BANK FÜR TIROL UND VORARLBERG AKTIENGESELLSCHAFT
SHAREHOLDERS' REPORT: INTERIM REPORT
AS AT 31 MARCH 2019

Interim Report

BTV VIER LÄNDER BANK

3 Banken Gruppe

Contents

Important dates for BTV shareholders

Annual General Meeting	16 May 2019, 10:00 am, Stadtforum 1, Innsbruck, Austria The dividend will be published on the BTV website and in the gazette of the Wiener Zeitung the day after the Annual General Meeting.
Ex-dividend date	22 May 2019
Dividend payment date	24 May 2019
Interim Report as at 31 March 2019	Published on 24 May 2019 (www.btv.at)
Half-Year Financial Report as at 30 June 2019	Published on 30 August 2019 (www.btv.at)
Interim Report as at 30 September 2019	Published on 22 November 2019 (www.btv.at)

Profit and loss in EUR million	31 March 2019	31 March 2018	% change
Net interest income	35.3	30.9	+14.5%
Risk provisions in the credit business	1.5	0.3	>+100%
Net commission income	12.5	13.6	–8.0%
Income from companies valued at equity	12.3	11.6	+5.4%
Operating expenses	–47.1	–43.6	+8.0%
Other operating profit	31.2	28.9	+7.9%
Pre-tax profit for the period	51.3	40.9	+25.6%
Group profit for the period	41.6	32.7	+27.2%

Balance sheet figures in EUR million	31 March 2019	31 December 2018	% change
Total assets	11,800	11,630	+1.5%
Loans to customers after risk provisions	7,797	7,754	+0.6%
Primary funds	8,160	8,162	–0.0%
of which savings deposits	1,281	1,260	+1.6%
of which own issues	1,409	1,357	+3.9%
Equity	1,681	1,639	+2.6%
Managed deposits	14,607	14,195	+2.9%

Regulatory (CRR) equity in EUR million	31 March 2019	31 December 2018	% change
Total amount at risk	7,656	7,728	–0.9%
Equity	1,205	1,222	–1.4%
of which common equity (CET1)	1,003	1,015	–1.2%
of which total core capital (CET1 and AT1)	1,014	1,029	–1.5%
Common equity Tier 1 ratio	13.1%	13.1%	–0.0 pp
Core capital ratio	13.2%	13.3%	–0.1 pp
Equity ratio	15.7%	15.8%	–0.1 pp

Key indicators in pp	31 March 2019	31 March 2018	Change in percentage points
Return on equity before tax (RoE)	12.5%	11.7%	+0.8 pp
Return on equity after tax	10.2%	9.4%	+0.8 pp
Cost/income ratio	50.6%	51.4%	–0.8 pp
Risk/earnings ratio*	–4.3%	–0.8%	–3.5 pp

Number of resources	31 March 2019	31 March 2018	Change figure
Weighted average number of employees	1,488	1,474	+14
Number of branches	36	36	+0

Key indicators for BTV shares	31 March 2019	31 March 2018
Number of ordinary no par value shares	31,531,250	28,437,500
Number of preference shares	2,500,000	2,500,000
Highest price of ordinary/preference share in EUR	25.00/23.00	25.40/22.80
Lowest price of ordinary/preference share in EUR	23.80/21.80	23.00/19.40
Closing price of ordinary/preference share in EUR	24.80/22.80	25.40/22.80
Market capitalisation in EUR million	839	779
IFRS earnings per share in EUR	4.35	3.61
P/E ratio, ordinary share	5.7	7.0
P/E ratio, preference share	5.2	6.3

*31 March 2018, adjusted due to reclassification of total profit item "Result from companies valued at equity"

Economic environment

Economic development in the eurozone turned out to be weaker than expected in the first quarter. This was primarily due to the industrial sector, where the recovery is taking longer than initially anticipated. The lower global trading activity in general as well as the problems in the automotive sector in particular have caused a slowdown. The latter is especially painful, since Germany has until now acted as the driver of European economic output. Industrial production in the eurozone declined compared to the previous year, and the purchasing managers' indices for the industry do not indicate a recovery anytime soon either. The willingess of companies to invest likewise fell. It remains to be seen whether this can be stimulated by the loose monetary policy of the ECB. The labour market in the eurozone continued to develop positively; progress is clearly visible with an unemployment rate of 7.8%. Consumer trust suggests that domestic demand in the eurozone will likely remain high and support economic growth.

The US economy also felt the global economic slowdown in the first quarter of 2019. The declining global trade curbed the growth of the industrial sector and reduced company investments. The government shutdown as well as the cold weather in February, to a lesser extent, likewise resulted in weaker private consumption. Compared to the eurozone, however, the US economy held up well, and the economic data also showed highly stable development among the major industrial regions. Leading indicators such as the purchasing managers' indices or consumer trust continued to paint a positive picture for economic development. The fully utilised labour market (unemployment rate: 3.8%) also provided tailwind.

The Chinese economy grew more strongly than analysts predicted, at +6.4% in the first quarter compared to last year. Expansive monetary and fiscal policies therefore proved to be successful. Retail sales benefited from the tax reliefs, while the infrastructure measures primarily supported industrial production. The loose monetary policy boosted investment activity, whereby the state and state companies invested more, while private companies continued to suffer under the strict regulations. There is still a need for action in this regard in order to ensure a sustainable and healthy economic recovery.

Interest rates

The weaker global economic outlook has led the major central banks the US Federal Reserve and the ECB to rethink their monetary policy. A more expansionary monetary policy than previously expected is now to lend support to ailing economic growth. In the case of the ECB, the central bank decided to postpone expectations for a first interest rate hike. This step is not anticipated until 2020, rather than the autumn of 2019. To further support the European economy, a third series of targeted long-term refinancing operations (TLTRO III) was announced, each with a maturity of two years, which is to be performed from September 2019 until March 2021. Above all, this will be able to cover the refinancing requirements of the European periphery. The US Federal Reserve also surprised the markets with its most recent monetary policy decisions. The key interest rate will remain unchanged in the first quarter at 2.5% and the market participants' expectation of further interest rate hikes in the coming quarters was diminished. In addition, the Fed published its revised plan for quantitative tightening, the withdrawal programme for excess liquidity in the financial market. The Fed has been reducing its cental bank balance sheet since October 2017 by no longer reinvesting freed capital from bond repayments or coupon payments. The balance sheet reduction, currently amounting to USD 30 billion per month by means of government bond sales, is already to be lowered to USD 15 billion per month in May and ended entirely in September. The more expansionary approach by the major central banks also created waves on the bond market. The US government bond yields declined for all maturities, with the yields of longer maturities being disproportionately affected. The US yield curve thus inverted between six and ten years towards the end of the quarter. In the eurozone, government bond yields likewise fell sharply. The yields of the 10-year German bund entered negative territory for the first time since October 2016. The risk premiums of the European periphery also benefited from the ECB's loose monetary policy.

In the first quarter of 2019, the long-term euro interest rates declined significantly by 34 basis points to 0.47% (10-year euro swap). Money market interest rates (3-month Euribor) remained unchanged at –0.31%.

Currency markets

While the EUR/USD exchange rate at the start of the year was still above 1.14, the euro weakened over the course of the quarter to USD 1.12. Despite the surprising monetary U-turn by the Fed, the US dollar appreciated against the euro in the first quarter. Primarily the weaker economic growth in the eurozone compared to the USA as well as uncertainty regarding Brexit did not allow the euro to appreciate. Moreover, the Fed was joined by the ECB in announcing more caution with respect to more restrictive monetary policy. However, the US dollar not only demonstrated strength against the euro, but also against other currencies of major trading partners, such as the yen or Swiss franc. The economic stability of the USA in a weakening economic environment was decisive here. Trade conflict also had a supporting effect, creating uncertainty and greater demand for the "safe haven" of the US dollar.

The euro remained relatively stable in the first quarter against the yen and the franc, only suffering minimal losses in value. These currencies were therefore less in demand as "safe havens" compared to the US dollar. One reason why the yen was less in demand as a crisis currency can be found in economic output. Similarly to the eurozone, the Japanese economy demonstrated a significantly weaker performance in the first quarter, with the industrial sector and investments being hit hardest. The strength of the US dollar against the Swiss franc is due to global trading activity: although the Swiss economy is likewise on a secure footing, its pronounced dependency on exports makes it more susceptible to weaker global development than the USA.

Equity markets

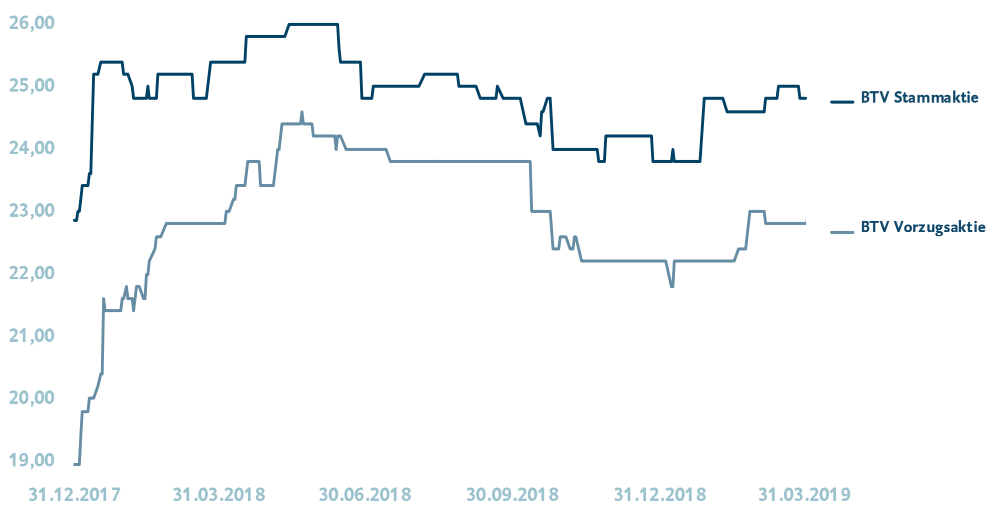
The global equity markets made a strong start to 2019. After fears of interest rate hikes and a recession led to significant corrections in the fourth quarter of 2018, a change in direction arrived with the new year. Interest rate fears vanished with the U-turn announced by the major central banks the Fed and the ECB. The overblown concerns of a recession were priced out and replaced by hopes for a quick upturn. Progress in the US-Chinese trade dispute also provided support, as did the economic stimulation of China's monetary and fiscal policies. The US stock exchanges developed pleasingly, as the US economy proved itself to be highly stable and the back-pedalling by the Fed gave a further boost to the markets. This was particularly noticeable in the IT sector, but small caps also demonstrated strength. The Chinese market benefited especially from the positive developments in the trade dispute, after having been punished severely in the previous quarter. The improved Chinese economic data also had a supporting effect.

The best performance by far in the first quarter was shown by the Chinese equity market with a plus of 23.9% (Shanghai Composite). The US equity market likewise performed very well: the S&P 500 rose by 13.1% and the IT-heavy NASDAQ Composite by 16.5%. The broad European equity market was able to make gains of 12.3% (STOXX EUROPE 600) despite weak economic development and Brexit uncertainty. Here, the Italian FTSE MIB stands out in particular with a quarterly performance of 16.2%; Italy is considered one of the biggest beneficiaries of the ECB's expansionary monetary policy. The development of the German DAX was also positive with gains of 9.2%. The Japanese Nikkei 225 grew by 6.0%, making it among the weaker indices; this was due partly to the economic slowdown and trade concerns. Among the emerging markets, the Asia region excluding Japan performed best with 11.4% (MSCI Asia ex Japan), as it benefited primarily from the economic recovery in China. The MSCI Eastern Europe also performed positively with 8.4%, profiting from the higher oil price.

BTV shares

BTV's ordinary shares rose 4.2% to EUR 24.80 in the first quarter of 2019. Preference shares gained +2.7% and closed the quarter at EUR 22.80.

Performance of BTV shares since 2018 in EUR



Balance sheet performance

Loans and advances to customers – one of the most important balance sheet items in the business model of BTV – were able to expand by EUR +41 million or +0.5% to EUR 7,892 million compared to the end of 2018.

The inventory of risk provisions decreased moderately in the first three months of 2019 and amounted to EUR 94 million at the end of the quarter.

Other financial assets including shares in companies valued at equity as well as trading assets rose by EUR +41 million to EUR 2,204 million.

Cash reserves likewise rose, increasing from EUR 867 million to EUR 1,006 million.

Liabilities to credit institutions increased by EUR +88 million to EUR 1,604 million.

Compared to the result from the end of 2018 (EUR 8,162 million), the development of primary funds remained at a similar level. As of 31 March 2019, BTV reported a value of EUR 8,160 million. In relation to the refinancing of customer lending and its growth, this resulted in a loan/deposit ratio of 95.6%.

Customer funds under management, the sum of deposit volumes and primary funds, increased by EUR +412 million to EUR 14,607 million in the reporting period. A key driver was the positive development on the equity markets, which led to an increase in the security price and hence in the deposit volume.

Equity was able to increase by EUR +42 million or +2.6% to EUR 1,681 million compared to 31 December 2018.

Total assets increased as a result of these developments in the first quarter by EUR +170 million to EUR 11,800 million.

The banking group's qualifying net equity under CRR (Basel III) totalled EUR 1,205 million as at 31 March 2019, thereby falling by EUR –17 million or –1.4% since the end of 2018. The banking group's common equity (CET1) under CRR amounted to EUR 1,003 million at the end of the first quarter of 2019, and core capital totalled EUR 1,014 million.

The total risk value fell by EUR –72 million to EUR 7,656 million. This resulted in a common equity ratio of 13.1% as at 31 March 2019 (31 March 2018: 12.4%), a core capital ratio of 13.2% (31 March 2018: 12.6%) and a total capital ratio of 15.7% (31 March 2018: 14.1%).

Profit trend

Interest earnings after risk provisions

Interest income after risk provisions increased year-on-year by EUR +5.7 million to EUR 36.8 million. Interest surplus thereby rose by EUR +4.5 million to EUR 35.3 million. Overall in the first three months, risk provisions were liquidated, leading to revenue in the amount of EUR 1.5 million (EUR +1.2 million compared to the end of the previous quarter in 2018).

Net commission income

The development of net commission income was primarily determined by that of the securities business. Compared to the previous year, there was a decline of EUR –1.1 million to EUR 6.0 million. The other categories in the commission result remained approximately at the level of the previous year. The surplus in payment transactions amounted to EUR 3.4 million, while the surplus from foreign currency, cash and precious metal trading was EUR 0.9 million. In the credit business, earnings of EUR 1.8 million could be achieved, and EUR 0.4 million was achieved in other services business. Overall, a year-on-year decline of EUR –1.1 million to EUR 12.5 million was generated in the commission income in the first three months of 2019.

Trading income

At EUR 1.7 million, trading income on 31 March 2019 was up EUR +1.9 million on the previous year.

Income from financial transactions

After interest income, income from financial transactions is the item that has demonstrated the greatest increase compared to the first quarter of 2018. The result of EUR 3.9 million equates to an improvement of EUR +4.5 million.

Operating expenses

Operating expenses were up from EUR 43.6 million to 47.1 million year-on-year. The increase of EUR +3.5 million is spread almost evenly among the three major expense categories. Personnel expenses rose by EUR +1.0 million to EUR 24.7 million, material expenses rose by EUR +1.3 million to EUR 14.4 million and write-downs by EUR +1.2 million to EUR 7.9 million.

Other operating profit

Other operating profit has so far shown a clearly positive development and exceeded the previous year by EUR +2.3 million or +7.9% at EUR 31.2 million.

Pre-tax profit for the period

All in all, the positive development in the interest business and the earnings from the financial transactions led to an increase in the profit for the period of EUR +10.5 million to EUR 51.3 million.

Tax position

In addition to current Austrian corporation tax, the amounts shown under the item "Taxes on income and profit" relate primarily to the accrued and deferred taxes required under IFRS. As at 31 March 2019, the tax liability compared to the previous year rose by EUR +1.5 million to EUR 9.7 million, due to the increased profit for the period. The effective tax rate was thus 18.9%.

Group profit for the period including key indicators

In the course of the year so far, the after-tax profit for the period increased by EUR +8.9 million or +27.2% to EUR 41.6 million. The cost/income ratio improved compared to the previous year from 51.4% to 50.6%. The return on equity before taxes increased to 12.5% from 11.7% in the previous year. The righ/earnings ratio was –4.3% as a result of the development of risk provisions.

Outlook

On the whole, BTV believes that the economic environment will remain stable in its market region, even if growth has slowed somewhat. In the corporate client business, the focus in terms of growth will continue to be on the expansion markets of Germany, Vienna and Switzerland. The strategic principle of fully refinancing customer loans by means of primary funds will be maintained in future.
An investment strategy in a low interest rate environment will continue to focus on investments in securities.

No substantial changes have occurred in the forecast results for the 2019 financial year since the publication of the 2018 Annual Report. Overall, net interest income and the services business are expected to remain moderately above the previous year's result. Other operating profits should also be stronger than in 2018. In terms of operating expenses, we expect a moderate increase compared to the previous year. Primarily due to the higher budgeted risk provisions in the credit business, we still anticipate annual net income to lie below the previous year's result; the expected range continues to be EUR 100-112 million.

Abridged consolidated financial statements

Balance sheet as at 31 March 2019

Assets in EUR thousand	**31 March 2019**	**31 December 2018**	**Change absolute**	**Change in %**
Cash reserve [1] [Reference to Notes]	1,006,040	867,497	+138,543	+16.0%
Loans to credit institutions [2]	305,936	365,402	–59,466	–16.3%
Loans to customers [3]	7,891,703	7,850,903	+40,800	+0.5%
Other financial assets [4]	1,484,277	1,457,700	+26,577	+1.8%
Shares in companies valued at equity [5]	683,107	674,452	+8,655	+1.3%
Risk provisions [6]	–94,263	–97,377	+3,114	–3.2%
Trading assets [7]	36,858	30,739	+6,119	+19.9%
Intangible fixed assets [8]	1,469	1,105	+364	+32.9%
Property, plant and equipment [8a]	351,018	323,266	+27,752	+8.6%
Properties held as financial investments [8b]	54,829	55,013	–184	–0.3%
Current tax assets [9]	230	231	–1	–0.4%
Deferred tax assets [9]	2,794	3,722	–928	–24.9%
Other assets [10]	76,194	97,452	–21,258	–21.8%
Total assets	**11,800,192**	**11,630,105**	**+170,087**	**+1.5%**

Liabilities in EUR thousand	**31 March 2019**	**31 December 2018**	**Change absolute**	**Change in %**
Liabilities to credit institutions [11]	1,604,486	1,516,620	+87,866	+5.8%
Liabilities to customers [12]	6,750,592	6,805,812	–55,220	–0.8%
Other financial liabilities [13]	1,458,867	1,372,321	+86,546	+5.9%
Trading liabilities [14]	7,844	8,267	–423	–5.1%
Reserves and provisions [15]	130,739	133,412	–2,673	–2.0%
Current tax debts [16]	13,265	8,637	+4,628	+53.6%
Deferred tax owed [16]	5,058	3,574	+1,484	+41.5%
Other liabilities [17]	148,453	142,480	+5,973	+4.2%
Equity [18]	1,680,888	1,638,982	+41,906	+2.6%
Non-controlling interests [18]	46,389	41,183	+5,206	+12.6%
Owners of the parent company [18]	1,634,499	1,597,799	+36,700	+2.3%
Total liabilities	**11,800,192**	**11,630,105**	**+170,087**	**+1.5%**

Comprehensive income statement as at 31 March 2019

Comprehensive income statement in EUR thousand	01 January – 31 March 2019	01 January – 31 March 2018	Change absolute	Change in %
Interest and similar income from application of effective interest method	37,510	34,973	+2,537	+7.3%
Other interest and similar income	11,558	4,609	+6,949	>+100%
Interest and similar expenses	–13,747	–8,729	–5,018	+57.5%
Net interest income [19]	**35,321**	**30,853**	**+4,468**	**+14.5%**
Risk provisions in credit business [20]	1,520	255	+1,265	>+100%
Commission revenue	13,671	14,784	–1,113	–7.5%
Commission expenses	–1,198	–1,224	+26	–2.1%
Net commission income [21]	**12,473**	**13,560**	**–1,087**	**–8.0%**
Result from companies valued at equity [22]	12,264	11,631	+633	+5.4%
Trading result [23]	1,726	–217	+1,943	>–100%
Income from financial transactions [24]	3,868	–596	+4,464	>–100%
Operating expenses [25]	–47,058	–43,553	–3,505	+8.0%
Other operating revenue	35,847	34,920	+927	+2.7%
Other operating expenses	–4,612	–5,972	+1,360	–22.8%
Other operating profit [26]	**31,235**	**28,948**	**+2,287**	**+7.9%**
Pre-tax profit for the period	**51,349**	**40,881**	**+10,468**	**+25.6%**
Taxes on earnings and revenue [27]	–9,729	–8,162	–1,567	+19.2%
Group profit for the period	**41,620**	**32,719**	**+8,901**	**+27.2%**
Non-controlling interests	5,206	5,268	–62	–1.2%
Owners of the parent company	36,414	27,451	+8,963	+32.7%

Other income in EUR thousand	01 January – 31 March 2019	01 January – 31 March 2018
Group profit for the period	**41,620**	**32,719**
Revaluations from performance-oriented pension plans	0	35
Changes in companies valued at equity recognised directly in equity	–2,072	–1,041
Changes in equity instruments recognised directly in equity	2,907	2,051
Losses from sale of equity instruments reclassified under profit reserves	0	0
Fair-value adjustment of own creditworthiness risk of financial liabilities	–133	126
Profits/losses with regard to deferred taxes, applied directly against total profit	–882	–701
Total of items which subsequently cannot be reclassified under profit or loss	**–180**	**470**
Changes in companies valued at equity recognised directly in equity	–310	987
Changes in debt securities recognised directly in equity	1,936	–969
Unrealised profits/losses from adjustments in currency conversion	–66	730
Profits/losses with regard to deferred taxes, applied directly against total profit	0	0
Total of items which subsequently can be reclassified under profit or loss	**1,560**	**748**
Total other operating result	**1,380**	**1,218**
Comprehensive income for the period	**43,000**	**33,937**
Non-controlling interests	5,206	5,268
Owners of the parent company	37,794	28,669

Key indicators	31 March 2019	31 March 2018
Diluted and undiluted earnings per share in EUR [28]	1.07	0.89

Statement of changes in equity in EUR thousand	Subscribed capital	Capital reserves	Retained earnings	OCI non-recyclable	OCI recyclable	Total owners of parent company	Non-controlling interests	Total equity
Equity as at 01 January 2018	**61,875**	**174,006**	**1,141,521**	**–9,763**	**25,380**	**1,393,020**	**38,257**	**1,431,277**
Capital increases	0	0	0	0	0	0	0	0
Comprehensive income for the period								
Group profit for the period	0	0	27,451	0	0	27,451	5,268	32,719
Other income without companies valued at equity	0	0	0	1,511	–239	1,272	0	1,272
Other income from companies valued at equity	0	0	0	–1,041	987	–54	0	–54
Distributions	0	0	0	0	0	0	0	0
Own shares	0	–657	0	0	0	–657	0	–657
Other changes recognised directly in equity	0	0	102	0	0	102	0	102
Equity as at 31 March 2018	**61,875**	**173,349**	**1,169,074**	**–9,293**	**26,128**	**1,421,134**	**43,525**	**1,464,659**

Statement of changes in equity in EUR thousand	Subscribed capital	Capital reserves	Retained profit	OCI non-recyclable	OCI recyclable	Total owners of parent company	Non-controlling interests	Total equity
Equity as at 31 December 2018	**68,063**	**242,030**	**1,267,961**	**–8,000**	**27,746**	**1,597,799**	**41,183**	**1,638,982**
Reclassifications within equity	0	0	1,189	–856	–333	0	0	0
Equity as at 01 January 2019	**68,063**	**242,030**	**1,269,150**	**–8,856**	**27,413**	**1,597,799**	**41,183**	**1,638,982**
Capital increases	0	0	0	0	0	0	0	0
Comprehensive income for the period								
Group profit for the period	0	0	36,414	0	0	36,414	5,206	41,620
Other income without companies valued at equity	0	0	–13	1,892	1,870	3,749	0	3,749
Other income from companies valued at equity	0	0	–970	–2,072	–310	–3,352	0	–3,352
Distributions	0	0	0	0	0	0	0	0
Own shares	0	–109	0	0	0	–109	0	–109
Other changes recognised directly in equity	0	–2	0	0	0	–2	0	–2
Equity as at 31 March 2019	**68,063**	**241,919**	**1,304,581**	**–9,036**	**28,973**	**1,634,499**	**46,389**	**1,680,888**

Cash flow statement as at 31 March 2019

Cash flow statement in EUR thousand	**01 January – 31 March 2019**	**01 January – 31 March 2019**
Cash position at end of previous period	**867,497**	**320,708**
Profit for the period after taxes without non-controlling interests	41,620	32,719
Non-cash items and other adjustments contained in the profit for the period	–6,734	–4,161
Changes to assets and liabilities from operating activities after correction for non-cash components	137,813	245,796
Cash flow from operating activities	**172,699**	**274,354**
Cash inflow from sales	66	27
Cash outflow through investments	–35,843	–13,432
Investment cash flow	**–35,777**	**–13,405**
Capital increases	0	0
Dividend payments	0	0
Subordinated liabilities and other financing activities	1,621	203
Cashflow from financing activity	**1,621**	**203**
Cash position at end of period	**1,006,040**	**581,860**

This consolidated interim financial statement of the Bank für Tirol und Vorarlberg AG (BTV AG) as at 31 March 2019 has been drawn up according to IFRS regulations and the interpretations by the International Financial Reporting Interpretations Committee (IFRIC) as these are to be applied in the European Union, and has been prepared in compliance with the provisions of IAS 34 (preparation of interim reports).

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

The accounting and valuation methods applied uniformly across the Group comply with the standards for European balance sheets, such that the informative value of these Group interim financial statements equates to those pursuant to the provisions of the Austrian Commercial Code (UGB), in conjunction with the provisions of the Austrian Banking Act (BWG). In contrast to the audited BTV consolidated financial statement for 2018, the consolidated interim financial statement was prepared as at 31 March 2019 in accordance with the accounting principles persuant to the new IFRS 16 standard "Leases". The impact of the first-time application of IFRS 16 is described in detail on pages 23 to 24.

All accounting and valuation principles not covered by the standard IFRS 16 remain unchanged.

Principles of consolidation and scope of consolidation

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

The scope of full consolidation has not changed compared with 31 December 2018.

In addition to BTV AG, the full scope of consolidation includes the following holdings:

Fully consolidated companies	Share in %	Voting rights in %
BTV Leasing Gesellschaft m.b.H., Innsbruck	100.00%	100.00%
BTV Real-Leasing Gesellschaft m.b.H., Vienna	100.00%	100.00%
BTV Real-Leasing I Gesellschaft m.b.H., Innsbruck	100.00%	100.00%
BTV Real-Leasing II Gesellschaft m.b.H., Innsbruck	100.00%	100.00%
BTV Real-Leasing III Nachfolge GmbH & Co KG, Innsbruck	100.00%	100.00%
BTV Real-Leasing IV Gesellschaft m.b.H., Innsbruck	100.00%	100.00%
BTV Real-Leasing V Gesellschaft m.b.H., Innsbruck	100.00%	100.00%
BTV Anlageleasing 1 GmbH, Innsbruck	100.00%	100.00%
BTV Anlageleasing 2 GmbH, Innsbruck	100.00%	100.00%
BTV Anlageleasing 3 Gesellschaft m.b.H, Innsbruck	100.00%	100.00%
BTV Anlageleasing 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	100.00%	100.00%
Silvretta Montafon Bergbahnen GmbH, Schruns	100.00%	100.00%
Silvretta Montafon Gastronomie GmbH, Schruns	100.00%	100.00%
Silvretta Montafon Skischule Schruns GmbH, Schruns	100.00%	100.00%
Silvretta Montafon Sporthotel GmbH, Schruns	100.00%	100.00%
Silvretta Montafon Sporthotel GmbH & Co. KG, Gaschurn	100.00%	100.00%
Sporthotel Schruns GmbH, Schruns	100.00%	100.00%
Silvretta Montafon Sportshops GmbH, Schruns	100.00%	100.00%
Skischule Silvretta Montafon St. Gallenkirch GmbH, St. Gallenkirch	50.00%	50.00%
Silvretta Montafon Ferienimmobilien GmbH, Schruns	100.00%	100.00%
Silvretta Montafon Bergerlebnisse GmbH, Schruns	100.00%	100.00%
BTV Beteiligungsholding GmbH, Innsbruck	100.00%	100.00%
BTV 2000 Beteiligungsverwaltungsgesellschaft m.b.H., Innsbruck	100.00%	100.00%
Mayrhofner Bergbahnen Aktiengesellschaft, Mayrhofen	50.52%	50.52%
Beteiligungsholding 5000 GmbH, Innsbruck	100.00%	100.00%

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

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

The financial statements of the consolidated companies are adjusted for the effects of significant business events or incidents between the reporting date for associated companies and the consolidated reporting balance sheet date.

BTV AG holds 100% of shares in Silvretta Montafon Holding GmbH as at 31 December 2019. There are only indirect minority interests, which are the result of the holding in Skischule Silvretta Montafon St. Gallenkirch GmbH.
BTV Beteiligungsholding GmbH holds 100% of the shares in BTV 2000 Beteiligungsverwaltungsgesellschaft m.b.H.

BTV 2000 Beteiligungsverwaltungsgesellschaft m.b.H. holds 50.52% in Mayrhofner Bergbahnen Aktiengesellschaft.
There are direct minority interests which result from the holding in Mayrhofner Bergbahnen Aktiengesellschaft.

The consolidated earnings for the period allocated to minority interests amounts to EUR 5.206 million.

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

The following holdings were included using the equity method:

Companies consolidated at equity	**Share in %**	**Voting rights in %**
BKS Bank AG, Klagenfurt	18.89%	19.45%
Oberbank AG, Linz	16.15%	16.98%
Drei Banken Versicherungsagentur GmbH in liqu., Linz	20.00%	20.00%
Moser Holding Aktiengesellschaft, Innsbruck	24.99%	24.99%

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

The holdings in Oberbank AG and BKS Bank AG have been included in the consolidated financial statement for the following reasons, despite the fact that they are below the 20% holding threshold:

For the holding in Oberbank AG, there is a syndication contract between BTV, BKS Bank AG and Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H. For the holding in BKS Bank AG, there is a syndication contract between BTV, Oberbank AG and Generali 3 Banken Holding AG. The purpose of each of these syndication contracts is to maintain the independence of the bank.

In this way, for both of the cited companies, there is the possibility of exercising a significant influence.

The associated companies are considered for the period of 01 October 2018 until 31 December 2018 in order to permit the prompt preparation of interim financial statements. Loans and liabilities, expenses and income internal to the Group are eliminated except where they are insignificant. An interim net profit elimination has been waived, since material interim net profit figures were not available.

Alpenländische Garantie-Gesellschaft m.b.H. is classed as a joint operation. The company has a concession under Section 1 (1), line 8, of the Austrian Banking Act (BWG). Its exclusive corporate object is the granting of guarantees, sureties and other liabilities for lending businesses of the Drei Banken Group. The Drei Banken Group is primarily the only source for payment flows that contribute to the continued activities of the arrangement. It is therefore classed as a joint operation in accordance with IFRS 11.B29-32. The proportional assets and liabilities of the company are considered on the reporting date of 31 March 2019.

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

Accounting and valuation principles

In contrast to the audited BTV consolidated financial statement for 2018, the consolidated interim financial statement was prepared as at 31 March 2019 in accordance with the accounting principles persuant to the new IFRS 16 standard "Leases".

Spot transactions in financial assets were recorded or closed out on the settlement day. BTV's consolidated interim financial statements are drawn up in euros (€), as the functional currency of the Group. Unless otherwise indicated, all amounts are indicated in EUR thousand. Rounding differences are possible in the following tables.

Structured entities

Structured entities are companies that have been designed in such a way that voting or similar rights are not the dominating factor when assessing control. For example, this is the case if voting rights only relate to administrative tasks and the rights for managing the essential activities are controlled on the basis of contractual principles. In BTV Group, primarily project and leasing companies with limited areas of activity, as well as public investment funds, third-party financial companies and securitisation companies, are regarded as structured entities, provided that the business connection to these entities does not constitute ordinary business activity. In the reporting period, there were no material contractual or non-contractual relationships with structured companies. BTV is regarded as the sponsor of a structured entity if market operators associate the entity with the Group, especially through use of the name BTV in the firm or on business documents in companies for which BTV Group acts as broker. BTV did not maintain any material business connections in the reporting period and in this sense did not act as a sponsor.

Financial instruments pursuant to IFRS 9

Financial instruments pursuant to IFRS 9 are measured upon allocation at fair value, plus transaction costs where applicable.

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

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

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

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

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

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

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

The "Hold and sell" business model is principally allocated to securities which primarily serve as additional liquidity reserves.

The "Sell" business model is principally allocated to all financial assets which cannot be allocated to either of the other two business models. This includes in particular securities inscribed in the Austrian Commercial Code/Austrian Banking Code accounts books and investment funds inscribed in the Commercial Code/Banking Code banking book.

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

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

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

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

In the event of significant retroactive amendments of contractual cashflows, this shall lead to derecognition of the original financial instrument in the balance sheet and a new recognition in the balance sheet of a "new" modified financial instrument. In the event of insignificant retroactive amendments which do not lead to a derecognition of the financial instrument, the gross book value of the financial asset shall be recalculated and a change in profit or loss recorded with effect for the result. In the absence of clear regulations in IFRS 9 regarding demarcation between significant and insignificant amendments, a company-specific demarcation shall be applied (see here also "Significant discretionary decisions", p. 26).

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

- "Hold" business model
- Cashflow criterion fulfilled

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

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

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

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

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

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

Derivatives which are not used as hedging instruments shall be classified for the subsequent valuation as valued at fair value through profit or loss according to IFRS 9.

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

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

Hedge accounting

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

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

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

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

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

The result from fair value hedge accounting is presented through profit or loss under the item "Income from financial transactions".

Recording of depreciations pursuant to IFRS 9

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

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

Generally, during first application all financial assets are allocated to Level 1, where depreciations are measured to the amount of the expected 12-month credit loss.

If the credit risk increases significantly after the initial recording of financial assets, then a transfer shall be performed from Level 1 to Level 2. Depreciation corresponds to the value that may arise from possible defaulting during the remaining lifetime of the financial asset (total lifetime credit loss).

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

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

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

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

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

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

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

For financial assets with deterministic cashflows, the expected exposure at default results from contractually owed future payments. For financial assets with non-deterministic cashflows, such as loan commitments and guarantees, for example, the expected exposure at default results on the one hand from the amount withdrawn on the accounting date, and on the other from additional amounts, the future withdrawal of which can be expected in case of default, by means of applying credit conversion factors.
In general, in the context of depreciation pursuant to IFRS 9, BTV differentiates its customers on the basis of their segment, whereby a total of four segments are used: (i) corporate customers, (ii) retail customers, (iii) states and (iv) banks. The segment allocation of a customer influences the predicted probability of default and the loss given default since different empirical models, approaches and parameters are used in the calculations based on the allocation. The loss given default for the non-securitised part of a loan and the predicted probability of default are based on segment-specific empirical evaluations or statistical models.

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

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

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

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

for significant cases – that is, those where the liability of the individual customer is greater than EUR 500 thousand – the individual value adjustment or provision is calculated using the DCF (discounted cashflow) method in which the future discounted cashflows are contrasted with the current extra-time guarantees and possible liability. The allocation of cashflows differs from case to case, but in principle follows the internally set logic which differentiates both in the going concern and gone concern approach between the three scenarios "best case", "realistic case" and "worst case". The amount and time of a cashflow is therefore recorded differently depending on the approach and scenario.

For insignificant cases – that is, those where the liability of the individual customer is less than EUR 500 thousand – calculation of depreciation is performed according to blanket criteria. This means that, depending on the respective level of creditworthiness, a flat-rate percentage of blank volumes (liability less collateral values) – which is based on historical experiential values of the affected default portfolio – in depreciation is calculated. Excluded from the blanket value adjustment are insignificant restructuring items for which the expected loss is determined individually, taking into account expected cashflows.

Depreciation is performed analogously to Level 2 to the amount of the total lifetime credit loss. While in Level 2 interest and depreciation are recorded separately and interest revenue is calculated on the basis of the gross book value, interest revenue in Level 3 is calculated on the basis of amortised costs and therefore on the basis of the gross book value after deduction of the risk provision.

If in the past there has been a significant increase in the credit risk compared to the initial application, such that a financial asset was transferred to Level 2 or 3, but the previously determined significant increase in credit risk no longer exists at the time of the current accounting date, then the financial asset shall be transferred back to Level 1.

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

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

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

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

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

Currency conversion

Assets and liabilities denominated in foreign currencies as well as non-transacted foreign currency cash transactions are converted at the ECB reference rate on the balance sheet date. Forward currency transactions are converted at current forward rates valid for their maturity. The conversion of the annual financial statements of the Swiss branches is performed according to the functional conversion method. Conversion differences of the previous years' results are taken to equity. Alongside financial instruments in the functional currency, there are primarily financial instruments in Swiss francs and US dollars.

Cash reserves

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

Risk provisions

The particular risks of the banking business are recognised by

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

Shares in companies valued at equity

This item records the holdings in those associated companies which are included according to the equity method. On each balance sheet date, BTV Group assesses whether there exists objective evidence that the holding in associated companies could be depreciated, for example if the book values of the net asset exceed the market capitalisations on a value basis. If there exists objective evidence, then the book value shall be reviewed for depreciation in that its achievable amount, which corresponds to the higher of the two amounts from use value and fair value less sale costs, is compared with the book value.

Trading assets

Financial assets held for trading purposes are reported under trading assets (see Note 7). These financial instruments serve to achieve a profit from exchange rate and price differences or fluctuations in interest within a short-term or medium-term resale. All trading assets, that is, positive market values from derivative financial instruments and funds, are valued at fair value through profit and loss.

Intangible fixed assets

This item includes rental leases, industrial property rights and other rights. The valuation is done at acquisition costs, reduced by regular depreciation. The scheduled depreciation applied is straight line based on the estimated useful life. The expected useful life and the depreciation method are checked at the end of each financial year and all changes in estimates are prospectively considered. As a rule, the amortisation of intangible assets is performed via a useful life of between two and 20 years or 40 years for long-term lease rights and other licences. In the event of a depreciation under IAS 36, extraordinary amortisations are performed. If the reason for an earlier extraordinary amortisation has lapsed, an allocation will be made to the amortised acquisition or production cost, except in the case of goodwill.

Property, plant and equipment

The valuation of the fixed assets is performed at acquisition or manufacturing cost, reduced by planned and, where necessary, extraordinary amortisations. Planned depreciation is applied using the straight line method. The depreciation period is 40 to 50 years for buildings; for fixtures and fittings it is three to 10 years.

Derecognition of the fully depreciated fixed assets takes place upon decommissioning. In the event of derecognition of assets, the procurement or manufacturing costs, as well as the accumulated write-offs, are offset. Earnings on asset disposals (sale proceeds less carrying amount) are recorded under other operating income or other operating expenses. Assets are capitalised at acquisition or manufacturing costs. Acquisition and production incidental costs and expansion investment are capitalised; however, maintenance expenses are recognised in the period in which they have arisen. Borrowing costs that can be directly apportioned to the acquisition or production of a qualified asset are included in the acquisition or production cost.

Properties held as financial investments

Land and buildings as well as fittings in rented properties, which BTV Group holds as long-term holdings for rental income and capital growth are shown at the procurement and manufacturing cost, minus planned straight line depreciation over their expected useful life. For buildings, the useful life is 50 years; for fittings in rented property, the useful life is determined according to the duration of rental. The corresponding rental contracts are shown in the profit and loss item "Other operating profit".

Leasing

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

BTV Group applied IFRS 16 "Leases" for the first time from 01 January 2019. The Group changed its accounting methods for the accounting of leasing relationships on the basis of the first-time mandatory application of IFRS 16.

IAS 17 was replaced with the introduction of IFRS 16. For lessors, IFRS 16 essentially continues the previous regulations of IAS 17, though it brings significant changes for the lessee. As before, the lessor shall categorise a lease relationship as an operating lease relationship or a financing leasing. The lessee shall record a right of use, which represents their right to use the underlying asset, and a corresponding leasing obligation in the balance sheet.

The decision was made to apply the simplified transition method, hence the comparison figures of the previous period will not be adjusted. Furthermore, all rights of use are allocated in accordance with the amount of the leasing obligation at the time of transition, and the initial direct costs are not taken into account when evaluating the right of use. In addition, BTV made use of the option to record leasing relationships with a maximum term of 12 months and leasing relationships regarding assets of minimal value as expenditure and therefore not in the balance sheet.

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

For leasing relationships where BTV is the lessee and which were previously classified under IAS 17 as operating leasing relationships, rights or use and leasing liabilities for outstanding leasing payments in the amount of EUR 28,998 thousand were reported in the balance sheet as at 01 January 2019. This led to an insignificant increase in the balance sheet total of less than 1% and an insignificant reduction of the equity ratio.

In the period between 01 January 2019 and 31 March 2019, rights of use were also capitalised in the amount of EUR 1 thousand as well as leasing liabilities in the amount of EUR 1 thousand. This approach is due to the new conclusion of leasing contracts or the adjustment of leasing payments according to an index.

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

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

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

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

Current assets

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

Reserves and provisions

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

Other provisions are created as required by IAS 37, if the company has existing legal or factual liabilities, which result from historical transactions or events, for which it is likely that to meet the commitment an outflow of economically productive resources is required, and a realistic estimation of the value of the liability is possible. Reserves are subject to annual review and recalculation. This includes uncertainties in estimation which may lead to adjustments in the following year.

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

Tax claims and tax debts
Claims and liabilities relating to income tax are presented in the items "Tax claims" or "Tax debts".

For the calculation of deferred taxes, the balance sheet-related temporary concept is applied, which compares the valuations of assets and liabilities with the valuations which apply for taxation of the relevant Group company. Differences between these two valuations lead to temporary differences, for which deferred tax claims or liabilities must be shown in the balance sheet. Current income tax claims and liabilities are set at the tax values which are expected to be settled with the respective tax authorities.

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

Genuine repurchase agreements
Genuine repurchase agreements are agreements whereby financial assets are transferred against the payment of an amount and where it is agreed at the same time that the financial assets must be returned to their owner at a later stage against the payment to the transferor of an amount defined in advance. The financial assets in question continue to remain in the balance sheet of BTV Group. These are valued using the relevant presentation rules for the respective balance sheet item. The liquidity obtained from repurchase agreements is classified as liabilities to credit institutions or liabilities to customers.

Net interest income
The net interest income includes revenue and expenses which represent compensation for the provision of capital. In addition, revenue from other assets, from holdings, and from trading assets are also documented under this item. Expenditure from other financial liabilities, trade liabilities, and interest expenditure for long-term human resources provisions are also posted under this item.
In addition, negative interest rates are shown as a separate item. The negative interest costs are shown as interest earnings on liabilities, and the negative interest income as interest costs on assets.

Interest income and expenses are delimited and recorded on an accrual basis. Income from investments is recorded when the legal claim to payment arises.

Risk provisions in the credit business
The heading "Loan loss provision" includes increases to impairments and reserves or income from the cancellation of impairments and reserves as well as direct write-offs and later receipts of already written-down liabilities in connection with credit transactions.

Net commission income
The commission income is the balance of the revenues and expenses from services provisions. Above all, these include income and expenses for services arising from payment handling, securities transactions, credit transactions as well as from foreign exchange, foreign cash and precious metals business, and other services.

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

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

Income from financial transactions

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

Operating expenses

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

The staff costs include wages and salaries, variable salary elements, legally required and voluntary social costs, staff-related taxes and levies as well as expenses (including changes to reserves) for redundancies, pensions, anniversary payments and death benefits.

Under material costs are, alongside IT costs, the office building costs and the costs for running the office, the costs for advertising and marketing and legal and consultancy costs and other administrative costs.

Other operating profit

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

Taxes on earnings and profit

Current and deferred taxes on income are recorded under this item. These include the individual Group companies on the basis of calculated taxable results from current income taxes, income tax corrections for prior years and changes to the tax provisions.

Discretionary decisions, assumptions and estimates

In drawing up the BTV consolidated interim financial statements, values are determined on the basis of discretionary decisions, as well as through the use of assumptions and estimates. The associated uncertainties may lead in future reporting periods to additional income or expenses or make it necessary to adjust the book value in the balance sheet. The management estimates and assumptions used are based on historical experience and other factors such as planning and likely expectations and predictions of future events, based on current assessments, and this is with the objective of providing meaningful information on the asset, financial and earnings situation of the company.

Significant discretionary decisions

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

Retroactive amendments of contractual cashflows pursuant to IFRS 9

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

Uncertain estimates

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

Fair value of financial instruments

If the fair value of financial assets and financial liabilities cannot be derived based on data from an active market, it will be determined using different valuation models. The input parameters for these model calculations are derived from observable market data, as far as possible. Valuation models, input parameters, the fair value hierarchy and fair values of financial instruments are explained in more detail in Notes 31, 31a and 31b.

Risk provisions in the lending business

Risk provisions are determined by expectations regarding future loan losses and the composition of the quality of the loan portfolio. It is also necessary for calculating expenses on risk provisions to estimate the amount and timing of future cashflows. Depreciations of financial instruments which cannot yet be identified are established based on expected credit loss (ECL). These depreciations are based on ratings estimates and probabilities of default. Notes on the principles of the applied input factors, assumptions, and estimation procedures for measuring expected credit losses, for determining whether the risk of default of a financial instrument has increased significantly since first application, and for determining whether a financial asset is exposed to impaired creditworthiness are explained in more detail in the Section "Calculating depreciations pursuant to IFRS 9" on page 19.

Long-term staff reserves

Long-term payroll reserves are measured using actuarial methods. The actuarial calculations are based on assumptions about the discounting interest rate, future wage and salary increases, mortality and future pension increases.

Other reserves and provisions

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

Deferred taxes

Deferred tax assets are recognised as tax loss carry-forwards and applicable temporary tax differences. This assumes that in future a taxable result will be available to offset the losses. Judgement calls and estimations are required in order to determine at what level deferred tax assets are to be set, based on future taxable profit and future tax planning.

Useful life of fixed assets

The scheduled depreciation of fixed assets and intangible assets applied is straight-line based on their estimated useful life.

Significant business events during or after the reporting period

The resolutions at the 101st Annual General Meeting of Bank für Tirol und Vorarlberg AG, held on 16 May 2019, are published on the BTV website (www.btv.at) under Menu > Company > Investor Relations > Annual General Meeting.

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

1 Cash reserve in EUR thousand	**31 March 2019**	**31 December 2018**
Cash on hand	23,852	30,485
Credit with central banks	982,188	837,012
Cash reserves	**1,006,040**	**867,497**

2 Loans to credit institutions in EUR thousand	**31 March 2019**	**31 December 2018**
Amortised costs	305,936	365,402
Loans to credit institutions	**305,936**	**365,402**

3 Loans to customers in EUR thousand	**31 March 2019**	**31 December 2018**
Amortised costs	7,699,192	7,650,336
Mandatorily at fair value	192,511	200,567
Loans to customers	**7,891,703**	**7,850,903**

4 Other financial assets in EUR thousand	**31 March 2019**	**31 December 2018**
Debt securities valued at amortised costs	922,082	925,630
Debt securities valued at fair value through other comprehensive income (FVOCI)	329,514	311,301
Debt securities mandatorily valued at fair value	21,540	21,245
Debt securities fair value option	2,611	2,729
Equity instruments valued at fair value through other comprehensive income (FVOCI)	123,267	120,545
Equity instruments valued at fair value through profit and loss (FVTPL)	31,652	30,558
Positive market values from derivative hedging instruments	53,611	45,692
Other financial assets	**1,484,277**	**1,457,700**

5 Shares in companies valued at equity in EUR thousand	**31 March 2019**	**31 December 2018**
Credit institutions	663,112	655,471
Non-credit institutions	19,995	18,981
Shares in companies valued at equity	**683,107**	**674,452**

6 Risk provisions 2019 (presentation of portfolio) in EUR thousand	Position 01 January 2019	Appro-priation	Reversal	Con-sump-tion	Currency conversion	Reclassi-fication	Position 31 March 2019
Value adjustments Level 1	7,746	1,866	–2,773	0	0	0	6,839
Value adjustments Level 2	7,093	893	–1,663	0	0	0	6,323
Individual valuation adjustment to loans to credit institutions	0	0	0	0	0	0	0
Individual valuation adjustment to loans to customers	82,538	4,266	–3,754	–543	15	–1,421	81,101
Risk provisions in the credit business	**97,377**	**7,025**	**–8,190**	**–543**	**15**	**–1,421**	**94,263**
Reserves for guarantees Level 1	40,585	315	–820	0	0	0	40,080
Reserves for guarantees Level 2	105	106	–36	0	0	0	175
Reserves for guarantees Level 3	4,529	895	–1,448	0	8	0	3,984
Reserves of unused credit Level 1	1,665	764	–637	0	0	0	1,792
Reserves of unused credit Level 2	581	243	–136	0	0	0	688
Reserves of unused credit Level 3	2,668	350	–11	0	0	0	3,007
Reserves for guarantees and credit	**50,133**	**2,673**	**–3,088**	**0**	**8**	**0**	**49,726**
Total risk provisions	**147,510**	**9,698**	**–11,278**	**–543**	**23**	**–1,421**	**143,989**

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

The columns "Addition (+)" and "Reversal (–)" contain new business, disposal of financial assets, change in the likelihood of default, the adjustment of contractual cash flows and transfers between the individual levels, which are detailed in Note 6a.

Risk provisions 2018 (presentation of portfolio) in EUR thousand	**Position 01 January 2018**	**Addi-tion**	**Reversal**	**Con-sumption**	**Currency con-version**	**Reclassi-fication**	**Position 31 March 2018**
Value adjustments Level 1	10,856	3,317	–4,230	0	0	0	9,943
Value adjustments Level 2	7,517	1,512	–2,021	0	0	0	7,008
Individual valuation adjustment to loans to credit institutions	0	0	0	0	0	0	0
Individual valuation adjustment to loans to customers	105,655	7,918	–8,205	–623	–34	177	104,887
Risk provisions in the credit business	**124,028**	**12,746**	**–14,455**	**–623**	**–34**	**177**	**121,838**
Reserves for guarantees Level 1	33,965	2,054	–43	0	0	0	35,976
Reserves for guarantees Level 2	93	48	–47	0	0	0	94
Reserves for guarantees Level 3	5,437	64	–2,814	0	–3	0	2,682
Reserves of unused credit Level 1	1,515	1,182	–892	0	0	0	1,806
Reserves of unused credit Level 2	977	48	–655	0	0	0	370
Reserves of unused credit Level 3	1,352	2,880	–374	0	0	0	3,858
Reserves for guarantees and credit	**43,339**	**6,276**	**–4,826**	**0**	**–3**	**0**	**44,786**
Total risk provisions	**167,367**	**19,022**	**–19,281**	**–623**	**–38**	**177**	**166,624**

6a Level transfer in EUR thousand

Value adjustment 1 January 2019 to 31 March 2019	Level 1	Level 2	Level 3	POCI*	Total
Transfer from Level 1 to Level 2	–120	120	0	0	0
Transfer from Level 1 to Level 3	–3	0	3	0	0
Transfer from Level 2 to Level 1	282	–282	0	0	0
Transfer from Level 2 to Level 3	0	–2	2	0	0
Transfer from Level 3 to Level 1	0	0	0	0	0
Transfer from Level 3 to Level 2	0	0	0	0	0
Total	**159**	**–164**	**5**	**0**	**0**

Reserves for guarantees 01 January 2019 – 31 March 2019	Level 1	Level 2	Level 3	POCI*	Total
Transfer from Level 1 to Level 2	–2	2	0	0	0
Transfer from Level 1 to Level 3	0	0	0	0	0
Transfer from Level 2 to Level 1	18	–18	0	0	0
Transfer from Level 2 to Level 3	0	0	0	0	0
Transfer from Level 3 to Level 1	0	0	0	0	0
Transfer from Level 3 to Level 2	0	0	0	0	0
Total	**16**	**–16**	**0**	**0**	**0**

Provisions for credit 01 January 2019 – 31 March 2019	Level 1	Level 2	Level 3	POCI*	Total
Transfer from Level 1 to Level 2	–18	18	0	0	0
Transfer from Level 1 to Level 3	0	0	0	0	0
Transfer from Level 2 to Level 1	26	–26	0	0	0
Transfer from Level 2 to Level 3	0	0	0	0	0
Transfer from Level 3 to Level 1	0	0	0	0	0
Transfer from Level 3 to Level 2	0	0	0	0	0
Total	**8**	**–8**	**0**	**0**	**0**

At BTV, the shown transfers from one level to another are posted to the income statement via addition or reversal in the respective items and are included in the values in Note 6 in the respective items "Addition (+)" and "Reversal (-)".

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

Level transfer in EUR thousand

Value adjustment 01 January 2018 – 31 March 2018	Level 1	Level 2	Level 3	POCI*	Total
Transfer from Level 1 to Level 2	–113	113	0	0	0
Transfer from Level 1 to Level 3	–17	0	17	0	0
Transfer from Level 2 to Level 1	962	–962	0	0	0
Transfer from Level 2 to Level 3	0	–12	12	0	0
Transfer from Level 3 to Level 1	0	0	0	0	0
Transfer from Level 3 to Level 2	0	0	0	0	0
Total	**832**	**–861**	**29**	**0**	**0**

Reserves for guarantees 01 January 2018 – 31 March 2018	Level 1	Level 2	Level 3	POCI*	Total
Transfer from Level 1 to Level 2	–1	1	0	0	0
Transfer from Level 1 to Level 3	–1	0	1	0	0
Transfer from Level 2 to Level 1	29	–29	0	0	0
Transfer from Level 2 to Level 3	0	–1	1	0	0
Transfer from Level 3 to Level 1	0	0	0	0	0
Transfer from Level 3 to Level 2	0	0	0	0	0
Total	**27**	**–29**	**2**	**0**	**0**

Provisions for credit 01 January 2018 – 31 March 2018	Level 1	Level 2	Level 3	POCI*	Total
Transfer from Level 1 to Level 2	–8	8	0	0	0
Transfer from Level 1 to Level 3	0	0	0	0	0
Transfer from Level 2 to Level 1	507	–507	0	0	0
Transfer from Level 2 to Level 3	0	0	0	0	0
Transfer from Level 3 to Level 1	0	0	0	0	0
Transfer from Level 3 to Level 2	0	0	0	0	0
Total	**499**	**–499**	**0**	**0**	**0**

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

7 Trading assets in EUR thousand	**31 March 2019**	**31 December 2018**
Funds	24,451	23,073
Positive market values arising from derivative transactions	12,407	7,666
Trading assets	**36,858**	**30,739**

8 Intangible fixed assets in EUR thousand	**31 March 2019**	**31 December 2018**
Intangible fixed assets	1,469	1,105
Intangible fixed assets	**1,469**	**1,105**

8a Property, plant and equipment in EUR thousand	**31 March 2019**	**31 December 2018**
Land and buildings	210,018	182,457
of which activated rights of use for leased assets pursuant to IFRS 16	27,920	n.a.
Production and business fittings	141,000	140,809
of which activated rights of use for leased assets pursuant to IFRS 16	330	n.a.
Property, plant and equipment	**351,018**	**323,266**

8b Properties held as financial investments in EUR thousand	**31 March 2019**	**31 December 2018**
Properties held as financial investments	54,829	55,013
Properties held as financial investments	**54,829**	**55,013**

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

9 Tax refunds in EUR thousand	**31 March 2019**	**31 December 2018**
Current tax assets	230	231
Deferred tax assets	2,794	3,722
Tax assets	**3,024**	**3,953**

10 Other assets in EUR thousand	**31 March 2019**	**31 December 2018**
Other assets	76,194	97,452
Other assets	**76,194**	**97,452**

11 Liabilities to credit institutions in EUR thousand	**31 March 2019**	**31 December 2018**
Liabilities to credit institutions	1,604,486	1,516,620
Liabilities to credit institutions	**1,604,486**	**1,516,620**

12 Liabilities to customers in EUR thousand	**31 March 2019**	**31 December 2018**
Savings deposits	1,280,776	1,260,041
Other deposits	5,469,816	5,545,771
Liabilities to customers	**6,750,592**	**6,805,812**

13 Other financial liabilities in EUR thousand	**31 March 2019**	**31 December 2018**
Amortised costs	880,830	873,544
Fair value option	528,517	482,981
Negative market values from derivative hedging instruments	21,546	15,796
Liabilities from leasing relationships	27,974	n.a.
Other financial liabilities	**1,458,867**	**1,372,321**

14 Trading liabilities in EUR thousand	**31 March 2019**	**31 December 2018**
Negative market values arising from derivative transactions	7,844	8,267
Trading liabilities	**7,844**	**8,267**

15 Reserves and provisions in EUR thousand	**31 March 2019**	**31 December 2018**
Long-term staff reserves	77,261	77,614
Other reserves and provisions	53,478	55,798
Reserves and provisions	**130,739**	**133,412**

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

15a Other reserves and provisions in EUR thousand	Position 01 January 2019	Addition	Reversal	Consump-tion	Currency conversion	Reclassifi-cation	Position 31 March 2019
Reserves for guarantees Level 1	40,585	315	–820	0	0	0	40,080
Reserves for guarantees Level 2	105	106	–36	0	0	0	175
Reserves for guarantees Level 3	4,529	895	–1,448	0	8	0	3,984
Reserves of unused credit Level 1	1,665	764	–637	0	0	0	1,792
Reserves of unused credit Level 2	581	243	–136	0	0	0	688
Reserves of unused credit Level 3	2,668	350	–11	0	0	0	3,007
Reserves for miscellaneous	5,665	0	0	–1,211	3	–705	3,752
Other reserves and provisions	**55,798**	**2,673**	**–3,088**	**–1,211**	**11**	**–705**	**53,478**

Other reserves in EUR thousand	Position 01 January 2018	Addition	Reversal	Consump-tion	Currency con-version	Reclassifi-cation	Position 31 March 2018
Reserves for guarantees Level 1	33,965	2,054	–43	0	0	0	35,976
Reserves for guarantees Level 2	93	48	–47	0	0	0	94
Reserves for guarantees Level 3	5,437	64	–2,814	0	–3	0	2,682
Reserves of unused credit Level 1	1,515	1,182	–892	0	0	0	1,805
Reserves of unused credit Level 2	977	48	–655	0	0	0	370
Reserves of unused credit Level 3	1,352	2,880	–374	0	0	0	3,858
Reserves for miscellaneous	7,010	0	–2,506	–42	–2	0	4,460
Other reserves and provisions	**50,349**	**6,276**	**–7,332**	**–42**	**–5**	**0**	**49,245**

16 Tax debts in EUR thousand	**31 March 2019**	**31 December 2018**
Current tax debts	13,265	8,637
Deferred tax debts	5,058	3,574
Tax debts	**18,323**	**12,211**

17 Other liabilities in EUR thousand	**31 March 2019**	**31 December 2018**
Other liabilities	148,453	142,480
Other liabilities	**148,453**	**142,480**

18 Equity in EUR thousand	**31 March 2019**	**31 December 2018**
Subscribed capital	68,063	68,063
Reserves	241,919	242,030
Retained profit (including net profit)	1,304,581	1,267,960
Other reserves	19,936	19,746
Owners of the parent company	**1,634,499**	**1,597,799**
Non-controlling interests	46,389	41,183
Equity	**1,680,888**	**1,638,982**

19 Net interest income in EUR thousand	**01 January – 31 March 2019**	**01 January – 31 March 2018**
Interest and similar income from:		
Lending and money market transactions with credit institutions	1,189	1,369
Lending and money market transactions with customers	37,472	35,443
Other financial assets	9,610	2,535
Trading assets	25	22
Liabilities	772	213
Sub-total interest and similar income	**49,068**	**39,582**
Interest and similar expenses on:		
Credit institutions' deposits	–1,298	–1,127
Customer deposits	–3,026	–2,965
Other financial liabilities	–8,776	–4,052
Interest costs, long-term staff reserves	–374	–363
Assets	–273	–222
Sub-total interest and similar expenses	**–13,747**	**–8,729**
Net interest income	**35,321**	**30,853**

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

19a Interest income: Details in EUR thousand	**01 January – 31 March 2019**	**01 January – 31 March 2018**
Interest and similar income:		
Total interest income from application of effective interest method	37,510	34,973
From assets valued at amortised costs	36,465	34,448
From assets valued at fair value through other comprehensive income (recyclable)	273	312
Positive interest expenditure from liabilities valued at amortised costs	772	213
Total other interest income	11,558	4,609
From assets valued at fair value through profit and loss	7,313	4,105
From assets valued at fair value through other comprehensive income (not recyclable)	4,245	504
Sub-total interest and similar income	**49,068**	**39,582**
Interest and similar expenses:		
Total interest expenditure from application of effective interest method	–7,178	–6,169
For liabilities valued at amortised costs	–6,905	–5,947
Negative interest income from assets valued at amortised costs	–273	–222
Total other interest expenditure	–6,569	–2,559
For liabilities valued at fair value through profit and loss	–6,195	–2,197
Interest expenditure from non-financial liabilities	–374	–363
Sub-total interest and similar expenses	**–13,747**	**–8,729**
Net interest income	**35,321**	**30,853**

20 Risk provisions in lending business in EUR thousand	01 January – 31 March 2019	01 January – 31 March 2018
Additions to credit risk provisions on-balance	–7,271	–12,760
Additions to credit risk provisions off-balance	–2,674	–6,276
Reversals of credit risk provisions on-balance	8,261	14,495
Reversals of credit risk provisions off-balance	3,088	4,825
Direct write-downs	–27	–59
Income from amortised receivables	143	30
Risk provisions in the credit business	**1,520**	**255**

21 Net commission income in EUR thousand	01 January – 31 March 2019	01 January – 31 March 2018
Commission income from		
credit transactions	1,943	1,926
payment transactions	3,728	3,672
securities trading	6,576	7,671
currency, foreign exchange and precious metals trading	869	869
other service activities	555	646
Sub-total commission income	**13,671**	**14,784**
Commission expenses for		
credit transactions	–117	–124
payment transactions	–323	–246
securities trading	–557	–596
currency, foreign exchange and precious metals trading	0	0
other services business	–201	–258
Sub-total commission expenses	**–1,198**	**–1,224**
Net commission income	**12,473**	**13,560**

22 Income from companies valued at equity in EUR thousand	01 January – 31 March 2019	01 January – 31 March 2018
Income from companies valued at equity	12,264	11,631
Income from companies valued at equity	**12,264**	**11,631**

23 Trading income in EUR thousand	01 January – 31 March 2019	01 January – 31 March 2018
Valuation and realisation gains from derivatives	39	29
Valuation and realisation gains from debt securities	–10	–96
Valuation and realisation gains from funds	1,379	–433
Income from foreign exchange and currencies	318	283
Trading income	**1,726**	**–217**

24 Income from financial transactions in EUR thousand	01 January – 31 March 2019	01 January – 31 March 2018
Realisation gains – valued at amortised costs	0	0
Valuation and realisation gains – valued at fair value through other comprehensive income (FVOCI)	132	0
Valuation and realisation gains – mandatorily valued at fair value	1,841	–758
Valuation and realisation gains – fair value option	1,909	165
Result from fair value hedge accounting	–14	–3
Income from financial transactions	**3,868**	**–596**

25 Operating expenses in EUR thousand	01 January – 31 March 2019	01 January – 31 March 2018
Staff expenditure	–24,703	–23,692
Material expenses	–14,443	–13,172
Amortisations	–7,912	–6,689
Operating expenses	**–47,058**	**–43,553**

25a Average number of employees in the period, weighted by person-years	01 January – 31 March 2019	01 January – 31 March 2018
White collar	969	944
Blue collar	519	530
Number of employees	**1,488**	**1,474**

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

26 Other operating profit in EUR thousand	01 January – 31 March 2019	01 January – 31 March 2018
Income from other transactions	35,847	34,920
Expenses from other transactions	–4,612	–5,972
Other operating profit	**31,235**	**28,948**

27 Taxes on income and revenue in EUR thousand	**01 January – 31 March 2019**	**01 January – 31 March 2018**
Current tax expenses	–8,163	–8,132
Deferred tax expenses (-)/ income(+)	–1,566	–30
Taxes on earnings and profit	**–9,729**	**–8,162**

28 Earnings per share (ordinary and preference shares)	**31 March 2019**	**31 March 2018**
Shares (ordinary and preference shares)	34,031,250	30,937,500
Average float (ordinary and preference shares)	33,939,332	30,859,132
Group net profit attributable to the owners for the period in EUR thousand	36,414	27,451
Earnings per share in EUR	1.07	0.89
Diluted earnings per share in EUR (ordinary and preference shares)	1.07	0.89

No financial instruments with diluting effect on ordinary and preference shares were issued in the reporting period. As a result, there are no differences between the values "earnings per share" and "diluted earnings per share".

29 Performance bonds and credit risks in EUR thousand	**31 March 2019**	**31 December 2018**
Performance bonds	341,720	310,945
Credit risks	1,763,763	1,606,359
Performance bonds and credit risks	**2,105,483**	**1,917,304**

30 Regulatory capital and debt levels

The consolidated capital of the Group is reported in accordance with the provisions of Basel III. This is based on EU Regulation 575/2013 (Capital Requirements Regulation – CRR) in conjunction with the Austrian CRR accompanying regulation. The capital according to CRR consists of the common equity (Common Equity Tier 1 – CET1), the additional core capital (Additional Tier 1 – AT1) and supplementary capital (Tier 2 – T2). The respective capital ratios are determined by contrasting the corresponding regulatory capital component after taking into account all regulatory deductions and transitional provisions of the overall measure of risk. Under the provisions of the CRR and inclusion of the results of the supervisory review and evaluation process (SREP) conducted, a minimum requirement of 5.8% is required by the financial supervisory authority for CET1, which will be increased by 2.5% by the capital buffer defined in CRD IV (Capital Requirements Directive IV). For the entire core capital, a minimum requirement of 10.3% is provided; the total capital must reach a value of 12.8%. The leverage ratio indicates the ratio of the common equity (Tier 1) to the leverage exposure (unweighted asset items of the balance sheet and off-balance sheet transactions pursuant to the CRR). The provisions for the calculation and disclosure of the leverage ratio within the EU are implemented by BTV as part of its disclosure obligations. The leverage ratio amounted to around 8.8% as at 31 March 2019, and 9.0% in total as at 31 December 2018.

30a Consolidated equity pursuant to the CRR in EUR millions	**31 March 2019**	**31 December 2018**
Common equity (CET1)		
Capital instruments qualifying as CET1	300.2	300.2
Proprietary CET1 instruments	–18.9	–18.7
Retained earnings and other surplus reserves	1,131.2	1,131.2
Aggregated other income	–10.5	–9.4
Other reserves	134.1	134.1
Transitional changes owing to the transitional provisions for CET1 capital instruments	1.5	2.0
Prudential filters	1.4	1.4
Goodwill	0.0	0.0
Other intangible assets	–0.7	–0.4
Regulatory changes relating to instruments in the CET1 common equity of companies in the financial sector, in which the institution has a significant holding	–530.6	–522.8
Amount exceeding the threshold value of 17.65%	–4.7	–2.6
Other transitional changes to CET1	0.0	0.0
Common equity (CET1)	**1,003.1**	**1,015.0**
Additional core capital (Additional Tier 1)		
Changes owing to the transitional provisions for capital instruments of additional core capital	10.5	14.0
Other transitional changes to additional core capital	0.0	0.0
Additional core capital (Additional Tier 1)	10.5	14.0
Core capital (Tier 1): sum of common equity (CET1) and additional (AT1) core capital	**1,013.6**	**1,029.0**
Supplementary capital (Tier 2)		
Paid-up capital instruments and subordinated loans	183.5	184.4
Direct positions in supplementary capital instruments	–0.7	–0.8
Changes owing to the transitional provisions for supplementary capital instruments and subordinated loans	8.4	9.6
Other transitional changes to supplementary capital	0.0	0.0
Supplementary capital (Tier 2)	**191.2**	**193.2**
Total qualifying equity	**1,204.8**	**1,222.2**
Total amount at risk	**7,655.6**	**7,727.5**
Common equity Tier 1 ratio	13.10%	13.13%
Core capital ratio	13.24%	13.32%
Equity ratio	15.74%	15.82%

31 Fair value hierarchy of financial instruments which are valued at fair value

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

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

Quoted prices in active markets (Level 1):
This category contains equity, corporate bonds and government bonds listed on major exchanges. The fair value of financial instruments traded on active markets is calculated on the basis of quoted prices, insofar as these represent prices applied within the context of regular and current transactions.

An active market must fulfil cumulatively the following conditions:

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

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

Valuation procedure through observable parameters (Level 2):
This category includes OTC derivative contracts, receivables and issued debt securities of the Group classified at fair value.

Valuation procedures through significant unobservable parameters (Level 3):
The financial instruments in this category show input parameters which are based on unobservable market data. The allocation of certain financial instruments to the categories requires a systematic assessment, especially if the valuation is based on both observable as well as unobservable market parameters. The instrument classification may also change over time in consideration of changes to the market parameters.

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

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

Level 2
Securities which are not traded on an active market are valued by means of the discounted cash flow method. This means that the future projected cash flows are discounted by means of suitable discount factors in order to calculate the fair value. The discount factors contain both the credit curve without credit risk as well as the credit spreads which follow the credit rating and the rank of the issuer. The interest curve for discounting contains securities account, money-market futures and swap rates as observable on the market. The calculation of the credit spread follows a three-step process:

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

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

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

Level 2
The own issues are not subject to active trading on the capital market. Instead, they are retail issues and private placements. The valuation consequently takes place by means of a discounted cash flow valuation model. An interest curve based on money market interest rates and swap interest as well as BTV's credit spreads are used as the basis for this.

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

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

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

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

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

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

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

31a Fair value hierarchy of financial instruments which are valued at fair value as at 31 March 2019 in EUR thousand	Prices listed on active markets Level 1	Valuation method based on market data Level 2	Valuation method not based on market data Level 3
Financial assets valued at fair value			
Loans to customers mandatorily valued at fair value	0	0	192,511
Debt securities valued at fair value through other comprehensive income (FVOCI)	288,409	41,105	0
Debt securities mandatorily valued at fair value	21,540	0	0
Debt securities (fair value option)	2,611	0	0
Equity instruments valued at fair value through other comprehensive income (FVOCI)	57,689	0	65,578
Equity instruments valued at fair value through profit and loss (FVTPL)	31,652	0	0
Positive market values from derivative hedging instruments	0	53,611	0
Trading assets – funds	24,452	0	0
Trading assets – positive market values from derivative financial instruments	0	12,407	0
Total financial assets classified at fair value	**426,352**	**107,123**	**258,089**
Financial liabilities valued at fair value			
Fair value option	0	528,517	0
Negative market values from derivative hedging instruments	0	21,546	0
Trading liabilities – negative market values from derivative financial instruments	0	7,844	0
Total liabilities classified at fair value	**0**	**557,907**	**0**

Fair value hierarchy of financial instruments which are valued at fair value as at 31 December 2018 in EUR thousand	Prices listed on active markets Level 1	Valuation method based on market data Level 2	Valuation method not based on market data Level 3
Financial assets valued at fair value			
Loans to customers mandatorily valued at fair value	0	0	200,567
Debt securities valued at fair value through other comprehensive income (FVOCI)	270,320	40,981	0
Debt securities mandatorily valued at fair value	21,245	0	0
Debt securities (fair value option)	2,729	0	0
Equity instruments valued at fair value through other comprehensive income (FVOCI)	51,538	0	69,007
Equity instruments valued at fair value through profit and loss (FVTPL)	30,558	0	0
Positive market values from derivative hedging instruments	0	45,692	0
Trading assets – funds	23,072	0	0
Trading assets – positive market values from derivative financial instruments	0	7,666	0
Total financial assets classified at fair value	**399,462**	**94,339**	**269,574**
Financial liabilities valued at fair value			
Fair value option	0	482,981	0
Negative market values from derivative hedging instruments	0	15,796	0
Trading liabilities – negative market values from derivative financial instruments	0	8,267	0
Total liabilities classified at fair value	**0**	**507,044**	**0**

31b Movements in Level 3 of financial instruments valued at fair value in EUR thousand	01 January 2019	Earnings on P&L	Earnings from other operating income
Loans to customers mandatorily valued at fair value	200,567	408	0
Equity instruments valued at fair value through other comprehensive income (FVOCI)	69,007	0	–3,429
Total financial assets classified at fair value	**269,574**	**408**	**–3,429**

Movements in Level 3 of financial instruments assessed at fair value in EUR thousand	01 January 2018	Earnings on P&L	Earnings from other operating income
Loans to customers mandatorily valued at fair value	218,092	399	0
Equity instruments valued at fair value through other comprehensive income (FVOCI)	66,058	0	628
Total financial assets classified at fair value	**284,150**	**399**	**628**

Movements between Level 1, Level 2 and Level 3

There have not been any movements between the individual levels in the 2019 reporting period.

Purchases	Sales, repayments	Transfer to Level 3	Transfer from Level 3	Currency conversion	31 March 2019
24,350	–32,814	0	0	0	192,511
0	0	0	0	0	65,578
24,350	**–32,814**	**0**	**0**	**0**	**258,089**

Purchases	Sales, repayments	Transfer to Level 3	Transfer from Level 3	Currency conversion	31 March 2018
12,510	–7,579	0	0	0	223,422
0	0	0	0	0	66,686
12,510	**–7,579**	**0**	**0**	**0**	**290,108**

32 Fair value of financial instruments which are not valued at fair value

The fair values are contrasted with the book values in the following table. The market value is the amount which in an active market could be raised from the sale of a financial instrument or which would need to be paid to make an equivalent purchase.

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

Assets in EUR thousand	**Fair value 31 March 2019**	**Book value 31 March 2019**	**Fair value 31 December 2018**	**Book value 31 December 2018**
Cash reserves	1,006,040	1,006,040	867,497	867,497
Loans to credit institutions valued at amortised costs	305,938	305,814	365,389	365,275
Loans to customers valued at amortised costs	7,712,503	7,605,296	7,619,088	7,553,310
Other financial assets valued at amortised costs	930,739	921,837	930,805	925,406

Liabilities in EUR thousand	**Fair value 31 March 2019**	**Book value 31 March 2019**	**Fair value 31 December 2018**	**Book value 31 December 2018**
Liabilities to credit institutions valued at amortised costs	1,604,158	1,604,486	1,513,656	1,516,620
Liabilities to customers valued at amortised costs	6,735,413	6,750,592	6,785,400	6,805,812
Other financial liabilities valued at amortised costs	893,011	880,831	880,889	873,544

33 Fair value hierarchy of financial instruments, which are not valued at fair value, as at 31 March 2019 in EUR thousand	Prices listed on active markets	Valuation method based on market data	Valuation method not based on market data
Financial assets not valued at fair value			
Loans to credit institutions valued at amortised costs	0	0	305,936
Loans to customers valued at amortised costs	0	0	7,699,192
Other financial assets valued at amortised costs	910,948	11,134	0
Total financial assets not valued at fair value	**910,948**	**11,134**	**8,005,128**
Financial liabilities not valued at fair value			
Liabilities to credit institutions valued at amortised costs	0	0	1,604,486
Liabilities to customers valued at amortised costs	0	0	6,750,592
Other financial liabilities valued at amortised costs	0	880,831	0
Total liabilities not valued at fair value	**0**	**880,831**	**8,355,078**

Fair value hierarchy of financial instruments, which are not valued at fair value, as at 31 December 2018 in EUR thousand	Prices listed on active markets	Valuation method based on market data	Valuation method not based on market data
Financial assets not valued at fair value			
Loans to credit institutions valued at amortised costs	0	0	365,402
Loans to customers valued at amortised costs	0	0	7,650,337
Other financial assets valued at amortised costs	914,624	11,005	0
Total financial assets not valued at fair value	**914,624**	**11,005**	**8,015,739**
Financial liabilities not valued at fair value			
Liabilities to credit institutions valued at amortised costs	0	0	1,516,620
Liabilities to customers valued at amortised costs	0	0	6,805,812
Other financial liabilities valued at amortised costs	0	873,544	0
Total liabilities not valued at fair value	**0**	**873,544**	**8,322,432**

34 Hedge accounting

Underlying transactions as at 31 March 2019 in EUR thousand	Book value of the underlying transaction		Cumulative book value adjustment for underlying transactions in fair value hedges including book value of the underlying transaction	
	Assets	Liabilities	Assets	Liabilities
Fair value hedges				
Interest rate risk				
Loans to customers	89,961		6,707	
Liabilities to customers		125,822		16,990
Other financial liabilities		154,086		19,490

Hedging transactions as at 31 March 2019 in EUR thousand	Nominal amount	Book value	
		Assets	Liabilities
Fair value hedges			
Interest rate risk			
Other financial assets	277,300	36,545	0
Other financial liabilities	89,420	0	6,679

Underlying transactions as at 31 December 2018 in EUR thousand	Book value of the underlying transaction		Cumulative book value adjustment for underlying transactions in fair value hedges including book value of the underlying transaction	
	Assets	Liabilities	Assets	Liabilities
Fair value hedges				
Interest rate risk				
Loans to customers	104,667		5,839	
Liabilities to customers		125,664		15,764
Other financial liabilities		154,525		16,946

Hedging transactions as at 31 December 2018 in EUR thousand	Nominal amount	Book value	
		Assets	Liabilities
Fair value hedges			
Interest rate risk			
Other financial assets	277,300	32,789	0
Other financial liabilities	104,296	0	5,811

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

Ineffectiveness 01 January – 31 March 2019 **in EUR thousand**	**Ineffectiveness recorded in the P&L**	**Ineffectiveness recorded in the OCI**	**Items in the P&L and in the OCI which show hedge ineffectiveness**
Fair value hedges			
Interest rate risk			
Loans to customers	0	0	Income from financial transactions
Liabilities to customers	–2	0	Income from financial transactions
Other financial liabilities	–13	0	Income from financial transactions

Ineffectiveness 01 January – 31 March 2018 **in EUR thousand**	**Ineffectiveness recorded in the P&L**	**Ineffectiveness recorded in the OCI**	**Items in the P&L and in the OCI which show hedge ineffectiveness**
Fair value hedges			
Interest rate risk			
Loans to customers	–11	0	Income from financial transactions
Liabilities to customers	7	0	Income from financial transactions
Other financial liabilities	1	0	Income from financial transactions

35 Segment reporting

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

Segment reporting is based on profit centre accounting for the corporate and retail customers business areas, on the overall bank report for the institutional clients and banks business area, and on the respective monthly report for the Silvretta Montafon Group and Mayrhofner Bergbahnen Aktiengesellschaft. For the leasing segment, the BTV leasing subgroup reporting package is used as the basis for reporting.
The values from the previous year were adjusted accordingly for reasons of improved comparability.

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

The aforementioned reports reflect the structure of management responsibilities within BTV in 2019.
These internal reports to the Board of Directors, which only satisfy IFRS accounting standards in part, are supplied monthly and are almost totally automated using preparatory systems and interfaces. The reporting dates for the data are the respective period closing dates of the subsidiaries included in the consolidated financial statements. The information of the internal and external accounting system is based on the same base data and is coordinated in the Finance and Controlling division for the reports.

Reciprocal checks, on-going reconciliations or validation checks between the Sales and Strategy Controlling, Risk Controlling, Reporting, Group Balance Sheet, and Tax and Accounting teams are therefore ensured. The criterion for the separation of business areas is primarily the responsibility for looking after customers. Changes in this responsibility can also lead to changes in attribution to a segment during the course of a year. These effects were, where insignificant, not corrected in the comparison with last year.

The loan loss provisions of ALPENLÄNDISCHE GARANTIE - GESELLSCHAFT m.b.H. were allocated to the corporate clients segment in the fourth quarter of 2018. The values from the previous year were adjusted accordingly for reasons of improved comparability.

In 2019, the following business areas were defined within BTV:

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

The results of the five reporting segments are described below.

Corporate clients segment

The corporate clients segment is the largest area in terms of earnings. Operating interest income forms its main revenue component. Compared to the first quarter of 2018, interest income increased by EUR +2.6 million to EUR 26.9 million. Loan loss provisions in the credit business fell by EUR –0.8 million to EUR –0.3 million compared to the previous year. The total net commission income grew by EUR +0.1 million, to EUR 5.7 million, compared to the previous year. Operating expenses rose by EUR +0.6 million to EUR 9.6 million. Strong new business led to an increase in segment receivables of EUR +574 million to EUR 6,135 million. The segment liabilities increased by EUR +418 million to EUR 2,983 million. In total, the profit for the period before taxes reached EUR 23.1 million and was therefore EUR +1.2 million above the previous year's figure.

Retail clients segment

The retail clients business is the second pillar of BTV, and contributed interest income of EUR 9.3 million to interest earnings in the reporting period. Loan loss provisions for the credit business posted a positive value of EUR 0.7 million due to reversals. The total net commission income fell by EUR –0.1 million to EUR 7.9 million. The cost intensity due to the retail sector typically being highly demanding in terms of staff and premises, led to an increase of EUR +0.6 million in operating costs, to EUR 14.2 million. Other operating income remained stable and at the same level as last year at EUR 0.2 million. Overall, the retail clients segment achieved earnings before tax of EUR 3.9 million in this period, compared to EUR 3.4 million in the prior year.

Institutional clients and banks segment

The result for the institutional clients and banks segment increased substantially compared to the prior year. A decline in interest income of EUR –0.5 million to EUR 1.4 million was more than offset by an increase in income from financial assets, including trading income, of EUR +4.7 million to EUR 4.0 million. Reversals of loan loss provisions in the amount of EUR 0.9 million contributed to a positive segment performance in the first quarter of 2019. Operating expenses for the segment rose by EUR +0.1 million to EUR 1.0 million. Overall, the pre-tax profit for the period increased by EUR +4.7 million to EUR 5.1 million.

Leasing segment

The leasing subsidiary of BTV performed strongly in the first quarter. Customer cash volumes increased by EUR +93 million to EUR 1,006 million. Interest income benefited from the performance of the lending business and recorded a moderate increase of EUR +0.4 million to EUR 3.9 million. Loan loss provisions in the credit business improved by EUR +0.6 million to EUR +0.3 million compared to the previous year. The total net commission income remained unchanged year-on-year at EUR 0.1 million. Operating expenses rose by EUR +0.1 million to EUR 1.6 million compared to the quarter in the previous year. The pre-tax profit for the period thus grew by EUR +1.2 million overall to EUR 3.6 million.

Cable cars segment

The cable cars segment comprises the consolidated financial statements of Mayrhofner Bergbahnen Aktiengesellschaft and Silvretta Montafon Holding GmbH. The business of both companies is dominated by tourism; the results are therefore subject to strong seasonal fluctuations. Interest earnings in the first quarter of 2019 were EUR –0.4 million. Other operating income, which mainly includes the revenues, increased by EUR +0.5 million to EUR 30.9 million. These earnings were also the decisive factor for Silvretta Montafon Holding GmbH, with its average of 459 employees in the reporting period, and Mayrhofner Bergbahnen Aktiengesellschaft, which employed an average of 209 employees during the reporting period. Operating expenses were up EUR +1.7 million to EUR 18.2 million. Overall, the segment achieved earnings before tax of EUR 12.2 million in the period; this represents a year-on-year decline of EUR –1.4 million.

Segment reporting in EUR thousand	**Year**	**Corporate clients**	**Retail clients**	**Institutional clients and banks**	**Leasing**	**Cable cars**	**Segments that must be reported**	**Other segments/ consolidation/ misc**	**Consolidated balance sheet /P&L**
Net interest income incl. at equity result	March 2019	26,860	9,319	1,374	3,927	–414	41,065	6,519	47,584
	March 2018	24,325	8,894	1,914	3,501	–404	38,230	4,254	42,484
Risk provisions in the credit business	March 2019	–338	670	851	337	0	1,520	0	1,520
	March 2018	491	–109	190	–317	0	255	0	255
Net commission income	March 2019	5,716	7,919	0	90	0	13,725	–1,252	12,473
	March 2018	5,639	8,059	0	88	0	13,786	–226	13,560
Operating expenses	March 2019	–9,554	–14,229	–1,047	–1,602	–18,233	–44,665	–2,393	–47,058
	March 2018	–8,999	–13,616	–938	–1,467	–16,453	–41,473	–2,080	–43,553
Other operating profit	March 2019	0	198	0	769	30,865	31,832	–598	31,235
	March 2018	0	198	0	537	30,417	31,152	–2,204	28,948
Income from financial transactions and trading result	March 2019	408	0	3,963	123	0	4,495	1,100	5,595
	March 2018	399	0	–746	53	0	–295	–518	–813
Result for the period before tax	**March 2019**	**23,093**	**3,877**	**5,141**	**3,644**	**12,218**	**47,972**	**3,377**	**51,349**
	March 2018	**21,855**	**3,426**	**420**	**2,395**	**13,560**	**41,656**	**–774**	**40,882**
Segment loans	March 2019	6,134,913	1,363,444	2,680,013	1,005,936	19,877	11,204,183	–401,381	10,802,802
	March 2018	5,560,790	1,351,396	2,221,468	912,770	20,950	10,067,374	–175,238	9,892,136
Segment liabilities	March 2019	2,982,538	3,751,220	2,155,460	952,269	96,007	9,937,494	–173,070	9,764,424
	March 2018	2,564,762	3,502,779	2,290,635	899,374	91,545	9,349,095	–334,275	9,014,820

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

Segment reporting: explanatory notes

The net interest income is allocated according to the market interest method. Sales figures are included, among other items, with respect to the corporate and retail clients for management reasons. Income from companies valued at equity is allocated to the "Other segments/consolidation/misc." item. Net commission income is determined by the assignment of the internal divisional accounting (for instance, all manual entries are assigned to commission). Costs are allocated to the respective segments in which they were incurred and the expenses of BTV Leasing GmbH or Silvretta Montafon Group and Mayrhofner Bergbahnen Aktiengesellschaft are directly allocated in accordance with the management reports. Costs that cannot be directly allocated are shown under "Other segments/consolidation/misc." The other operating profit includes, among other things, the revenue from the Silvretta Montafon Group and Mayrhofner Bergbahnen Aktiengesellschaft and, under "Other segments/consolidation/misc.", in addition to the consolidation effects, essentially the stability tax and rental operations.

The segment receivables include the entries for "Loans and advances to central banks" (the previous year's value was adapted accordingly), "Loans and advances to credit institutions", "Loans and advances to customers", "Other financial assets" of the valuation categories "amortised costs", "fair value with no effect on profit and loss", "fair value through profit and loss", and "fair value option", as well as guarantees and liabilities. The "Other segments/consolidation/misc." item includes loan loss provisions, since the internal control considers the liabilities as net figures in contrast to the balance sheet. The postings resulting from consolidation are also found here. The segment liabilities are allocated to the entries "Liabilities to credit institutions", "Liabilities to customers", and "Other financial liabilities" of the valuation categories "amortised costs" and "fair value option". Consolidating entries are also included in the "Other segments/consolidation/misc." column.

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

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

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

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

Innsbruck, May 2019

The Board of Directors

Michael Perger
Member of the Board

Member of the Executive Board, responsible for retail clients business; Drei Banken insurance brokers;Group auditing; compliance and anti-money laundering.

Gerhard Burtscher
Chairman of the Board

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

Mario Pabst
Member of the Board

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

Legal notice

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Notices
Any reference in the interim report to a person is intended to apply equally to women and men.

In the BTV interim report, there may be slightly differing values between tables or figures due to rounding differences.

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

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

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

Contents
BTV Finanzen & Controlling
MA Daniel Stöckl-Leitner

Design
Markus Geets

Final version
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A pilot provides safe passage. All of our
employees have a little BTV pilot's flag on their lapel.
A meaningful symbol: we guide you on your route to success.

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