other transactions	119,338	110,310
Expenses from other transactions	–35,540	–29,204
Other operating income	**83,798**	**81,106**

The total of other taxes included in expenditure from other transactions totalled EUR 5,444 thousand in 2019 (previous year: EUR 4,152 thousand). Sales revenue from non-banking activities (cable car segment) are reported under "Revenue from other activities" to the amount of around EUR 105 million (previous year: EUR 102 million).

27 Taxes on income and revenue in EUR thousand	31/12/2019	31/12/2018
Current tax expenditure	–25,749	–28,928
Deferred tax expenditure (–)/revenue (+)	7,993	–3,775
Taxes on income and revenue	**–17,756**	**–32,703**

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

27a Taxes: Reconciliation account in EUR thousand	2019	Reconciliation of tax rate	2018	Reconciliation of tax rate
Annual net profit before tax	144,451		139,787	
Calculated tax expenditure	–36,113	25.0%	–34,947	25.0%
Tax reduction due to tax-exempt revenue from holdings and other tax-exempt revenues	3,983	–2.8%	3,374	–2.4%
Tax increase from non-deductible expenses	–646	0.4%	–3,186	2.3%
Other tax expenditure (–)/revenue (+)	409	–0.3%	–5,960	4.3%
Tax expenditure (–)/revenue (+) for other periods	1,357	–0.9%	–2,794	2.0%
Tax exemption of at-equity revenues	13,254	–9.2%	10,809	–7.7%
Taxes on income and revenue	**–17,756**	**12.3%**	**–32,703**	**23.4%**

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

In the reporting year, EUR –161 thousand (previous year EUR 1,190 thousand) of deferred taxes were passed to account under equity within the comprehensive income statement.

The deferred taxes passed to account directly under equity, which cannot subsequently be reclassified under the P/L account, total EUR 4,947 thousand (previous year: EUR –1,320 thousand) and result essentially from the revaluation from performance-based pension plans.

The deferred taxes passed to account directly under equity, which can subsequently be reclassified under the P/L account, total EUR –5,108 thousand (previous year: EUR 2,510 thousand), and relate to the changes in debt securities through other comprehensive income which are valued at fair value.

28 Earnings per share (ordinary and preference shares)	2019	2018
Shares (ordinary and preference shares)	34,031,250	34,031,250
Average float (ordinary and preference shares)	33,932,445	31,376,648
Group annual net profit attributable to the owners in EUR thousand	123,931	103,982
EPS (Earnings per share) in EUR	3.65	3.31
Diluted earnings per share in EUR (ordinary and preference shares)	3.65	3.31
Dividend per share in EUR	0.30	0.30

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

29 Application of profits

The distributable profits are determined based on the annual financial statement of the Bank für Tirol und Vorarlberg Aktiengesellschaft. The net annual profit achieved in the financial year 2019 totalled EUR 45,868 thousand (previous year: EUR 142,096 thousand). After transfer to reserves of EUR 35,508 thousand (previous year: EUR 131,746 thousand) and adding back the profits carried forward there is an available sum of EUR 10,705 thousand (previous year: EUR 10,596 thousand) as distributable profits shown on the balance sheet.

The Executive Board will recommend to the Annual General Meeting that for the financial year 2019 a dividend of EUR 0.30 per share (previous year: EUR 0.30) be paid out. The distribution therefore requires a total of EUR 10,209 thousand (previous year: EUR 10,209 thousand). The total amount of dividends on preference shares was EUR 750 thousand (previous year: EUR 750 thousand). The remaining retained profit shall be carried forward to the next statement.

30 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 the 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.

The basis of segment reporting is the profit centre accounting for the corporate and retail customers and the overall bank report for the institutional clients and banks business area. For the leasing segment and for the cable cars segment (since the second quarter of 2019), the corresponding reporting package is the relevant basis for reporting. The values from the previous year were adjusted accordingly for reasons of improved comparability.

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

The aforementioned reports reflect the structure of management responsibilities within BTV in 2019. These internal reports to the Executive Board, which only satisfy IFRS accounting standards in part, are almost totally automated by preparatory systems and interfaces. The reporting dates for the data are the respective period closing dates of the subsidiaries included in the consolidated financial statements. The information of the internal and external accounting system is based on the same base data and is agreed in the "Finance and Controlling" and "Risk Management" divisions for the reports. Reciprocal checks, ongoing reconciliations or validation checks between the Accounting, Group Accounting, Sales and Strategy Controlling, Risk Controlling, as well as Reporting teams are therefore guaranteed. The criterion for the separation of business areas is primarily the responsibility for looking after customers. Changes in this responsibility can also lead to changes in attribution to a segment during the course of a year. These effects were, where insignificant, not corrected in the comparison with last year.

In 2019, the following business areas have been defined within BTV:

The corporate customer business area is responsible for small, medium and large business clients and chartered accountants and auditors. The retail customer business area is responsible for the retail customers, freelance professionals and micro-companies market segments. The institutional clients and banks area mainly includes treasury and trading activities. BTV Leasing brings together all leasing operations of BTV. The cable cars segment includes the Silvretta Montafon Holding GmbH and Mayrhofner Bergbahnen Aktiengesellschaft, 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, results from service areas across BTV, such as Finance and Controlling, Legal and Investments, Marketing, Communications, Executive Board matters, Group Auditing etc., are reported under the "Other segments/consolidations/misc." column. In addition, the effects of consolidation and fully consolidated companies below the thresholds (ALPENLÄNDISCHE GARANTIE - GESELLSCHAFT m.b.H., BTV Hybrid I GmbH in liquidation, Wilhelm-Greil-Straße 4 GmbH and TiMe Holding GmbH) are allocated to this segment.

The results of the five reporting segments are described below.

Corporate customer segment

The corporate customer segment is the largest in terms of earnings. Operating interest income forms its main revenue component. Compared to the end of 2018, interest income increased by EUR +9.2 million to EUR 112.0 million. Risk provisions in the credit business had a negative impact on this segment's results amounting to EUR –3.1 million.

The segment's net commission income recorded an increase of EUR +1.1 million to EUR 21.0 million. Operating expenses increased by EUR +4.0 million to EUR 46.0 million. Income from financial transactions resulted in a balance to the amount of EUR –0.1 million. New business led to an increase in segment receivables of EUR +533 million to EUR 6,521 million. Segment liabilities increased from EUR 2,903 million to EUR 3,254 million. In total, annual profit before tax reached EUR 83.9 million and was therefore EUR –8.3 million below the previous year's figure.

Retail customer segment

Retail customer business contributed EUR +1.4 million more to the interest income at BTV compared to the end of 2018 with interest revenue of EUR 38.2 million. The risk provisions in the credit business had a positive impact on the results for the segment. Compared with the previous year, the positive effect increased by EUR +1.5 million to EUR 0.9 million. At EUR 32.8 million, net commission income stood almost at the same level as the previous year. The cost intensity, due to the retail sector typically being highly demanding in terms of staff and premises, led to an increase of EUR +5.0 million in the operating expenses of EUR 69.0 million. Compared to the previous year, other operating income decreased by EUR –0.3 million to EUR 0.7 million. Overall, the retail customers segment achieved annual profit before tax of EUR 3.7 million, compared to EUR 6.3 million in the previous year.

Institutional clients and banks segment

The results for the Institutional Clients and Banks segment increased substantially compared to the same period in the previous year. A decline in interest revenue of EUR –2.9 million to EUR 4.2 million is contrasted by an increase in income from financial transactions, including trade income, of EUR +7.2 million to EUR 6.0 million.

Risk provisions for the credit business posted a positive value, due to releases of EUR 1.5 million. Operating expenses for the segment rose by EUR +0.3 million to EUR 4.6 million. In total, annual profit before tax recorded an increase of EUR +5.3 million to EUR 7.1 million.

Leasing segment

The leasing subsidiary of BTV experienced robust development in the reporting period. Customer cash volumes increased by EUR +20 million to EUR 1,003 million. Interest revenue benefited from the performance of the loan business and recorded a moderate increase of EUR +0.2 million to EUR 14.7 million. Expenditure for risk provisions in the credit business increased to EUR +1.3 million by EUR 0.2 million compared to the previous year. Net commission income was at a similar level compared to the previous year, totalling EUR 0.4 million. Operating expenses rose by EUR +0.8 million to EUR 6.8 million compared to the end of the previous year. Other operating income increased by EUR +1.0 million to EUR 3.6 million. Annual profit before tax therefore increased by a total of EUR +1.9 million to EUR 11.9 million.

Cable cars segment

The cable cars segment comprises the consolidated financial statements of Mayrhofner Bergbahnen Aktiengesellschaft and Silvretta Montafon Holding GmbH. The business of both companies is dominated by tourism; the results are therefore subject to strong seasonal fluctuations. Interest income totalled EUR –2.5 million. Other operating income, which mainly includes revenues, increased by EUR +0.9 million to EUR 88.4 million. These earnings were also the decisive factor for Silvretta Montafon Holding GmbH, with its average of 461 employees in the reporting year (previous year: 466), and Mayrhofner Bergbahnen Aktiengesellschaft, which employed an average of 167 employees during the reporting period (previous year: 164). Operating expenses increased by EUR +0.1 million to EUR 70.6 million. Overall, the segment achieved annual profit before tax to the amount of EUR 14.7 million, EUR –5.5 million lower compared to the previous year.

Segment reporting in EUR thousand	**Year**	**Corporate customers**	**Retail customers**	**Institutional clients and banks**	**Leasing**	**Cable cars**	**Segments that must be reported**	**Other segments/consolidation/misc.**	**Group balance sheet/P&L**
Net interest income, incl. at-equity result	12/2019	111,992	38,246	4,247	14,710	–2,522	166,673	26,233	192,906
	12/2018	102,815	36,803	7,132	14,504	–2,216	159,039	15,673	174,712
Risk provisions in the credit business	12/2019	–3,134	945	1,473	–194	0	–910	0	–910
	12/2018	6,205	–519	209	–1,492	0	4,403	0	4,403
Net commission income	12/2019	21,044	32,756	0	408	–581	53,627	–4,184	49,443
	12/2018	19,990	33,018	0	331	–258	53,081	–1,292	51,789
Operating expenses	12/2019	–45,959	–68,967	–4,584	–6,816	–70,595	–196,921	5,826	–191,095
	12/2018	–41,926	–64,009	–4,305	–5,986	–70,512	–186,738	5,692	–181,046
Other operating income	12/2019	0	740	0	3,646	88,448	92,834	–9,035	83,798
	12/2018	0	1,031	0	2,642	87,585	91,258	–10,152	81,106
Revenue from financial transactions and trading income	12/2019	–73	0	5,954	101	–56	5,926	4,383	10,309
	12/2018	5,123	0	–1,279	–94	5,547	9,296	–473	8,823
Annual profit before tax	**12/2019**	**83,870**	**3,720**	**7,090**	**11,854**	**14,693**	**121,228**	**23,223**	**144,451**
	12/2018	**92,207**	**6,324**	**1,757**	**9,906**	**20,146**	**130,339**	**9,448**	**139,787**
Segment loans	12/2019	6,520,531	1,388,490	3,207,725	1,003,337	13,802	12,133,885	–613,018	11,520,867
	12/2018	5,987,852	1,375,923	2,598,460	983,528	62,011	11,007,773	–376,643	10,631,130
Segment liabilities	12/2019	3,254,489	3,972,541	2,331,136	954,484	109,513	10,622,163	–147,822	10,474,341
	12/2018	2,902,549	3,708,642	2,151,235	958,000	105,958	9,826,384	–147,427	9,678,957

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 customers 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 imputed to the correct segment on the basis of origin. The expenses of BTV Leasing GmbH and/or Silvretta Montafon Holding GmbH and Mayrhofner Bergbahnen Aktiengesellschaft are directly imputable according to the individual reporting packages. Costs not directly imputable are shown under "Other segments/ consolidation/misc." Other operating income includes, amongst other things, earnings from Silvretta Montafon Holding GmbH and Mayrhofner Bergbahnen and, in addition to the consolidation effects, essentially the stability tax and rental operations under "Other segments/consolidation/misc."

The segment receivables include the entries for "loans to central banks", "loans to banks", "loans to customers", "other financial assets" of the valuation categories "amortised costs", "fair value on balance sheet", "fair value through profit and loss", and "fair value option", as well as guarantees and liabilities. The "Other segments/consolidation/misc." column includes risk provisions, since the internal control considers the liabilities as net figures in contrast to the balance sheet. The postings resulting from consolidation are also found here. The segment liabilities are allocated to the entries "liabilities to banks", "liabilities to customers", and "other financial liabilities" of the valuation categories "amortised costs" and "fair value option" as well as "other financial liabilities from leasing liabilities". Consolidating entries are also included in the "Other segments/consolidation/misc." column.

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

Risk strategy and policy for risk management

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

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

Within BTV, risk is understood as the risk of a negative deviation between the actual and expected result. The risks relevant for BTV are divided into credit, market, liquidity, operational, macro-economic, concentration, and other risks. Risk categories are subsequently arranged according to type and sub-type of risk. The following figure shows the full systematisation of risk categories, risk types, and risk sub-types applied at BTV.

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 risk
- Credit spread risk
- Share price risk
- Currency risk
- Volatility risk
- Risk from adjusting credit assessment

Liquidity risk

Operational risk
- Failure of processes
- Human error
- Losses due to external events
- Legal risk
- Information and communication technology risk
- Model risk

Macro-economic risk

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

Other risks
- Strategic risk
- Reputation risk
- Risk from the business model
- Systemic risk
- Risk of excessive debt
- Sustainability risk

The conscious and selective assumption of risks and their appropriate management represents one of the core functions of BTV. The aim is to achieve a balanced ratio between risk and profit, in order to make a sustainable contribution to the positive development of the company. Due to the operational necessity of maintaining risk-bearing capacity with respect to capital and liquidity adequacy, and of achieving a balance between risk and return, both bank-wide and detailed risk strategies have been developed at BTV. BTV understands a risk strategy as the concise documentation of adherence to risk policy focused on strategic content. The risk strategy is used over time as an instrument for hedging the company's objectives, and, as an integral part of the bank-wide strategy, is in harmony with the business strategy. The bank-wide and detailed risk strategies are characterised by a conservative approach to operational banking risks, resulting from the demands of a customer-oriented focus in the banking business and the attitude towards the legal and supervisory framework requirements. Therefore a control loop has been implemented within BTV which ensures that all risks within the Group are identified, quantified, aggregated and actively managed. The individual risk definitions and management mechanisms applied as part of this control circuit are described in detail below.

Credit risk

At BTV, the 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 exists in the following 4 control units:

- Corporate customers
- Retail customers
- 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 customers. This department is also responsible for overall management, restructuring management, management of loan commitments in default (the operations team is assigned to the service centre division), drawing up of balance-sheet and company analyses, as well as collection and evaluation of sector information. Knowing our customers well is particularly important for BTV. This is reflected strongly in the loan management area. Regular meetings between customers and loan managers from BTV are just as self-evident as annual borrower reviews and regular individual case reviews on the basis of early-warning systems. The main defined goals for the management of the borrower's default risk have been defined as the long-term optimisation of the lending business with regard to the risk/return ratio, and in the short term, the achievement of the credit risk objectives budgeted for in the individual customer segments. At an individual level, risk management techniques include assessment of creditworthiness when granting loans, the acceptance of collateral, on-going monitoring of account management and scheduled reviews of ratings and the soundness of collateral. Risk provisions are carefully formed, taking into consideration existing collateral, for default risks identified and quantified during the financial year.

Transactions involving forbearance

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

A concession is understood as:

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

Types of forbearance

The following types of forbearance measures are distinguished at BTV:

Short-term (max. 2 years):

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

Long-term:

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

Risks

All of the measures mentioned above generally reduce the risk of the borrower defaulting. If, however, the agreements made are not adhered to on the part of the customer, there is the risk of a reduced quota of collectability due to the delay of the default or the delay in a possible termination of the loan. However, this risk is taken into account sufficiently by the sustainability analysis performed every time before forbearance is granted. If the result of this sustainability analysis is negative, forbearance is not granted and the necessary steps regarding collection are initiated. This guarantees that there is no delay of default.

Risk management and risk control

The internal regulations of BTV provide that forbearance is only to be granted if, on the basis of the available data, documents and information, a proper repayment can be guaranteed (sustainability analyses, e.g. creditworthiness analysis or expenditure account). The approval is made through the decision-making channels. The agreements made with the borrower are always documented in writing. If there is interference in existing contracts, the changed or new contracts have to be agreed to by the borrower as well as all the co-borrowers and issuers of securities.

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

Removal of forbearance note

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

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

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

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

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

Accounting policies and valuation methods, value adjustment indicators

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

If, within a credit commitment, a credit default is to be expected, a value adjustment or a reserve is created for the part that is probably not recoverable. The amount of this value adjustment or reserve is calculated by the credit management (restructuring) or service centre (operations) divisions only and is determined pursuant to the rules of competency.

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

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

Generally, entire or partial write-offs of claims take place only with customers who have already defaulted and after assessment by the restructuring management or enforcement team in accordance with the rules on competence. Provided that a borrower in a difficult financial position can cover some of his obligations, in individual cases a release of existing claims can take place also for customers who have not defaulted.

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

Under credit risk BTV looks in this context at the total or partial default of a counterparty and of the collateral issuer or security provider and the resultant loss of revenue due or loss of the capital invested.
Market risks include interest rate, currency, share price, credit spread and volatility risks. Currency risk arises as a result of inconsistencies in the currency between debts and risk-mitigating techniques. If the nominal price of the security changes negatively in relation to the nominal price of the loan, the unsecured portion of the debt will increase and so will the potential loss amount in the event of default on the debt. Interest rate, share price and credit spread risks should be seen here as mainly being connected with financial securities. For example, the market values of financial security (equities, bonds, etc.) could be reduced owing to macroeconomic influences.

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

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

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

Risks from securitisation

Securitisation is a transaction or structure 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 or structure depend on the value 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

BTV understands market risks as the potential loss which can arise due to changes in prices and interest rates on financial markets for all the positions of the bank and its trading book. Market risk is made up of 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 financial reporting according to IFRS and UGB and the clauses relating to supervisory law are taken into consideration.

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

Interest rate risk

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

Types of interest rate risk

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

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

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

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

Credit spread risk

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

Share price risk

Share price risk is understood as the risk that price changes in shares will have a negative impact on the expected result.

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.

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 (also known as liquidity risk in the narrower sense or insolvency risk/funding liquidity risk) is defined as the danger that BTV is no longer able to meet its current and future payment liabilities either in full or by the established deadlines. Within BTV, this essentially consists of the following risk subtypes:

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

Market liquidity risk is the danger, contingent on extraordinary events, that assets may only be realised with discounts in the market and thus only a minimal liquidity inflow will be achieved.

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

BTV conducts transactions in foreign currency. The risk here is that required refinancing funds in a foreign currency cannot be procured, or can only be procured under unfavourable conditions with respect to interest and exchange rates. As a result, BTV is exposed to the risk that a sudden change in the exchange rate, market liquidity, or both will lead to liquidity incongruities or will increase existing liquidity incongruities.

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 division is responsible for short-term to medium-term liquidity risk management. The primary task of short-term to medium-term liquidity risk management is to identify and manage the optional liquidity risk position. This management is based on an analysis of daily payments and the planning of expected cash flows, as well as demand-related money market trading, taking into account the liquidity buffer and access to central bank facilities. Monitoring of the long-term liquidity risk is carried out by BTV bank management and consists of the following points:

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

Operational risk

The operational risk is divided into the following risk types:

- Risk of failure of processes
- Risk of human error
- Risk of losses due to external events
- Legal risk
- Information and communication technology risk
- Model risk

The strategic risk and reputation risk are classified as other risks and are therefore not considered operational risks.

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

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

The risk of external events is understood as the risk that losses will arise due to disruptions in operations which cannot be actively managed. The risks of losses due to external events cannot be specified exhaustively.
The legal risk is the possibility that processes, legal judgements, or contracts which are proven to be unenforceable lead to a negative deviation from the expected result since the transactions or condition of the bank are impaired by such, or because there exists the danger that failure to observe, improper application, or over-representation of legal regulations will lead to failure to observe the bank's own obligations. This also includes the risk of suffering losses due to non-feasance.

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

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

These sub-categories are defined as follows:

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

The model risk is 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.

Macro-economic risk

Risks are described as macro-economic risks if they result from unfavourable changes in the overall economic development of the markets in which BTV transacts business and have a negative impact on the expected profit of BTV. These risks lie outside the sphere of influence of BTV, the sensitivity of customer groups, sectors and markets versus negative economic changes but are expressed to different degrees and are taken into account in the direction of the business. From this perspective, an internal closeness to the strategic risks is also the case.

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

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

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

Other risks
The other risks are broken down at BTV as follows:

- Strategic risk
- Reputation 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 regards to its competence, integrity and trustworthiness resulting from the perceptions of public stakeholders (shareholders, employees, customers, etc.).
The business model risk is the danger posed by a business model or strategy lacking sustainability. Both exist when no acceptable yields can be achieved.

The systemic risk is the threat of a disruption in the financial system which causes severe negative effects in the financial system itself and subsequently for the rest of the economy. The systemic risk therefore has an impact on BTV via a wide range of mechanisms.

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.

BTV considers sustainability risks to be such from the areas of environment, social or governance, the occurrence of which can have actually or potentially significant negative impacts on the asset, finance, and revenue situation, and on the reputation of a company. These are taken into account in the annual risk self-assessment. They include climate-related risks in the form of physical risks (storms, droughts, rising sea levels, rising snow lines, floods etc.), and transition risks (risks from transitioning to a low-CO_2 economy – e-mobility, changes in purchasing behaviour etc.).

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

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

This guarantees that sustainability risks are integrated into BTV's risk management to a sufficient degree.

Structure and organisation of risk management

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

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

The committee that acts above all during the phase of adjusting the risk management process is BTV Bank Management. At present the BTV Bank Management meets monthly. It consists of the full Executive Board and the heads of the Risk Management, Finance and Controlling, and Credit Management teams, as well as the Corporate Customer, Retail Customer and Institutional Clients and Banks departments, and the heads of the Risk Controlling and Treasury teams. The principal responsibility of BTV Bank Management covers management of the balance sheet structure from the perspective of risk/return, as well as management of credit, market, liquidity risk as well as operational and macroeconomic risk. Strategic, reputation, and system risks, as well as the risk of excess indebtedness, are combined under the "Other risks" category and are also discussed within the context of BTV Bank Management. BTV Bank Management has at its disposal several reports compiled by the Risk Management and Credit Management teams as essential sources of information. BTV Bank Management also holds the function of "restructuring governance".

Within the framework of risk management, the Supervisory Board of BTV has responsibility for approving individual credit risk limits as part of the defined competence path and for monitoring the risk management system. The realisation of this supervisory role is essentially carried out through the reports listed below:

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

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

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

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

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

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

As a significant credit institution pursuant to Sec. 5(4) BWG, BTV set up a permanent BWG compliance function on 1 January 2019. Organisationally, the function is located in the Compliance and Money Laundering Prevention office which reports directly to the full Executive Board of BTV. It is furthermore responsible solely to the entire Executive Board within the context of fulfilment of its duties and assumes its duties independently. The BWG compliance function coordinates the processes associated with the valuation and implementation of, and compliance with, regulatory guidelines pursuant to Sec. 69(1) BWG. It also advises and supports the Executive Board in matters of compliance.

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

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

Within BTV, the functions of Risk Management and Group Audit, and of Compliance and Anti-Money Laundering are organised to be independent of each other. This guarantees that these organisational units can execute their tasks in an appropriate manner within the framework of an effective internal control system.

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

In calculating risk-bearing capacity, BTV assumes two viewpoints - the going concern and the perspective of liquidation. From the perspective of a going concern, the continued existence of a regular going concern is to be assured. From a liquidation perspective, BTV aims to guarantee the claims of outside financial backers (holders of debt securities, savings deposits, etc.). In addition, BTV has built an early warning stage for both approaches. The aim of the protection at the early warning stage is to be able to ensure that smaller, high-probability risks can be absorbed, without needing to change the type and extent of business activity, or the risk strategy. Furthermore, triggering of the early warning stage has the effect of implementing corresponding measures.

The determination of the risk and the risk cover capital (= internal capital) are carried out by various methods, using the going-concern and liquidation approach. This occurs against the background of the differing protection aims of the two approaches.

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

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

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

Risk category/parameters	Liquidation approach	Going-concern approach
Confidence level	99.9%	95.0%
Time horizon	250 days or 1 year	
Internal capital (Risk cover capital)	Regulatory equity	Maximum available free capital components
	Hidden reserves and charges	Hidden reserves
	Annual net profit already earned	Planned annual net profit
	Excess/Shortfall	
	Regulatory non-chargeable preference shares	
	Regulatory non-chargeable hybrid capital	
	Deductions for companies in the financial sector	
		Dividends resolved
Credit risk		
Risk of default by other party	IRB basic approach/standard approach	
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	Approach to quantifying refinancing risk	
Operational risk	Loss distribution approach	
Macro-economic risk	Macroeconomic stress scenario	
Other risks	10% buffer	

Furthermore, limits are defined for each risk category as well as for the controlling units (corporate customers, retail customers, 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 customers, as well as for banks and property project financing, rating systems are used which spread the credit risks over a scale with 13 available levels. The rating forms the basis for the calculation of credit risks and provides the framework for a risk-based calculation of terms, as well as for the early identification of problem cases. The price calculation in the lending business is based on this and is carried out taking into consideration ratings-based risk premiums.

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

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

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

- Construction industry
- Machine engineering industry
- Automotive industry
- Tourism industry
- Property project portfolio
- Repayment vehicle loans
- Foreign currency loans
- Large positions with liability > EUR 40 million
- Financial securities
- Property securities

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

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

Market risk

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

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

The VaR model can be briefly outlined as follows:

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

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

Interest rate risk
In the context of the ICAAP, the risk capital is compared with the potential risk according to the VaR model, and is therefore limited. The basis for this is BTV's interest rate portfolio, which comprises all interest-rate-driven assets and liabilities and derivative transactions. This portfolio is broken down into fixed interest rates for individual transactions and combined in a maturity structure (gap analysis). The interest risk is measured at a bank-wide level monthly.

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

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

Credit spread risk
The quantifying of the credit spread risk is carried out on the basis of a historical value-at-risk approach. The credit 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 at a bank-wide level monthly.

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

The liquidity risk in ICAAP is quantified as the total
- of the increase in price of refinancing costs under a stress test in order to achieve a target refinancing structure (based on a target NSFR ratio) and
- the increase in price of the refinancing costs under a stress test for the cycling of the liquidity gaps (incl. outflows on the basis of the instruments issued to achieve the target NSFR) by 1 year pursuant to the liquidity progress review.

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

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

Operational risk

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

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

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

Macro-economic risk

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

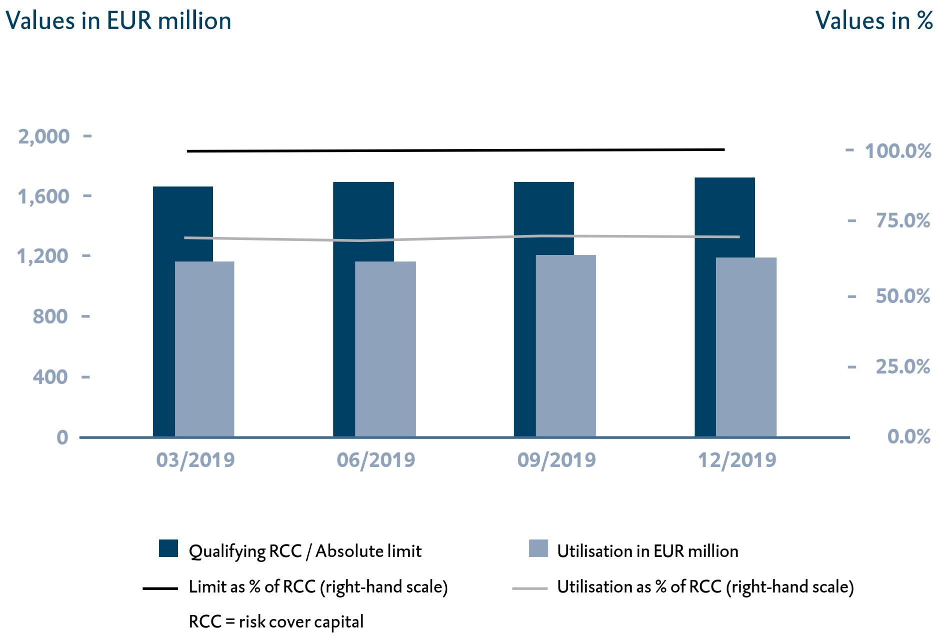
Other risks

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

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, excluding the market risk, is performed each quarter. The market risk is measured at a bank-wide level monthly. 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 so far as this is necessary. Within the BTV Bank Management Committee, a report is given on the current utilisation levels and limiting of overall bank risk, as well as of the individual risk categories, together with definition and monitoring of control measures. The reporting on operational risks is provided quarterly. Utilisation of the quantified overall risk at year-end amounted to EUR 1,198.5 million. This corresponds to a limit utilisation rate of 69.7% of the risk cover capital. The highest relative level of usage of 70.8% of the risk cover capital was in the third quarter of 2019. 10% of the risk cover capital is reserved for other unquantifiable risks and is reported as already used.

Total bank risk – liquidation approach



Total bank risk – liquidation approach		Maximum	Average	Year-end
31/12/2019	Utilisation in EUR million	1,204.8	1,184.1	1,198.5
	Utilisation in % of risk cover capital	70.8%	69.9%	69.7%
31/12/2018	Utilisation in EUR million	1,110.5	1,084.4	1,110.5
	Utilisation in % of risk cover capital	70.6%	67.7%	64.1%

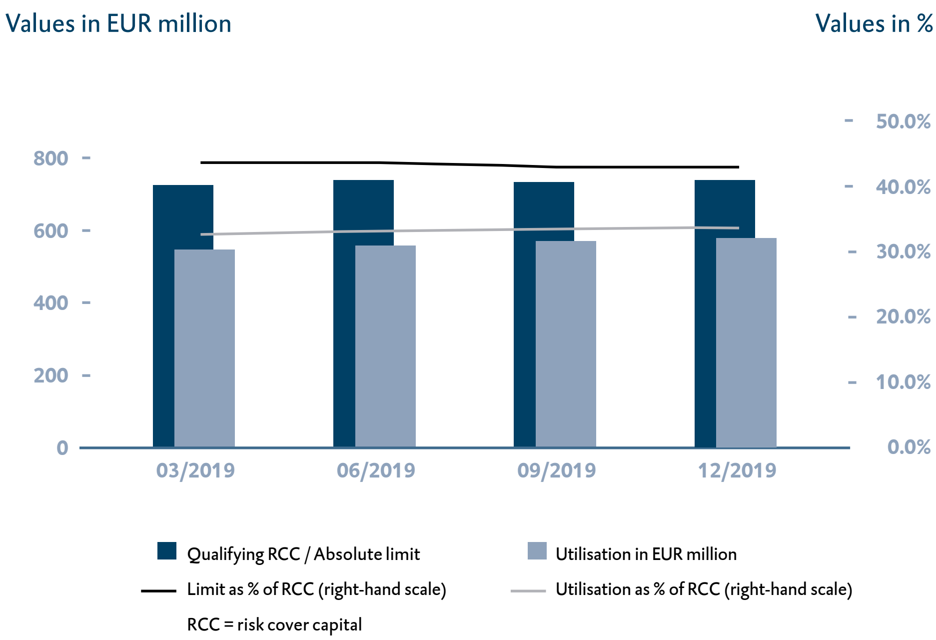
The limit has been respected at all times at the total bank level. In addition, an adequate buffer for the applied limit was available at all times. Account was thus taken at all times during the financial year 2019 of the compulsory coordination process between the quantified risk and BTV's allocated risk cover capital.

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.

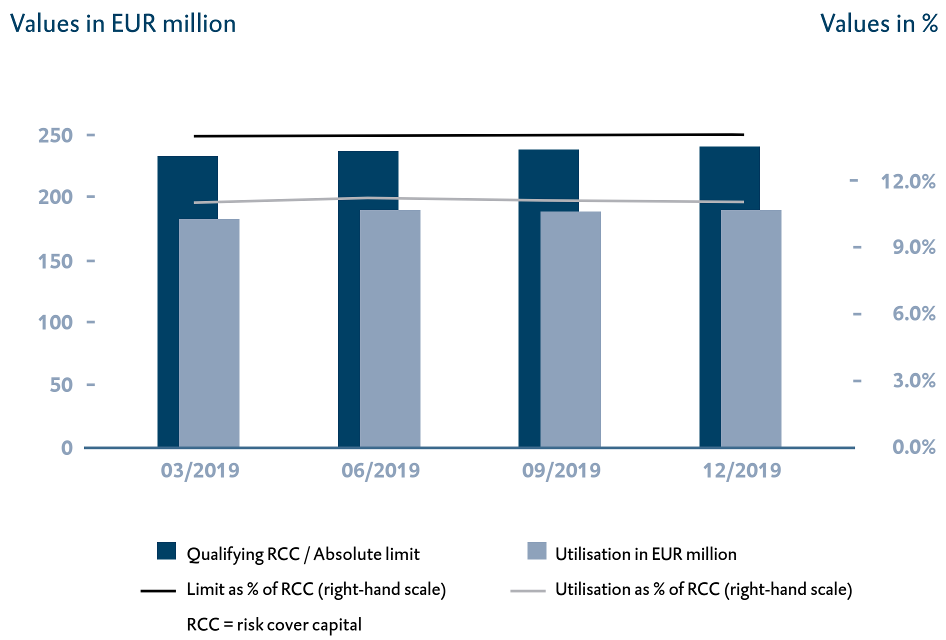
Counterparty default – liquidity approach



Counterparty default – liquidity approach		Maximum	Average	Year-end
31/12/2019	Utilisation in EUR million	579.0	562.0	579.0
	Utilisation in % of risk cover capital	33.7%	33.2%	33.7%
31/12/2018	Utilisation in EUR million	533.6	518.0	533.6
	Utilisation in % of risk cover capital	33.6%	32.4%	30.8%

Over the course of the year, the counterparty default risk increased relative to risk cover from 30.8% to 33.7%. A slight increase of the counterparty default risk was also recorded in absolute figures to the amount of EUR +45.4 million due to the growth in credit.

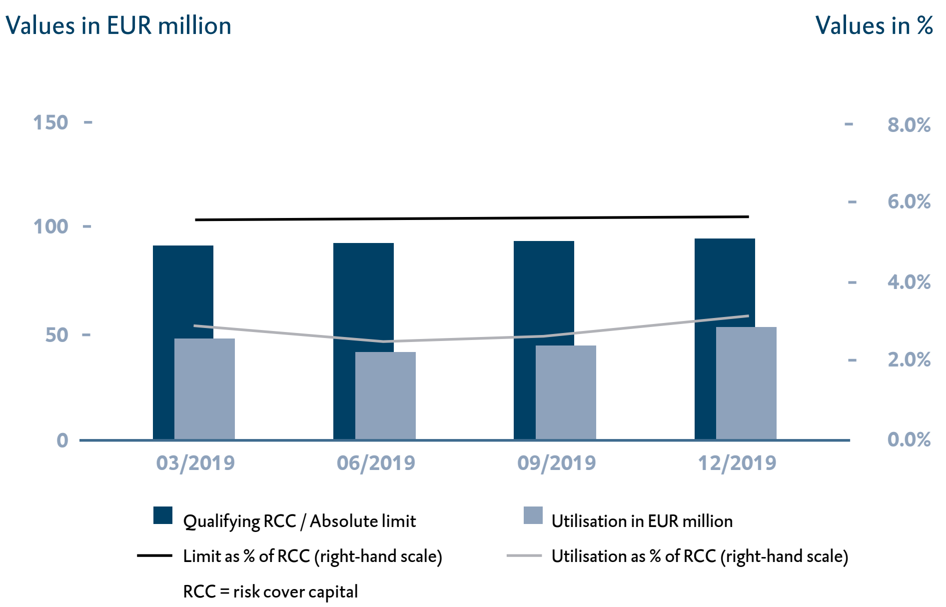
Investment risk - liquidity approach



Investment risk - liquidity approach		Maximum	Average	Year-end
31/12/2019	Utilisation in EUR million	189.0	187.2	189.0
	Utilisation in % of risk cover capital	11.2%	11.0%	11.0%
31/12/2018	Utilisation in EUR million	186.6	177.3	180.8
	Utilisation in % of risk cover capital	11.8%	11.1%	10.4%

As expected, the participation risk rose steadily by EUR +8.2 million during the course of 2019 from EUR 180.8 million to EUR 189.0 million. This increase is mainly attributable to the valuation adjustments of Oberbank AG and BKS Bank AG.

Concentration of credit risk – liquidation approach



Concentration of credit risk – liquidation approach		Maximum	Average	Year-end
31/12/2019	Utilisation in EUR million	52.3	46.3	52.3
	Utilisation in % of risk cover capital	3.0%	2.7%	3.0%
31/12/2018	Utilisation in EUR million	46.5	42.8	46.5
	Utilisation in % of risk cover capital	2.7%	2.7%	2.7%

In the financial year 2019, the utilisation of the "Credit concentration risk" category increased by EUR +5.8 million from EUR 46.5 million to EUR 52.3 million. The primary driver of this is the risk sub-category "Risk from high credit volumes". This increased over the course of the year by EUR +2.3 million from EUR 24.4 million to EUR 26.7 million. The remainder of the increase is primarily due to the risk sub-category "Risk from loans in foreign currencies" which increased by EUR +2.8 million to EUR 23.6 million.

Credit risk - overview

The credit risk volume is made up of the balance sheet items "Loans to credit institutions", "Loans to customers", all fixed interest securities as well as securities and guarantees.

The total loan volume of BTV rose by EUR +331.7 million, or +3.4%, compared to the previous year to EUR 10,125.8 million. The amount of bad debt increased by EUR +11.8 million or EUR +8.6%. The share of the total volume at the year-end therefore totalled 1.6%, compared to 1.5% the previous year.

Total creditworthiness structure in EUR thousand

Due date	Data	No visible risk of default	With note	High risk of default	Bad debt	Total
31/12/2019	Total drawn	9,348,522	590,885	25,735	160,646	10,125,788
	Amortised costs	8,726,088	582,830	25,401	159,083	9,493,402
	Fair value	622,434	8,055	334	1,564	632,386
	Share in %	92.3%	5.8%	0.3%	1.6%	100.0%
	Risk provisions	9,586	4,084	393	94,772	108,836
	Percentage of cover	0.1%	0.7%	1.5%	59.0%	1.1%
31/12/2018	Total drawn	9,115,410	490,128	39,783	148,797	9,794,118
	Amortised costs	8,588,911	483,366	39,473	146,527	9,258,277
	Fair value	526,499	6,762	310	2,270	535,842
	Share in %	93.1%	5.0%	0.4%	1.5%	100.0%
	Risk provisions	13,341	4,473	706	89,738	108,257
	Percentage of cover	0.1%	0.9%	1.8%	60.3%	1.1%
Change	Overall utilisation, previous year	233,112	100,757	–14,048	11,849	331,670
	Amortised costs, previous year	137,177	99,464	–14,072	12,556	235,125
	Fair value, previous year	95,935	1,293	24	–707	96,544
	to overall utilisation of previous year (in %)	1.6%	20.6%	–35.6%	8.6%	3.4%
	of risk provisions to previous year	–3,755	–388	–313	5,034	579
	of risk provisions to previous year (in %)	–28.1%	–8.7%	–44.3%	5.6%	0.5%

Creditworthiness structure domestic and overseas

The presentation is based on the tax domicile of the borrower or issuer. In Austria, the overall credit risk volume fell by EUR –147.3 million, or –2.5%, compared to the previous year. The overseas component of the credit risk volume, on the other hand, rose by EUR +479.0 million, or +12.2%.

Creditworthiness structure domestic in EUR thousand

Due date	Data	No visible risk of default	With note	High risk of default	Bad debt	Total
31/12/2019	Total drawn	5,178,439	417,452	18,984	90,443	5,705,318
	Amortised costs	4,851,606	409,719	18,792	89,066	5,369,184
	Fair value	326,833	7,733	191	1,377	336,134
	Share in %	90.8%	7.3%	0.3%	1.6%	100.0%
	Risk provisions	5,218	2,812	311	56,738	65,079
	Percentage of cover	0.1%	0.7%	1.6%	62.7%	1.1%
31/12/2018	Total drawn	5,397,893	359,115	11,642	84,004	5,852,653
	Amortised costs	5,112,059	352,434	11,443	82,228	5,558,164
	Fair value	285,834	6,681	199	1,775	294,490
	Share in %	92.2%	6.1%	0.2%	1.4%	100.0%
	Risk provisions	8,035	3,273	319	53,483	65,111
	Percentage of cover	0.1%	0.9%	2.7%	63.7%	1.1%
Change	Overall utilisation, previous year	–219,454	58,337	7,342	6,440	–147,336
	Amortised costs, previous year	–260,453	57,285	7,350	6,838	–188,980
	Fair value, previous year	40,999	1,051	–8	–398	41,644
	to overall utilisation of previous year (in %)	–5.1%	16.3%	64.2%	8.3%	–2.5%
	of risk provisions to previous year	–2,818	–462	–8	3,255	–32
	of risk provisions to previous year (in %)	–35.1%	–14.1%	–2.4%	6.1%	0.0%

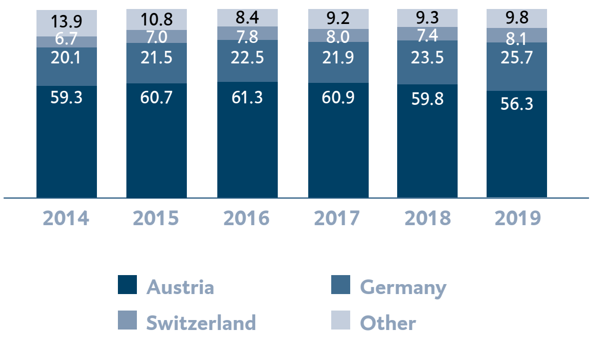
Creditworthiness structure overseas in EUR thousand

Due date	Data	No visible risk of default	With note	High risk of default	Bad debt	Total
31/12/2019	Total drawn	4,170,083	173,433	6,751	70,203	4,420,470
	Amortised costs	3,874,482	173,111	6,609	70,016	4,124,218
	Fair value	295,601	322	143	187	296,252
	Share in %	94.3%	3.9%	0.2%	1.6%	100.0%
	Risk provisions	4,369	1,273	82	38,034	43,757
	Percentage of cover	0.1%	0.7%	1.2%	54.2%	1.0%
31/12/2018	Total drawn	3,717,517	131,013	28,141	64,794	3,941,465
	Amortised costs	3,476,852	130,932	28,031	64,298	3,700,113
	Fair value	240,665	81	111	495	241,352
	Share in %	94.3%	3.3%	0.7%	1.6%	100.0%
	Risk provisions	5,306	1,199	387	36,255	43,147
	Percentage of cover	0.1%	0.9%	1.4%	56.0%	1.1%
Change	Overall utilisation, previous year	452,566	42,420	–21,390	5,410	479,005
	Amortised costs, previous year	397,630	42,179	–21,422	5,718	424,105
	Fair value, previous year	54,936	241	32	–308	54,900
	to overall utilisation of previous year (in %)	11.4%	32.2%	–76.4%	8.9%	12.2%
	of risk provisions to previous year	–937	73	–305	1,779	610
	of risk provisions to previous year (in %)	–17.7%	6.1%	–78.9%	4.9%	1.4%

Creditworthiness structure of credit risk by country

Around 56.3% of the loan loss provision (sum of amortised costs and fair value) relates to domestic borrowers. 25.7% is accounted for by German borrowers and 8.1% by Swiss borrowers. The remaining 9.8% is distributed as follows: 5.5 percentage points for Italy, the Netherlands, US and France. The remaining 4.3 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 note	High risk of default	Bad debt	Total	Share in %
Amortised costs						
Austria	4,851,606	409,719	18,792	89,066	5,369,184	53.0%
Germany	2,366,532	120,125	3,109	49,152	2,538,918	25.1%
Switzerland	769,113	35,828	3,341	12,967	821,250	8.1%
Italy	149,351	16,285	95	351	166,082	1.6%
USA	117,717	0	0	0	117,717	1.2%
Netherlands	84,579	0	0	0	84,579	0.8%
France	77,410	24	0	0	77,433	0.8%
UK	33,285	89	0	61	33,435	0.3%
Republic of Ireland	6,488	0	0	0	6,488	0.1%
Spain	5,238	0	0	165	5,403	0.1%
Hungary	145	144	0	0	289	0.0%
Other	264,623	616	64	7,320	272,623	2.7%
Fair value						
Austria	326,833	7,733	191	1,377	336,134	3.3%
Netherlands	66,075	0	0	0	66,075	0.7%
Germany	64,324	319	89	187	64,920	0.6%
France	28,261	3	0	0	28,263	0.3%
USA	15,450	0	0	0	15,450	0.2%
Spain	15,329	0	0	0	15,329	0.2%
Republic of Ireland	3,000	0	0	0	3,000	0.0%
Italy	2,170	0	54	0	2,224	0.0%
Switzerland	386	0	0	0	386	0.0%
Other	100,606	0	0	0	100,606	1.0%
Total	**9,348,522**	**590,885**	**25,735**	**160,646**	**10,125,788**	**100.0%**

Creditworthiness structure of credit risk by sector

Real estate management continues to be the most important sector, and once again in financial year 2019 had the biggest share. The greatest growth came in the areas of manufacturing and real estate management with increases of EUR +126.3 million and EUR +120.0 million, respectively. The greatest decline was seen in the public sector, as was the case in the previous two years.

Creditworthiness structure by sector total in EUR thousand

All sectors together	No visible risk of default	With note	High risk of default	Bad debt	Total	Share in %
Amortised costs						
Physical goods manufacturing	1,366,914	118,417	3,744	51,821	1,540,896	15.2%
Services	1,329,412	141,174	2,900	40,075	1,513,561	14.9%
Real estate management	1,359,932	103,098	1,827	4,827	1,469,685	14.5%
Retail	1,104,002	49,638	6,050	25,262	1,184,951	11.7%
Loans and insurance	990,530	14,566	3,005	6,951	1,015,052	10.0%
Trade	670,116	25,670	5,915	8,423	710,124	7.0%
Public sector	594,252	0	0	109	594,361	5.9%
Tourism	454,259	77,736	267	7,054	539,316	5.3%
Construction	374,118	16,562	806	8,441	399,927	3.9%
Cable cars	202,030	18,598	0	0	220,628	2.2%
Transport and communications	185,968	15,182	746	1,623	203,518	2.0%
Energy and water utilities	62,503	138	0	3,732	66,374	0.7%
Other	32,053	2,049	141	765	35,008	0.3%
Fair value						
Real estate management	230,070	2,423	129	1,231	233,854	2.3%
Loans and insurance	228,839	0	0	0	228,839	2.3%
Public sector	101,651	0	0	0	101,651	1.0%
Services	21,918	4,638	34	0	26,590	0.3%
Transport and communications	19,954	63	0	0	20,017	0.2%
Retail	14,632	896	171	332	16,031	0.2%
Energy and water utilities	3,382	0	0	0	3,382	0.0%
Physical goods manufacturing	1,725	0	0	0	1,725	0.0%
Trade	0	34	0	0	34	0.0%
Other	263	0	0	0	263	0.0%
Total	**9,348,522**	**590,885**	**25,735**	**160,646**	**10,125,788**	**100.0%**

Compared to the previous year, there was a decline domestically of EUR –147.3 million. It is primarily the public sector and the loans and insurance sector which are responsible for this development, whilst the remaining sectors are moving laterally. On overseas markets, growth was driven by the real estate, loans and insurance, and manufacturing sectors.

Creditworthiness structure by sector, domestic in EUR thousand

Domestic sectors	No visible risk of default	With note	High risk of default	Bad debt	Total	Share in %
Amortised costs						
Real estate management	939,000	84,568	1,564	3,304	1,028,436	18.0%
Retail	891,959	42,232	4,926	11,720	950,837	16.7%
Services	786,160	124,112	2,202	27,220	939,694	16.5%
Physical goods manufacturing	443,799	27,054	10	25,928	496,792	8.7%
Tourism	316,904	67,241	267	5,153	389,566	6.8%
Trade	292,181	19,960	5,186	3,599	320,927	5.6%
Public sector	311,120	0	0	109	311,229	5.5%
Construction	260,574	11,509	806	6,336	279,225	4.9%
Loans and insurance	232,915	691	3,001	846	237,454	4.2%
Cable cars	200,823	18,598	0	0	219,421	3.8%
Transport and communications	106,691	11,716	688	541	119,635	2.1%
Energy and water utilities	47,890	26	0	3,732	51,648	0.9%
Other	21,589	2,012	141	577	24,319	0.4%
Fair value						
Real estate management	206,494	2,423	129	1,231	210,277	3.7%
Public sector	53,630	0	0	0	53,630	0.9%
Services	21,918	4,638	34	0	26,590	0.5%
Traffic and communications	19,954	63	0	0	20,017	0.4%
Retail	13,359	574	28	145	14,107	0.2%
Loans and insurance	9,490	0	0	0	9,490	0.2%
Physical goods manufacturing	1,725	0	0	0	1,725	0.0%
Trade	0	34	0	0	34	0.0%
Other	263	0	0	0	263	0.0%
Total	**5,178,439**	**417,452**	**18,984**	**90,443**	**5,705,318**	**100.0%**

Creditworthiness structure by sector, overseas in EUR thousand

Foreign sectors	No visible risk of default	With note	High risk of default	Bad debt	Total	Share in %
Amortised costs						
Physical goods manufacturing	923,115	91,364	3,734	25,893	1,044,105	23.6%
Loans and insurance	757,615	13,875	4	6,105	777,599	17.6%
Services	543,252	17,062	698	12,855	573,866	13.0%
Real estate management	420,933	18,530	263	1,523	441,249	10.0%
Trade	377,934	5,710	729	4,824	389,197	8.8%
Public sector	283,132	0	0	0	283,132	6.4%
Retail	212,043	7,406	1,123	13,542	234,114	5.3%
Tourism	137,355	10,495	0	1,900	149,751	3.4%
Construction	113,543	5,054	0	2,106	120,702	2.7%
Transport and communications	79,277	3,467	58	1,082	83,883	1.9%
Energy and water utilities	14,613	112	0	0	14,726	0.3%
Cable cars	1,206	0	0	0	1,206	0.0%
Other	10,464	36	0	187	10,688	0.2%
Fair value						
Loans and insurance	219,349	0	0	0	219,349	5.0%
Public sector	48,021	0	0	0	48,021	1.1%
Real estate management	23,576	0	0	0	23,576	0.5%
Energy and water utilities	3,382	0	0	0	3,382	0.1%
Retail	1,273	322	143	187	1,924	0.0%
Total	**4,170,083**	**173,433**	**6,751**	**70,203**	**4,420,470**	**100.0%**

Creditworthiness structure of credit risk by type of business

The share of the corporate customer segment in the total credit risk volume was 68.9% (previous year: 68.3%).

Private clients represented a share of 14.0% (previous year: 14.3%), the remainder 17.1% (previous year: 17.3%) related to Institutional Clients and Banks.

Creditworthiness structure by type of business in EUR thousand

Type of business	Data	No visible risk of default	With note	High risk of default	Bad debt	Total
Corporate customers	Total drawn	6,344,936	485,034	13,011	131,667	6,974,648
	Amortised costs	6,095,850	478,312	12,882	130,435	6,717,480
	Fair value	249,086	6,722	129	1,232	257,168
	Share in %	91.0%	7.0%	0.2%	1.9%	100.0%
	Risk provisions	7,777	3,413	238	79,117	90,545
	Percentage of cover	0.1%	0.7%	1.8%	60.1%	1.3%
Retail customers	Total drawn	1,279,002	97,099	9,954	28,979	1,415,035
	Amortised costs	1,263,075	95,767	9,749	28,647	1,397,238
	Fair value	15,927	1,333	205	332	17,797
	Share in %	90.4%	6.9%	0.7%	2.0%	100.0%
	Risk provisions	1,167	390	145	15,655	17,357
	Percentage of cover	0.1%	0.4%	1.5%	54.0%	1.2%
Institutional clients and banks	Total drawn	1,724,584	8,751	2,771	0	1,736,106
	Amortised costs	1,367,163	8,751	2,771	0	1,378,685
	Fair value	357,421	0	0	0	357,421
	Share in %	99.3%	0.5%	0.2%	0.0%	100.0%
	Risk provisions	642	281	11	0	934
	Percentage of cover	0.0%	3.2%	0.4%	0.0%	0.1%
Total	**Total drawn**	**9,348,522**	**590,885**	**25,735**	**160,646**	**10,125,788**
	Amortised costs	**8,726,088**	**582,830**	**25,401**	**159,083**	**9,493,402**
	Fair value	**622,434**	**8,055**	**334**	**1,564**	**632,386**
	Share in %	**92.3%**	**5.8%**	**0.3%**	**1.6%**	**100.0%**
	Risk provision	**9,586**	**4,084**	**393**	**94,772**	**108,836**
	Percentage of cover	**0.1%**	**0.7%**	**1.5%**	**59.0%**	**1.1%**

Creditworthiness structure of credit risk by currency

88.5 % (previous year: 89.2%) of the credit risk volume related to loans in euros. The Swiss franc covers 9.7 % (previous year: 9.5 %), whilst the remaining currencies represent 1.8 % (previous year: 1.3%) of the loan volume. The share of CHF financing in the eurozone thus fell from 3.8% to 3.5%.

Creditworthiness structure by currency in EUR thousand

Currency	No visible risk of default	With note	High risk of default	Bad debt	Total	Share in %
Amortised costs						
EUR	7,634,459	530,223	20,265	144,062	8,329,008	82.3%
CHF with Swiss customers	582,352	32,238	2,629	9,377	626,597	6.2%
CHF	326,605	19,551	2,364	4,005	352,525	3.5%
USD	124,036	135	117	1,638	125,925	1.2%
JPY	17,081	684	0	0	17,765	0.2%
Other	41,556	0	26	0	41,583	0.4%
Fair value						
EUR	620,235	8,052	319	332	628,938	6.2%
CHF	1,813	3	15	1,231	3,062	0.0%
CHF with Swiss customers	386	0	0	0	386	0.0%
USD	0	0	0	0	0	0.0%
Total	**9,348,522**	**590,885**	**25,735**	**160,646**	**10,125,788**	**100.0%**

Creditworthiness structure of overdue loans

The following charts show a breakdown of overdue, but not written-down financial debts by the number of days overdue and the risk-class assigned (grouping according to customer rating). The borrower is in arrears in relation to payment of interest or repayment. In the opinion of BTV, the formation of a specific value allowance is not appropriate on the basis of the evaluation of the borrower or existing collateral.

Creditworthiness structure by overdue debts in EUR thousand

Due date	Due date	Valuation	No visible risk of default	With note	High risk of default	Total
31/12/2019	31 – 60 days	Amortised costs	624	151	42	818
		Fair value	0	9	0	9
	61 – 90 days	Amortised costs	0	240	1	241
		Fair value	0	0	0	0
Total			**624**	**400**	**44**	**1,067**
31/12/2018	31 – 60 days	Amortised costs	470	1,172	36	1,678
		Fair value	13	0	0	13
	61 – 90 days	Amortised costs	20	4	5	29
		Fair value	0	0	0	0
Total			**503**	**1,176**	**41**	**1,720**

Collateral received

BTV groups collateral according to mortgages, securities and other assets. For higher risk classes in particular, we ensure that, with a decrease in the quality of borrower creditworthiness, the amount of collateralisation increases.

The lower level of securities in the creditworthiness class "bad debt" (this category contains customers who have defaulted) is due to securities having already been used.

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

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

Collateral received as at 31/12/2018 in EUR thousand

Value	No visible risk of default	With note	High risk of default	Bad debt	Total
Amortised costs					
Total drawn	8,588,911	483,366	39,473	146,527	9,258,277
Land register collateral	2,103,501	166,672	18,436	24,016	2,312,626
Collateral securities	131,833	11,791	1,683	945	146,253
Other collateral	822,232	42,694	11,679	11,809	888,415
Total collateral in %	35.6%	45.8%	80.6%	25.1%	36.2%
Fair value					
Total drawn	526,499	6,762	310	2,270	535,842
Land register collateral	78,591	4,923	260	1,050	84,825
Collateral securities	293	307	0	0	600
Other collateral	6,643	323	3	1,169	8,139
Total collateral in %	16.2%	82.1%	85.1%	97.7%	17.5%
Total					
Total drawn	**9,115,410**	**490,128**	**39,783**	**148,797**	**9,794,118**
Land register collateral	**2,182,092**	**171,595**	**18,696**	**25,066**	**2,397,450**
Collateral securities	**132,126**	**12,098**	**1,683**	**945**	**146,852**
Other collateral	**828,876**	**43,018**	**11,683**	**12,978**	**896,554**
Total collateral in %	**34.5%**	**46.3%**	**80.6%**	**26.2%**	**35.1%**

Risk structure of transactions involving debt forbearance according to credit quality

The table below illustrates transactions involving debt forbearance structured according to their credit quality.

The credit quality is differentiated hereby as follows:

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

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

The credit risk volume increased in the "Not individually value-adjusted and not bad debt" category by EUR +7.9 million compared to the previous year. The volume under "Value-adjusted and bad debt" (EUR –0.8 million) and "Not value-adjusted and bad debt" decreased (EUR –9.7 million).

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

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

Risk structure of transactions involving debt forbearance, by credit quality as at 31/12/2018 in EUR thousand

Credit quality	Values	No visible risk of default	With note	High risk of default	Bad debt	Total
Not value-adjusted and not bad debt	Total drawn	28,840	31,949	3,287	0	64,077
	Risk provision	6	645	50	0	701
	Collateral	14,122	6,319	2,508	0	22,950
Not value-adjusted and bad debt	Total drawn	0	0	0	1,029	1,029
	Risk provision	0	0	0	0	0
	Collateral	0	0	0	1,014	1,014
Value-adjusted and bad debt	Total drawn	0	0	0	23,438	23,438
	Risk provision	0	0	0	12,737	12,737
	Collateral	0	0	0	8,250	8,250
Total	**Total drawn**	**28,840**	**31,949**	**3,287**	**24,467**	**88,544**
	Risk provision	**6**	**645**	**50**	**12,737**	**13,438**
	Collateral	**14,122**	**6,319**	**2,508**	**9,264**	**32,214**

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

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

The type of capital repayment was adjusted for the largest section of the volume affected by forbearances, just as in the previous year. This relates to a loan volume to the amount of EUR 55.2 million or 66.0%. There was a reduction in interest payments to be made of EUR 27.7 million or 33.1%. The total customer financing structure was rearranged for a loan volume of EUR 0.2 million or 0.2%. Other agreements were adjusted to an amount of EUR 0.5 million or 0.6%. In principle, it can be asserted that the volume with forbearance has fallen compared to the previous year by EUR –5.0 million. The driver here was the general decrease in forbearance across all categories (EUR –29.1 million), with the exception of the category "Interest payment to be made was reduced". The latter increased by EUR +24.1 million.

Risk structure of transactions involving debt forbearance, by type and number per transaction as at 31/12/2019 in EUR thousand

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

Risk structure of transactions involving debt forbearance, by type and number per transaction as at 31/12/2018 in EUR thousand

Type of forbearance	Number of forbearances/transaction	No visible risk of default	With remark	High risk of default	Bad debt	Total
Capital repayment was adjusted	1	28,563	31,097	2,899	15,868	78,428
	2	277	0	0	2,098	2,375
	3	0	0	0	0	0
Interest payment to be made was reduced	1	0	0	388	3,175	3,563
	2	0	0	0	0	0
	3	0	0	0	0	0
Revision of credit relationship	1	0	852	0	1,007	1,859
	2	0	0	0	0	0
	3	0	0	0	0	0
Easing of compliance with binding obligations (covenants)	1	0	0	0	2,317	2,317
	2	0	0	0	2	2
	3	0	0	0	0	0
Total		**28,840**	**31,949**	**3,287**	**24,467**	**88,544**

Risk structure of transactions involving debt forbearance according to segment

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

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

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

Risk structure of transactions with forbearance by segments as at 31/12/2018 in EUR thousand

Segment	No visible risk of default	With note	High risk of default	Bad debt	Total
Corporate customers	21,021	30,420	3,098	22,480	77,020
Retail customers	7,820	1,528	189	1,987	11,525
Institutional clients and banks	0	0	0	0	0
Total	**28,840**	**31,949**	**3,287**	**24,467**	**88,544**

Risk structure of transactions with forbearance according to economic sector

As in the previous year, the volume of loans affected by forbearances is distributed equally across all economic sectors without significant concentration.

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

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

Risk structure of transactions with forbearance by economic sector as at 31/12/2018 in EUR thousand

Sector	No visible risk of default	With note	High risk of default	Bad debt	Total
Services	164	20,895	803	2,557	24,419
Real estate management	20,989	0	206	0	21,196
Physical goods manufacturing	0	410	885	13,646	14,941
Tourism	0	9,115	578	2,585	12,278
Retail	7,655	1,528	152	1,979	11,315
Construction	0	0	0	2,182	2,182
Trade	31	0	664	948	1,643
Transport and communications	0	0	0	570	570
Total	**28,840**	**31,949**	**3,287**	**24,467**	**88,544**

Risk structure of transactions with forbearance according to country

The following table shows the risk structure of transactions with debt forbearance structured according to country. The largest part of the volume, with a loan volume to the amount of EUR 77.3 million or 92.5%, relates to borrowers from Austria. Furthermore, forbearances were agreed with borrowers in Germany. There are no longer any forbearances for Switzerland and other countries.

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

Country	No visible risk of default	With note	High risk of default	Bad debt	Total
Austria	3,980	54,963	2,615	15,727	77,285
Germany	29	2,405	0	3,850	6,284
Switzerland	0	0	0	0	0
Other	0	0	0	0	0
Total	**4,010**	**57,367**	**2,615**	**19,577**	**83,569**

Risk structure of transactions with forbearance, by country as at 31/12/2018 in EUR thousand

Country	No visible risk of default	With note	High risk of default	Bad debt	Total
Austria	27,004	28,500	1,283	17,927	74,714
Germany	1,836	3,161	2,005	5,102	12,105
Switzerland	0	288	0	1,438	1,725
Italy	0	0	0	0	0
Other	0	0	0	0	0
Total	**28,840**	**31,949**	**3,287**	**24,467**	**88,544**

Income structure of transactions with forbearance by segment

Transactions where forbearance was agreed yielded interest revenue of EUR 6.7 million in the financial year 2019.

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

Segment	No visible risk of default	With note	High risk of default	Bad debt	Total
Corporate customers	46	5,643	168	645	6,502
Retail customers	159	22	8	26	216
Institutional clients and banks	0	0	0	0	0
Total	**205**	**5,665**	**176**	**671**	**6,718**

Income structure of transactions with forbearance, by segment as at 31/12/2018 in EUR thousand

Segment	No visible risk of default	With note	High risk of default	Bad debt	Total
Corporate customers	936	1,194	147	674	2,951
Retail customers	134	153	4	37	328
Institutional clients and banks	0	0	0	0	0
Total	**1,069**	**1,347**	**152**	**711**	**3,279**

Risk structure for derivatives according to segments

The credit volume of derivatives presented corresponds to the fair value. The credit volume from derivatives totals EUR 64.9 million as at the balance sheet date of 31/12/2019. Of this, EUR 49.6 million, or 76.5%, accounts for loans to institutional clients and banks. Loans to corporate customers totalled EUR 14.9 million or 23.0%, and those to retail customers EUR 0.3 million or 0.5%.

Risk structure of derivatives by segments as at 31/12/2019 in EUR thousand

Segment	No visible risk of default	With note	High risk of default	Bad debt	Total
Corporate customers	13,060	1,834	0	0	14,894
Retail	290	44	0	0	334
Institutional clients and banks	49,625	0	0	0	49,625
Total	**62,975**	**1,877**	**0**	**0**	**64,852**

Risk structure of derivatives by segments as at 31/12/2018 in EUR thousand

Segment	No visible risk of default	With note	High risk of default	Bad debt	Total
Corporate customers	11,429	1,936	24	0	13,389
Retail	199	17	0	0	216
Institutional clients and banks	39,754	0	0	0	39,754
Total	**51,382**	**1,953**	**24**	**0**	**53,359**

Derivative risk structure by segment and currencies

At around 98.0% of the volume, the largest portion accounts for loans in EUR, just as in the previous year. 0.5% originates from CHF transactions, whilst the remaining 0.8% relates to USD, JPY and other currencies.

Risk structure of derivatives by segment and currency as at 31/12/2019 in EUR thousand

Segment	Currency	No visible risk of default	With note	High risk of default	Bad debt	Total
Corporate customers	EUR	12,439	1,731	0	0	14,170
	CHF	250	27	0	0	277
	USD	139	0	0	0	139
	JPY	55	0	0	0	55
	Other	177	75	0	0	252
Retail customers	EUR	246	44	0	0	289
	CHF	44	0	0	0	44
Institutional clients and banks	EUR	49,072	0	0	0	49,072
	CHF	2	0	0	0	2
	USD	51	0	0	0	51
	Other	499	0	0	0	499
Total		**62,975**	**1,877**	**0**	**0**	**64,852**

Risk structure of derivatives by segment and currency as at 31/12/2018 in EUR thousand

Segment	Currency	No visible risk of default	With note	High risk of default	Bad debt	Total
Corporate customers	EUR	10,352	545	24	0	10,921
	CHF	461	1,391	0	0	1,852
	USD	513	0	0	0	513
	JPY	95	0	0	0	95
	Other	8	0	0	0	8
Retail customers	EUR	173	17	0	0	190
	CHF	26	0	0	0	26
Institutional clients and banks	EUR	39,667	0	0	0	39,667
	CHF	7	0	0	0	7
	USD	30	0	0	0	30
	Other	50	0	0	0	50
Total		**51,382**	**1,953**	**24**	**0**	**53,359**

Risk structure of derivatives by country

49.8% of loans relate to counterparties in Germany. A further 36.4% relates to Austrian partners. The remainder is distributed amongst clients in Switzerland and other countries.

Risk structure of derivatives by country as at 31/12/2019 in EUR thousand

Country	No visible risk of default	With note	High risk of default	Bad debt	Total
Germany	32,243	55	0	0	32,299
Austria	21,837	1,794	0	0	23,632
Switzerland	787	27	0	0	814
France	749	0	0	0	749
USA	4	0	0	0	4
Other	7,354	0	0	0	7,354
Total	**62,975**	**1,877**	**0**	**0**	**64,852**

Risk structure of derivatives by country as at 31/12/2018 in EUR thousand

Country	No visible risk of default	With note	High risk of default	Bad debt	Total
Germany	23,123	15	24	0	23,161
Austria	19,686	1,917	0	0	21,603
Switzerland	645	21	0	0	667
Other	7,927	0	0	0	7,927
Total	**51,382**	**1,953**	**24**	**0**	**53,359**

Risk structure of derivatives by transaction type

97.3% of loans arise from interest rate swaps, 2.5% from currency futures, and 0.2% from interest or loan options. Currently there is no credit risk in relation to derivatives on asset values. As in the previous year, the highest volume comes from interest swaps which also exhibit the greatest growth. There are no longer any currency swaps.

Risk structure of derivatives by transaction type as at 31/12/2019 in EUR thousand

Transaction type	No visible risk of default	With note	High risk of default	Bad debt	Total
Interest swaps	61,308	1,802	0	0	63,110
Foreign exchange futures	1,543	75	0	0	1,618
Interest options	28	0	0	0	28
Currency swaps	0	0	0	0	0
Bond options	96	0	0	0	96
Total	**62,975**	**1,877**	**0**	**0**	**64,852**

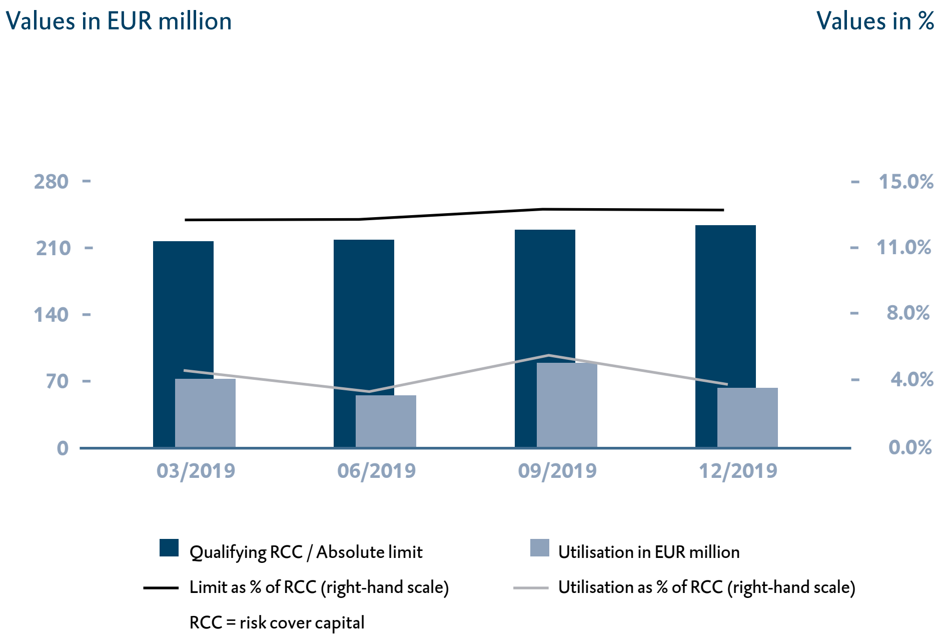
Risk structure of derivatives by transaction type as at 31/12/2018 in EUR thousand

Transaction type	No visible risk of default	With note	High risk of default	Bad debt	Total
Interest swaps	50,238	549	24	0	50,810
Foreign exchange futures	1,013	15	0	0	1,027
Interest options	131	0	0	0	131
Currency swaps	0	1,298	0	0	1,298
Bond options	0	92	0	0	92
Total	**51,382**	**1,953**	**24**	**0**	**53,359**

Market risk

The following diagram shows the utilisation of market risk limits at the bank-wide level. Risk capital is assigned to each of the risk types of interest risk, currency risk, equity price risk and credit spread risk. The correlations which are inherent in the timelines have a risk-reducing effect. Over the course of 2019, market risk relative to risk cover capital decreased from 4.4% in the first quarter to 3.6% in the fourth quarter. The main drivers of market risk are interest rate risk and credit spread risk. The decline in market risk can essentially be attributed to the hedging of fixed-interest loans and a high volume of new committed and uncommitted deposits.

Market risk – liquidation approach



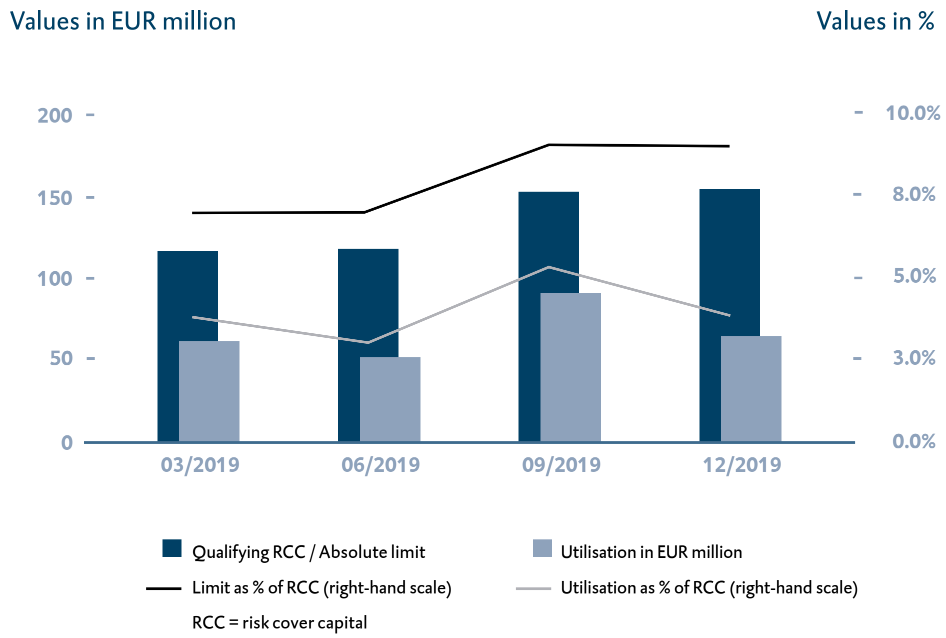
Market risk – liquidation approach		Maximum	Average	Year-end
31/12/2019	Utilisation in EUR million	88.4	69.6	61.9
	Utilisation in % of risk cover capital	5.2%	4.1%	3.6%
31/12/2018	Utilisation in EUR million	64.5	54.8	46.7
	Utilisation in % of risk cover capital	4.3%	3.4%	2.7%

Interest rate risk

The following illustration depicts the risk in comparison to the allocated risk-covering assets and the limit set for the interest risk.

Utilisation in relation to risk cover capital decreased to 3.7% by the end of the year after an increase to 5.3% in September.

Interest rate risk - liquidation approach



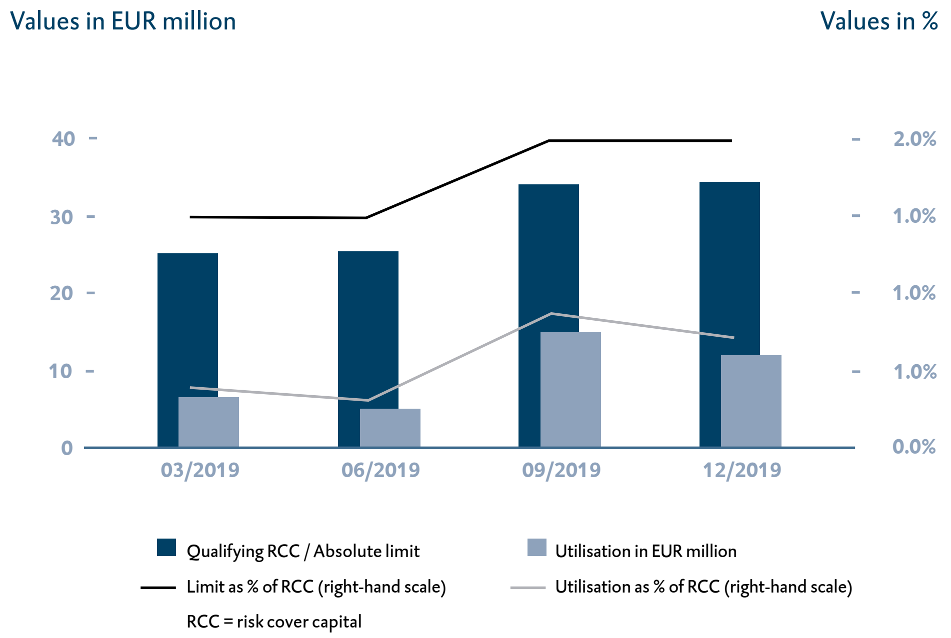
Interest rate risk - liquidation approach		Maximum	Average	Year-end
31/12/2019	Utilisation in EUR million	90.0	66.9	64.4
	Utilisation in % of risk cover capital	5.3%	3.9%	3.7%
31/12/2018	Utilisation in EUR million	43.4	36.9	37.5
	Utilisation in % of risk cover capital	2.9%	2.3%	2.2%

Currency risk

The following illustration depicts the risk in comparison to the allocated risk cover capital and the limit set for the currency risk.

The currency risk increased over the course of the year and stood at 0.7% of risk cover capital at the end of the year.

Currency risk – liquidation approach

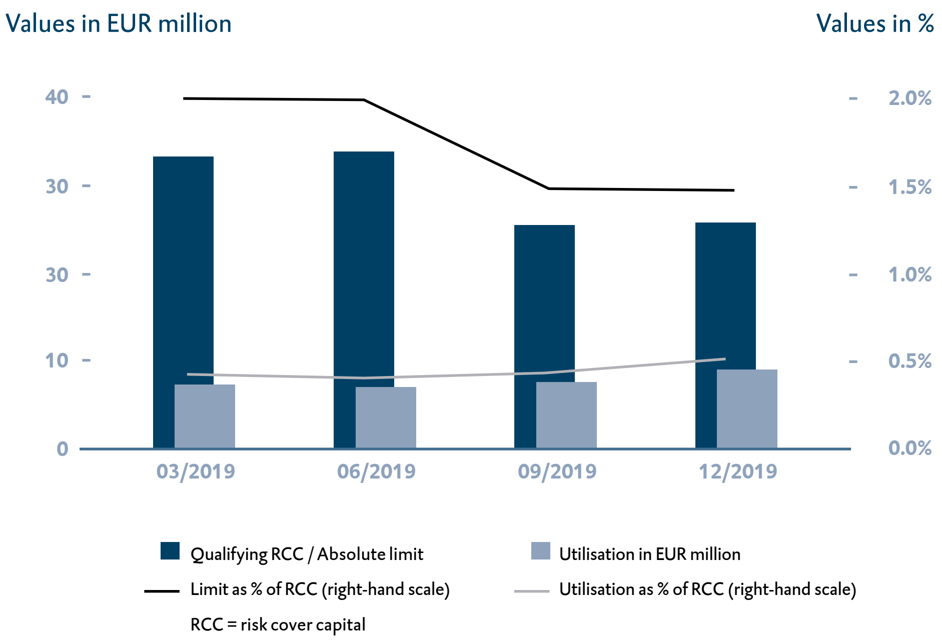


Currency risk – liquidation approach		Maximum	Average	Year-end
31/12/2019	Utilisation in EUR million	15.0	9.7	12.0
	Utilisation in % of risk cover capital	0.9%	0.6%	0.7%
31/12/2018	Utilisation in EUR million	9.3	8.0	6.0
	Utilisation in % of risk cover capital	0.6%	0.5%	0.3%

Share price risk

The following illustration depicts the risk in comparison to the allocated risk cover capital and the limit set for the share price risk. The generation of revenue from the equity business is not part of BTV's core business. This was underlined by an average utilisation of EUR 7.8 million or 0.5% of risk cover capital. There were no significant changes in the share price risk in the reporting year 2019.

Share price risk - liquidation approach



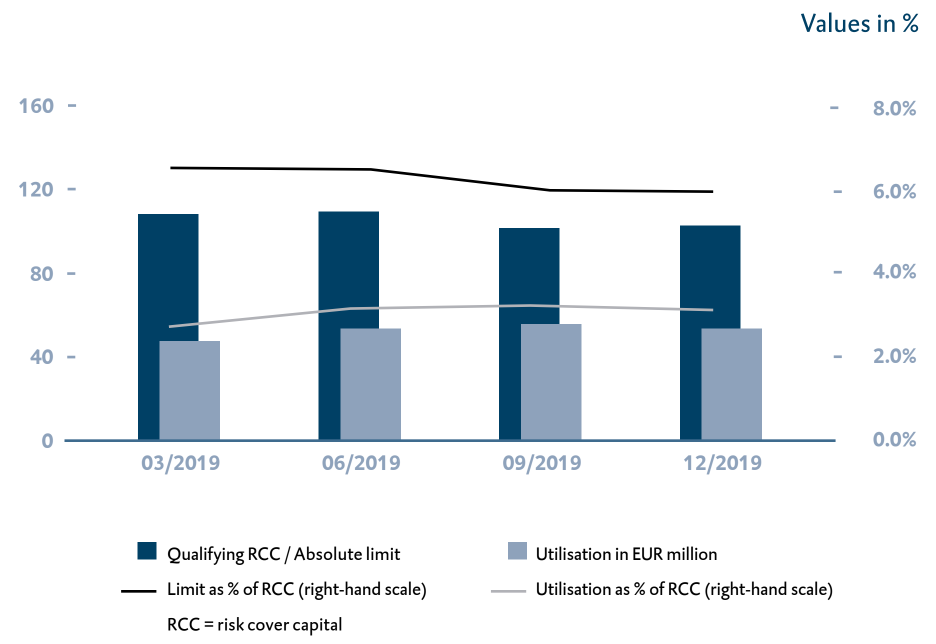
Share price risk - liquidation approach		Maximum	Average	Year-end
31/12/2019	Utilisation in EUR million	9.1	7.8	9.1
	Utilisation in % of risk cover capital	0.5%	0.5%	0.5%
31/12/2018	Utilisation in EUR million	8.2	7.7	6.8
	Utilisation in % of risk cover capital	0.6%	0.5%	0.4%

Credit spread risk

The following illustration depicts the risk in comparison to the allocated risk cover capital and the limit set for the credit spread risk.

The credit spread risk in relation to risk cover capital at an overall bank level increased from 2.8% in the first quarter to 3.1% at the end of the year.

Credit spread risk - liquidity approach

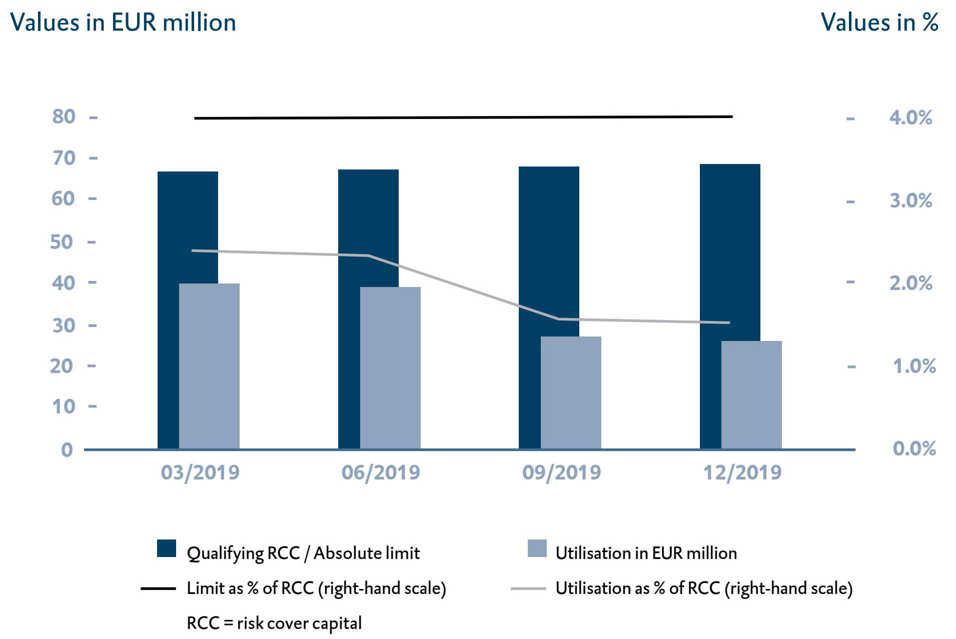


Credit spread risk - liquidity approach		Maximum	Average	Year-end
31/12/2019	Utilisation in EUR million	55.3	52.5	53.4
	Utilisation in % of risk cover capital	3.2%	3.1%	3.1%
31/12/2018	Utilisation in EUR million	47.7	43.1	39.7
	Utilisation in % of risk cover capital	3.2%	2.7%	2.3%

Liquidity risk

Liquidity risk utilisation declined slightly over the course of 2019, falling from 2.4% of risk cover capital in the first quarter to 1.5% at the end of the year.

Liquidity risk - liquidation approach



Liquidity risk - liquidation approach		Maximum	Average	Year-end
31/12/2019	Utilisation in EUR million	39.6	33.0	26.2
	Utilisation in % of risk cover capital	2.4%	2.0%	1.5%
31/12/2018	Utilisation in EUR million	26.2	24.9	24.5
	Utilisation in % of risk cover capital	1.6%	1.6%	1.4%

Residual maturities of liabilities 2019 according to IFRS 7.39 in EUR thousand	due daily	< 3 m	3 m – 1 y	1 – 5 y	> 5 y	Total income
Liabilities to credit institutions	293,101	126,354	364,764	531,041	263,854	1,579,114
Liabilities to customers	4,701,525	592,302	843,948	1,334,702	85,750	7,558,226
Other financial liabilities	0	102,733	86,578	735,015	585,821	1,510,146
Not derivatives Liabilities	**4,994,626**	**821,388**	**1,295,289**	**2,600,757**	**935,425**	**10,647,486**
Derivative liabilities	14	937	3,291	10,755	4,513	19,509
Total	**4,994,640**	**822,325**	**1,298,581**	**2,611,512**	**939,938**	**10,666,995**
Contingent liabilities	289,201	352,237	810,728	649,926	384,146	2,486,238
Financial guarantees	21,685	73,914	177,145	79,369	12,351	364,464
Credit facilities not utilised	267,516	278,324	633,583	570,556	371,795	2,121,774

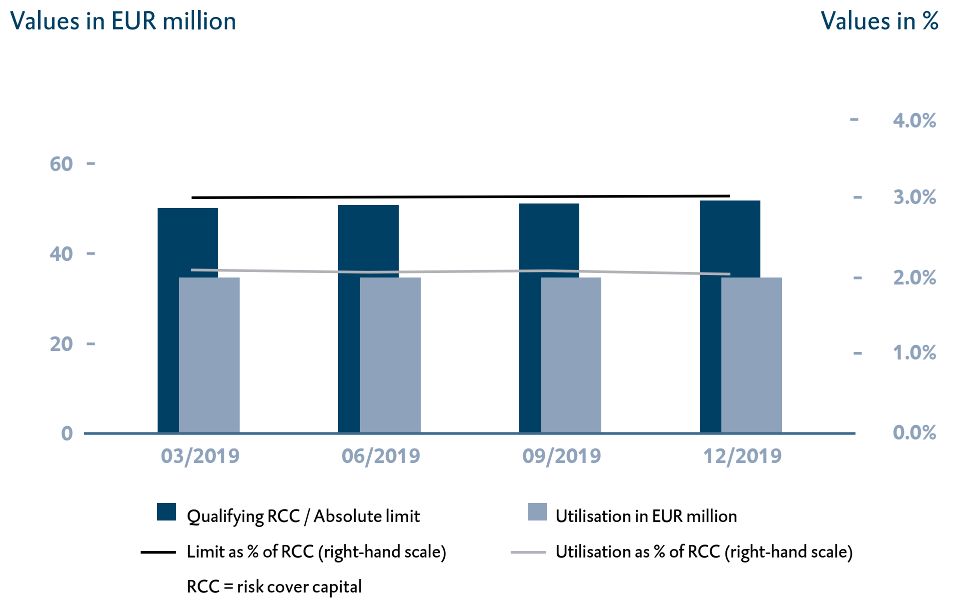
Residual maturities of liabilities 2018 according to IFRS 7.39 in EUR thousand	due daily	< 3 m	3 m – 1 y	1 – 5 y	> 5 y	Total income
Liabilities to credit institutions	40,778	259,445	101,069	743,943	363,964	1,509,200
Liabilities to customers	4,376,607	752,076	820,030	799,368	75,681	6,823,762
Other financial liabilities	0	53,667	162,209	664,798	560,839	1,441,513
Not derivatives Liabilities	**4,417,385**	**1,065,189**	**1,083,307**	**2,208,109**	**1,000,484**	**9,774,474**
Derivative liabilities	0	782	3,272	6,203	–1,936	8,321
Total	**4,417,385**	**1,065,971**	**1,086,580**	**2,214,311**	**998,548**	**9,782,795**
Contingent liabilities	91,593	256,037	868,598	524,274	182,758	1,923,260
Financial guarantees	42,680	50,517	53,026	164,813	5,865	316,901
Credit facilities not utilised	48,913	205,520	815,571	359,461	176,893	1,606,359

In accordance with contractual residual maturities under IFRS 7.39, the structure of liabilities again showed a significant total year-on-year increase in liabilities. Growth is visible across all maturity bands.

Operational risk

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

Operational risk – liquidation approach

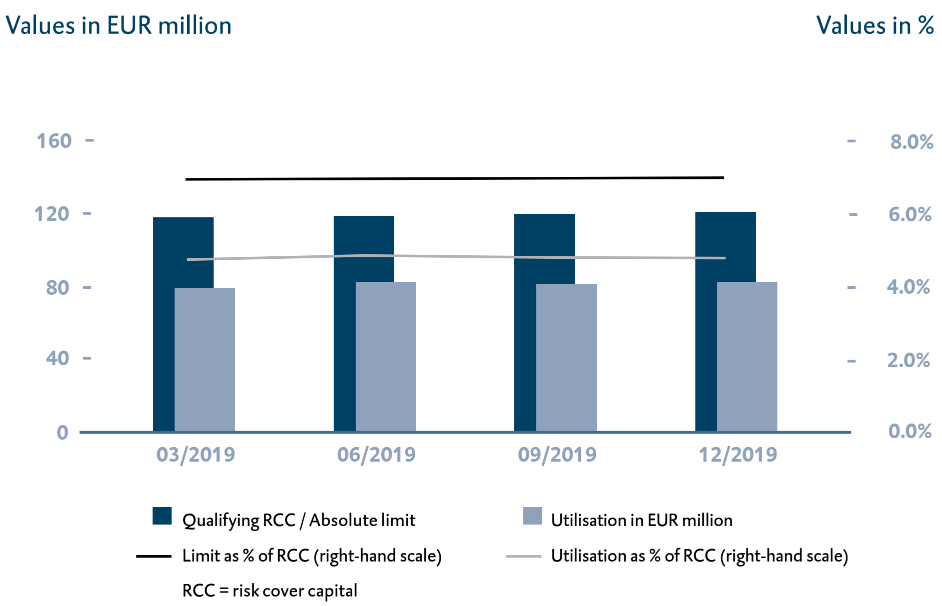


Operational risk – liquidation approach		Maximum	Average	Year-end
31/12/2019	Utilisation in EUR million	34.9	34.9	34.9
	Utilisation in % of risk cover capital	2.1%	2.1%	2.0%
31/12/2018	Utilisation in EUR million	32.6	32.6	32.6
	Utilisation in % of risk cover capital	2.2%	2.0%	1.9%

Macro-economic risk

The following illustration depicts the risk in comparison to the allocated risk cover capital and the limit set for the macro-economic risk. The absolute utilisation of the macro-economic risk increased slightly over the course of the year. Relative utilisation moved laterally over the course of the year at 4.8%.

Macroeconomic risks – liquidation approach



Macroeconomic risks – liquidation approach		Maximum	Average	Year-end
31/12/2019	Utilisation in EUR million	83.2	81.7	83.2
	Utilisation in % of risk cover capital	4.9%	4.8%	4.8%
31/12/2018	Utilisation in EUR million	75.6	73.7	72.6
	Utilisation in % of risk cover capital	5.0%	4.6%	4.2%

The "ECB Guidelines on Internal Capital Adequacy Assessment Process" (ICAAP) came into force on 1 January 2019. With these guidelines, the ECB is defining its supervisory expectation of ICAAP and, in particular, is establishing a "normative" and "economic" perspective. These guidelines are relevant first and foremost for institutions supervised by the ECB, though they are also an important input factor for the supervisory review and evaluation process (SREP) and therefore indirectly relevant for BTV as well. BTV has prepared the supervisory expectation of the ECB for a capital adequacy process – taking into account the principle of proportionality – for productive use.

A significant risk category at BTV is operational risk. In light of this, a project was begun to further develop the applied processes for quantifying the operational risk for the purposes of calculating risk-bearing capacity in order to ensure capital adequacy. The project was successfully completed at the start of 2019. Accordingly, BTV now uses a "loss distribution approach" (LDA) to quantify the operational risk in ICAAP.
BTV sees management of liquidity and market risk as one of its core tasks. BTV therefore decided to replace the existing application. This was implemented over the course of 2019 via a migration project. The new application should further increase the transparency of the results and will make the calculation more efficient. It should also increase the level of integration and significantly improve the performance of simulations.

Implementation of the EBA guidelines on interest rate risk was the focus of market risk controlling in 2019, amongst other things. A significant component here was the corresponding anchoring of the interest rate changes in the strategy of BTV and expanding reporting. The newly implemented risk management system will play a key role in risk assessment. In addition to calculating the risk with respect to interest scenarios stipulated by the EBA, a dynamic interest result simulation will also be developed.

Due to regulatory developments such as the CRR-II package or Basel IV, a project was initiated in 2018 to update the used system so as to prepare BTV as much as possible for the challenges ahead. The first step was successfully implemented in the fourth quarter of 2019. Further developments to the system are planned for 2020.

32 Regulatory capital and debt levels

The consolidated capital of the Group is reported in accordance with the framework of Basel III. This is based on EU Regulation 575/2013 (Capital Requirements Regulation – CRR), in conjunction with the Austrian CRR accompanying regulation. The capital according to CRR consists of the common equity (Common Equity Tier 1 – CET1), the additional core capital (Additional Tier 1 – AT1) and supplementary capital (Tier 2 – T2). The respective capital ratios are determined by contrasting the corresponding regulatory capital component after taking into account all regulatory deductions and transitional provisions of the overall measure of risk. Under the provisions of the CRR and including the results of the supervisory review and evaluation process (SREP) conducted, a minimum requirement of 5.800% is stipulated by the financial supervisory authority for CET1, which will be increased by the capital buffer of 2.500% and by the analytical capital buffer of 0.008% defined under CRD IV (Capital Requirements Directive IV). For the entire core capital, a minimum requirement of 10.208% is stipulated; the total capital must have a minimum value of 12.808%. The leverage ratio indicates the ratio of the core capital (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 its disclosure obligations. The debt level ratio totalled 8.670% as at 31 December 2019, and 9.007% as at 31 December 2018.

32a Consolidated capital pursuant to CRR in EUR million	31/12/2019	31/12/2018
Common equity (CET1)		
Capital instruments qualifying as CET1	300.2	300.2
Proprietary CET1 instruments	–32.7	–18.7
Retained earnings and other profit reserves	1,242.1	1,131.2
Aggregated other income	9.3	–9.4
Other reserves	140.2	134.1
Transitional changes owing to the transitional provisions for CET1 capital instruments	1.5	2.0
Prudential filters	1.8	1.4
Goodwill	0.0	0.0
Other intangible assets	–0.9	–0.4
Regulatory changes in connection with CET1 instruments of financial companies, in which the bank holds a substantial interest	–565.0	–522.8
Amount exceeding the threshold value of 17.65%	–10.0	–2.6
Other transitional changes to CET1	0.0	0.0
Common equity (CET1)	**1,086.6**	**1,015.0**
Additional core capital (Additional Tier 1)		
Changes owing to the transitional provisions for Additional Tier 1 capital instruments	0.0	14.0
Other transitional changes to Additional Tier 1	0.0	0.0
Additional core capital (Additional Tier 1)	0.0	14.0
Core capital (Tier 1): sum of common equity (CET1) and additional (AT1) core capital	**1,086.6**	**1,029.0**
Supplementary capital (Tier 2)		
Paid-up capital instruments and subordinated loans	205.3	184.4
Direct positions in supplementary capital instruments	–0.3	–0.8
Changes owing to the transitional provisions for supplementary capital instruments and subordinated loans	1.1	9.6
Other transitional changes to supplementary capital	0.0	0.0
Supplementary capital (Tier 2)	**206.1**	**193.2**
Total qualifying capital	**1,292.6**	**1,222.2**
Total amount at risk	**8,300.4**	**7,727.5**
Common equity Tier 1 ratio	13.09%	13.13%
Core capital ratio	13.09%	13.32%
Equity ratio	15.57%	15.82%

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

33 Other notes in EUR thousand	**31/12/2019**	**31/12/2018**
Assets deposited as guarantees:		
Debenture bonds and other fixed-interest securities	515,687	473,709
Loans to credit institutions	8,430	9,579
Loans to customers	1,705,748	1,595,479
I) Assets deposited as collateral	**2,229,865**	**2,078,767**
Liabilities for which collateral was transferred:		
Trust fund deposits	21,916	17,711
Bonds issued	378,159	366,000
Liabilities to credit institutions	724,520	624,243
II) Liabilities for which collateral was provided	**1,124,595**	**1,007,954**
Subordinated assets:		
Debenture bonds and other fixed-interest securities	10,475	22,230
Equities and other variable-interest securities	5,240	4,872
III) Subordinated assets	**15,716**	**27,102**
Foreign currency volumes:		
Receivables	1,337,538	1,115,083
Liabilities	585,157	523,950
IV) Foreign currency volumes		
Foreign volumes:		
Foreign assets	4,665,371	3,952,688
Foreign liabilities	2,310,737	1,610,158
V) Foreign volumes		
Trust loans:	12,750	14,986
Loans to customers	12,750	14,986
Trust liabilities:	12,750	14,986
Liabilities to customers	12,750	14,986
VI) Fiduciary operations		
VII) Genuine repurchase agreements	**603,045**	**600,000**
Performance guarantees and credit risks:		
Performance guarantees	358,945	310,945
Credit risks	2,121,774	1,606,359
VIII) Performance bonds and credit risks	**2,480,719**	**1,917,304**
IX) Open Capital Calls	**9,296**	**0**

In the reporting year 2019, the Bank für Tirol und Vorarlberg Aktiengesellschaft participated in Gain Capital Private Equity III SCSp, headquartered in Luxembourg, in the form of a limited partner deposit to the amount of maximum EUR 10,000 thousand. The total limited partner deposit committed, to the amount of EUR 10,000 thousand, can be called by Gain Capital Private Equity III SCSp as a whole or in several tranches (capital calls). As at 31 December 2019, there are still outstanding capital calls to the amount of EUR 9,296 thousand.

Transactions in which securities are sold with the agreement of a retrocession on a specific date are referred to as repurchase agreements. The securities sold under repurchase agreements are still shown on the Bank für Tirol und Vorarlberg Aktiengesellschaft's balance sheet, as all the risks and opportunities related to ownership essentially remain with the Bank für Tirol und Vorarlberg Aktiengesellschaft. The financial instruments are retroceded on expiry of the repurchase agreement. During the term of the repurchase agreement, the Bank für Tirol und Vorarlberg Aktiengesellschaft is the beneficiary of all interest payments and other income received during the term. The accounting as financing corresponds to the economic substance of the transaction. In the context of pension business, securities were transferred to third parties. The market value without accrued interest totalled EUR 462,565 thousand as at 31 December 2019 (previous year: EUR 405,960 thousand), whilst the book value without accrued interest was EUR 459,428 thousand (previous year: EUR 404,544 thousand).

Securities were allotted to the categories "Debt securities valued at fair value through other comprehensive income", to the amount of EUR 110,682 thousand (previous year: EUR 40,088 thousand), "Debt securities, fair value option", to the amount of EUR 2,512 thousand (previous year: EUR 0 thousand), and "Debt securities valued at amortised costs", to the amount of EUR 346,234 thousand (previous year: EUR 365,872 thousand). The associated liabilities are shown under "liabilities to credit institutions", whilst utilisation as at 31 December 2019 totals EUR 603,045 thousand (previous year: EUR 600,000 thousand). The nominal amount of the guarantees and letters of credit issued totals EUR 1,073,021 thousand as at 31 December 2019 (previous year: EUR 882,766 thousand).

33a Notes regarding balancing of financial instruments as at 31/12/2019 in EUR thousand	**Financial assets/ debts**	**Effects from settlement agreements**	**Collateral received/ issued in the form of financial instruments**	**Financial assets/ debts (net)**
Trading assets - derivatives	64,738	–46,656	–18,085	–3
Total loans	**64,738**	**–46,656**	**–18,085**	**–3**
Liabilities to credit institutions and customer deposits	9,026,438	0	–1,683,436	7,343,002
Trading liabilities – Derivatives	27,561	–46,656	–5,838	–24,934
Total liabilities	**9,053,999**	**–46,656**	**–1,689,275**	**7,318,068**

Notes regarding balancing of financial instruments as at 31/12/2018 in EUR thousand	**Financial assets/ debts**	**Effects from settlement agreements**	**Collateral received/issued in the form of financial instruments**	**Financial assets/ debts (net)**
Trading assets - derivatives	55,520	–36,244	–15,565	3,711
Total loans	**55,520**	**–36,244**	**–15,565**	**3,711**
Liabilities to credit institutions and customer deposits	8,322,432	0	–1,604,396	6,718,036
Trading liabilities – Derivatives	22,831	–36,244	–5,774	–19,187
Total liabilities	**8,345,263**	**–36,244**	**–1,610,170**	**6,698,849**

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

33b Notes pursuant to Sec. 64 BWG (Banking Act)

Selected data and key indicators 2019 concerning branches pursuant to SECTION 64 BWG in EUR thousand	Austria	Switzerland	Germany
Net interest revenue	105,226	7,921	26,741
Operating income	201,069	12,754	32,270
Number of employees in persons/years	1,355	25	75
Annual profit before tax	117,376	8,062	19,012
Taxes on income	11,448	1,100	5,208
State aid received	0	0	0

Selected data and key indicators 2018 concerning branches pursuant to SECTION 64 BWG in EUR thousand	Austria	Switzerland	Germany
Net interest revenue	93,298	8,004	21,691
Operating income	186,587	12,364	27,375
Number of employees in persons/years	1,343	25	69
Annual profit before tax	113,959	16,724	9,104
Taxes on income	28,328	3,089	1,287
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	2019	2018
Return on investment	1.01%	0.92%

33c Comfort letters

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

34 Notes on transactions with closely related persons

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

Business relationships in EUR thousand	2019	2018
Executive Board		
Asset-side transactions	0	0
Asset-side credits	16	16
Liabilities-side transactions	522	377
Revenue	2	2
Expenditure	3	2
Supervisory Boards		
Asset-side transactions	4,501	2,961
Asset-side credits	7,650	7,734
Liabilities-side transactions	23,214	12,886
Revenue	221	172
Expenditure	126	122
Mid-level management		
Asset-side transactions	3,904	3,495
Asset-side credits	4,903	3,634
Liabilities-side transactions	2,695	2,714
Revenue	53	46
Expenditure	13	12

34a Remuneration to members of the Executive Board and Supervisory Board

In the reporting year, remuneration of the current Executive Board amounted to EUR 1,201 thousand (previous year: EUR 1,178 thousand). Pension payments to former members of the Executive Board arose primarily from the adding of expenditure of EUR 5,008 thousand to the social benefits capital reserves (previous year: expenditure of EUR 400 thousand).

During the financial year, active members of the Supervisory Board of BTV received annual remuneration for their positions of EUR 280 thousand (previous year: EUR 269 thousand).

34b Receivables and liabilities to associated, non-consolidated companies and holdings

in EUR thousand	31/12/2019	31/12/2018
Loans to credit institutions	0	0
Loans to customers	4,316	11,902
Total receivables	**4,316**	**11,902**
Liabilities to credit institutions	0	0
Liabilities to customers	43,462	32,541
Total liabilities	**43,462**	**32,541**

In the context of the profit and loss account earnings of EUR 29 thousand (previous year: EUR 86 thousand) and expenses of EUR 5 thousand (previous year: EUR 32 thousand) were incurred for transactions with the parent company and its associated companies.

34c Receivables and liabilities with respect to associated companies and holdings in EUR thousand

	31/12/2019	31/12/2018
Loans to credit institutions	982	48
Loans to customers	148	196
Total receivables	**1,130**	**244**
Liabilities to credit institutions	4,348	9,094
Liabilities to customers	1,880	1,547
Total liabilities	**6,227**	**10,641**

As part of the profit and loss account, earnings of EUR 21 thousand (previous year: EUR 21 thousand) and expenditure of EUR 60 thousand (previous year: EUR 41 thousand) were incurred for transactions with the parent company and its associated companies.

The fair value of the listed companies, which are included according to the equity method, was EUR 675 million as at the balance sheet date (previous year: EUR 647 million).

The total of temporary differences relating to shares in associated companies, for which no deferred tax debts were reported on the balance sheet, total EUR 513 million as at the balance sheet date (previous year: EUR 473 million).

The number of shares held by associated companies was 9,123,252 (previous year: 9,123,252 shares).

34d Reconciliation of the equity book value of the associated companies included in the consolidated financial statement based on the portfolio as at 31 December 2019 in EUR thousand	Book value carried forward as at 01/01/2019	Change not recognised in profit and loss 2019	Change recognised in profit and loss 2019	Book value carried forward as at 31/12/2019	Stock exchange price of ordinary shares	Stock exchange price of preference shares
BKS Bank AG	217,710	–755	14,796	231,751	16.00	14.30
Oberbank AG	437,761	–2,554	27,622	462,829	95.80	89.50
Drei Banken Versicherungsagentur GmbH*	1,639	–1,639	0	0	n.a.	n.a.
Moser Holding Aktiengesellschaft	17,342	–523	1,377	18,196	n.a.	n.a.

* liquidated in the financial year 2019

n.a. = not available

Reconciliation of the equity book value of the associated companies included in the consolidated financial statement based on the portfolio as at 31 December 2018 in EUR thousand	**Book value carried forward as at 01/01/2018**	**Effect of transition to IFRS 9**	**Change not recognised in profit and loss 2018**	**Change recognised in profit and loss 2018**	**Book value carried forward as at 31/12/2018**	**Stock exchange price of ordinary shares**	**Stock exchange price of preference shares**
BKS Bank AG	186,757	1,813	17,334*	11,806	217,710	16.80	17.00
Oberbank AG	384,204	24,126	–2,007	31,437	437,761	89.80	83.00
Drei Banken Versicherungsagentur GmbH in liquidation	1,646	0	0	–7	1,639	n.a.	n.a.
Moser Holding Aktiengesellschaft	16,949	0	–30	423	17,342	n.a.	n.a.

*of which capital increase: EUR 10,533 thousand

34e The associated companies valued at equity showed the following values at the balance sheet date in EUR thousand	**2019**	**2018**
Assets	31,858,386	29,672,577
Debts	27,547,984	25,633,484
Earnings	970,027	935,907
Group annual net profit	335,769	309,169
Other income	–19,432	–14,460
Total result for the financial year	316,337	294,709
Dividends received	9,223	8,061

34f The associated companies valued at amortised costs or fair value showed the following values as at the balance sheet date in EUR thousand	**2019**	**2018**
Assets	78,281	94,548
Debts	48,272	48,593
Earnings	76,634	98,621
Group annual net profit	3,474	19,627

For the calculation of the values in tables 34e and 34f the last available annual financial statements were used as the basis for the calculation.

n.a. = not available

35 Total volume of not yet transacted derivative financial products

Total volume of not yet transacted derivative financial products as at 31/12/2019:

in EUR thousand	Contract volume/residual terms				Market values					
					positive	negative	positive	negative	positive	negative
	< 1 year	1 – 5 years	> 5 years	Total	< 1 year		1 – 5 years		> 5 years	
Interest swaps	112,762	592,653	901,741	1,607,156	599	–176	21,803	–5,536	40,628	–16,756
Purchase	17,036	154,738	366,260	538,034	0	–161	141	–5,215	1,429	–16,530
Sale	95,727	437,915	535,481	1,069,122	599	–14	21,662	–321	39,199	–227
Interest rate options	2,895	28,235	16,885	48,014	11	–9	2	–3	12	–12
Purchase	1,447	14,117	8,442	24,007	0	–9	2	0	12	0
Sale	1,447	14,117	8,442	24,007	11	0	0	–3	0	–12
Total interest rate contracts	115,657	620,887	918,625	1,655,170	610	–184	21,805	–5,539	40,639	–16,769
Currency swaps	0	0	0	0	0	0	0	0	0	0
Purchase	0	0	0	0	0	0	0	0	0	0
Sale	0	0	0	0	0	0	0	0	0	0
Foreign exchange futures	81,148	8,618	0	89,766	1,072	–354	159	–23	0	0
FX Swaps	1,167,410	0	0	1,167,410	1,094	–7,239	0	0	0	0
Total currency exchange rate contracts	1,248,558	8,618	0	1,257,176	2,166	–7,593	159	–23	0	0
Derivative trades relating to securities and other derivatives	0	4,000	75,000	79,000	0	0	0	–33	1,695	–19
Purchase	0	0	0	0	0	0	0	0	0	0
Sale	0	4,000	75,000	79,000	0	0	0	–33	1,695	–19
Trades relating to securities and other derivatives Total	0	4,000	75,000	79,000	0	0	0	–33	1,695	–19
Total bank register	1,364,215	633,505	993,625	2,991,346	2,776	–7,777	21,964	–5,595	42,334	–16,788
Interest rate options – trading book	1,617	1,005	12,471	15,094	0	0	0	0	3	–4
Purchase	818	508	5,927	7,253	0	0	0	0	3	0
Sale	799	498	6,544	7,841	0	0	0	0	0	–4
Interest swaps – trading book	0	0	0	0	0	0	0	0	0	0
Purchase	0	0	0	0	0	0	0	0	0	0
Sale	0	0	0	0	0	0	0	0	0	0
Total interest rate contracts	1,617	1,005	12,471	15,094	0	0	0	0	3	–4
Derivative trades relating to securities and other derivatives	0	0	2,000	2,000	0	0	0	0	96	0
Purchase	0	0	2,000	2,000	0	0	0	0	96	0
Trades relating to securities and other derivatives Total	0	0	2,000	2,000	0	0	0	0	96	0
Total trading book	1,617	1,005	14,471	17,094	0	0	0	0	99	–4
Non-transacted derivatives Total financial instruments	**1,365,832**	**634,511**	**1,008,096**	**3,008,439**	**2,776**	**–7,777**	**21,964**	**–5,595**	**42,433**	**–16,792**

Total volume of not yet transacted derivative financial products as at 31/12/2018:

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	141,873	549,988	870,481	1,562,342	706	–285	15,436	–6,334	33,687	–9,176
Purchase	28,781	135,734	308,596	473,111	0	–277	28	–5,241	213	–8,708
Sale	113,092	414,255	561,885	1,089,231	706	–9	15,408	–1,093	33,475	–468
Interest rate options	86,453	36,148	17,387	139,987	13	–13	39	–45	42	–108
Purchase	43,226	18,074	8,693	69,994	13	0	13	–20	42	0
Sale	43,226	18,074	8,693	69,994	0	–13	26	–25	0	–108
Total interest rate contracts	228,326	586,136	887,868	1,702,329	719	–298	15,475	–6,379	33,730	–9,284
Currency swaps	13,315	0	0	13,315	1,485	–1,467	0	0	0	0
Purchase	4,000	0	0	4,000	0	–1,467	0	0	0	0
Sale	9,315	0	0	9,315	1,485	0	0	0	0	0
Foreign exchange futures	65,006	6,229	0	71,234	1,121	–402	53	–12	0	0
FX Swaps	922,531	0	0	922,531	237	–5,552	0	0	0	0
Total currency exchange rate contracts	1,000,852	6,229	0	1,007,081	2,844	–7,420	53	–12	0	0
Derivative trades relating to securities and other derivatives	4,875	5,000	0	9,875	358	0	288	0	0	0
Purchase	0	0	0	0	0	0	0	0	0	0
Sale	4,875	5,000	0	9,875	358	0	288	0	0	0
Trades relating to securities and other derivatives Total	4,875	5,000	0	9,875	358	0	288	0	0	0
Total bank register	1,234,053	597,364	887,868	2,719,285	3,921	–7,719	15,816	–6,391	33,730	–9,284
Interest rate options – trading book	0	4,597	13,908	18,504	0	0	0	0	37	–104
Purchase	0	2,271	6,610	8,881	0	0	0	0	37	0
Sale	0	2,326	7,297	9,623	0	0	0	0	0	–104
Interest swaps – trading book	1,000	0	0	1,000	0	0	0	0	0	0
Purchase	1,000	0	0	1,000	0	0	0	0	0	0
Sale	0	0	0	0	0	0	0	0	0	0
Total interest rate contracts	1,000	4,597	13,908	19,504	0	0	0	0	37	–104
Derivative trades relating to securities and other derivatives	0	0	2,000	2,000	0	0	0	0	92	0
Purchase	0	0	2,000	2,000	0	0	0	0	92	0
Trades relating to securities and other derivatives Total	0	0	2,000	2,000	0	0	0	0	92	0
Total trading book	1,000	4,597	15,908	21,504	0	0	0	0	129	–104
Non-transacted derivatives Total financial instruments	**1,235,053**	**601,961**	**903,775**	**2,740,790**	**3,921**	**–7,718**	**15,816**	**–6,391**	**33,859**	**–9,387**

The trading volume is divided by the type of underlying financial instrument into the categories of interest rate, currency rate and security related trades. The selected subdivision of the volumes by time to maturity concords with international recommendations, as does the classification into interest rate, currency rate and security based trades. BTV had only OTC (over the counter) transactions on its books at the end of 2019.

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 included under other financial assets on the positive side and other financial liabilities on the negative side.

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

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

An active market must fulfil cumulatively the following conditions:

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

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

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

Valuation procedures through significant unobservable parameters (Level 3):
The financial instruments in this category show input parameters which are based on unobservable markets. The allocation of certain financial instruments to the categories requires a systematic assessment, especially if the valuation is based on both observable and unobservable market parameters. The instrument classification may also change over time under consideration of changes to the market parameters.

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

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

Level 2
Securities which are not traded on an active market are valued by means of the discounted cash flow method. This means that the future projected cash flows are discounted by means of suitable discount factors in order to calculate the fair value. The discount factors contain both the credit 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 application instance does not currently exist in the BTV Group.

Level 3
The accompanying current values of the mentioned Level 3 financial assets are 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 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 and 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 and 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 and swap interest rates) or derived from input factors observable on the market (caps / floor volatilities implicitly deducted from option prices).

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

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

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

36a Fair value hierarchy of financial instruments which are valued at fair value as at 31/12/2019 in EUR thousand	Prices listed on active markets Level 1	Valuation methods based on market data Level 2	Valuation methods not based on market data Level 3
Financial assets stated at fair value			
Loans to customers mandatorily valued at fair value	0	0	274,944
Debt securities valued at fair value through other comprehensive income (FVOCI)	324,685	20,657	0
Debt securities mandatorily valued at fair value	9,490	0	0
Debt securities (fair-value option)	2,610	0	0
Equity instruments valued at fair value through other comprehensive income (FVOCI)	63,409	0	62,185
Equity instruments valued at fair value through profit and loss (FVTPL)	35,055	0	0
Positive market values from derivative hedging instruments	0	51,363	0
Trading assets – funds	32,430	0	0
Trading assets - positive market values from derivative financial instruments	0	13,489	0
Total financial assets classified at fair value	**467,679**	**85,509**	**337,129**
Financial liabilities stated at fair value			
Fair value option	0	551,161	0
Negative market values from derivative hedging instruments	0	21,938	0
Trading liabilities - negative market values arising from derivative financial instruments	0	9,096	0
Total liabilities classified at fair value	**0**	**582,195**	**0**

Fair value hierarchy of financial instruments which are valued at fair value as at 31/12/2018 in EUR thousand	Prices listed on active markets Level 1	Valuation methods based on market data Level 2	Valuation methods not based on market data Level 3
Financial assets stated at fair value			
Loans to customers mandatorily valued at fair value	0	0	200,567
Debt securities valued at fair value through other comprehensive income (FVOCI)	270,320	40,981	0
Debt securities mandatorily valued at fair value	21,245	0	0
Debt securities (fair-value option)	2,729	0	0
Equity instruments valued at fair value through other comprehensive income (FVOCI)	51,538	0	69,007
Equity instruments valued at fair value through profit and loss (FVTPL)	30,558	0	0
Positive market values from derivative hedging instruments	0	45,692	0
Trading assets – funds	23,073	0	0
Trading assets - positive market values from derivative financial instruments	0	7,666	0
Total financial assets classified at fair value	**399,463**	**94,339**	**269,574**
Financial liabilities stated at fair value			
Fair value option	0	482,981	0
Negative market values from derivative hedging instruments	0	15,796	0
Trading liabilities - negative market values arising from derivative financial instruments	0	8,267	0
Total liabilities classified at fair value	**0**	**507,044**	**0**

36b Movements on Level 3 of financial instruments assessed at fair value

in EUR thousand	01/01/2019	P/L result	Result from other operating income
Loans to customers mandatorily valued at fair value	200,567	–73	0
Equity instruments valued at fair value through other comprehensive income (FVOCI)	69,007	0	–6,939
Total financial assets classified at fair value	**269,574**	**–73**	**–6,939**

Movements on Level 3 of financial instruments assessed at fair value

in EUR thousand	01/01/2018	P/L result	Result from other operating income
Loans to customers mandatorily valued at fair value	218,092	5,123	0
Equity instruments valued at fair value through other comprehensive income (FVOCI)	66,058	0	–504
Total financial assets classified at fair value	**284,150**	**5,123**	**–504**

Purchases	Sales, repayments	Transfer to Level 3	Transfer from Level 3	Currency conversion	31/12/2019
155,224	–80,774	0	0	0	274,944
1,430	–1,313	0	0	0	62,185
156,654	**–82,087**	**0**	**0**	**0**	**337,129**

Purchases	Sales, repayments	Transfer to Level 3	Transfer from Level 3	Currency conversion	31/12/2018
52,461	–75,109	0	0	0	200,567
3,562	–110	0	0	0	69,007
56,023	**–75,219**	**0**	**0**	**0**	**269,574**

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 volume of Level 3 financial instruments as at 31 December 2019 totals EUR 62,185 thousand (previous year: EUR 69,007 thousand).

In the reporting year 2019, losses were realised from sales to the amount of EUR 649 thousand in equity (previous year: loss of EUR 106 thousand) under equity instruments recorded in Level 3 which are valued at fair value through other comprehensive income (FVOCI). For equity instruments which are valued at fair value through other comprehensive income, a capital increase to the amount of EUR 700 thousand was posted for one holding, and holdings of EUR 730 thousand were acquired. EUR 6,939 thousand in valuation losses (previous year: EUR 504 thousand) were included under other income.

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

As at 31 December 2019, the book values of financial instruments which are SPEs of subordinate significance, and the book value thus calculated as fair value total EUR 6,069 thousand for other holdings (previous year: EUR 5,124 thousand) and EUR 9,252 thousand for other associated holdings (previous year: EUR 8,918 thousand).

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.
For the sensitivity analysis of the fair value with respect to the value of the holding, those holdings which are categorised as reported on the balance sheet at fair value and not as SPEs are subjected to an interest shift of +100 or –100 base points. The fair values are recalculated based on these shifted interest rate curves and compared with the originally calculated fair value on the basis of the current interest level.

The difference from the originally calculated fair value here is:

36c Sensitivity analysis of holdings in EUR thousand	Interest rates +100 BP 31/12/2019	Interest rates +100 BP 31/12/2018	Interest rates –100 BP 31/12/2019	Interest rates –100 BP 31/12/2018
Change in fair value in scenario	–5,259	–3,925	+5,005	+5,333

For the sensitivity analysis of the fair value with respect to the credit risk, those loans to customers which are recorded in the balance sheet at fair value are recalculated under a negative and a positive scenario. To do this, macro-economic factors influencing the credit risk are set at a negative or positive level and the ECL used for the valuation under fair value recalculated in these scenarios. The difference from the originally calculated fair value here is:

36d Change in fair value under loans to customers caused by creditworthiness in EUR thousand	Negative scenario 31/12/2019	Negative scenario 31/12/2018	Positive scenario 31/12/2019	Positive scenario 31/12/2018
Change in fair value in scenario	–39.5	–26.8	+38.4	+24.7

For the sensitivity analysis of the fair value with respect to the market level, those loans to customers which are recorded on the balance sheet at fair value are subjected to an interest rate shift of +100 or –100 base points. The fair values are recalculated based on these shifted interest rate curves and compared with the originally calculated fair value on the basis of the current interest level.

36e Change in fair value under loans to customers caused by creditworthiness in EUR thousand	Interest rates +100 BP 31/12/2019	Interest rates +100 BP 31/12/2018	Interest rates –100 BP 31/12/2019	Interest rates –100 BP 31/12/2018
Change in fair value in scenario	–951.6	–607.1	+1,880.4	+1,465.7

For the sensitivity analysis of the expected credit loss, the financial instruments underlying a depreciation according to IFRS 9 are valued under a negative and a positive scenario. To do this, the macro-economic factors influencing the credit risk are set at a negative or a positive value – relative to the predicted base scenario. The difference to the originally expected credit loss in Levels 1 and 2 here is:

36f Change in expected credit loss caused by scenario in EUR thousand	Negative scenario 31/12/2019	Negative scenario 31/12/2018	Positive scenario 31/12/2019	Positive scenario 31/12/2018
Change in expected credit loss in scenario	–708.7	–581.4	+691.7	+769.1

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

In the following table the fair values are compared to the book values. The market value is the amount which 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 31/12/2019	Book value 31/12/2019	Fair value 31/12/2018	Book value 31/12/2018
Cash reserves	1,427,659	1,427,659	867,497	867,497
Loans to credit institutions valued at amortised cost	468,461	468,238	365,389	365,275
Loans to customers valued at amortised costs	7,757,737	7,664,135	7,619,088	7,553,310
Other financial assets valued at amortised costs	906,788	898,791	930,805	925,406

Liabilities in EUR thousand	Fair value 31/12/2019	Book value 31/12/2019	Fair value 31/12/2018	Book value 31/12/2018
Liabilities to credit institutions valued at amortised costs	1,510,654	1,510,520	1,513,656	1,516,620
Liabilities to customers valued at amortised costs	7,500,064	7,515,918	6,785,400	6,805,812
Other financial liabilities valued at amortised costs	908,799	896,741	880,889	873,544

Assets

Level 1

For securities which were allocated to the category "Other financial assets", the fair value is calculated from the price created on the market.

Level 2

For securities which cannot be valued through prices created on the market (mostly regarding securities traded on stock exchanges and on functioning markets), the fair value is determined in accordance with the discounted cash flow method. This means that the future projected cash flows are discounted by means of suitable discount factors in order to calculate the fair value. In this case, adequate credit spreads per bond issuer are also included. The credit spread is primarily derived for illiquid securities from credit default swaps. If no credit default swap spread is available, the calculation of the credit spread is made via comparable financial instruments from comparable issuers available on the market. Furthermore, external valuations by third parties are also taken into consideration which however have indicative character at any rate.

Level 3

At Level 3, the fair value calculation takes place via models, whereby a part of the input parameters contains data not observable on the market and, consequently, are based on assumptions which are made within the bank. This primarily effects non-securitised loans to customers and banks which are valued 'at cost'. 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.

38 Fair value hierarchy of financial instruments, which are not valued at fair value as at 31/12/2019 in EUR thousand	Prices listed on active markets	Valuation method based on market data	Valuation method not based on market data
Financial assets not valued at fair value			
Loans to credit institutions valued at amortised costs	0	0	468,461
Loans to customers valued at amortised costs	0	0	7,757,737
Other financial assets valued at amortised costs	892,574	5,758	8,456
Total financial assets not valued at fair value	**892,574**	**5,758**	**8,234,654**
Financial liabilities not valued at fair value			
Liabilities to credit institutions valued at amortised costs	0	0	1,510,654
Liabilities to customers, valued at amortised costs	0	0	7,500,064
Other financial liabilities valued at amortised costs	0	881,607	27,192
Total liabilities not valued at fair value	**0**	**881,607**	**9,037,910**

Fair value hierarchy of financial instruments, which are not valued at fair value as at 31/12/2018 in EUR thousand	Prices listed on active markets	Valuation method based on market data	Valuation method not based on market data
Financial assets not valued at fair value			
Loans to credit institutions valued at amortised costs	0	0	365,389
Loans to customers valued at amortised costs	0	0	7,619,088
Other financial assets valued at amortised costs	919,767	11,038	0
Total financial assets not valued at fair value	**919,767**	**11,038**	**7,984,477**
Financial liabilities not valued at fair value			
Liabilities to credit institutions valued at amortised costs	0	0	1,513,656
Liabilities to customers valued at amortised costs	0	0	6,785,400
Other financial liabilities valued at amortised costs	0	880,889	0
Total liabilities not valued at fair value	**0**	**880,889**	**8,299,056**

39 Hedge accounting

Underlying transactions as at 31/12/2019 in EUR thousand	Book value of underlying transaction		Cumulative book value adjustment for underlying transactions in fair value hedges	
	Assets	Liabilities	Assets	Liabilities
Fair value hedges				
Interest rate risk				
Loans to customers	166,244		5,457	
Liabilities to customers		111,103		16,023
Other financial liabilities		150,288		19,246

Hedging transactions as at 31/12/2019 in EUR thousand	Nominal amount	Book value	
		Assets	Liabilities
Fair value hedges			
Interest rate risk			
Other financial assets	258,800	35,378	0
Other financial liabilities	165,399	951	6,374

Underlying transactions as at 31/12/2018 in EUR thousand	Book value of underlying transaction		Cumulative book value adjustment for underlying transactions in fair value hedges	
	Assets	Liabilities	Assets	Liabilities
Fair value hedges				
Interest rate risk				
Loans to customers	104,667		5,839	
Liabilities to customers		125,664		15,764
Other financial liabilities		154,525		16,946

Hedging transactions as at 31/12/2018 in EUR thousand	Nominal amount	Book value	
		Assets	Liabilities
Fair value hedges			
Interest rate risk			
Other financial assets	277,300	32,789	0
Other financial liabilities	104,296	0	5,811

Positive market values for hedging transactions are posted to other financial assets under Derivatives, and negative market values for hedging transactions under Derivatives in other financial liabilities.

Ineffectiveness 01/01 – 31/12/2019 **in EUR thousand**	**Ineffectiveness recorded in the P/L**	**Ineffectiveness recorded in the OCI**	**Items in the P/L and in the OCI which show hedge ineffectiveness**
Fair value hedges			
Interest rate risk			
Loans to customers	6	0	Revenue from financial transactions
Liabilities to customers	14	0	Revenue from financial transactions
Other financial liabilities	15	0	Revenue from financial transactions

Ineffectiveness 01/01 – 31/12/2018 **in EUR thousand**	**Ineffectiveness recorded in the P/L**	**Ineffectiveness recorded in the OCI**	**Items in the P/L and in the OCI which show hedge ineffectiveness**
Fair value hedges			
Interest rate risk			
Loans to customers	–9	0	Revenue from financial transactions
Liabilities to customers	–24	0	Revenue from financial transactions
Other financial liabilities	–19	0	Revenue from financial transactions

40 Lifetime to maturity breakdown

Assets as at 31/12/2019 in EUR thousand	due daily	< 3 months	3 mths – 1 y	1 – 5 years	> 5 years	Total
Loans to credit institutions	71,695	274,781	121,983	0	0	468,459
Loans to customers	2,387,382	443,062	726,656	2,611,609	1,867,372	8,036,081
Other financial assets – Debt securities at amortised cost	0	18,501	107,798	671,191	101,851	899,342
Other financial assets – Debt securities at fair value through other comprehensive income (FVOCI)	0	3,619	27,203	289,893	24,628	345,342
Other financial assets – Debt securities mandatorily at fair value	0	250	0	0	9,240	9,490
Other financial assets – Debt securities (fair-value option)	0	2,610	0	0	0	2,610
Other financial assets – Equity instruments at fair value through other comprehensive income (FVOCI)	16,233	196	0	5,044	104,121	125,594
Other financial assets – Equity instruments at fair value through profit and loss (FVTPL)	0	0	0	0	35,055	35,055
Other financial assets – Positive market values from derivative hedging instruments	0	22	414	17,795	33,133	51,363
Trading assets/trading	32,430	1,115	571	4,121	7,681	45,919
Total assets	**2,507,740**	**744,156**	**984,625**	**3,599,652**	**2,183,081**	**10,019,254**

Liabilities as at 31/12/2019 in EUR thousand	due daily	< 3 months	3 mths – 1 y	1 – 5 years	> 5 years	Total
Liabilities to credit institutions	237,928	107,681	295,336	500,740	368,836	1,510,520
Liabilities to customers	4,302,989	642,763	849,570	1,460,467	260,129	7,515,918
Other financial liabilities – amortised costs	0	79,839	44,940	449,139	295,631	869,549
Other financial liabilities – Fair value option	0	20,653	30,187	224,829	275,491	551,161
Other financial liabilities – Derivatives	0	0	159	5,251	16,529	21,938
Other financial liabilities – IFRS 16	0	461	2,622	11,659	12,451	27,192
Trading liabilities	0	6,979	1,532	377	209	9,096
Total liabilities	**4,540,917**	**858,376**	**1,224,347**	**2,652,461**	**1,229,275**	**10,505,376**

Assets as at 31/12/2018 in EUR thousand	due daily	< 3 months	3 mths – 1 y	1 – 5 years	> 5 years	Total
Loans to credit institutions	78,965	237,563	48,874	0	0	365,402
Loans to customers	2,070,952	367,932	791,947	2,735,471	1,884,601	7,850,903
Other financial assets – Debt securities at amortised cost	0	114,091	191,355	583,321	36,862	925,630
Other financial assets – Debt securities at fair value through other comprehensive income (FVOCI)	0	35,559	46,338	200,206	29,198	311,301
Other financial assets – Debt securities mandatorily at fair value	0	251	12,803	0	8,191	21,245
Other financial assets – Debt securities (fair-value option)	0	97	0	2,632	0	2,729
Other financial assets – Equity instruments at fair value through other comprehensive income (FVOCI)	13,123	197	0	4,675	102,550	120,545
Other financial assets – Equity instruments at fair value through profit and loss (FVTPL)	0	0	0	0	30,558	30,558
Other financial assets – Positive market values from derivative hedging instruments	0	30	1,836	14,080	29,747	45,692
Trading assets/trading	23,072	607	1,070	1,656	4,333	30,739
Total assets	**2,186,113**	**756,328**	**1,094,224**	**3,542,041**	**2,126,039**	**9,704,744**

Liabilities as at 31/12/2018 in EUR thousand	due daily	< 3 months	3 mths – 1 y	1 – 5 years	> 5 years	Total
Liabilities to credit institutions	215,702	123,751	99,719	743,068	334,380	1,516,620
Liabilities to customers	4,064,739	721,671	830,194	929,552	259,657	6,805,812
Other financial liabilities – amortised costs	0	20,179	95,867	410,864	346,634	873,544
Other financial liabilities – Fair value option	0	29,504	56,261	202,665	194,551	482,981
Other financial liabilities – Derivatives	0	60	1,695	5,197	8,843	15,796
Trading liabilities	0	6,218	313	1,196	540	8,267
Total liabilities	**4,280,441**	**901,383**	**1,084,049**	**2,292,542**	**1,144,605**	**9,703,020**

41 Organs of the Bank für Tirol und Vorarlberg Aktiengesellschaft

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

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 Dkfm. Dr Hermann Bell, Linz

Chairman

General Director Consul Dr Franz Gasselsberger, MBA, Linz

Deputy Chairperson

Board Chairperson Consul MA Dr Herta Stockbauer, Klagenfurt

Members

Mag. Pascal Broschek, Fieberbrunn
DI Johannes Collini, Hohenems
Angela Falkner, Sölden
Franz Josef Haslberger, Freising (D) (until 16/05/2019)
Board Chairperson MA Gregor Sailer Hofstätter-Pobst, Vienna
RA Dr Andreas König, Innsbruck
KR Director Karl Samstag, Mödling
Executive Board Director Arno Schuchter, Vienna
Hanno Ulmer, Wolfurt
Mag. Sonja Zimmermann, 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
Mag. Lydia Liphart, BSc, Innsbruck
Bettina Lob, Vils

Government commissioner

Government commissioner HR Dr Michael Manhard, Vienna
Government commissioner deputy HR Mag. Hubert Woischitzschläger, Linz

42 Presentation of shareholdings as at 31 December 2019

As at 31 December 2019, the company had holdings of at least 20% of the shares in the following companies which are not included in the consolidated financial statement and which are insignificant as a whole:

Name of company and registered office	Total capital holding	Direct capital holding	Equity in EUR thousand [1]	Income in EUR thousand [2]	Date of conclusion
a) Affiliated companies					
1. Domestic financial institutions: n/a					
2. Other domestic companies:					
BTV Real-Leasing VI Gesellschaft m.b.H., Vomp	100.00%		621	0	31/12/2019
Beteiligungsholding 3000 GmbH, Innsbruck	100.00%	100.00%	8,219	535	30/11/2019
Beteiligungsverwaltung 4000 GmbH, Innsbruck	100.00%		5,297	1,135	30/11/2019
Stadtforum Tiefgaragenzufahrt GmbH, Innsbruck	100.00%	100.00%	35	–17	31/12/2019
Freiraum I GmbH, Mayrhofen	50.52%		121	13	30/11/2018
KM Immobilienservice GmbH, Innsbruck	100.00%		81	–11	31/12/2018
KM Immobilienprojekt IV GmbH, Innsbruck	100.00%		521	–3	31/12/2018
C3 Logistik GmbH, Innsbruck	100.00%		584	–14	30/09/2018
3. Other foreign companies:					
AG für energiebewusstes Bauen AGEB, Staad	50.00%		304	52	30/06/2018
KM Beteiligungsinvest AG, Staad	100.00%		30,301	202	31/12/2018

Name of company and registered office	Total capital holding	Direct capital holding	Equity in EUR thousand [1]	Income in EUR thousand [2]	Date of conclusion
b) Associated companies					
1. Other domestic companies:					
Montafoner Kristberg-Bahn Silbertal Gesellschaft m.b.H., Silbertal	32.29%		511	48	30/04/2019
Beteiligungsverwaltung Gesellschaft m.b.H., Linz	30.00%	30.00%	21,841	2,970	31/12/2019
3 Banken IT GmbH, Linz	30.00%	30.00%	3,657	19	31/12/2019
3-Banken Beteiligung Gesellschaft m.b.H., Linz	30.00%		2,411	125	31/12/2019
3 Banken Versicherungsmakler Gesellschaft m.b.H., Innsbruck	30.00%	30.00%	872	325	31/12/2019
Sitzwohl in der Gilmschule GmbH, Innsbruck	25.71%		27	–89	30/09/2018
SHS Unternehmensberatung GmbH, Innsbruck	25.00%		562	–164	31/12/2018
Impulse4Success GmbH, Munich	25.00%		75	50	31/12/2018
KopfStart GmbH, Vienna	25.03%		87	50	31/12/2018
2. Other foreign companies:					
Gain Capital Retail Equity III SCSp, Luxembourg[3]	35.21%		n.a.	n.a.	

[1] Equity in the sense of Sec.229 UGB plus untaxed provisions
[2] Annual net profit/loss after income tax, before movement of provisions and application of profits
[3] Company was founded in first quarter 2019

n.a. = not available

Innsbruck, 13 March 2020

The Executive Board

Michael Perger
Member of the Executive Board

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

Gerhard Burtscher
Chairman of the Executive Board

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

Mario Pabst
Member of the Executive Board

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

Declaration by the statutory representatives pursuant to Sec. 124(1) and Sec. 125(1) BörseG (Austrian Stock Exchange Act) 2018

We confirm that to the best of our knowledge the group accounts, drawn up in accordance with the statutory financial reporting standards provide 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 financial reporting 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, 13 March 2020

The Executive Board

Michael Perger
Member of the Executive Board

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

Gerhard Burtscher
Chairman of the Executive Board

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

Mario Pabst
Member of the Executive Board

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

Audit Certificate

Report on consolidated financial statement
Audit opinion

We have audited the consolidated financial statements of

Bank für Tirol und Vorarlberg AG Aktiengesellschaft,
Innsbruck,

and its subsidiaries ("the Group"), consisting of the Group balance sheet as at 31 December 2019, the Group comprehensive income statement, the Group statement of changes in equity and the capital flow statement for the financial year ending at this reporting date, plus the notes to the consolidated accounts.

In our opinion, the consolidated financial statements are in accordance with legal requirements and provide a true and fair view of the assets and financial situation of the Group as at 31 December 2019 and of the income situation and cash flows of the Group for the financial year ending on this 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 required by the Austrian company, banking and professional rules and we have fulfilled our other professional duties in line with these requirements. We believe that the audit evidence we have obtained 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
Loans to customers are reported in the balance sheet to an amount of EUR 8,036,081 thousand, whilst risk provisions in the credit business total EUR 97,773 thousand. Provisions were also formed for contingent liabilities and credit risks to the amount of EUR 51,770 thousand.

The Executive Board of the Bank für Tirol und Vorarlberg Aktiengesellschaft explained the approach to determining the risk provisions in the Annex under the section on accounting and valuation principles.

Specific valuation allowances are formed for credits where a default event was identified (Level 3 - Risk provision). The identification of default events and the calculation of the individual value adjustment, as well as the valuation of reserves for contingent liabilities and credit risks, are subject to substantial uncertainties of estimation and scope for discretion which result from the financial situation and development of the borrower and from the valuation of loan collaterals and which therefore have effects on the amount and time of expected future cash flows. Blanket individual value adjustments which are formed for insignificant defaulted borrowers are based on models and therefore also include discretionary decisions and estimation uncertainties.

Loans where no default event has occurred are allocated at time of allocation to Level 1 - expected 12-month credit loss - and to Level 2 - over the (entire) lifetime of the expected credit loss - in case of a relevant increase in risk of default (transfer criterion). In case of improper design and application of the transfer criterion, there exists a risk of erroneous level allocation and thus an inadequate risk provision. When calculating the expected credit loss on Levels 1 and 2, comprehensive estimates and assumptions are required which take into account rating-based probabilities of default, loss ratios, and present and future-oriented information.

Our approach to the audit

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

- The methods specified in the handbooks for calculating the risk provisions for their conformity with the financial reporting standard. We have surveyed the credit issuing and monitoring process of the Bank für Tirol und Vorarlberg Aktiengesellschaft and assessed whether it is suitable for identifying credit default in good time. In this context, we have held conversations with responsible persons and critically analysed the internal guidelines. 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 incidents from the credit portfolio, we have assessed whether rating has been performed in accordance with the internal guidelines and whether default events were recognised in good time. The selection of test cases here was risk-based, giving particular weighting to the rating levels with a higher risk of default. For defaults ascertained, the estimates made by the management with respect to future cashflows and assumptions - taking into account evidence of the financial situation and development of the borrower, as well as the valuation of loan collaterals - were assessed for their appropriateness.
- With respect to risk provisions for insignificant, defaulted borrowers (blanket individual value adjustments), we reproduced the model and parameters applied therein, and assessed whether such are suitable for establishing sufficient risk provisions. We reproduced the arithmetical correctness of the risk provisions using test cases.
- For the portfolio allowance, we collaborated with internal specialists to assess whether the calculation model applied, including input parameters and macro-economic predictions, is suitable for calculating the risk provision requirement in an appropriate manner. We collaborated with internal specialists to review the transfer criterion set out for the properness of its conception and application.
- Consequently, we assessed whether the notes in the Annex regarding the risk provisions are appropriate.

Classification and evaluation of associated companies

The risk for the accounts

The Bank für Tirol und Vorarlberg Aktiengesellschaft books its shares in associated companies according to the equity method. Companies valued at-equity have a total book value of EUR 712,776 thousand.

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 in the Annex to the consolidated financial statements.

The equity method is an accounting method where the shareholding is first accounted for at its acquisition cost. This approach is consequently adjusted pro rata for changes in the net worth of the holding company. If there is objective evidence of a depreciation, the Bank für Tirol und Vorarlberg Aktiengesellschaft will calculate an achievable amount. The risk for the accounts is therefore that these valuations will be greatly dependent on future expected cash flows and valuation parameters – in particular discounting factors, assumptions on growth, and business plans – and therefore subject to estimation uncertainties and room for discretion to a significant degree.

Our approach to the audit

- We have 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 Bank für Tirol und Vorarlberg Aktiengesellschaft.
- We have reviewed the methods specified in the handbooks on identification of impairment triggers for their conformity with the financial reporting standard in order to assess the recoverability of key shares. In this context, we have held conversations with responsible persons and critically analysed the internal guidelines. We used test cases to assess whether impairment triggers exist.
- We then reviewed whether the details in the Annex on the companies valued at-equity are appropriate.

Financial instruments - Fair value measurement

The risk for the accounts

The Bank für Tirol und Vorarlberg Group booked financial instruments at fair value on the positive side to the amount of EUR 890,317 thousand (of which Level 3 EUR 337,129 thousand) and on the negative side to the amount of EUR 582,195 thousand (of which Level 3 EUR 0 thousand).

The Executive Board of the Bank für Tirol und Vorarlberg Aktiengesellschaft describes the methods for reporting and valuation of financial instruments in the Notes in the section on balance sheet and valuation principles, as well as in item 36 of the Annex to the consolidated financial statements.

The risk for the accounts is that the valuation of financial instruments at fair value recorded on the balance sheet as assets and liabilities is strongly influenced by judgements due to valuation parameters not observable on the market (Level 3 category) on the grounds of the heavy dependency on valuation models and parameter estimates.

Our approach to the audit

We evaluated the suitability of the valuations at fair value as follows:

- We have surveyed the technical concept and internal approach of the Group to classification and valuation of financial instruments and liabilities, and assessed whether these should be considered consistent with the stipulations of IFRS 9 and suitable for illustrating the classification and valuation of financial instruments appropriately.
- We employed specialists as part of the audit team in order to check the Level 3 financial instruments, who assessed the suitability of the valuation models used and the assumptions made. We reviewed whether the valuation models are recognised models, and whether the parameters are derived from and reproducible using market data. We used an anticipated value to analyse the deviation of the market value from the book value. In addition, we used test cases to reproduce the calculation of fair values undertaken by the bank.
- We subsequently assessed whether the information provided in the Notes to the consolidated financial statement on the approach to classification and valuation is appropriate.

Legal disputes of the 3 Banken with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H.

The risk for the accounts

The Executive Board of the Bank für Tirol und Vorarlberg Aktiengesellschaft describes the status of the disputes of the 3 Banken (Bank für Tirol und Vorarlberg Aktiengesellschaft, Oberbank and BKS Bank AG) with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H in the Notes, and also offers a current assessment of the situation (see "Discretionary decisions, assumptions and estimates" in the Notes). UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H. have filed applications with the Austrian Takeover Commission for a review of compliance with the regulations of takeover law (mandatory bid obligation).

The Executive Board has made an assessment of the legal risks and impact on the accounts based on estimates of external legal experts, available expert reports and the current status of proceedings.

The risk for the accounts arises from the estimation of the aforementioned factors, in particular the estimation of further decisions in the ongoing proceedings and the estimation regarding potential claims of the shareholders, should it transpire that the bank (as a member of the syndicates of Oberbank and BKS) was obliged to make a bid. This results in estimation uncertainties regarding potentially necessary provisions from the legal disputes with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H.

Our approach to the audit

We evaluated the suitability of the provisions for the associated legal risks as follows:

- As part of our audit, we inspected relevant documents, reproduced estimations on the formation of provisions, and reviewed the presentation of the balance sheet.
- We reproduced the assessment of the Executive Board, in particular the assumptions and balance sheet findings contained therein. To do this, we obtained those expert reports and opinions of the law firm appointed to the proceedings by the bank which were brought by the applicants, and analysed whether the estimations of the Executive Board are consistent with the current status of the proceedings.
- We then reviewed whether the information in the Notes to the consolidated financial statement in this regard is appropriate.

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

The legal representatives are responsible for the maintenance of the consolidated financial statement, and for such reflecting as true a picture as possible of the asset, financial and earnings situation of the Group in accordance with the IFRS, as they are applied in the EU, and the additional requirements of Sec. 245a Austrian Commercial Code (UGB) and Sec. 59a Austrian Banking Act (BWG). The legal representatives are furthermore responsible for those internal controls considered necessary in order to prepare a consolidated financial statement that is free from material misstatement - whether due to fraud or error.

When preparing the consolidated financial statements, the legal representatives are responsible for determining whether the Group is a going concern, and for presenting any information relating to the ability of the Group to continue trading – if relevant, as well as applying the going concern financial reporting principle, unless the legal representatives intend to either liquidate the Group or to stop its business activities, or have no realistic alternative to doing so.

The audit committee is responsible for monitoring the financial reporting process within the Group.

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

Our goal is to obtain sufficient certainty concerning whether the consolidated financial statement as a whole is free from material misstatement – whether due to fraud or error – and to issue an audit certificate which contains our audit assessment. Adequate certainty means a high level of certainty, but not a guarantee that the audit of the financial statements, carried out in accordance with the Austrian principles of correct audit of annual accounts, that require the application of the ISAs, will always uncover a materially false presentation, if this is the case. False representations may result from malicious acts or errors, and are regarded as material if it can be expected that they, individually or collectively, could influence the business decisions taken by users on the basis of these consolidated financial statements.

As part of the audit of the financial statements, in line with the 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 auditing of the financial statements in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control system.
- We evaluate the appropriateness of financial reporting 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 financial reporting principle by the legal representatives as well as, based on the evidence acquired during the audit, about whether there is any substantial uncertainty in relation to events or facts that could cast significant doubts on the ability of the group to continue its commercial activity. Should we reach the conclusion that a substantial uncertainty exists, we are required to draw attention to the relevant data in our audit opinion on the consolidated financial statements or, if these data require it, to amend our audit opinion. We draw our conclusions on the basis of the audit evidence acquired by the date of our audit opinion.

Future events or factors may, however, result in the Group deciding not to continue its business activity.
- We judge the overall presentation, the structure and the contents of the consolidated financial statements including the additional information, as well as whether the consolidated financial statements accurately reflect the underlying business transactions and events, so that a true and fair picture is presented.
- We obtain sufficient suitable audit evidence about the financial information for the entities or business activities within the Group in order to be able to issue an audit opinion on the consolidated financial statement. We are responsible for organising, monitoring and implementing the audit of the underlying consolidated financial statements. We are solely responsible for our audit opinion.
- We inform the Audit Committee among others about the planned scope and the planned timetable of the audit of the consolidated financial statement, as well as about significant audit conclusions, including any significant shortcomings of the internal control system that we uncover during auditing of the consolidated financial statement.
- We also provide the Audit Committee with a statement that we have complied with the professional conduct requirements relating to independence, and discuss with them any relationships or other factors which could lead to the logical conclusion that they might impact our independence and – if relevant – any related protective measures.
- We determine which factors of those which we have discussed with the Audit Committee are the most relevant for the auditing of the consolidated financial statement for this financial year, and therefore which are the most important items for the audit. We describe these factors in our audit opinion, unless laws or other legal provisions prevent the publication of the information or we decide, in very rare cases, that an item should not be mentioned in our audit opinion because one could reasonably expect negative consequences from its publication that would outweigh the benefits in the public interest.

Other legal and regulatory requirements

Report on the Management Report
Austrian company law requires that the Management Report be reviewed to determine that it is in line with the consolidated financial statement and that it was prepared in compliance with the current legal requirements.

The legal representatives are responsible for the preparation of the Management Report, in compliance with the requirements of Austrian company law.

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, it contains accurate information under Section 243a UGB and is consistent with the consolidated financial statement.

Declaration
In the light of the information acquired during the audit of the consolidated financial statement and the understanding of the Group and its environment, we have not detected any materially incorrect information in the Group Management Report.

Additional information
The legal representatives are responsible for all additional information. The additional information comprises all information in the business report, excluding the consolidated financial statement, the Group Management Report and the audit opinion. The business report will foreseeably be made available after the date of the audit opinion.

Our audit opinion on the consolidated financial statement does not cover this additional information, and we provide no assurance of any kind in this respect.

As part of our audit of the consolidated financial statement, it is our responsibility to read this additional information as soon as it is available, and to consider whether it significantly contradicts the consolidated financial statement in light of the findings obtained during the audit, or whether it appears otherwise materially incorrect.

Additional information pursuant to Article 10 EU Regulation

We were chosen as auditors by the Annual General Meeting on 8 May 2018, and commissioned by the Supervisory Board on 8 May 2018 to audit the annual financial statement of the company for the financial year ending 31 December 2019.

We were furthermore chosen as auditors for the following financial year by the Annual General Meeting on 16 May 2019, and were commissioned by the Supervisory Board on 16 May 2019 to audit the annual financial statement.

We have been Group auditors of the company for more than 20 consecutive 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 Art. 11 EU Regulation.

We declare that we have not provided any prohibited non-audit services (Art. 5(1) EU Regulation) and that we have maintained our independence from the Group companies in conducting the audit.

Responsible Auditor

The auditor responsible for the contract to audit the annual financial statements is Ms Mag. Martha Kloibmüller.

Linz, 13 March 2020

KPMG Austria GmbH
Wirtschaftsprüfungs- and
Steuerberatungsgesellschaft

Mag. Martha Kloibmüller
Auditor

President of the Supervisory Board Dr Franz Gasselsberger, MBA.

Dear Reader,

2019 was another very successful year for the Bank für Tirol und Vorarlberg Aktiengesellschaft. For banks, the current market environment is a challenging one. The persistent, 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 in growing together with its customers. However, this financial year was also characterised by an attack from UniCredit Bank Austria AG on the 3 Banken Group, based on a systematic exercising of those rights formally due to shareholders for external purposes. To date, no court or public authority has agreed with the legal opinion of UniCredit Bank Austria AG. There is therefore hope that, in light of this, there will be some rethinking and that solutions for the issues raised can be found amicably (though without ignoring the autonomy of the 3 Banken) – the Executive Board and the Supervisory Board of BTV are more than willing to oblige.

The Supervisory Board has carried out the tasks required of it by law and the articles of association, whilst adhering to the regulations of the Austrian Code of Corporate Governance in the wording applicable for the reporting year. It is an essential duty of the Supervisory Board to supervise and support the Executive Board. In the context of the Supervisory Board meetings, the members of the Supervisory Board together with the Executive Board to 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. The Executive Board also communicated with the Supervisory Board outside the sessions of the Supervisory Board and its committees in relation to significant events in particular. The Supervisory Board was thus involved in the key decisions and was comprehensively and thoroughly informed about business activities by the BTV Executive Board.

The Supervisory Board has established seven committees for the purpose of efficient performance of the Supervisory Board's tasks, or by way of implementing legal requirements. These are namely the Audit, Working, Risk, Credit, Remuneration, and Appointments Committees and – new for the financial year 2019 – the Legal Committee. The committees essentially prepare topics and resolutions for subsequent discussion at a full meeting. As far as legally possible, the Supervisory Board's decision-making powers are delegated to the committees in individual cases. The Chairman of the Supervisory Board chairs all of the committees, with the exception of the Risk Committee. 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. The Working Committee and the Loans Committee of the Supervisory Board have continuously monitored and reviewed those business events which required their approval. In addition, the Auditing Committee met twice, as planned, and has performed its legal auditing and monitoring tasks to the fullest extent, particularly in relation to the internal control system, the risk management system, the financial reporting process, the internal auditing system, the audit of the consolidated financial statements, and the independence of the auditor, as well as the corporate governance report. The Remuneration Committee met on one occasion as planned and performed the duties assigned to it by the Banking Act, 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 Executive Board, in full during the financial year. 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 Executive Board 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 committee met once, as planned, and performed the duties assigned to it by the Banking Act, in particular advising management on risk appetite and risk strategy 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, in full during the financial year. The Credit Committee fulfilled the duties assigned to it, in particular approval of credit engagements over a threshold of EUR 23 million, in full – in accordance with planning, it did not hold a meeting. The scope of duty of the new Legal Committee, set up on 20 September 2019, covers BTV's interaction with the UniCredit Group and with Generali 3Banken Holding AG, as well as all current or future court and public authority proceedings associated with such. The Legal Committee met on one occasion during the reporting period.

The meetings and decisions of the committees of the Supervisory Board were reported to the plenum of the Supervisory Board at the subsequent meeting. I would like to thank the members of the Supervisory Board for their tremendous dedication and valuable discussions.

To permanently ensure the professional suitability of members of the Supervisory Board and management of BTV, educational and training courses run by both external and in-house lecturers took place throughout the financial year.

The auditor of the financial statements, KPMG Austria GmbH Auditor and Accounting Company, Innsbruck, has checked the book-keeping, the individual and the consolidated financial statements, and the individual and Group management reports for the company. The 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 27 March 2020, the Audit Committee examined the individual and consolidated annual financial statements and the individual and Group management report of the company, as well as the non-financial report and the Corporate Governance report and recommended the findings from the annual financial statements to the full meeting of the Supervisory Board, which was reported to the full meeting of the Supervisory Board accordingly.

The Supervisory Board had at its disposal copies of the financial statements and management report, drawn up in accordance with the legal commercial stipulations in Austria, as well as the non-financial report. The financial statements show a true and fair picture of the capital and financial situation of the Bank für Tirol und Vorarlberg Aktiengesellschaft as at 31 December 2019. A similar picture for the period 1 January to 31 December 2019 is provided by the attached comments on the earnings situation. The recommendation of the Executive Board to pay out a dividend of EUR 0.30 per share for the year 2019, i.e. EUR 10,209,375.00 total, and to carry forward the residual profit is endorsed by the Supervisory Board.

The Supervisory Board adopts the results of the audit, declares that it is in agreement with the financial statements presented by the Executive Board including the management report and non-financial report, and approves the annual financial statements for 2019 for the company, which are thereby established as required by Sec. 96(4) Austrian Share Act.

On behalf of the Supervisory Board, I would like to thank the Executive Board and the employees of BTV for their personal commitment.

Innsbruck, 27 March 2020

The Supervisory Board

Dr Franz Gasselsberger, MBA
President of the Supervisory Board

Imprint

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Note
Any reference in the company reports to a person (e.g. he, him) is intended to apply equally to women and men.

The BTV company report may contain slightly differing values between tables or charts due to rounding differences.

This report contains forward-looking statements relating to the future performance of BTV. These statements reflect estimates which have been made on the basis of all information available to us on the reporting date. Should the assumptions underlying such forward-looking statements prove incorrect, or should risks materialise to an extent not anticipated, actual results may vary from those expected at present.

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