BANK FÜR TIROL UND VORARLBERG AKTIENGESELLSCHAFT
SHAREHOLDERS' REPORT: INTERIM FINANCIAL REPORT
AS AT 30 SEPTEMBER 2018

report
Interim

BTV VIER LÄNDER BANK

3 Banken Gruppe

Contents

Important dates for BTV shareholders

Annual General Meeting	8 May 2018, 10 am, Stadtforum 1, Innsbruck, Austria The dividend will be published on BTV's homepage and in the gazette of the Wiener Zeitung the day after the Annual General Meeting.
Ex-dividend date	16 May 2018
Payment of dividend	18 May 2018
Interim Report as at 31 March 2018	Published on 25 May 2018 (www.btv.at)
Half-yearly Financial Report as at 30 June 2018	Published on 24 August 2018 (www.btv.at)
Interim Report as at 30 September 2018	Published on 30 November 2018 (www.btv.at)

Figures from the statement of comprehensive income in EUR million	30/09/2018	30/09/2017	% change
Net interest income	127.9	123.7	+3.3%
Allowance for losses on loans and advances	0.4	–8.6	>–100%
Net fee and commission income	38.4	37.5	+2.3%
Administrative expenses	–137.8	–134.6	+2.4%
Other operating income	76.3	73.2	+4.3%
Profit for the period before tax	109.9	89.0	+23.5%
Consolidated net profit for the period	91.1	71.0	+28.4%

Balance sheet figures in EUR million	30/09/2018	31/12/2017	% change
Total assets	11,158	10,463	+6.6%
Loans and advances to customers after allowance for losses on loans and advances	7,604	7,142	+6.5%
Primary funds	7,916	7,606	+4.1%
of which savings deposits	1,259	1,266	–0.6%
of which debt securities issued	1,325	1,318	+0.5%
Equity	1,546	1,367	+13.1%
Customer funds under management	14,303	13,905	+2.9%

Regulatory own funds (CRR) in EUR million	30/09/2018	31/12/2017*	% change
Total risk exposure amount	7,539	7,139	+5.6%
Own funds	1,078	972	+10.9%
of which Common Equity Tier 1 capital (CET1)	881	915	–3.7%
of which total Tier 1 capital (CET1 and AT1)	895	915	–2.1%
CET1 capital ratio	11.69%	12.81%	–1.12 pp
Tier 1 capital ratio	11.87%	12.81%	–0.94 pp
Total capital ratio	14.30%	13.62%	+0.68 pp

Key performance indicators in pp	30/09/2018	30/09/2017	Change in percentage points
Return on equity before tax (RoE)	10.09%	9.19%	+0.90 pp
Return on equity after tax	8.37%	7.34%	+1.04 pp
Cost/income ratio	56.7%	57.7%	–1.0 pp
Risk/earnings ratio	–0.3%	6.9%	–7.3 pp

Number of resources	30/09/2018	30/09/2017	Change in figure
Weighted average number of employees	1,492	1,449	+43
Number of branches	36	37	–1

Key indicators for BTV shares	30/09/2018	30/09/2017
Number of no-par value ordinary shares	28,437,500	28,437,500
Number of no-par value preferred shares	2,500,000	2,500,000
High for ordinary/preferred shares in EUR	26.00/24.60	23.40/20.00
Low for ordinary/preferred shares in EUR	23.00/19.40	21.40/18.40
Closing price of ordinary/preferred shares in EUR	24.80/23.80	22.40/19.00
Market capitalisation in EUR million	765	702
IFRS earnings per share in EUR	3.72	3.02
Price/earnings ratio, ordinary shares	6.7	7.4
Price/earnings ratio, preferred shares	6.4	6.3

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

Economic environment

Euro-zone economic data confirmed buoyant economic activity in the third quarter, but the pace of growth continued to taper off. The struggling industrial sector and the waning retail trade weighed on the monetary union. Core inflation was sluggish in September at 0.9%, though overall inflation was above 2%. Excluding rapidly increasing energy and food prices, consumer prices have remained unchanged over the past two years. Leading indicators such as business or consumer sentiment continue to point to a healthy level of economic activity in the euro zone, but also show declining momentum. A testament to the solid economic growth is the steadily falling unemployment rate, which was just 8.1% in August. Italy's unsustainable budget planning and the slow Brexit negotiations in particular impacted on third-quarter figures.

Following on the heels of a strong second quarter, the third quarter is expected to be just as good. Rising domestic consumption and expanding industrial production in times of global industrial weakness have underscored the role of the United States as the powerhouse of the global economy. At 2.1%, core inflation is well within the Fed's target level, and with the jobless figure below 4% the labour market is also considered to be at full employment. Indicators such as purchasing managers' or business climate indices and consumer confidence suggest that the United States will continue to demonstrate economic strength in the future. The trade dispute with China is not expected to weaken US economic growth slightly until next year.

China's economic growth slowed down more than expected in the third quarter. Compared with the previous year, gross domestic product rose by 6.5%, falling short of the forecast 6.7%. So far, China's countermeasures have had only a limited effect: in addition to government stimuli, the central bank (PBoC) has been particularly active, lowering the minimum reserve rate three times in 2018 alone to provide liquidity to the banking system. Consumption brought forward in anticipation of tariffs bolstered GDP in the third quarter, while retail sales climbed by as much as 9.2% year-on-year in September. However, subdued industrial production suggests that China's economy will continue to weaken. In addition, the struggle against the shadow banking system and the ratcheting up of the trade war are putting a damper on economic development.

Interest rates

In the bond segment, the third quarter saw upward pressure on yields on government bonds, which are considered a safe haven. This global trend was triggered by US interest rates. At its interest rate meeting on 26 September, the Fed decided to raise the target range for the Federal Funds Rate for the third time this year, by 25 basis points to 2.00–2.25%. Economic forecasts were also revised upwards and the possible economic risks arising from a worsening of the trade dispute were downplayed. In addition, the central bankers were confident that they would be able to implement a further interest rate step-up this year. Higher US key interest rates combined with strong economic data pushed yields on ten-year US government bonds to a seven-year high of over 3.20%. This also boosted yields on European government bonds, lifting yields on 10-year German government bonds to above 0.50%. Yields on Italian government bonds soared as risk premiums widened significantly once again in the third quarter. By contrast, comparatively riskier segments such as emerging market and high-yield bonds benefited from declining risk premiums.

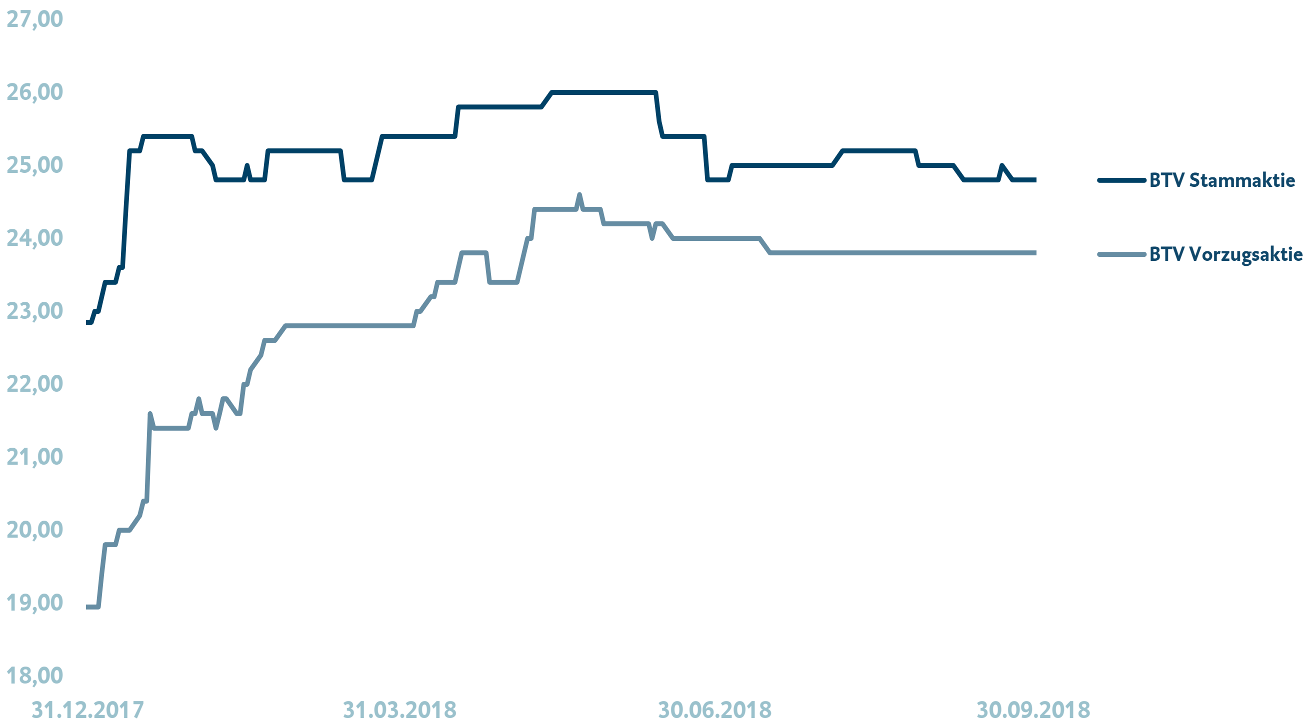
In the third quarter of 2018, long-term euro interest rates rose slightly by 12 basis points to 0.99% (10-year euro swap rate). Money market interest rates (3-month Euribor) remained unchanged at –0.32%.

Foreign currencies

Following the sharp depreciation of the euro in the second quarter, the EUR/USD exchange rate moved in a relatively wide bandwidth between 1.13 and 1.18. Since then, the euro has repeatedly come close to the lower end of this range. In particular, Italy's budget proposal, which is considered unsustainable due to the planned new borrowing for additional social spending, led to euro sell-offs. In August, the Turkish crisis also weighed on the euro, sparked by fears of this spreading to the euro area. Nevertheless, concerns about the euro-zone economy were allayed when it became clear that economic ties between the euro area and Turkey were too tenuous to have a significant adverse effect on the euro area's economic position. The uncertainty surrounding the Italian budget planning impacted on the euro's performance throughout the third quarter, however. By contrast, the US dollar was boosted by good news about the economy, rising global uncertainty caused by the trade dispute and higher interest rates in the United States.

In the third quarter, the euro also did not show a clear trend in relation to other currencies such as the Swiss franc or the Japanese yen. After losing considerable ground against the franc at the beginning of the quarter, the single currency started to claw back some of its losses in September, moving towards 1.14. The EUR/JPY exchange rate witnessed a similar trend: up until mid-August, the euro depreciated against the yen – weakened by the crisis in Turkey – before rallying again in September. Sterling remained volatile as a result of the Brexit negotiations.

Performance of BTV shares since 2018 in EUR



Equities

The mood on the global equity markets was quite positive in the third quarter. The US indices climbed on the strength of the good news about the economy, encouraging company results and, last but not least, the uncertainty caused by the trade dispute, because the USA is regarded as a fairly safe haven. Asian markets, on the other hand, were down as a consequence of further US tariffs on imports from China, as these are considered to pose a far more serious threat to China's economic development than to that of the United States. Due to the economic ties created by supply and production chains, other Asian economies are also affected by the trade restrictions between the USA and China. The European markets moved sideways, with Italy's budget planning, the faltering Brexit negotiations and the crisis in Turkey being the biggest negative factors in the third quarter. As expected, the Italian equity market was among the worst performers in Europe.

The strongest performance in the third quarter was seen in the US equity markets, with the Dow Jones Industrial moving up 9.0% and the S&P 500 gaining 7.2%. The broad European market lagged significantly behind, closing the quarter up just 0.9%. Italy's FTSE MIB (–4.2%) and Spain's IBEX (–2.4%) brought up the rear. The Brexit negotiations dragged the British equity market down 1.7%. Of the emerging markets, the Latin America and Eastern Europe regions started to rally at 4.8% (MSCI Latin America) and 4.9% (MSCI Eastern Europe), respectively. The Asian stock markets retreated by 1.6% (MSCI Asia ex Japan). The Japanese Nikkei 225 gained 8.1%, bolstered by the weakness of the yen.

BTV's ordinary shares have risen by 8.5% to EUR 24.80 in the year to date. The bank's preferred shares have posted gains of 25.6% and were trading at EUR 23.80 at the end of the quarter.

Changes in the balance sheet

The new accounting standard IFRS 9, which has been in force since 1 January 2018, has brought about changes in a number of balance sheet items. The statements in the management report that follows relate to the balance sheet as at 31 December 2017 prepared in accordance with applicable law.

Loans and advances to customers have risen in the course of the year by EUR 371 million or 5.1% to EUR 7,707 million.

The item "allowance for losses on loans and advances" is directly affected by the new accounting guidance in IFRS 9. In compliance with the new regulations on impairment, portfolio-based valuation allowances were recognised in other comprehensive income, reducing the allowance for losses on loans and advances by EUR 91 million to EUR 104 million.

Amounting to EUR 2,177 million at the end of the third quarter, other financial assets including investments accounted for using the equity method and trading assets were down marginally on the level at the end of 2017.

Deposits from other banks increased. At EUR 1,391 million, these were up EUR 179 million on the year-end 2017 level.

The volume of primary funds showed encouraging growth in the first three quarters of the year. As at 30 September 2018, BTV reported a figure of EUR 7,916 million, which represents an increase of EUR 311 million compared with the end of 2017. In relation to the refinancing of customer loans, this yielded a loan-to-deposit ratio of 96.0%.
Customer funds under management, the sum of assets under management in securities accounts and primary funds, rose by EUR 398 million to EUR 14,303 million in the reporting period. In addition to the aforementioned growth in primary funds, assets under management in securities accounts also rose by EUR 87 million to EUR 6,387 million.

The transition to IFRS 9 and the associated remeasurement resulted in a significant increase in equity. The initial effects from the transition were recognised directly in equity, increasing this item by EUR 64 million as at 1 January 2018. Compared with year-end 2017, equity as at 30 September 2018 was up EUR 179 million to EUR 1,546 million.

This increased total assets/total equity and liabilities by EUR 696 million to EUR 11,158 million.

The banking group's eligible own funds pursuant to the CRR (Basel III) amounted to EUR 1,078 million as at 30 September 2018. Compared with the figure for 31 December 2017, which had been adjusted in accordance with IAS 8 (see p. 29 ff.), own funds rose by a total of EUR 105.9 million or 10.9%. The banking group's Common Equity Tier 1 capital (CET1) in accordance with the CRR amounted to EUR 881 million at the end of the third quarter, while Tier 1 capital totalled EUR 895 million.

Total risk-weighted assets rose by EUR 400 million to EUR 7,539 million. As at 30 September 2018, this gives a Tier 1 capital ratio of 11.87% (30 September 2017: 11.85%) and a total capital ratio of 14.30% (30 September 2017: 12.59%).

Changes in the statement of comprehensive income

Net interest income after allowance for losses on loans and advances

Compared with the previous year, net interest income after allowance for losses on loans and advances rose by EUR 13.1 million to EUR 128.3 million. Net interest income increased by EUR 2.5 million to EUR 92.4 million. Income from investments accounted for using the equity method was up EUR 1.6 million to EUR 35.4 million in the first three quarters of the year.
The allowance for losses on loans and advances had the biggest effect on earnings: compared with the previous year, expenses for this item fell by EUR 9.0 million.

Net fee and commission income

Net fee and commission income was largely dominated by the performance of the securities business. It has been a challenging year for this business, marked by volatility on the markets. Nevertheless, this item rose by EUR 1.2 million to EUR 19.8 million, an increase of 6.4% year-on-year. Net income from payment transaction services increased by EUR 0.2 million to EUR 9.9 million. At EUR 2.4 million, earnings from the foreign exchange, foreign currency and precious metals business was down EUR 0.2 million on the prior-year period. Compared with the extremely successful prior year, the lending business posted a EUR 0.2 million decrease as at 30 September 2019 with earnings of EUR 5.9 million. The other services business matched the prior-year level at EUR 0.4 million. Overall, BTV lifted its net fee and commission income to EUR 38.4 million, an increase of EUR 0.9 million or 2.3%.

Net trading income

At EUR 0.7 million, net trading income as at 30 September 2018 was up EUR 1.9 million on the previous year.

Net gain (loss) from financial transactions

Net gain (loss) from financial transactions increased by EUR 5.2 million compared with the first three quarters of 2017, giving a figure of EUR 4.1 million.

Administrative expenses

Administrative expenses rose from EUR 134.6 million to EUR 137.8 million year-on-year. The overall increase is attributable to higher non-staff costs, which increased by EUR 3.9 million to EUR 43.5 million. By contrast, staff costs, which account for the lion's share of expenses, declined by EUR 0.4 million to EUR 73.3 million. Depreciation, amortisation and write-downs also fell, by EUR 0.2 million to EUR 21.1 million.

Other operating income

Other operating income has shown a positive trend in the year to date. The increase of 4.2% or EUR 3.1 million to EUR 76.3 million is largely attributable to income from BTV's investments in Mayrhofner Bergbahnen AG and Silvretta Montafon Holding GmbH.

Profit for the period before tax

The BTV Group's operating strength and the encouraging figure reported for the allowance for losses on loans and advances lifted profit for the period before tax by EUR 21.0 million to EUR 109.9 million.

Tax position

Along with the current charge for Austrian corporate income tax, the amounts reported under "Taxes on income" include the deferred tax assets and deferred tax liabilities to be reported in accordance with the IFRSs. Compared with the previous year, the tax liability as at 30 September 2018 was up EUR 0.8 million to EUR 18.8 million. The effective tax rate was therefore 17.1%.

Consolidated net profit for the period and KPIs

Over the year to date, profit for the period after tax has risen by EUR 20.1 million or 28.4% to EUR 91.1 million. The cost/income ratio improved year-on-year from 57.7% to 56.7%. The return on equity before tax increased to 10.1% from 9.2% in the previous year. Owing to the trend in the allowance for losses on loans and advances, the risk/earnings ratio was –0.3%.

Outlook

BTV's assessment of the economic environment in its market area remains stable and positive, even if the pace of growth has slowed somewhat. In the corporate banking business, the focus in terms of growth will continue to be on the expansion markets of Germany, Vienna and Switzerland. The strategic principle of refinancing loans and advances to customers entirely through primary funds will continue to be adhered to going forward. Due to the low interest rate environment, the investment strategy will continue to focus on investments in securities. The markets are proving to be extremely volatile and challenging in 2018, but investors looking for returns will be unable to avoid these assets.

We continue to anticipate sound operating performance in the fourth quarter. For 2018 as a whole this means that BTV expects to generate a consolidated profit as at 31 December 2018 of between EUR 95 million and EUR 106 million. This would represent an increase of between approximately 25% and approximately 39% on the consolidated profit reported as at 31 December 2017.

Condensed consolidated financial statements

Balance sheet as at 30 September 2018

Assets in EUR thousand	**30/09/2018**	**31/12/2017**	**Absolute change**	**% change**
Cash reserve	628,936	320,708	+308,228	+96.1%
Loans and advances to other banks [1] [see notes]	280,711	288,415	–7,704	–2.7%
Loans and advances to customers [2]	7,707,279	7,336,377	+370,902	+5.1%
Other financial assets [3]	1,489,663	n.a.	+1,489,663	>+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%
Investments in companies accounted for using the equity method [4]	660,427	589,556	+70,871	+12.0%
Allowance for losses on loans and advances [5]	–103,756	–194,474	+90,718	–46.6%
Trading assets [6]	26,949	19,948	+7,001	+35.1%
Intangible assets	1,029	944	+85	+9.0%
Property and equipment	300,274	301,410	–1,136	–0.4%
Investment property	55,941	57,785	–1,844	–3.2%
Current tax assets	166	276	–110	–39.9%
Deferred tax assets	7,461	29,782	–22,321	–74.9%
Other assets [7]	103,236	130,958	–27,722	–21.2%
Total assets	**11,158,316**	**10,462,608**	**+695,708**	**+6.6%**

Equity and liabilities in EUR thousand	**30/09/2018**	**31/12/2017**	**Absolute change**	**% change**
Deposits from other banks [8]	1,391,491	1,212,086	+179,405	+14.8%
Due to customers [9]	6,591,591	6,287,594	+303,997	+4.8%
Other financial liabilities [10]	1,339,707	n.a.	+1,339,707	>+100%
Debt securities in issue	n.a.	1,156,916	–1,156,916	–100.0%
Subordinated debt	n.a.	161,209	–161,209	–100.0%
Trading liabilities [11]	11,636	6,091	+5,545	+91.0%
Provisions [12]	134,758	131,196	+3,562	+2.7%
Current tax liabilities	4,356	6,759	–2,403	–35.6%
Deferred tax liabilities	5,662	5,535	+127	+2.3%
Other liabilities [13]	133,117	127,896	+5,221	+4.1%
Equity [14]	1,545,998	1,367,326	+178,672	+13.1%
Non-controlling interests	43,451	38,257	+5,194	+13.6%
Owners of the parent	1,502,547	1,329,069	+173,478	+13.1%
Total equity and liabilities	**11,158,316**	**10,462,608**	**+695,708**	**+6.6%**

KPIs	**30/09/2018**	**30/09/2017**
RoE before tax	10.09%	9.19%
RoE after tax	8.37%	7.34%
Cost/income ratio	56.7%	57.7%
Risk/earnings ratio	–0.3%	6.9%

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

Statement of comprehensive income as at 30 September 2018

Statement of comprehensive income in EUR thousand	**01/01–30/09/2018**	**01/01–30/09/2017**	**Absolute change**	**% change**
Interest and similar income	118,046	116,890	+1,156	+1.0%
Interest and similar expenses	–25,644	–26,975	+1,331	–4.9%
Income from investments in companies accounted for using the equity method	35,448	33,811	+1,637	+4.8%
Net interest income incl. income from investments in companies accounted for using the equity method [15]	**127,850**	**123,726**	**+4,124**	**+3.3%**
Allowance for losses on loans and advances [16]	401	–8,588	+8,989	>–100%
Fee and commission income	41,682	40,612	+1,070	+2.6%
Fee and commission expense	–3,325	–3,133	–192	+6.1%
Net fee and commission income [17]	**38,357**	**37,479**	**+878**	**+2.3%**
Net trading income [18]	684	–1,183	+1,867	>–100%
Net gain (loss) from financial transactions [19]	4,137	–1,052	+5,189	>–100%
Administrative expenses [20]	–137,818	–134,643	–3,175	+2.4%
Other operating income [21]	76,322	73,240	+3,082	+4.2%
Profit for the period before tax	**109,933**	**88,979**	**+20,954**	**+23.5%**
Taxes on income	–18,790	–17,977	–813	+4.5%
Consolidated net profit for the period	**91,143**	**71,002**	**+20,141**	**+28.4%**
Non-controlling interests	5,288	4,515	+773	+17.1%
Owners of the parent	85,855	66,487	+19,368	+29.1%

Total comprehensive income in € thousand	**01/01–30/09/2018**	**01/01–30/09/2017**
Consolidated net profit for the period	**91,143**	**71,002**
Revaluation surplus from defined benefit plans	3,486	3,635
Increases or decreases in the share of the other comprehensive income of investments accounted for using the equity method	1,806	3,366
Gains or losses from investments in equity instruments designated at fair through other comprehensive income	1,623	0
Change in fair value of a financial liability attributable to changes in the liability's credit risk	1,868	0
Gains or losses from deferred taxes recognised in other comprehensive income	–1,502	–909
Total of items that will not be reclassified subsequently to profit or loss	**7,281**	**6,092**
Increases or decreases in the share of the other comprehensive income of investments accounted for using the equity method	832	6,600
Gains or losses from investments in debt instruments designated at fair through other comprehensive income	–927	n.a.
Unrealised gains or losses from assets held for sale (AfS reserve)	n.a.	–435
Unrealised gains or losses from adjustments in the currency translation	440	–710
Gains or losses from deferred taxes recognised in other comprehensive income	0	909
Total of items that will be reclassified subsequently to profit or loss	**346**	**6,364**
Total other comprehensive income	**7,627**	**12,456**
Total comprehensive income for the period	**98,770**	**83,458**
Non-controlling interests	5,288	4,515
Owners of the parent	93,482	78,943

Key indicators	**30/09/2018**	**30/09/2017**
Basic and diluted earnings per share in EUR [23]	2.78	2.26

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

Statement of changes in equity in € thousand	Issued capital	Share premi-um	Retained earnings	Actuarial gains/losses	AfS reserve	Total own-ers of the par-ent	Non-con-trolling inter-ests	Eq-uity
Equity as 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	74,594
Total comprehensive income for the period								
Profit	0	0	66,487	0	0	66,487	4,515	71,002
Other comprehensive income	0	0	9,256	–435	3,635	12,456	0	12,456
Dividend payment	0	0	–8,351	0	0	–8,351	–129	–8,480
Treasury shares	0	–481	0	0	0	–481	0	–481
Other changes recognised in other comprehensive income	0	–96	–108	0	0	–204	3	–201
Equity as at 30/09/2017	**61,875**	**174,138**	**1,099,120**	**23,577**	**–30,590**	**1,328,120**	**40,204**	**1,368,324**

Statement of changes in equity in € thousand	Issued capital	Share premi-um	Retained earnings	Non-recyclable OCI	Recyclable OCI	Total own-ers of the par-ent	Non-con-trolling inter-ests	Eq-uity
Equity as at 31/12/2017	**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 remeasurement	0	0	70,820	1,246	–8,115	63,951	0	63,951
Equity as 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
Total comprehensive income for the period								
Profit	0	0	85,855	0	0	85,855	5,288	91,143
Other comprehensive income	0	0	–154	7,281	346	7,473	0	7,473
Dividend payment	0	0	–9,257	0	0	–9,257	–99	–9,356
Treasury shares	0	–577	0	0	0	–577	0	–577
Other changes recognised in other comprehensive income	0	–4	101	25,939	0	26,034	5	26,039
Equity as at 30/09/2018	**61,875**	**173,551**	**1,244,927**	**–785**	**22,981**	**1,502,547**	**43,451**	**1,545,998**

The items from the 2018 statement of changes in equity were adjusted on account of the first-time application of IFRS 9.

Statement of cash flows as at 30 September 2018

Statement of cash flows in EUR thousand	**01/01–30/09/2018**	**01/01/–30/09/2017**
Cash and cash equivalents at end of prior period	**320,708**	**316,527**
Net cash from operating activities	333,272	86,177
Net cash used in investing activities	–17,423	–18,593
Net cash used in financing activities	–7,621	–58,385
Cash and cash equivalents at end of period	**628,936**	**325,726**

Accounting policies

These consolidated interim financial statements of BTV for the period ended 30 September 2018 were prepared in accordance with International Financial Reporting Standards (IFRSs) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as exempting consolidated financial statements pursuant to section 59a of the Austrian Banking Act (Bankwesengesetz – BWG) in conjunction with section 245a of the Austrian Commercial Code (Unternehmensgesetzbuch – UGB) and in accordance with IAS 34 (Interim Financial Reporting).

Bank für Tirol und Vorarlberg Aktiengesellschaft is a public company with headquarters in Austria. The company's registered office is in Innsbruck. The main activities of the company and its subsidiaries comprise asset management, corporate and retail banking, the holding of investments and the operation of cable cars and other tourist facilities. More information on these activities can be found in the segment reporting.

The accounting policies applied uniformly across the Group comply with the standards in the European accounting directives, which means that the informative value of these consolidated financial statements is equivalent to those prepared in accordance with the provisions of the Austrian Commercial Code (UGB) in conjunction with the requirements of the Austrian Banking Act (BWG). In contrast to BTV's audited consolidated financial statements for 2017, the consolidated interim financial statements as at 30 September 2018 were prepared in accordance with the accounting principles pursuant to the new IFRS 9 standard, "Financial Instruments". The effects of the first-time application of IFRS 9 are described in detail on pages 16–22. All accounting policies that are not affected by IFRS 9 are unchanged.

IFRS 15 "Revenue from Contracts with Customers" came into force on 1 January 2018. The standard determines how and when revenue is recognised but does not affect the collection of revenue generated in connection with financial instruments to which IFRS 9 applies. The new regulations have not had a material effect on BTV's consolidated financial statements.

Principles and basis of consolidation

All major subsidiaries that are controlled by BTV in accordance with IFRS 10 are consolidated pursuant to this standard. The Group controls an entity if it has power over the entity, exposure or rights to variable returns from its involvement with the entity and the ability to use its power over the entity to affect the amount of the Group's returns. Acquisition accounting is performed in accordance with IFRS 3 using the acquisition method, whereby the cost of the acquisition is set off against the proportionate share of the identifiable assets acquired and the liabilities assumed. The assets and liabilities of the subsidiary are measured at their acquisition-date fair values. For determination of the consideration, any non-controlling interests are measured in the proportionate share of the entity's net assets and liabilities. The difference between the cost and the net assets recognised at fair value is reported as goodwill. In accordance with IFRS 3 in conjunction with IAS 36 and IAS 38, goodwill must be tested for impairment once per year. Subsidiaries whose overall effect on the Group's financial position and financial performance is insignificant are not consolidated.

The basis of consolidation changed as compared with 31 December 2017. By way of an entry in the commercial register dated 9 November 2017, the balance sheet date of MPR Holding GmbH was brought forward to 30 September. Going forward, this company will exercise a holding function for the group of companies of Silvretta Montafon GmbH with

headquarters in Gaschurn, acting as a management holding company. The name of the company is Silvretta Montafon Holding GmbH. Its registered office has been moved to Schruns.

The company name "Silvretta Montafon GmbH" was changed to "Silvretta Montafon Bergbahnen GmbH" by way of an entry in the commercial register on 30 November 2017. "Silvretta Verwaltungs GmbH" was renamed "Silvretta Montafon Sporthotel GmbH" with an entry made in the commercial register on 18 November 2017. The company name "HJB Projektgesellschaft mbH" was also changed to "Sporthotel Schruns GmbH" by way of an entry in the commercial register dated 18 November 2017. With an entry in the commercial register on 24 November 2017, "Silvretta Sportservice GmbH was renamed "Silvretta Montafon Sportshops GmbH", Through the commercial register entries of "Silvretta Montafon Ferienimmobilien GmbH" and "Silvretta Montafon Bergerlebnisse GmbH" dated 22 November 2017, the basis of consolidation was expanded with effect from 31 March 2018 to include these two companies. Based on an entry in the commercial register on 20 July 2018, "Das Schruns" Hotelprojektentwicklungsgesellschaft mbH, St. Gallenkirch (transferor) was merged with Silvretta Montafon Holding GmbH (transferee).

Consolidated companies	% share	% of voting rights
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%
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

The leasing companies and the companies of Silvretta Montafon Holding GmbH have a different financial year and are included in the annual report as at 30 September. BTV Beteiligungsholding GmbH, BTV 2000 Beteiligungsverwaltungsgesellschaft m.b.H. and Mayrhofner Bergbahnen AG finish their financial year on 30 November. The companies of Silvretta Montafon and Mayrhofner Bergbahnen AG have a different closing date due to their seasonal activity. Owing to the structural situation in the Group organisation, there is a different reporting date for the leasing companies as well as for BTV Beteiligungsholding GmbH and BTV 2000 Beteiligungsverwaltungsgesellschaft m.b.H.

The other consolidated companies were consolidated at the reporting date of 31 December.

As at 30 September 2018, BTV AG held 100% of the shares in Silvretta Montafon Holding GmbH. There are only indirect minority interests resulting from the investment 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 resulting from the investment in Mayrhofner Bergbahnen AG.

The share of consolidated profit for the period attributable to minority interests amounted to EUR 5,288 thousand.

At the Annual General Meeting of Mayrhofner Bergbahnen AG on 19 June 2018, shareholders resolved a dividend of EUR 200 thousand, of which EUR 99 thousand was attributable to minority interests.

Significant equity interests over which BTV has a significant influence are accounted for using the equity method. As a rule, an entity that holds between 20% and 50% of the voting power of an investee is presumed to have significant influence. This investee is called an associate. Under the equity method, investments in associates are initially recognised in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's net assets.

The following investments were consolidated using the equity method:

Companies consolidated using the equity method	% share	% of voting rights
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 partner with BTV to form the 3 Banken Group. Moser Holding AG is active in publishing with a focus on print (daily newspapers, free weekly newspapers, magazines) and online.

Although they fall below the 20% threshold, the investments in Oberbank AG and BKS Bank AG have been included in the consolidated financial statements for the following reasons: for the investment in Oberbank AG there is a syndicate agreement between BTV, BKS Bank AG and Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H., and for the investment in BKS Bank AG there is a syndicate agreement between BTV, Oberbank AG and Generali 3 Banken Holding AG, the purpose of which is to maintain the autonomy of the institutions.

Consequently, there is the possibility to exercise a significant influence over both of the aforementioned companies. To ensure timely preparation of the financial statements, the companies measured using the equity method are consolidated for the period from 1 October 2017 to 30 June 2018.

Intercompany receivables and liabilities, expenses and income are eliminated unless they are of minor significance. Intercompany profits and losses were not eliminated as they were not significant.

ALPENLÄNDISCHE GARANTIE - GESELLSCHAFT m.b.H. is classified as a joint operation. The company has a concession under section 1(1) No. 8 of the Austrian Banking Act (BWG). Its exclusive corporate purpose is the granting of guarantees, sureties and other indemnities for lending transactions by its shareholders – Oberbank AG, BKS Bank AG and BTV. The 3 Banken Group is essentially the only source of cash flows that contribute to the continuing operation of the arrangement. It is therefore classed as a joint operation in accordance with IFRS 11. B29-32. The company's proportionate assets and liabilities are recognised as at 30 September 2018.

Proportionally consolidated companies	% share	% of voting rights
ALPENLÄNDISCHE GARANTIE - GESELLSCHAFT m.b.H.	25.00%	25.00%

Significant events in the reporting period

The resolutions at the 100th Annual General Meeting of Bank für Tirol und Vorarlberg AG, held on 8 May 2018, are published on BTV's website (www.btv.at) under "Company/Investor Relations". By way of an amendment to the entry in the commercial register dated 6 October 2018, Silvretta Skischule GmbH was renamed Silvretta Montafon Skischule Schruns GmbH.

Significant events after the reporting period

The offer period for BTV's capital increase resolved on 21 September 2018 ended on 16 October 2018. In the course of the capital increase, BTV issued a total of 3,093,750 new no-par value ordinary shares, thereby increasing the company's nominal share capital from EUR 61,875 thousand to EUR 68,062.5 thousand. Based on the issue and purchase price of EUR 24.25 per new share, the gross proceeds from the capital increase amounted to approximately EUR 75.02 million. These will be recognised in the fourth quarter of 2018.

Since the reporting date for the interim period, there have not been any other activities or events in the BTV Group that are relevant to the report based on their substance or form and that would have a substantial impact on the Group's financial position and financial performance as presented in this report.

The following section sets out the changes in accounting policies resulting from the application of the new IFRS 9 standard and presents the reconciliation calculations.

BTV has applied IFRS 9 "Financial Instruments" since 1 January 2018. The first-time application of IFRS 9 gives rise to significant changes for the subsequent measurement of financial assets and financial liabilities. In addition, the application of IFRS 9 brings changes relating to the disclosures and the composition of balance sheet and income statement items.
As permitted by the standard, BTV will make use of the exception not to restate prior periods with respect to changes in classification and measurement (including impairment). Differences between the carrying amounts of financial assets and financial liabilities resulting from the application of IFRS 9 are generally recognised in equity, retained earnings and accumulated other comprehensive income as at 1 January 2018. The accounting policies applied in the previous year in accordance with IAS 39 can be found in the 2017 consolidated financial statements.

The reconciliation of the balance sheet items in accordance with IAS 39 with items in accordance with IFRS 9 is shown below. The IFRS 9 remeasurement was recognised through retained earnings and accumulated other comprehensive income.

Assets in EUR thousand **Balance sheet structure from 1 January 2018**	**01/01/2018**	**IFRS 9 remeasure-ment**	**31/12/2017 following reclassification**	**Reclassifica-tion**
Cash reserve	320,708	0	320,708	0
Loans and advances to other banks	288,415	0	288,415	0
Loans and advances to customers	7,330,090	–6,287	7,336,377	0
Other financial assets	1,634,279	24,977	1,609,302	1,609,302
Investments in companies accounted for using the equity method	589,556	0	589,556	0
Allowance for losses on loans and advances	–124,027	70,447	–194,474	0
Trading assets	36,544	–5,415	41,959	22,011
Intangible assets	944	0	944	0
Property and equipment	301,410	0	301,410	0
Investment property	57,785	0	57,785	0
Current tax assets	276	0	276	0
Deferred tax assets	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 until 31 December 2017**	**31/12/2017**	**Reclassifica-tion**
Cash reserve	320,708	0
Loans and advances to other banks	288,415	0
Loans and advances to customers	7,336,377	0
Allowance for losses on loans and advances	–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
Investments in companies accounted for using the equity method	589,556	0
Intangible assets	944	0
Property and equipment	301,410	0
Investment property	57,785	0
Current tax assets	276	0
Deferred tax assets	29,782	0
Other assets	130,958	–50,390
Total assets	**10,462,608**	**–1,631,313**

Equity and liabilities in EUR thousand **Balance sheet structure from 1 January 2018**	**01/01/2018**	**IFRS 9 remeasure-ment**	**31/12/2017 following reclassification**	**Reclassifica-tion**
Deposits from other banks	1,212,086	0	1,212,086	0
Due to customers	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
Provisions	133,874	2,678	131,196	0
Current tax liabilities	6,759	0	6,759	0
Deferred tax liabilities	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	1,393,020	63,951	1,329,069	0
Total equity and liabilities	**10,528,579**	**65,971**	**10,462,608**	**1,336,869**

Equity and liabilities in EUR thousand **Balance sheet structure until 31 December 2017**	**31/12/2017**	**Reclassifica-tion**
Deposits from other banks	1,212,086	0
Due to customers	6,287,594	0
Debt securities in issue	1,156,916	–1,156,916
Trading liabilities	6,091	0
Provisions	131,196	0
Current tax liabilities	6,759	0
Deferred tax liabilities	5,535	0
Other liabilities	127,896	–18,744
Subordinated debt	161,209	–161,209
Equity	1,367,326	0
Non-controlling interests	38,257	0
Owners of the parent	1,329,069	0
Total equity and liabilities	**10,462,608**	**–1,336,869**

IFRS 9 establishes new rules for the classification and measurement of financial instruments. IFRS 9 provides for three different measurement categories for financial instruments: measurement at amortised cost (AC), measurement at fair value through profit or loss (FVP&L) and measurement at fair value through other comprehensive income (FVOCI). These three categories replace the previously applicable measurement categories of loans and receivables, financial assets at fair value through profit or loss, available-for-sale financial assets, and held-to-maturity investments. Allocation to one of the three measurement categories depends on the contractual cash flow characteristics of the financial asset (SPPI) and the entity's business model.

Under the SPPI criterion, transactions may only be measured at amortised cost if the cash flows are solely payments of principal and interest on the principal amount outstanding. At BTV, lending transactions are allocated to the holding business model in accordance with IFRS 9 and, if the SPPI criterion is met, are therefore measured at amortised cost reduced by any valuation allowances. Loans in foreign currencies are measured at the ECB exchange rate at the balance sheet date.

The old loan portfolio has been assigned to the holding business model. In the event of a breach of defined SPPI criteria, loans in the lending business are measured at fair value through profit or loss. BTV is unable to carry out retrospective benchmarking for its old loans. For this reason, all loans from the old portfolio that could impact on the SPPI have been measured at fair value.

All three business models (hold, hold and sell, and sell) are used for securities from the bank's own holdings. BTV allocates euro-denominated securities that are SPPI-compliant and suitable for measurement at amortised cost to the hold business model. The hold and sell business model includes securities denominated in both euros and foreign currencies that are carried at fair value through other comprehensive income. Securities for which the fair value option is exercised are recognised at fair value through profit or loss.

Interest from securities is accrued and presented in net interest income.

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

IFRS 9 also sets out that derivatives continue to be carried at fair value. This means that the transition from IAS 39 does not give rise to any changes for BTV.

The reconciliation of the measurement categories for financial assets in accordance with IAS 39 with the categories pursuant to IFRS 9 is shown below:

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

Financial liabilities in EUR thousand	IAS 39 Measurement category	IAS 39 Carrying amount 31/12/2017	IFRS 9 Measurement category	IFRS 9 Carrying amount 01/01/2018
Deposits from other banks	Amortised cost	**1,212,086**	Amortised cost (AC)	**1,212,086**
Due to customers	Amortised cost	**6,287,594**	Amortised cost (AC)	**6,287,594**
Other financial liabilities		**1,318,125**		**1,317,467**
	Debt securities in issue – amortised cost	752,968	Amortised cost (AC)	822,655
	Subordinated debt – amortised cost (AC)	36,328		
	Debt securities in issue – fair value option	403,948	Fair value option	494,812
	Subordinated debt – Fair value option	124,881		
Derivatives	At fair value through profit or loss	**18,744**	At fair value through profit or loss (FVP&L)	**18,744**
Trading liabilities	At fair value through profit or loss	**6,091**	At fair value through profit or loss (FVP&L)	**6,091**

The following reconciliations show the effects of IFRS 9 on the allowance for losses on loans and advances and on equity:

Effects on the allowance for losses on loans and advances in EUR thousand	**Allowance for losses on loans and advances as shown on the face of the balance sheet**
Allowance for losses on loans and advances as at 31/12/2017 in accordance with IAS 39	194,474
Change due to reclassification	–6,176
Change due to introduction of the ECL model	–64,271
Level 1	10,856
Level 2	7,517
Reversal of portfolio-based valuation allowance	–82,644
Allowance for losses on loans and advances as at 01/01/2018 in accordance with IFRS 9	**124,027**
Provisions for guarantees and credit facilities as at 31/12/2017 in accordance with IAS 39	40,661
Change due to introduction of the ECL model	2,678
Level 1	186
Level 2	2,492
Provisions for guarantees and credit facilities as at 01/01/2018 in accordance with IFRS 9	**43,339**

Effects on equity in EUR thousand	**Total equity as reported on the face of the balance sheet**
Equity as at 31/12/2017 in accordance with IAS 39	1,367,326
IFRS 9 changes arising from	63,951
Classification and measurement	23,614
Allowance for losses on loans and advances	61,593
Deferred tax effects arising from	–21,256
Classification and measurement	–5,903
Allowance for losses on loans and advances	–15,353
Equity as at 01/01/2018 in accordance with IFRS 9	**1,431,277**

The deferred tax effects reduce retained earnings by EUR 15,869 thousand and accumulated other comprehensive income by EUR 5,387 thousand.

1 Loans and advances to other banks in EUR thousand	**30/09/2018**	**31/12/2017**
Amortised cost	280,711	288,415
Loans and advances to other banks	**280,711**	**288,415**

2 Loans and advances to customers in EUR thousand	**30/09/2018**	**31/12/2017**
Amortised cost	7,517,510	7,336,377
Mandatorily measured at fair value	189,769	n.a.
Loans and advances to customers	**7,707,279**	**7,336,377**

3 Other financial assets in EUR thousand	**30/09/2018**	**31/12/2017**
Debt instruments at amortised cost	950,769	n.a.
Debt instruments at fair value through other comprehensive income (FVOCI)	320,094	n.a.
Mandatorily measured at fair value	22,264	n.a.
Debt instruments fair value option	2,720	n.a.
Equity instruments at fair value through other comprehensive income (FVOCI)	119,148	n.a.
Equity instruments at fair value through profit or loss (FVP&L)	31,585	n.a.
Positive fair values from derivative hedging instruments[1]	43,083	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	**1,489,663**	**1,580,923**

4 Investments in companies accounted for using the equity method in EUR thousand	**30/09/2018**	**31/12/2017**
Banks	641,082	570,961
Non-banks	19,345	18,595
Investments in companies accounted for using the equity method	**660,427**	**589,556**

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

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

5 Allowance for losses on loans and advances 2018 (portfolio presentation) in EUR thousand	**Balance at 31/12/2017**	**Reclassi-fication & remeasure-ment IFRS 9**	**Balance at 01/01/2018**	**Addi-tion**	**Rever-sal**	**Utilisa-tion**	**Currency trans-lation**	**Reclass-ification**	**Balance at 30/09/2018**
Valuation allowances Level 1	n.a.	10,856	10,856	8,289	–9,722	0	0	0	9,423
Valuation allowances Level 2	n.a.	7,517	7,517	10,600	–8,742	0	0	0	9,375
Specific valuation allowance on loans and advances to other banks	0	0	0	0	0	0	0	0	0
Specific valuation allowance on loans and advances to customers	111,830	–6,176	105,654	6,682	–15,551	–15,691	90	3,774	84,958
Portfolio-based valuation allowances in accordance with IAS 39	82,644	–82,644	0	0	0	0	0	0	n.a.
Allowance for losses on loans and advances	**194,474**	**–70,447**	**124,027**	**25,571**	**–34,015**	**–15,691**	**90**	**3,774**	**103,756**
Provisions for guarantees Level 1	n.a.	33,965	33,965	7,008	–109	0	0	0	40,864
Provisions for guarantees Level 2	n.a.	93	93	1	–93	0	0	0	1
Provisions for guarantees Level 3	n.a.	5,437	5,437	8,491	–8,612	0	18	0	5,334
Provisions for unused credit facilities Level 1	n.a.	1,515	1,515	1,913	–1,517	0	0	0	1,911
Provisions for unused credit facilities Level 2	n.a.	977	977	257	–931	0	0	0	303
Provisions for unused credit facilities Level 3	n.a.	1,352	1,352	1,618	0	0	0	0	2,970
Provisions for performance guarantees	40,661	–40,661	0	0	0	0	0	0	n.a.
Provisions for guarantees and credit facilities	**40,661**	**2,678**	**43,339**	**19,288**	**–11,262**	**0**	**18**	**0**	**51,383**
Total allowance for losses on loans and advances	**235,135**	**–67,769**	**167,366**	**44,859**	**–45,277**	**–15,691**	**108**	**3,774**	**155,139**

Allowance for losses on loans and advances 2017 (portfolio presentation) in EUR thousand	**Balance at 31/12/2016**	**Addi-tion**	**Reversal**	**Utilisa-tion**	**Currency trans-lation**	**Reclassi-fication**	**Balance at 30/09/2017**
Specific valuation allowance on loans and advances to other banks	0	0	0	0	0	0	0
Specific valuation allowance on loans and advances to customers	123,292	16,762	–16,202	–19,445	–240	0	104,167
Portfolio-based valuation allowances in accordance with IAS 39	84,598		–1,024				83,574
Allowance for losses on loans and advances	**207,890**	**16,762**	**–17,226**	**–19,445**	**–240**	**0**	**187,741**
Provisions for performance guarantees	33,429	6,741	–1,857	–639	14	–16	37,672
Total allowance for losses on loans and advances	**241,319**	**23,503**	**–19,083**	**–20,084**	**–226**	**–16**	**225,413**

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

In the allowance for losses on loans and advances, the counterparty risk was recorded directly in the relevant balance sheet items in the reporting period. Reclassifications in the specific valuation allowance to loans and advances to customers and the provisions for performance guarantees result from the proportional consolidation of ALPENLÄNDISCHE GARANTIE - GESELLSCHAFT m.b.H.

The Addition (+) and Reversal (–) columns 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	**Valuation allowance 01/01/2018 – 30/09/2018**		
	Level 1	Level 2	Level 3
Transfer from Level 1 to Level 2	–738	738	0
Transfer from Level 1 to Level 3	–13	0	13
Transfer from Level 2 to Level 1	4,078	–4,078	0
Transfer from Level 2 to Level 3	0	–12	12
Transfer from Level 3 to Level 2	0	3,011	–3,011
Total	**3,326**	**–340**	**–2,986**

At BTV, the transfers from one level to another are recognised through profit or loss by means of an addition or reversal in the relevant items and are included in the figures in Note 5 under the Addition (+) and Reversal (–) items.

6 Trading assets in EUR thousand	**30/09/2018**	**31/12/2017**
Funds	19,217	n.a.
Positive fair values of derivative financial transactions	7,732	19,948
Trading assets	**26,949**	**19,948**

7 Other assets in EUR thousand	**30/09/2018**	**31/12/2017**
Positive fair values of derivatives transactions[1]	n.a.	50,390
Other assets	103,236	80,568
Other assets	**103,236**	**130,958**

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

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

8 Deposits from other banks in EUR thousand	30/09/2018	31/12/2017
Banks	1,391,491	1,212,086
Deposits from other banks	**1,391,491**	**1,212,086**

9 Amounts due to customers in EUR thousand	30/09/2018	31/12/2017
Savings deposits	1,258,721	1,265,718
Other deposits	5,332,870	5,021,876
Due to customers	**6,591,591**	**6,287,594**

10 Other financial liabilities in EUR thousand	30/09/2018	31/12/2017
Debt securities issued at amortised cost	848,729	n.a.
Debt securities fair value option	475,956	n.a.
Negative fair values of derivative hedging instruments [1]	15,022	n.a.
Debt securities in issue	n.a.	1,156,916
Subordinated debt	n.a.	161,209
Other financial liabilities	**1,339,707**	**1,318,125**

11 Trading liabilities in EUR thousand	30/09/2018	31/12/2017
Negative fair values of derivative financial transactions	11,636	6,091
Trading liabilities	**11,636**	**6,091**

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

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

12 Provisions in EUR thousand	**30/09/2018**	**31/12/2017**
Provisions for long-term employee benefits	78,457	83,524
Other provisions	56,301	47,672
Provisions	**134,758**	**131,196**

13 Other liabilities in EUR thousand	**30/09/2018**	**31/12/2017**
Negative fair values of derivatives transactions [1]	n.a.	18,744
Other liabilities	133,117	109,152
Other liabilities	**133,117**	**127,896**

14 Regulatory own funds and debt

The Group's consolidated own funds are 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 Supplementary Regulation. Own funds as defined by the CRR are composed of Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) capital and Tier 2 (T2) capital. The relevant capital ratios are determined by setting off the corresponding regulatory capital component from the overall measure of risk after taking all regulatory deductions and transitional provisions into account. The CRR stipulates a minimum CET1 requirement of 4.5%, to be increased by 1.875% through the capital conservation buffer defined in CRD IV (Capital Requirements Directive IV). A Tier 1 capital ratio of at least 7.875% is required, and a total capital ratio of least 9.875% must be reached.

The leverage ratio is expressed as the ratio of Tier 1 capital to the leverage exposure (the sum of unweighted asset items in the balance sheet and off-balance-sheet transactions in accordance with the CRR). BTV implements the provisions for calculation and disclosure of the leverage ratio within the EU when complying with its disclosure obligations.

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

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

Consolidated own funds in accordance with the CRR in EUR million	**30/09/2018**	**31/12/2017***
Common Equity Tier 1 capital (CET1)		
Capital instruments eligible as CET1 capital	225.3	225.3
Own CET1 instruments	–13.5	–12.9
Retained earnings	1,047.8	935.4
Accumulated other comprehensive income	14.6	34.8
Other reserves	128.9	128.9
Transitional adjustments due to grandfathered 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 adjustments in connection with CET1 instruments of financial sector entities where the institution has a significant investment	–511.9	–452.8
Amount exceeding the 17.65% threshold	–-15.1	0.0
Other transitional adjustments to CET1 capital	0.0	50.5
Common Equity Tier 1 capital – CET1	**881.2**	**914.7**
Additional Tier 1 capital		
Transitional adjustments due to grandfathered AT1 capital instruments	14.0	17.5
Other transitional adjustments to AT1 capital	0.0	–-17.5
Additional Tier 1 capital	14.0	0.0
Tier 1 capital: sum of CET1 capital and AT1 capital	**895.2**	**914.7**
Tier 2 capital		
Paid up capital instruments and subordinated loans	185.3	103.9
Direct holdings of T2 instruments	–11.8	–11.8
Transitional adjustments due to grandfathered T2 capital instruments and subordinated loans	9.6	10.0
Other transitional adjustments to T2 capital	0.0	–44.4
Tier 2 capital	**183.2**	**57.7**
Total eligible capital	**1,078.4**	**972.4**
Total risk exposure amount	**7,539.4**	**7,139.5**
Common Equity Tier 1 capital ratio	11.69%	12.81%
Tier 1 capital ratio	11.87%	12.81%
Total capital ratio	14.30%	13.62%

Own funds as at 30 September 2018 increased by EUR 105.9 million compared with the adjusted figure for 31 December 2017. In accordance with Article 26 of the CRR, a review of the interim profit was carried out by the auditor and an application submitted to the Financial Market Authority for crediting of the interim profit, which led to the retained earnings being credited to the own funds. This increased BTV's own funds by EUR 43.3 million after deduction of the expected dividend.

The effect of the first-time application of IFRS 9 as at 1 January 2018 increased the Tier 1 capital by EUR 51.2 million in the items "Retained earnings" and "Accumulated other comprehensive income". The other differences in the items "Tier 1 capital", "Additional Tier 1 capital" and "Tier 2 capital" result from the expiry of many regulatory transitional provisions.

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

An EANS-Adhoc disclosure dated 9 July 2018 reported that the consolidated own funds had been overstated due to a calculation error, starting with the consolidated financial statements as at 31 December 2014 (as the date of initial application of the own funds provisions of Regulation (EU) No. 575/2013 CRR based on the IFRS consolidated financial statements) up until the quarterly financial statements as at 31 March 2018.

The EANS-Adhoc disclosure dated 23 August 2018 published a further error correction:
This misstatement of consolidated own funds amounted to EUR 118.8 million in the consolidated financial statements as at 31 December 2014, to EUR 152.6 million as at 31 December 2017 and to EUR 161.0 million as at 31 March 2018.
Calculated correctly, consolidated own funds amounted to EUR 811.3 million as at 31 December 2014, corresponding to an own funds ratio of 13.04% and a Common Equity Tier 1 (CET1) ratio of 11.21%, to EUR 972.4 million as at 31 December 2017, corresponding to an own funds ratio of 13.62% and a Common Equity Tier 1 (CET1) ratio of 12.81%, and to EUR 1,006.4 million as at 31 March 2018, corresponding to an own funds ratio of 14.05% and a Common Equity Tier 1 (CET1) ratio of 12.41%. At no time did BTV fall below the regulatory own funds or Tier 1 capital requirements and yet it considerably exceeded the applicable regulatory minimum ratios.

Consolidated own funds in accordance with the CRR in EUR million	**31/12/2016**	**Correction**	**31/12/2016 adjusted**
Common Equity Tier 1 capital (CET1)			
Capital instruments eligible as CET1 capital	150.8	0.0	150.8
Own CET1 instruments	–10.0	–0.2	–10.2
Retained earnings	1,008.3	–136.7	871.6
Accumulated other comprehensive income	28.0	0.0	28.0
Other reserves	125.4	0.0	125.4
Transitional adjustments due to grandfathered 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 adjustments in connection with CET1 instruments of financial sector entities where the institution has a significant investment	–408.6	–8.3	–416.9
Other transitional adjustments to CET1 capital	79.1	+2.4	81.4
Common Equity Tier 1 capital – CET1	**975.1**	**–142.8**	**832.3**
Additional Tier 1 capital			
Transitional adjustments due to grandfathered AT1 capital instruments	21.0	0.0	21.0
Other transitional adjustments to AT1 capital	–21.0	0.0	–21.0
Additional Tier 1 capital	0.0	0.0	0.0
Tier 1 capital: Sum of CET1 capital and AT1 capital	**975.1**	**–142.8**	**832.3**
Tier 2 capital			
Paid up capital instruments and subordinated loans	93.8	0.0	93.8
Direct holdings of T2 instruments	–11.8	0.0	–11.8
Transitional adjustments due to grandfathered T2 capital instruments and subordinated loans	10.2	–0.6	9.6
Other transitional adjustments to T2 capital	–79.2	–2.4	–81.6
Tier 2 capital	**13.1**	**–3.0**	**10.1**
Total eligible capital	**988.2**	**–145.8**	**842.4**
Total risk exposure amount	**6,708.8**	**+31.3**	**6,740.1**
CET1 capital ratio	14.54%	–2.19%	12.35%
Tier 1 capital ratio	14.54%	–2.19%	12.35%
Total capital ratio	14.73%	–2.23%	12.50%

Consolidated own funds in accordance with the CRR in EUR million	31/12/2017	Correction	31/12/2017 adjusted
Common Equity Tier 1 capital (CET1)			
Capital instruments eligible as CET1 capital	225.4	–0.1	225.3
Own CET1 instruments	–12.9	0.0	–12.9
Retained earnings	1,091.9	–156.5	935.4
Accumulated other comprehensive income	27.4	+7.4	34.8
Other reserves	129.0	–0.1	128.9
Transitional adjustments due to grandfathered 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 adjustments in connection with CET1 instruments of financial sector entities where the institution has a significant investment	–443.7	–9.1	–452.8
Other transitional adjustments to CET1 capital	50.7	–0.2	50.5
Common Equity Tier 1 capital – CET1	**1,069.8**	**–155.1**	**914.7**
Additional Tier 1 capital			
Transitional adjustments due to grandfathered AT1 capital instruments	17.5	0.0	17.5
Other transitional adjustments to AT1 capital	–17.5	0.0	–17.5
Additional Tier 1 capital	0.0	0.0	0.0
Tier 1 capital: Sum of CET1 capital and AT1 capital	**1,069.8**	**–155.1**	**914.7**
Tier 2 capital			
Paid up capital instruments and subordinated loans	103.9	0.0	103.9
Direct holdings of T2 instruments	–11.8	0.0	–11.8
Transitional adjustments due to grandfathered T2 capital instruments and subordinated loans	6.3	+3.7	10.0
Other transitional adjustments to T2 capital	–43.1	–1.3	–44.4
Tier 2 capital	**55.2**	**+2.5**	**57.7**
Total eligible capital	**1,125.0**	**–152.6**	**972.4**
Total risk exposure amount	**7,108.3**	**+31.2**	**7,139.5**
CET1 capital ratio	15.05%	–2.24%	12.81%
Tier 1 capital ratio	15.05%	–2.24%	12.81%
Total capital ratio	15.83%	–2.21%	13.62%

15 Net interest income in EUR thousand	**01/01–30/09/2018**	**01/01/–30/09/2017**
Interest and similar income from		
Lending and money market transactions with other banks	2,832	5,662
Lending and money market transactions with customers	101,373	97,226
Other financial assets	8,790	13,243
Trading assets	61	n.a.
Income from contract adjustments	16	n.a.
Interest income from liabilities	4,973	759
Subtotal of interest and similar income	**118,045**	**116,890**
Interest and similar expenses for		
Deposits from other banks	–3,501	–3,796
Deposits from customers	–8,190	–10,120
Other financial liabilities	–12,439	–11,513
Interest cost of provisions for long-term employee benefits	–957	–779
Expenses from contract adjustments	–16	n.a.
Interest expense from assets	–540	–767
Subtotal of interest and similar expenses	**–25,643**	**–26,975**
Income from investments in companies accounted for using the equity method	35,448	33,811
Net interest income incl. income from investments in companies accounted for using the equity method	**127,850**	**123,726**

The increase in the item "Interest income from liabilities" results from an amount of EUR 4.34 million due from the Austrian National Bank.

16 Allowance for losses on loans and advances in EUR thousand	**01/01–30/09/2018**	**01/01/–30/09/2017**
Additions to provisions for losses on loans and advances on balance	–25,589	–16,762
Additions to provisions for losses on loans and advances off balance	–19,288	–6,741
Reversals of provisions for losses on loans and advances on balance	34,123	13,526
Reversals of provisions for losses on loans and advances off balance	11,262	1,857
Direct write-downs	–483	–877
Recoveries of loans and advances previously written off	376	409
Allowance for losses on loans and advances	**401**	**–8,588**

The additions to and reversals of provisions for off-balance-sheet credit risks are contained in the figures above.

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

17 Net fee and commission income in EUR thousand	**01/01–30/09/2018**	**01/01/–30/09/2017**
Fee and commission income from the		
Lending business	6,099	6,211
Payment transactions	10,769	10,590
Securities business	21,412	20,080
Foreign exchange, foreign currency and precious metals business	2,399	2,626
Other services business	1,003	1,105
Subtotal of fee and commission income	**41,682**	**40,612**
Fee and commission expense from the		
Lending business	–222	–133
Payment transactions	–879	–854
Securities business	–1,610	–1,464
Foreign exchange, foreign currency and precious metals business	0	0
Other services business	–614	–682
Subtotal of fee and commission expenses	**–3,325**	**–3,133**
Net fee and commission income	**38,357**	**37,479**

18 Net trading income in EUR thousand	**01/01–30/09/2018**	**01/01/–30/09/2017**
Measurement and realisation gain (loss) on derivatives	23	–620
Measurement and realisation gain (loss) on debt securities	–314	367
Measurement and realisation gain (loss) on funds	517	n.a.
Gain (loss) on foreign currency	458	–930
Net trading income	**684**	**–1,183**

19 Net gain (loss) from financial transactions in EUR thousand	**01/01–30/09/2018**	**01/01/–30/09/2017**
Measurement and realisation gain – mandatorily measured at fair value	3,626	n.a.
Measurement and realisation gain – fair value option	556	n.a.
Loss on fair value hedge accounting[1]	–45	n.a.
Net gains (losses) on financial assets – at fair value through profit or loss	n.a.	–1,362
Net gains (losses) on financial assets – available for sale	n.a.	310
Net gain (loss) from financial transactions	**4,137**	**–1,052**

20 Administrative expense in EUR thousand	**01/01–30/09/2018**	**01/01/–30/09/2017**
Staff costs	–73,251	–73,687
Non-staff costs	–43,473	–39,614
Depreciation, amortisation and write-downs	–21,094	–21,342
Administrative expenses	**–137,818**	**–134,643**

[1] As part of the first-time application of IFRS 9 and the adjustment of the balance sheet structure, the income from hedge accounting was reclassified from other operating income to Net gain (loss) from financial transactions.

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

20a Annual average number of employees, weighted by person years	30/09/2018	30/09/2017
Salaried employees	961	943
Hourly paid workers	531	506
Total number of employees	**1,492**	**1,449**

The total number of employees was reduced by the number of employees posted to subsidiaries outside of the IFRS basis of consolidation.

21 Other operating income in EUR thousand	01/01–30/09/2018	01/01/–30/09/2017
Income from other transactions	102,491	96,029
Expenses from other transactions	–26,169	–22,811
Income from hedge accounting[1]	n.a.	22
Other operating income	**76,322**	**73,240**

22 Performance guarantees and credit risks in EUR thousand	30/09/2018	30/09/2017
Guarantees/indemnities	305,075	306,807
Credit risks	1,662,445	1,495,766
Performance guarantees and credit risks	**1,967,520**	**1,802,573**

23 Earnings per share (ordinary and preferred shares)	30/09/2018	30/09/2017
Number of shares (ordinary and preferred shares)	30,937,500	30,937,500
Average number of shares outstanding (ordinary and preferred shares)	30,861,868	29,463,450
Consolidated net profit for the period in EUR thousand	85,855	66,487
Profit per share in EUR	**2.78**	**2.26**
Diluted profit per share in EUR (ordinary and preferred shares)	2.78	2.26

There were no financial instruments in circulation in the reporting period that diluted the ordinary or preferred shares. This means that there are no differences between the figures for profit per share and diluted profit per share.

[1] As part of the first-time application of IFRS 9 and the adjustment of the balance sheet structure, the income from hedge accounting was reclassified from other operating income to Net gain (loss) from financial transactions.

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

24 Fair value hierarchy of financial instruments measured at fair value

The financial instruments carried 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 measurement and is divided as follows:

Quoted prices in an active market (Level 1):

This level of the hierarchy includes listed equity securities on major exchanges, quoted corporate debt instruments and government bonds. The fair value of financial instruments that are quoted in active markets is determined using quoted prices and those prices represent actual and regularly occurring market transactions on an arm's length basis.

An active market must meet all of the following criteria:

- the items traded in the market are homogeneous,
- willing buyers and sellers can normally be found at any time and
- prices are available to the public.

A financial instrument is considered to be traded in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques that use observable inputs (Level 2):

This level of the hierarchy includes OTC derivatives contracts, loans and the debt securities issued by the Group that are designated under the fair value option.

Valuation techniques that use significant unobservable inputs (Level 3):

Instruments classified in this category have inputs based on unobservable market data.

Assigning certain financial instruments to the levels of the hierarchy requires systematic assessment, especially if measurement is based on both observable and unobservable inputs. The classification of an instrument can also change over time because of changes in the market inputs.

For securities and other investments measured at fair value, the following valuation techniques are applied:

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

Level 2
Securities that are not quoted in an active market are measured using the discounted cash flow method. This means that the expected future cash flows are discounted using suitable discount factors to determine the fair value. The discount factors contain both the credit risk-free yield curve and credit spreads based on the issuer's credit rating and ranking. The yield curve for discounting contains custody account, money-market futures and swap rates observable in the market. The calculation of the credit spreads follows a three-step process:

1) If the issuer has a bond with the same ranking and the same remaining term which is actively traded in the market, this credit spread is used.
2) If there is no comparable bond actively traded in the market, a credit default swap spread (CDS spread) with a similar term is applied.
3) If there is neither a comparable bond traded in the market nor an actively traded CDS, the credit spread from a comparable issuer is applied (Level 3). The BTV Group does not apply this approach at the present time.

Level 3
The fair values of the Level 3 financial assets referred to above were determined using generally accepted valuation techniques. Significant inputs are the discount rate as well as long-term measures of profitability and capitalisation, taking the experience of the management as well as knowledge of the market conditions in the specific industry into account.

The issues are assigned to Level 2; the following valuation techniques are used for the measurement:

Level 2
Debt securities are not actively traded on the capital market. This level is more for retail issues and private placements. A discounted cash flow model is used for the measurement. This is based on a yield curve which in turn is based on money market interest rates and swap interest rates, as well as BTV's credit spreads.

Derivatives are also assigned to Level 2. The following valuation techniques are used:

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

At BTV, derivatives with a symmetrical payment profile contain interest rate derivatives (interest rate swaps and interest rate forwards) and foreign currency derivatives (FX swaps, cross-currency swaps and FX outright transactions). These derivatives are calculated using the discounted cash flow method, which is based on money market interest rates, money market futures interest rates, swap interest rates and basis spreads that are continuously observable on the market.

At BTV, derivatives with an asymmetrical payment profile contain interest rate derivatives (caps and floors). Here, fair value is calculated using the Black-76 options pricing model. All inputs are either completely observable on the market directly (money market rates, money market futures interest rates as well as swap interest rates) or derived from input factors that are observable on the market (cap/floor volatilities implicitly derived from option prices).

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

Level 3
The loans to be recognised at fair value are measured using a discounted cash flow method in which the future expected cash flows will be discounted over the term of the instrument taking the credit risk into account. 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 give rise to a measurement gain/loss. The sum of the cash flows discounted in this way gives the fair value.

The following tables show the measurement methods used to determine the fair value of the financial instruments carried at fair value.

Fair value hierarchy of financial instruments measured at fair value as at 30/09/2018 in EUR thousand	Prices quoted in an active market Level 1	Measurement method based on market data Level 2	Measurement method not based on market data Level 3
Financial assets at fair value			
Loans and advances to other banks, mandatorily measured at fair value	0	0	0
Loans and advances to customers, mandatorily measured at fair value	0	0	189,769
Debt instruments at fair value through other comprehensive income (FVOCI)	278,693	41,401	0
Debt instruments, mandatorily measured at fair value	22,264	0	0
Debt instruments (fair value option)	2,719	0	0
Equity instruments at fair value through other comprehensive income (FVOCI)	51,970	0	67,178
Equity instruments at fair value through profit or loss (FVP&L)	31,585	0	0
Positive fair values of derivative hedging instruments	0	43,083	0
Trading assets – funds	19,217	0	0
Trading assets – positive fair values of derivative financial instruments	0	7,732	0
Total financial assets designated at fair value	**406,449**	**92,215**	**256,947**
Financial liabilities at fair value			
Debt securities (fair value option)	0	475,956	0
Negative fair values of derivative hedging instruments	0	15,022	0
Trading liabilities – negative fair values of derivative financial instruments	0	11,636	0
Total financial liabilities designated at fair value	**0**	**502,614**	**0**

Fair value hierarchy of financial instruments measured at fair value as at 31/12/2017 in EUR thousand	Prices quoted in an active market Level 1	Measurement method based on market data Level 2	Measurement method not based on market data Level 3
Financial assets at fair value			
Financial instruments held for trading	0	0	0
Positive fair values of derivative financial instruments	0	70,338	0
Financial assets designated at fair value	25,020	10,665	0
Financial assets available for sale	1,397,131	55,427	65,834
Total financial assets designated at fair value	**1,422,151**	**136,430**	**65,834**
Financial liabilities at fair value			
Negative fair values of derivative financial instruments	0	24,835	0
Financial liabilities designated at fair value	0	528,830	0
Total financial liabilities designated at fair value	**0**	**553,665**	**0**

Level 3 transactions of financial instruments at fair value in EUR thousand	31/12/2017	Reclassification & remeasurement IFRS 9	01/01/2018	Gain (loss) recognised in P&L
Loans and advances to other banks, mandatorily measured at fair value	n.a.	0	0	0
Loans and advances to customers, mandatorily measured at fair value	n.a.	218,092	218,092	4,782
Debt instruments at fair value through other comprehensive income (FVOCI)	n.a.	0	0	0
Debt instruments, mandatorily measured at fair value	n.a.	0	0	0
Debt instruments (fair value option)	n.a.	0	0	0
Equity instruments at fair value through other comprehensive income (FVOCI)	n.a.	66,058	66,058	0
Equity instruments at fair value through profit or loss (FVP&L)	n.a.	0	0	0
Positive fair values of derivative hedging instruments	n.a.	0	0	0
Trading assets – funds	n.a.	0	0	0
Trading assets – positive fair values of derivative financial instruments	0	0	0	0
Financial assets available for sale	65,834	–65,834	0	n.a.
Total financial assets designated at fair value	**65,834**	**218,316**	**284,150**	**4,782**

Transfers between Level 1, Level 2 and Level 3

There were no transfers between the individual levels of the fair value hierarchy in the 2018 reporting year.

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

Gain (loss) recognised in OCI	Purchases	Sales, repay-ments	Transfer to Level 3	Transfer out of Level 3	Currency translation	30/09/2018
0	0	0	0	0	0	0
0	19,537	–52,642	0	0	0	189,769
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
1,120	0	0	0	0	0	67,178
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
1,120	**19,537**	**–52,642**	**0**	**0**	**0**	**256,947**

25 Fair value of financial instruments not measured at fair value

In the following table, the fair value of each balance sheet item is compared with the carrying amount. The fair value is the price that could be achieved in an active market from the sale of a financial instrument or that would have to be paid for a corresponding purchase. The carrying amount was relevant for items without a contractual maturity. If no market price exists, recognised measurement models, mainly analysis of discounted cash flows and option pricing models, were used. From 2018, the figures each include the allowance for losses on loans and advances due to the first-time application of IFRS 9.

Assets in EUR thousand	**Fair value 30/09/2018**	**Carrying amount 30/09/2018**	**Fair value 31/12/2017**	**Carrying amount 31/12/2017**
Cash reserve	628,936	628,936	320,708	320,708
Loans and advances to other banks, measured at amortised cost	280,710	280,577	288,685	288,415
Loans and advances to customers, measured at amortised cost	7,467,271	7,414,119	7,670,777	7,336,377
Other financial assets, measured at amortised cost	955,567	950,536	n.a.	n.a.
Financial assets – held to maturity	n.a.	n.a.	0	0

Equity and liabilities in EUR thousand	**Fair value 30/09/2018**	**Carrying amount 30/09/2018**	**Fair value 31/12/2017**	**Carrying amount 31/12/2017**
Deposits from other banks	1,386,490	1,391,491	1,187,916	1,212,086
Due to customers	6,571,018	6,591,591	6,298,377	6,287,594
Other financial liabilities, measured at amortised cost	852,937	848,729	n.a.	n.a.
Debt securities in issue	n.a.	n.a.	755,487	752,967
Subordinated debt	n.a.	n.a.	36,324	36,328

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

26 Hedge accounting

Hedged items	Carrying amount of the hedged item		Cumulative adjustment of the carrying amount for hedged items in fair value hedges including carrying amount of the hedged item		Change in value for the calculation of ineffectiveness for 2018
	Assets	Liabilities	Assets	Liabilities	
Fair value hedges					
Interest rate risk					
Loans and advances to customers	104,433		4,956		–18
Due to customers		125,903		14,848	–13
Other financial liabilities		155,149		17,244	–14

Hedges	Nominal value	Carrying amount		Changes in fair value for the calculation of ineffectiveness for 2018
		Assets	Liabilities	
Fair value hedges				
Interest rate risk				
Other financial assets	267,300	7,093	0	–27
Other financial liabilities	114,230	0	–1,172	–18

Ineffectiveness	Ineffectiveness recognised in P&L	Ineffectiveness recognised in OCI	Items in P&L and OCI in which hedge ineffectiveness is presented
Fair value hedges			
Interest rate risk			
Loans and advances to customers	–18	0	Net gain (loss) from financial transactions
Due to customers	–13	0	Net gain (loss) from financial transactions
Other financial liabilities	–14	0	Net gain (loss) from financial transactions

Positive fair values from hedges are carried in the derivatives item under other financial assets, while negative fair values from hedges are carried in the derivatives item under other financial liabilities.

27 Segment reporting

The BTV Group follows the disclosure and measurement guidance in IFRS 8 for its segment reporting. The segment information is based on the management approach. This requires segment information to be presented on the basis of the internal reporting as it is regularly used by the company's chief operating decision-makers to make decisions about the allocation of resources to the segments and to assess performance. The qualitative and quantitative thresholds defined in IFRS 8 are met by this segment reporting. The divisions are reported with responsibility for their own results.

Segment reporting is based on profit centre accounting for the Corporate and Retail Banking divisions, on the overall bank report for the Institutional Clients and Banks division, on the reporting package and the monthly report for the BTV Leasing sub-group, and on the respective monthly reports for Silvretta Montafon Holding GmbH and Mayrhofner Bergbahnen AG.

The above-mentioned reports show the management responsibilities within BTV in 2018. These internal reports to the Board of Directors, which only partly satisfy the IFRSs, are supplied monthly and are almost completely automated through upstream systems and interfaces. The effective dates for the data are the reporting dates for the subsidiaries included in the consolidated financial statements. The information in the internal and external accounting systems is therefore based on the same data pool and is agreed in the Finance and Controlling division for the reporting.

Reciprocal checks, continuous agreement and validation checks between the Sales and Strategy Controlling, Risk Controlling, Statutory and Financial Reporting, and Tax and Accounting teams are therefore ensured. The definition of business divisions is primarily based on organisational responsibility for clients. Changes in this responsibility can also lead to changes in the segment allocation during the year. These effects, if insignificant, are not corrected in the comparison with the previous year.

The following divisions have been defined at BTV in 2018:

The Corporate Banking division is responsible for small, medium-sized and large business clients as well as accountants and tax consultants. The Retail Banking division is responsible for the retail clients, freelance professionals and micro-companies market segments. The Institutional Clients and Banks division mainly comprises treasury and trading activities. BTV Leasing covers all of BTV AG's leasing operations. The Cable Cars segment includes Silvretta Montafon Holding GmbH and Mayrhofner Bergbahnen AG, in which all of the two companies' tourism activities are consolidated. These segments' results also include transactions between segments, particularly between the Corporate Banking segment and Leasing as well as Cable Cars. Services are provided at market prices. Besides these five reportable segments, results from cross-BTV service areas such as Finance and Controlling, Legal and Corporate Investments, Marketing, Communications and Board issues, and Corporate Audit are reported under the "Other Segments/Consolidation/Misc." heading. In addition, it is mainly consolidation effects and 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 reportable segments are described below.

Corporate Banking segment

The largest income item in the Corporate Banking segment in terms of revenue is net operating interest income. In the period to 30 September 2018, interest income totalled EUR 75.8 million. The favourable parameters for corporate clients are reflected in the allowance for losses on loans and advances. Due to reversals, income totalling EUR 3.4 million was presented in the segment profit. Net fee and commission income amounted to EUR 15.0 million, while administrative expenses came to EUR 28.9 million. A net gain from financial transactions was reported in the amount of EUR 4.8 million. Overall, this segment generated a profit for the period before tax of EUR 70.1 million. Segment loans and advances increased to EUR 5,919 million on the back of strong new business. Segment liabilities rose to EUR 2,863 million.

Retail Banking segment

In the Retail Banking segment, net interest income amounted to EUR 27.4 million. The second pillar of earnings in this segment is commission income, which came to EUR 24.0 million in the reporting period. Due to reversals, the allowance for losses on loans and advances was positive at EUR 0.1 million. The typically high use of resources invested in staff and premises in the Retail Banking segment was reflected in administrative expenses of EUR 43.9 million. Other operating income remained stable, coming in at EUR 0.6 million. Overall, this segment generated a profit for the period before tax of EUR 8.3 million.

Institutional Clients and Banks segment

Net interest income for the Institutional Clients and Banks segment amounted to EUR 5.5 million for the year to date. The net loss from financial transactions including net trading income was substantially reduced. Administrative expenses amounted to EUR 3.0 million. Overall, profit for the period before tax was EUR 1.7 million.

Leasing segment

BTV Leasing turned in a stable performance in the reporting period. The segment presented a customer present value volume of EUR 986 million. The growth in present values in particular lifted net interest income to EUR 14.3 million. Commission income amounted to EUR 0.4 million, while administrative expenses came to EUR 4.3 million. Overall, BTV Leasing's profit for the period before tax was EUR 12.7 million.

Cable Cars segment

The Cable Cars segment is comprised of Mayrhofner Bergbahnen AG and Silvretta Montafon Holding GmbH. The two companies' business is dominated by tourism, which means their earnings are subject to significant seasonal fluctuations. Net interest income as at 30 September 2018 amounted to EUR –1.1 million. Other operating income, which primarily includes revenue, came to EUR 83.7 million. This income was also an important source of revenue for Silvretta Montafon Holding GmbH, with its 509 employees on average in the reporting year, and for Mayrhofner Bergbahnen AG, which employed an average of 174 employees during the reporting period. Administrative expenses for the two companies amounted to EUR 57.8 million. Overall, the segment generated a profit for the period before tax of EUR 24.8 million.

Change in management

Since 2018, BTV has made a distinction between profit centres and service centres; while services and income can be assigned directly to the profit centres, the service centres perform the services for the profit centres. The total cost approach has thus been implemented. In the segment report, the introduction of profit centre accounting therefore has the greatest impact on administrative expenses. This item is calculated as the sum of direct staff costs, non-staff costs and cost of premises plus the related overheads. There are other effects on net interest income which are mainly attributable to the effect of changed management incentives on gross income. The new calculation logic was applied for the first time as of 31 March 2018, possibly resulting in greater deviations than in the previous year. To enhance comparability, the segment report is presented below using both the old and the new calculation logic.

Segment reporting (NEW calculation logic) in EUR thousand	**Year**	**Corporate Banking**	**Retail Banking**	**Institutional Clients and Banks**	**Leasing**	**Cable Cars**	**Reportable Segments**	**Other Segments/ Consolidation/ Misc.**	**Consolidated Balance Sheet P&L**
Net interest income, incl. income from investments in companies accounted for using the equity method	09/2018	75,767	27,390	5,464	14,305	–1,101	121,825	6,025	127,850
Allowance for losses on loans and advances	09/2018	3,350	141	–368	233	0	3,357	–2,956	401
Net fee and commission income	09/2018	15,014	24,048	0	357	0	39,419	–1,062	38,357
Administrative expenses	09/2018	–28,851	–43,901	–3,000	–4,297	–57,751	–137,800	–18	–137,818
Other operating income	09/2018	0	617	0	2,185	83,698	86,500	–10,178	76,322
Net gain (loss) from financial transactions and net trading income	09/2018	4,782	0	–371	–81	0	4,330	491	4,821
Profit for the period before tax	**09/2018**	**70,063**	**8,295**	**1,725**	**12,702**	**24,846**	**117,631**	**–7,699**	**109,932**
Segment loans and advances	09/2018	5,918,561	1,363,641	2,385,027	985,560	27,841	10,680,630	–478,883	10,201,747
Segment liabilities	09/2018	2,862,876	3,604,046	2,195,886	938,053	90,226	9,691,087	–383,320	9,307,767

Segment reporting (OLD calculation logic) in EUR thousand	**Year**	**Corporate Banking**	**Retail Banking**	**Institutional Clients and Banks**	**Leasing**	**Cable Cars**	**Reportable Segments**	**Other Segments/ Consolidation/ Misc.**	**Consolidated Balance Sheet P&L**
Net interest income, incl. income from investments in companies accounted for using the equity method	09/2018	77,764	31,628	5,464	14,305	–1,101	128,060	–210	127,850
	09/2017	72,651	30,298	9,533	13,748	–1,031	125,199	–1,472	123,727
Allowance for losses on loans and advances	09/2018	3,350	141	–368	233	0	3,357	–2,956	401
	09/2017	–4,897	1,015	–762	–771	0	–5,415	–3,173	–8,588
Net fee and commission income	09/2018	15,014	24,048	0	357	0	39,419	–1,062	38,357
	09/2017	14,726	24,071	0	589	0	39,386	–1,907	37,479
Administrative expenses	09/2018	–21,566	–37,593	–1,683	–4,297	–57,751	–122,890	–14,928	–137,818
	09/2017	–22,075	–37,303	–1,697	–4,377	–55,603	–121,055	–13,587	–134,643
Other operating income	09/2018	0	617	0	2,185	83,698	86,500	–10,178	76,322
	09/2017	0	471	0	2,211	78,360	81,042	–7,803	73,240
Net gain (loss) from financial transactions and net trading income	09/2018	4,782	0	–371	–81	0	4,330	491	4,821
	09/2017	0	0	–2,394	91	0	–2,303	68	–2,235
Profit for the period before tax	**09/2018**	**79,345**	**18,841**	**3,042**	**12,702**	**24,846**	**138,776**	**–28,844**	**109,932**
	09/2017	**60,405**	**18,552**	**4,680**	**11,491**	**21,726**	**116,853**	**–27,874**	**88,978**
Segment loans and advances	09/2018	5,918,561	1,363,641	2,385,027	985,560	27,841	10,680,630	–478,883	10,201,747
	09/2017	5,436,083	1,331,603	2,211,998	934,333	26,344	9,940,361	–250,804	9,689,557
Segment liabilities	09/2018	2,862,876	3,604,046	2,195,886	938,053	90,226	9,691,087	–383,320	9,307,767
	09/2017	2,347,871	3,409,008	2,516,062	871,166	91,993	9,236,100	–408,635	8,827,465

Segment report: explanatory notes

Net interest income is allocated using the market interest rate method. Sales bonuses, among other items, are included in the Corporate Banking and Retail Banking segments for management reasons. Income from investments in companies accounted for using the equity method is assigned to "Other segments/Consolidation/Misc." Net fee and commission income is calculated based on the allocation by the internal divisional accounting (among other things, all manual entries are assigned to the commissions). Costs are allocated to the segments in which they were incurred and the expenses of BTV Leasing GmbH, Silvretta Montafon Holding GmbH and Mayrhofner Bergbahnen are directly attributable in accordance with the management reports. Costs that are not directly attributable are presented under "Other segments/Consolidation/Misc.". Other operating income includes the revenue of Silvretta Montafon Holding GmbH and Mayrhofner Bergbahnen AG. In addition to the consolidation effects, principally the stability levy and income or expenses from leasing operations are reported under "Other Segments/Consolidation/Misc."

Changes in this organisational responsibility for clients may lead to changes in the segment allocation. These effects were not corrected in the year-on-year comparison. Due to the effects of MiFID II, the prior-year figures were adjusted in net fee and commission income through shifts in the segments.

Segment loans and advances include the items loans and advances to central banks (included in the segment report for the first time; the prior-year figure was adjusted accordingly), loans and advances to banks, loans and advances to customers, other financial assets from the measurement categories of "at amortised cost", "at fair value through other comprehensive income", "at fair value through profit or loss" and "fair value option", as well as guarantees and indemnities. The allowance for losses on loans and advances is included in the "Other segments/Consolidation/Misc." column because the internal management considers the loans and advances as a net figure unlike in the balance sheet. This column also includes consolidation entries. The items deposits from other banks, amounts due to customers and other financial liabilities from the measurement categories of "amortised cost" and "fair value option" are assigned to segment liabilities. The "Other Segments/Consolidation/Misc." column also includes consolidation entries.

The profit/loss of the business areas is based on the net profit before tax reported for the segment in question.

Responsibility statement in accordance with section 125 of the Austrian Stock Exchange Act of 2018

To the best of our knowledge, and in accordance with the applicable reporting principles, the condensed consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the management report gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Group with regard to significant events that occurred during the first nine months of the financial year and their impact on the condensed consolidated interim financial statements, and with regard to the principal opportunities and risks associated with the Group's expected development.

The interim report has neither been audited nor reviewed by an auditor.

Innsbruck, November 2018

The Board of Directors

Michael Perger
Member of the Board

Member of the Board with responsibility for the Retail Banking division as well as for 3 Banks insurance brokers, Corporate Audit, Compliance and Anti-money Laundering.

Gerhard Burtscher
Chairman of the Board of Directors

Chairman of the Board of Directors with responsibility for the Corporate Banking, Institutional Clients and Banks, and Leasing divisions, as well as for Human Resources Management, Marketing, Corporate Audit, Compliance and Anti-money Laundering.

Mario Pabst
Member of the Board

Member of the Board with responsibility for back office, Credit Management, Finance and Controlling, Legal and Corporate Investments, Service Centre, Effectiveness and Efficiency, Real Estate and Procurement, Tax, Corporate Audit, Compliance and Anti-money Laundering.

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Notes
Any personal expressions (e.g. he/she, him/her) used in this interim report apply equally to women and men. Due to rounding differences, BTV's interim report may include figures that differ slightly in the tables and charts. The forward-looking statements relating to BTV's future performance reflect estimates made on the basis of all information available to us at the present time. 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 currently expected.

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Editorial concept
Description and presentation of the company and information about the main products and services of Bank für Tirol und Vorarlberg Aktiengesellschaft.

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