BANK FÜR TIROL UND VORARLBERG AKTIENGESELLSCHAFT
SHAREHOLDERS' REPORT: INTERIM FINANCIAL REPORT
AS OF 30 JUNE 2018

Interim report

BTV VIER LÄNDER BANK

3 Banken Gruppe

Contents

Important dates for BTV shareholders

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

Profit and loss in EUR million	**30/06/2018**	**30/06/2017**	**% change**
Net interest income	84.8	80.0	+6.0 %
Loan-loss provisions in the credit business	–4.6	–5.1	–9.6 %
Net commission income	26.3	25.0	+5.2 %
Operating expenses	–98.9	–97.3	+1.7 %
Other operating profit	71.5	67.0	+6.8 %
Net pre-tax profit for the period	80.9	68.1	+18.8 %
Group profit for the period	65.1	52.9	+23.2 %

Balance sheet figures in EUR million	**30/06/2018**	**31/12/2017**	**% change**
Total assets	11,024	10,463	+5.4 %
Loans and advances to clients after loan loss provisions	7,385	7,142	+3.4 %
Primary funds	7,863	7,606	+3.4 %
of which savings deposits	1,263	1,266	–0.2 %
of which own issues	1,385	1,318	+5.1 %
Equity	1,511	1,367	+10.5 %
Managed deposits	14,191	13,905	+2.1 %

Regulatory (CRR) equity in EUR million	**30/06/2018**	**31/12/2017***	**% change**
Risk-weighted assets	7,367	7,139	+3.2 %
Equity	1,098	972	+12.9 %
of which common equity (CET1)	900	915	–1.7 %
of which total core capital (CET1 and AT1)	914	915	–0.1 %
Common equity Tier 1 ratio	12.21 %	12.81 %	–0.60 pp
Core capital ratio	12.40 %	12.81 %	–0.41 pp
Equity ratio	14.90 %	13.62 %	+1.28 pp

Key indicators in pp	**30/06/2018**	**31/12/2017**	**Change in percentage points**
Return on equity before tax (RoE)	11.33 %	7.05 %	+4.28 pp
Return on Equity after tax	9.12 %	5.87 %	+3.25 pp
Cost/income ratio	54.0 %	60.8 %	–6.8 pp
Risk/earnings ratio	5.4 %	12.7 %	–7.3 pp

Number of resources	**30/06/2018**	**31/12/2017**	**Change figure**
Weighted average number of employees	1,643	1,401	+242
Number of branches	36	36	+0

Key indicators for BTV shares	**30/06/2018**	**30/06/2017**
Number of ordinary no par value shares	28,437,500	28,437,500
Number of preference shares	2,500,000	2,500,000
Top price of ordinary/preference share in EUR	26.00/24.60	23.40/20.00
Bottom price of ordinary/preference share in EUR	23.00/19.40	21.40/19.00
Closing price of ordinary/preference share in EUR	24.80/24.00	23.00/19.20
Market capitalisation in EUR million	765	702
IFRS EPS in EUR	3.85	3.28
P/E ratio, ordinary share	6.4	7.0
P/E ratio, preference share	6.2	5.9

* 31 December 2017 adjusted in accordance with IAS 8, see p. 29

Economic environment

Economic growth in the eurozone is slowing but remains at a healthy level. Much of the economic data has continued to weaken, with both leading and lagging economic indicators failing to meet analysts' expectations. Although sentiment has deteriorated among entrepreneurs and investors, and as a result, economic momentum is likely to decline, consumer sentiment is still positive. Lending to households grew significantly in the second quarter. Industrial production only managed to achieve average growth, with global weakness currently being observed in the industrial sector. The unemployment rate has fallen slightly from 8.5% to 8.4% and inflation is also heading in the right direction, as price pressure has increased somewhat. The most significant negative factor for the economic development of the eurozone was the trade dispute with the USA. Among the eurozone countries, heavily export-oriented Germany is particularly affected. After a very weak first quarter, the US economy recovered from the hardships of a cold winter. Private consumption and US foreign trade, the main drivers of the weaker economic performance of the previous quarter, have performed better in recent months. As a result, US economic growth should be significantly better in the second quarter, with analysts even expecting a GDP increase of 4% over the previous year. Despite the current uncertainties regarding economic policy issues, the leading US economic data has recently improved significantly. Sentiment among consumers and entrepreneurs is at very high levels, boosting US economic momentum.

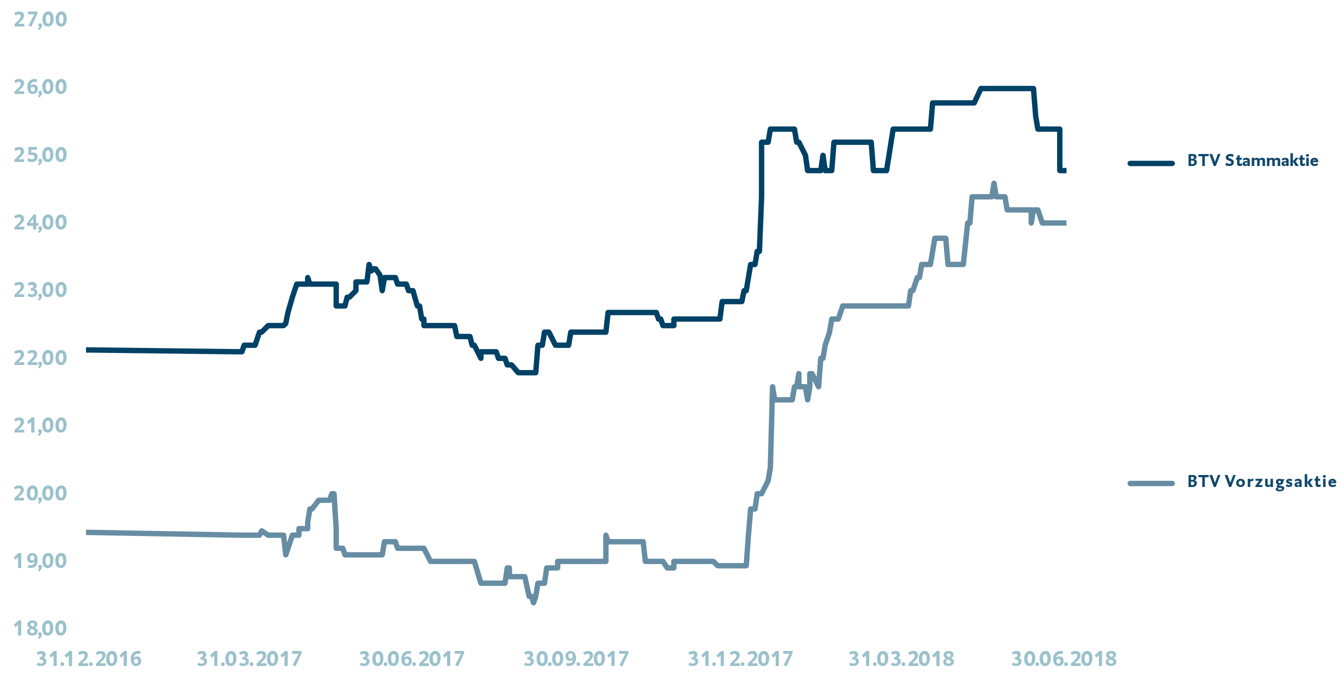
Interest rates

The US trade dispute, economic concerns and political uncertainties in the eurozone have repeatedly resulted in a risk-averse mood on the financial markets. In the second quarter, government bonds, which are regarded as „safe havens", were therefore in demand. Yields on government bonds of core European countries have continued to decline, even though the European Central Bank announced at its mid-June interest rate meeting that the bond-buying programme would be phased out by the end of the year. A first interest rate hike by the ECB is foreseeable from the second half of 2019. However, government bond risk premiums have risen in most peripheral eurozone countries due to the Italy issue, which is why results in this segment were largely negative in the second quarter. In general, riskier bond segments such as corporate bonds and emerging market bonds have been less in demand in the current environment. US government bond yields have risen slightly, with short-term interest rates rising more than longer-term ones. The main reason for the flattening of the interest rate curve is the US Federal Reserve's ongoing plan to raise interest rates. In June, the target rate range was raised by another 25 basis points to between 1.75% and 2.00%. Two further interest rate hikes are expected for the remainder of 2018. In the second quarter of 2018, long-term euro interest rates fell slightly by 9 basis points to 0.87% (10-year euro swaps). Money market rates (3-month Euribor) rose slightly by one base point to -0.32%.

Currencies

After the euro appreciated in the first quarter to over USD 1.25, the common currency depreciated sharply in the second quarter. The upward trend of the euro ended abruptly in April due to weaker euro area economic data. The government crisis in Italy in May sparked renewed fears of a return to the eurozone sovereign debt crisis, leading to a continuation of the euro's devaluation. By contrast, the US dollar rebounded sharply towards the start of the second quarter, meaning that it appreciated not only against the euro, but against all global reserve currencies. The US dollar's strength can be explained above all by surprisingly good US economic data, but also rising interest rate expectations. Meanwhile the EUR/USD currency pair fell to below 1.15. Towards the end of the second quarter, the euro gained against the US dollar again, causing the exchange rate to return to 1.17. Above all, the prospect of the ECB's bond purchasing programme expiring later this year caused the euro to appreciate somewhat in the end. The euro also fell in value against the Swiss franc and the Japanese yen in the second quarter. In addition to the political uncertainties in the euro area, which are considered to be major factors in the weakness of the euro, fears of an escalation in the trade dispute with the US led to an increase in demand for safe-haven currencies. However, the Swiss franc benefited slightly more from the dispute than the Japanese yen. Due to the relatively high proportion of Japanese added value in US imports from China, the Japanese economy is also likely to be affected by US protectionist measures. This is seen as the main reason for the franc having performed better compared to the yen.

Performance of BTV shares since 2017 in EUR



Equities

Volatility on the international stock markets continued to increase in the second quarter. Following the strongest stock market correction since 2011 this February, positive fundamental data such as rising corporate earnings, healthy valuation levels and bond attractiveness returned to prominence. At the end of the quarter, European stock markets started a veritable comeback as a result of the weakness of the euro. However, the stock market trend, which was generally positive until May, has since been halted by several factors: the protracted coalition talks in Italy, the German coalition almost collapsing over the issue of asylum and the escalating trade dispute. A surprising turnaround in Italy's political chaos - the successful formation of a government - only briefly allowed the markets to breathe a brief sigh of relief, as concerns about a trade war gained the upper hand towards the end of the second quarter. Traditionally, the North American stock market has been the most stable in this turbulent period.

The international stock exchanges finished the second quarter very differently. The US S&P 500 index finished up 2.9%, with technology and small-cap companies performing best. The broad European market (STOXX Europe 600) gained 2.4%, with the British FTSE posting a strong gain of 8.2%. By contrast, the Austrian ATX was one of the laggards with a minus of -5.0%. The German DAX ranked in the middle with a performance of 1.7%. The Japanese Nikkei 225 finished with a significant plus of 4.0% on a quarterly basis. Emerging economies were hit particularly hard by the escalating trade conflict and, subsequently, by increasing economic concerns. The Latin American stock exchanges (MSCI Latin America) suffered very large losses (-17.8%), but the Asian stock markets (MSCI Asia ex Japan) also lost -5.4%.

BTV's ordinary shares rose +8.5% to EUR 24.80 for the full year of 2018. Preference shares gained +26.6% and closed the quarter at EUR 24.00.

Balance sheet performance

Due to the new IFRS 9 accounting standard, which has been in force since 1 January 2018, there have been changes in some balance sheet items. The statements in the following management report refer to the balance sheet as at 31 December 2017 according to the respective legal situation.

Loans and advances to customers rose in the first six months of 2018 by EUR 172 million or 2.3% to EUR 7,509 million.

The item „Risk provisions“ is directly affected by the new accounting guidelines in accordance with IFRS 9. Due to the new impairment standards, portfolio-based allowances were reversed directly in equity. The portfolio fell by EUR -71 million to EUR 124 million.

At EUR 2,190 million, other financial assets including shares in companies valued at equity and trading assets remained at the level of the end of 2017.

Liabilities to credit institutions have increased. The figure of EUR 1,346 million represents an increase of EUR +134 million.

The volume of primary funds showed pleasing growth in the second quarter. As of 30 June 2018, BTV reported a level of EUR 7,863 million, which represents an increase of EUR +257 million compared with the end of 2017. In relation to the refinancing of customer lending, this resulted in a loan-deposit ratio of 93.9%. Customer funds under management, the sum of deposit volumes and primary funds, increased by EUR +286 million to EUR 14,191 million in the reporting period. In addition to the aforementioned increase in primary funds, the volume of deposits increased by EUR +29 million to EUR 6,328 million.

The changeover to IFRS 9 and the associated revaluation resulted in a significant increase in equity. The initial conversion effects were recognised directly in equity, which led to an increase of EUR +64 million in this item as of 1 January 2018. If one compares 30 June 2018 with the end of 2017, equity increased by EUR +144 million to EUR 1,511 million.

As a result of these developments, total assets increased by EUR +561 million to EUR 11,024 million.

As at 30 June 2018, the credit institution group's qualifying net equity under CRR (Basel III) was EUR 1,098 million. Overall, it increased by EUR +126 million or 12.9% compared to year-end 2017 adjusted according to IAS 8 (see p. 29 ff). At the end of the first six months, the banking group's common equity (CET1) under CRR amounted to EUR 900 million, the core capital totalled EUR 914 million.

Total risk-weighted assets rose by EUR +228 million to EUR 7,367 million. As of 30 June 2018, this resulted in a Tier 1 core capital ratio of 12.40% and an overall equity ratio of 14.90%.

Profit trend

Interest earnings after risk provisions

Interest income after risk provisions increased by EUR +5.3 million to EUR 80.3 million. Net interest earnings excluding at-equity income grew by EUR 2.5 million to EUR 62.2 million. The profit from companies valued at equity increased in the first half of the year by EUR 2.3 million to EUR 22.7 million. Compared to the same period in 2017, expenses for risk provisions in the credit business fell by EUR 0.5 million to EUR 4.6 million.

Net commission income

Trends in net commission income continue to be largely dominated by trends in securities trending, despite the sometimes challenging market environment. This increased by EUR +1.3 million or +10.2% over the previous year to EUR 13.6 million. Payment transactions increased by EUR +0.2 million to EUR 6.7 million. At EUR 1.7 million, earnings from the foreign exchange, foreign currency and precious metals business were slightly below the previous year's level with a reduction of EUR +0.1 million. After the very successful previous year in the credit business, this result was again achieved in 2018 and even slightly exceeded with EUR 4.0 million. At EUR 0.3 million, other services failed to match the previous year. In total, BTV increased net commission income to EUR 26.3 million, which represents an increase of EUR +1.3 million or +5.2%.

Trading income

At EUR 0.4 million, trading income on 30 June 2018 was up EUR +1.1 million on the previous year.

Income from financial transactions

Net income from financial transactions increased by EUR +2.2 million compared to the end of the first half of 2017, resulting in a total income of EUR 1.3 million.

Operating expenses

In the first half of 2018, operating expenses rose by EUR +1.7 million or +1.7% to EUR 98.9 million. Expenditure on materials saw the highest growth, with an increase of EUR +2.0 million to EUR 31.6 million. In contrast, personnel expenses, the largest expense category, remained stable compared to the previous year, with a moderate increase of EUR +0.3 million or +0.6%. Depreciation fell by EUR -0.6 million to EUR 15.8 million.

Other operating profit

Other operating profit also performed strongly. The increase of +6.8% or EUR 4.5 million to EUR 71.5 million is primarily based on the results of BTV's investments in Mayrhofner Bergbahnen AG and Silvretta Montafon Holding GmbH.

Net pre-tax profit for the period

All in all, the operating strength of the BTV Group led to a welcome increase in net income for the period of EUR +12.8 million to EUR 80.9 million.

Tax position

The amounts recorded under „Taxes on income and profit" include the current cost of Austrian corporation tax, and otherwise relate primarily to the accrual and prepayment provisions for deferred taxes, in accordance with IFRS. Compared with the previous year, the tax liability rose by EUR +0.5 million to EUR 15.7 million as at 30 June 2018. The effective tax rate was thus 19.5%.

Group income incl. key indicators

In the first half of 2018, the pre-tax profit for the period increased by EUR +12.3 million or +23.2% to EUR 65.1 million. The cost-income ratio improved compared to the previous year from 56.8% to 54.0%. The return on equity before tax was 11.3%, up from 10.7% the previous year. The risk-earnings ratio was 5.4%.

Outlook

BTV's assessment of the economic environment in its market area remains stable and positive, even if signs of slowdown are discernible on a global scale. In the corporate client business, the focus in terms of growth will continue to be on the expansion markets of Germany, Vienna and Switzerland. The strategic principle of fully refinancing customer loans by means of primary funds will be retained in future.

Due to the low interest rate environment and despite the negative trend in the first half of the year, investments in securities continue to be an interesting investment alternative.

No substantial changes have occurred in the forecast results since the publication of the 2017 Annual Report. Net interest income and the services business are expected to remain above the previous year's result. Other operating profits should also be stronger than in 2017. The administration costs were expected to increase moderately compared with the previous year.

In total, we continue to expect net income before taxes to be higher than in the previous year.

Balance Sheet as at 30 June 2018

Assets in EUR thousand	30/06/2018	31/12/2017	Absolute change	Change in %
Cash reserves	722,000	320,708	+401,292	>+100 %
Loans and advances to banks [1] [see notes]	258,991	288,415	–29,424	–10.2 %
Loans and advances to clients [2]	7,508,591	7,336,377	+172,214	+2.3 %
Other financial assets [3]	1,519,796	n.a.	+1,519,796	>+100 %
Financial assets - at fair value through profit or loss	n.a.	35,685	–35,685	–100.0 %
Financial assets - available for sale	n.a.	1,545,238	–1,545,238	–100.0 %
Financial assets – held to maturity	n.a.	0	+0	+0.0 %
Shares in at-equity-valued companies [4]	645,133	589,556	+55,577	+9.4 %
Loan loss provisions [5]	–123,696	–194,474	+70,778	–36.4 %
Trading assets [6]	25,504	19,948	+5,556	+27.9 %
Intangible fixed assets	1,007	944	+63	+6.7 %
Property, plant and equipment	292,842	301,410	–8,568	–2.8 %
Properties held as financial investments	57,574	57,785	–211	–0.4 %
Current tax refunds	166	276	–110	–39.9 %
Deferred tax refunds	9,793	29,782	–19,989	–67.1 %
Other assets [7]	106,173	130,958	–24,785	–18.9 %
Total assets	**11,023,874**	**10,462,608**	**+561,266**	**+5.4 %**

Liabilities in EUR thousand	30/06/2018	31/12/2017	Absolute change	Change in %
Liabilities to banks [8]	1,345,873	1,212,086	+133,787	+11.0 %
Liabilities to clients [9]	6,477,874	6,287,594	+190,280	+3.0 %
Other financial liabilities [10]	1,402,305	n.a.	+1,402,305	>+100 %
Securitised debt	n.a.	1,156,916	–1,156,916	–100.0 %
Subordinated capital	n.a.	161,209	–161,209	–100.0 %
Trading liabilities [11]	6,467	6,091	+376	+6.2 %
Reserves and provisions [12]	141,806	131,196	+10,610	+8.1 %
Current tax owed	8,900	6,759	+2,141	+31.7 %
Deferred tax owed	5,538	5,535	+3	+0.1 %
Other liabilities[13]	123,768	127,896	–4,128	–3.2 %
Equity [14]	1,511,343	1,367,326	+144,017	+10.5 %
Non-controlling interests	44,467	38,257	+6,210	+16.2 %
Owners of the parent company	1,466,876	1,329,069	+137,807	+10.4 %
Total liabilities	**11,023,874**	**10,462,608**	**+561,266**	**+5.4 %**

Key indicators	30/06/2018	30/06/2017
RoE before tax	11.33 %	10.70 %
RoE after tax	9.12 %	8.31 %
Cost/income ratio	54.0 %	56.8 %
Risk/earnings ratio	5.4 %	6.3 %

n.a. = not available due to first-time application of IFRS 9

Statement of comprehensive income as at 30 June 2018

Comprehensive income statement in EUR thousand	**01/01–30/06/2018**	**01/01–30/06/2017**	**Absolute change**	**Change in %**
Interest and similar income	78,064	78,025	+39	+0.0 %
Interest and similar expenses	–15,867	–18,353	+2,486	–13.5 %
Income from at-equity valued companies	22,651	20,340	+2,311	+11.4 %
Net interest income, incl. at-equity result [15]	**84,848**	**80,012**	**+4,836**	**+6.0 %**
Loan-loss provisions [16]	–4,572	–5,056	+484	–9.6 %
Commission income	28,615	27,133	+1,482	+5.5 %
Commission expenses	–2,310	–2,122	–188	+8.9 %
Net commission income [17]	**26,305**	**25,011**	**+1,294**	**+5.2 %**
Trading income [18]	377	–709	+1,086	>–100 %
Income from securities [19]	1,297	–907	+2,204	>–100 %
Operating expenses [20]	–98,934	–97,267	–1,667	+1.7 %
Other operating income [21]	71,538	66,996	+4,542	+6.8 %
Net pre-tax profit for the period	**80,859**	**68,080**	**+12,779**	**+18.8 %**
Taxes on earnings and profit	–15,745	–15,219	–526	+3.5 %
Group profit for the period	**65,114**	**52,861**	**+12,253**	**+23.2 %**
Non-controlling interests	6,209	4,975	+1,234	+24.8 %
Owners of the parent company	58,905	47,886	+11,019	+23.0 %

Other comprehensive income in EUR thousand	**01/01–30/06/2018**	**01/01–30/06/2017**
Group profit for the period	**65,114**	**52,861**
Revaluations from performance-oriented pension plans	–8	–496
Changes in at-equity valued companies recognised directly in equity	22,242	2,733
Changes in equity instruments recognised directly in equity	1,970	0
Fair-value adjustment of own creditworthiness risk of financial liabilities	–647	0
Gains/losses with regard to deferred taxes, applied directly against total profit	–680	124
Total of items which could subsequently not be allocated into profit or loss	**22,877**	**2,361**
Changes in at-equity valued companies recognised directly in equity	2,609	10,384
Changes in debt securities recognised directly in equity	–705	n.a.
Unrealised profit/loss on assets held for disposal (AfS reserve)	n.a.	–4,721
Unrealised gains/losses from adjustments in currency conversion	20	306
Gains/losses with regard to deferred taxes, applied directly against total profit	0	–124
Total of items which could subsequently be allocated into profit or loss	**1,924**	**5,845**
Total of other comprehensive income	**24,801**	**8,206**
Comprehensive income for the period	**89,915**	**61,067**
Non-controlling interests	6,209	4,975
Owners of the parent company	83,706	56,092

Key indicators	**30/06/2018**	**30/06/2017**
Diluted and undiluted earnings per share in EUR [23]	1.91	1.62

n.a. = not available due to first-time application of IFRS 9

Statement of changes in equity in EUR thousand	Subscribed capital	Reserves	Retained earnings	Actuarial profit/loss	Available for sale reserve	Total owners of the parent company	Non-controlling interests	Equity
Equity at 01/01/2017	55,000	106,996	1,031,836	24,012	–34,225	1,183,619	35,815	1,219,434
Capital increases	6,875	67,719	0	0	0	74,594	0	0
Comprehensive income for the period								
Revenue	0	0	47,886	0	0	47,886	4,975	52,861
Other income	0	0	13,423	–4,721	–496	8,206	0	8,206
Distributions	0	0	–8,250	0	0	–8,250	0	–8,250
Own shares	0	39	0	0	0	39	0	39
Other changes with a neutral effect on results	0	–69	–33	0	0	–102	0	–102
Equity at 30/06/2017	**61,875**	**174,685**	**1,084,862**	**19,291**	**–34,721**	**1,305,992**	**40,790**	**1,346,782**

Statement of changes in equity in EUR thousand	Subscribed capital	Reserves	Retained earnings	OCI non-recyclable	OCI recyclable	Total owners of the parent company	Non-controlling interests	Equity
Equity at 31 December 2017	**61,875**	**174,132**	**1,101,960**	**–31,816**	**22,918**	**1,329,069**	**38,257**	**1,367,326**
Reclassifications	0	0	–4,397	–3,435	7,832	0	0	0
IFRS 9 revaluation	0	0	70,820	1,246	–8,115	63,951	0	63,951
Equity at 01/01/2018	**61,875**	**174,132**	**1,168,383**	**–34,005**	**22,635**	**1,393,020**	**38,257**	**1,431,277**
Capital increases	0	0	0	0	0	0	0	0
Comprehensive income for the period								
Revenue	0	0	58,905	0	0	58,905	6,209	65,114
Other income	0	0	–154	22,877	1,924	24,647	0	24,647
Distributions	0	0	–9,257	0	0	–9,257	0	–9,257
Own shares	0	–540	0	0	0	–540	0	–540
Other changes with a neutral effect on results	0	0	101	0	0	101	0	101
Equity at 30/06/2018	**61,875**	**173,592**	**1,217,978**	**–11,128**	**24,559**	**1,466,877**	**44,466**	**1,511,343**

The items of the 2018 statement of change in equity were adjusted due to the first-time application of IFRS 9.

Cash flow statement as at 30 June 2018

Cash flow statement in EUR thousand	**01/01–30/06/2018**	**01/01/–30/06/2017**
Cash position at the end of the previous period	**320,708**	**316,527**
Operating cash flow	415,389	–114,022
Investment cash flow	–6,343	–4,570
Financing cash flow	–7,754	–39,198
Cash position at the end of the period	**722,000**	**158,737**

Accounting and valuation principles

The present interim BTV Group accounts as at 30 June 2018 have been drawn up according to IFRS regulations and interpretations by the International Financial Reporting Interpretations Committee (IFRIC) that exempt from preparation of consolidated financial statements as defined by section 245a of the Austrian Banking Act (Bankwesengesetz - BWG) in conjunction with section 59a of the Austrian Commercial Code (Unternehmensgesetzbuch - UGB) and in accordance with IAS 34 (Interim Financial Reporting).

The Bank für Tirol und Vorarlberg Aktiengesellschaft is an ‚Aktiengesellschaft' (public limited company) headquartered in Austria. The company's registered office is in Innsbruck. The main activities of the company and its subsidiaries include asset management, corporate and retail banking, the holding of participations and the operation of 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). In contrast to the audited BTV consolidated financial statements for 2017, the interim consolidated financial statements as at 30 June 2018 were prepared in accordance with the accounting principles according to the new IFRS 9 standard „Financial Instruments". The impact of the first-time adoption of IFRS 9 is described in detail on pages 16 to 22. All accounting and valuation principles not covered by IFRS 9 remain unchanged.

IFRS 15 „Revenue from Contracts with Customers" came into force on 1 January 2018. The rules determine how and when income is recognised but have no impact on income receipts arising in connection with financial instruments under the rules of IFRS 9. The new regulations had no effect on BTV's consolidated financial statements.

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 to 31 December 2017. With entry in the commercial register dated 9 November 2017, the balance sheet date of MPR Holding GmbH was brought forward to 30 September. The company will in future assume the holding function for the group of companies of Silvretta Montafon GmbH with headquarters in Gaschurn and be a managing holding company. The name of the company is Silvretta Montafon Holding GmbH. The registered office of the company has been relocated to Schruns.

The company name „Silvretta Montafon GmbH" was changed to „Silvretta Montafon Bergbahnen GmbH" with the entry in the company register on 30 November 2017. „Silvretta Verwaltungs GmbH" was renamed „Silvretta Montafon Sporthotel GmbH" with the registration in the company register of 18 November 2017. Also with the entry in the companies register from 18 November 2017, the company name changed from „HJB Projektgesellschaft mbH" to „Sporthotel Schruns GmbH". With the companies register entry of 24 November 2017, „Silvretta Sports Service GmbH" was renamed „Silvretta Montafon Sportshops GmbH". The scope of consolidation expanded to include the companies „Silvretta Montafon Ferienimmobilien GmbH" and „Silvretta Montafon Bergerlebnisse GmbH" with registration of 22 November 2017 as of the balance sheet date of 31 March 2018.

Fully consolidated companies	Share in %	Voting rights in %
BTV Leasing Gesellschaft m.b.H., Innsbruck	100.00 %	100.00 %
BTV Real-Leasing Gesellschaft m.b.H., Vienna	100.00 %	100.00 %
BTV Real-Leasing I Gesellschaft m.b.H., Innsbruck	100.00 %	100.00 %
BTV Real-Leasing II Gesellschaft m.b.H., Innsbruck	100.00 %	100.00 %
BTV Real-Leasing III Nachfolge GmbH & Co KG, Innsbruck	100.00 %	100.00 %
BTV Real-Leasing IV Gesellschaft m.b.H., Innsbruck	100.00 %	100.00 %
BTV Real-Leasing V Gesellschaft m.b.H., Innsbruck	100.00 %	100.00 %
BTV Anlagenleasing 1 GmbH, Innsbruck	100.00 %	100.00 %
BTV Anlagenleasing 2 GmbH, Innsbruck	100.00 %	100.00 %
BTV Anlagenleasing 3 Gesellschaft m.b.H., Innsbruck	100.00 %	100.00 %
BTV Anlagenleasing 4 GmbH, Innsbruck	100.00 %	100.00 %
BTV Leasing Deutschland GmbH, Munich	100.00 %	100.00 %
BTV Leasing Schweiz AG, Staad	99.99 %	99.99 %
BTV Hybrid I GmbH, Innsbruck	100.00 %	100.00 %
TiMe Holding GmbH, Innsbruck	100.00 %	100.00 %
Silvretta Montafon Holding GmbH, Schruns [1]	100.00 %	100.00 %
Silvretta Montafon Bergbahnen GmbH, Schruns [2]	100.00 %	100.00 %
Silvretta Montafon Gastronomie GmbH, Schruns	100.00 %	100.00 %
Silvretta Skischule GmbH, Gaschurn	100.00 %	100.00 %
Silvretta Montafon Sporthotel GmbH, Schruns [3]	100.00 %	100.00 %
Silvretta Montafon Sporthotel GmbH & Co. KG, Gaschurn	100.00 %	100.00 %
Sporthotel Schruns GmbH, Schruns [4]	100.00 %	100.00 %
„Das Schruns“ Hotelprojektentwicklungsgesellschaft mbH, St. Gallenkirch	100.00 %	100.00 %
Silvretta Montafon Sportshops GmbH, Schruns [5]	100.00 %	100.00 %
Silvretta Montafon Ferienimmobilien GmbH, Schruns	100.00 %	100.00 %
Silvretta Montafon Bergerlebnisse GmbH, Schruns	100.00 %	100.00 %
Skischule Silvretta Montafon St. Gallenkirch GmbH, St. Gallenkirch	50.00 %	50.00 %
BTV Beteiligungsholding GmbH, Innsbruck	100.00 %	100.00 %
BTV 2000 Beteiligungsverwaltungsgesellschaft m.b.H., Innsbruck	100.00 %	100.00 %
Mayrhofner Bergbahnen AG, Mayrhofen	50.52 %	50.52 %

1 formerly MPR Holding GmbH, Innsbruck
2 formerly Silvretta Montafon GmbH, Gaschurn
3 formerly Silvretta Verwaltungs GmbH, Gaschurn
4 formerly HJB Projektgesellschaft mbH, St. Gallenkirch
5 formerly Silvretta Sportservice GmbH, Schruns

Leasing companies and the companies of the Silvretta Montafon Holding GmbH were included in the Business Forecast as at 30/09, in accordance with their divergent financial year. BTV Beteiligungsholding GmbH, BTV 2000 Beteiligungsverwaltungsgesellschaft m.b.H. and Mayrhofner Bergbahnen AG finish their financial year on 30/11. The companies of Silvretta Montafon and Mayrhofner Bergbahnen AG have a divergent accounting date due to their seasonal activity. Owing to the structural situation in the group organisation, there is a different reporting date for both the leasing companies as well as BTV Beteiligungsholding GmbH and BTV 2000 Beteiligungsverwaltungsgesellschaft m.b.H.

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

As at 30 June 2018, BTV AG holds 100% of the shares in Silvretta Montafon Holding GmbH. There are only indirect minority interests, which are the result of the holding in Skischule Silvretta Montafon St. Gallenkirch GmbH.

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

The share of earnings for the period allocated to minority interests amounts to EUR 6.209 million.

At the Annual General Meeting of the Mayrhofner Bergbahnen AG on 19 June 2018, a dividend of EUR 200,000 was agreed, of which EUR 99,000 was assigned 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.

The following holdings were included using the equity method:

Companies consolidated at-equity	Share in %	Voting rights in %
BKS Bank AG, Klagenfurt	18.89 %	19.50 %
Oberbank AG, Linz	16.15 %	16.98 %
Drei Banken Versicherungsagentur GmbH in liqu., Linz	20.00 %	20.00 %
Moser Holding Aktiengesellschaft, Innsbruck	24.99 %	24.99 %

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

The holdings in Oberbank AG and BKS Bank AG have been included in the 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. To ensure timely preparation of the financial statements, the valued companies are included for the period from 01/10/2017 to 31/03/2018.

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

ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H. is classed as a joint operation. 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 its associates - Oberbank AG, BKS Bank AG und B. 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 2018.

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

The resolutions at the 100th Annual General Meeting of the Bank für Tirol und Vorarlberg AG, held on 8 May 2018, are published on the BTV website (www.btv.at) under „The Company/Investor Relations“.

With a commercial register entry dated 20 July 2018, „Das Schruns“ Hotelprojektentwicklungsgesellschaft mbH, St. Gallenkirch was merged as a transferring company with Silvretta Montafon Holding GmbH as the acquiring company.

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

The following section lists the changes in accounting policies and valuation methods resulting from the application of the new IFRS 9 standard, as well as the reconciliation calculations.

Since 1 January 2018, BTV has applied the regulations of the IFRS 9 „Financial Instruments“ standard. The first-time application of IFRS 9 results in material changes for the subsequent valuation of financial assets and financial liabilities. In addition, the application of IFRS 9 results in changes relating to the details and composition of balance sheet and P&L items.

As permitted by the standard, BTV will make use of the exception not to adjust comparative information for previous periods with respect to changes in classification and valuation (including impairment). Differences between the carrying amounts of financial assets and financial liabilities due to the application of IFRS 9 are generally recognised in retained earnings and other aggregated income as of 1 January 2018. The accounting policies and valuation methods that applied in the previous year in accordance with IAS 39 can be found in the 2017 consolidated financial statements.

Reconciliation of the balance sheet items according to IAS 39 with items according to IFRS 9 is shown below. The IFRS 9 revaluation was booked through retained earnings and cumulative other comprehensive income.

Assets in EUR thousand **Balance sheet structure from 1 January 2018**	**01/01/2018**	**IFRS 9 revaluation**	**31 December 2017 after reclassification**	**Splitting**
Cash reserves	320,708	0	320,708	0
Loans to credit institutions	288,415	0	288,415	0
Loans to clients	7,330,090	–6,287	7,336,377	0
Other financial assets	1,634,279	24,977	1,609,302	1,609,302
Shares in at-equity valued companies	589,556	0	589,556	0
Loan loss provisions	–124,027	70,447	–194,474	0
Trading assets	36,544	–5,415	41,959	22,011
Intangible fixed assets	944	0	944	0
Property, plant and equipment	301,410	0	301,410	0
Properties held as financial investments	57,785	0	57,785	0
Current tax refunds	276	0	276	0
Deferred tax refunds	8,526	–21,256	29,782	0
Other assets	84,073	3,505	80,568	0
Total assets	**10,528,579**	**65,971**	**10,462,608**	**1,631,313**

Assets in EUR thousand **Balance sheet structure up to 31 December 2017**	**31/12/2017**	**Splitting**
Cash reserves	320,708	0
Loans to credit institutions	288,415	0
Loans to clients	7,336,377	0
Loan loss provisions	–194,474	0
Trading assets	19,948	0
Financial assets - at fair value through profit or loss	35,685	–35,685
Financial assets - available for sale	1,545,238	–1,545,238
Financial assets – held to maturity	0	0
Shares in at-equity valued companies	589,556	0
Intangible fixed assets	944	0
Property, plant and equipment	301,410	0
Properties held as financial investments	57,785	0
Current tax refunds	276	0
Deferred tax refunds	29,782	0
Other assets	130,958	–50,390
Total assets	**10,462,608**	**–1,631,313**

Liabilities in EUR thousand Balance sheet structure from 1 January 2018	01/01/2018	IFRS 9 reval-uation	31 December 2017 after re-classification	Splitting
Liabilities to credit institutions	1,212,086	0	1,212,086	0
Liabilities to clients	6,287,594	0	6,287,594	0
Other financial liabilities	1,336,211	–658	1,336,869	1,336,869
Trading liabilities	6,091	0	6,091	0
Reserves and provisions	133,874	2,678	131,196	0
Current tax owed	6,759	0	6,759	0
Deferred tax owed	5,535	0	5,535	0
Other liabilities	109,152	0	109,152	0
Equity	1,431,277	63,951	1,367,326	0
Non-controlling interests	38,257	0	38,257	0
Owners of the parent company	1,393,020	63,951	1,329,069	0
Total liabilities	**10,528,579**	**65,971**	**10,462,608**	**1,336,869**

Liabilities in EUR thousand Balance sheet structure up to 31 December 2017	31/12/2017	Splitting
Liabilities to credit institutions	1,212,086	0
Liabilities to clients	6,287,594	0
Securitised debt	1,156,916	–1,156,916
Trading liabilities	6,091	0
Reserves and provisions	131,196	0
Current tax owed	6,759	0
Deferred tax owed	5,535	0
Other liabilities	127,896	–18,744
Subordinated capital	161,209	–161,209
Equity	1,367,326	0
Non-controlling interests	38,257	0
Owners of the parent company	1,329,069	0
Total liabilities	**10,462,608**	**–1,336,869**

The IFRS 9 standard is the new regulation for the categorisation and valuation of financial instruments. For financial assets, IFRS 9 provides for three different valuation categories: valuation at cost plus amortisation (AC, amortised cost), fair value through profit and loss (FVP&L) and fair value through other comprehensive income (FVOCI). These three categories replace the previously applicable valuation categories of loans and receivables, fair value through profit or loss, available for sale, and held to maturity. The allocation to one of the three valuation categories depends on the contractual cashflow characteristics (SPPI) and the business model.

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

The old loan portfolio was assigned to the holding business model. In the event of a breach of defined SPPI criteria, loans in the lending business are valued at fair value through the income statement. For the legacy stock, BTV will not be able to carry out a retrospective benchmark test. For this reason, all loans from the old portfolio with identified SPPI harmfulness were valued at fair value.

For securities on its own account, all three business models (hold, hold and sell, and sell) are used. BTV assigns to the hold business model securities in euros that are SPPI-compliant and suitable for measurement at amortised cost. In the hold and sell business model, securities are denominated both in euro and in foreign currencies, which are carried at fair value through other comprehensive income. Securities in which the fair value option is exercised are recognised in the income statement at fair value.

Interest from securities is delimited on an accrual basis and shown in net interest.

Equity instruments held are in principle to be measured at fair value. However, there is a one-off and irrevocable option to recognise all changes in value in other comprehensive income in equity for all individual instruments with the exception of the trading portfolio. A later recycling is not possible. BTV applies the OCI option for equity instruments in the amount of EUR 113.6 million and designates it at fair value through other comprehensive income (FVOCI). Equity instruments at fair value through profit and loss (FVP&L) are valued at EUR 30.9 million.

Derivatives continue to be carried at fair value in accordance with IFRS 9. This means there are no changes to IAS 39 for BTV.

Reconciliation of the valuation categories for financial assets according to IAS 39 with the categories according to IFRS 9 is shown below:

	IAS 39		IFRS 9	
Financial assets in EUR thousand	**Valuation category**	**Book value 31/12/2017**	**Valuation category**	**Book value 01/01/2018**
Cash reserves	Amortised costs	**320,708**	Amortised costs (AC)	**320,708**
Loans to credit institutions	Amortised costs	**288,415**	Amortised costs (AC)	**288,415**
Loans to clients		**7,336,377**		**7,330,090**
	Amortised costs	7,336,377	Amortised costs (AC)	7,111,999
			fair value through profit and loss (FVP&L)	218,092
Other financial assets		**1,580,923**		**1,583,889**
	Financial assets - available for sale	1,545,238	Amortised costs (AC)	1,064,348
			fair value through other comprehensive income (FVOCI)	449,841
			fair value through profit and loss (FVP&L)	66,864
	Fair-value option	35,685	Fair-value option	2,836
Derivatives	fair value through profit and loss	**50,390**	fair value through profit and loss (FVP&L)	**50,390**
Trading assets	fair value through profit and loss	**19,948**	fair value through profit and loss (FVP&L)	**36,544**

	IAS 39		IFRS 9	
Financial liabilities in EUR thousand	**Valuation category**	**Book value 31/12/2017**	**Valuation category**	**Book value 01/01/2018**
Liabilities to credit institutions	Amortised costs	**1,212,086**	Amortised costs (AC)	**1,212,086**
Liabilities to clients	Amortised costs	**6,287,594**	Amortised costs (AC)	**6,287,594**
Other financial liabilities		**1,318,125**		**1,317,467**
	Securitised debt -amortised costs	752,968	Amortised costs (AC)	822,655
	Subordinated capital - amortised costs	36,328		
	Securitised debt - fair-value option	403,948	Fair-value option	494,812
	Subordinated capital - fair-value option	124,881		
Derivatives	fair value through profit and loss	**18,744**	fair value through profit and loss (FVP&L)	**18,744**
Trading liabilities	fair value through profit and loss	**6,091**	fair value through profit and loss (FVP&L)	**6,091**

The following reconciliations show the impact of IFRS 9 on risk provisions and equity:

Impacts, loan-loss provisions in EUR thousand	**Loan loss provisions acc. to balance sheet**
Loan-loss provisions on 31 December 2017 acc. to IAS 39	194,474
Change due to recategorisation	–6,176
Change due to introduction of the ECL model	–64,271
Level 1	10,856
Level 2	7,517
Resolution of portfolio impairments	–82,644
Loan-loss provisions on 1 January 2018 acc. to IFRS 9	**124,027**
Reserves for guarantees and credit on 31 December 2017 acc. to IAS 39	40,661
Change due to introduction of the ECL model	2,678
Level 1	186
Level 2	2,492
Reserves for guarantees and credit on 1 January 2018 acc. to IFRS 9	**43,339**

Impacts on equity in EUR thousand	**Total equity acc. to balance sheet**
Equity on 31 December 2017 acc. to IAS 39	1,367,326
IFRS 9 amendments from	63,951
Categorisation and valuation	23,614
Loan loss provisions	61,593
Deferred tax effects from	–21,256
Categorisation and valuation	–5,903
Loan loss provisions	–15,353
Equity on 1 January 2018 acc. to IFRS 9	**1,431,277**

Deferred tax effects had an impact on retained earnings of EUR -15.869 million and on accumulated other comprehensive income of EUR -5.387 million.

1 Loans and advances to banks in EUR thousand	30/06/2018	31/12/2017
Amortised costs	258,991	288,415
Loans to credit institutions	**258,991**	**288,415**

2 Customer receivables in EUR thousand	30/06/2018	31/12/2017
Amortised costs	7,298,105	7,336,377
Mandatorily at fair value	210,486	n.a.
Loans to clients	**7,508,591**	**7,336,377**

3 Other financial assets in EUR thousand	30/06/2018	31/12/2017
Debt securities at cost plus amortisation	964,816	n.a.
Debt securities at fair value through other comprehensive income (FVOCI)	320,505	n.a.
Debt securities mandatorily at fair value	32,639	n.a.
Debt securities fair-value option	2,725	n.a.
Equity instruments at fair value through other comprehensive income (FVOCI)	119,431	n.a.
Equity instruments at fair value through profit and loss (FVP&L)	31,662	n.a.
Positive market values from derivative hedging instruments[1]	48,018	n.a.
Financial assets - at fair value through profit or loss	n.a.	35,685
Financial assets - available for sale	n.a.	1,545,238
Financial assets – held to maturity	n.a.	0
Other financial assets	**1,519,796**	**1,580,923**

4 Shares in companies valued at-equity in EUR thousand	30/06/2018	31/12/2017
Credit institutions	625,498	570,961
Non-credit institutions	19,635	18,595
Shares in at-equity valued companies	**645,133**	**589,556**

[1] As part of the first-time adoption of IFRS 9 and the adjustment of the balance sheet structure, the derivatives were reclassified from miscellaneous assets to other financial assets.

n.a. = not available due to first-time application of IFRS 9

5 Loan loss provisions 2018 (inventories) in EUR thousand	**Position 31 December 2017**	**Reclassification & Revaluation IFRS 9**	**Position 1 January 2018**	**Appropriation**	**Releases**	**Consumption**	**Currency conversion**	**Splitting**	**Position 30 June 2018**
Value adjustments level 1	n.a.	10,856	10,856	6,126	–7,223	0	0	0	9,759
Value adjustments level 2	n.a.	7,517	7,517	8,089	–4,611	0	0	0	10,995
Individual valuation adjustment to loans to credit institutions	0	0	0	0	0	0	0	0	0
Individual valuation adjustment to loans to customers	111,830	–6,176	105,654	5,322	–10,196	–908	30	3,040	102,942
Portfolio valuation adjustments pursuant to IAS 39	82,644	–82,644	0	0	0	0	0	0	n.a.
Loan-loss provisions in the credit business	**194,474**	**–70,447**	**124,027**	**19,537**	**–22,030**	**–908**	**30**	**3,040**	**123,696**
Reserves for guarantees Level 1	n.a.	33,965	33,965	5,119	–67	0	0	0	39,017
Reserves for guarantees Level 2	n.a.	93	93	91	–60	0	0	0	124
Reserves for guarantees Level 3	n.a.	5,437	5,437	5,878	–6,027	0	6	0	5,294
Reserves of unused credit level 1	n.a.	1,515	1,515	1,382	–1,121	0	0	0	1,776
Reserves of unused credit level 2	n.a.	977	977	1,536	–695	0	0	0	1,818
Reserves of unused credit level 3	n.a.	1,352	1,352	1,048	0	0	0	0	2,400
Reserves and provisions commitments	40,661	–40,661	0	0	0	0	0	0	n.a.
Reserves for guarantees and credit	**40,661**	**2,678**	**43,339**	**15,054**	**–7,970**	**0**	**6**	**0**	**50,429**
Total risk provisions	**235,135**	**–67,769**	**167,366**	**34,591**	**–30,000**	**–908**	**36**	**3,040**	**174,125**

Loan loss provisions 2017 (inventories) in EUR thousand	**Position 31/12/2016**	**Additions**	**Releases**	**Consumption**	**Currency conversion**	**Splitting**	**Position 30/06/2017**
Individual valuation adjustment to loans to credit institutions	0	0	0	0	0	0	0
Individual valuation adjustment to loans to customers	123,292	11,108	–11,638	–13,734	–67	0	108,961
Portfolio valuation adjustments pursuant to IAS 39	84,598	0	–1,466	0	0	0	83,132
Loan-loss provisions in the credit business	**207,890**	**11,108**	**–13,104**	**–13,734**	**–67**	**0**	**192,093**
Reserves and provisions commitments	33,429	4,519	–1,391	0	–4	–16	36,537
Total risk provisions	**241,319**	**15,627**	**–14,495**	**–13,734**	**–71**	**–16**	**228,630**

n.a. = not available due to first-time application of IFRS 9

Within the loan loss provisions, the counterparty risk was recorded directly in the relevant balance sheet items in the reporting period. Reclassifications in the individual valuation adjustment of loans to customers and the reserves and provisions for performance bonds result from the pro rata consolidation of ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H.
The columns Addition (+) and Reversal (–) contain new business, disposal of financial assets, change in the likelihood of default, the adjustment of contractual cash flows and transfers between the individual levels, which are detailed in note 5a.

5a Level transfers in EUR thousand	**Value adjustment 1 January 2018 to 30 June 2018**		
	Level 1	Level 2	Level 3
Transfer from level 1 to level 2	–632	632	0
Transfer from level 1 to level 3	–16	0	16
Transfer from level 2 to level 1	2,971	–2,971	0
Transfer from level 2 to level 3	0	–13	13
Transfer from level 3 to level 2	0	200	–200
Total	**2,323**	**–2,152**	**–171**

At BTV, shown transfers from one level to another are posted to the income statement via allocation or removal in the respective items and are included in the values in Note 5 in the respective items allocation (+) and removal (-).

6 Trading assets in EUR thousand	**30/06/2018**	**31/12/2017**
Funds	15,952	n.a.
Positive market values arising from derivative transactions	9,552	19,948
Trading assets	**25,504**	**19,948**

7 OTHER ASSETS IN EUR THOUSAND	**30/06/2018**	**31/12/2017**
Positive market values from derivatives trades[1]	n.a.	50,390
Other assets	106,173	80,568
Other assets	**106,173**	**130,958**

[1] As part of the first-time adoption of IFRS 9 and the adjustment of the balance sheet structure, derivatives were reclassified from miscellaneous assets to other financial assets.

n.a. = not available due to first-time application of IFRS 9

8 Liabilities to banks in EUR thousand	30/06/2018	31/12/2017
Credit institutions	1,345,873	1,212,086
Liabilities to credit institutions	**1,345,873**	**1,212,086**

9 Liabilities to customers in EUR thousand	30/06/2018	31/12/2017
Savings deposits	1,263,135	1,265,718
Other deposits	5,214,739	5,021,876
Liabilities to clients	**6,477,874**	**6,287,594**

10 Other details in EUR thousand	30/06/2018	31/12/2017
Own liabilities at cost plus amortisation	878,481	n.a.
Own liabilities fair-value option	506,546	n.a.
Negative market values from derivative hedging instruments[1]	17,278	n.a.
Securitised debt	n.a.	1,156,916
Subordinated capital	n.a.	161,209
Other financial liabilities	**1,402,305**	**1,318,125**

11 Trading liabilities in EUR thousand	30/06/2018	31/12/2017
Negative market values arising from derivative transactions	6,467	6,091
Trading liabilities	**6,467**	**6,091**

[1] As part of the first-time adoption of IFRS 9 and the adjustment of the balance sheet structure, derivatives were reclassified from miscellaneous liabilities to other financial liabilities.

n.a. = not available due to first-time application of IFRS 9

12 Reserves and provisions in EUR thousand	30/06/2018	31/12/2017
Long-term payroll reserves	82,941	83,524
Other reserves and provisions	58,865	47,672
Reserves and provisions	**141,806**	**131,196**

13 OTHER LIABILITIES IN EUR THOUSAND	30/06/2018	31/12/2017
Negative market values from derivatives trades[1]	n.a.	18,744
Other liabilities	123,768	109,152
Other liabilities	**123,768**	**127,896**

14 Regulatory capital and debt levels

The consolidated capital of the Group is reported in accordance with the provisions of Basel III. This is based on EU Regulation 575/2013 (Capital Requirements Regulation – CRR), in conjunction with the Austrian CRR accompanying regulation. The capital according to CRR consists of the common equity (Common Equity Tier 1 – CET1), the additional core capital (Additional Tier 1 – AT1) and supplementary capital (Tier 2 – T2). The respective capital ratios are determined by contrasting the corresponding regulatory capital component after taking into account all regulatory deductions and transitional provisions of the overall measure of risk. Under the provisions of the CRR, a minimum requirement of 4.5% is required for CET1, which will be increased by 1.875% by the capital buffer defined in CRD IV (Capital Requirements Directive IV). For the entire core capital, a minimum requirement of 7.875% is provided; the total equity must have a minimum value of 9.875%.
The leverage ratio indicates the ratio of the common equity (Tier 1) to the leverage exposure (unweighted asset items of the balance sheet and off-balance-sheet transactions pursuant to CRR). The provisions for calculating and disclosure of the leverage ratio within the EU are implemented by BTV as part of their disclosure obligations.

[1] As part of the first-time adoption of IFRS 9 and the adjustment of the balance sheet structure, derivatives were reclassified from miscellaneous liabilities to other financial liabilities.

n.a. = not available due to first-time application of IFRS 9

Consolidated Equity according to CRR in EUR millions	30/06/2018	31/12/2017*
Common equity (CET1)		
Capital instruments qualifying as CET1	225.3	225.3
Proprietary CET1 instruments	–13.4	–12.9
Retained earnings and other surplus reserves	1.047.8	935.4
Aggregated other income	14.6	34.8
Other reserves	128.9	128.9
Transitional changes owing to the transitional provisions for CET1 capital instruments	2.0	2.5
Prudential filters	3.2	3.1
Goodwill	0.0	0.0
Other intangible assets	–0.1	–0.1
Regulatory changes in connection with CET1 instruments of financial companies, in which the bank holds a substantial interest	–496.4	–452.8
Amount exceeding the threshold value of 17.65%	–12.3	0.0
Other transitional changes to CET1	0.0	50.5
Common equity (CET1)	**899.6**	**914.7**
Additional core capital (Additional Tier 1)		
Changes owing to the transitional provisions for Additional Tier 1 capital instruments	14.0	17.5
Other transitional changes to Additional Tier 1	0.0	–17.5
Additional core capital (Additional Tier 1)	14.0	0.0
Core capital (Tier 1): sum of common equity (CET1) and additional (AT1) core capital	**913.6**	**914.7**
Supplementary capital (Tier 2)		
Paid-up capital instruments and subordinated loans	186.3	103.9
Direct positions in supplementary capital instruments	–11.8	–11.8
Changes owing to the transitional provisions for supplementary capital instruments and subordinated loans	9.6	10.0
Other transitional changes to supplementary capital	0.0	–44.4
Supplementary capital (Tier 2)	**184.1**	**57.7**
Total qualifying equity	**1,097.7**	**972.4**
Total risk-weighted assets	**7,367.0**	**7,139.5**
Common equity Tier 1 ratio	12.21 %	12.81 %
Core capital ratio	12.40 %	12.81 %
Equity ratio	14.90 %	13.62 %

Equity on 30 June 2018 increased compared to 31 December 2017 by EUR +125.3 million. In accordance with Article 26 of the CRR, a review of the interim earnings by the auditor was carried out and an application to the Financial Market Authority for recognition of the interim earnings was made, whereby the retained earnings were credited to equity. After deducting the expected dividend, these increased by EUR 43.3 million.

The first-time application of IFRS 9 as of 1 January 2018 had a positive effect on core capital of EUR +51.2 million under „Retained earnings“ and „Cumulative other comprehensive income“. The remaining deviations in the items „core capital“, „additional core capital“ and „supplementary capital“ result from the expiry of numerous regulatory transitional provisions.

* 31 December 2017 adjusted in accordance with IAS 8, see p. 29

EANS-Adhoc Report dated 9 July 2018 reported that the consolidated equity was overstated due to an error in calculation, starting with the consolidated financial statements as at 31 December 2014 (as the date of first application of the equity provisions of Regulation (EU) No. 575/2013 CRR based on IFRS consolidated financial statements) up to the quarterly financial statements as at 31 March 2018. The EANS-Adhoc report dated 23 August 2018 announced the following:
In the consolidated financial statements as of 31 December 2014, this misstatement of consolidated equity was EUR 118.8 million, which amounted to EUR 152.6 million as of 31 December 2017 and to EUR 161.0 million as of 31 March 2018.

Calculated correctly, consolidated equity was EUR 811.3 million as of 31 December 2014, corresponding to an equity ratio of 13.04% and a Common Equity Tier 1 (CET1) ratio of 11.21%, EUR 972.4 million as at 31 December 2017, corresponding to an equity ratio of 13.62% and a Common Equity Tier 1 (CET1) ratio of 12.81%, and EUR 1,006.4 million as of 31 March 2018, corresponding to an equity ratio of 14.05% and a Common Equity Tier 1 (CET1) ratio of 12.41%. At no time did BTV fall below the regulatory equity or core capital requirements and yet it considerably exceeded the applicable regulatory minimum ratios.

Consolidated Equity according to CRR in EUR millions	31/12/2016	Correction	31/12/2016 adjusted
Common equity (CET1)			
Capital instruments qualifying as CET1	150.8	0.0	150.8
Proprietary CET1 instruments	–10.0	–0.2	–10.2
Retained earnings and other surplus reserves	1,008.3	–136.7	871.6
Aggregated other income	28.0	0.0	28.0
Other reserves	125.4	0.0	125.4
Transitional changes owing to the transitional provisions for CET1 capital instruments	3.0	0.0	3.0
Prudential filters	–0.8	0.0	–0.8
Goodwill	0.0	0.0	0.0
Other intangible assets	–0.1	0.0	–0.1
Regulatory changes in connection with CET1 instruments of financial companies, in which the bank holds a substantial interest	–408.6	–8.3	–416.9
Other transitional changes to CET1	79.1	+2.4	81.4
Common equity (CET1)	**975.1**	**–142.8**	**832.3**
Additional core capital (Additional Tier 1)			
Changes owing to the transitional provisions for Additional Tier 1 capital instruments	21.0	0.0	21.0
Other transitional changes to Additional Tier 1	–21.0	0.0	–21.0
Additional core capital (Additional Tier 1)	0.0	0.0	0.0
Core capital (Tier 1): sum of common equity (CET1) and additional (AT1) core capital	**975.1**	**–142.8**	**832.3**
Supplementary capital (Tier 2)			
Paid-up capital instruments and subordinated loans	93.8	0.0	93.8
Direct positions in supplementary capital instruments	–11.8	0.0	–11.8
Changes owing to the transitional provisions for supplementary capital instruments and subordinated loans	10.2	–0.6	9.6
Other transitional changes to supplementary capital	–79.2	–2.4	–81.6
Supplementary capital (Tier 2)	**13.1**	**–3.0**	**10.1**
Total qualifying equity	**988.2**	**–145.8**	**842.4**
Total risk-weighted assets	**6,708.8**	**+31.3**	**6,740.1**
Common equity Tier 1 ratio	14.54 %	–2.19 %	12.35 %
Core capital ratio	14.54 %	–2.19 %	12.35 %
Equity ratio	14.73 %	–2.23 %	12.50 %

Consolidated Equity according to CRR in EUR millions	31/12/2017	Correction	31/12/2017 adjusted
Common equity (CET1)			
Capital instruments qualifying as CET1	225.4	–0.1	225.3
Proprietary CET1 instruments	–12.9	0.0	–12.9
Retained earnings and other surplus reserves	1,091.9	–156.5	935.4
Aggregated other income	27.4	+7.4	34.8
Other reserves	129.0	–0.1	128.9
Transitional changes owing to the transitional provisions for CET1 capital instruments	2.5	0.0	2.5
Prudential filters	–0.2	+3.3	3.1
Goodwill	0.0	0.0	0.0
Other intangible assets	–0.1	0.0	–0.1
Regulatory changes in connection with CET1 instruments of financial companies, in which the bank holds a substantial interest	–443.7	–9.1	–452.8
Other transitional changes to CET1	50.7	–0.2	50.5
Common equity (CET1)	**1,069.8**	**–155.1**	**914.7**
Additional core capital (Additional Tier 1)			
Changes owing to the transitional provisions for Additional Tier 1 capital instruments	17.5	0.0	17.5
Other transitional changes to Additional Tier 1	–17.5	0.0	–17.5
Additional core capital (Additional Tier 1)	0.0	0.0	0.0
Core capital (Tier 1): sum of common equity (CET1) and additional (AT1) core capital	**1,069.8**	**–155.1**	**914.7**
Supplementary capital (Tier 2)			
Paid-up capital instruments and subordinated loans	103.9	0.0	103.9
Direct positions in supplementary capital instruments	–11.8	0.0	–11.8
Changes owing to the transitional provisions for supplementary capital instruments and subordinated loans	6.3	+3.7	10.0
Other transitional changes to supplementary capital	–43.1	–1.3	–44.4
Supplementary capital (Tier 2)	**55.2**	**+2.5**	**57.7**
Total qualifying equity	**1.125.0**	**–152.6**	**972.4**
Total risk-weighted assets	**7.108.3**	**+31.2**	**7.139.5**
Common equity Tier 1 ratio	15.05 %	–2.24 %	12.81 %
Core capital ratio	15.05 %	–2.24 %	12.81 %
Equity ratio	15.83 %	–2.21 %	13.62 %

15 Net interest income in EUR thousand	**01/01–30/06/2018**	**01/01/–30/06/2017**
Interest and similar income from		
Lending and money market transactions with credit institutions	2,027	3,781
Lending and money market transactions with clients	67,494	64,531
Other financial assets	4,338	9,221
Trading assets	42	n.a.
Income from contract adjustments	13	n.a.
Interest earnings on liabilities	4,150	492
Sub-total interest and similar income	**78,064**	**78,025**
Interest and similar expenses on		
Credit institutions deposits	–2,252	–2,534
Customer deposits	–5,567	–6,954
Other financial liabilities	–7,038	–7,807
Interest costs, long-term personnel reserves	–724	–708
Interest expense from assets	–286	–350
Sub-total interest and similar expenses	**–15,867**	**–18,353**
Income from at-equity valued companies	22,651	20,340
Net interest income, incl. at-equity result	**84,848**	**80,012**

The increase in the „interest income from liabilities“ item results from a receivable with respect to the National Bank of Austria of EUR 3.72 million.

16 Loan-loss provisions in lending business in EUR thousand	**01/01–30/06/2018**	**01/01/–30/06/2017**
Transfer to loan loss provisions on balance	–19,580	–11,110
Allocation to off-balance sheet provisions	–15,055	–4,519
Release of on-balance sheet provisions	22,055	9,549
Release of off-balance sheet provisions	7,970	1,391
Direct write-downs	–107	–596
Income from amortised receivables	145	229
Loan-loss provisions in the credit business	**–4,572**	**–5,056**

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

n.a. = not available due to first-time application of IFRS 9

17 NET COMMISSION INCOME IN EUR THOUSAND	01/01–30/06/2018	01/01/–30/06/2017
Commission income from		
Credit transactions	4,182	4,054
Payment transactions	7,226	7,117
Securities trading	14,747	13,289
Currency, foreign exchange and precious metals trading	1,688	1,794
Other services business	772	879
Sub-total commission income	**28,615**	**27,133**
Commission expenses from		
Credit transactions	–148	–102
Payment transactions	–509	–591
Securities trading	–1,146	–950
Currency, foreign exchange and precious metals trading	0	0
Other services business	–507	–480
Sub-total commission expenses	**–2,310**	**–2,122**
Net commission income	**26,305**	**25,011**

18 Trading income in EUR thousand	01/01–30/06/2018	01/01/–30/06/2017
Valuation and realisation gains from derivatives	36	–20
Valuation and realisation gains from bonds	–161	202
Valuation and realisation gains from funds	252	n.a.
Income from foreign exchange and notes and coins transactions	250	–891
Trading income	**377**	**–709**

19 Income from securities in EUR thousand	01/01–30/06/2018	01/01/–30/06/2017
Valuation and realisation gains - mandatorily at fair value	464	n.a.
Valuation and realisation gains - fair-value option	868	n.a.
Fair value hedge accounting income[1]	–35	n.a.
Profit arising from financial assets – at fair value through profit or loss	n.a.	–1,159
Profit arising from financial assets – available for sale	n.a.	252
Income from financial transactions	**1,297**	**–907**

20 Operating expenses in EUR thousand	01/01–30/06/2018	01/01/–30/06/2017
Payroll	–51,563	–51,278
Materials	–31,554	–29,529
Amortisation	–15,817	–16,460
Operating expenses	**–98,934**	**–97,267**

[1] As part of the first-time adoption of IFRS 9 and the adjustment of the balance sheet structure, earnings from hedge accounting were reclassified from other operating income to income from financial transactions.

n.a. = not available due to first-time application of IFRS 9

20a Average number of employees, weighted by person-years	30/06/2018	30/06/2017
White collar	977	953
Blue collar	666	604
Payroll	**1,643**	**1,557**

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 EUR thousand	01/01–30/06/2018	01/01/–30/06/2017
Income from other transactions	93,067	86,002
Expenses from other transactions	–21,529	–19,016
Hedge accounting income[1]	n.a.	10
Other operating profit	**71,538**	**66,996**

22 Performance bonds and credit risks in EUR thousand	30/06/2018	30/06/2017
Securities/guarantees	306,047	285,291
Credit risks	1,703,366	1,514,563
Performance bonds and credit risks	**2,009,413**	**1,799,854**

23 Earnings per share (ordinary and preference shares)	30/06/2018	30/06/2017
Equities (ordinary and preference shares)	30,937,500	30,937,500
Average float (ordinary and preference shares)	30,862,334	29,473,152
Net Group income in thousands of euro	58,905	47,886
EPS (Earnings per share) in EUR	**1.91**	**1.62**
Diluted earnings per share in EUR (ordinary and preference shares)	1.91	1.62

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

[1] As part of the first-time adoption of IFRS 9 and the adjustment of the balance sheet structure, earnings from hedge accounting were reclassified from other operating income to income from financial transactions.

n.a. = not available due to first-time application of IFRS 9

24 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,
- willing contractual buyers and sellers can normally be found any time and
- prices are publicly available.

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 not currently being used at the BTV group.

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

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

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

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

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

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

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

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

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

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

Fair value hierarchy of financial instruments which are valued at fair value as at 30 June 2018 in thousands of euros	Prices listed in active markets Level 1	Valuation methods based on market data Level 2	Valuation methods not based on market data Level 3
Financial assets stated at fair value			
Loans and advances to banks, mandatorily valued at fair value	0	0	0
Loans and advances to customers, valued at mandatorily at fair value	0	0	210,486
Debt securities, valued at fair value through other comprehensive income (FVOCI)	279,256	41,249	0
Debt securities, mandatorily valued at fair value	21,923	10,716	0
Debt securities (fair-value option)	2,725	0	0
Equity instruments, valued at fair value through other comprehensive income (FVOCI)	52,700	0	66,730
Equity instruments, valued at fair value through profit and loss (FVP&L)	31,662	0	0
Positive market values from derivative hedging instruments	0	48,018	0
Trading assets - funds	15,952	0	0
Trading assets - positive market values from derivative financial instruments	0	9,552	0
Overall financial assets classified at fair value	**404,219**	**109,535**	**277,216**
Financial liabilities stated at fair value			
Own liabilities (fair-value option)	0	506,546	0
Negative market values from derivative hedging instruments	0	17,278	0
Trading liabilities - negative market values arising from derivative financial instruments	0	6,467	0
Overall liabilities classified at fair value	**0**	**530,291**	**0**

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

Movements in level 3 of financial instruments assessed at fair value in EUR thousand	31/12/2017	Reclassification & Revaluation IFRS 9	01/01/2018	Profit Profit and loss	Success
Loans and advances to banks, mandatorily valued at fair value	n.a.	0	0	0	
Loans and advances to customers, mandatorily valued at fair value	n.a.	218,092	218,092	1,547	
Debt securities, valued at fair value through other comprehensive income (FVOCI)	n.a.	0	0	0	
Debt securities, mandatorily valued at fair value	n.a.	0	0	0	
Debt securities (fair-value option)	n.a.	0	0	0	
Equity instruments, valued at fair value through other comprehensive income (FVOCI)	n.a.	66,058	66,058	0	
Equity instruments, valued at fair value through profit and loss (FVP&L)	n.a.	0	0	0	
Positive market values from derivative hedging instruments	n.a.	0	0	0	
Trading assets - funds	n.a.	0	0	0	
Trading assets - positive market values from derivative financial instruments	0	0	0	0	
Financial assets available for sale	65,.834	–65,834	0	n.a.	
Overall financial assets classified at fair value	**65,834**	**218,316**	**284,150**	**1,547**	

Movements between level 1, level 2 and level 3

In the current reporting year 2018, there have not been any movements between the individual levels.

n.a. = not available due to first-time application of IFRS 9

from other operating income	Purchases	Sales, repayments	Transfer to level 3	Transfer from level 3	Currency conversion	30/06/2018
0	0	0	0	0	0	0
0	14,404	–23,557	0	0	0	210,486
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
672	0	0	0	0	0	66,730
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0
672	**14,404**	**–23,557**	**0**	**0**	**0**	**277,216**

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

In the following table for each balance sheet item the fair market value is compared to the book value. The market value is the amount, which in an active market could be raised from the sale of a financial instrument or which would need to be paid to make an equivalent purchase. For positions without a contractually fixed term the relevant book value was applied. If no market prices exist, then generally accepted valuation models were applied, in particular analysis using discounted cash flow and the option price model.

Assets **in EUR thousand**	**Fair value 30/06/2018**	**Book value 30/06/2018**	**Fair value 31/12/2017**	**Book value 31/12/2017**
Cash reserves	722,000	722,000	320,708	320,708
Loans and advances, valued at cost plus amortisation	259,014	258,991	288,685	288,415
Loans and advances to customers, valued at cost plus amortisation	7,245,050	7,298,105	7,670,777	7,336,377
Other financial assets, valued at cost plus amortisation	972,270	964,816	n.a.	n.a.
Financial assets – held to maturity	n.a.	n.a.	0	0

Liabilities **in EUR thousand**	**Fair value 30/06/2018**	**Book value 30/06/2018**	**Fair value 31/12/2017**	**Book value 31/12/2017**
Liabilities to credit institutions	1,340,599	1,345,873	1,187,916	1,212,086
Liabilities to clients	6,457,682	6,477,874	6,298,377	6,287,594
Other financial liabilities, valued at cost plus amortisation	883,262	878,481	n,a,	n,a,
Securitised debt	n,a,	n,a,	755,487	752,967
Subordinated capital	n,a,	n,a,	36,324	36,328

n.a. = not available due to first-time application of IFRS 9

26 Hedge accounting

Underlying transactions	Book value of the underlying transaction		Cumulative book value adjustment for underlying transactions in fair value hedges, including book value of the underlying transaction		Change in value for the calculation of ineffectiveness for 2018
	Assets	Liabilities	Assets	Liabilities	
Fair value hedges					
Interest rate risk					
Loans to clients	117,500		6,054		–9
Liabilities to clients		126,102		16,407	–10
Other financial liabilities		154,924		17,244	–16

Hedging transactions	Nominal amount	Book value		Changes in fair value for the calculation of ineffectiveness for 2018
		Assets	Liabilities	
Fair value hedges				
Interest rate risk				
Other financial assets	267,300	33,819	0	–26
Other financial liabilities	127,025	0	6,096	–9

Ineffectiveness	Ineffectiveness recorded in the P&L	Ineffectiveness recorded in the OCI	Items in the P&L and in the OCI which show hedge ineffectiveness
Fair value hedges			
Interest rate risk			
Loans to clients	–9	0	Income from financial transactions
Liabilities to clients	–10	0	Income from financial transactions
Other financial liabilities	–16	0	Income from financial transactions

Positive market values for hedging transactions are posted to other financial assets under Derivatives, negative market values for hedging transactions under Derivatives in other financial liabilities.

25 Segment reporting

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

Segment reporting is based on profit centre accounting for the corporate and retail customers business areas, on the overall bank report for the institutional clients and banks business area, on the Reporting Package and the monthly report for the BTV Leasing subgroup, the respective monthly report for the Silvretta Montafon Holding GmbH and the respective monthly report for Mayrhofner Bergbahnen AG.

The abovementioned reports reflect the structure of management responsibilities within BTV in 2018. These internal reports to the Board of Directors, which only satisfy IFRS accounting standards in part, are supplied monthly and are almost totally automated by preparatory systems and interfaces. The reporting dates for the data are the respective period closing dates of the subsidiaries included in the consolidated financial statements. The information of the internal and external accounting system is based on the same base data and is agreed in the Finance and Controlling division for the reports.

Reciprocal checks, ongoing reconciliations or validation checks between the Sales and Strategy Controlling, Risk Controlling, Statutory and Financial Reporting, and Tax and Accounting teams are therefore guaranteed. The criterion for 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 were, where insignificant, not corrected in the comparison with last year.

In 2018, the following business areas have been defined within BTV:

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

The results of the five reporting segments are described below.

Corporate client segment

The corporate client sector is the largest division in terms of earnings at BTV. Operating interest income forms its main revenue component. In the first half of the year, total interest earnings were EUR 49.9 million.

Loan-loss provisions in the credit business had a negative impact on this segment's results amounting to EUR –2.3 million. Commission income was EUR 10.5 million, operating expenses were EUR 20.3 million.
Segment receivables grew to EUR 5,621 million because of strong new business. Segment liabilities increased to EUR 2,588 million.

Retail client segment

In the second main pillar of BTV, the retail business, interest earnings amounted to EUR 18.0 million. The commission earning in the six months under review reached EUR 16.3 million.
Loan-loss provisions for the credit business posted a positive value, due to write-backs of EUR 0.4 million. The typically high resources invested in staff and premises in the retail sector resulted in administrative overheads of EUR 31.3 million. Other operating profits remained stable and came to EUR 0.4 million. Overall, this segment achieved earnings before tax of EUR 3.8 million in this period.

Institutional clients and banks segment

Interest earnings in the Institutional Clients and Banks division amounted to EUR 3.7 million. Income from financial transactions, including trading income, showed a marked increase. Administrative costs were EUR 2.1 million.
In total, the pre-tax profit for the period was EUR 2.3 million.

Leasing segment

BTV Leasing saw stable growth in the first half of 2018. The segment posted a customer cash value of EUR 968 million. Interest earnings, buoyed by the positive performance of the lending business, reached EUR 9.5 million. The commission income was EUR 0.2 million and administrative overheads EUR 2.9 million. In total, the pre-tax profit for the period was EUR 7.3 million.

Cable cars segment

The cable cars segment comprises Mayrhofner Bergbahnen AG and Silvretta Montafon Holding GmbH. The business performance of both companies is dominated by tourism, so the results are subject to strong seasonal fluctuations. Interest earnings in the first half of 2018 were EUR –0.8 million. Other operating profit, which mainly includes the revenues, reached EUR 78.9 million. These earnings were also the decisive factor for Silvretta Montafon Holding GmbH, with its average of 600 employees in the reporting year, and Mayrhofner Bergbahnen AG, which employed an average of 233 employees during the reporting period. Operating expenses for both companies amounted to EUR 45.8 million.
Overall, the segment achieved earnings before tax of EUR 32.3 million in this period.

Changed management

From 2018, BTV is distinguishing between profit centre and service centre, whereby the profit centres can be assigned services and income directly, while the service centres perform the services for the profit centres. The total cost approach was thus implemented. The introduction of profit centre accounting therefore has the greatest impact on administrative expenses in the segment report. This is calculated as the direct personnel, material and occupancy costs as well as the overhead personnel, material and occupancy costs. There are other effects on interest earnings, mainly due to changes in tax incentives in gross income. The new calculation logic was applied for the first time as of 31 March 2018, so there may be larger deviations compared to the previous year. For better comparability, the segment report is presented below according to the old as well as the new calculation logic.

Segment reporting NEW calculation logic in thousands of euros	**Year**	**Corporate clients**	**Private clients**	**Institutional clients and banks**	**Leasing**	**Cable cars**	**Reporting segments**	**Other segments/ consolidation/misc.**	**Group Balance sheet/P&L**
Net interest income, incl. at-equity result	06/2018	49.909	18.032	3.676	9.481	–781	80.317	4.531	84.848
Loan-loss provisions in the credit business	06/2018	–2,331	438	–389	–319	0	–2,601	–1,971	–4,572
Net commission income	06/2018	10,499	16,255	0	181	0	26,935	–630	26,305
Operating expenses	06/2018	–20,330	–31,349	–2,148	–2,853	–45,808	–102,488	3,554	–98,934
Other operating profit	06/2018	0	414	0	943	78,889	80,246	–8,708	71,538
Income from financial assets and trading income	06/2018	0	0	1,156	–131	0	1,025	648	1,674
Result for the period before tax	**06/2018**	**37,747**	**3,790**	**2,296**	**7,302**	**32,300**	**83,435**	**–2,576**	**80,859**
Segment loans	06/2018	5,621,160	1,361,772	2,439,473	967,629	45,943	10,435,977	–332,893	10,103,084
Segment liabilities	06/2018	2,588,275	3,755,310	2,256,471	909,787	89,497	9,599,340	–390,566	9,208,774

Segment reporting OLD calculation logic in thousands of euros	Year	Corporate clients	Private clients	Institutional clients and banks	Leasing	Cable cars	Reporting segments	Other segments/ consolidation/misc.	Group balance sheet/P&L
Net interest income, incl. at-equity result	06/2018	51,210	20,809	3,676	9,481	–781	84,395	453	84,848
	06/2017	47,751	20,103	6,575	9,073	–786	82,716	–2,704	80,012
Loan-loss provisions in the credit business	06/2018	–2,331	438	–389	–319	0	–2,601	–1,971	–4,572
	06/2017	–1,158	454	–1,776	–460	0	–2,941	–2,115	–5,056
Net commission income	06/2018	10,499	16,255	0	181	0	26,935	–630	26,305
	06/2017	11,129	16,067	0	434	0	27,630	–2,619	25,011
Operating expenses	06/2018	–14,790	–25,169	–1,207	–2,853	–45,808	–89,827	–9,107	–98,934
	06/2017	–14,819	–24,721	–1,138	–2,952	–43,025	–86,655	–10,612	–97,267
Other operating profit	06/2018	0	414	0	943	78,889	80,246	–8,708	71,538
	06/2017	0	348	0	1,457	71,718	73,523	–6,527	66,996
Income from financial assets and trading income	06/2018	0	0	1,156	–131	0	1,025	648	1,674
	06/2017	0	0	–1,614	99	0	–1,515	–101	–1,616
Result for the period before tax	**06/2018**	**44,588**	**12,747**	**3,237**	**7,302**	**32,300**	**100,174**	**–19,315**	**80,859**
	06/2017	**42,903**	**12,251**	**2,047**	**7,651**	**27,907**	**92,759**	**–24,679**	**68,080**
Segment loans	06/2018	5,621,160	1,361,772	2,439,473	967,629	45,943	10,435,977	–332,893	10,103,084
	06/2017	5,236,111	1,355,702	2,216,924	904,545	40,750	9,754,032	–164,335	9,589,696
Segment liabilities	06/2018	2,588,275	3,755,310	2,256,471	909,787	89,497	9,599,340	–390,566	9,208,774
	06/2017	2,370,629	3,362,956	2,483,249	847,360	83,699	9,147,893	–403,741	8,744,152

Segment reporting: explanatory notes

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

Changes in this responsibility can lead to changes in attribution to a segment. These effects were not corrected in the year-on-year comparison. Due to the effects of MiFID II, the previous year's values were adjusted in the „Net commission income" item by means of shifts in the segments.

The segment receivables include the entries for loans and advances to central banks (first time being included in the segment report, the previous year's value was adapted accordingly), loans and advances to banks, loans and advances to clients, other financial assets of the valuation categories „amortised costs", „fair value on balance sheet", „fair value through profit and loss", and „fair value option", as well as guarantees and liabilities. The „Other segments/consolidation/misc." column includes loan loss provisions, since the internal control considers the liabilities as net figures in contrast to the balance sheet. The postings resulting from consolidation are also found here. The segment liabilities are allocated to the entries „liabilities to banks", „liabilities to clients", and „other financial liabilities" of the valuation categories „amortised costs" and „fair value option". Consolidating entries are also included in the „Other segments/Consolidation/Misc." column.

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

Declaration by the statutory representatives pursuant to Section 124 (1) and 125 (1) BörseG (Stock Exchange Act) 2018

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 2018

The Board of Directors

Michael Perger
Member of the Board

Member of the Board, responsible for Retail Customer business; 3 Banks Insurance Brokers; Group audit division; compliance and anti-money laundering.

Gerhard Burtscher
Chairman of the Board

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

Mario Pabst
Member of the Board

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

Imprint

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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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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

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A pilot provides safe passage. All our employees have a little BTV pilot's flag in their buttonhole. A meaningful symbol: We guide you on your route to success.

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