SHAREHOLDERS' REPORT
INTERIM FINANCIAL REPORT
AS AT 30 JUNE 2015

BANK FÜR TIROL UND VORARLBERG AG

BTV VIER LÄNDER BANK

3 Banken Gruppe

Contents

IMPORTANT DATES FOR BTV SHAREHOLDERS

Annual General Meeting	13 May 2015, 10.00 am, Stadtforum, Innsbruck The dividend will be published on the BTV homepage and in the gazette of the Wiener Zeitung the day after the Annual General Meeting.
Ex-dividend date	22.05.2015
Payment of dividend	26.05.2015
Interim report as at 31 March 2015	Published on 22 May 2015 (www.btv.at)
Interim Financial Report up to 30 June 2015	Published on 21 August 2015 (www.btv.at)
Interim report as at 30 September 2015	Published on 27 November 2015 (www.btv.at)

The BTV Group at a glance

INCOME in € million	30.06.2015	30.06.2014	Change in %
Net interest income	87.7	91.5	–4.2 %
Loan loss provisions in the credit business	–4.4	–17.3	–74.8 %
Net commission income	25.9	21.7	+19.5 %
Operating expenses	–77.6	–76.0	+2.1 %
Other operating profit	30.3	31.3	–3.0 %
Net pre-tax profit for the period	67.2	51.4	+30.8 %
Group profit for the period	55.3	42.3	+30.7 %

BALANCE SHEET in € million	30.06.2015	31.12.2014	Change in %
Total assets	9,811	9,598	+2.2 %
Loans and advances to clients after loan loss provisions	6,506	6,187	+5.2 %
Primary funds	6,942	6,919	+0.3 %
of which savings deposits	1,195	1,176	+1.6 %
of which securitised debt including subordinated capital	1,426	1,392	+2.5 %
Equity	1,038	1,004	+3.4 %
Managed deposits	12,619	12,155	+3.8 %

REGULATORY CAPITAL (CRR) in € million	30.06.2015	31.12.2014	Change in %
Risk-weighted assets	6,343	6,213	+2.1 %
Equity	895	930	–3.8 %
of which common equity (CET1)	823	796	+3.3 %
of which total core capital (CET1 and AT1)	823	796	+3.3 %
Common equity Tier 1 ratio	12.97 %	12.81 %	+0.16 pp
Core capital ratio	12.97 %	12.81 %	+0.16 pp
Equity ratio	14.11 %	14.97 %	–0.86 pp

COMPANY KEY FIGURES in percentage points	30.06.2015	30.06.2014	Change in percentage points
Return on equity before tax (RoE)	13.27 %	10.96 %	+2.31 pp
Return on Equity after tax	10.92 %	9.03 %	+1.89 pp
Cost/income ratio	52.6 %	52.6 %	–0.0 %-pp
Risk/earnings ratio	5.0 %	18.9 %	–13.9 pp

RESOURCES Number	30.06.2015	31.12.2014	Change Number
Weighted average number of employees	1,328	1,195	+133
Number of branches	36	38	–2

KEY INDICATORS FOR BTV SHARES	30.06.2015	30.06.2014
Number of ordinary no par value shares	22,500,000	22,500,000
Number of preference shares	2,500,000	2,500,000
Top price of ordinary/preference share in €	22.40/20.95	21.50/16.91
Bottom price of ordinary/preference share in €	21.35/18.10	19.60/16.50
Closing price of ordinary/preference share in €	21.40/20.40	21.50/16.70
Market capitalisation in € million	533	526
IFRS EPS in €	4.47	3.39
P/E ratio, ordinary share	4.8	5.9
P/E ratio, preference share	4.6	4.9

Management report and notes on BTV Group business trends in 2015

Economic environment

Following a disappointing first quarter, during which the US economy contracted by 0.2% year-on-year compared with the previous quarter, the second quarter fared better. The employment market continued its recovery, with more than 200,000 new jobs created in May and June. With an unemployment rate of 5.3%, the US is verging on full employment. However, the economic weakness of major US trading partners (China, Emerging Countries) and the strong US dollar are having a burdensome effect. Fed Chair Janet Yellen confirms that she intends to increase the US federal funds rate this year.
The economic recovery in the eurozone also continued in the second quarter. The low oil price and the weak euro are having the effect here of a minor stimulus package. The unemployment rate is falling slowly but steadily, the risk of deflation seems to have been averted and private consumption is rising. Above all, the dispute with Greece over debts has depressed the mood among financial market participants. Germany continues to be the driving force of growth in the eurozone. The eurozone's main causes of concern – Italy and France – have in the meantime displayed the first signs of a turnaround, although Italy's economic recovery is significantly more advanced compared with France.

Interest rates

Yields on European government bonds have bottomed out. Since mid-April a definite correction has been observed on the European bond markets. For example, the return on the 10-year German Bund was at a low of around 0.05% and then rose to almost 1%. This trend was also prevalent in countries with a poor credit rating. Thus, the yields from Spanish and Italian government bonds rose from below 1.15% to over 2.3%. The yield increases observed since mid-April are fundamentally substantiated by the improved economic data from the eurozone and rising inflation expectations. In addition, concerns about the lack of liquidity, initial profit-taking and speculative investors are likely to have been the catalyst for the latest sellout. Furthermore, the dispute with Greece over debts caused greater fluctuations on the bond markets and more and more temporary increases in risk premiums for government bonds issued by the peripheral eurozone countries. In the second quarter of 2015, long-dated euro interest rates rose considerably (+59 basis points to 1.15% on the 10-year euro swap). Money market interest rates (3-month Euribor) fell slightly compared with 31 December 2014 by 9 basis points to –0.014%.

In the US too, government bond yields rose in the second quarter to just below 2.5%. The advancing economic recovery in the US and the upcoming hike in the US federal funds rate should continue to result in rising yields.

Currencies

The volatility of the EUR/USD exchange rate was high in the second quarter. The single currency has tended to move away from its low of USD 1.05 reached in mid-March. The reasons for this included the positive economic data from the eurozone and the increased inflation expectations for the years ahead. The euro was constantly dogged by uncertainty concerning the dispute with Greece over debts. Measured against the purchasing power parity, the euro is significantly undervalued compared with the US dollar. However, the opposing monetary policies of the US Federal Reserve and the European Central Bank prevented a sustainable rise in the EUR/USD exchange rate. The upcoming hike in the US federal funds rate will bolster the US dollar and at the same time the ECB's extremely expansionary monetary policy will result in a weaker euro.

The EUR/CHF exchange rate was relatively stable in the second quarter and floated around the 1.05 mark. As the Swiss franc also continues to be regarded as a safe currency, it experienced significant inflows. This assessment is also substantiated by the unresolved dispute with Greece over debts. This resulted increasingly in significant upside pressure on the franc. The Swiss National Bank had to intervene on the currency market in the second quarter to prevent excessive appreciation of the franc.

Profit trend

In the first half of 2015, BTV had managed to boost pre-tax profit for the period by EUR 15.8 million, or 30.8%, to EUR 67.2 million. The main factors behind the success included the rise in net commission income, particularly securities business, trading income and the falling loan loss provisions.

Net interest income

Interest income represented the lion's share of earnings: At EUR 87.7 million, this was EUR 3.8 million less than the first half of 2014. The pressure on margins continues to be definitely perceptible. Thus, despite the rise in volume, the previous year's level of interest income could not be maintained. Interest income also includes income from at-equity valued enterprises. This result was EUR 18.5 million overall, which corresponds to growth of EUR 1.3 million.

Loan loss provisions in the credit business

Loss provisions for credit business represent the balance of inflows and releases of loss provisions, including direct write-downs on receivables. They are supplemented by income from debt that had previously been written off.
The downward trend in risks and loan loss provisions in the credit business continued in the first half of 2015 as well. BTV's cautious risk policy is directly reflected in the allocation to loan loss provisions. At EUR 4.4 million, these were EUR 12.9 million less than the previous year.

Net commission income

In operational activities, net commission income mainly contributed to this pleasing overall result. The trend observed in the first quarter continued, resulting in growth of EUR 4.2 million to EUR 25.9 million, compared with the first half of 2014. The driving force was securities trading. Owing to the low interest rate, investors were on the lookout for more profitable investments and were more predisposed towards securities. Consequently, net commission income in securities trading also rose by EUR 2.9 million to EUR 12.9 million. The lending result also improved by EUR 0.6 million to EUR 3.7 million owing to the excellent business performance.

Trading income

Market volatility resulted in a EUR 3.7 million increase in trading income. The main driver was the income from derivative hedging transactions, which rose by EUR 2 million compared with the previous year. Income from forex and currency transactions grew by EUR 1.7 million.

Operating expenses

Operating expenses (personnel, expenditure on materials, amortisation and depreciation) were up EUR 1.6 million, or 2.1%, in the reporting period to EUR 77.6 million. The driver of this result was mainly expenditure on materials, which increased by EUR 1.1 million. At EUR 43.2 million, personnel expenditure was up EUR 1.3 million on the previous year. The increase in both expenditure items was counteracted by the EUR 0.8 million drop in depreciation and amortisation to EUR 11.2 million.

Other operating profit

At EUR 30.3 million, other operating profit was just below the previous year's level. This was a fall of EUR 0.9 million.

Income from financial assets

At EUR 1.5 million, income from financial assets in the first half was up EUR 1.3 million on the previous year.

Tax position

Besides the ongoing effect of Austrian corporation tax, the amounts recorded at „Taxes on income and profit" relate primarily to the deferred taxes to be paid on accruals and prepayment adjustments, in accordance with IFRS. Compared with the previous year, the tax liability rose by 31.4% to EUR 11.9 million as at 30 June 2015. The effective tax rate was thus 17.7% (previous year: 17.6%).

Group income

Compared with the previous year, pre-tax group profit grew by 30.8%, or EUR 15.8 million, to EUR 67.2 million. After tax, despite the earnings-related high tax expenditure, an increase of 30.7%, or EUR 13.0 million, was achieved.

At 52.6%, the cost-income ratio remained unchanged year-on-year. The return on equity (RoE) before tax increased from 11.0% to 13.3% and the risk-earnings ratio fell from 18.9% to 5.0% owing to the low loan loss provisions.

Balance sheet performance

As at 30 June 2015, total assets increased by 2.2%, or EUR 214 million, to EUR 9,811 million, compared with the 2014 year-end. The reason for this was mainly the increase in loans and advances to clients, which in the first half were EUR 317 million, or 5.0%, more than the value as at 31 December 2014. Thus, the positive trend observed in the first quarter also continued in the second quarter. A considerable share of this can be attributed to the appreciation of the CHF and mainly relates to the retail business. The currency effect amounted to EUR 158 million. Volumes increased in both corporate and retail banking. Separated into domestic and foreign customers, both groups displayed a similar trend: Loans to domestic customers rose by EUR 177 million to EUR 4,427 million, while loans to foreign customers increased by EUR 140 million to EUR 2,277 million.

At EUR 4 million, loans and advances to banks hovered around the level recorded at the 2014 year-end.

BTV's forward-looking risk policy is also reflected in the loan loss provisions for credit business. Posting a decrease of EUR 198 million, loan loss provisions remained almost unchanged compared with 3 December 2014.

In comparison with 31 December 2014, cash reserves decreased to EUR 81 million, in particular due to lower credit with central banks.

Financial assets and interests, including trading assets, remained almost unchanged compared with the 2014 year-end. These stood at EUR 2,610 million, posting a fall of EUR 3 million.

Primary funds as the defining source of refinancing in the BTV business model of a customer bank were maintained at a constant level in the first half of the year. At EUR 6,942 million, these were up EUR 24 million on December 2014. By comparison, the total volume of managed deposits rose by EUR 463 million to EUR 12,619 million (+3.8%). The comparatively smaller growth in primary funds was due to customers' search for more profitable forms of investment. This subsequently resulted in an increase in the volume of deposits managed by BTV by 8.4% to currently EUR 5,676 million.

The guiding principle of refinancing customer loans via customer deposits, i.e. primary funds, continues to apply. The related key figure, the loan deposit ratio, was 93.7% as at 30 June 2015.

Liabilities to banks increased — due to the sharp rise in assets — by EUR 158 million to EUR 1,553 million.

Balance sheet equity increased by EUR 34 million to EUR 1,038 million, mainly thanks to the interim result.

As at 30 June 2015, the banking group's qualifying net equity under CRR (Basel III) was EUR 895.1 million. Compared with the 2014 year-end, this represents a drop in qualifying net equity of EUR 35.0 million, or –3.8%. As at 30 June 2015, the banking group's common equity (CET1) under CRR amounted to EUR 822.6 million and so EUR 26.5 million, or 3.3%, above the 2014 year-end.
Total risk-weighted assets rose by EUR 130.7 million to EUR 6,343.5 million. From this the common equity is calculated at 12.97% compared with 12.81% at the 2014 year-end. The equity ratio fell by 0.86 percentage points to 14.11% owing to the reduced qualifying net equity.

Outlook

BTV is continuing its successful growth strategy in the growth markets of Vienna, Bavaria, Baden-Württemberg, Eastern Switzerland, South Tyrol and Veneto (out of Innsbruck and Lienz). BTV is already the market leader in the main target groups in Tyrol and Vorarlberg. Here, this position must continue to be consolidated and further market shares must be gained.

Owing to the sale of most of the bonds held in the portfolio of own securities scheduled for the second half, BTV expects an increase in the annual profit after tax in an estimated range of between 50% and 80% compared with the previous year.

Abridged consolidated financial statements

Balance Sheet as at 30 June 2015

ASSETS in thousands of euros	30.06.2015	31.12.2014	Change absolute	Change in %
Cash reserves	81,364	173,002	–91,638	–53.0 %
Loans and advances to banks [1] [Notes]	277,873	273,979	+3,894	+1.4 %
Loans and advances to clients [2]	6,703,703	6,386,508	+317,195	+5.0 %
Loan loss provisions [3]	–197,738	–199,274	+1,536	–0.8 %
Trading assets [4]	25,794	38,433	–12,639	–32.9 %
Financial assets – at fair value through profit or loss [5]	156,499	142,208	+14,291	+10.0 %
Financial assets – available for sale [6]	1,242,387	1,263,076	–20,689	–1.6 %
Financial assets – held to maturity [7]	731,588	741,772	–10,184	–1.4 %
Shares in at-equity-valued companies [8]	453,486	426,931	+26,555	+6.2 %
Intangible fixed assets	4,862	5,543	–681	–12.3 %
Property, plant and equipment	167,291	165,818	+1,473	+0.9 %
Properties held as financial investments	50,031	52,807	–2,776	–5.3 %
Current tax refunds	87	87	+0	+0.0 %
Deferred tax refunds	14,796	17,008	–2,212	–13.0 %
Other assets	99,388	109,804	–10,416	–9.5 %
Total assets	**9,811,411**	**9,597,702**	**+213,709**	+2.2 %

LIABILITIES in thousands of euros	30.06.2015	31.12.2014	Change absolute	Change in %
Liabilities to banks [9]	1,552,724	1,394,692	+158,032	+11.3 %
Liabilities to clients [10]	5,516,793	5,527,031	–10,238	–0.2 %
Securitised debt [11]	1,086,112	1,012,571	+73,541	+7.3 %
Trading liabilities [12]	23,801	15,806	+7,995	+50.6 %
Reserves and provisions [13]	131,937	127,366	+4,571	+3.6 %
Current tax refunds	800	1,732	–932	–53.8 %
Deferred tax refunds	5,184	5,184	+0	+0.0 %
Other liabilities	116,301	129,973	–13,672	–10.5 %
Subordinated capital [14]	339,539	378,952	–39,413	–10.4 %
Equity [15]	1,038,220	1,004,395	+33,825	+3.4 %
Non-controlling interests	913	541	+373	+69.0 %
Owners of the parent company	1,037,307	1,003,854	+33,452	+3.3 %
Total liabilities	**9,811,411**	**9,597,702**	**+213,709**	+2.2 %

Statement of comprehensive income as at 30 June 2015

STATEMENT OF COMPREHENSIVE INCOME in thousands of euros	01.01.– 30.06.2015	01.01.– 30.06.2014*	Change absolute	Change in %
Interest and similar income	100,413	104,439	–4,026	–3.9 %
Interest and similar expenses	–31,208	–30,131	–1,077	+3.6 %
Income from at-equity valued companies	18,519	17,233	+1,286	+7.5 %
Net interest income [16]	87,724	91,541	–3,817	–4.2 %
Loan loss provisions [17]	–4,356	–17,266	+12,910	–74.8 %
Commission income	28,468	24,032	+4,436	+18.5 %
Commission expenses	–2,545	–2,335	–210	+9.0 %
Net commission income [18]	25,923	21,697	+4,226	+19.5 %
Trading income [19]	3,692	-35	+3,727	>+100 %
Operating expenses [20]	–77,631	–76,006	–1,625	+2.1 %
Other operating income [21]	30,335	31,272	–937	–3.0 %
Income from financial assets – at fair value through profit or loss [22]	17	-784	+801	>+100 %
Income from financial assets – available for sale [23]	1,495	964	+531	+55.1 %
Income from financial assets – held to maturity [24]	0	0	+0	+0.0 %
Net pre-tax profit for the period	67,199	51,383	+15,816	+30.8 %
Taxes on earnings and profit	–11,878	–9,042	–2,836	+31.4 %
Group profit for the period	**55,321**	**42,341**	**+12,980**	**+30.7 %**
Non-controlling interests	586	433	+153	+35.3 %
Owners of the parent company	54,735	41,908	+12,827	+30.6 %

OTHER COMPREHENSIVE INCOME in thousands of euros	01.01.- 30.06.2015	01.01.- 30.06.2014*
Group profit for the period	55,321	42,341
Revaluation from performance-oriented pension plans	2	0
Changes in at-equity valued companies recognised directly in equity	–6,513	–181
Profits/losses with regard to deferred taxes, applied directly against equity	0	0
Total headings which could subsequently not be allocated to profit or loss	–6,511	–181
Unrealised profit/loss on assets retained for disposal (AfS reserve)	–12,412	14,140
Changes in at-equity valued companies recognised directly in equity	5,057	–503
Unrealised profits/losses from adjustments due to currency conversions	2,292	88
Profits/losses with regard to deferred taxes, applied directly against equity	–2,389	–3,535
Total of the items which can subsequently be allocated to profit or loss	–7,452	10,190
Total other comprehensive income	–13,963	10,009
Comprehensive income for the period	**41,358**	**52,350**
Non-controlling interests	586	433
Owners of the parent company	40,772	51,917

* In 2014 adjusted to the changed consolidation scope.

Quarterly financial data

STATEMENT OF COMPREHENSIVE INCOME in thousands of euros	II. Q 2015	I. Q 2015	IV. Q 2014	III. Q 2014*	II. Q 2014*
Interest and similar income	47,760	52,653	51,859	52,505	52,047
Interest and similar expenses	–15,059	–16,149	–16,617	–14,006	–15,105
Income from at-equity valued companies	10,847	7,672	7,540	9,446	8,624
Net interest income [16]	43,548	44,176	42,782	47,945	45,566
Loan loss provisions [17]	–103	–4,253	–10,545	–1,230	–7,825
Commission income	14,036	14,432	13,383	11,410	12,075
Commission expenses	–1,341	–1,204	–1,545	–1,216	–1,183
Net commission income [18]	12,695	13,228	11,838	10,194	10,892
Trading income [19]	299	3,393	636	164	5
Operating expenses [20]	–45,360	–32,271	–33,292	–30,310	–44,069
Other operating income [21]	26,565	3,770	–1,299	–17	25,194
Income from financial assets – at fair value through profit or loss [22]	–288	305	553	440	–1,290
Income from financial assets – available for sale [23]	1,604	–109	802	138	299
Income from financial assets – held to maturity [24]	0	0	0	–414	0
Net pre-tax profit for the period	38,960	28,239	11,475	26,910	28,772
Taxes on earnings and profit	–6,496	–5,382	2,187	–6,832	–4,789
Group profit for the period	**32,464**	**22,857**	**13,662**	**20,078**	**23,983**
Non-controlling interests	547	39	–166	–57	390
Owners of the parent company	31,917	22,818	13,828	20,135	23,593

KEY FIGURES	30.06.2015	30.06.2014*
EPS in EUR [26]	2.19	1.68
RoE before tax	13.27 %	10.96 %
RoE after tax	10.92 %	9.03 %
Cost/income ratio	52.6 %	52.6 %
Risk/earnings ratio	5.0 %	18.9 %

* In 2014 adjusted to the changed consolidation scope.

Statement of change in equity

STATEMENT OF CHANGE IN EQUITY in thousands of euros	Subscribed capital	Reserves	Retained earnings	AfS reserve	Actuarial profit/loss	Total owners of the parent company	Non-controlling interests	Equity
Equity at 1 January 2014	50,000	60,707	692,376	125,008	–15,026	913,065	0	913,065
Consolidation effects*	0	0	48,773	–29,137	0	19,636	0	19,636
Equity at 1 January 2014	50,000	60,707	741,149	95,871	–15,026	932,702	0	932,702
Capital increases	0	0	0	0	0	0	0	0
Comprehensive income for the period	0	0	41,908	0	0	41,908	433	42,341
Revenue	0	0	–4,131	14,140	0	10,009	0	10,009
Other income								
Distributions	0	0	–7,500	0	0	–7,500	0	–7,500
Own shares	0	4	0	0	0	4	0	4
Other changes with a neutral effect on results	0	0	659	0	0	659	330	989
Equity at 30.06.2014	**50,000**	**60,711**	**772,085**	**110,011**	**–15,026**	**977,782**	**763**	**978,545**

STATEMENT OF CHANGE IN EQUITY in thousands of euros	Subscribed capital	Reserves	Retained earnings	AfS reserve	Actuarial profit/loss	Total owners of the parent company	Non-controlling interests	Equity
Equity at 1 January 2015	50,000	61,133	812,914	111,124	–31,318	1,003,854	541	1,004,395
Capital increases	0	0	0	0	0	0	0	0
Comprehensive income for the period	0	0	54,735	0	0	54,735	586	55,321
Revenue	0	0	–1,552	–12,412	2	–13,962	0	–13,962
Other income								
Distributions	0	0	–7,500	0	0	–7,500	0	–7,500
Own shares	0	90	0	0	0	90	0	90
Other changes with a neutral effect on results	0	0	89	0	0	89	–213	–124
Equity at 30 June 2015	**50,000**	**61,223**	**858,686**	**98,712**	**–31,316**	**1,037,306**	**914**	**1,038,220**

* 01.01.2014 adjusted to the changed consolidation scope.

Cash flow statement as at 30 June 2015

CASH FLOW STATEMENT in thousands of euros	01.01.- 30.06.2015	01.01.- 30.06.2014
Cash position at the end of the previous period	173,002	229,545
Operating cash flow	–39,285	–179,361
Investment cash flow	–15,378	–9,621
Financing cash flow	–36,975	–4,446
Cash position at the end of the period	81,364	36,117

BTV Group: notes 2015

Accounting and valuation principles

The present interim BTV Group accounts as at 30 June 2015 have been drawn up according to IFRS regulations and Interpretations by the International Financial Reporting Interpretations Committee (IFRIC) as exempting consolidated financial statements as defined by section 59a of the Austrian Banking Act (Bankwesengesetz - BWG) in conjunction with section 245a of the Austrian Commercial Code (Unternehmensgesetzbuch - UGB) and in accordance with IAS 34 (Interim Financial Reporting).

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

The accounting and valuation methods applied uniformly across the group comply with the standards for European balance sheets, so that the informative value of these group financial statements equates to those pursuant to the provisions of the Austrian Commercial Code (UGB), in conjunction with the provisions of the Austrian Banking Act (BWG). The group interim report was prepared according to the same accounting principles as those applied to the audited annual BTV Group accounts 2014.

Principles of consolidation and scope of consolidation

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

The scope of full consolidation has changed compared with 31 December 2014. As at 11 March 2015, Process Engineering SMT GmbH (in liquidation), with registered office in Dornbirn, was deleted from the commercial register and so no longer appears in the full scope of consolidation of BTV.
As at 30 June 2015, the scope of full consolidation includes the following holdings:

FULLY CONSOLIDATED COMPANIES	Share in %	Voting rights in %
BTV Leasing Gesellschaft m.b.H., Innsbruck	100.00 %	100.00 %
BTV Real-Leasing Gesellschaft m.b.H., Vienna	100.00 %	100.00 %
BTV Real-Leasing I Gesellschaft m.b.H., Innsbruck	100.00 %	100.00 %
BTV Real-Leasing II Gesellschaft m.b.H., Innsbruck	100.00 %	100.00 %
BTV Real-Leasing III Nachfolge GmbH & Co KG, Innsbruck	100.00 %	100.00 %
BTV Real-Leasing IV Gesellschaft m.b.H., Innsbruck	100.00 %	100.00 %
BTV Real-Leasing V Gesellschaft m.b.H., Innsbruck	100.00 %	100.00 %
BTV Anlagenleasing 1 GmbH, Innsbruck	100.00 %	100.00 %
BTV Anlagenleasing 2 GmbH, Innsbruck	100.00 %	100.00 %
BTV Anlagenleasing 3 Gesellschaft m.b.H., Innsbruck	100.00 %	100.00 %
BTV Anlagenleasing 4 GmbH, Innsbruck	100.00 %	100.00 %
BTV Leasing Deutschland GmbH, Augsburg	100.00 %	100.00 %
BTV Leasing Schweiz AG, Staad	99.99 %	99.99 %
BTV Hybrid I GmbH, Innsbruck	100.00 %	100.00 %
BTV Hybrid II GmbH, Innsbruck	100.00 %	100.00 %
MPR Holding GmbH, Innsbruck	100.00 %	100.00 %
TiMe Holding GmbH, Innsbruck	100.00 %	100.00 %
VoMoNoSi Beteiligungs AG, Innsbruck	100.00 %	100.00 %
Silvretta Montafon Bergbahnen AG, Gaschurn	100.00 %	100.00 %
Silvretta Montafon Gastronomie GmbH, Gaschurn	100.00 %	100.00 %
Silvretta Skischule GmbH, Gaschurn	100.00 %	100.00 %
Silvretta Verwaltungs GmbH, Gaschurn	100.00 %	100.00 %
Silvretta Montafon Sporthotel GmbH & Co. KG, Gaschurn	100.00 %	100.00 %
HJB Projektgesellschaft mbH, St. Gallenkirch	100.00 %	100.00 %
Josefsheim Projektentwicklungsgesellschaft mbH, St. Gallenkirch	100.00 %	100.00 %
Silvretta Sportservice GmbH, Schruns	51.00 %	51.00 %
Skischule Silvretta Montafon St. Gallenkirch GmbH, St. Gallenkirch	50.00 %	50.00 %
BTV Beteiligungsholding GmbH, Innsbruck	100.00 %	100.00 %
BTV 2000 Beteiligungsverwaltungsgesellschaft m.b.H., Innsbruck	100.00 %	100.00 %

Leasing companies and the companies of the Silvretta Montafon Bergbahnen Group have been included in the report based on their respective first half year, in accordance with their divergent financial year. The balance sheet date of the leasing companies and the companies of the Silvretta Montafon Bergbahnen Group is 30 September, with the exception of Skischule Silvretta Montafon St. Gallenkirch GmbH, which is 31 May. BTV Beteiligungsholding GmbH‘s accounting year ends on 30 November. The companies of Silvretta Montafon have a divergent accounting date due to their seasonal activity. Owing to the structural situation in the group organisation, there is a different reporting date for both the leasing companies and BTV Beteiligungsholding GmbH.

As at 30 June 2015, the Group does not disclose any direct minority interests; there are only indirect minority interests. MPR Holding GmbH holds 100% of the shares in VoMoNoSi Beteiligungs AG as at 30 June 2015. There are only indirect minority interests, which are the result of the holding in Silvretta Sportservice GmbH and Skischule Silvretta Montafon St. Gallenkirch GmbH. Silvretta Montafon Bergbahnen AG holds 51% of the shares in Silvretta Sportservice GmbH, based in Schruns, and 50% of the shares in Skischule Silvretta Montafon St. Gallenkirch GmbH based in St. Gallenkirch. The result for the period that is allocated to the indirect minority interests is EUR 586 thousand. At the annual general meeting of 18 December 2014, Silvretta Sportservice GmbH resolved to distribute dividends of EUR 300 thousand, of which EUR 147 thousand was allocated to minority interests.

Significant holdings over which BTV has a major influence are recorded by the equity method. As a rule, a stake of between 20% and 50% is considered to be a significant influence („associated companies“). According to the equity method, holdings in associated companies are included in the financial statements at acquisition cost plus any changes in the group‘s share of the net assets of the associated company after the initial consolidation. In May 2015, a capital increase was carried out at Oberbank AG, Linz, in respect of the associated companies. BTV‘s share in this capital increase is EUR 12.89 million. The capital share has consequently changed to 16.82%, while the share in voting rights is now 18.20%.

The following holdings were included using the equity method:

AT EQUITY CONSOLIDATED COMPANIES	Share in %	Voting rights in %
BKS Bank AG, Klagenfurt	18.89 %	19.57 %
Oberbank AG, Linz	16.82 %	18.20 %
Drei-Banken Versicherungs-Aktiengesellschaft, Linz	20.00 %	20.00 %
Moser Holding AG, Innsbruck	24.99 %	24.99 %

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

The holdings in Oberbank AG and BKS Bank AG have been included in the group financial statements for the following reasons, despite the fact that they are below the 20% holding threshold: For the holding in Oberbank AG, there is a syndication contract between BTV, BKS Bank AG and Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H., or for the holding in BKS Bank AG, there are syndicate agreements between BTV, Oberbank AG and Generali 3 Banken Holding AG, the purpose of which is to maintain the autonomy of the institutions.

In this way, for both of the cited companies, there is the possibility of exercising a significant influence. For the purpose of drawing up the annual financial statements in a timely fashion, at-equity valued companies are included for the period from 1 October 2014 to 31 March 2015.

Receivables and liabilities, expenses and income internal to the group are eliminated except where they are insignificant. An interim net profit elimination has been waived, since material interim net profit figures were not available.

Alpenländische Garantie-Gesellschaft m.b.H. is classed as joint operations. The company has a concession under Section 1 para. 1, line 8, of the Austrian Banking Act (BWG). Its exclusive corporate object is the granting of guarantees, sureties and other liabilities for lending businesses of the 3 Banken Group. The 3 Banken Group is primarily the only source for payment flows that contribute to the continued activities of the arrangement. It is therefore classed as a joint operation in accordance with IFRS 11.B29-32. The proportional assets and liabilities of the company are considered on the reporting date of 30 June.

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

Main business events in the period reported

With reference to the resolutions adopted at the 97th Annual General Meeting of the Bank für Tirol und Vorarlberg AG on 13 May 2015, please see the the BTV Homepage (www.btv.at) under the heading „Company“.

Events after the interim financial statement date

In order to further strengthen its equity base, BTV intends to sell most of the bonds held in the portfolio of own securities by 31 December 2015 at the latest.

As a result of this measure, the hidden reserves originating from bonds that have been sold will be realised. The resulting positive impact on earnings in the financial statements for 2015 will lead to an increase in annual profit after tax, which is expected to be between 50% and 80%, based on 2014 earnings. The consequences of these measures are a focused anticipation of results in the 2015 financial year and corresponding reduction in net interest income from the portfolio of own securities — and therefore also in annual profit — in subsequent years.

The Austrian Financial Reporting Enforcement Panel (AFREP) (Österreichische Prüfstelle für Rechnungslegung - OePR) has audited the consolidated financial statements as at 31 December 2013 and the accompanying group management report, as well as the interim financial reports as at 30 June 2013 and 30 June 2014, pursuant to section 2 (1) line 2 of the Austrian Accounting Control Act (Rechnungslegungskontrollgesetz - RL-KG).

As a result of the audit, AFREP‘s review committee detected accounting errors in the consolidated financial statements as at 31 December 2013 and in the interim financial statements as at 30 June 2013 and 30 June 2014.

VoMoNoSi Beteiligungs AG and its subsidiaries were not fully included in the consolidated financial statements as at 31 December 2013 and in the interim financial statements as at 30 June 2013. Full consolidation occurred for the first time in the quarterly financial statements as at 31 March 2014. Under IAS 27.12, the consolidated financial statements should include all subsidiaries. As regards Mayrhofner Bergbahnen AG, there is a subsidiary owing to the voting right majority under IAS 27.13 which, under IFRS 10.11, should be included in the consolidated financial statements.

Notification from the Austrian Financial Market Authority (FMA) for publication pursuant to section 5 (2) of the Austrian Accounting Control Act (RL-KG) has not yet been issued.

Within the meaning of IAS 8.43, a retrospective adjustment is impracticable owing to the lack of time between the error being detected and the publication of the interim results. It is impossible to establish a data situation that is consistent with IFRS or to make the database comparable in this relatively short period.

Under IAS 8.42, a company should retrospectively correct material errors from prior periods in the first full financial statements approved for publication following discovery of the errors. The error correction concerning the full consolidation of Mayrhofer Bergbahnen AG will therefore be carried out in the consolidated financial statements as at 31 December 2015. The impact according to amount is not yet known at the current time.

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

Balance sheet – Assets

1 LOANS AND ADVANCES TO BANKS in thousands of euros	30.06.2015	31.12.2014
Loans to domestic credit institutions	86,555	79,782
Loans to foreign credit institutions	191,318	194,197
Loans to Credit Institutions	**277,873**	**273,979**

2 LOANS TO CLIENTS in thousands of euros	30.06.2015	31.12.2014
Loans to Austrian clients	4,427,173	4,250,336
Loans to foreign clients	2,276,530	2,136,172
Loans to clients	**6,703,703**	**6,386,508**

3 LOAN LOSS PROVISIONS in thousands of euros	2015	2014
Opening balance of credit business at 1 January	199,274	207,146
– Releases	–5,764	–8,568
+ Allocation	8,779	28,279
– Application	–4,785	–40,289
(+/–) Changes arising from currency differences	384	6
(+/–) Splitting	–150	12,700
Loan loss provisions at 30 June | 31 December	**197,738**	**199,274**
Opening balance of credit business reserves at 1 January	38,657	1,552
– Releases	–25	–1,379
+ Allocation	1,328	9,791
– Application	0	0
(+/–) Splitting	–485	28,693
(+/–) Changes arising from currency differences	22	0
Credit business reserves at 30 June | 31 December	**39,497**	**38,657**
Total loan loss provisions at 30 June | 31 December	**237,235**	**237,931**

4 TRADING ASSETS in thousands of euros	30.06.2015	31.12.2014
Debenture bonds and other fixed-interest securities	0	7,122
Equities and other variable-interest securities	0	0
Positive market values arising from derivative transactions – Trading	6,902	6,516
Positive market values arising from derivative transactions – Fair value option	18,892	24,795
Trading assets	**25,794**	**38,433**

5 FINANCIAL ASSETS – AT FAIR VALUE THROUGH PROFIT OR LOSS in thousands of euros	30.06.2015	31.12.2014
Debenture bonds and other fixed-interest securities	132,400	132,873
Equities and other variable-interest securities	24,099	9,335
Financial assets - at fair value through profit or loss	**156,499**	**142,208**

6 FINANCIAL ASSETS – AVAILABLE FOR SALE in thousands of euros	30.06.2015	31.12.2014
Debenture bonds and other fixed-interest securities	1,077,799	1,104,186
Equities and other variable-interest securities	12,354	7,254
Other shareholdings	46,848	46,246
Other affiliated shareholdings	105,386	105,390
Financial assets - available for sale	**1,242,387**	**1,263,076**

7 FINANCIAL ASSETS – HELD TO MATURITY in thousands of euros	30.06.2015	31.12.2014
Debenture bonds and other fixed-interest securities	731,588	741,772
Financial assets – held to maturity	**731,588**	**741,772**

8 SHARES IN AT-EQUITY VALUED COMPANIES in thousands of euros	30.06.2015	31.12.2014
Credit institutions	435,283	409,623
Non-credit institutions	18,203	17,308
Shares in at-equity valued companies	**453,486**	**426,931**

Balance sheet – Liabilities

9 LIABILITIES TO BANKS in thousands of euros	30.06.2015	31.12.2014
Austrian credit institutions	804,148	732,408
Foreign credit institutions	748,576	662,284
Liabilities to credit institutions	**1,552,724**	**1,394,692**

10 LIABILITIES TO CLIENTS in thousands of euros	30.06.2015	31.12.2014
Savings deposits		
Austrian	1,028,997	1,024,949
Foreign	166,109	151,308
Sub-total savings deposits	1,195,106	1,176,257
Other deposits		
Austrian	3,177,180	3,241,688
Foreign	1,144,507	1,109,086
Sub-total other deposits	4,321,687	4,350,774
Liabilities to clients	**5,516,793**	**5,527,031**

11 SECURITISED DEBT in thousands of euros	30.06.2015	31.12.2014
Debentures	841,777	811,994
Domestic bonds	244,335	200,578
Securitised debt	**1,086,112**	**1,012,572**
of which fair value	412,856	424,874

12 TRADING LIABILITIES in thousands of euros	30.06.2015	31.12.2014
Negative market values arising from derivative transactions – Trading	14,789	4,786
Negative market values arising from derivative transactions – Fair value option	9,012	11,020
Trading liabilities	**23,801**	**15,806**

13 RESERVES AND PROVISIONS in thousands of euros	30.06.2015	31.12.2014
Long-term payroll reserves	84,998	85,077
Other reserves and provisions	46,939	42,289
Reserves and provisions	**131,937**	**127,366**

14 SUBORDINATED CAPITAL in thousands of euros	30.06.2015	31.12.2014
Subordinated capital	339,539	378,952
Subordinated capital	**339,539**	**378,952**
of which fair value	205,348	195,833

The consolidated capital of the Group is reported in accordance with the provisions of Basel III. This is based on EU Regulation 575/2013 (Capital Requirements Regulation – CRR), in conjunction with the Austrian CRR accompanying regulation. The capital according to CRR consists of the common equity (Common Equity Tier 1 – CET1), the additional core capital (Additional Tier 1 – AT1) and supplementary capital (Tier 2 – T2). The respective capital ratios are determined by contrasting the corresponding regulatory capital component after taking into account all regulatory deductions and transitional provisions of the overall measure of risk. In accordance with the provisions of the CRR a minimum requirement of 4.5% is planned for CET1 which will be increased by the capital buffer defined in accordance with CRD IV (Capital Requirements Directive IV). For the entire core capital, a minimum requirement of 6.0% is provided; the total capital must reach a value of 8.0%.

As regards the leverage ratio, reference is made to the disclosure pursuant to Part 8 of Regulation (EU) No 575/2013 (CRR). The structure of regulatory capital is based on the final proposal of the guidelines of the EBA (European Banking Authority); the values are assessed on the basis of the scope of consolidation required by supervisory regulations.

CONSOLIDATED EQUITY ACCORDING TO CRR in € million	Basel III 30.06.2015	Basel III 31.12.2014
Common equity (CET1)		
Capital instruments qualifying as CET1	99.5	99.5
Proprietary CET1 instruments	–1.4	–1.5
Retained earnings and other surplus reserves	794.9	778.5
Aggregated other income	60.3	60.3
Other reserves	128.7	128.7
Transitional changes owing to the transitional provisions for CET1 capital instruments	3.5	4.0
Goodwill	0.0	0.0
Other intangible assets	–0.0	–0.0
Regulatory changes in connection with CET1 instruments of financial companies, in which the bank holds a substantial interest	–348.6	–324.7
Other transitional changes to CET1	85.8	51.3
Common equity (CET1)	822.6	796.1
Additional core capital (Additional Tier 1)		
Changes owing to the transitional provisions for Additional Tier 1 capital instruments	56.7	64.8
Other transitional changes to Additional Tier 1	–56.7	–64.8
Additional core capital (Additional Tier 1)	0.0	0.0
Core capital (Tier 1): sum of common equity (CET1) and additional (AT1) core capital	822.6	796.1
Supplementary capital (Tier 2)		
Paid-up capital instruments and subordinated loans	107.1	141.1
Direct positions in supplementary capital instruments	–0.5	–0.9
Changes owing to the transitional provisions for supplementary capital instruments and subordinated loans	49.9	71.8
Other transitional changes to supplementary capital	–84.0	–78.0
Supplementary capital (Tier 2)	72.5	134.0
Total qualifying equity	895.1	930.1
Total risk-weighted assets	6,343.5	6,212.8
Common equity Tier 1 ratio	12.97 %	12.81 %
Core capital ratio	12.97 %	12.81 %
Equity ratio	14.11 %	14.97 %

Income Statement: Notes

16 NET INTEREST INCOME in thousands of euros	01.01.-30.06.2015	01.01.-30.06.2014
Interest and similar income from		
Lending and money market transactions with credit institutions	4,636	3,783
Lending and money market transactions with clients	66,431	76,624
Debenture bonds and fixed-interest securities	19,940	21,676
Equities and variable-rate securities	349	332
Other shareholdings	1,876	1,299
Other transactions	7,181	725
Sub-total interest and similar income	100,413	104,439
Interest and similar expenses on		
Credit institutions deposits	–3,329	–4,945
Customer deposits	–11,006	–13,805
Securitised debt	–1,453	–2,637
Subordinated capital	–7,138	–6,647
Other trades	–8,282	–2,097
Sub-total interest and similar expenses	–31,208	–30,131
Income from at-equity valued companies	18,519	17,233
Net interest income	**87,724**	**91,541**

17 LOAN LOSS PROVISIONS in thousands of euros	01.01.-30.06.2015	01.01.-30.06.2014
Allocation of on-balance sheet provision	–8,779	–15,445
Allocation of off-balance sheet provision	–1,328	–5,448
Release of on-balance sheet provisions	5,764	3,790
Release of off-balance sheet provisions	25	0
Direct amortisation	–176	–302
Income from amortised receivables	138	139
Loan loss provisions in the credit business	**–4,356**	**–17,266**

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

18 COMMISSION INCOME in thousands of euros	01.01.-30.06.2015	01.01.-30.06.2014
Credit business	3,662	3,057
Payment transactions	6,098	5,977
Securities trading	12,948	9,999
Currency, foreign exchange and precious metals trading	2,078	1,296
Other services business	1,137	1,368
Net commission income	**25,923**	**21,697**

19 TRADING INCOME in thousands of euros	01.01.-30.06.2015	01.01.-30.06.2014
Income from derivatives	1,417	–551
Income from securities	211	167
Income from foreign exchange and notes and coins transactions	2,064	349
Trading income	**3,692**	**–35**

20 OPERATING EXPENSES in thousands of euros	01.01.-30.06.2015	01.01.-30.06.2014
Payroll	–43,204	–41,881
thereof salaries and wages	–32,281	–31,465
thereof legal social contributions	–8,775	–8,615
thereof other personnel costs	–1,105	–993
thereof expenditures for long-term personnel deferrals	–1,043	–808
Materials	–23,256	–22,179
Amortisation	–11,171	–11,946
Operating expenses	**–77,631**	**–76,006**

20a AVERAGE NUMBER OF EMPLOYEES, WEIGHTED ACCORDING to personnel years	30.06.2015	30.06.2014
White collar	908	904
Blue collar	420	424
Payroll	**1,328**	**1,328**

The level of the workforce was reduced by the number of employees delegated to subsidiaries outside the circle of companies covered by the IFRS consolidation.

21 OTHER OPERATING INCOME in thousands of euros	01.01.- 30.06.2015	01.01.- 30.06.2014
Other operating income	50,930	49,727
Other operating expenses	–20,547	–18,451
Hedge accounting income	–48	–4
Other operating profit	**30,335**	**31,272**

22 PROFIT ARISING FROM FINANCIAL ASSETS – AT FAIR VALUE THROUGH PROFIT OR LOSS in thousands of €	01.01.- 30.06.2015	01.01.- 30.06.2014
Profit arising from financial assets – at fair value through profit or loss	17	–784
Profit arising from financial assets – at fair value through profit or loss	**17**	**–784**

23 PROFIT ARISING FROM FINANCIAL ASSETS – AVAILABLE FOR SALE in thousands of euros	01.01.- 30.06.2015	01.01.- 30.06.2014
Profit arising from financial assets – available for sale	1,495	964
Profit arising from financial assets – available for sale	**1,495**	**964**

24 PROFIT ARISING FROM FINANCIAL ASSETS – HELD TO MATURITY in thousands of euros	01.01.- 30.06.2015	01.01.- 30.06.2014
Profit arising from financial assets – held to maturity	0	0
Profit arising from financial assets – held to maturity	**0**	**0**

25 PERFORMANCE BONDS AND CREDIT RISKS in thousands of euros	30.06.2015	30.06.2014
Securities/guarantees	235,238	233,135
Credit risks	1,329,767	1,061,252
Performance bonds and credit risks	**1,565,005**	**1,294,387**

Creditworthiness by sector of selected countries

The following table illustrates the volume of receivables owed by debtors in selected countries categorised by sectors. Against the backdrop of recent trends on the financial markets the loan, insurance and public authority sectors have been highlighted. There was no liability to Portugal, Ukraine or Greece on the reporting date of 30 June 2015.

TOTAL CREDIT RISK: CREDITWORTHINESS STRUCTURE BY SECTORS OF THE SELECTED COUNTRIES AT 30 JUNE 2015

Sectors in thousands of euros	Italy	Ireland	Spain	Russia	Total
Loans and insurance	27,070	10,501	0	0	37,572
Public sector	0	0	0	0	0
Remaining sectors	133,133	85	503	381	134,101
Total	**160,203**	**10,585**	**503**	**381**	**171,672**

26 EPS (ORDINARY AND PREFERENCE SHARES)	30.06.2015	30.06.2014
Equities (ordinary and preference shares)	25,000,000	25,000,000
Average float (ordinary and preference shares)	24,990,579	24,964,261
Net Group income in thousands of euros	54,735	41,908
EPS (Earnings per share) in €	2.19	1.68
Diluted earnings per share in € (ordinary and preference shares)	2.19	1.68

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

27 FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS WHICH ARE VALUED AT FAIR VALUE

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

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

Quoted prices in active markets (Level 1):

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

An active market must fulfil cumulatively the following conditions:

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

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

Valuation procedure through observable parameters (Level 2):

This category includes OTC derivative contracts, receivables and issued debt securities of the Group classified at fair value.

Valuation procedures through significant unobservable parameters (Level 3):

The financial instruments in this category show input parameters which are based on unobservable markets.

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

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

Level 1

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

Level 2

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

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

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

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

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

The derivatives are also categorised at level 2. The following valuation processes are applied:

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

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

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

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

FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS WHICH ARE VALUED AT FAIR VALUE AS AT 30 JUNE 2015 in thousands of euros	Prices listed in active markets	Valuation methods based on market data	Valuation methods not based on market data
	Level 1	Level 2	Level 3
Financial assets stated at fair value			
Trading portfolio securities	0	0	0
Positive market values from derivative financial instruments	0	89,932	0
Assets classified at fair value	130,150	26,275	74
Financial assets available for disposal	984,008	106,145	152,234
Overall financial assets classified at fair value	1,114,158	223,352	152,308
Financial liabilities stated at fair value			
Negative market values from derivative financial instruments	0	54,921	0
Liabilities classified at fair value	0	618,204	0
Overall liabilities classified at fair value	0	673,125	0

FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS WHICH ARE VALUED AT FAIR VALUE AS AT 31 DECEMBER 2014 in thousands of euros	Prices listed in active markets	Valuation methods based on market data	Valuation methods not based on market data
	Level 1	Level 2	Level 3
Financial assets stated at fair value			
Trading portfolio securities	0	7,122	0
Positive market values from derivative financial instruments	0	111,854	0
Assets classified at fair value	115,935	26,145	128
Financial assets available for disposal	984,509	126,932	151,635
Overall financial assets classified at fair value	1,100,444	272,053	151,763
Financial liabilities stated at fair value			
Negative market values from derivative financial instruments	0	54,833	0
Liabilities classified at fair value	0	620,707	0
Overall liabilities classified at fair value	0	675,540	0

MOVEMENTS IN LEVEL 3 OF FINANCIAL INSTRUMENTS ASSESSED AT FAIR VALUE in thousands of euros	December 2014	Result P&L	Result in other operating income	Purchases	Sales, repay-ments	Transfer to level 3	Transfer from level 3	Currency conversion	June 2015
Trading portfolio securities	0	0	0	0	0	0	0	0	0
Positive market values from derivative financial instruments	0	0	0	0	0	0	0	0	0
Assets classified at fair value	128	–5	0	0	–49	0	0	0	74
Financial assets available for disposal	151,635	0	0	600	–1	0	0	0	152,234
Overall financial assets classified at fair value	**151,763**	**–5**	**0**	**600**	**–50**	**0**	**0**	**0**	**152,308**

Movements between level 1, level 2 and level 3
In the current reporting year 2015, there have not been any movements between the individual levels.

Purchases totalling EUR 600 thousand resulting from access to equity instruments as a result of a shareholder contribution.

28 FAIR VALUE OF FINANCIAL INSTRUMENTS, WHICH ARE NOT VALUED AT FAIR VALUE

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

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

ASSETS in thousands of euros	Fair value 30.06.2015	Book value 30.06.2015	Fair value 31.12.2014	Book value 31.12.2014
Cash reserves	81,364	81,364	173,002	173,002
Loans to Credit Institutions	278,815	277,873	276,423	273,979
Loans to clients	7,110,251	6,703,703	6,916,304	6,386,508
Financial assets – held to maturity	779,506	731,588	800,149	741,772

LIABILITIES in thousands of euros	Fair value 30.06.2015	Book value 30.06.2015	Fair value 31.12.2014	Book value 31.12.2014
Liabilities to credit institutions	1,597,970	1,552,724	1,442,880	1,394,692
Liabilities to clients	5,529,052	5,516,793	5,551,723	5,527,031
Securitised debt	669,913	673,256	580,884	587,697
Subordinated capital	134,416	134,191	183,507	183,119

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

Segment reporting is based on internal divisional accounting for the corporate and retail customers business areas, on the overall bank report for the institutional clients and banks business area, on the Reporting Package and the monthly report for the BTV Leasing subgroup and on the respective monthly report for the Silvretta Montafon Bergbahnen Group. These reports reflect the structure of management responsibilities within BTV in 2015. These internal reports to the Board of Directors, which only satisfy IFRS accounting standards in part, are supplied monthly and are almost totally automated by preparatory systems and interfaces. The reporting dates for the data are the respective period closing dates of the subsidiaries included in the consolidated financial statements. The information of the internal and external accounting system is based on the same base data and is agreed for the reports. A reciprocal check, current agreements or plausibility checks between the Sales and Strategy Controlling, Risk Controlling, Reporting and Balance Sheet Presentation and Tax and Accounting groups are therefore guaranteed. The criterion for the separation of business areas is primarily the responsibility for looking after clients. Changes in this responsibility can also lead to changes in attribution to a segment during the course of a year. These effects are not corrected in the year-on-year comparison insofar as they are immaterial.

In 2015, the following business areas are defined within BTV:
The corporate client business area is responsible for small, medium and large business clients and chartered accountants and auditors. The retail client business area is responsible for the retail clients, freelance professionals and micro-companies market segments. The institutional clients and banks division mainly includes treasury and trading activities. BTV Leasing brings together all leasing operations of BTV AG. The Silvretta Montafon Bergbahnen Group contains all of its tourism activities. The results of these segments also include transactions between segments, particularly between the corporate customer segment and leasing and the Silvretta Montafon Group. Services are transferred at market prices. Alongside these five reporting segments is the „Other segments/consolidations/misc.“ heading. This item reports the results from service areas across BTV, such as Finance and Controlling, Legal and Investments, Quality Management, Marketing and Communications and Group Auditing, etc. In addition, the effects of consolidation and fully consolidated companies below the thresholds (Alpenländische Garantie-Gesellschaft m.b.H., BTV Hybrid I GmbH and BTV Hybrid II GmbH) as well as TiMe Holding GmbH are allocated to this segment.

The results of the five reporting segments are described below.

Corporate clients

In the first half of 2015, income from corporate clients rose by EUR 13.6 million overall to EUR 38.5 million, compared with the previous year. This considerable increase was mainly due to the reduced loan loss provision for the credit business and the higher net commission income. Interest income remained constant at EUR 43.1 million. Loan loss provisions in the credit business fell by EUR 12.1 million to EUR 3.0 million. Compared with the previous year, net commission income grew by EUR 1.2 million. Operating expenses were down EUR 0.3 million.

Retail clients

Interim earnings also managed to surpass the previous year's figure in the retail clients business. For the first two quarters of 2015, pre-tax profit for the period was EUR 11.4 million, compared with EUR 8.6 million the previous year. The main decisive factors were the increase in net commission income of EUR 2.1 million, or 15.5%, to EUR 15.5 million and the EUR 1.3 million reduction in loan loss provisions. Interest income rose by EUR 0.5 million to EUR 19.5 million, owing to the increase in the financing volume. The increase in operating expenses had a negative effect on the profit for the period.

Institutional clients and banks

Net interest income rose year-on-year by EUR 0.8 million to EUR 22.9 million. The trading result including income from financial assets rose by EUR 4.8 million to EUR 5.0 million. Administrative expenses fell by EUR 0.4 million to EUR 0.8 million year-on-year. Pre-tax earnings for the period rose in total by EUR 6.7 million to EUR 27.8 million.

Leasing

Buoyed by higher customer cash values (EUR +63 million), net interest income rose by EUR +0.8 million to EUR 8.5 million. Another decisive factor is the other operating income, which rose from EUR 1.9 million to EUR 2.2 million. Loan loan provisions, which rose by EUR 0.4 million and amounted to EUR 0.5 million at the time of reporting, in addition to the EUR 0.1 million increase in administrative costs totalling EUR 3.1 million, had the effect of reducing earnings. Overall, pre-tax profit grew by EUR +0.6 million to EUR 7.5 million.

Silvretta Montafon

Owing to the course of business being dominated by tourism, the result fell drastically due to the season. Despite the late arrival of winter and the poor earnings for December as a result, income for the period rose by EUR 1.3 million to EUR 11.2 million. At EUR 38.9 million, other operating profit, which mainly includes the revenues, was up year-on-year by EUR 2.0 million, or 5.3%, in the first two quarters of 2015. These are the decisive factors for Silvretta Montafon with its average of 533 employees in the half-year under review. Administrative expenses rose by EUR 0.6 million to EUR 27.2 million.

SEGMENT REPORTING in thousands of euros	Year	Corporate clients	Retail clients	Institutional clients and banks	Leasing	Silvretta Montafon	Reporting segments	Other segments/ consolida-tion/misc.	Group balance sheet/ P&L
Net interest income	06/2015	43,140	19,489	22,929	8,492	–504	93,546	–24,340	69,206
	06/2014	43,131	19,020	22,084	7,691	–407	91,519	–17,212	74,307
Income from at-equity valued companies	06/2015	0	0	0	0	0	0	18,519	18,519
	06/2014	0	0	0	0	0	0	17,233	17,233
Loan loss provisions in the credit business	06/2015	–3,001	–630	664	–461	0	–3,428	–928	–4,356
	06/2014	–15,076	–1,905	0	–66	0	–17,047	–219	–17,266
Net commission income	06/2015	12,194	15,528	0	231	0	27,953	–2,030	25,923
	06/2014	11,005	13,439	0	422	0	24,866	–3,170	21,697
Operating expenses	06/2015	–13,798	–23,287	–839	–3,122	–27,228	–68,274	–9,356	–77,631
	06/2014	–14,118	–22,349	–1,199	–2,991	–26,658	–67,315	–8,690	–76,006
Other operating profit	06/2015	0	339	0	2,156	38,923	41,418	–11,083	30,335
	06/2014	0	440	0	1,856	36,950	39,246	–7,974	31,272
Result from financial assets and trading result	06/2015	0	0	5,014	190	0	5,204	0	5,204
	06/2014	0	0	164	–19	0	145	0	145
Result for the period before tax	06/2015	38,535	11,439	27,768	7,486	11,191	96,419	–29,220	67,199
	06/2014	24,942	8,645	21,049	6,893	9,885	71,414	–20,031	51,383
Segment loans	06/2015	4,392,131	1,349,569	2,354,093	774,414	5,225	8,875,432	288,557	9,163,989
	06/2014	4,280,511	1,298,804	2,535,799	711,084	5,506	8,831,704	–59,786	8,771,918
Segment liabilities	06/2015	1,861,113	2,947,746	3,121,311	734,678	20,821	8,685,669	–166,700	8,518,969
	06/2014	1,600,837	2,764,236	3,020,054	664,044	33,769	8,082,940	6,467	8,089,407

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

Segment reporting: explanatory notes

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

The segment receivables include the entries for loans and advances to banks, loans and advances to clients, trading assets and all fixed-interest securities, guarantees and liabilities. The „Other segments/consolidation/misc." column includes loan loss provisions, since the internal control considers the liabilities as net figures in contrast to the balance sheet. Also included in this column are consolidating entries. The entries for liabilities to banks, liabilities to clients, trading liabilities, securitised debt, trading liabilities and subordinated capital are allocated to the liabilities segment. Consolidating entries are also included in this item in the „Other segments/consolidation/misc." column.

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

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

We confirm that, to the best of our knowledge, the abridged interim group financial statements drawn up in accordance with the relevant accounting standards convey as faithful a picture as possible of the asset, financial and profit position of the BTV group, and that the six-monthly report paints as faithful a picture as possible of the asset, financial and profit position of the BTV group with reference to the important occurrences during the first six months of the financial year and their effects on the abridged interim group financial statements with respect to the main risks and uncertainties to which the group is exposed.

Execution of an audit and/or an examination of the interim report by an auditor has been waived.

Innsbruck, August 2015

The Board of Directors

Peter Gaugg
Board Spokesperson

Spokesperson for the Board of Directors with responsibility for corporate client business in Innsbruck, Tyrolean Unterland, Oberland and Ausserfern, South Tyrol, Vienna and Southern Germany; Corporate Clients, Group Audit, Human Resources, Quality Management, Marketing & Communications divisions; BTV Leasing; Compliance and money laundering.

Mag. Matthias Moncher
Member of the Board

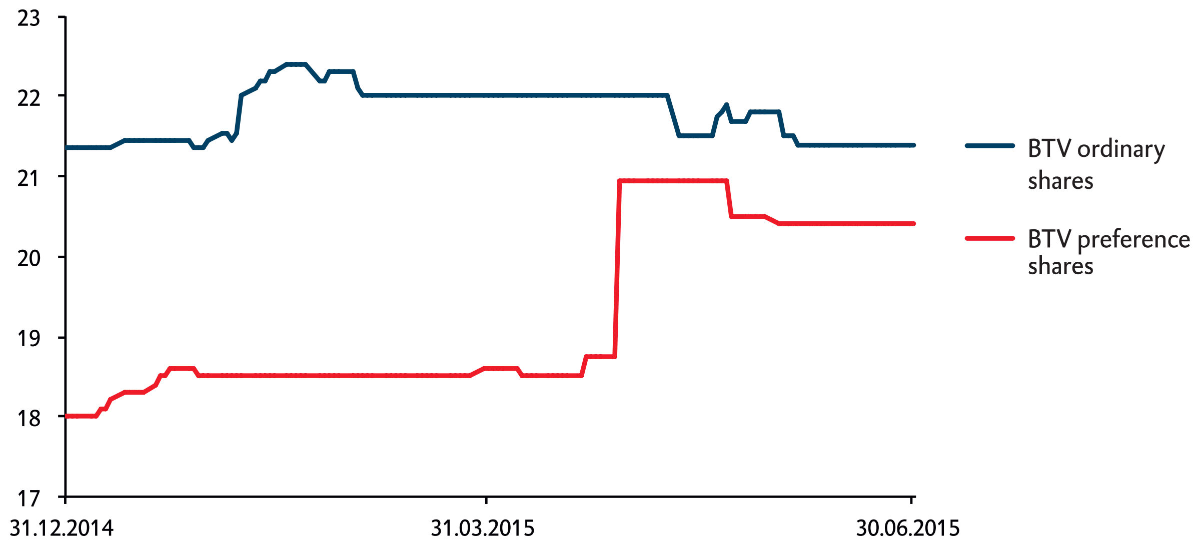
Member of the Board of Directors with responsibility for risk, process, IT and cost management; the departments for finance and controlling, legal matters and investments, credit management, the service centre, group audit; Compliance and money laundering.

Gerhard Burtscher
Member of the Board

Member of the Board, responsible for private client business in Tyrol, Vorarlberg, Vienna, Southern Germany and Italy; Corporate client business in Vorarlberg; Corporate and private customer business in Switzerland; Institutional Clients and Banks, Group audit; Compliance and money laundering.

BTV shares as at 30 June 2015

PERFORMANCE OF BTV SHARES SINCE 31 DECEMBER 2014 in €



Correction on the equity markets following record highs

Following the rally on international stock exchanges at the beginning of the year and the all-time highs or the highest levels for many years for many indices, there was a correction phase in the second quarter. Following the sharp price increases, many investors remained cautious as they feared an overheating of the markets. In addition, the global economic momentum has somewhat diminished, which has also been a factor of uncertainty for investors. Above all, the worsening of the situation in Greece once again considerably depressed the mood among investors in June. Uncertainty about the market owing to fears of a global economic slowdown and Greece's exit from the eurozone, as well as the announced hike in the US federal funds rate, resulted in major fluctuations on the equity markets.

Despite the correction phase in the second quarter, the international equity markets have predominantly reported gains since the beginning of the year. The eurozone continues to benefit from the ECB's policy of monetary easing. The Euro Stoxx 50 managed a rise of 8.8%, with the Italian share index – which was the frontrunner in the eurozone – even achieving 18.1%. The DAX had to accept losses in the second quarter, yet reported an 11.6% gain over the year. The Japanese equity market also benefited considerably from an expansionary monetary policy. The Nikkei 225 share index rose sharply once again in the second quarter, reporting an almost 16% gain since the beginning of the year. US indices such as S&P 500 (+0.2%) and Dow Jones (–1.1%) displayed a more sideways trend or dipped. The Swiss SMI share index had to accept a 2.3% drop over the year.

In the first half of 2015, BTV's ordinary shares rose by 0.23% to EUR 21.40 and preference shares by 13.33% to EUR 20.40.

Overview of 3 Banken Group – Group information

PROFIT AND LOSS in € million	BKS Bank 01.01.-30.06.2015	BKS Bank 01.01.-30.06.2014	Oberbank 01.01.-30.06.2015	Oberbank 01.01.-30.06.2014	BTV 01.01.-30.06.2015	BTV 01.01.-30.06.2014
Net interest income	79.5	78.3	178.8	172.5	87.7	91.5
Loan loss provisions in the credit business	–12.3	–27.9	–27.3	–35.8	–4.4	–17.3
Commission income	26.9	23.0	68.0	59.5	25.9	21.7
Operating expenses	–53.0	–52.0	–120.5	–116.4	–77.6	–76.0
Other operating profit	–3.6	–0.9	–9.1	5.5	30.3	31.3
Net pre-tax profit for the period	41.2	24.0	96.0	87.2	67.2	51.4
Group profit for the period	31.7	20.7	83.7	73.6	55.3	42.3

BALANCE SHEET FIGURES in € million	30.06.2015	31.12.2014	30.06.2015	31.12.2014	30.06.2015	31.12.2014
Total assets	6,930.8	6,854.6	17,991.0	17,774.9	9,811.4	9,597.7
Loans and advances to clients after loan loss provisions	4,921.2	4,815.8	12,237.2	11,801.8	6,506.0	6,187.2
Primary funds	5,090.6	5,013.0	12,296.5	12,288.6	6,942.4	6,918.6
of which savings deposits	1,690.8	1,705.5	3,009.8	3,098.5	1,195.1	1,176.3
of which securitised debt including subordinated capital	784.9	789.1	2,196.8	2,295.0	1,425.7	1,391.5
Equity	820.1	795.8	1,758.6	1,534.1	1,038.2	1,004.4
Managed deposits	13,357.7	12,972.0	24,838.9	23,441.9	12,618.5	12,155.5
of which customer deposits	8,267.1	7,959.0	12,542.4	11,153.3	5,676.1	5,236.8

REGULATORY CAPITAL in € million	30.06.2015	31.12.2014	30.06.2015	31.12.2014	30.06.2015	31.12.2014
Basis for measuring capital	4,919.3	4,846.6	12,016.9	11,935.2	6,343.5	6,212.8
Equity	528.4	580.9	1,980.5	1,874.4	895.1	930.1
of which common equity (CET1)	509.4	543.7	1,450.0	1,306.9	822.6	796.1
of which total core capital (CET1 and AT1)	509.4	543.7	1,530.8	1,385.2	822.6	796.1
Common equity ratio in %	10.36 %	11.22 %	12.07 %	10.95 %	12.97 %	12.81 %
Core capital ratio in %	10.36 %	11.22 %	12.74 %	11.61 %	12.97 %	12.81 %
Total capital ratio in %	10.74 %	11.99 %	16.48 %	15.70 %	14.11 %	14.97 %

COMPANY KEY INDICATORS in%	30.06.2015	31.12.2014	30.06.2015	31.12.2014	30.06.2015	31.12.2014
Return on equity before tax (RoE)	7.53 %	7.22 %	11.86 %	10.68 %	13.27 %	9.27 %
Return on Equity after tax	6.15 %	6.51 %	10.35 %	9.25 %	10.92 %	7.86 %
Cost/income ratio	51.1 %	51.9 %	49.4 %	50.1 %	52.6 %	54.4 %
Risk/earnings ratio	15.5 %	31.5 %	15.3 %	20.9 %	5.0 %	15.9 %

NUMBER of resources	30.06.2015	31.12.2014	30.06.2015	31.12.2014	30.06.2015	31.12.2014
Weighted average number of employees	924	915	2,026	2,004	1,328	1,195
Number of branches	59	57	153	156	36	38

Imprint

Bank für Tirol und Vorarlberg Aktiengesellschaft
Stadtforum 1
6020 Innsbruck

T +43/5 05 333-0
F +43/5 05 333-1180
SWIFT/BIC: BTVAAT22
Routing no.: 16000
Data processing register: 0018902
Commercial register no.: 32.942w
Tax ID: ATU 317 12 304
btv@btv.at
www.btv.at

Notes

Any personal expressions (e.g. he/she, him/her) included in this interim report apply equally to women and men.

Due to rounding differences, the BTV's interim report may include figures that differ slightly in the tables and charts.

This report contains forward-looking statements relating to the future performance of BTV. These statements reflect estimates which have been made on the basis of all information available to us on the reporting date. Should the assumptions underlying such forward-looking statements prove incorrect, or should risks materialise to an extent not anticipated, actual results may vary from those expected at present.

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Stadtforum 1
6020 Innsbruck

Further details pursuant to Section 25 of the Austrian Media Act can be found at www.btv.at/impressum.

Principle objective

Display and presentation of the company and information about the key products and services of the Bank für Tirol und Vorarlberg Aktiengesellschaft.

Contents

BTV Finance and Controlling
Mag. Hanna Meraner
MA (Ms) Reinhard Auer

Design

BTV Quality Management,
Marketing & Communications
Andreas Moser

Final version

11 August 2015