BANK FÜR TIROL UND VORARLBERG AKTIENGESELLSCHAFT
SHAREHOLDERS' REPORT: INTERIM REPORT
AS AT 30/09/2019

Interim Report

BTV VIER LÄNDER BANK

3 Banken Gruppe

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Important dates for BTV shareholders

Annual General Meeting	16/05/2019, 10:00 a.m., Stadtforum 1, Innsbruck, Austria The dividend will be published on the BTV homepage and in the gazette of the Wiener Zeitung the day after the Annual General Meeting.
Ex-dividend date	22/05/2019
Payment of dividend	24/05/2019
Interim Report as at 31/03/2019	Publication on 24/05/2019 (www.btv.at)
Half-Year Financial Report as at 30/06/2019	Publication on 30/08/2019 (www.btv.at)
Interim Report as at 30/09/2019	Publication on 22/11/2019 (www.btv.at)

Profit and loss in EUR million	30/09/2019	30/09/2018	% change
Net interest income	100.7	92.4	+8.9%
Loan-loss provisions in the credit business	2.0	0.4	>+100%
Net commission income	36.3	38.4	–5.3%
Income from companies valued at equity	40.5	35.4	+14.2%
Operating expenses	–145.8	–137.8	+5.8%
Other operating profit	79.7	76.3	+4.5%
Net pre-tax profit for the period	124.2	109.9	+13.0%
Group profit for the period	105.2	91.1	+15.4%

Balance sheet figures in EUR million	30/09/2019	31/12/2018	% change
Total assets	12,137	11,630	+4.4%
Loans and advances to clients after loan loss provisions	7,926	7,754	+2.2%
Primary funds	8,405	8,162	+3.0%
of which savings deposits	1,332	1,260	+5.7%
of which own issues	1,412	1,357	+4.1%
Equity	1,728	1,639	+5.4%
Managed deposits	14,956	14,195	+5.4%

Regulatory (CRR) equity in EUR million	30/09/2019	31/12/2018	% change
Total amount at risk	8,137	7,728	+5.3%
Equity	1,157	1,222	–5.3%
of which common equity (CET1)	975	1,015	–4.0%
of which total core capital (CET1 and AT1)	975	1,029	–5.3%
Common equity Tier 1 ratio	12.0%	13.1%	–1.2 pp
Core capital ratio	12.0%	13.3%	–1.3 pp
Equity ratio	14.2%	15.8%	–1.6 pp

Key indicators in pp	30/09/2019	30/09/2018	Change in percentage points
Return on equity before tax (RoE)	9.9%	10.1%	–0.2 pp
Return on equity after tax	8.4%	8.4%	–0.0 pp
Cost/income ratio	56.0%	56.7%	–0.7 pp
Risk/earnings ratio*	–2.0%	–0.4%	–1.6 pp

Number of resources	30/09/2019	30/09/2018	Change figure
Weighted average number of employees	1,505	1,492	+13
Number of branches	36	36	+0

Key indicators for BTV shares	30/09/2019	30/09/2018
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	29.20/26.80	26.00/24.60
Lowest price of ordinary/preference share in EUR	23.80/21.80	23.00/19.40
Closing price of ordinary/preference share in EUR	29.00/26.80	24.80/23.80
Market capitalisation in EUR million	981	765
IFRS earnings per share in EUR	3.95	3.72
P/E ratio, ordinary share	7.3	6.7
P/E ratio, preference share	6.8	6.4

*30/09/2018, adjusted due to reclassification of total profit item “Result from companies valued at equity”

Economic environment

The economic recovery in the eurozone did not arrive in the third quarter either. The industrial sector continued to suffer from the ongoing trade conflict, weak global demand, and a European (especially German) automotive sector under strain. The published purchasing managers indices indicated a decline in industrial production and a slower growth for the services sector for the upcoming six months as well. Investment growth abated due to uncertainties, especially in connection with Brexit. On the whole, this led to a challenging environment for the economy. Such a long phase of economic weakness had not been expected beforehand. Experts actually forecasted a recovery in the third quarter. But now, after the third quarter, Germany appears to be actually in a technical recession. Recent stability on the labour market is positive though. The low unemployment rate is evidence of continued strong domestic consumption, limiting the impact of weak global demand. The ECB provided additional support to the markets in September with its comprehensive expansionary measures. The ECB's aim is as quick a recovery as possible for the European economy and an increase of inflation, which remains very low, from 0.90% to 2.00%.

The US economy developed relatively strongly in the international comparison until recently, but in the third quarter a downward growth dynamic could be seen here too, and the framework conditions were similar to the eurozone. The trade conflict was a burden on the industry and the Purchasing Managers Index forecasted a decline of production in the upcoming six months. Companies postponed planned investments, and economic growth suffered. The Fed responded by lowering interest rates twice in the third quarter, in support. Developments on the labour market remained positive. Domestic consumption remained strong and inflation was on target. Escalation of the trade conflict, which does have its effect on the USA as well, remained the biggest risk.

Interest rates

The decisions of the ECB and the Fed did not present any major surprises in the third quarter. The measures taken were largely expected and their aim was to support the economy with expansionary measures and to get banks to hold off on lending. The Fed lowered its base rate in July as well as in September by 25 basis points each time, and the target range for the base rate at the end of the third quarter was between 1.75% and 2.00%. For the next meeting at the end of October, another interest rate reduction by 25 basis points on 1.50% to 1.75% has already been factored in. The ECB also provided support with expansionary measures, lowering the deposit rate in September by 10 basis points to –0.50%. This is graduated interest, i.e. the more liquidity the banks park at the ECB, the higher the penalty interest they have to pay for it (but a maximum of –0.50%). In addition, the ECB decided to restart the bond purchasing program on 1 November. Government and corporate bonds worth EUR 20 billion will be purchased monthly. New this time is that no definitive end of this program has been set. It is to run until the target inflation of 2.00% is achieved. For the fourth quarter, BTV does not expect any other interest rate reductions from the ECB. Such a step is very unlikely on the global financial markets as well.

Triggered by these expansionary measures, the global yield level recorded all-time lows again in the third quarter. The yields of the 10-year German bond dropped to –0.72%, but was able to bounce back a little and was –0.57% at the end of September. The yields of the 10-year US bond also dropped to an all-time low of 1.46%, recovering by 20 basis points by the end of September to 1.66%.

The long-term euro interest rates fell again in the third quarter. The 10-year euro swap was at –0.33%, but still able to recover to –0.15% by the end of September. Nevertheless, this means a drop by 34 basis points in comparison to the second quarter. The money market interest rates (3-month Euribor) were near their lowest at –0.42% (–0.45% in August).

Due to a lack of conformity with the EU Benchmarks Regulation, the EONIA interest rate will be replaced by the ESTER interest rate. The new ESTER interest rate will be published starting 2 October 2019. By the end of the transition period and the final replacement on 31 December 2021, a modified EONIA will be calculated and published in parallel.

Currency markets

In the third quarter, the euro continued on a downward trend against the US dollar that had been observed since the start of the year. The EUR/USD exchange rate dropped from 1.13 to 1.09 and thus to its lowest in well over two years. The currency pair was again mainly under the influence of the monetary policy of the two central banks, the Fed and the ECB. The comprehensive measures of the ECB announced on 12 September resulted in a clear devaluation of the euro. In addition, the EUR was also impacted in the third quarter by the weak economic situation in the eurozone and the uncertainties concerning the further course of Brexit. These uncertainties also made the US dollar go up against the euro as it was seen as a safe haven. But the US dollar high was reached at the end of September. The weak economic data observed since then in the USA as well put a brake on the upward trend of the US dollar.

Along with the US dollar, the Swiss franc and the Japanese yen benefited from uncertainties as safe havens. The appreciation of the franc was predominantly favoured by the weak economic data in the eurozone and uncertainties concerning the further course of Brexit. In the third quarter, the euro lost some value against the franc, and the EUR/CHF exchange rate was 1.09 at the end of September. The euro also lost value against the yen, and the EUR/JPY exchange rate was 117.80 at the end of September. The yen appreciation was favoured mainly by the trade conflict. Precisely because of the conflict stemming from the USA, the yen was also increasingly in demand against the US dollar. However, the expansionary policy of the Bank of Japan continued to keep the currency's appreciation in check. Its aim was to keep the yen weak to boost inflation, on the one hand, and to strengthen Japan's competitive position with cheaper exports, on the other.

Equity markets

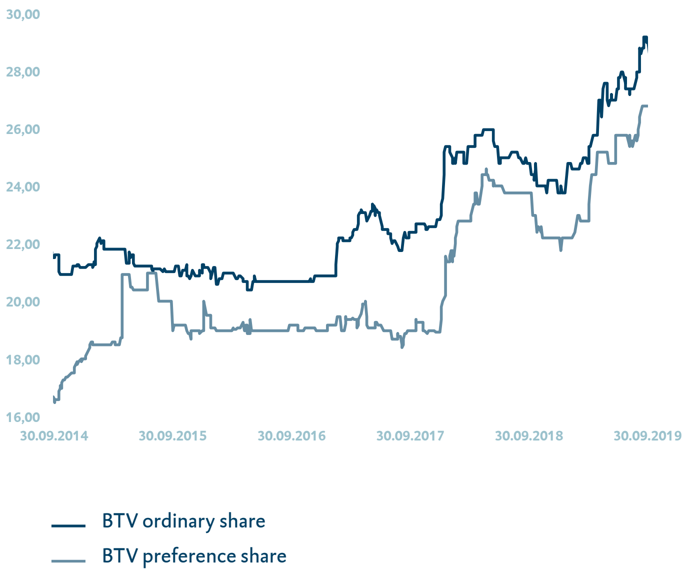
At the start of the third quarter, the good mood on the equity markets persisted, spurred on by the expected expansionary monetary policy measures of the central banks back in June. However, the known uncertainties emerged again in July, resulting in a correction. The announcement of new tariffs in the trade conflict between the USA and China and the increased likelihood of a hard Brexit under the new British Prime Minister Boris Johnson, resulted in uncertainty among market participants and sparked recession concerns. The interest rate decrease by the Fed by 25 basis points at the end of July could not really reassure the markets. The Fed and the ECB therefore made an effort to restore market confidence in September, putting forward expansionary monetary policy measures. As a consequence of this, the equity markets recovered from the August losses, but giving up a part of the month's gains by the end of September. The weak European economic data, on the one hand, and the political turbulence in connection with the imminent impeachment proceedings against US President Trump on the other, had a negative impact.

European stock indices closed the third quarter largely on the up. The broad European stock market (STOXX 600) recorded a positive performance with 2.1%. However, quarterly performance of single European indices varied considerably. The Italian FTSE MIB was comparably strong, up 4.1%, because the market participants were euphoric about the successful formation of a government in September. In contrast, the DAX, Germany's leading index, was up only 0.2% in the third quarter. Against the backdrop of a weak industrial sector in Germany, this was however not particularly surprising. The British FTSE 100 was affected by the Brexit turbulence and recorded slight losses of –0.2%. The American stock indices also closed largely on the up in the third quarter, although the gains were lower than in the second quarter. The S&P 500 and the Dow Jones both rose 1.2%. Weak economic data (esp. industrial data) alongside continued disputes in the trade conflict prevented a stronger price gain. The Chinese stock indices, however, suffered on a completely different scale from the trade conflict with the USA. The Shanghai Composite went down –2.5% and the Hang Seng even suffered a loss of –8.6%. Hong Kong was especially affected by the latest disputes with the Chinese mainland. The Japanese Nikkei 225 gained 2.3%, despite the strong yen. If the yearly performance is taken into consideration, it is noticeable that Nikkei 225's performance is the weakest on a global level. After their good performance in the second quarter, the emerging countries had to give up their gains again in the third quarter: MSCI Eastern Europe was down –6.2%, MSCI Latin America down –5.6%.

BTV shares

BTV's ordinary shares rose 5.8% to EUR 29.00 for the full year of 2019. Preference shares gained 3.9% and closed the quarter at EUR 26.80.

Performance of BTV shares in EUR



Balance sheet performance

The receivables from customers, one of the most important balance sheet items in BTV's business model, increased compared to the end of 2018 by EUR +164 million or +2.1% to EUR 8,015 million.

Loan loss provisions reduced moderately in the course of the year so far and were EUR 89 million as at 30/09/2019.

Other financial assets including shares in companies valued at equity and trading assets increased by EUR +119 million to EUR 2,282 million.

Cash reserves rose, increasing from EUR 867 million to EUR 1,040 million.

Liabilities to credit institutions were EUR 1,626 million, and rose EUR +109 million above their level at the end of 2018.

The volume of primary funds increased significantly. As at 30/09/2019, the BTV reported EUR 8,405 million, EUR +243 million more than by December 2018. In relation to the refinancing and growth of customer lending, this resulted in a loan-deposit ratio of 94.3%.

Customer funds under management, the sum of deposit volumes and primary funds, increased by EUR +761 million to EUR 14,956 million in the reporting period. The positive development on stock markets continued to be an important driver, allowing for the market value of securities and the volume of deposits to increase.

Equity was able to increase by EUR +89 million or +5.4% to EUR 1,728 million compared to 31/12/2018.

The balance sheet total increased as a result of these developments by a total of EUR +507 million to EUR 12,137 million.

The banking group's qualifying net equity under CRR (Basel III) totalled EUR 1,157 million as at 30/09/2019, thereby falling by EUR –64.8 million or –5.3% since the end of 2018. At the end of the third quarter of 2019, the banking group's common equity (CET1) under CRR amounted to EUR 975 million, the core capital totalled EUR 975 million.

The total amount at risk increased by EUR +409 million to EUR 8,136 million. As at 30/09/2019, this resulted in a common equity tier 1 of 12.0% (30/09/2018: 11.7%), a core capital ratio of 12.0% (30/09/2018: 11.9%) and a total capital ratio of 14.2% (30/09/2018: 14.3%).

Profit trend

Interest earnings after risk provisions

In comparison to 2018, the interest earnings after risk provisions increased by EUR +9.9 million to EUR 102.7 million. Interest surplus thereby rose by EUR +8.3 million to EUR 100.7 million. In the course of business to date, risk provisions were dissolved, leading to earnings of EUR 2.0 million. This means an improvement of earnings from risk provisions by EUR +1.6 million.

Net commission income

Trends in net commission income continue to be largely determined by the securities business. The income of EUR 18.3 million corresponds to a decrease of –7.5% year-on-year. Payment transactions income also remained below the previous year's level, decreasing by EUR –0.1 million to EUR 9.7 million, as well as income from the lending business, which decreased EUR –0.5 million to EUR 5.4 million. The foreign exchange, foreign currency, and precious metals business was EUR 2.7 million and thus higher than last year's results at this time. At EUR 0.2 million, the other services were clearly below the previous year's level. Overall, there was a decrease in net commission income as compared to the previous year of EUR –2.0 million to EUR 36.3 million.

Trading income

At EUR 3.3 million, trading income on 30/09/2019 was up EUR +2.6 million on the previous year.

Income from financial transactions

Income from financial transactions also recorded substantial growth. Compared to the previous year, the income increased EUR +3.3 million to EUR 7.5 million.

Operating expenses

Operating expenses were up from EUR 137.8 million in the previous year to EUR 145.8 million. The biggest increase, EUR +4.2 million to EUR 25.3 million, was recorded in depreciation. An increase of EUR +4.1 million or +5.6% to EUR 77.3 million was recorded for personnel expenses. Administrative expenses were down EUR –0.3 million, to EUR 43.1 million. As a result of the new IFRS 16 accounting standard, the operating expenses were affected, as the material costs went down EUR –2.2 million and the depreciations increased by EUR +2.5 million.

Other operating profit

Other operating income improved year-on-year by EUR +3.4 million or +4.5% to EUR 79.7 million.

Pre-tax profit for the period

Particularly due to the positive developments in interest earnings, the pre-tax profit grew EUR +14.3 million or +13.0% to EUR 124.2 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. Compared to the previous year, the tax liability rose slightly as at 30/09/2019 by EUR +0.2 million to EUR 19.0 million. The effective tax rate was therefore 15.3%.

Group profit for the period incl. key indicators

In the year to date, the pre-tax profit for the period increased by EUR +14.1 million or +15.4% to EUR 105.2 million. The cost-income ratio fell compared to the same quarter in the previous year from 56.7% to 56.0%. The return on equity before tax increased to 9.9%, up from 10.1% the previous year. The risk/earnings ratio was –2.0% as a result of the development of risk provisions.

Outlook

BTV's assessment of the economic environment in its market area remains stable. The expansion markets of Germany, Vienna, and Switzerland are focusing their growth on the corporate client business. Even in the present low interest environment, the strategic principle of fully refinancing customer loans by means of primary funds is being maintained, although the deposit business is highly competitive. In the investment business, investment in securities – with an actively managed asset management, but also with classic custody accounts – remains a cornerstone of BTV's strategy.

We continue to assume higher interest income for the 2019 financial year as compared to the previous year. The services business is expected to be slightly below the 2018 level. Other operating profits should develop slightly better than in the previous year. We expect a moderate increase in operating expenses compared to the previous year.

Based on current extrapolation and preliminary, unaudited data, BTV expects group earnings (before-tax annual group net profit) as at 31/12/2019 to be in the range of EUR 121 to 133 million. Compared to the outlook as at 31/12/2019, published in the management report for the 2018 financial year, this would mean an increase of about 20%. An important reason for the significant positive development is risk provisions, which are much below the values that the budget was based on. Interest income and financial business development being significantly beyond expectations also contributed to this.

Balance sheet as at 30 September 2019

Assets in EUR thousand	30/09/2019	31/12/2018	Change absolute	Change in %
Cash reserve [1] [Reference to Notes]	1,039,633	867,497	+172,136	+19.8%
Loans to Credit Institutions [2]	409,523	365,402	+44,121	+12.1%
Loans to Customers [3]	8,014,584	7,850,903	+163,681	+2.1%
Other financial assets [4]	1,531,391	1,457,700	+73,691	+4.8%
Shares in at-equity-valued companies [5]	703,373	674,452	+28,921	+4.3%
Loan loss provisions [6]	–88,886	–97,377	+8,491	–8.7%
Trading assets [7]	47,579	30,739	+16,840	+54.8%
Intangible fixed assets [8]	1,797	1,105	+692	+62.6%
Property, plant and equipment [8a]	338,899	323,266	+15,633	+4.8%
Properties held as financial investments [8b]	60,612	55,013	+5,599	+10.2%
Current tax assets [9]	229	231	–2	–0.9%
Deferred tax assets [9]	4,564	3,722	+842	+22.6%
Other assets [10]	74,068	97,452	–23,384	–24.0%
Total assets	**12,137,366**	**11,630,105**	**+507,261**	**+4.4%**

Liabilities in EUR thousand	30/09/2019	31/12/2018	Change absolute	Change in %
Liabilities to banks [11]	1,625,704	1,516,620	+109,084	+7.2%
Liabilities to clients [12]	6,993,155	6,805,812	+187,343	+2.8%
Other financial liabilities [13]	1,472,559	1,372,321	+100,238	+6.8%
Trading Liabilities [14]	8,362	8,267	+95	+1.1%
Reserves and provisions [15]	148,950	133,412	+15,538	+11.6%
Current tax owed [16]	13,140	8,637	+4,503	+52.1%
Deferred tax owed [16]	5,057	3,574	+1,483	+41.5%
Other liabilities [17]	142,382	142,480	–98	–0.1%
Equity [18]	1,728,057	1,638,982	+89,075	+5.4%
Non-controlling interests [18]	46,008	41,183	+4,825	+11.7%
Owners of the parent company [18]	1,682,049	1,597,799	+84,250	+5.3%
Total liabilities	**12,137,366**	**11,630,105**	**+507,261**	**+4.4%**

Comprehensive income statement as at 30 September 2019

Comprehensive income statement in EUR thousand	**01/01 – 30/09/2019**	**01/01 – 30/09/2018**	**Change absolute**	**Change in %**
Interest and similar income from application of effective interest method	113,606	103,711	+9,895	+9.5%
Other interest and similar income	27,342	14,335	+13,007	+90.7%
Interest and similar expenses	–40,291	–25,644	–14,647	+57.1%
Net interest income [19]	**100,657**	**92,402**	**+8,255**	**+8.9%**
Loan-loss provisions [20]	2,014	401	+1,613	>+100%
Commission income	39,968	41,682	–1,714	–4.1%
Commission expenses	–3,638	–3,325	–313	+9.4%
Net commission income [21]	**36,330**	**38,357**	**–2,027**	**–5.3%**
Income from companies valued at equity [22]	40,484	35,448	+5,036	+14.2%
Trading income [23]	3,275	684	+2,591	>+100%
Income from securities [24]	7,484	4,137	+3,347	+80.9%
Operating expenses [25]	–145,759	–137,818	–7,941	+5.8%
Other operating revenue	105,135	102,491	+2,644	+2.6%
Other operating expenses	–25,391	–26,169	+778	–3.0%
Other operating profit [26]	**79,744**	**76,322**	**+3,422**	**+4.5 %**
Net pre-tax profit for the period	**124,229**	**109,933**	**+14,296**	**+13.0 %**
Taxes on earnings and profit [27]	–19,036	–18,790	–246	+1.3%
Group profit for the period	**105,193**	**91,143**	**+14,050**	**+15.4 %**
Non-controlling interests	4,956	5,288	–332	–6.3%
Owners of the parent company	100,237	85,855	+14,382	+16.8%

Other income in EUR thousand	**01/01 – 30/09/2019**	**01/01 – 30/09/2018**
Group profit for the period	**105,193**	**91,143**
Revaluations from performance-oriented pension plans	–11,873	3,486
Changes in at-equity valued companies recognised directly in equity	–1,059	1,806
Changes in equity instruments recognised directly in equity	4,305	1,623
Losses from sale of equity instruments reclassified under profit reserves	0	0
Fair-value adjustment of own creditworthiness risk of financial liabilities	–551	1,868
Gains/losses with regard to deferred taxes, applied directly against total profit	–920	–1,502
Total of items which could subsequently not be allocated into profit or loss	**–10,098**	**7,281**
Changes in at-equity valued companies recognised directly in equity	572	832
Changes in debt securities recognised directly in equity	4,805	–927
Unrealised profits/losses from adjustments in currency conversion	55	440
Gains/losses with regard to deferred taxes, applied directly against total profit	0	0
Total of items which could subsequently be allocated into profit or loss	**5,432**	**346**
Total other operating result	**–4,666**	**7,627**
Comprehensive income for the period	**100,527**	**98,770**
Non-controlling interests	4,956	5,288
Owners of the parent company	95,571	93,482

Key indicators	**30/09/2019**	**30/09/2018**
Diluted and undiluted earnings per share in EUR [28]	2.95	2.78

Statement of changes in equity in EUR thousand	Subscribed capital	Reserves	Retained earnings	OCI non-recyclable	OCI recyclable	Total owners of the parent company	Non-controlling interests	Equity
Equity at 01/01/2018	**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	85,855	0	0	85,855	5,288	91,143
Other income without companies valued at equity	0	0	–154	5,475	–486	4,835	0	4,835
Other income from companies valued at equity	0	0	25,939	1,806	832	28,577	0	28,577
Distributions	0	0	–9,257	0	0	–9,257	–99	–9,356
Own shares	0	–577	0	0	0	–577	0	–577
Other changes with a neutral effect on results	0	–4	98	0	0	94	5	99
Equity at 30/09/2018	**61,875**	**173,425**	**1,244,002**	**–2,482**	**25,726**	**1,502,547**	**43,451**	**1,545,998**

Statement of changes in equity in EUR thousand	Subscribed capital	Reserves	Retained earnings	OCI non-recyclable	OCI recyclable	Total owners of the parent company	Non-controlling interests	Equity
Equity at 31/12/2018	**68,063**	**242,030**	**1,267,961**	**–8,000**	**27,746**	**1,597,799**	**41,183**	**1,638,982**
Reclassifications within equity	0	0	1,190	–857	–333	0	0	0
Equity at 01/01/2019	**68,063**	**242,030**	**1,269,151**	**–8,857**	**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	100,237	0	0	100,237	4,956	105,193
Other income without companies valued at equity	0	0	–33	–9,039	4,860	–4,212	0	–4,212
Other income without companies valued at equity	0	0	–470	–1,059	572	–957	0	–957
Distributions	0	0	–10,182	0	0	–10,182	–99	–10,281
Own shares	0	–633	0	0	0	–633	0	–633
Other changes with a neutral effect on results	0	–3	0	0	0	–3	–32	–35
Equity at 30/09/2019	**68,063**	**241,394**	**1,358,703**	**–18,955**	**32,845**	**1,682,049**	**46,008**	**1,728,057**

Cash flow statement as at 30 September 2019

Cash flow statement in EUR thousand	**01/01 – 30/09/2019**	**01/01 – 30/09/2018**
Cash position at the end of the previous period	**867,497**	**320,708**
Profit for the period after taxes without non-controlling interests	105,193	91,143
Non-cash items and other adjustments in profit for the period	–11,858	–16,795
Changes to assets and liabilities from operating activities after correction for non-cash components	194,897	190,867
Operating cash flow	**288,232**	**265,215**
Cash inflow from sales	364	1,700
Cash outflow through investments	–60,678	–30,377
Investment cash flow	**–60,314**	**–28,677**
Capital increases	0	0
Dividend payments	–10,182	–9,356
Subordinated liabilities and other financing activities	–45,600	81,048
Financing cash flow	**–55,782**	**71,692**
Cash position at the end of the period	**1,039,633**	**628,938**

This consolidated interim financial statement of the Bank für Tirol und Vorarlberg AG (BTV AG) as at 30/09/2019 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 funicular railways and other tourism firms. The segment reporting contains more detailed information on this.

The accounting and valuation methods applied uniformly across the group comply with the standards for European balance sheets, so that the informative value of these 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 statements for 2018, the interim consolidated financial statements as at 30/09/2019 were prepared in accordance with the accounting principles according to the new IFRS 16 standard "Leases Standards". The impact of the first-time adoption of IFRS 16 is described in detail on pages 23–24.

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 associates are valued with their share in the identified assets and liabilities. The difference between the acquisition costs and the net asset recorded at fair value is capitalised as goodwill. The capitalised goodwill is subject to an annual impairment test pursuant to the provisions of IFRS 3, in connection with IAS 36 and IAS 38. Subsidiaries of lesser significance for the asset, financial and income situation of the Group are not fully consolidated.

The scope of full consolidation has not changed compared to 31/12/2018.

Silvretta Montafon Ferienimmobilien GmbH was renamed PURE Schruns GmbH by entry in the commercial register on 24/09/2019.

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 Anlagenleasing 1 GmbH, Innsbruck	100.00%	100.00%
BTV Anlagenleasing 2 GmbH, Innsbruck	100.00%	100.00%
BTV Anlagenleasing 3 Gesellschaft m.b.H., Innsbruck	100.00%	100.00%
BTV Anlagenleasing 4 GmbH, Innsbruck	100.00%	100.00%
BTV Leasing Deutschland GmbH, Munich	100.00%	100.00%
BTV Leasing Schweiz AG, Staad	99.99%	99.99%
BTV Hybrid I GmbH in Liqu., 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%
PURE Schruns GmbH, Schruns[1]	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%

[1] formerly Silvretta Montafon Ferienimmobilien GmbH, Schruns

Leasing companies and the companies of the Silvretta Montafon Group were included in the Annual Report as at 30 September, in accordance with their divergent financial year. BTV Beteiligungsholding GmbH, BTV 2000 Beteiligungsverwaltungsgesellschaft m.b.H. and Mayrhofner Bergbahnen AG finish their financial year on 30 November. The companies of Silvretta Montafon and Mayrhofner Bergbahnen AG have a divergent accounting date due to their seasonal activity. Owing to the structural situation in the group organisation, there is a different reporting date for both the leasing companies 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 30/09/2019. 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% of Mayrhofner Bergbahnen AG. There are direct minority interests which result from the holding in Mayrhofner Bergbahnen AG.

The consolidated earnings for the period allocated to minority interests amount to EUR 4,956 thousand.

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

Drei Banken Versicherungsagentur GmbH in Liquidation, Linz was liquidated and deconsolidated in the 3rd quarter of 2019. The request for deletion of the company was received by the commercial register on 23/09/2019 and the deletion was made on 03/10/2019.

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%
Moser Holding Aktiengesellschaft, Innsbruck	24.99%	24.99%

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

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

For the holding in the Oberbank AG, there is a syndication contract between BTV, the BKS Bank AG and the Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H. For the holding in the BKS Bank AG, there is a syndication contract between BTV, the Oberbank AG and the Generali 3 Banken Holding AG. The purpose of each of these syndication contracts is the maintenance of 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 from 01/10/2018 until 30/06/2019 in order to permit the prompt preparation of interim financial statements. Receivables and liabilities, expenses and income internal to the group are eliminated except where they are insignificant. An interim net profit elimination has been waived, since material interim net profit figures were not available.

ALPENLÄNDISCHE GARANTIE- GESELLSCHAFT m.b.H. is classed as a joint operation. The company has a concession under Section 1 para. 1, line 8, of the Austrian Banking Act (BWG). Its exclusive corporate object is the granting of guarantees, sureties and other liabilities for lending businesses of the 3 Banken Group. The 3 Banken Group is primarily the only source for payment flows that contribute to the continued activities of the arrangement. It is therefore classed as a joint operation in accordance with IFRS 11.B29-32. The proportional assets and liabilities of the company are considered on the reporting date of 30/09/2019.

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

Accounting and valuation principles

Spot transactions in financial assets were recorded or closed out on the settlement day. BTV's consolidated financial statements are drawn up in euros (EUR), 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 year 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 used for the approach with other comprehensive income, plus transaction costs, if 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 holding intent 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.

If the business model of the 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 from 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 becomes permissible, activities which correspond 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 directly in equity under other results 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 instruments 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 on 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 reduce 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 either 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 results 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

Insofar as 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 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 the 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 depreciation, 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-completed 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.

Holdings in companies valued at-equity

This item records the holdings in those associated companies which are included according to the equity method. On the balance sheet date, the BTV Group assesses whether there are objective indications that the holdings in associated companies could go down in value, for example, if the book values of net equity exceed the market capitalisation in value. If there are objective indications of this, the book value is checked for reduction in value by comparing it to the realisable amount, which corresponds to the higher of in-use value and discounted present value, minus sales costs.

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. The amortisation of intangible assets is basically performed via a useful life of between 2 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 3 to 10 years.

Derecognition of the fully depreciated fixed assets takes place at 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 the 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 P&L item "Other business revenues".

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 01/01/2019. 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 30,851,000 were reported in the balance sheet as at 01/01/2019. 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 01/01/2019 and 30/09/2019, there was additionally an activation of licences in the amount of EUR 386,000. and a recognition of leasing liabilities in the amount of EUR 386,000. 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 01/01/2019 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 AG. 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 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 and 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 generated. 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 the 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

In other operating profit are shown all the revenues and costs of the 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 funicular railways 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. They include the individual group companies on the basis of calculated taxable results from current income taxes, income tax corrections for previous years and changes to the tax provisions.

Discretionary decisions, assumptions and estimates

In drawing up the BTV group 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 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 is a significant changes in contract conditions if a present value difference between the remaining debt of the original cashflows and the new cashflows results from the modification and amounts to at least 10%.

Uncertain estimates

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

Fair value of financial instruments

If the other comprehensive income 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, as far as possible, derived from observable market data. 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 "Recording of depreciations pursuant to IFRS 9" on page 19.

Long-term payroll 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. Also, estimates regarding the amount and maturity of future cashflows are necessary for the calculation of reserves.

Deferred taxes
Deferred tax assets are recognised as tax loss carry-forwards and applicable temporary tax differences. This assumes that in future taxable earnings are 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	**30/09/2019**	**31/12/2018**
Cash on hand	23,538	30,485
Credit with central banks	1,016,095	837,012
Cash reserves	**1,039,633**	**867,497**

2 Loans to credit institutions in EUR thousand	**30/09/2019**	**31/12/2018**
Amortised costs	409,523	365,402
Loans to credit institutions	**409,523**	**365,402**

3 Customer receivables in EUR thousand	**30/09/2019**	**31/12/2018**
Amortised costs	7,789,407	7,650,336
Mandatorily at fair value	225,177	200,567
Loans to clients	**8,014,584**	**7,850,903**

4 Other financial assets in EUR thousand	30/09/2019	31/12/2018
Debt securities valued at amortised costs	894,245	925,630
Debt securities valued at fair value through other comprehensive income (FVOCI)	387,827	311,301
Debt securities mandatorily valued at fair value	22,348	21,245
Debt securities fair value option	2,610	2,729
Equity instruments valued at fair value through other comprehensive income (FVOCI)	123,575	120,545
Equity instruments valued at fair value through profit and loss (FVTPL)	35,008	30,558
Positive market values from derivative hedging instruments	65,778	45,692
Other financial assets	**1,531,391**	**1,457,700**

5 Shares in companies valued at-equity in EUR thousand	30/09/2019	31/12/2018
Credit institutions	684,917	655,471
Non-credit institutions	18,456	18,981
Shares in at-equity valued companies	**703,373**	**674,452**

6 Risk provisions 2019 (presentation of portfolio) in EUR thousand	Position 01/01/2019	Addi-tions	Releases	Con-sump-tion	Currency conversion	Splitting	Position 30/09/2019
Value adjustments level 1	7,746	3,264	–5,149	0	0	0	5,861
Value adjustments level 2	7,093	3,890	–5,107	0	0	0	5,876
Individual valuation adjustment to loans to credit institutions	0	0	0	0	0	0	0
Individual valuation adjustment to Loans to clients	82,538	8,262	–12,472	–2,070	72	819	77,149
Loan-loss provisions in the credit business	**97,377**	**15,416**	**–22,728**	**–2,070**	**72**	**819**	**88,886**
Reserves for guarantees level 1	40,585	4,156	–698	0	0	0	44,043
Reserves for guarantees level 2	105	136	–102	0	0	0	139
Reserves for guarantees level 3	4,529	3,954	–4,174	0	37	0	4,346
Reserves of unused credit level 1	1,665	1,114	–966	0	0	0	1,813
Reserves of unused credit level 2	581	163	–193	0	0	0	551
Reserves of unused credit level 3	2,668	1,321	0	0	0	0	3,989
Reserves for guarantees and credit	**50,133**	**10,844**	**–6,133**	**0**	**37**	**0**	**54,881**
Total risk provisions	**147,510**	**26,260**	**–28,861**	**–2,070**	**109**	**819**	**143,767**

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 01/01/2018**	**Addi- tion**	**Reversal**	**Con- sumption**	**Currency conversion**	**Splitting**	**Position 30/09/2018**
Value adjustments level 1	10,856	8,289	–9,722	0	0	0	9,423
Value adjustments level 2	7,517	10,600	–8,742	0	0	0	9,375
Individual valuation adjustment to Loans to credit institutions	0	0	0	0	0	0	0
Individual valuation adjustment to Loans to clients	105,654	6,682	–15,551	–15,691	90	3,774	84,958
Loan-loss provisions in the credit business	**124,027**	**25,571**	**–34,015**	**–15,691**	**90**	**3,774**	**103,756**
Reserves for guarantees level 1	33,965	7,008	–109	0	0	0	40,864
Reserves for guarantees level 2	93	1	–93	0	0	0	1
Reserves for guarantees level 3	5,437	8,491	–8,612	0	18	0	5,334
Reserves of unused credit level 1	1,515	1,913	–1,517	0	0	0	1,911
Reserves of unused credit level 2	977	257	–931	0	0	0	303
Reserves of unused credit level 3	1,352	1,618	0	0	0	0	2,970
Reserves for guarantees and credit	**43,339**	**19,288**	**–11,262**	**0**	**18**	**0**	**51,383**
Total risk provisions	**167,366**	**44,859**	**–45,277**	**–15,691**	**108**	**3,774**	**155,139**

6a Level transfer in EUR thousand

Value adjustment 01/01/2019 – 30/09/2019

	Level 1	Level 2	Level 3	POCI*	Total
Transfer from level 1 to level 2	–1,941	1,941	0	0	0
Transfer from level 1 to level 3	–9	0	9	0	0
Transfer from level 2 to level 1	581	–581	0	0	0
Transfer from level 2 to level 3	0	–55	55	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	**–1,369**	**1,305**	**64**	**0**	**0**

Reserves for guarantees 01/01/2019 – 30/09/2019

	Level 1	Level 2	Level 3	POCI*	Total
Transfer from level 1 to level 2	–7	7	0	0	0
Transfer from level 1 to level 3	–18	0	18	0	0
Transfer from level 2 to level 1	90	–90	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	**65**	**–83**	**18**	**0**	**0**

Provisions for credit 01/01/2019 – 30/09/2019

	Level 1	Level 2	Level 3	POCI*	Total
Transfer from level 1 to level 2	–12	12	0	0	0
Transfer from level 1 to level 3	–1	0	1	0	0
Transfer from level 2 to level 1	98	–98	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	**85**	**–86**	**1**	**0**	**0**

At BTV, shown transfers from one level to another are posted to the income statement via allocation or removal in the respective items and are included in the values in Note 6 in the respective items allocation (+) and removal (–).

* 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 01/01/2018 – 30/09/2018	Level 1	Level 2	Level 3	POCI*	Total
Transfer from level 1 to level 2	–738	738	0	0	0
Transfer from level 1 to level 3	–13	0	13	0	0
Transfer from level 2 to level 1	4,078	–4,078	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	3,011	–3,011	0	0
Total	**3,327**	**–341**	**–2,986**	**0**	**0**

Reserves for guarantees 01/01/2018 – 30/09/2018	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	81	–81	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	**79**	**–80**	**1**	**0**	**0**

Provisions for credit 01/01/2018 – 30/09/2018	Level 1	Level 2	Level 3	POCI*	Total
Transfer from level 1 to level 2	–16	16	0	0	0
Transfer from level 1 to level 3	0	0	0	0	0
Transfer from level 2 to level 1	716	–716	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	**700**	**–700**	**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	**30/09/2019**	**31/12/2018**
Funds	25,582	23,073
Positive market values arising from derivative transactions	21,997	7,666
Trading assets	**47,579**	**30,739**

8 Intangible fixed assets in EUR thousand	**30/09/2019**	**31/12/2018**
Intangible fixed assets	1,797	1,105
Intangible fixed assets	**1,797**	**1,105**

8a Property, plant and equipment in EUR thousand	**30/09/2019**	**31/12/2018**
Land and buildings	203,290	182,457
of which activated rights of use for leased assets pursuant to IFRS 16	22,903	n.a.
Production and business fittings	135,609	140,809
of which activated rights of use for leased assets pursuant to IFRS 16	270	n.a.
Property, plant and equipment	**338,899**	**323,266**

8b Properties held as financial investments in EUR thousand	**30/09/2019**	**31/12/2018**
Properties held as financial investments	60,612	55,013
of which activated rights of use for leased assets pursuant to IFRS 16	5,563	n.a.
Properties held as financial investments	**60,612**	**55,013**

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

9 Tax refunds in EUR thousand	30/09/2019	31/12/2018
Current tax assets	229	231
Deferred tax assets	4,564	3,722
Tax refunds	**4,793**	**3,953**

10 Other assets in EUR thousand	30/09/2019	31/12/2018
Other assets	74,068	97,452
Other assets	**74,068**	**97,452**

11 Liabilities to banks in EUR thousand	**30/09/2019**	**31/12/2018**
Liabilities to credit institutions	1,625,704	1,516,620
Liabilities to credit institutions	**1,625,704**	**1,516,620**

12 Liabilities to customers in EUR thousand	**30/09/2019**	**31/12/2018**
Savings deposits	1,332,389	1,260,041
Other deposits	5,660,766	5,545,771
Liabilities to clients	**6,993,155**	**6,805,812**

13 Other financial liabilities in EUR thousand	**30/09/2019**	**31/12/2018**
Amortised costs	855,449	873,544
Fair value option	556,788	482,981
Negative market values from derivative hedging instruments	31,432	15,796
Liabilities from leasing relationships	28,890	n.a.
Other financial liabilities	**1,472,559**	**1,372,321**

14 Trading liabilities in EUR thousand	**30/09/2019**	**31/12/2018**
Negative market values arising from derivative transactions	8,362	8,267
Trading liabilities	**8,362**	**8,267**

15 Reserves and provisions in EUR thousand	**30/09/2019**	**31/12/2018**
Long-term staff reserves	90,256	77,614
Other reserves and provisions	58,694	55,798
Reserves and provisions	**148,950**	**133,412**

The main actuarial assumptions to determine the cash values of the performance-oriented liabilities were updated in the banking sector as follows:

15a Actuarial assumptions for the banking sector	**30/09/2019**	**31/12/2018**
Financial assumptions		
Rate for the discount	0.65%	2.06%
Pay increase	2.80%	2.79%
Old-age pension increase	2.28%	2.25%
Discount for employee turnover	–	–
Demographic assumptions		
Age for pension entitlement: female employees	65 years	65 years
Age for pension entitlement: male employees	65 years	65 years
Mortality table	AVÖ 2018	AVÖ 2018

15b Other reserves and provisions in EUR thousand	**Position 01/01/2019**	**Additions**	**Releases**	**Consump-tion**	**Currency conversion**	**Splitting**	**Position 30/09/2019**
Reserves for guarantees level 1	40,585	4,156	–698	0	0	0	44,043
Reserves for guarantees level 2	105	136	–102	0	0	0	139
Reserves for guarantees level 3	4,529	3,954	–4,174	0	37	0	4,346
Reserves of unused credit level 1	1,665	1,114	–966	0	0	0	1,813
Reserves of unused credit level 2	581	163	–193	0	0	0	551
Reserves of unused credit level 3	2,668	1,321	0	0	0	0	3,989
Reserves for miscellaneous	5,665	267	0	–499	14	–1,634	3,813
Other reserves and provisions	**55,798**	**11,111**	**–6,133**	**–499**	**51**	**–1,634**	**58,694**

Other reserves and provisions in EUR thousand	**Position 01/01/2018**	**Additions**	**Releases**	**Consump-tion**	**Currency conversion**	**Splitting**	**Position 30/09/2018**
Reserves for guarantees level 1	33,965	7,008	–109	0	0	0	40,864
Reserves for guarantees level 2	93	1	–93	0	0	0	1
Reserves for guarantees level 3	5,437	8,491	–8,612	0	18	0	5,334
Reserves of unused credit level 1	1,515	1,913	–1,517	0	0	0	1,911
Reserves of unused credit level 2	977	257	–931	0	0	0	303
Reserves of unused credit level 3	1,352	1,618	0	0	0	0	2,970
Reserves for miscellaneous	7,010	0	0	–2,104	12	0	4,918
Other reserves and provisions	**50,349**	**19,288**	**–11,262**	**–2,104**	**30**	**0**	**56,301**

16 Tax debts in EUR thousand

16 Tax debts in EUR thousand	30/09/2019	31/12/2018
Current tax debts	13,140	8,637
Deferred tax debts	5,057	3,574
Tax debts	**18,197**	**12,211**

17 Other liabilities in EUR thousand

17 Other liabilities in EUR thousand	30/09/2019	31/12/2018
Other liabilities	142,382	142,480
Other liabilities	**142,382**	**142,480**

18 Equity in EUR thousand

18 Equity in EUR thousand	30/09/2019	31/12/2018
Subscribed capital	68,063	68,063
Reserves	241,394	242,030
Retained profit (including net profit)	1,358,702	1,267,960
Other reserves	13,890	19,746
Owners of the parent company	**1,682,049**	**1,597,799**
Non-controlling interests	46,008	41,183
Equity	**1,728,057**	**1,638,982**

19 Net interest income in EUR thousand	01/01 – 30/09/2019	01/01 – 30/09/2018
Interest and similar income from:		
Lending and money market transactions with credit institutions	3,241	2,833
Lending and money market transactions with customers	114,241	101,373
Other financial assets	20,950	8,790
Trading assets	77	61
Contract adjustments	3	16
Liabilities	2,436	4,973
Sub-total interest and similar income	**140,948**	**118,046**
Interest and similar expenses on:		
Credit institutions' deposits	–3,942	–3,501
Customer deposits	–8,859	–8,190
Other financial liabilities	–24,515	–12,439
Interest costs, long-term staff reserves	–2,148	–958
Contract adjustments	–3	–16
Assets	–824	–540
Sub-total interest and similar expenses	**–40,291**	**–25,644**
Net interest income	**100,657**	**92,402**

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	01/01 – 30/09/2019	01/01 – 30/09/2018
Interest and similar income:		
Total interest income from application of effective interest method	113,606	103,711
From assets valued at amortised costs	110,360	97,796
From assets valued at fair value through other comprehensive income (recyclable)	810	941
Positive interest expenditure from liabilities valued at amortised costs	2,436	4,973
Total other interest income	27,342	14,335
From assets valued at fair value through profit and loss	20,479	10,806
From assets valued at fair value through other comprehensive income (not recyclable)	6,863	3,529
Sub-total interest and similar income	**140,948**	**118,046**
Interest and similar expenses:		
Total interest expenditure from application of effective interest method	–21,014	–18,839
For liabilities valued at amortised costs	–20,190	–18,298
Negative interest income from assets valued at amortised costs	–824	–540
Total other interest expenditure	–19,277	–6,806
For liabilities valued at fair value through profit and loss	–17,129	–5,847
Interest expenditure from non-financial liabilities	–2,148	–958
Sub-total interest and similar expenses	**–40,291**	**–25,644**
Net interest income	**100,657**	**92,402**

20 Loan-loss provisions in lending business in EUR thousand	01/01 – 30/09/2019	01/01 – 30/09/2018
Transfer to loan loss provisions on-balance	–15,947	–25,589
Additions to credit risk provisions off-balance	–10,844	–19,288
Reversals of credit risk provisions on-balance	22,821	34,123
Reversals of credit risk provisions off-balance	6,132	11,262
Direct write-downs	–454	–483
Income from amortised receivables	306	376
Loan-loss provisions in the credit business	**2,014**	**401**

21 Net commission income in EUR thousand	01/01 – 30/09/2019	01/01 – 30/09/2018
Commission income from		
Credit transactions	5,744	6,099
Payment transactions	10,984	10,769
Securities trading	19,666	21,412
Currency, foreign exchange and precious metals trading	2,671	2,399
Other services business	903	1,003
Sub-total commission income	**39,968**	**41,682**
Commission expenses for		
Credit transactions	–370	–222
Payment transactions	–1,239	–879
Securities trading	–1,341	–1,610
Currency, foreign exchange and precious metals trading	0	0
Other services business	–688	–614
Sub-total commission expenses	**–3,638**	**–3,325**
Net commission income	**36,330**	**38,357**

22 Income from companies valued at equity in EUR thousand	01/01 – 30/09/2019	01/01 – 30/09/2018
Income from companies valued at equity	40,484	35,448
Income from companies valued at equity	**40,484**	**35,448**

23 Trading income in EUR thousand	01/01 – 30/09/2019	01/01 – 30/09/2018
Valuation and realisation gains from derivatives	173	23
Valuation and realisation gains from debt securities	–87	–314
Valuation and realisation gains from funds	2,508	517
Income from foreign exchange and currencies	681	458
Trading income	**3,275**	**684**

24 Income from securities in EUR thousand	**01/01 – 30/09/2019**	**01/01 – 30/09/2018**
Realisation gains – valued at amortised costs	0	0
Valuation and realisation gains – valued at fair value through other comprehensive income (FVOCI)	143	0
Valuation and realisation gains – mandatorily valued at fair value	5,562	3,626
Valuation and realisation gains – fair value option	1,822	556
Result from fair value hedge accounting	–43	–45
Income from financial transactions	**7,484**	**4,137**

25 Operating expenses in EUR thousand	**01/01 – 30/09/2019**	**01/01 – 30/09/2018**
Payroll	–77,342	–73,251
Materials	–43,147	–43,473
Amortisations	–25,270	–21,094
of which amortisation of activated licenses for objects of lease according to IFRS 16	–2,501	n.a.
Operating expenses	**–145,759**	**–137,818**

25a Average number of employees in the period, weighted by person-years	**01/01 – 30/09/2019**	**01/01 – 30/09/2018**
White collar	978	961
Blue collar	527	531
Payroll	**1,505**	**1,492**

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 income in EUR thousand	**01/01 – 30/09/2019**	**01/01 – 30/09/2018**
Income from other transactions	105,135	102,491
Expenses from other transactions	–25,391	–26,169
Other operating profit	**79,744**	**76,322**

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

27 Taxes on income and revenue in EUR thousand	01/01 – 30/09/2019	01/01 – 30/09/2018
Current tax expense	–19,329	–19,051
Tax provision cost (–)/income (+)	293	261
Taxes on earnings and profit	**–19,036**	**–18,790**

28 Earnings per share (ordinary and preference shares)	30/09/2019	30/09/2018
Shares (ordinary and preference shares)	34,031,250	30,937,500
Average float (ordinary and preference shares)	33,932,873	30,861,868
Group net profit attributable to the owners for the period in EUR thousand	100,237	85,855
EPS (Earnings per share) in EUR	2.95	2.78
Diluted earnings per share in EUR (ordinary and preference shares)	2.95	2.78

The diluted earnings per share are the same as the undiluted earnings per share as no financial instruments with diluting effect were issued. As a result, there are no differences between the values "earnings per share" and "diluted earnings per share".

29 Other data in EUR thousand	30/09/2019	31/12/2018
Trust loans:		
Loans to customers	14,204	14,986
Trust liabilities:		
Liabilities to customers	14,204	14,986
I) Fiduciary operations		
Performance guarantees and credit risks:		
Performance guarantees	344,749	310,945
Credit risks	1,915,486	1,606,359
II) Performance bonds and credit risks	**2,260,235**	**1,917,304**
III) Open capital calls	**9,296**	**0**

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 10.2% 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 CRR). The provisions for calculating and disclosure of the leverage ratio within the EU are implemented by BTV as part of their disclosure obligations. The leverage ratio amounted to around 8.2% as at 30/09/2019, and 9.0% in total as at 31/12/2018.

30a Consolidated equity pursuant to the CRR in EUR million	**30/09/2019**	**31/12/2018**
Common equity (CET1)		
Capital instruments qualifying as CET1	300.2	300.2
Proprietary CET1 instruments	–28.4	–18.7
Retained earnings and other surplus reserves	1,131.2	1,131.2
Aggregated other income	12.4	–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	1.7	1.4
Goodwill	0.0	0.0
Other intangible assets	–0.9	–0.4
Regulatory changes in connection with CET1 instruments of financial companies, in which the bank holds a substantial interest	–565.4	–522.8
Amount exceeding the threshold value of 17.65%	–11.6	–2.6
Other transitional changes to CET1	0.0	0.0
Common equity (CET1)	**974.8**	**1,015.0**
Additional core capital (Additional Tier 1)		
Changes owing to the transitional provisions for Additional Tier 1 capital instruments	0.0	14.0
Other transitional changes to Additional Tier 1	0.0	0.0
Additional core capital (Additional Tier 1)	0.0	14.0
Core capital (Tier 1): sum of common equity (CET1) and additional (AT1) core capital	**974.8**	**1,029.0**
Supplementary capital (Tier 2)		
Paid-up capital instruments and subordinated loans	181.8	184.4
Direct positions in supplementary capital instruments	–0.3	–0.8
Changes owing to the transitional provisions for supplementary capital instruments and subordinated loans	1.1	9.6
Other transitional changes to supplementary capital	0.0	0.0
Supplementary capital (Tier 2)	**182.6**	**193.2**
Total qualifying equity	**1,157.4**	**1,222.2**
Total amount at risk	**8,136.5**	**7,727.5**
Common equity Tier 1 ratio	11.98%	13.13%
Core capital ratio	11.98%	13.32%
Equity ratio	14.22%	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 lending listed on major exchanges. The fair value of financial instruments traded on active markets is calculated on the basis of quoted prices, in so far as these represent prices applied within the context of regular and current transactions.

An active market must fulfil cumulatively the following conditions:

- The products traded on the market are homogeneous,
- willing buyers and sellers can usually be found anytime, 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 an 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 stock exchange.

Level 2
Securities which are not traded in an active market are valued by means of the discounted cash flow method. This means that the future projected cash flows are discounted by means of suitable discount factors in order to calculate the fair value. The discount factors contain both the credit curve without credit risk as well as the credit spreads which follow the credit rating and the rank of the issuer. The interest curve for discounting contains securities account, money-market futures and swap rates as observable on the market. The calculation of the credit spread follows a 3-step process:

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

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

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

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

The 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 in their entirety directly observable on the market (money market rates, money market futures and interest rates as well as swap interest rates) or derived from input factors observable on the market (caps / floor volatilities implicitly deducted from option prices).

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

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

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

31a Fair value hierarchy of financial instruments which are valued at fair value as at 30/09/2019 in EUR thousand	Prices listed in active markets Level 1	Valuation methods based on market data Level 2	Valuation methods not based on market data Level 3
Financial assets stated at fair value			
Loans to customers mandatorily valued at fair value	0	0	225,177
Debt securities valued at fair value through other comprehensive income (FVOCI)	326,507	61,320	0
Debt securities mandatorily valued at fair value	22,348	0	0
Debt securities (fair-value option)	2,610	0	0
Equity instruments valued at fair value through other compre-hensive income (FVOCI)	61,198	0	62,377
Equity instruments valued at fair value through profit and loss (FVTPL)	35,008	0	0
Positive market values from derivative hedging instruments	0	65,778	0
Trading assets – funds	25,582	0	0
Trading assets – positive market values from derivative financial instruments	0	21,997	0
Overall financial assets classified at fair value	**473,252**	**149,095**	**287,554**
Financial liabilities stated at fair value			
Fair value option	0	556,788	0
Negative market values from derivative hedging instruments	0	31,432	0
Trading liabilities – negative market values arising from deriva-tive financial instruments	0	8,362	0
Overall liabilities classified at fair value	**0**	**596,582**	**0**

Fair value hierarchy of financial instruments which are valued at fair value as at 31/12/2018 in EUR thousand	Prices listed in active markets Level 1	Valuation methods based on market data Level 2	Valuation methods not based on market data Level 3
Financial assets stated at fair value			
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 compre-hensive 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	23,073	0	0
Trading assets – positive market values from derivative financial instruments	0	7,666	0
Overall financial assets classified at fair value	**399,463**	**94,339**	**269,574**
Financial liabilities stated 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 arising from deriva-tive financial instruments	0	8,267	0
Overall liabilities classified at fair value	**0**	**507,044**	**0**

31b Movements in Level 3 of financial instruments valued at fair value

in EUR thousand	01/01/2019	Earnings on P&L	Success from other operating income
Loans to customers mandatorily valued at fair value	200,567	486	0
Equity instruments valued at fair value through other comprehensive income (FVOCI)	69,007	0	–6,057
Overall financial assets classified at fair value	**269,574**	**486**	**–6,057**

Movements in Level 3 of financial instruments assessed at fair value

in EUR thousand	01/01/2018	Earnings on P&L	Success from other operating income
Loans to customers mandatorily valued at fair value	218,092	4,782	0
Equity instruments valued at fair value through other comprehensive income (FVOCI)	66,058	0	1,120
Overall financial assets classified at fair value	**284,150**	**4,782**	**1,120**

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	30/09/2019
96,299	–72,175	0	0	0	225,177
704	–1,277	0	0	0	62,377
97,003	**–73,452**	**0**	**0**	**0**	**287,554**

Purchases	Sales, repayments	Transfer to level 3	Transfer from level 3	Currency conversion	30/09/2018
19,537	–52,642	0	0	0	189,769
0	0	0	0	0	67,178
19,537	**–52,642**	**0**	**0**	**0**	**256,947**

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 flow and the option price model.

Assets in EUR thousand	Fair value 30/09/2019	Book value 30/09/2019	Fair value 31/12/2018	Book value 31/12/2018
Cash reserves	1,039,633	1,039,633	867,497	867,497
Loans to credit institutions valued at amortised costs	409,539	409,268	365,389	365,275
Loans to customers valued at amortised costs	7,823,447	7,701,054	7,619,088	7,553,310
Other financial assets valued at amortised costs	908,141	893,966	930,805	925,406

Liabilities in EUR thousand	Fair value 30/09/2019	Book value 30/09/2019	Fair value 31/12/2018	Book value 31/12/2018
Liabilities to credit institutions valued at amortised costs	1,627,165	1,625,704	1,513,656	1,516,620
Liabilities to customers valued at amortised costs	6,981,430	6,993,155	6,785,400	6,805,812
Other financial liabilities valued at amortised costs	901,609	884,339	880,889	873,544

33 Fair value hierarchy of financial instruments, which are not valued at fair value as at 30/09/2019 in EUR thousand	Prices listed in active markets	Valuation methods 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	409,539
Loans to customers valued at amortised costs	0	0	7,823,447
Other financial assets valued at amortised costs	893,365	14,776	0
Overall financial assets not valued at fair value	**893,365**	**14,776**	**8,232,986**
Financial liabilities not valued at fair value			
Liabilities to credit institutions valued at amortised costs	0	0	1,627,165
Liabilities to customers valued at amortised costs	0	0	6,981,430
Other financial liabilities valued at amortised costs	0	872,719	28,890
Overall liabilities not valued at fair value	**0**	**872,719**	**8,637,485**

Fair value hierarchy of financial instruments, which are not valued at fair value as at 31/12/2018 in EUR thousand	Prices listed in active markets	Valuation methods 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	365,389
Loans to customers valued at amortised costs	0	0	7,619,088
Other financial assets valued at amortised costs	919,766	11,038	0
Overall financial assets not valued at fair value	**919,766**	**11,038**	**7,984,477**
Financial liabilities not valued at fair value			
Liabilities to credit institutions valued at amortised costs	0	0	1,513,656
Liabilities to customers valued at amortised costs	0	0	6,785,400
Other financial liabilities valued at amortised costs	0	880,889	0
Overall liabilities not valued at fair value	**0**	**880,889**	**8,299,056**

34 Hedge accounting

Underlying transactions as at 30/09/2019 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	90,114		7,899	
Liabilities to customers		111,376		18,715
Other financial liabilities		154,557		23,230

Hedging transactions as at 30/09/2019 in EUR thousand	Nominal amount	Book value	
		Assets	Liabilities
Fair value hedges			
Interest rate risk			
Other financial assets	262,800	42,003	0
Other financial liabilities	89,910	0	7,858

Underlying transactions as at 31/12/2018 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 31/12/2018 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 to other financial assets under Derivatives, negative market values for hedging transactions under Derivatives in other financial liabilities.

Ineffectiveness 01/01 – 30/09/2019 **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	13	0	Income from financial transactions
Liabilities to customers	–22	0	Income from financial transactions
Other financial liabilities	–34	0	Income from financial transactions

Ineffectiveness 01/01 – 30/09/2018 **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	–18	0	Income from financial transactions
Liabilities to customers	–13	0	Income from financial transactions
Other financial liabilities	–14	0	Income from financial transactions

35 Segment reporting

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

The basis of segment reporting is the profit centre accounting for corporate and retail customers and the overall bank report for the institutional clients and banks business area. For the leasing segment (since the fourth quarter of 2018) and for the funicular segment (since the second quarter of 2019), the corresponding reporting package is the relevant 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 centre and service centre, whereby the profit centres can be assigned services and income directly, while the service centres perform the services for the profit centres. The operating expenses are calculated based on the direct personnel, material and occupancy costs as well as the overhead personnel, material and occupancy costs.

The abovementioned 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 almost totally automated by preparatory systems and interfaces. The reporting dates for the data are the respective period closing dates of the subsidiaries included in the consolidated financial statements. The information of the internal and external accounting system is based on the same base data and for the purpose of the reports has been agreed in the “Finance and Controlling” and “Risk Management” divisions.

Reciprocal checks, ongoing reconciliations or validation checks between the Accounting, Group Accounting, Sales and Strategy Controlling, Risk Controlling, as well as Reporting teams are therefore guaranteed. The criterion for the separation of business areas is primarily designed to ensure 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 risk provisions of ALPENLÄNDISCHE GARANTIE - GESELLSCHAFT m.b.H. have been allocated to the corporate client segment since 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 have been defined within BTV:

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

The results of the five reporting segments are detailed below.

Corporate client segment

The corporate clients segment is the largest area in terms of earnings. Operating interest income forms its main revenue component. As compared to the third quarter of 2018, the interest income increased by EUR +7.5 million to EUR 83.3 million. Loan loss provisions in the credit business had a negative impact on this segment's results amounting to EUR –1.4 million. The segment’s net commission income recorded an increase of EUR +0.5 million to EUR 15.5 million. The administrative expenses were up EUR +2.5 million to EUR 31.4 million. Income from financial transactions resulted in a positive balance in the amount of EUR 0.5 million. New business provided for an increase of segment receivables of EUR +512 million to EUR 6,431 million. Segment liabilities increased from EUR 2,863 million to EUR 2,882 million. In total, the profit for the period before taxes reached EUR 66.6 million and was therefore EUR –0.5 million below the previous year's figure.

Retail client segment

The retail business contributed to interest earnings in the reporting period with an interest income of EUR 28.5 million. The loan loss provisions in the credit business had a positive impact on the results for the segment. Compared with the previous year, the positive effect increased by EUR +0.9 million to EUR 1.0 million. At EUR 24.1 million, net commission income stood at the same level as the previous year. The cost intensity, due to the retail sector typically being highly demanding in terms of staff and premises, led to an increase of EUR +3.2 million in operating costs of EUR 47.1 million. In comparison to the previous year, other operating income went down EUR –0.2 million to EUR 0.4 million. Overall, the retail clients segment achieved earnings before tax of EUR 7.0 million in this period, compared to EUR 8.3 million in the previous year.

Institutional clients and banks segment

The results for the segment of Institutional Customers and Banks increased substantially compared to the same period in the previous year. A decline in interest income of EUR –2.3 million to EUR 3.2 million is contrasted by an increase in income from financial transactions including trade income by EUR +6.4 million to EUR 6.0 million. Loan loss provisions for the credit business posted a positive value of EUR 1.5 million due to reversals. Administrative costs of the segment rose by EUR +0.2 million to EUR 3.2 million. In total, the pre-tax profit for the period was up EUR +5.8 million to EUR 7.5 million.

Leasing segment

The leasing subsidiary of BTV experienced robust development in the reporting period. Customer cash volumes increased by EUR +60 million to EUR 1,012 million. Interest income benefited from the performance of the lending business and recorded a moderate increase of EUR +0.6 million to EUR 11.1 million. Loan loss provisions in the credit business improved by EUR +0.6 million to EUR +0.9 million compared to the previous year. The net commission was on a similar level compared to the previous year, amounting to EUR 0.3 million. Administrative costs rose as compared to the previous year's quarter by EUR +0.8 million to EUR 5.1 million. Other operating profit increased by EUR +1.7 million to EUR 3.9 million. The pre-tax profit for the period thus increased by EUR +2.3 million overall to EUR 11.2 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 until 30/09/2019 were EUR –1.6 million. Other operating profit, which mainly includes the revenues, dropped EUR –0.8 million to EUR 83.5 million. These earnings were also the decisive factor for Silvretta Montafon Holding GmbH, with its average of 502 employees in the reporting period, and Mayrhofner Bergbahnen Aktiengesellschaft, which employed an average of 178 employees during the reporting period. Administrative expenses were up EUR +1.3 million to EUR 60.7 million. On the whole, the segment achieved earnings before taxes in the amount of EUR 20.5 million, which is EUR –2.5 million lower than in the previous year.

Segment reporting in EUR thousand	**Year**	**Corporate clients**	**Private clients**	**Institutional clients and banks**	**Leasing**	**Cable cars**	**Segments that must be reported**	**Other segments/ consolidation/misc.**	**Group balance sheet/P&L**
Net interest income incl. at equity result	09/2019	83,289	28,522	3,186	11,132	–1,642	124,488	16,653	141,141
	09/2018	75,767	27,390	5,464	10,518	–1,804	117,334	10,516	127,850
Risk provisions in the credit business	09/2019	–1,357	1,012	1,493	867	0	2,014	0	2,014
	09/2018	395	141	–368	233	0	401	0	401
Net commission income	09/2019	15,543	24,069	0	332	–545	39,399	–3,069	36,330
	09/2018	15,014	24,048	0	274	–225	39,111	–754	38,357
Operating expenses	09/2019	–31,378	–47,085	–3,217	–5,071	–60,669	–147,420	1,661	–145,759
	09/2018	–28,851	–43,901	–3,000	–4,297	–59,348	–139,397	1,579	–137,818
Other operating profit	09/2019	0	435	0	3,870	83,453	87,758	–8,014	79,744
	09/2018	0	617	0	2,185	84,267	87,069	–10,747	76,322
Income from financial transactions and trading result	09/2019	486	0	5,989	43	–138	6,380	4,379	10,759
	09/2018	4,782	0	–413	–81	42	4,330	491	4,821
Result for the period before tax	**09/2019**	**66,583**	**6,953**	**7,451**	**11,173**	**20,460**	**112,619**	**11,610**	**124,229**
	09/2018	**67,107**	**8,295**	**1,683**	**8,832**	**22,931**	**108,848**	**1,085**	**109,933**
Segment loans	09/2019	6,430,788	1,384,724	2,780,009	1,011,948	21,356	11,628,825	–531,002	11,097,823
	09/2018	5,918,561	1,363,641	2,385,027	952,358	26,847	10,646,434	–444,687	10,201,747
Segment liabilities	09/2019	2,881,526	3,879,405	2,371,219	967,685	104,975	10,204,810	–144,823	10,059,987
	09/2018	2,862,876	3,604,046	2,195,886	938,053	88,435	9,689,296	–381,529	9,307,767

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

Segment reporting: explanatory notes

The net interest income is allocated according to the market interest method. Sales figures are included in the corporate and retail clients for management reasons, among other items. Income from at-equity valued companies is allocated to the "Other segments/Consolidation/misc." area. Net commission income is determined by the assignment of the internal divisional accounting (including all manual entries being assigned to commission). Costs are imputed to the correct segment on the basis of origin. The expenses of BTV Leasing GmbH and/or Silvretta Montafon Gruppe and Mayrhofner Bergbahnen Aktiengesellschaft are directly imputable according to the individual reports. Costs not directly imputable are shown under "Other segments/consolidation/misc." The other operating income includes, among other things, the earnings from the Silvretta Montafon Group and Mayrhofner Bergbahnen and, in addition to the consolidation effects, essentially the stability tax and rental operations under "Other segments/ consolidation/misc."

The segment receivables include the entries for "loans to central banks", "loans and advances to banks", "loans and advances to clients", "other financial assets" of the valuation categories "amortised costs", "fair value on balance sheet", "fair value through profit and loss", and "fair value option", as well as guarantees and liabilities. The "Other segments/ consolidation/misc." 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 banks", "liabilities to clients", and "other financial liabilities" of the valuation categories "amortised costs" and "fair value option" as well as "other financial liabilities from leasing liabilities". Consolidating entries are also included in the "Other segments/consolidation/misc." column.

The success of each business area is measured by the pre-tax surplus earned in the period for this 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 group financial statements drawn up in accordance with the relevant accounting standards convey as faithful a picture as possible of the asset, financial and profit position of the BTV group, and that the six-monthly report paints as faithful a picture as possible of the asset, financial and profit position of the BTV group with reference to the important occurrences during the first nine months of the financial year and their effects on the abridged interim group financial statements with respect to the main risks and uncertainties to which the group is exposed.

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

Innsbruck, November 2019

The Board of Directors

Michael Perger
Member of the Board

Member of the Executive Board, responsible for retail customer business; 3 Banks Insurance Brokers Group; group audit; compliance and anti-money laundering.

Gerhard Burtscher
Chairman of the Board

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

Mario Pabst
Member of the Board

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

Imprint

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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 the Bank für Tirol und Vorarlberg Aktiengesellschaft.

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BTV Finanzen & Controlling
MMag. Daniel Stöckl-Leitner

Design

Marketing, Communication, Executive Board matters
Markus Geets

Final version

14 November 2019

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