



**Embody partnership.
Foster regionality.**



Raiffeisen-Landesbank Tirol AG



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Thomas Wass
Management board member

Dr Johannes Ortner
Management board chairman

Director Reinhard Mayr
Management board deputy chairman



Statement from the management board chairman

Dear Readers,

Raiffeisen-Landesbank Tirol AG is a company that can look back on a long, successful history. This is a great privilege for us and also a great responsibility for the future.

It is particularly important to us as a newly formed management board team to actively shape this future together. Our focus is on the customer in everything that we do. We also firmly believe that the Raiffeisen core values of closeness, security and trust will continue to underpin our partnerships with our customers, even in a digitised world.

Together with Tyrolean Raiffeisen banks, we forge new paths while staying mindful of our roots. We see ourselves as a regional bank that provides all communication channels to support and serve our customers with the professionalism they have come to rely on and the security they have come to know at Raiffeisen. This also includes the continuous expansion and development of our online services. However, our focus continues to be on providing high-quality personal consultations.

The strong operating result in 2016 allowed us to further expand our equity base while also helping to secure the future of Raiffeisen-Landesbank Tirol AG and providing room for manoeuvre.

As the leading institution of the Tyrolean Raiffeisen sector, we address challenges and continue to make an impact. For example, in 2016 we

- refined our image as a digital regional bank as well as future solutions to position ourselves more efficiently on the market together with 140 managers and executives from Tyrolean Raiffeisen banks at the second Tyrol Innovation Day.
- tapped into a new business field by establishing the new, wholly owned subsidiary Raiffeisen Immobilien Tirol GmbH, which ideally supplements and expands the scope of our residential segment.
- provided low-cost EU funds for Tyrolean businesses in cooperation with the European Investment Bank (EIB) and thereby generated further major momentum for the Tyrolean economy.

And we also boosted our region in the long term. For example, with the award of the RLB art prize for Tyrolean artists.

Our employees deserve special thanks for the past year. They work with us every day to make Raiffeisen-Landesbank Tirol AG successful. Especially in times when the entire financial industry is under scrutiny, greater levels of flexibility and commitment are required and can be found in our offices, making a valuable contribution to a solid result. Thank you for this.

We would particularly like to thank our customers, business partners and owners for the trust placed in us and the excellent cooperation that we would very much like to continue. Even in the future, we will continue to stand for personal customer relationships, respectful cooperation and partnerships on an equal footing.

It makes us different. It sets us apart. It's Raiffeisen.

Dr. Johannes Ortner
Management board chairman

Reinhard Mayr
Management board deputy chairman

Thomas Wass
Management board member



Members of the management board and supervisory board

Management board of Raiffeisen-Landesbank Tirol AG

Dr Johannes Ortner
Management board chairman

Director Reinhard Mayr
Management board deputy chairman

Thomas Wass
Management board member

Supervisory board of Raiffeisen-Landesbank Tirol AG

Dr Michael Misslinger
Supervisory board chairman, manager and chairman of the management board of Raiffeisen Bezirksbank Kufstein

Johannes Gomig
Supervisory board deputy chairman, manager and chairman of the management board of Raiffeisenbank Reutte

Peter Roman Bachler
Supervisory board deputy chairman, Manager and member of the management board of Raiffeisenbank Kitzbühel – St. Johann

Berthold Bläßnig
Member of the supervisory board, Manager and member of the management board of Raiffeisenbank Defereggental

Josef Chodakowsky
Member of the supervisory board, Manager and member of the management board of Raiffeisenbank St. Anton am Arlberg

Martina Leitner
Member of the supervisory board, manager of Raiffeisenbank im Vorderen Zillertal, Fügen, Fügenberg, Kaltenbach, Ried und Uderns

Stefan Hotter
Member of the supervisory board
Manager of Raiffeisenbank Zell am Ziller und Umgebung

Andreas Mantl
Member of the supervisory board
Manager and vice chairman of Raiffeisenbank Wipptal

Martin Lorenz
Member of the supervisory board
Managing director of Bergbahnen Silvretta Galtür

Gallus Reinstadler
Member of the supervisory board
Manager and member of the management board of Raiffeisenbank Pitztal

Erich Plank
Member of the supervisory board
Manager and member of the management board of Raiffeisen Regionalbank Hall in Tirol

Johann Thaler
Member of the supervisory board
Mayor of Reith im Alpbachtal

Delegates of the works council (*Betriebsrat*)

Doris Bergmann, Innsbruck
Chairwoman of the works council

Dietmar Putschner, Innsbruck
Member of the works council

Dr Wolfgang Kunz, Rum
Deputy chairman of the works council

Klaus Saiger, Lienz
Member of the works council

Heinz Hofer, Innsbruck
Deputy chairman of the works council

Claudia Schlittler, Mils
Member of the works council

Wilfried Gander, St. Johann in Tirol
Member of the works council

State commissioners

State councillor (*Hofrat*) Dr Michael Manhard
Federal Ministry of Finance, Vienna

AD Andreas Umlauf
Federal Ministry of Finance, Vienna

Statement from the supervisory board chairman



Dear Readers,

2016 was a challenging year for Raiffeisen-Landesbank Tirol AG. Despite the difficult environment and the continued absence of a dividend from Raiffeisen Zentralbank Österreich AG, we were finally able to increase profit from ordinary activities and further improve our equity base.

At the end of 2016, Raiffeisen-Landesbank Tirol AG has equity of some 441 million euros and a Tier 1 capital ratio of 13.88%. This, and a solid ability to bear risk, make our leading institution stable without outside help. The rating agency Moody's therefore confirmed the rating of Raiffeisen-Landesbank Tirol AG of Baa1 and improved its outlook to 'stable'.

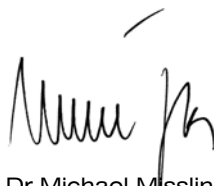
Stability is an especially valuable asset in times of change such as these. The banking sector is in a state of upheaval. Increasing digitisation is radically changing business. No one can predict how the financial sector will look in ten years. But one thing is clear: the great strength of Raiffeisen – personally and skilfully advising our customers – will remain at the core of our services.

The new management board showed in its first financial year working together that it will continue to pursue this successful path. At the same time, important, forward-looking topics were addressed and future challenges overcome in cooperation with the sector. I would like to offer my sincere thanks to all three members of the management board for this.

It is of great importance to Tyrolean Raiffeisen banks to have Raiffeisen-Landesbank Tirol AG by its side as a strong partner that can provide orientation in turbulent times such as these. We must respond to the current issues in our industry with new approaches and ideas. Raiffeisen-Landesbank Tirol AG made a material contribution to this in the year ended with its high level of professional expertise and nationwide connections.

On behalf of the entire supervisory board I would like to offer my sincere thanks to all employees of Raiffeisen-Landesbank Tirol AG. The strong result generated in the past year is thanks to their commitment, motivation and team spirit.

I wish the management board and the entire team all the best and look forward to an exciting, successful future.



Dr Michael Misslinger
Supervisory board chairman

What we do – for more than 68,000 customers



In 2016, we carried out more than **100,000 securities transactions** for our customers.

In 2016, we made new loans available to Tyrolean enterprises in the amount of **574 million euros.**

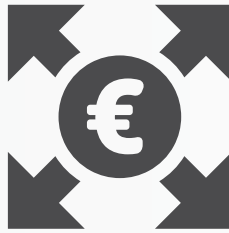


In 2016, our employees made time for our private customers' concerns in **41,250 face-to-face consultations** and in more than **44,422 telephone calls.**

We cultivated regular contact with more than **200** domestic and international **banks** and thereby enabled our customers to gain access to markets and products.



We carried out **7,870,257 transactions** with an aggregate volume of 15,222,991,390.00 euros on behalf of our customers. Of these, 2,868,067 were ELBA transactions with aggregate turnover of 8,988,780,160.92 euros.



We buy, sell and redeem securities for our customers in the amount of some

550 million euros every year.



We granted **1,008 consumer loans** totalling 7.7 million euros.



We were able to support our corporate clients with export financing totalling

48.2 million euros in 2016.

In 2016, together with the 71 Tyrolean Raiffeisen banks ...

... we managed more than **46,000 securities accounts** every day.



... we managed more than **14.7 billion euros** of customer funds.



... we promoted social issues, education, sport, the arts and culture in our region to the tune of over **5 million euros**.





For us, partnerships go beyond banking

It is not uncommon for Raiffeisen's business relationships with its customers to last a lifetime, from the first building society savings agreement concluded by a child's parent, to that child's first account, a loan for home building and pension schemes. Our particular proximity to customers, due to our strong presence in the region, allows for these long-term relationships, which often go beyond business. This proves that the key Raiffeisen principles of closeness, security and trust are still as valid as ever.

Robin and Dennis Wirth have good reason to smile: their parents finally relented and gave them their own rooms in their shared house. They arranged the financing with their Raiffeisen adviser in a fast, uncomplicated process tailored to their individual needs. Now the two young athletes can devote their full attention to their beloved hobby, luge.





Kersten Wirth has known his current Raiffeisen adviser Aegidius 'Gidli' Zettinig (I) from an early age. 2011 Kersten and his wife Susanna switched to Raiffeisen-Landesbank Tirol AG as private customers in 2011.

A solid foundation

The Wirths attach great importance to time with the family. They can often be found at races with their two sons, both lugers, but they also love to travel. As they both work, their free time is valuable – making high-quality, personal support and advice that meets their needs all the more important to them.



‘We have known each other for what seems like forever and know that we can rely on each other. What could be a better basis for a good business relationship?’

Kersten Wirth

Everything must fit into place for Kersten Wirth. ‘I am critical as a customer’, he says about himself. He places the high demands that he places on himself as a construction manager at PORR Bau GmbH on others. After his wife Susanna switched to Raiffeisen-Landesbank Tirol AG as a private customer and was fully satisfied, he followed a few months later. The move to the bank was based not only on the long-standing personal acquaintance of their current adviser, Aegidius ‘Gidl’ Zettinig, but also a desire to receive good and, above all else, personal advice. As both parents work and their two sons Robin (11) and Dennis (8) are young athletes at the Federal Training Centre for Luge, they have very busy schedules. Good, prudent advice that meets the customer’s needs is therefore all the more important.

From the very beginning.

The family recently moved into a larger home. This meant that the two sons – finally, as they say – got their own bedrooms. However, some renovation was required in the new house and changes needed to be made to meet the family’s wishes. ‘It all adds up’, says Kersten Wirth. A building society savings agreement with Raiffeisen-Landesbank Tirol AG allowed the move to be financed without worry. The two sons, likewise, already have a building society savings agreement, and the eldest has a young person’s account as well. ‘The amount that I can withdraw is limited to ten euros. But I can pay in as much as I want’, explains Robin in a business-like manner. ‘But it’s dad that puts money in’, he laughs. He uses his money to buy mobile phone games and sweets

every now and then, and sometimes football cards. His younger brother is eagerly awaiting his tenth birthday, when he will also get his first debit card.

On the move.

The two boys have been members of the Federal Training Centre for Luge for three years and compete in around ten races each season. This means a lot of travelling between Königssee and South Tyrol, and the parents are always there when their sons line up to start. ‘These days are also quality time for us as a family’, says Susanna Wirth, who works at the Higher Regional Court of Innsbruck. The four enjoy travelling. They are often on the move in their motorhome. On their last big holiday they travelled to England, where some of Susanna’s family live – her mother is English. ‘I grew up in Tyrol speaking two languages.’ Her mother still speaks to her and the children in English. Kersten and Susanna Wirth’s greatest dream is to travel to Australia, which they are diligently saving for.

Partnership.

Kersten Wirth has known his adviser ‘Gidl’, as everyone calls him, for a long time – ‘I held him in my arms when he was a baby’, he says, amused. Today the two meet up not only for banking purposes, but also for the voluntary fire brigade. ‘Or when they go out for beer’, interjects Robin to general amusement. They know each other, like each other and can rely on each other. In essence, friendships are not that different from a cooperative business relationship. With the right foundation, you can continue to build.

From the adviser’s perspective

Aegidius Zettinig

Private customer adviser at the RLB Igls branch
At Raiffeisen-Landesbank Tirol AG since 2 February 2009

Susanna Wirth switched to Raiffeisen-Landesbank Tirol AG in February 2011 and her husband Kersten followed soon after. I have known both of them for a long time – we all live in Igls, where people get to know each other. We therefore often meet up regularly outside of banking. I go to Lake Garda in the summer with Kersten, who has had a boating licence for two years, for a ‘men’s boat trip’. Beyond these personal elements, our relationship is characterised by openness on both sides. It is important to me to support all my customers personally and skilfully – being there when people have requests, being a direct contact who can always be reached. Now everyone in their family is a customer of Raiffeisen-Landesbank Tirol AG. The children have their own building society savings agreements and the elder son also has a young person’s account. This trust placed in the bank and me as an adviser honours and delights me – it’s precisely why I love my job.



Supporting businesses from the very beginning

Craft businesses are specialists. They often successfully establish themselves in a niche field and serve a select group of customers. They therefore shape the character of the Tyrolean economy and make a material contribution to economic growth in the region.

Raiffeisen-Landesbank Tirol AG helps its corporate customers to focus on their core business – from its foundation to the handover to the next generation.

The carpentry and furniture manufacturing business Massopust, with seven employees, offers top-quality woodwork. Those looking for something special will find it here. Knowing what customers need is essential to their satisfaction – which is also the case for Raiffeisen-Landesbank Tirol AG.





Reinhard Massopust runs the family company, which is now in the second generation. His father was also an RLB customer. Today the business is advised by Thomas Elzenbaumer (r).

Feel at home

It is not easy for small businesses in particular to exist in the face of low-cost competitors and bureaucratic requirements. A solid foundation and proximity to customers are the recipe for success for Massopust, based in Sistrans.



There was never any doubt for Reinhard Massopust. He practically grew up with the carpentry workshop, which his father established in 1966. There was no question about whether he would become a carpenter himself and take over the company. Now the third generation is also involved. Reinhard's son has completed an apprenticeship. This internal stability shows on the outside. The Sistrans-based business has had loyal, returning customers for decades. Naturally, there have been some changes over the years. 'In order to stay current when it comes to trends, we attend the Milan Furniture Fair every year,' explains the craftsman, who not only manufactures but also draws plans himself and has a good understanding of his customers' wishes in addition to in-depth expertise. His wife also works in the company. The master tailor and interior designer manages the carpentry workshop's new showroom at Universitätsstrasse 14, Innsbruck, which also offers home textiles. 'This allows us to offer everything in one place.'

Create closeness.

When it comes to customer relations, a cooperative, friendly relationship is important to Reinhard Massopust. 'When I design and then install a kitchen or a living room or something else or even lay flooring, we are in our customers' homes – it's a very private space and it therefore obviously helps if you get on well and are suitably sensitive.' Friendliness is also something that Massopust values in his relationship with his bank and his adviser, Thomas Elzenbaumer. 'We have been RLB customers for 40 years – my father was a customer and I am also very happy. You feel at home, and that is important to me.' When you feel comfortable, constructive things can develop. Massopust also embodies this in his work.

'We have been RLB customers for 40 years – my father was a customer and I am also very happy. You feel at home, and that is important to me.'

Reinhard Massopust

It is the combination of quality craftsmanship, individual service and this friendliness that sets the carpentry workshop apart and also brings it success. Reinhard Massopust is not worried by large, low-cost competitors, explaining, 'they serve a completely different clientele. A lot of my customers come to us precisely because they have had bad experiences with cheap goods and value our closeness to the customer.' Reinhard Massopust stays true to his approach – and his customers value and appreciate that too.

With heart and soul.

The carpenter loves his trade and is keen to share his knowledge and skills. But it is increasingly difficult to find apprentices. Official requirements, such as an operating permit, also mean that it isn't exactly easy for small companies such as Massopust's. Many fail here, as Massopust is aware. 'The loss of small carpentry workshops is enormous.' Sustainable management is therefore crucial, as is keeping up to date with customers' needs. 'We aren't running out of work, fortunately.' The work is still there – as is the pleasure in doing it.

**From the
adviser's perspective**

**Thomas
Elzenbaumer**

Head of the RLB Igls and
Aldrans branches At
Raiffeisen-Landesbank Tirol
AG since 19 January 2009

I see myself as a financial companion for my customers, and mutual trust is the crux of a strong, long-term business relationship. Massopust is a customer of Raiffeisen-Landesbank Tirol AG in its second generation and we also advise the third generation of the family in a private capacity. That is a very nice vote of confidence for us as a bank and me as an adviser. I have personally advised Massopust for five years now and I value the co-operative relationship that makes a solution-oriented collaboration between equal partners possible.





We secure the financial strength of businesses

Small and medium-sized enterprises form the backbone of the Tyrolean economy. Their economic power allows them to generate wealth for thousands of people in our region. Liquidity is the key to keeping small and medium-sized enterprises going. We provide the instruments required to ensure that these regional businesses have sufficient financial resources at all times.



The creations of the tradition-steeped Grassmayr bell foundry in Innsbruck can be seen and, most importantly, heard throughout the region. Grassmayr not only casts the bells that swing in numerous Tyrolean church towers: the business, which operates internationally, also offers maintenance services for belfries and technology for tower clocks.



The Grassmayr bell foundry has been writing history for more than 400 years – for example, with the largest free-swinging bell in the world (pictured). An inspiring sight greets RLB corporate customer adviser Werner Zima, who is only too happy to hear from Peter (c) and Johannes Grassmayr (r) about the features of their traditional craftsmanship.

The sound of our hearts

Tradition is not to preserve the ashes but to pass on the flame – in the truest sense of the phrase. In its 400 years, the Grassmayr bell foundry has experienced ups and downs, but never resisted change, instead pushing for it. And that is the secret of its success – in addition to uncompromising quality.



The situation was critical when Johannes and Peter Grassmayr joined the company. The number of bells being produced was falling as demand was decreasing. At the time, their uncle thought that the foundry, which had been passed from generation to generation since 1599 and had survived for centuries, had no future. 'But it was precisely because of the bells that we joined the company – it was and is our passion', explains Johannes Grassmayr. The brothers looked for solutions together with their father and uncle. The most obvious – to reduce costs in order to compete with cheaper foundries – proved to be the wrong choice. It could only be the opposite approach – quality. And that has a price. 'The Stradivarius of bells – we made this our motto.' And this promise to be the best was followed by action. Month by month there were experiments, new things were tried out, old methods were scrutinised – and that continues to be the case today. 'Our aim at the time was to consciously enter the modern world', says Johannes Grassmayr. And it worked. Today, the bell foundry produces four times as much as it did 15 years ago. It casts 300 large bells every year – and several thousand small bells.

Segments.

The uncompromising quality has been well received globally and across denominations. The foundry has been making bells for eight different denominations in the past two years. A bell has also been made for the Dalai Lama, and bells were only recently cast for Myanmar – 'we've never done work for that country before'. And the largest swinging church bell in the world was delivered to Budapest cathedral in April. It was produced earlier than needed to give the many bell enthusiasts the opportunity to see the giant bell and hear its peal. Johannes Grassmayr was deeply moved when he struck the 25-tonne bell for the first time. 'You feel it in your stomach.' Bells are not the business' most lucrative segment – the church tower technology segment is much stronger. Grassmayr produced eight wooden belfries in the last year alone. And singing bowls have now been cast for 200 years. These bowls were once used in the town hall to mark the hour. Some years ago the resourceful, Innsbruck-based business started to take advantage of the bell foundry's expertise in singing bells and now also manufac-

tures high-quality musical instruments. Grassmayr's singing bowls are used by the Munich Symphony Orchestra, for example, and last year 33 bowls were cast for the St Petersburg Philharmonic Orchestra, the largest of which weighs almost 500 kilograms.

Adaptable.

Constant change and the ability to adapt are essential if a business is to survive. The 400-year-old business knows that better than anyone. 'There was no demand for bells in the Thirty Years' War, so we cast cannonballs. We also survived the Second World War, when it was prohibited to cast bells, by switching to products in the field of fire protection,' explains Johannes Grassmayr. 'Businesses that are inflexible have no chance.' Tradition is good, but sticking to the old ways can spell the end. 'Tradition is not to preserve the ashes but to pass on the flame,' stresses Grassmayr. It's all about realising something special. And you can only create something special when you shed some ballast. The Grassmayrs are not only uncompromising when it comes to quality. If they're going to do something, they're going to do it right. 'We reduced our administrative costs by 80 per cent within two years.' And then they wanted to reorganise their banking matters. 'We switched to Raiffeisen in 2015,' says Grassmayr. Good service and flexibility were the deciding factors for the business. 'And, above all else, we wanted a good, long-term relationship with a local partner – which we found in Raiffeisen-Landesbank Tirol.'

'The Stradivarius of bells – we made this our motto.'

Johannes Grassmayr

**From the
adviser's perspective**

**Werner
Zima**

SME team leader in the
corporate customers department
At Raiffeisen-Landesbank Tirol AG since
1 January 2000

Grassmayr approached Raiffeisen-Landesbank Tirol AG in autumn 2015 as it was looking for a new bank. The company had previously had few business dealings with us. When talking to the two managers, Johannes and Peter Grassmayr, I quickly realised that not only was there chemistry between us, but our corporate philosophies also overlapped in many respects. Values such as trust, familiarity, a sense of responsibility and a commitment to the region typify the Raiffeisen principle. And Grassmayr embodies precisely these values in its day-to-day work. Our cooperation is characterised by appreciative, respectful interaction – the best basis for a long-term business relationship. In all sincerity, it makes me proud that this tradition-steeped Tyrolean business decided to share some of its journey with Raiffeisen-Landesbank Tirol AG.



We are a strong partner for large companies

Large companies are the public face of the Tyrolean economy. They create jobs and, by creating value, make a significant contribution to the prosperity of our region. Raiffeisen-Landesbank Tirol AG is their partner when it comes to financing investments, leasing properties and movable goods, gaining export funding and hedging foreign trade risks. As a long-standing partner to large regional companies, we know the particular needs of this group and develop a suitable strategy for each company.

The products made by Handl Tyrol are synonymous with indulgence made in Tyrol. With more than 500 employees, the company generates annual sales of more than 120 million euros. Although it operates internationally, Handl also has a regional focus: a new site is currently being developed in Haiming, which will prepare the company for the future.





Entrepreneur Karl Christian Handl is interested in development – not only of his company, but also of the region. RLB corporate customer adviser Markus Tollinger (l) is only too happy to support the innovation process.

Support for the future

Karl Christian Handl, the fourth generation, runs the company and under his aegis Handl Tyrol is making a forward-looking step towards internationalisation. This development is accompanied by a challenging and ambitious, but necessary, structural change. The aim of this is clear: to be an ambassador of indulgence in many parts of the world.



‘It was obvious to us that we could not move into the future with our existing structures if that future involved further growth.’

Karl Christian Handl

Using his position as an entrepreneur to help shape the region is one of the most important topics in Karl Christian Handl’s work – and also his motivation. ‘Not only are our company’s roots in the region, but our product also stems from Tyrol. Our product isn’t technical, rather, it is a food product with a history, with a home – our speck and Tyrol have a shared history.’ Handl Tyrol, founded as a butcher’s shop in Pians by Karl C. Handl in 1902, now has more than 500 employees, generated 128 million euros in 2015, and has its sights set on further growth. ‘It was obvious to us that we could not move into the future with our existing structures if that future involved further growth’, explains Karl Christian Handl. Therefore, it was obvious that we had to reform our structures so that they formed a stable basis for the company’s ambitious plans. ‘In making these structural improvements, we set about expanding our capacities and also introduced new processes and technologies.’

Building the region.

Probably the biggest and the most externally visible change can be seen in the new site, which is currently being built in the municipality of Haiming. ‘The new site will reach impressive dimensions. There is a reason for this, as I do not want the further development steps to be taken by the company to be impeded.’ Here, Karl Christian Handl is investing not only in the company’s future, but also in part of the region’s future. From this starting point, Handl Tyrol should grow further, increasingly serve the international market in addition to the Austrian market, and establish and expand new export markets in Europe and then overseas. ‘A major springboard in this respect is North America. The Haiming site should ensure that we can tackle such

steps.’ Capacities at the Pians site have long been stretched to their limit, and the conditions there cannot fit with the new structures that are required by the authorities, among others, for the planned increase in exports.

Long-term strategy.

A large step for the company that also sets a clear path. ‘We are taking a company that has grown locally in a regional structure and placing it in an international framework. Our very substance depends on these steps, but we naturally have a solid strategy – we know exactly what we want.’ As Handl explains, his mission is relatively simple: ‘I want to be Tyrol’s ambassador of indulgence. I don’t want to sell Tyrol per se, but indulgences from our state. If lots of other producers and service providers also play a part in this – and they all believe in the same thing – then Tyrol as a place gains significance.’

It is a strategy geared towards the long term – making the confirmation and trust that he has received from the bank co-financing the project all the more important to Karl Christian Handl. ‘It is a sign of trust that a project such as ours that focuses on a product that has virtually remained unchanged for one hundred years – speck – receives such support in fast-paced, money-oriented times. The financing from Raiffeisen-Landesbank Tirol AG is also a display of belief and confidence in this mission and investment – and assures us that we are making the right investment.’

Ultimately, we will build and develop the region together – not only for today, but most importantly for tomorrow. Courage, passion and vision, but also precise calculations and clear structures, are required to be able to move forward. But it’s certainly easier to make progress when you aren’t alone – the best way to climb a mountain is with support.

From the
adviser’s perspective

Markus
Tollinger

Large companies team
leader in the corporate
customers department At
Raiffeisen-Landesbank Tirol
AG since 1 April 1989

As a strong regional bank, we are continuously in contact with successful companies throughout Tyrol. Karl Handl senior informed me at the Alpbach Forum 2015 that the Handl group wanted to make a substantial investment in a new site. An ideal time to intensify contact. Our new chairman of the management board, Dr Johannes Ortner, made a clear commitment to support the Handl family with their new project on his first visit to Pians. The customer relationship has strengthened in the meantime, with both sides benefiting from the professionalism of the other partner. Handl Tyrol deserves credit, especially for tackling the upcoming changes. The transfer of the company from Karl senior to Karl Christian junior was implemented professionally: clear organisational structures and responsibilities along with simultaneous support from the different generations created an ideal foundation for Karl Christian Handl to continue the successful management work. Furthermore, the continuous innovation process ensures that the strong Tyrolean speck producer performs well on the European market and creates the basis for further expansion.



Embody partnership. Foster regionality.

We help to promote Tyrol as a business location

Investment funding for small and medium-sized enterprises is a primary objective of the European Investment Bank. Global loans mean that this area is decentralised and handled by partner banks in the eurozone at a regional level. In Tyrol, Raiffeisen-Landesbank Tirol AG grants regional businesses access to low-cost EU funds.

The European Investment Bank is based in Luxembourg. EIB funds can be used for new, modernisation and expansion investments or expanding distribution networks in domestic or foreign markets within the EU.





Low-cost EU funds for Tyrolean businesses

The European Investment Bank provided another loan to the Raiffeisen Banking Group Tyrol in 2016 that has been granted to regional companies on favourable terms.



‘The Raiffeisen Banking Group Tyrol will pass on the financial benefit of the EIB’s favourable conditions directly to the final borrower.’



The Raiffeisen Banking Group is the only partner of the European Investment Bank (EIB) in Tyrol that grants this low-cost financing. As it is predominantly regional small and medium-sized enterprises that continue to form the backbone of the Tyrolean economy, it is important to the regional Raiffeisen Banking Group to support these by providing medium- to long-term loans on favourable terms for their projects. The Raiffeisen Banking Group Tyrol is committed to doubling the loan volume drawn and making this available for the regional economy.

Boost for the Tyrolean economy.

Businesses can use EIB-refinanced loans in many different ways, including investments in property, plant and equipment, such as the acquisition of new machinery, the construction or expansion of company buildings and the construction of a production hall. The development of distribution networks domestically and abroad (EU) or projects relating to com-

pany handovers when the previous owner retires can also be supported with the subsidised loans.

Benefits for borrowers.

The Raiffeisen Banking Group Tyrol will pass on the financial benefit of the EIB’s favourable conditions directly to the final borrower. The structuring of the financing is flexible, depending on the arrangement with the customer adviser. Businesses must fulfil certain requirements to make use of the loans: support is predominantly given to projects that make a significant contribution to growth, employment, economic and social cohesion and environmental sustainability in the region. Some sectors are, however, excluded, mostly for moral, ethical or environmental reasons, for example the production of weapons and ammunition and gambling establishments.



From the EIB’s perspective

Flavia Palanza

EIB director for Central and South-Eastern Europe



We can look back on many years of highly successful cooperation with Raiffeisen-Landesbank Tirol AG, particularly in relation to funding for SMEs.

The EIB has been a financing partner of Raiffeisen-Landesbank Tirol AG and its customers since 2013. Together, we have supported projects with a total volume of more than 236 million euros since then. It is important to the Raiffeisen Banking Group Tyrol to support regional small and medium-sized enterprises by providing medium- to long-term loans on favourable terms for their projects. A reliable partner such as Raiffeisen-Landesbank Tirol AG is well connected regionally and acts as an interface to the 71 Tyrolean Raiffeisen banks that are the first point of contact for corporate customers in the region. This is of vital importance to the EIB so that it can systematically implement funding for small and medium-sized enterprises, which is the leading line of business for the EU Bank, representing more than 33 billion euros across Europe each year. We would not be able to do that were it not for partners such as Raiffeisen-Landesbank Tirol AG.



Successful together

Supporting Tyrolean Raiffeisen banks is the founding mission of Raiffeisen-Landesbank Tirol AG and an essential component of its performance spectrum. The common strategy of the Raiffeisen Banking Group Tyrol forms the basis for the services offered, which can be provided either centrally or, if desired, locally. To ensure a successful common future, Raiffeisen-Landesbank Tirol AG participates in regional and national bodies and makes a positive impact and generates momentum for Tyrolean Raiffeisen banks.



Raiffeisenbank im Vorderen Zillertal is an important local employer, with almost 30 employees. It shows how a regional bank can position itself successfully in the age of digitisation. As one of the 71 Tyrolean Raiffeisen banks, it relies on the banking consultancy of Raiffeisen-Landesbank Tirol AG to develop and implement new strategies.



Embody partnership. Foster regionality.



Helmuth Ruech, head of banking consultancy at Raiffeisen-Landesbank Tirol AG, supports the two managers Martina Leitner and Elisabeth Nail (r) to keep Raiffeisenbank im Vorderen Zillertal on the path to success.

Our vision creates the future

Raiffeisenbank im Vorderen Zillertal created ZukunftsCheck (Future Check) in 2016 – an analytical tool that serves to illustrate where a bank is and whether the bank is on the right path to move into the future from a solid basis.



‘We readily invest in training for our employees – qualifications are a decisive competitive edge.’

Martina Leitner and Elisabeth Nail

The numbers matter – of course. But behind – and beyond – the figures is our vision. The numbers are less important than our vision; they have to conform to it. This is easier said than done. A hands-on mentality, namely work – targeted work – is required so that this vision and reality go hand in hand, fit together and form the basis for the future. An in-depth look that covers all aspects and permits a thorough analysis of the current state is also required. Where are we now, where do we want to go? Simply put, that what the Tyrolean Raiffeisen banks’ ZukunftsCheck is all about.

Girl power.

Managers Martina Leitner and Elisabeth Nail and their team work on the extensive analytical tool together with Helmuth Ruech, head of Raiffeisen banking consultancy at Raiffeisen-Landesbank Tirol AG. ‘A lot has changed internally in the past few years. For example, there are now two managers,’ explains Leitner – who are both women, which is unique in Austria. ‘We were once asked if having two women managers resulted in a one-sided view of things. Our counter-question as to whether there would not be such one-sidedness for two men settled the matter,’ explain the amused pair.

Visionary strength.

‘The age distribution of our employees has also changed’, explains Nail. On one hand, this presents the challenge of preserving knowledge gained over decades, and on the other hand the opportunity to meet current challenges, such as in relation to digitisation, with young em-

ployees familiar with the subject – and to actively encourage them. The managers readily invest in training for their employees – qualifications are a decisive competitive edge. This has changed the job significantly; the traditional bank employees of past years no longer exist. ‘Nowadays we need service-oriented employees who enjoy working with, advising and selling to customers.’ Finding and retaining these employees is as crucial to the future and relevant as changes in banking, which has not been made easier by the multitude of legal framework conditions. ‘It’s not easy, but it is doable,’ stress Leitner and Nail, demonstrating that a positive approach is a material component of visionary strength.

The ZukunftsCheck tool itself has also changed – questions that were inconsequential a few years ago are now highly relevant. In contrast, the principle of regionality remains unchanged. ‘As a cooperative it is our task to embody this in the future.’

Continuous.

The analysis carried out by ZukunftsCheck is completed after a certain period of time – implementing the results, in contrast, is a continuous process. ‘We were surprised in the end to have in black and white what our gut instinct had already told us. Following that, we had to take a more deliberate approach.’ Some subsequent results provided a confirmation, others in turn led to discussions – ‘both are good’, say the managers.

We will continue to proceed in a determined manner – a manner orientated towards the inside and the outside. The aim – and the crux of our vision – is to be and remain future-oriented.

**From the
adviser’s perspective**

**Helmuth
Ruech**

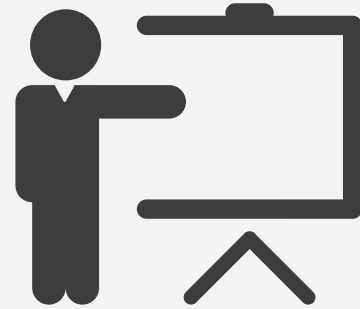
Head of Raiffeisen
banking consultancy At
Raiffeisen-Landesbank Tirol
AG since 1 April 1988

Raiffeisenbank im Vorderen Zillertal asked us to assist with its renovations in 2011. The new bank was ceremoniously opened at the end of 2012. In the past year we helped Raiffeisenbank im Vorderen Zillertal to individualise the Raiffeisen principle for the bank and the region. The result will be shown to employees and the public soon. Our regular relationship with our partners in Vorderes Zillertal is based on annual strategy/BSC updates and the evaluation of various topics. The cooperation must be underpinned by openness and honesty. To me, openness and honesty mean that neither good nor bad news is kept secret. What is special about the relationship with Raiffeisenbank im Vorderen Zillertal is the respectful interaction and the high level of trust. This is the basis for the formation of a strong business relationship and not least for the success and development of the Raiffeisen bank. The great sense of community and communication across all levels in Vorderes Zillertal should be highlighted. This culture is embodied by the functionaries, the management and the employees.

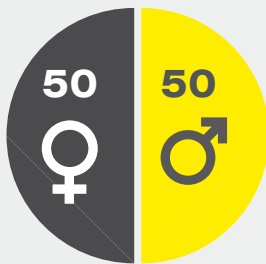
What we do differently – for more than 400 employees



Every year we invest some
1,600 days and almost
400,000 euros in
training for our employees.



On average, each employee completes
4 days of training
each year.



Balanced: Raiffeisen-Landesbank Tirol AG
employs roughly
50 per cent women
and **50 per cent men.**



We offer some **80** individual
**part-time working
models** tailored to employees'
needs.



Attractive social benefits:

Our employees benefit from an
in-house canteen, an in-house gym,
subsidies, discounts and much more.



More than 100,000 euros
is refunded by Raiffeisen-Landesbank Tirol AG to its
employees for the acquisition of annual tickets for public
transport each year.



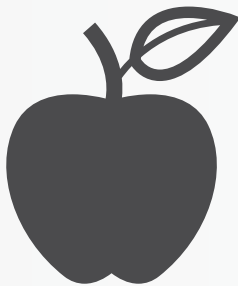
Some 4.5 million euros

is paid into the Austrian social security system each year for our employees.

Preventative health measures and health maintenance are promoted with

more than 40

events, courses and focal measures every year.



Almost 300 employees

take part in at least one health promotion measure each year as part of RLB Vital.

Raiffeisen-Landesbank Tirol AG received the quality seal for commitment to workplace health promotion for the **third time in a row.** The Tyrolean regional health insurance fund awards this quality seal to companies that actively advocate healthiness in the workplace.



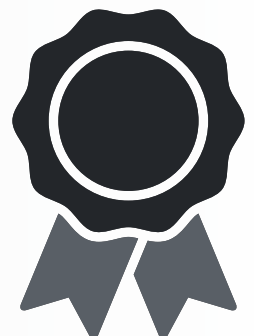
The satisfaction of our employees is reflected in the above-average service period of

14 years.

Raiffeisen-Landesbank Tirol AG has

five quality seals:

the audit berufundfamilie quality seal, the most family-friendly employer of 2016 quality seal (third place), the workplace health promotion quality seal, the outstanding training organisation in Tyrol quality seal and the fire-service-friendly employer quality seal.





We thank our employees. They all make a significant contribution to the success of Raiffeisen-Landesbank Tirol AG.

Andrea ABENTUNG, Manuela ABFALTER, Walter ALTSTÄTTER, Hubert AMON, Maria AMORT, Christian ANDREATTA, Matea ANDRIC, Janine ANGERER, Reinhard ANGERMANN, Bettina ANREITER, Julia ARL, Sabine ARL, Gregor ASSMAIR, Roland AUER, Sibylle AUER, Bernhard AUGSCHÖLL, Marina BABIC, Stefanie BALLWEBER, Hubert BARBIST, Klaudia BAREŠIC, Heinz BAUMANN, Gerald BEER, Petra BELL, Maximilian BERGHAMMER, Doris BERGMANN, Christian BEVELANDER, Nicole BEVELANDER, Claudia BLIEM, Gerhard BLOEB, Thomas BOCK, Stefan BODNER, Josef BRANDAUER, Eva-Maria BRASCHLER, Christian BRAUNEGGER, Barbara BRIDA, Richard BRUGGER, Birgit BRUNNER, Karl BRUNNER, Valeria BRUNNER, Stephanie BÜCHEL, Taner ÇAKIBEY, Admira CAUSEVIC, Gerhard CRAMER, Carolin CZERMAK, Martin DANLER, Sarah DARNHOFER, Andreas DEGENHART, Agnes DIESER, Roman DEUTSCH, Andreas DIERIGL, Mateo DIMITROV, Luca DÖNZ, Arno DRAXL, Markus DUFTNER, Peter DULLNIG, Peter ECKERT, Christina EDER, Stefan EDER, Inge EGGER, Oliver EGGER, Thomas ELHARDT, Christina ELLER, Elisabeth ELLER, Thomas ELZENBAUMER, Christian ENGL, Elisabeth ENGL, Martin EXENBERGER, Nina FABRIZI, Johannes FALCH, Melanie FARKAS, Daniel FASCHING, Petra FEICHTNER, Katharina FESL, Meinhard FIDLER, Johann FINK, Roland FRIESS, Renate FRINGER, Sonja FRINGER, Thomas FRISCHAUF, Manuela FUNK, Christina GABL, Daniela GABMAIR, Jannis GAMROTH, Jörg GAMROTH, Wilfried GANDER, Manfred GAPP, Roland GASSER, Walter GAUGG, Johannes GEILER, Manuela GEILER, Hermann GIRSTMAYER, Michael GLANZ, Ingrid GLATZL, Michael GOGL, Martin GOREIS, Ursula GRAF, Kerstin GREGORI, Erich GRISSMANN, Thomas GRÖBER, Klaus Michael GROSSGUT, Julia GROTHUES, Manuela GRUBER, Angela GRÜNBACHER, Christian GSCHLIESSE, Bernhard GSTREIN, Christof GURGISSER, Siegmund GUTTERNIG, Roland HAAS, Christa HABERKORN, Michaela HAIDLER, Gabriele HANDL, Johannes HAPP, Martin HAPP, Viktoria HAPP, Barbara HARRASSER, Elisabeth HAUSER, Julia HEEL, Martin HEIDEGGER, Alexander HEISS, Nadine HEISS, Albert HELL, Eric HENSEN, Christopher HENTSCHEL, Christian HIRNER, Erika HOCHSCHWARZER, Notburga HOFBAUER, Christine HOFER, Heinz-Johann HOFER, Martina HOFER, Erwin HÖGER, Gregor HOHENAUER, Petra HÖLZL, Christian HÖRTNAGL, Klaus HÖRTNAGL, Nicole HÖRTNAGL, Astrid HOY, Claudia HUBER, Gerhard HUPFAUF, Helmut HUPFAUF, Elisabeth IGHODARO, Joachim JAMNIG, Christine JANTSCHER, Sabaha JASARAGIC, Alexandra JEITLER, Maria JEITLER, Ivana JELIC, Monika JENEWEIN, Eva JORDAN, Alexander JUEN, Johann JUNGSMANN, Sylvia KAINZ, Daniel KALDINAZZI, Markus KAPFERER, Barbara KAPPACHER, Werner KERBER, Angelika KIRCHMAIR, Lukas KIRCHMAIR, Regina KIRCHMAIR, Jürgen KISS, Sabine KLAPEER, Andreas KLAUNZER, Johannes KLAUNZER, Helene KLIEBER, Karin KLINGENSCHMID, Klaus KLINGENSCHMID, Christian KLOCKER, Michael KLUCKNER, Natalie KLUCKNER, Katarina KNEZEVIC, Sophie KÖCK, Birgit KOFLER, Peter KOFLER, Robin KOFLER, Nebojsa KOSTIC, Bettina KOTESCHOWETZ, Annemarie KRALL, Daniela KRATOCHVIL, Daniela KRIEBER, Sandra KRIEGL, Rosmarie KRISMER, Peter KRITZINGER, Waltraud KRÖLL, Karoline KUEN, Reinhard KUGLER, Sabin KUHN, Wolfgang KUNZ, Sandy KUSS, Julia LACHBERGER, Bernhard LADNER, Stefan LANG, Jasmine LARCH, Brigitte LARCHER, Karin LARCHER, Sandra LARCHER, Dominik LEBEDA, Martin LECHNER, Christina LEIS, Anna LENTNER, Christiane LEUPRECHT, Renate LEZUO, Gottfried LIRK, Nina LÖFFLER, Peter LUSSE, Peter MACHAT, Werner MADARI, Fahrija MAGLIC, Martina MAIACHER, Monika MAIER, Kurt MAIR, Catrin MAIRDOPPLER, Gregor MARGREITER, Norbert MARGREITER, Georg MARKART, Josef MARTINER, Ingrid MASSANI, Markus MASSNER, Michael MATHOI, Marina MAULER, Martin MAURER, Helmut MAYR, Matthias MAYR, Renate MEDINA-HOFER, Carola MIGLAR, Manfred MIGLAR, Daniel MIKULA, Monika MIMM, Markus MOR, Michael



MÜHLBACHER, Corina MÜLLER, Werner MÜLLER, Doris MURR, Romed MÜSSIGANG, Hubert MÜSSIGANG, Senija MUSTAFIC, Patrik MUXEL, Justina NAGILLER, Josef NAGL, Julia NAGL, Katrin NEUNER, Otto NEUNER, Julia NEURAUTER, Gabriele NIEDERHAUSER, Ruth NOCKER-LEDERER, Bernd NÖHRER, Claudia OBENAU, Barbara OBERDANNER, Helmut OBERERLACHER, Frank OBERHAUSER, Birgit OBERHOFER, Stefan OBERHOFER, Georg OBERMÜLLER, Günter OBERZAUCHER, Johannes ÖFNER, Michaela ORTNER, Michaela OSS, Karin OSTERMANN, Monika ÖTTL, Konrad PARDELLER, Roland PARGGER, Christina PARTL, Thomas PATSCH, Christian PENZ, Julia PENZ, Cornelia PERKOUNIGG, Romina PEROTTI, Christian PEZZEI, Daniela PFENNIG, Sabine PFERSCHI, Eva PFITSCHER, Martina PFLEGER, Birgit PFURTSCHELLER, Monika PFURTSCHELLER, David PICHLER, Marcus PICHLER, Paul PICHLER, Eugenio PIGNATTI, Arlette PILS, Andreas PITTL, Verena PITTL, Josef PITTRACHER, Karoline PLANK, Markus PLATTNER, Nicole PLATTNER, Christoph PLONER, Alexandra PLUNGER, Christine POCK, Martin PRANTER, Alexandra PRANTL, Michaela PRESSLABER, Christian PRUGGER, Monika PUCHER, Dietmar PUTSCHNER, Stefan PUTZER, Isa RABL, Angela RAGGL, Elfriede RAINALTER, Sarah RAINER-WIESER, Christiane RECHEIS, Wolfgang REDL, Karoline REIDER, Petra REISTER-WALLNÖFER, Fränk REITER, Christina RHOMBERG, Petra RIEDL, Lorenz RIESER, Brigitte RIETH, Eva RINNER, Gerhard ROSENDORFER, Marion ROSINA, Andreas RUDIGIER, Herbert RUDIGIER, Monika RUDISCH, Helmuth RUECH, Markus RUECH, Bibiane RUETZ, Thomas RUETZ, Stefan RUF, Klaus SAIGER, Patricia SANTA, Thomas SATTLEGGGER, Clemens SAURER, Guido SCALVINI, Ariane SCHAFFERER, Sylvia SCHAMBERGER, Sandra SCHANDL, Hubert SCHENK, Carina SCHENKENFELDER, Magdalena SCHETT, Monika SCHLATTER, Renate SCHLEICH, Markus SCHLENCK, Claudia SCHLITTLER, Hannes SCHMID, Michael SCHMID, Harald SCHMIDER, Armin SCHMUCK, Thomas SCHNEEBERGER, Brigitte SCHNEIDER, Marlies SCHNELL, Daniel SCHNIEDERS, Thomas SCHÖNEGGER, Romed SCHÖPF, Christoph SCHWARZ, Lisa SCHWARZL, Markus SCHWINGHAMMER, Wolfgang SCHWITZER, Hubert SEDLMAYR, Andrea SEEHAUSER, Petra SEELAUS, Christian EISER, Peter SENFTER, Kerstin SIEBENHÜNER, Andrea SIEBERER, Caecilia SILGENER, Alexander SMITH, Senguel SOLAK, Renate SPARBER, Christoph SPÖCK, Armin SPRENGER, Simone SPRENGER-UNGERANK, Rudolf STAFFLER, Carmen STANGLECHNER, Gudrun STAUDACHER-CERNIN, Claudia STEINER, Simone STEINER-GRIESSER, Patrick STEINKELLNER, Julian STEINLECHNER, Michael STEINLECHNER, Elisabeth STEINRINGER, Silvia STOLZ, Patrick STRASSER, Marie-Theres STRELE, Christa STROBL, Inge STROBL, Karin STROBL, Dinka TALETOVIC, Irina TANASA, Barbara TAUTSCHER, Jacqueline THALER, Patrizia THALER, Lukas THEURL, Helmut THEYER, Sandra THÖNY, Sabrina THURNER, Andrea TOLL, Markus TOLLINGER, Gorica TOMIC, Herwig TRAUNER, Christoph TRAUNFELLNER, Simone TRENKWALDER, Dietmar TRIENDL, Othmar TRIENDL, Katrin TROYER-SOCHER, Christina TSCHAPPELLER, Brigitte UNSINN, Margreth UNTERWEGER, Marleen VAN BARMEN 'T LOO, Lara VERANT, Andrea VERDROSS, Olivia VESELY, Benjamin VOGLER, Christine WALLNÖFER, Désirée WALTER, Elisa WANKMÜLLER, Sonja Fernanda WANKMÜLLER, Sabine WASS, Philipp WEBER, Thomas WEIDINGER, Sonja WEITZER, Evelin WENDE-FIDLER, Manuela WENTZ, Ramona WERTH, Daniel WHITE, Daniel WIBMER, Markus WIDMANN, Ulrike WIDMOSER, Johannes WIESER, Urban WINDBICHLER, Caroline WINKLER, Patricia WINKLER, Regina WINKLER, Andrea WITTING, Thomas WÖBER, Maria WOLF, Sara WOLF, Claudia WOTZEL, Hubert WURZER, Maria WURZER, Hannes ZACCHIA, Verena ZACCHIA, Patrick ZANGERL, Susanne ZANGERL, Andrea ZANKL, Elfriede ZECHNER, Petra ZEILLINGER, Aegidius ZETTINIG, Angelika ZIFREIND, Werner ZIMA, Stefan ZIMMER, Gabriele ZIMMERMANN, Renate ZIMMERMANN, Christina ZÖHRER, Sabine ZÖHRER, Patrick ZORN, Melek ZÜNGÜR-KULOGLU, Markus ZWIEFELHOFER, Patricia ZWIEFELHOFER

Management report 2016



Macroeconomic conditions in 2016

Economy picking up

Economic recovery continued in the EU. However, genuine growth momentum remains to be seen. The European Central Bank will continue its bond purchasing programme in 2017 and maintain the negative short-term interest rates for an extended period. US economic data towards the end of the year also pointed towards a strengthening economy, which caused the US central bank to finally raise interest rates for a second time in the current cycle in December. It also held out the prospect of two or three interest rate hikes for 2017. Despite fears, the Chinese economy remained robust in 2016, not least due to government stimulus measures.

Equity markets record solid growth

Following a weak start to the year, equity markets in the USA and many developing countries posted some strong gains at the end of 2016. The mood in the US was almost euphoric following Donald Trump's surprise victory, which pushed all major indices to new all-time highs. By contrast, the equity markets in Japan and Europe were in negative territory for much of the year. Only towards the end of the year did most European stock markets see clear growth. At present, the markets are predominantly watching the US Federal Reserve, the policies of the new US administration and economic development (especially in China and the US). While the monetary policy of central banks and extremely low bond yields were previously the main drivers of equity prices, rising corporate profits are playing an increasingly dominant role. A positive turnaround is emerging in this context in the US and Europe. Europe and Japan seem to be somewhat better positioned for the long term than the US in this respect. Profit margins still have room for improvement here; weaker currencies support and equity valuations are also currently in favour of these two regions. However, uncertainties relating to Brexit continue to be a burden for Europe.

Bonds up and down

Government and corporate bonds recorded increases in value across the globe in 2016, despite the very low interest level at the start of the year. The yields of ten-year German government bonds predominantly slipped into negative territory. There were similar developments for many other European and Japanese government bonds. However, yields rose most recently – following the trend in the US – predominantly based on attractive inflation expectations. Emerging market bonds made strong recoveries from mid February following initial turbulence. Towards the end of the year, however, some prices fell significantly.

Refinancing

Raiffeisen-Landesbank Tirol AG refines itself by way of a diversified funding mix, making use in particular of retail deposits and deposits from Tyrolean Raiffeisen banks. Liabilities to customers increased further in the year under review. Raiffeisen-Landesbank Tirol AG participated in TLTRO II (an ECB long-term tender) in 2016 and drew a further tranche of an EIB global loan. In order to improve its liquidity, the bank continued to collaborate with the Tyrolean Raiffeisen banks in the expansion of the hypothecary coverage funds for the issuance of solid bank bonds. These coverage funds were used in 2016 to successfully place covered bonds and solid registered bonds on an international scale. Sentiment among foreign investors towards Austrian issuers from the banking sector significantly improved in the course of 2016 due to the resolution of the Heta issue.

The Austrian economy: strong growth

The Austrian economy was in a phase of recovery in the year ended, supported by domestic demand. Real GDP growth accelerated to 1.5% in 2016, after four years in a row of less than



1% growth. This growth was predominantly caused by investments in equipment and private consumption, which benefited from the income tax reform that entered into force in January 2016. GDP growth of 1.5% is expected for the current year. Despite strong growth in employment, the unemployment rate is set to increase from 6.1% to 6.3% this year (according to Eurostat). At 0.9%, the HICP inflation rate was only slightly higher in the year ended than the prior year. An increase to 1.5% is expected for 2017. The rise in commodity prices is primarily responsible for this.

The national budget balance temporarily deteriorated to -1.6% in the past year, predominantly due to the effects of the tax reform. Expenses related to refugee migration also increased. The situation is set to improve again in the current year due to the strong economic situation, lower interest payments and the tapering-off of one-off effects (-1.2% for 2017).

Compared to other states, Tyrol remains strong

Tyrol's economy grew some 2% in 2016 in real terms (Austria: some 1.5%). The main driver of this was the robust development in the production sector (particularly the high growth in the Tyrolean export economy), but also the strong performance of the service sector (tourism in particular, but also transport and information and consulting).

The state's stimulus package (the 'Impulspaket') likely also had a positive effect: the programme, with a volume of 135 million euros, made its main impact in 2016 and included in particular investment incentives for micro-entities ('growth offensive') and measures to revive the construction economy (new residential construction). It is to be expected for this year that the relatively high growth rate seen in 2016 will not be maintained and will fall to +1.8% in real terms.

The relatively strong economic growth, combined with the fact that Tyrol is not significantly affected by the influx of workers from Eastern and Central Europe, resulted in a drop in the unemployment rate (according to the Austrian Public Employment Service [AMS]) from 7% in 2015 to 6.4% in 2016.

Tourism in Tyrol: more overnight stays, less investment

2016 was a very pleasing year for Tyrolean tourism. Overnight stays in the first eight months of the year increased on the previous year by 1.7 per cent. Winter tourism was also very pleasing up to New Year, especially in light of the late snowfall. Tyrolean tourism directors are very optimistic. The geopolitical position of Tyrol makes the state a good destination for tourists concerned about safety in particular. Businesses regard the tax and duty situation as an obstacle to growth, in addition to the high energy costs, wage levels and staff availability. In comparison with other industries, Tyrol's tourism businesses feel they are disadvantaged by legislation. In addition to the tax reform, which led to an increase in VAT and new provisions for land transfer tax, other regulations also put businesses to the test, such as the Allergen Information Regulation and protection of non-smokers. Tyrol's tourism businesses are reluctant to make investments. These predominantly serve to maintain the previous standard or to improve quality. Only few plan to expand their operations, however. They state that uncertainties with regard to profitability and unclear future economic development are reasons why they do not make investments.



Review of operations in 2016

2016 was a successful year for Raiffeisen-Landesbank Tirol AG. Despite challenges across the entire banking sector and the continued absence of a dividend from Raiffeisen Zentralbank Österreich AG, it

was possible to increase profit from ordinary activities by 10 per cent on the previous year. This pleasing result was possible predominantly due to strong operating profit and lower risk-related costs.

Balance sheet total in millions of euros

31.12.2010	31.12.2011	31.12.2012	31.12.2013	31.12.2014	31.12.2015	31.12.2016
7,182	7,356	7,070	7,299	7,079	7,423	7,295

Origin of funds and capital structure

	31.12.2016		31.12.2015		Change	
	Millions of euros	Per cent	Millions of euros	Per cent	Millions of euros	Per cent
Liabilities to banks	3,556	48.7%	3,681	49.6%	-125	-3.4%
Current account deposits	1,403	19.2%	1,337	18.0%	66	4.9%
Savings account deposits	471	6.5%	481	6.5%	-10	-2.1%
Liabilities evidenced by paper	1,312	18.0%	1,368	18.4%	-56	-4.1%
Equity	413	5.7%	395	5.3%	18	4.6%
Other liabilities	140	1.9%	161	2.2%	-21	-13.0%
Liabilities	7,295	100.0%	7,423	100.0%	-128	-1.7%

Raiffeisen-Landesbank Tirol AG's balance sheet total as at 31 December 2016 amounted to 7.295 billion euros. In comparison with the end of 2015, this represented a decrease of 128 million euros or 1.7 per cent. On the liabilities side, this reduction was due to a decrease in liabilities to banks, which amounted to 3.556 billion euros as at 31 December 2016 and were therefore 125 million euros or 3.4 per cent lower than in the previous year. Raiffeisen-Landesbank Tirol AG's liabilities to banks were as follows: 2.102 billion euros to Tyrolean Raiffeisen banks and 1.454 billion euros to other banks. Current account deposits increased by 4.9 per cent, or 66 million euros, to 1.403 billion euros. Liabilities evidenced by paper were down by

4.1 per cent or 56 million euros to 1.312 billion euros. Of this, 146 million euros was in securities accounts held by customers of Raiffeisen-Landesbank Tirol AG, 280 million euros in securities accounts held by customers of the Tyrolean Raiffeisen banks and 321 million euros in the Tyrolean Raiffeisen banks' nostro accounts. On the liabilities side, savings account deposits were also down by 2.1 per cent. This represents a decrease of 10 million euros to 471 million euros. Regulatory capital increased by 5.7 per cent in financial year 2016, rising from 395 million euros to 413 million euros. Other liabilities decreased by 27 million euros and totalled 98 million euros. This corresponds to a decrease of 21.6 per cent.

Appropriation of funds and asset structure

	31.12.2016		31.12.2015		Change	
	Millions of euros	Per cent	Millions of euros	Per cent	Millions of euros	Per cent
Receivables from banks	2,785	38.2%	2,786	37.5%	-1	0.0%
Receivables from customers	2,406	33.0%	2,413	32.5%	-7	-0.3%
Securities	1,791	24.6%	1,914	25.8%	-123	-6.4%
Participating interests, including shares in affiliated companies	206	2.8%	207	2.8%	-1	-0.5%
Other assets	107	1.5%	103	1.4%	4	3.9%
Assets	7,295	100.0%	7,423	100.0%	-128	-1.7%



On the assets side, receivables from banks decreased slightly from 2.786 billion euros to 2.785 billion euros. Receivables from customers amounted to 2.406 billion euros in 2016 and thus fell 7 million euros, or 0.3 per cent, as compared to 2015. In addition, securities holdings decreased by 6.4 per cent from

1.914 billion euros to 1.791 billion euros. Investments, including shares in affiliated companies, were down 0.5 per cent and totalled 206 million euros as at 31 December 2016. Other assets increased by 3.9 per cent from 103 million euros to 107 million euros.

As at the end of 2016, receivables from customers broke down as follows:

Raiffeisen-Landesbank Tirol AG 2016 breakdown by sector

	2016	2015	Change	Proportion of total loans
	Thousands of euros	Thousands of euros	Per cent	Per cent
Agriculture, forestry and cooperatives	28,954	25,826	12.1%	1.2%
Traffic *)	25,028	22,307	12.2%	1.0%
Trade	505,587	473,221	6.8%	21.0%
Manufacturing industry	111,710	84,212	32.7%	4.7%
Employed persons, private	464,961	457,357	1.7%	19.3%
Tourism and leisure industry *)	535,700	536,020	-0.1%	22.3%
Public-sector and social insurance	125,080	113,260	10.4%	5.2%
Self-employed persons	94,900	61,773	53.6%	4.0%
Commerce	142,704	158,568	-10.0%	5.9%
Others (residential building associations and other non-banks)	371,101	480,809	-22.8%	15.4%
Total	2,405,725	2,413,353	-0.3%	100.0%

*) The comparative values for 2015 were adjusted owing to a new sector assignment.

Regulatory capital (pursuant to article 25 et seq. of the Capital Requirements Regulation [CRR])

	31.12.2016	31.12.2015	Change	
	Thousands of euros	Thousands of euros	Thousands of euros	Per cent
Subscribed capital	84,950	84,950		
Capital reserves	79,343	79,343		
Revenue reserves	174,286	153,680		
Untaxed reserves	0	5,726		
Other reserves	67,200	67,200		
TIER 1 CAPITAL before deductions	405,779	390,899	14,880	3.8%
Deductions	-477	-192		
TIER 1 CAPITAL	405,302	390,707	14,595	3.7%
Supplementary capital before deductions	36,833	33,245		
Deductions	-1,000	-832		
SUPPLEMENTARY CAPITAL	35,833	32,413	3,420	10.6%
REGULATORY CAPITAL	441,135	423,120	18,015	4.3%



Income statement

	2016	2015	Change	
	Millions of euros	Millions of euros	Millions of euros	Per cent
Net interest income	51.9	50.9	1.0	2.0%
Income from securities and investments	9.0	8.9	0.1	1.1%
Commission income	20.7	22.6	-1.9	-8.4%
Income from financial transactions	2.0	1.6	0.4	25.0%
Other operating income	7.6	10.5	-2.9	-27.6%
OPERATING INCOME	91.2	94.5	-3.3	-3.5%
Personnel costs	-30.5	-31.8	-1.3	-4.1%
Other administrative costs (operating expenses)	-26.4	-25.9	0.5	1.9%
Impairment losses on assets	-2.4	-2.4	0.0	0.0%
Other operating costs	-3.5	-4.1	-0.6	-14.6%
TOTAL OPERATING COSTS	-62.8	-64.2	-1.4	-2.2%
OPERATING PROFIT	28.4	30.3	-1.9	-6.3%
Net expense for impairment losses on receivables	-2,1	-12,4	10,3	-83,1 %
Net expense for impairment losses on securities and investments	-3,6	2,7	-6,3	n.a.
Profit from ordinary business activities	22.7	20.6	2.1	10.2%
Taxes on income	3.3	-2.3	5.6	n/a
Other taxes not posted under previous item	-6.3	-5.9	-0.4	6.8%
NET PROFIT	19.7	12.4	7.3	58.9%
Movements in reserves	-18.0	-10.7	7.3	68.2%
ANNUAL PROFIT	1.7	1.7	0.0	0.0%
Profit carried forward	0.0	0.0	0.0	0.0%
Net income	1.7	1.7	0.0	0.0%

In financial year 2016, operating income decreased by 3.3 per cent from 94.5 million euros to 91.2 million euros. This development is attributable primarily to lower commission income, which decreased by 1.9 million euros compared to the previous year. Net interest income increased by 1 million euros, or 2 per cent, to 51.9 million euros, while income from financial transactions rose by 0.4 million euros, or 25 per cent, to 2.0 million euros. Other operating income fell by 2.9 million euros, or 27.6 per cent, to 7.6 million euros.

Operating costs decreased slightly by 1.4 million euros from 64.2 million euros to 62.8 million euros, corresponding to a reduction of 2.2 per cent. This is due to personnel costs, which decreased by 1.3 million euros or 4.1 per cent from 31.8 million euros to 30.5 million euros. Other administrative costs rose slightly by 0.5 million euros from 25.9 million euros to 26.4 million euros, corresponding to an increase of 1.9 per cent. Impairment losses on assets remained unchanged compared to the previous year at 2.4 million euros. Other operating costs, by contrast, decreased by 14.6 per cent, or 0.6 million euros, to 3.5 million euros.

The net expense from impairment losses on receivables was 10.3 million euros lower than in the previous year. This corresponds to a year-on-year change of 12.4 million to 2.1 million euros. The net expense from impairment losses on securities and investments totalled 3.6 million euros as at the end of the year. The change on the previous year is 6.3 million euros. Profit from ordinary activities increased on 2015 by 2.1 million euros to 22.7 million euros.

Taxes on income decreased in financial year 2016 by 5.2 million euros.

The net profit for the year as at year-end totalled 19.7 million euros, which was 7.3 million euros, or 58.9 per cent, higher than in 2015.

Changes in reserves totalled 18.0 million euros. This represents an increase of 7.3 million euros, or 68.2 per cent.

Profit for the year was 1.7 million euros, as in the previous year.

Bank branches report

As at 31 December 2016 (2015), Raiffeisen-Landesbank Tirol AG was operating 12 (12) bank branches and 6 (10) self-service outlets in the market territory. All in all, the personnel at

Raiffeisen-Landesbank Tirol AG – as in the previous year – looked after the banking needs of around 68,000 customers.



Financial performance indicators

Capital ratio		
31.12.2016	31.12.2015	31.12.2014
15.11%	14.20%	13.49%

Net margin		
31.12.2016	31.12.2015	31.12.2014
0.39%	0.42%	0.59%

Cost-income ratio		
31.12.2016	31.12.2015	31.12.2014
68.89%	67.92%	60.71%

Return on equity		
31.12.2016	31.12.2015	31.12.2014
5.61%	5.29%	7.00%

LCR		NSFR		NPL ratio	
31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
98.76%	97.82%	105.89%	102.79%	5.69%	6.26%

With regard to the return on investment, we refer to the disclosure in the notes pursuant to section 64 (1) line 19 of the BWG.

Non-financial performance indicators

An attractive employer for more than 400 employees

Raiffeisen-Landesbank Tirol AG endeavours to provide a pleasant working environment for its employees. Employer branding for employee acquisition purposes was boosted in 2016, including additions to the presentation of the company on online portals such as XING and kununu. Raiffeisen employees benefit from numerous training courses that allow them to pursue an individual career path at both specialist level and management level. A total of 258 employees participated in training in 2016. The 'Raiffeisen Führungskraft' course (Raiffeisen Manager) was held at the MCI for the fourth time and has, to date, been attended by 22 participants from Raiffeisen-Landesbank Tirol AG and 30 participants from the Tyrolean Raiffeisen banks. Satisfied employees are the best ambassadors of a company. Raiffeisen-Landesbank Tirol AG therefore promotes the reconciliation of work and family life by offering part-time work and allowing employees to work at home. The well-established health programme RLB Vital gives employees the opportunity to choose from a wide range of courses and talks on various health topics. Awards and quality seals, including the family-friendly employer quality seal, the outstanding training organisation in Tyrol quality seal and the workplace health promotion quality seal, demonstrate Raiffeisen-Landesbank Tirol AG's employee- and family-oriented focus.

In financial year 2016 (2015), on a full-time equivalent basis, the bank employed an average of 326.0 (331.7) white-collar staff and 9.5 (9.9) blue-collar staff.

ZukunftCheck prepares banks for future challenges

ZukunftCheck is an analytical tool that enables Tyrolean Raiffeisen banks to plan their successful development. It was implemented for the first time in 2012 and a new version came out in 2015 which almost all Tyrolean Raiffeisen banks were using by spring 2016. As an example, ZukunftCheck examines the future prospects of a region, its economic structure, the composition of the population, etc. Using these facts and figures, each Raiffeisen bank draws up an individual future vision so that it can continue to operate successfully in the future. ZukunftCheck is a tool for banks that enables them to make long-term decisions.

Raiffeisen's impact in Tyrol

The fact that the Tyrolean Raiffeisen banks play an important role in Tyrol as an economic area and a place to live is often highlighted. A joint press conference held by the Tyrolean Raiffeisen banks and Raiffeisen Association Tyrol as part of the Raiffeisen Association Day once again clearly demonstrated how true this statement is, but also the other positive impacts Raiffeisen has in Tyrol. In addition to 71 cooperative banks, a further 86 cooperatives in the non-banking sector make a significant contribution to value creation and sustainable development in the region. The journalists present were able to confirm first-hand that this is the case. Dr Johannes Ortner, chairman of the Raiffeisen Banking Group Tyrol, and Peter Sapl, the new chairman of the Raiffeisen Association Tyrol, took stock and presented their joint plans for the future of the Tyrolean cooperative sector.

Rethinking cooperatives

The Tyrolean Raiffeisen banks are organised as cooperatives. This business model was considered antiquated a few years ago, but is now experiencing a renaissance. The turbulent times on the financial markets in recent years have made the significant advantages of the cooperative model clear: cooperatives weather crises much better than other corporate forms. They encourage regional value creation, are highly innovative and create supply structures where other models reach their economically viable limits. As the leading institution of the Raiffeisen sector in Tyrol, Raiffeisen-Landesbank Tirol AG has a key role in the strategic development of the Raiffeisen core topic of cooperatives. The innovative cooperative department was established at Raiffeisen-Landesbank Tirol AG in 2016. This department should develop new ideas on cooperatives and highlight ways in which the cooperative model can efficiently play to its strengths.

Raiffeisen supports Tyrol

The Tyrolean Raiffeisen banks do not see themselves as just financial service providers. As cooperative banks they support a multitude of projects relating to sport, education, social issues, culture and the environment throughout Tyrol. They are important, long-standing partners to numerous associations and institutions across the state. They spend some five million euros each year on these projects. The largest banking group in the state is therefore also the greatest supporter of all Tyroleans. Raiffei-



sen-Landesbank Tirol AG and the 71 Tyrolean Raiffeisen banks supported 366 sports projects, 143 education projects, 130 social projects and 277 projects relating to culture and the environment in 2016. The supported projects can be seen on the website raiffeisen.foerdert.tirol, which was specifically set up for this purpose.

Agenda-setting role within RBGT

Raiffeisen-Landesbank Tirol AG was established to support the Tyrolean Raiffeisen banks in all matters. The common strategy of the Raiffeisen Banking Group Tyrol forms the basis for the services that Raiffeisen-Landesbank Tirol AG provides to its members. These receive advice locally or centrally, as required. Raiffeisen-Landesbank Tirol AG participates in regional and national bodies to make a positive impact and generate momentum for the successful common future of the Raiffeisen sector.

Risk report

Modern risk management

Raiffeisen-Landesbank Tirol AG attaches great importance to active risk management, which safeguards our long-term success. In keeping with statutory requirements, Raiffeisen-Landesbank Tirol AG has set itself the goal of applying effective methods and suitable systems by means of recording, assessing, limiting, steering, monitoring and reporting the risks in order to guarantee the bank's security and profitability in the interests of our customers and owners. Our experiences during 2016 have confirmed the effectiveness of our risk policies, risk management and their organisation.

Principles of risk policy

Our risk policy principles lay down the central rules of conduct for dealing with risk. They lay the foundation for a unified understanding of the bank's global objectives with regard to risk management.

- The management board and all our employees are committed to the risk policy principles and comply with them in their day-to-day decision-making.
- In the case of non-transparent risk positions or methodological uncertainties, we apply the prudence concept.
- Our risk management is geared towards the goal of ensuring the company's continued existence.
- Careful analysis of the specific risks is essential before introducing new lines of business or products (the product launch process).

Our risk policy principles are laid down by the management board and are regularly reviewed and adjusted as necessary.

Risk management principles

Our risk management is based on the following principles:

- The management board takes overall responsibility for monitoring risk management at Raiffeisen-Landesbank Tirol AG. The risk committee, which is required by law and convened by the super-

Combined property expertise

Raiffeisen Immobilien Tirol GmbH was separated from the existing property company of Raiffeisen-Landesbank Tirol AG on 1 April 2016. It is now the wholly owned subsidiary of Raiffeisen-Landesbank Tirol AG and located in the premises on Adamgasse. This is beneficial in particular to the close cooperation between the Raiffeisen residential team and Raiffeisen financing advisers. Raiffeisen Immobilien Tirol GmbH is naturally also part of the newly created umbrella brand 'Raiffeisen Immobilien', the Austria-wide merger of Raiffeisen property brokers. Customers benefit in particular from a wide range of properties and an overview of the market across Austria. They also receive optimum financing for their projects, as required.

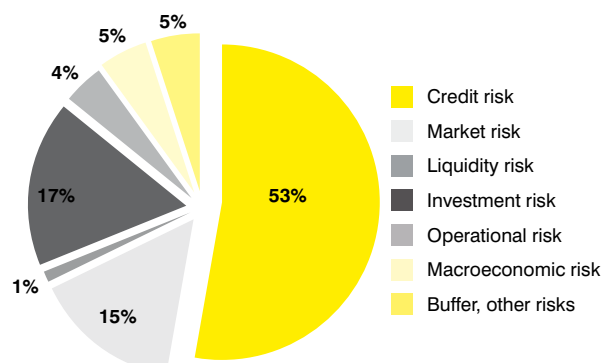
visory board, checks and monitors the risk policy at regular – at least annual – intervals.

- The management of all types of risk, especially credit, market, liquidity, investment, operational, macroeconomic and other risks, is a coordinated process involving all relevant levels within the bank.
- As the central body reporting to the management board, the risk committee issues recommendations concerning risk strategy, including specific strategies in relation to the individual risk categories and the limitation of risk capital in line with our risk-bearing ability and risk capital allocation.

Risk management organisation

The risk management system is organised with a view to avoiding conflicts of interest at both the personal and organisational levels (separation of front- and back-office functions consistently up to management board level). The tasks and organisational processes involved in the measurement, monitoring and reporting of risks are the responsibility of the risk management department and are laid down on the intranet and in the appropriate manuals.

Risk categories as proportions of overall bank risk as at 31.12.2016.





Credit risk

The credit risk is evaluated for both counterparties (private and commercial customers, banks and countries) and concentrations. The country risk and the credit value adjustment risk (CVA risk) are likewise included under the credit risk.

Granting credit and the judicious assumption of risk are among Raiffeisen-Landesbank Tirol AG's core lines of business. Borrowers' risk situations are continuously and two-dimensionally managed – on the one hand by assessing their economic situation using our in-house rating systems, and on the other hand through the evaluation of risk-reducing collateral. In the corresponding calculations, we take the varying risk levels inherent in different credit activities duly into account. In the process, particular attention is devoted to the risks of foreign currency loans and repayment vehicles.

The sales units are supported by the risk management department in the management process through the measurement and monitoring of credit risk and impending macroeconomic risks, and by the credit management department in the operational management of normal and problematic exposures. In the reporting system, various reference date and forecast analyses form an integral part of the risk profile. This helps to guarantee an active across-the-board risk management process.

The various credit-risk-related tasks and organisational processes as well as the credit risk strategy laid down annually by the management board are clearly described on the intranet, in the credit manual and in the product manuals. Furthermore, all employees involved in the execution of transactions are instructed in these tasks and processes, which are also available online. This ensures in every individual case that any risk taken is in compliance with our risk policies and risk strategy. In addition, in keeping with principles of commercial prudence, ample provision is made for all existing risks.

The regulatory capital requirement for the credit risk is ascertained in accordance with the standard approach and the regulatory capital requirement for the CVA risk in accordance with the standard method. In line with supervisory requirements and recommendations, as well as potential operational benefits, Raiffeisen-Landesbank Tirol AG has set itself the goal of continuously developing and improving its risk management processes as well as its risk evaluation and monitoring methods.

Market risk

Market risk is the risk of interest rate, exchange rate, price and spread changes adversely affecting securities, interest and currency positions. Market risk is generated by both bank book and trading book transactions.

Raiffeisen-Landesbank Tirol AG uses a combination of risk measurement parameters to manage market risks and set associated limits. The treasury department manages market risk, systematically compiling all interest-, currency- and price-sensitive positions and controlling them in line with the prevailing market situation. Alongside the credit business, the bank's own account trading constitutes another core line of business.

The risk management department helps the treasury department to control market risks. The measurement and monitoring of market risk and regular reporting are the central tasks in this respect. The dynamic risk-monitoring process involves giving particular emphasis

to the systematic monitoring of derivative strategic and hedging positions. Daily risk and performance analyses and reports ensure that the treasury department provides appropriate steering momentum. In doing so, Raiffeisen-Landesbank Tirol AG uses, in particular, interest rate swaps, cross-currency swaps and interest rate options. For these derivatives, the market values are calculated, the limits are monitored and any necessary control measures are carried out on a daily basis. Derivatives are used predominantly for hedging interest rate risks inherent in purchased bonds, issues or from customer positions (micro-hedge) and for hedging the foreign currency risk. An overview detailing the structure of these transactions can be found in the notes under 'Supplementary details'.

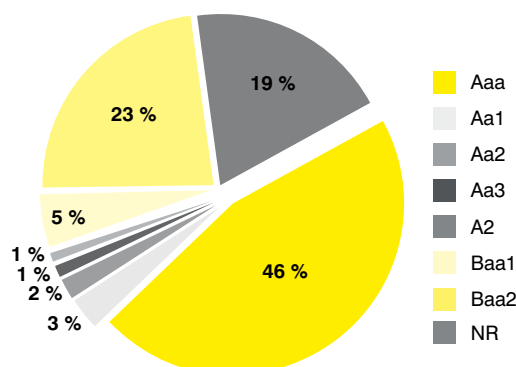
Liquidity risk

At Raiffeisen-Landesbank Tirol AG, we set great store by refinancing with matching maturities. This policy is supported by a key liquidity figures system and associated limits, duly distinguishing in this area between short-term (operational) and long-term (structural) liquidity management as well as liquidity price risk. The unexpected withdrawal of customer deposits is classified as short-term liquidity risk, while increased own refinancing costs as a result of the refinancing structure are classified as a structural liquidity risk or liquidity price risk. The liquidity risks are managed by the treasury department. The liquidity coverage ratio (LCR) – which according to the supervisory authorities must already be complied with – and, looking ahead, the net stable funding ratio (NSFR) are likewise the focus of attention in this respect.

Compliance with limits is monitored by the risk management department. Various liquidity scenarios are used to simulate adequate supplies of short- and long-term liquidity during hypothetical financial squeezes. To reinforce its liquidity, Raiffeisen-Landesbank Tirol AG attaches great importance to factors such as issuance activity and the available refinancable collateral. Additional steering instruments are continuously being developed in furtherance of proactive liquidity steering, something which will increase in importance with the implementation of Basel III.

In order to safeguard the supply of liquidity, an appropriately large bond portfolio with an emphasis on highly liquid securities is maintained.

Rating grades as proportions of the overall bond portfolio as at 31.12.2016





Investment risk

Investment risk is steered by the management board, measured by the risk management department and monitored by the finance department.

An expert approach ensures the appropriate assessment of potential risk.

Operational risk

The management of operational risk is the task of the risk management department. All potential risks that can result from system or process failures, mistakes by employees and external events are analysed and evaluated with a view to devising suitable countermeasures. The processes and systems also include all preparations made to combat money laundering and the financing of terrorism.

The regulatory capital resources needed to combat operational risk are determined using a base indicator approach. The risks are depicted and managed using modern IT systems. This process is backed up by scheduled internal audits and periodic reporting to ensure that operational risk is tackled vigorously.

Risk-bearing capacity

In the process of steering the bank's overall risk, our capacity to cover risk is tallied against all significant risks identified using appropriate methods and systems suitable for this purpose.

The planned annual risk exposure represents the limitation of the aggregated overall bank risk, taking into account not just the risks

actually identified and quantified but also other non-quantifiable risks by putting in place a risk buffer. All risk-relevant information is fed into monthly risk-bearing capacity reports, which are discussed in depth by the risk committee. Various different scenarios are used to determine overall bank risk in order to ensure that sufficient capital would be available for a potential problem case (95.0% confidence level), but also for an improbable extreme case (99.9% confidence level).

The risk of excessive debt, too, is regularly measured and reported using the leverage ratio.

At Raiffeisen-Landesbank Tirol AG, greater attention is given to the credit, market and liquidity risk management processes due to the fact that the focus of the bank's activities is on private and corporate customers and also treasury business. Credit risk, including the macroeconomic risk, is calculated on the basis of default probabilities and loss ratios, while trading book and banking book market risk and liquidity risk are calculated using key sensitivity figures. Aside from market-dependent risks, the overall bank-managing process also involves the calculation of investment risk and operational risk in order to both represent all risks and take into account the ever-growing supervisory requirements.

The risk capacity analysis thus forms the starting point for keeping risky activities down to a reasonable level in order to ensure the trouble-free continuing existence of Raiffeisen-Landesbank Tirol AG while fully exploiting its revenue potential.

The consequences of events that cannot be accounted for adequately or at all using conventional risk assessment methods are identified by conducting scheduled stress tests. This involves defining stress scenarios for each of the principal risk categories and analysing the impact of these exceptional situations on the income statement, our capital adequacy and risk-bearing ability.

Safeguarding deposits

Solidarity association of Raiffeisen Banking Group Tyrol

Together with Raiffeisen-Landesbank Tirol AG, the Raiffeisen banks of Raiffeisen Banking Group Tyrol have set up a solidarity association that takes suitable action to ensure that association members who get into economic difficulties receive the help they need.

Raiffeisen deposit guarantee association

This association of Raiffeisen banks, Raiffeisen regional banks, Raiffeisen Zentralbank Österreich AG and Raiffeisen Bank International AG reciprocally guarantees all customer deposits and also the securities issued by members, irrespective of the amounts involved. The deposit guarantee association has a two-tier structure, with the first tier being at the state level and the second at the federal level. The deposit guarantee association therefore offers customers guarantees that go well beyond those required by law.

Deposit protection arrangements

Directive 2014/49/EU on deposit guarantee systems was implemented in Austria by way of the Deposit Guarantee and Investor Compensation Act (ESAEG). The Act stipulates that every guarantee scheme must set up a deposit guarantee fund. This must be endowed by means of annual prescribed contributions levied from the member banks in the protection scheme up to the legally prescribed amount of at least 0.8% of the member banks' aggregate protected deposits. The protection scheme function at the Raiffeisen Banking Group Austria is performed by Österreichische Raiffeisen-Einlagensicherung eGen (ÖRE).

If statutory deposit protection is to be financed by setting up an ex-ante fund as defined by section 13 of the ESAEG, annual contributions must be made in accordance with section 21 of the ESAEG. The contribution sum, in accordance with section 23 of the ESAEG, is based on the amount of protected deposits and the nature and extent of the risks to which the respective institution is exposed. In addition to this, the protection scheme may levy special contributions up to a maximum amount of 0.5% of the member banks' aggregate protected deposits per calendar year. In excep-



tional cases, this limit can be exceeded if the FMA grants its permission. The amount of the special contribution is determined, in accordance with section 22 of the ESAEG, as the ratio of Raiffeisen-Landesbank Tirol AG's most recently due annual contribution to the aggregate amount of the protection scheme members' most recently due annual contributions. No special contributions were levied in financial year 2016.

In the event of a compensation payout for protected investment services as defined by section 49 of the ESAEG (investor compensation), the individual bank's contribution per financial year is a maximum of 1.5% of the assessment basis in accordance with article 92, paragraph 3, letter a of the CRR, plus 12.5 times the regulatory capital requirements for the position risk in accordance with part 3, title IV, chapter 2 of the CRR.

Directive 2014/59/EU on the determination of a framework for the reconstruction and liquidation of financial institutions and investment companies was implemented in Austria by way of the Federal Act on the Recovery and Resolution of Banks (BaSAG).

If the statutory liquidation financing mechanism is to be financed by setting up an ex-ante fund as defined by section 123 of the BaSAG, regular contributions must be made in accordance with section 125 of the ESAEG. The contribution amounts are, in accordance with section 126 of the BaSAG, based on the ratio of the amount of liabilities, less the bank's protected deposits to the aggregate liabilities, less protected deposits of all institutions licensed in Austria. These contributions must be adjusted in accordance with the respective institution's risk profile. No irrevocable payment

obligations were applied. Over and above this, the liquidation authority may, in accordance with section 127 of the BaSAG, levy exceptional retroactive contributions as required. These contributions are calculated on the basis of the rules used for the ordinary contributions as defined by section 126 of the BaSAG and may not exceed three times the ordinary annual contribution.

Institutional protection schemes

Pursuant to article 49, paragraph 3 and article 113, paragraph 7 of the CRR, Raiffeisen-Landesbank Tirol AG has entered into a federal-level contract with Raiffeisen Zentralbank (RZB), the other Raiffeisen regional banks and other banks in the Raiffeisen Banking Group for the establishment of an institutional protection scheme. A contract with identical content has also been concluded between Raiffeisen-Landesbank Tirol AG and the 71 Tyrolean Raiffeisen banks. Both contracts serve to safeguard adequate liquidity and the solvency of the contracting parties. The liability arrangements in these contracts mean, on the one hand, that the banks party to them do not have to deduct positions in other contracting partners' equity instruments from their own funds (article 49, paragraph 3 of the CRR). In addition, the banks may exclude their exposures vis-à-vis the other parties to the institutional protection scheme when calculating their risk-weighted exposure amounts (article 113, paragraph 7 of the CRR). Both institution-specific protection systems were approved by the financial supervisory authority by means of a notification.

Research and development report

Given the nature of the sector's activities, there are no relevant research and development activities to report.

Report on the key features of the internal control and risk management system in relation to the accounting process

The management board of Raiffeisen-Landesbank Tirol AG applies an effective system of internal controls which ensures that accounting accurately reflects business circumstances. The internal control system for the accounting process is designed to ensure an acceptable degree of certainty and accuracy in the published annual financial statements, in conformity with the statutory provisions of the Austrian Banking Act (BWG), the Austrian Commercial Code (UGB) and the CRR. For this purpose, the supervisory board and management board call on the expertise and professional skills of, in particular, the finance department. The supervisory board of Raiffeisen-Landesbank Tirol AG is responsible for monitoring the effectiveness of the internal control system, while the management board ensures the existence of an appropriate internal control system that has been proven effective for the account-rendering process. Responsibilities for the individual components and process stages in the accounting system are clearly specified and assigned to individual departments. The in-

ternal control system for the account-rendering process has been implemented and is documented in standing instructions. The internal control system is an integral component of the technical and organisational processes, with specified standards such as the process of checks being carried out twice by different people, the verification of data quality and plausibility checks, as well as the linking of risk and compliance and ensuring that adequate controls are implemented and correctly executed in relation to specific risks. In this way, the separation of sensitive activities is backed up by restrictions on the granting of IT access authorisation.

The regular exchange of information relevant to the accounting process within the individual organisational units constitutes one cornerstone of the internal control system. Internal auditing regularly and independently audits compliance with in-house regulations, including in the accounting department. The head of internal auditing reports directly to the management board.



Outlook for 2017

Economy on the up

The forecast for the new financial year is more optimistic than for 2016. The economy is set to pick up, even though it has not performed as poorly since 2014 as is often claimed. Indeed, the economy in Europe and the US has been in sound form for two years. Even Brexit has positive side effects, for example if production sites move from the UK to continental Europe. In comparison with other states, Tyrol places in the upper mid-range for regional economic performance due to its strong export rate. The unemployment rate in the state is also significantly lower than the Austrian average.

Interest rates remain low

There continues to be an abundance of liquidity in Europe and the expansive monetary policy of the European Central Bank has become the norm. This monetary policy is keeping interest rates and therefore also returns low for an extended period. We expect that interest rate levels will remain at zero until the second half of 2018, from which point they will gradually increase. The fact that long-term interest rates have already risen significantly cannot be overlooked, however.

A focus on quality of advice

Building on the re-segmentation of our private and corporate customers implemented in 2016, in 2017 we are focusing on increasing the quality of our advice to differentiate ourselves from competitors. Residential financing and investment transactions are strategically important growth fields for us in this respect in which we want to offer the highest-quality advisory expertise. We are decreasing the burden on our advisers by expanding the RTD internal service unit and increasing our productivity by clearly assigning tasks and making processes efficient, freeing up more time for quality customer meetings.

Corporate customer business remains our core source of income

Tyrol has always been and continues to be a tourism destination. We aim to expand our market dominance in this segment and continue to be the first contact for the various tourism businesses in the region. The industry also plays a crucial role in Tyrolean prosperity and jobs. We would like to strengthen our connections with

the Tyrolean industry in future and see great potential for growth in this segment. Our excellent relationships with Tyrolean SMEs continue to form the basis of our corporate customer business. An improved form of cooperation in syndicate transactions with the Tyrolean Raiffeisen banks should further strengthen this field of business in 2017.

Responsible employees

Motivated employees and respectful interaction with these are the central pillar of our corporate culture. Giving and receiving constructive feedback is one of the most important skills that we are pushing in 2017 and would like to support with suitable training. We support the strategic courses of action of Raiffeisen-Landesbank Tirol AG with organisational learning and ensure the flexibility required to be able to effectively deal with changes. The independent contribution of each individual employee will be sought in the coming year in the form of performance promises. This new type of cooperation will be trialled in the private and commercial customers department and will boost the quality of the management/employee relationship to a new level.

Regional. Digital. Dependable.

A major challenge for 2017 is the process of transition to an omnichannel bank. Our customers live in an increasingly digitised world and expect a broad range of services that make consulting and service provision straightforward and convenient. In addition to the use of modern and innovative consulting solutions, personal contact with our customers continues to be our top priority in this respect. Our core values of closeness, security and trust will be as valid as ever in the future and will continue to be appreciated by our customers.

Expand cooperation within the sector

As a state bank whose founding mission was and still is to support its member banks, we want to actively fulfil our role as an agenda-setter and help Tyrolean Raiffeisen banks to overcome future challenges as best possible. As well as the change process resulting from the 'Digital regional bank' programme, these predominantly include support with the implementation of distribution management 2.0, the introduction of event-based marketing and trialling the new telephone service centre in cooperation with Raif-



feisenlandesbank Oberösterreich AG. A key service is also being rolled out in 2017 in the money laundering and compliance fields. The establishment of a collaborative cooperative opens up opportunities for new committees and bodies and increases our commitment to cooperation within the sector.

Merger of RZB and RBI

The merger of Raiffeisen Zentralbank Österreich AG and Raiffeisen Bank International AG made a significant step towards simplifying structures that brings together international activities under one roof. This merger not only significantly boosts the capital of the new joint bank; it also creates new cooperation opportunities within the Raiffeisen Banking Group Austria.

Shaping the future

We are developing a sustainable future vision for the Raiffeisen Banking Group Tyrol in close cooperation with the Raiffeisen Association Tyrol. Our aim in this process is to make ourselves fit for the future so that we can confidently deal with the great demands placed on us over the next few years. This should make our role as a cooperative organisation even more visible, while our cooperative fundamental values will determine the actions we take for Tyrol. Working with the Tyrolean Raiffeisen banks, this process will allow us to maintain our market leadership and further develop our clear position as the number one in Tyrol.

Innsbruck, 22 February 2017

The management board of Raiffeisen-Landesbank Tirol AG

Dr Johannes Ortner
Management board chairman

Reinhard Mayr
Management board deputy chairman

Thomas Wass
Management board member

Annual financial statements 2016



Balance sheet as at 31 December 2016 – assets

	31.12.2016		31.12.2015	
	In euros	In euros	In thousands of euros	In thousands of euros
1. Cash on hand and cash at central banks and giro banks		17,884,943.83		17,923
2. Public-sector debt securities and bills authorised for refinancing by the central bank				
a) Public-sector debt securities and similar securities	905,800,787.31		1,035,533	
b) Bills authorised for refinancing by central banks	0	905,800,787.31	0	1,035,533
3. Receivables from banks:				
a) Maturing daily	922,782,916.87		1,004,819	
b) Other receivables	1,862,538,983.60	2,785,321,900.47	1,780,917	2,785,736
4. Receivables from customers		2,405,725,401.86		2,413,353
5. Debt securities and other fixed-interest securities:				
a) From public issuers	0		0	
b) From other issuers of which: Company bonds	867,507,404.50	867,507,404.50	861,907	861,907
	0		0	
6. Equities and other variable interest Securities		17,885,946.12		17,059
7. Investments of which: In banks		182,681,043.34		183,449
	181,492,530.23		182,259	
8. shares in affiliated companies of which: In banks		22,890,411.11		23,259
	0		0	
9. Intangible fixed assets		465,021.18		179
10. Property, plant and equipment of which: Real estate and buildings used by the bank as part of its own business activities		37,613,506.74		38,093
	17,011,725.08		18,775	
11. Holdings in a controlling company or one with a majority shareholding of which: Nominal value		0		0
	0		0	
12. Other assets		37,845,435.12		44,712
13. Subscribed capital which has been called in but not yet paid		0		0
14. Deferred income of which: Difference pursuant to section 906, paragraph 33 of the UGB		1,313,371.73		1,621
	0		0	
15. Deferred tax assets		11,898,883.27		0
TOTAL assets		7,294,834,056.58		7,422,824



Balance sheet as at 31 December 2016 – liabilities

	31.12.2016		31.12.2015	
	In euros	In euros	In thousands of euros	In thousands of euros
1. Liabilities to banks				
a) Maturing daily	1,630,900,814.89		1,384,685	
b) With an agreed term or period of notice	1,925,571,659.14	3,556,472,474.03	2,296,219	3,680,904
2. Liabilities to customers				
a) Savings account deposits, of which:	471,245,981.67		480,580	
aa) Maturing daily	0		0	
bb) With an agreed term or period of notice	471,245,981.67		480,580	
b) Other liabilities, of which:	1,402,853,411.30	1,874,099,392.97	1,336,742	1,817,322
aa) Maturing daily	712,072,168.61		685,642	
bb) With an agreed term or period of notice	690,781,242.69		651,100	
3. Liabilities evidenced by paper				
a) Debt securities issued	0		0	
b) Other liabilities evidenced by paper	1,312,469,387.65	1,312,469,387.65	1,368,436	1,368,436
4. Other liabilities		42,225,612.41		68,952
5. Deferred income		6,122,794.96		5,070
of which:				
Reserve for reversals of impairment losses pursuant to section 906, paragraph 32 of the UGB	0		0	
Difference pursuant to section 906, paragraph 34 of the UGB	0		0	
6. Provisions:				
a) Provisions for redundancy payments	8,709,881.89		8,569	
b) Pension provisions	22,944,071.56		23,777	
c) Tax provisions	4,554,000.00		5,040	
d) Other	9,910,367.60	46,118,321.05	11,852	49,238
6.A Fund for general banking risks		0		0
7. Supplementary capital pursuant to part 2, title I, chapter 4 of Regulation (EU) No 575/2013		42,464,500.00		36,119
8. Additional Tier 1 capital pursuant to part 2, title I, chapter 3 of Regulation (EU) No 575/2013		0		0
of which: Mandatory convertible bonds pursuant to section 26a of the BWG		0		0
8.B Instruments with no voting rights pursuant to section 26a of the BWG		0		0
9. Subscribed capital		84,950,000.00		84,950
10. Capital reserves				
a) Allocated	79,342,800.00		79,343	
b) Unallocated	0	79,342,800.00	0	79,343
11. Revenue reserves				
a) Statutory reserve	8,495,000.00		8,495	
b) Reserves required under the articles of association	0.00		0	
c) Other reserves	173,173,614.44	181,668,614.44	155,090	163,585
12. Liability reserve pursuant to section 57, paragraph 5 of the BWG		67,200,000.00		67,200
13. Net income		1,700,159.07		1,705
TOTAL equity and liabilities		7,294,834,056.58		7,422,824



Below-the-line items

		31.12.2016		31.12.2015
		In euros	In thousands of euros	In thousands of euros
ASSETS				
1.	Foreign assets	917,130,376.15		1,031,094
EQUITY AND LIABILITIES:				
1.	Contingent liabilities of which:	190,348,892.98		191,388
	a) Acceptances and endorsement liabilities on negotiated bills	0	0	
	b) Liabilities from guarantees and liability from the furnishing of security	190,249,126.48	191,305	
2.	Credit risks of which:	445,509,839.78		293,699
	Liabilities from pension transactions	0	0	
3.	Liabilities from trust transactions	0		0
4.	Imputable regulatory capital pursuant to part 2 of the Regulation (EU) No 575/2013, of which:	441,134,906.52		423,120
	Supplementary capital pursuant to part 2, title I, chapter 4 of Regulation (EU) No 575/2013	35,832,957.83	32,413	
5.	Regulatory capital requirements pursuant to article 92 of Regulation (EU) No 575/2013, of which:	2,919,350,576.63		2,979,058
	Regulatory capital requirements pursuant to article 92, paragraph 1, letter a of Regulation (EU) No 575/2013 (Common Equity Tier 1 capital ratio in %)	13.88%	13.12%	
	Regulatory capital requirements pursuant to article 92, paragraph 1, letter b of Regulation (EU) No 575/2013 (Tier 1 capital ratio in %)	13.88%	13.12%	
	Regulatory capital requirements pursuant to article 92, paragraph 1, letter c of Regulation (EU) No 575/2013	15.11%	14.20%	
6.	Foreign liabilities	823,195,569.86		1,153,464



Breakdown of the income statement for 2016

		2016		2015
		In euros	In euros	In thousands of euros
1.	Interest and similar income of which:		156,513,999.94	182,357
	From fixed-interest securities	49,399,308.20		54,409
2.	Interest and similar expenses		104,572,502.48	131,472
I. NET INTEREST INCOME		51,941,497.46		50,885
3.	Income from securities and investments			
	a) Income from equities, other equity interests and variable-interest securities	617,803.20		1,101
	b) Income from investments	943,658.79		980
	c) Income from holdings in affiliated companies	7,455,481.11	9,016,943.10	6,824
4.	Commission income		29,479,430.54	31,515
5.	Commission expenses		8,790,833.52	8,885
6.	Profit/loss from financial transactions		2,020,165.72	1,610
7.	Other operating income		7,536,407.48	10,455
II. OPERATING INCOME		91,203,610.78		94,485
8.	General administrative costs			
	a) Personnel costs of which:	30,510,175.73		31,837
	aa) Wages and salaries	21,557,884.63		20,910
	bb) Costs of statutory social security charges, income-dependent charges and compulsory contributions	5,350,664.82		5,453
	cc) Other social security costs	902,099.25		914
	dd) Pension and welfare costs	3,162,255.36		3,324
	ee) Allocation to pension provision	-1,270,414.43		-169
	ff) Costs of redundancy payments and contributions to company employee welfare funds	807,686.10		1,405
	b) Other administrative costs (operating expenses)	26,431,956.61	56,942,132.34	25,883
9.	Impairment losses on assets included in asset items 9 and 10		2,357,993.82	2,382
10.	Other operating costs		3,526,433.77	4,075
III. TOTAL OPERATING COSTS		62,826,559.93		64,177
IV. OPERATING PROFIT		28,377,050.85		30,308



		2016		2015
		In euros	In euros	In thousands of euros
IV.	OPERATING PROFIT – amount carried forward		28,377,050.85	30,308
11./12.	Net expense from impairment losses on accounts receivable and securities valued as current assets and allocations to provisions for contingent liabilities as well as income from the reversal of impairment losses on accounts receivable and securities valued as current assets, and the reversal of provisions for contingent liabilities		-2,122,136.22	-12,419
13./14.	Net expense from impairment losses on securities valued as financial assets as well as investments and income from the reversal of impairment losses on securities valued as financial assets and on investments		-3,582,631.28	2,736
V.	PROFIT FROM ORDINARY ACTIVITIES		22,672,283.35	20,625
15.	Extraordinary income		0	0
	of which: Withdrawals from the fund for general banking risks	0		0
16.	Extraordinary expenses		0	0
	of which: Allocations to the fund for general banking risks	0		0
17.	Extraordinary result (Subtotal from items 15 and 16)		0	0
18.	Taxes on income of which: Deferred taxes	12,531,775.75	3,337,423.32	-2,360
19.	Other taxes not posted under item 18		-6,305,549.66	-5,886
VI.	NET PROFIT FOR THE YEAR		19,704,157.01	12,379
20.	Movements in reserves		-18,010,219.96	-10,678
	of which: Allocation to liability reserve	0		0
	Reversal of liability reserve	0		0
VII.	PROFIT FOR THE YEAR		1,693,937.05	1,701
21.	Profit carried forward		6,222.02	4
VIII.	NET PROFIT		1,700,159.07	1,705



Notes:

Accounting and valuation methods

General principles

These annual financial statements have been prepared in accordance with the provisions of the Austrian Banking Act (Bankwesengesetz – BWG), Regulation (EU) No 575/2013 (CRR – Capital Requirements Regulation) and the Austrian Commercial Code (Unternehmensgesetzbuch – UGB). The annual financial statements were compiled in accordance with generally accepted accounting principles and in compliance with the general requirement to convey, to the maximum extent possible, a true and fair view of the company's assets, financial position and earnings. The annual financial statements were drawn up in compliance with the principle of completeness.

When valuing individual assets and debts, we complied with the principle of individual valuation and acted on the assumption of the company's continued existence.

We applied the prudence concept in that only those profits realised by the balance sheet date are reported. All discernible risks and impending losses were taken into account.

Currency conversion

Pursuant to section 58, paragraph 1 of the BWG, amounts in foreign currencies are converted at the ECB reference rates or, if these are not published, at the mean currency exchange rate (RZB fixing).

Pursuant to section 58, paragraph 2 of the BWG, forward transactions are converted at the forward rate on the balance sheet date.

Securities

Fixed-interest securities held as fixed assets are valued either according to the diluted lower-value principle or pursuant to section 56, paragraph 2 of the BWG. Other securities held as fixed assets are valued according to the strict lower-value principle.

Securities forming the cover fund for trust fund monies are fixed assets and, pursuant to section 2, paragraph 3 of the Austrian Regulation on the protection of money held in trust (Mündelsicherheitsverordnung), are valued according to the strict lower-value principle.

Pursuant to section 207 of the UGB, securities held for trading and in the current assets are valued according to the strict lower-value principle. Current asset securities procured to cover company issues are posted at market value. Securities issued by the company and held as current assets are reported at their redemption values. Impairment losses were reversed in the amount of 72,938 euros in accordance with section 208 of the UGB.

Stock market prices or trading participants' quotes observed on the market are used to value securities.

The following indicators are suggestive of an inactive market: significant decline in trading volume or trading activities; available stock market prices and market prices vary considerably over time or between market participants; stock market prices or market prices are not up to date; a significant increase in bid/ask spreads. However, taken in isolation, these indicators do not necessarily mean that a market is inactive.

Securities for which there are indicators of an inactive market in the

opinion of Raiffeisen-Landesbank Tirol AG were reviewed individually to assess the nostro securities portfolio of Raiffeisen-Landesbank Tirol AG in accordance with the criterion of an 'inactive market'. If no suitable market quotes are available, the price is determined using internal valuation models, with mark-ups/deductions for creditworthiness, tradeability and issue terms.

Loans, contingent liabilities and credit risks

Individual impairment allowances or provisions were formed to cover all discernible credit risks. As in the previous year, this was done only in the event of a default. In the case of non-defaulted receivables from customers, we availed ourselves of the option of applying a portfolio impairment and an additional reserve in line with the discretion allowed under section 57, paragraph 1 of the BWG for item 4, 'Receivables from customers'. Drawdown charges are recognised in the income statement in the year in which the credit is granted.

A portfolio value adjustment is made for credit ratings between 0.0 and 5.0. The rates correspond to the valid expected loss (EL) rates of Raiffeisen-Landesbank Tirol AG. The value adjustment is to be reported separately for loans and guarantees. Risk is reduced by 50% for unused credit lines and guarantees. A portfolio value adjustment is also made for receivables from banks. The rates to be applied correspond to the valid expected loss (EL) rates in the ÖRE early detection guide.

Investments

Investments are valued at their costs of acquisition. Unscheduled depreciation is applied if, due to sustained losses, reduced equity and/or reduced earning power, a loss of value has occurred that is expected to be permanent.

Property, plant and equipment and intangible fixed assets

Pursuant to section 55, paragraph 1 of the BWG in conjunction with section 204 of the UGB, property, plant and equipment are valued at their costs of acquisition or manufacture less scheduled depreciation.

Additions made during the first half of the financial year are subject to the full annual depreciation rate, and additions during the second half year to half of that rate.

Low-value assets are written off fully in their respective year of acquisition. The useful life on which the scheduled depreciation is based ranges from five to 67 years in the case of immobile assets and three to 20 years in the case of mobile assets. Non-scheduled depreciation is undertaken in the event of probable long-term losses of value.

Cost of company issues

Issue costs and premium or discount are distributed evenly over the term of the debt.



Pension provision

The provision for pensions is formed using recognised actuarial principles in accordance with the provisions of section 198 and section 211 of the UGB, as amended by the Austrian Financial Reporting (Amendments) Act 2014 (RÄG 2014), in consideration of AFRAC opinion 27 'Provisions for pension, severance, service anniversary bonus and comparable long-term obligations pursuant to the provisions of the Austrian Commercial Code' dated June 2016, applying the entry age normal method and using the Pagler & Pagler mortality tables (AVÖ 2008).

The five-year average interest rate as at 30 September 2016 with a remaining term of nine years in the amount of 2.22% is used as the actuarial interest rate. Annual increases in the relevant calculation bases in the qualifying period are set at 2% and 1.3% for ongoing benefits. The calculation was performed using an actuarial interest rate of 1% in the previous year. No staff turnover deduction is made.

Provisions for redundancy payments and similar obligations

Provisions for redundancy payment obligations and the obligation to pay service anniversary bonuses as at the balance sheet date have been calculated according to principles of mathematical finance in accordance with the provisions of section 198 and section 211 of the UGB, as amended by the Austrian Financial Reporting (Amendments) Act 2014 (RÄG 2014), in consideration of AFRAC opinion 27 'Provisions for pension, severance, service anniversary bonus and comparable long-term obligations pursuant to the provisions of the Austrian Commercial Code' dated June 2016, and in consideration of the individual statutory retirement age. The ten-year average interest rate as at 30 September 2016 with a remaining term of ten years in the amount of 3.74% is used as the actuarial interest rate. Annual increases in the relevant calculation bases are set at 1.3% and increases under collective wage agreements at 1.4%. The calculation was performed using an actuarial interest rate of 1% in the previous year.

Other provisions

Applying the prudence principle, the other provisions take into account all discernible risks at the time of preparing these state-

ments, as well as all probable or certain liabilities of uncertain proportions, for the purpose of setting aside the amounts that are necessary in our reasonable commercial judgement.

Liabilities

Liabilities are recognised at the higher of their nominal value or redemption value.

Change to the format of the balance sheet and income statement

Deferred taxes were reported in the balance sheet for the first time owing to RÄG 2014 (BGBl. 2015/22). Untaxed reserves were re-posted to retained income in consideration of deferred taxes.

Deferred taxes

Deferred taxes are calculated on temporary differences that result from a comparison between carrying amounts in financial statements and carrying amounts for tax purposes and are eliminated in subsequent periods. Deferred tax assets and deferred tax liabilities are offset. Deferred taxes are calculated at the applicable tax rate of 25%. The capitalisable amount pursuant to section 198, paragraph 10 of the UGB was 9,502,542 euros in the previous year.

Reference to the disclosure media pursuant to article 434 of the CRR

Pursuant to section 434 of the BWG, banks are required to disclose information about their organisational structure, risk management and risk capital situation at least once a year. This information is published on the Raiffeisen-Landesbank Tirol AG website (www.rlb-tirol.at).

Notes to the balance sheet

Breakdown of maturity dates

The maturity dates of receivables from banks not maturing daily break down as follows:

Remaining term	31.12.2016	Previous year
	In euros	In thousands of euros
Up to 3 months	243,499,468	280,255
3 months to 1 year	539,190,469	565,045
1 year to 5 years	854,564,706	727,973
5 years or more	225,284,341	207,644



The maturity dates of receivables from non-banks not maturing daily are classified as follows:

Remaining term	31.12.2016	Previous year
	In euros	In thousands of euros
Up to 3 months	97,404,467	117,523
3 months to 1 year	418,395,992	455,205
1 year to 5 years	773,421,749	738,983
5 years or more	1,059,815,924	1,014,032

The maturity dates of payables to banks not maturing daily are classified as follows:

Remaining term	31.12.2016	Previous year
	In euros	In thousands of euros
Up to 3 months	468,440,556	940,464
3 months to 1 year	199,511,603	379,522
1 year to 5 years	684,082,000	460,345
5 years or more	573,537,500	515,887

The maturity dates of payables from non-banks not maturing daily are classified as follows:

Remaining term	31.12.2016	Previous year
	In euros	In thousands of euros
Up to 3 months	323,608,278	265,939
3 months to 1 year	320,358,822	329,441
1 year to 5 years	195,264,505	249,582
5 years or more	322,795,621	286,525

In 2017, debt securities and other fixed-interest securities held beneficially in the amount of 163,615,706 euros (previous year: 111,707 euros) are going to mature.

Securities

The securities admitted for trading (see asset items 5 and 6) are classified as listed and unlisted as follows:

Description	Listed	Unlisted
	In euros	In euros
Debt securities and other fixed-interest securities	858,664,145	0
Previous year (in thousands of euros)	(850,514)	(0)
Equities and other variable-interest securities	1,994,760	15,880,634
Previous year (in thousands of euros)	(1,977)	(15,070)

The securities admitted for trading (see asset items 5 and 6) are classified according to the nature of their valuation as follows:

Description	Valued as fixed assets	Not valued as fixed assets
	In euros	In euros
Debt securities and other fixed-interest Securities	853,873,629	4,770,516
Previous year (in thousands of euros)	(845,464)	(5,050)
Equities and other variable-interest securities	1,994,760	0
Previous year (in thousands of euros)	(1,977)	(0)

The listed securities are held for long-term investment purposes. The securities not valued as fixed assets are procured for securities-trading purposes. Raiffeisen-Landesbank Tirol AG keeps

a small securities trading book. As at the balance sheet date, the book value of the trading book positions amounted to 0 euros (previous year: 17,000 euros).

**Fixed assets**

The base value of the real estate included in asset item 10 amounts to 12,386,197 euros (previous year: 12,673,000 euros).

See appendix 1 in relation to the composition and development of fixed assets.

Other assets

Other assets include accrued interest income totalling 20,739,048 euros (2013: 26,293,000 euros) that will produce cash inflows after the balance sheet date, as well as trust receivables due from Österreichische Raiffeisen-Einlagensicherung eGen and Raiffei-

sen-Einlagensicherung Tirol eGen in the amount of 7,083,239 euros (previous year: 4,019,000 euros) deriving from the establishment of an institution-specific protection system at federal and/or state level.

Deferred tax assets

The tax deferral for deferred tax assets results from differences in:

- Social capital reserves
- Fixed provisions
- Undervaluations pursuant to section 57 of the BWG
- Individual impairment losses not recognised for tax purposes
- The distribution of depreciation of investments in legal entities

The tax deferral for deferred tax liabilities results from differences in:

- Property, plant and equipment in connection with the reversal of untaxed reserves
- Investments

The deferred tax assets are greater than the deferred tax liabilities, which gives rise to tax relief.

Share capital

The share capital amounts to 84,950,000 euros (previous year: 84,950,000 euros) and is composed of 84,950 (previous year:

84,950) ordinary shares with a notional value of 1,000 euros each.

Supplementary capital

The following subordinated loans as defined by section 64, paragraph 1, line 5 of the BWG existed in financial year 2016:

Description	Amount (in euros)	Interest rate	Maturity
RLB Tyrol regulatory capital – bond ISIN: AT0000A0G009	10,376,500	5.100%	17.12.2019
RLB Tyrol regulatory capital – floater ISIN: AT0000A0G017	3,445,000	1.434% variable	17.12.2019
Raiffeisen Tyrol Subordinated bond ISIN: AT0000A143L7	10,000,000	3.000%	18.12.2023
Raiffeisen Tyrol Subordinated bond ISIN: AT0000A193Q1	12,298,000	2.500%	01.09.2024
Raiffeisen Tyrol Subordinated bond ISIN: AT0000A1HN26	4,015,000	5.000%	25.01.2026
Raiffeisen Tyrol Subordinated bond ISIN: AT0000A1LKJ5	2,330,000	5.000%	12.07.2026

These bonds constitute supplementary capital in accordance with article 63 of the CRR. Redemption is permitted prior to liquidation

only if the net losses incurred during the term are deducted pro rata. These bonds are subordinated.

List pursuant to section 64, paragraph 1, line 8 of the BWG concerning the assets pledged as security

The following assets serve as cover stock for trust funds taken in the amount of 6,093,776 euros (previous year: 5,496,000 euros) within the meaning of section 66 of the BWG and section 2, paragraph 1 of the regulation on the protection of money held in trust:

	31.12.2016	Previous year
	In euros	In thousands of euros
Variable-income gilt-edged asset classes	7,584,000	7,584



Schedule for the consolidation of Tier 1 capital and supplementary capital (section 64, paragraph 1, line 16 of the BWG)

Regulatory capital	31.12.2016	31.12.2015
	In euros	In thousands of euros
Subscribed capital	84,950,000	84,950
Capital reserves	79,342,800	79,343
Revenue reserves	174,286,028	153,680
Untaxed reserves	0	5,726
Other reserves	67,200,000	67,200
Tier 1 capital before deductions	405,778,828	390,899
Deductions	-476,879	-192
TIER 1 CAPITAL	405,301,949	390,707
Supplementary capital before deductions	36,832,958	33,245
Deductions	-1,000,000	-832
SUPPLEMENTARY CAPITAL	35,832,958	32,413
REGULATORY CAPITAL	441,134,907	423,120

Capital ratios	2016 Ratio	2016 In euros	2015 Ratio	2015 In thousands of euros
Common Equity Tier 1 capital	13.88%	405,301,949	13.12%	390,707
Minimum requirement Common Equity Tier 1 capital	4.50%	131,370,776	4.50%	134,058
Common Equity Tier 1 capital surplus		273,931,173		256,649
Tier 1 capital	13.88%	405,301,949	13.12%	390,707
Minimum requirement Tier 1 capital	6.00%	175,161,035	6.00%	178,743
Tier 1 capital surplus		230,140,914		211,964
Total capital	15.11%	441,134,907	14.20%	423,120
Minimum requirement total capital	8.00%	233,548,047	8.00%	238,325
Total capital surplus		207,586,860		184,795

Provisions and other liabilities

Other provisions (EQUITY AND LIABILITIES, item 6d) include the following main items:

Provision for	31.12.2016	Previous year
	In euros	In thousands of euros
Anniversary bonuses	2,323,549	1,217
Open interest rate swaps	1,860,000	2,320
Individual impairment losses on contingent liabilities	1,419,097	2,072
Portfolio value adjustment for contingent liabilities	1,040,000	0

Other liabilities additionally include expenses arising from interest accruals in the amount of 26,768,768 euros (previous year: 30,840,000 euros) and foreign currency measurements of derivatives in the amount of 3,563,463 euros (previous year: 18,970,000 euros) that will produce cash inflows after the balance sheet date.



As of the balance sheet date, fixed-interest and variable-interest securities amounting to 216,170,804 euros (previous year: 793,183,000 euros) and receivables totalling 1,113,321,571 euros (previous year: 1,071,381,000) were furnished as security for obligations from the following transactions:

	31.12.2016	Previous year
	In euros	In thousands of euros
Solid bank bonds with hypothecary coverage fund	627,174,000	295,174
ECB fixed-rate tenders	525,000,000	270,000
Pension transactions (repo)	149,932,222	750,000
Solid bank bonds with Raiffeisen public financing	50,580,000	45,240
EIB refinancing arrangements	47,195,916	48,459
Export fund loans	46,192,224	46,582
GSA cash supply	11,820,808	10,765
Raiffeisen public finance	8,996,818	10,125
Eurex margin and funds	5,139,452	7,694

Supplementary details

The balance sheet includes the following foreign currency amounts converted into euros:

Assets	Previous year	Liabilities	Previous year
In euros	In thousands of euros	In euros	In thousands of euros
687,096,513	847,009	150,263,075	112,796

The following subordinated assets are included in the balance sheet:

	31.12.2016	Previous year
	In euros	In thousands of euros
Receivables from banks	580,764	161
Receivables from customers	1,506,940	0
Equities and other variable-interest securities	2,075,312	2,047

As of the balance sheet date, we held the following derivative financial instruments (in thousands of euros):

Category and type	Banking book	Remaining terms of nominal values			Market value, positive	Market value, negative
		Up to 1 year	1 to 5 years	>5years		
Interest rate derivatives						
Interest rate swaps	4,472,269	549,652	1,691,748	2,230,869	121,659	307,532
Previous year	(4,478,982)	(614,591)	(1,479,044)	(2,385,347)	(121,109)	(298,037)
Interest rate futures – sale	0	0	0	0	0	0
Previous year	0	0	0	0	0	0
Interest rate options – purchase	218,752	6,313	152,050	60,389	5,911	909
Previous year	(229,279)	(8,147)	(141,263)	(79,869)	(6,730)	(485)
Interest rate options – sale	243,064	30,713	165,268	47,083	1,116	6,918
Previous year	(257,900)	(8,147)	(178,615)	(71,138)	(705)	(7,829)
Exchange rate derivatives						
Currency futures	0	0	0	0	0	0
Previous year	(464)	(464)	(0)	(0)	(8)	(11)
Currency and interest rate swaps	0	0	343,479	211,607	0	0
Previous year	(826,971)	(211,221)	(329,622)	(286,128)	(6,000)	(17,811)



Raiffeisen-Landesbank Tirol AG has no derivative financial instruments in its trading book.

Derivative financial instruments are recognised at their fair values, with 'fair value' meaning the value of an item on a specified date. For derivatives, the value is determined on the basis of the fair market value, which is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. If quoted prices on active markets are available, these are used for valuation purposes. In the case of financial instruments with no stock market price, we use internal measurement models applying current market parameters, in particular the cash value method and the option price model.

Raiffeisen-Landesbank Tirol AG uses derivatives to hedge both market risks (in particular interest risks and fair-value hedge interest rate risk) and the interest result for certain financial assets, liabilities and executory contracts. The underlying transactions are holdings of RLB's own securities, issues and promissory notes, registered bonds, term deposits at banks, customer deposits, customer borrowings and derivatives. The hedging transactions are interest rate swaps, forward rate agreements and interest rate options.

In the financial year 2016, payments arising from close-out netting agreements were posted in the amount of 2,988,082 euros (previous year: 387,000 euros) and offset against the expenses and income resulting from the underlying transaction.

The aim of these activities is to reduce income volatility. Derivative transactions not offset by proven hedging mechanisms should be valued by application of the imparity principle. A proven micro-hedging relationship allows the simultaneous recognition of counteracting effects in the underlying transaction.

The effectiveness of the various hedging interrelationships is measured chiefly by demonstrating the counteraction of key parameters of the underlying and hedging transactions. This critical term match constitutes evidence of effectiveness both prospectively and retrospectively. For the remaining exposures, this is done by matching the basis point values. By effectiveness in this context we mean the relationship between the change as a result of hedging the underlying transaction in the cash value (of that underlying transaction) and the change in the cash value of the derivative used for hedging purposes. Raiffeisen-Landesbank Tirol AG recognises hedging relationships as such only if they are likely to become effective during their entire term.

Hedge derivatives	Fair value	Negative market value
	In euros	In euros
Cap floor	-800,774	-7,827,061
Previous year (in thousands of euros)	(-878)	(-8,314)
Swaps	-180,383,812	-282,695,492
Previous year (in thousands of euros)	(-175,435)	(-270,051)
Total	-181,184,586	-290,522,553
Previous year (in thousands of euros)	(-176,313)	(-278,365)

A provision totalling 1,860,000 euros for open interest rate swaps was formed in the financial year under review (previous year: 2,320,000 euros).

Notes to the income statement

Costs of subordinated liabilities

During the year under review, payments for subordinated liabilities totalling 1,785,832 euros were made (previous year: 1,541,000 euros).

Other operating income

The other operating income posted in the income statement as item 7 breaks down into the following principle items:

Description of item	2016	Previous year
	In euros	In thousands of euros
Income from banking activities	2,938,000	3,042
Rental income	960,370	1,244
Refunding of personnel costs	594,661	1,010

Other operating costs

Other operating costs include contributions for the resolution fund totalling 1,778,051 euros (previous year: 2,039 euros).



Additional information

Employee details

In the financial year 2016 (2015), the bank employed an average of 326.0 (331.7) white-collar staff and 9.5 (9.9) blue-collar staff.

Advances and loans to, as well as contingent claims on, members of the management board and supervisory board

The advances and loans to as well as contingent claims on members of the management board and supervisory board break down as follows:

Management bodies	2016	Previous year
	In euros	In thousands of euros
Management board	62,006	0
Supervisory board	318,622	332

The loans to members of the management board and supervisory board were granted on normal industry terms and conditions. During the present financial year, 29,000 euros were repaid (previous year: 109,000 euros).

Redundancy payments and pension costs

The sums paid to management board members, senior executives and other employees in 2016 for redundancy payments and pensions break down as follows:

Group	2016	Previous year
	In euros	In thousands of euros
Management board and senior executives	833,386	2,176
Other employees	1,963,002	3,649

Costs of overall remuneration for the management board and supervisory board

The sums paid in the financial year 2016 to members of the management board and supervisory board break down as follows:

Management bodies	2016	Previous year
	In euros	In thousands of euros
Supervisory board	208,400	212
Management board	1,234,996	927
Former members of the management board/managers	1,119,746	425

Disclosures pursuant to section 64 (1), line 19 of the BWG

	2016	Previous year
Return on investment pursuant to section 64 (1), line 19 of the BWG	0.27%	0.17%

Authorised capital

In accordance with section 169 of the Austrian Stock Corporation Act (AktG), the management board is authorised, with the supervisory board's consent, to increase the company's share capital within five years after the entry of the corresponding change to the articles of association in the commercial register by up to

27,450,000 euros (previous year: 15,000,000 euros) by issuing up to 27,450 new registered shares (previous year: 15,000), in several tranches if required, against a contribution in cash while safeguarding shareholders' subscription rights and to set the issue price and detailed terms of issue.



Events after the reporting date

At the general meeting on 24 January 2017, the shareholders of Raiffeisen Bank International AG resolved on the merger by way of absorption of Raiffeisen Zentralbank Österreich Aktiengesellschaft with retroactive effect as at 30 June 2016. The corresponding resolution was passed in the general meeting of Raiffeisen Zentralbank Österreich Aktiengesellschaft on 23 January 2017. All rights and

obligations, especially the function as central institution and membership of the federal institutional protection scheme (federal IPS), are thereby transferred to Raiffeisen Bank International AG. There are no business cases or other transactions that would be of special public interest or have a significant impact on the 2016 financial statements.

Management board's proposed profit appropriation pursuant to section 96 of the Austrian stock corporations act (AktG)

The net income for the 2016 financial year came to 1,700,159.07 euros. The management board proposes distributing a dividend for the 2016 financial year of 20.00 euros for each share of the eli-

gible share capital of 84,950,000.00 euros, divided into 84,950 registered shares, and carrying forward the remainder of the profit to new account.

Members of the management board and supervisory board

During the financial year 2016, the following persons served as members of the management board and the supervisory board:

a) Management board: ORTNER, Dr Johannes, management board chairman (from 01.04.2016)
MAYR, Reinhard, management board chairman (between 01.01.2016 and 31.03.2016)
WASS Thomas, management board deputy chairman (from 01.04.2016)
management board member (from 01.01.2016)

b) Supervisory board: MISSLINGER, Dr Michael, supervisory board chairman
BACHLER, Peter-Roman, supervisory board deputy chairman
GOMIG, Johannes, deputy chairman
BLASSNIG, Berthold, supervisory board member
CHODAKOWSY, Josef, supervisory board member
ENTNER, Martina, supervisory board member (since 19.07.2016)
HOTTER, Stefan, supervisory board member
LEITNER, Martina, supervisory board member
LORENZ, Martin, supervisory board member
MANTL, Andreas, supervisory board member
PLANK, Erich, supervisory board member
REINSTADLER, Gallus, supervisory board member
THALER, Johann, supervisory board member

Delegates of the works council:

BERGMANN, Doris
GANDER, Wilfried
HOFER, Heinz
KUNZ, Dr Wolfgang
PUTSCHNER, Dietmar
SAIGER, Klaus
SCHLITTLER, Claudia

c) State commissioners: MANHARD, Dr Michael, state councillor
UMLAUF, Andreas, senior civil servant



Statement of fixed asset movements 2016

Costs of acquisition and manufacture						
Asset items	As at 01.01.2016	Accruals	Of which: Interest	Disposals	Reclassifi- cations	As at 31.12.2016
	In euros	In euros	In euros	In euros	In euros	In euros
2. a) Public-sector debt securities and similar securities	1,022,136,655	32,698,194	0	158,163,676	0	896,671,173
3. Receivables from banks	102,443,750	164,950,000	0	25,000,000	0	242,393,750
4. Receivables from customers	1,100,000	700,000	0	0	0	1,800,000
5. Debt securities and other fixed-interest securities						
a) Public-sector issuers	0	0	0	0	0	0
b) Other issuers	847,703,632	135,155,358	0	125,788,650	0	857,070,340
of which: own debt securities	0	0	0	0	0	0
6. Equities and other variable-interest securities	16,995,147	810,694	0	447	0	17,805,394
7. Investments	185,836,961	2,284,510	0	1,917	0	188,119,554
of which: in the bank	183,628,616	2,284,510	0	0	75	185,913,051
8. shares in affiliated companies	23,258,581	36,336	0	404,506	0	22,890,411
of which: in the bank	0	0	0	0	0	0
9. Intangible fixed assets	9,289,723	418,050	0	0	0	9,707,773
10. Property, plant and equipment	102,888,491	3,232,514	0	5,175,883	0	100,945,122
of which: Real estate and buildings used by the bank for its business activities	42,999,567	0	0	1,612,923	1,550,495	39,836,149
Total	2,311,652,940	340,285,656	0	314,535,079	0	2,337,403,517



Cumulative depreciation							
As at 01.01.2016	Deprecia- tion in account- ing year	Revalua- tions	Reclassifi- cations	Disposals	As at 31.12.2016	Book value 31.12.2015	Book value 31.12.2016
In euros	In euros	In euros	In euros	In euros	In euros	In euros	In euros
6,358,143	2,873,049	0	0	0	9,231,192	1,015,778,512	887,439,981
0	0	0	0	0	0	102,443,750	242,393,750
0	0	0	0	0	0	1,100,000	1,800,000
	0	0	0	0	0	0	0
2,239,145	957,565	0	0	0	3,196,710	845,464,487	853,873,630
	0	0	0	0	0	0	0
17,320	0	17,320	0	0	0	16,977,827	17,805,394
2,387,999	3,050,512	0	0	0	5,438,511	183,448,962	182,681,043
1,370,009	3,050,512	0	0	0	4,420,521	182,258,606	181,492,530
0	0	0	0	0	0	23,258,581	22,890,411
0	0	0	0	0	0	0	0
9,110,262	132,490	0	0	0	9,242,752	179,461	465,021
64,795,620	2,225,504	0	0	3,689,509	63,331,615	38,092,872	37,613,507
24,224,432	856,275	0	0	2,256,283	22,824,424	18,775,135	17,011,725
84,908,489	9,239,120	17,320	0	3,689,509	90,440,780	2,226,744,452	2,246,962,737



Audit certificate

Report on the annual financial statements

Audit opinion

I audited the annual financial statements of

Raiffeisen-Landesbank Tirol AG
Innsbruck,

comprising the balance sheet as at 31 December 2016, the income statement for the financial year ending on that date and the notes.

In my opinion, the enclosed annual financial statements comply with the legal requirements and, to the maximum extent possible, give a true and fair view of the company's assets and financial position as at 31 December 2016 and the company's earnings for the financial year ending on that date in accordance with the provisions of Austrian corporate and banking law.

Basis of the audit opinion

I conducted the audit in accordance with the Austrian generally accepted principles for the audit of financial statements. These principles require the application of the International Standards on Auditing (ISA). My responsibilities in accordance with these provisions and standards are described in more detail in the section 'Auditor's responsibilities in the audit of the annual financial statements' of this auditor's report. I am independent of the company in compliance with the provisions of Austrian corporate and professional law and have fulfilled my other professional obligations in compliance with these requirements. I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my audit opinion.

Particularly important audit issues

Particularly important audit issues are those issues that were the most significant for my audit of the annual financial statements after a due assessment of the circumstances. These issues were taken into account in the context of my audit of the annual financial statements and the formation of my audit opinion. I do not issue a separate audit opinion on these issues. Four such issues were identified during the audit and are described in the following:

1. Valuation of receivables from customers

Issue and risk for the annual financial statements

Loan receivables from non-banks are reported under the balance sheet item 'Receivables from customers' in the annual financial statements of RLB Tirol AG as at 31 December 2016 in the amount of 2,405,725,000 euros in consideration of risk provisions.

Receivables from customers are subject to a credit assessment throughout their entire term that provides for individual impairment allowances and also a portfolio impairment allowance at portfolio level depending on the rating classification. Internal valuation guidelines and policies have been drawn up at RLB Tirol AG on the recognition of securities. The bank reviews in the context of loan monitoring whether there is a default event and whether individual impairment allowances should therefore be made. This also includes an assessment as to whether customers can provide the contractually agreed return funds in full without realising securities.

At RLB Tirol AG, individual impairment allowances are deter-

mined for all defaulted receivables from customers based on internal valuation guidelines.

Impairment allowances for non-defaulted customers (portfolio impairment allowance) are determined based on valuation models. These models include parameters underpinning statistical assumptions in addition to customer obligations and securities. These parameters include in particular the probability of default based on customers' credit ratings, the loss rate of the securities and the period until the default event is identified.

The valuation of receivables, rating classifications and pledged securities are based, to a large extent, on estimates and assumptions made by the legal representatives. The recoverability of the receivables is therefore an issue of crucial importance in the annual financial statements of RLB Tirol AG as at 31 December 2016.

Audit approach

I reviewed the receivables from customers and impairment allowances reported on the balance sheet on a sample basis in relation to the existence of default events as well as the creditworthiness of borrowers and the recognition of securities in terms of suitability. The samples were selected on a risk-oriented basis in particular consideration of rating grades with a higher default risk.

With regard to the portfolio impairment allowance, I assessed the models and the parameters used therein – in consideration of the results of the back-testing carried out by the bank – to determine whether these are suited to establish provisions in an appropriate amount. I verified the mathematical accuracy of the provisions.

My audit activities included the assessment of the design and testing of the effectiveness of the key internal controls relating to the lending, rating, impairment and security process as well as an impairment test based on economic documents pertaining to borrowers on a sample basis. The consideration of securities was assessed by an examination of the recognition of market values, loan value write-downs and legal usability.

Reference to further information

The company's disclosures on receivables from customers can be found in sections 1.4. and 2.1. of the notes.

2. Value of the shares in Raiffeisen Zentralbank Österreich Aktiengesellschaft

Issue and risk for the annual financial statements

The shares in Raiffeisen Zentralbank Österreich Aktiengesellschaft (RZB), which is also the central institution of RLB Tirol AG, are reported under the balance sheet item 'Investments' in the amount of 174,046,000 euros in the annual financial statements of RLB Tirol AG as at 31 December 2016. The subsequent valuation of the shares in RZB is based on the diluted lower-value principle in consideration of the acquisition cost principle. Therefore, if the fair value is expected to be permanently lower than the investment carrying amount, a write-down will be made.

The fair value was determined on the basis of a discounted cash flow method. The company's valuation on the basis of an external report showed that the fair value determined exceeds the carrying amount of the investment.



This issue was of particular importance as the result of this valuation is highly dependent on the legal representatives' estimate of future cash inflows and the discount rate used and is therefore associated with a significant degree of estimation uncertainty.

Audit approach

I assessed the estimate made by the legal representatives with regard to the existence of impairment indicators and evaluated the valuation of the shares in RZB based on an external report. I reviewed the bases of this external report, particularly the valuation model and the parameters used, including the discount rate, using industry-specific market data and company-specific information and market expectations. I analysed and assessed the suitability of the future cash inflows used in the calculation and adherence to planning based in particular on company documentation and external reports.

Reference to further information

The company's disclosures on the valuation of shares in RZB can be found in section 2.3. of the notes.

3. Valuation of securities and derivative financial instruments

Issue and risk for the annual financial statements

Securities held as fixed assets are generally recognised in the annual financial statements of RLB Tirol AG according to the diluted lower-value principle in consideration of the acquisition cost principle and special considerations pursuant to the BWG. Securities held as current assets are valued according to the strict lower-value principle, making use of the right to make valuations at market values in accordance with the BWG. The parity principle applies to derivatives in the banking book, meaning that negative market values are reported on the balance sheet, while positive values are not. Securities and derivatives in the trading book are reported on the balance sheet at market values.

Comprehensive accounting guidelines have been implemented at the bank in relation to the valuation of securities and derivative financial instruments that take account of statutory provisions, the remarks in the relevant opinions of the Austrian Financial Reporting and Auditing Committee (AFRAC) and the relevant circular of the financial supervisory authority on 'Accounting issues relating to interest management derivatives and valuation adjustments for derivatives in accordance with section 57 of the BWG'.

The assignment of securities and derivative financial instruments to the banking or trading book, the application of proper valuation principles, the determination of fair values, the portrayal of valuation units and free-standing derivatives and the associated estimates should in particular be considered as significant risks for the annual financial statements of RLB Tirol AG.

Audit approach

I examined the documentation on the processes established by the bank for assigning and valuing securities and derivative financial instruments. Building on this, I assessed the design and implementation of the established processes and tested the effectiveness of the key internal controls on a sample basis.

I reviewed the assignment of securities and derivative financial instruments to determine whether they comply with internal re-

quirements. I compared the market values with externally available values on a sample basis. The parameters used were assessed in terms of suitability in the case of inactive markets or if the fair value was determined using valuation models.

For securities that are not reported at market values, I undertook risk-oriented audit activities relating to the existence of impairment indicators for credit rating-related impairments, particularly country and banking risks.

I also reviewed estimates made and discretion applied on a sample basis to determine whether these are deducible from the market or consistent with previous years, especially in relation to valuation methods and the consideration of counterparty default risk. In my review of hedges, I assessed compliance with internal guidelines and the consideration of formal requirements and documentation requirements.

Reference to further information

The company's disclosures on securities and derivatives can be found in sections 1.3., 2.2. and 2.12. of the notes.

4. Valuation of deferred tax assets

Issue and risk for the annual financial statements

Deferred tax assets in the amount of 11,899,000 are reported on the balance sheet in the annual financial statements of RLB Tirol AG as at 31 December 2016. A new balance sheet item, 'Deferred tax assets', was introduced with the entry into force of the Austrian Financial Reporting (Amendments) Act 2014 (RÄG 2014) and its mandatory application to annual financial statements for years commencing after 31 December 2015.

In addition to the mandatory capitalisation of deferred tax assets, RÄG 2014 also amended the manner in which deferred taxes are calculated.

Because of this new approach and the associated complexity of calculating deferred taxes and the important discretionary decisions that have to be made by the management in this context, there is an increased risk of error with regard to the amount and completeness of the deferred taxes in the annual financial statements of RLB Tirol AG as at 31 December 2016.

Audit approach

On a sample basis I ascertained whether the comparison between the valuations in the financial statements and those for tax purposes that is required to calculate deferred taxes is documented in full and verifiably. I analysed the differences determined on a sample basis to ascertain whether the assessment made by the legal representatives in relation to the classification of the differences is correct and thus whether deferred taxes are reported correctly on the balance sheet. If the differences did not result in the recognition of an asset or a liability, compliance with statutory requirements was verified. I also assessed the consideration of the requirements set out in the relevant AFRAC opinion in the bank's internal specifications on deferred taxes and in the accounts in the annual financial statements.

Reference to further information

The company's disclosures on deferred taxes can be found in sections 1.13. and 2.6. of the notes.



Responsibilities of the legal representatives and the audit committee for the annual financial statements

The legal representatives are responsible for preparing the annual financial statements and for ensuring that they give, to the maximum extent possible, a true and fair view of the company's assets, financial position and earnings in compliance with the provisions of Austrian corporate and banking law. Moreover, the legal representatives are responsible for the internal controls that they consider necessary to ensure that annual financial statements can be prepared that are free from material misrepresentations, whether intended or unintended.

During the preparation of the annual financial statements, the legal representatives are responsible for assessing the company's ability to continue as a going concern, identifying issues relating to the company's continued existence as a going concern, if relevant, and applying the going concern principle unless the legal representatives intend either to liquidate the company or cease corporate activities or have no realistic alternative to this.

The audit committee is responsible for monitoring the company's accounting processes.

Auditor's responsibilities in the audit of the annual financial statements

My aims are to obtain reasonable assurance about whether the annual financial statements are, as a whole, free from material misrepresentations, whether intended or unintended, and to issue an auditor's report that includes my audit opinion. Reasonable assurance is a high level of assurance, but no guarantee that an audit conducted in accordance with the Austrian generally accepted principles for the audit of financial statements, which require the application of the ISA, will always uncover material misrepresentations, if such exist. Misrepresentations may stem from fraudulent activities or mistakes and are considered to be material if it can reasonably be expected that they, either individually or as a whole, will influence the economic decisions made by users on the basis of these annual financial statements.

In accordance with the Austrian generally accepted principles for the audit of financial statements, which require the application of the ISA, part of my audit work entails a due assessment of circumstances throughout the entire audit process and a critical attitude.

The following also applies:

- I identify and assess the risks of material misrepresentations in the annual financial statements, whether intended or unintended, plan audit activities in response to these risks, carry them out and obtain audit evidence that is sufficient and appropriate to provide a basis for my audit opinion. The risk that material misrepresentations resulting from fraudulent activities will remain uncovered is greater than the risk that those resulting from mistakes will remain uncovered as fraudulent activities may involve fraudulent cooperation, falsification, intentional incompleteness, misleading presentations and the cancellation of internal controls.
- I gain an understanding of the internal control system relevant to the audit in order to plan audit activities that are appropriate in the given circumstances, but not with the aim of issuing an audit opinion on the effectiveness of the company's internal control system.
- I assess the suitability of the accounting methods applied by the legal representatives and the viability of the estimated values pre-

sented by the legal representatives in the accounts and related disclosures.

- I draw conclusions as to the suitability of the application of the going concern principle by the legal representatives and, based on the audit evidence obtained, as to whether there is any material uncertainty in relation to events or circumstances that may raise significant doubts about the company's ability to continue as a going concern. If I conclude that there is material uncertainty, I am obliged to draw attention to the relevant disclosures in the annual financial statements in my auditor's report or, if these disclosures are inappropriate, to modify my audit opinion. I draw my conclusions on the basis of the audit evidence obtained up to the date of my auditor's report. However, future events or circumstances may jeopardise the company's continued existence as a going concern.
- I assess the overall presentation, structure and content of the annual financial statements, including disclosures, and whether the annual financial statements present the underlying transactions and events in a way that gives a true and fair view to the maximum extent possible.

I exchange views with the audit committee on the planned scope and planned schedule of the audit as well as on significant audit findings, including any material defects in the internal control system that I discover during my audit.

I also issue a statement to the audit committee stating that I complied with the relevant requirements of professional conduct as regards independence, and exchange views with the committee on all relationships and other issues that might reasonably be considered to have an effect on my independence and, if relevant, related protective measures.

Of the issues that I discussed with the audit committee, I identify those issues that were the most significant for the audit of the annual financial statements and are therefore the particularly important audit issues. I describe these issues in my auditor's report unless laws or other legal provisions preclude the public disclosure of the issue, or unless I decide in extremely rare cases that an issue should not be included in my auditor's report as it can reasonably be expected that the negative consequences of such disclosure would outweigh any public benefits.

Other statutory and legal requirements

Report on the management report

I am required by the provisions of Austrian corporate law to audit the management report to determine whether it is in accordance with the annual financial statements and whether it was prepared in compliance with applicable legal requirements.

The legal representatives are responsible for preparing the management report in compliance with the provisions of Austrian corporate and banking law.

I conducted my audit in accordance with the professional standards on audits of management reports.

Decision

In my opinion, the management report was prepared in accordance with the applicable legal requirements and is in accordance with the annual financial statements.

Declaration

No material incorrect disclosures were found in the management report in consideration of the findings obtained and the insight



gained into the company and its environment in the audit of the annual financial statements.

Other information

The legal representatives are responsible for the other information. This other information includes all information in the annual report apart from the annual financial statements, the management reports and the auditor's report. I anticipate that the annual report will only be made available to me after the date of the auditor's report. My audit opinion on the annual financial statements does not cover this other information and I will not give any kind of assurance in relation to it.

In connection with my audit of the annual financial statements, it is my responsibility to read this other information as soon as it is available and to weigh up whether it materially contradicts the annual financial statements in consideration of the insight gained in the audit or otherwise appears to be materially misrepresented.

Responsible association auditor

The association auditor responsible for the audit is Mr Wilhelm Foramitti.

Vienna, 22 February 2017

Auditor appointed by the Österreichischer Raiffeisenverband

Wilhelm Foramitti
Association auditor

The publication or dissemination of the annual financial statements together with my audit certificate is permitted only in the version approved by me. This auditor's report refers exclusively to the German version of the full annual financial statements, including the management report. The sections of the notes that must be published are presented in this annual report. Any contrary versions (e.g. abridged versions or translations into another language) are subject to the provisions of section 281 paragraph 2 of the UGB.

Supervisory board report

The supervisory board of Raiffeisen-Landesbank Tirol AG formed the following six committees that fulfil the responsibilities transferred to them by law, the articles of association and the rules of procedure in the name and on behalf of the entire supervisory board:

- Working committee
- Audit committee
- Risk committee
- Remuneration committee
- Nominating committee
- General committee

The committees always dealt extensively with the matters assigned to them in financial year 2016. The committee chairmen provided the supervisory board with comprehensive reports on meetings and their outcomes.

The supervisory board held five ordinary meetings in 2016 with an average attendance rate of 86% and made decisions by way of circular resolution on three occasions. At its various meetings, the supervisory board performed the duties required of it by law, the articles of association and the rules of procedure and was regularly informed by the management board about all significant occur-

rences and developments in relation to the bank during the financial year 2016.

The supervisory board's audit committee examined the annual financial statements for the 2016 financial year, including notes, in detail and found them to be in order. The annual financial statements have been assessed by the supervisory board and checked for their conformity with the duly maintained ledgers and accounting documents. The management report presented by the management board is in conformity with the annual financial statements. Our checks did not give any grounds to raise objections.

The supervisory board hereby concurs with the management board's profit appropriation proposal.

Dr Michael Misslinger
Supervisory board chairman



RLB branches and offices

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6020 Innsbruck

Aldrans branch

Dorf 34

6071 Aldrans

Amras branch

Philippine-Welser-Strasse 51

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Höttinger Au branch

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6020 Innsbruck

Igls branch

Hilberstrasse 24

6080 Igls

Marktplatz branch

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6020 Innsbruck

Pradl branch

Amraser Strasse 76

6020 Innsbruck

Wilten branch

Andreas-Hofer-Strasse 2–4

6020 Innsbruck

Zirl branch

Bühelstrasse 1

6170 Zirl

Ellbögen self-service outlet

St. Peter 31

6082 Ellbögen

Hötting self-service outlet

Höttinger Gasse 32

6020 Innsbruck

Rathaus self-service outlet

Maria-Theresien-Strasse 18

6020 Innsbruck

Imst branches

Imst branch

Stadtplatz 9–10

6460 Imst

Tarrenz branch

Trujegasse 1

6464 Tarrenz

Nassereith self-service outlet

Karl-Mayr-Strasse 116a

6465 Nassereith

Lienz branches

Lienz branch

Johannesplatz 4

9900 Lienz

Ainet self-service outlet

No. 90

9951 Ainet

Oberlienz self-service outlet

No. 31

9900 Oberlienz

Tristach self-service outlet

Lavanter Strasse 6

9907 Tristach

Sub-branch

Jungholz

No. 20

6691 Jungholz

Site notice

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