BANK FÜR TIROL UND VORARLBERG AKTIENGESELLSCHAFT
SHAREHOLDERS' REPORT: INTERIM REPORT
AS AT 31/03/2020

Interim Report

BTV VIER LÄNDER BANK

3 Banken Gruppe

Contents

Important dates for BTV shareholders

Annual General Meeting	10/06/2020, 11:00 a.m., Stadtforum 1, Innsbruck (held virtually) The dividend will be published on the BTV homepage and in the gazette of the Wiener Zeitung the day after the Annual General Meeting.
Ex-dividend date	16/06/2020
Payment of dividend	18/06/2020
Interim report as at 31/03/2020	Published on 29/05/2020 (www.btv.at)
Half-Year Financial Report as at 30/06/2020	Published on 28/08/2020 (www.btv.at)
Interim report as at 30/09/2020	Published on 27/11/2020 (www.btv.at)

Profit and loss in EUR million	31/03/2020	31/03/2019	Change in %
Net interest income	36.4	35.3	+3.1%
Loan loss provisions	–7.9	1.5	>–100%
Net commission income	15.8	12.5	+26.6%
Revenue from companies valued at equity	1.5	12.3	–87.9%
Operating expenses	–50.8	–47.1	+7.9%
Other operating profit	40.8	31.2	+30.7%
Annual net income before tax	31.8	51.3	–38.0%
Group annual net profit	24.5	41.6	–41.0%

Balance sheet figures in EUR million	31/03/2020	31/12/2019	Change in %
Balance sheet total	13,116	12,549	+4.5%
Loans to clients after risk provisions	7,991	7,938	+0.7%
Primary funds	9,675	8,937	+8.3%
of which savings deposits	1,437	1,391	+3.3%
of which own issues	1,368	1,421	–3.7%
Equity	1,761	1,749	+0.7%
Managed deposits	15,285	15,717	–2.7%

Regulatory capital (CRR) in EUR million	31/03/2020	31/12/2019	Change in %
Total amount at risk	8,331	8,300	+0.4%
Capital	1,296	1,293	+0.2%
of which common equity (CET1)	1,078	1,087	–0.8%
of which total core capital (CET1 and AT1)	1,078	1,087	–0.8%
Common equity Tier 1 ratio	12.9%	13.1%	–0.2 pp
Core capital ratio	12.9%	13.1%	–0.2 pp
Equity ratio	15.6%	15.6%	–0.0 pp

Key indicators in percentage points	31/03/2020	31/03/2019	Change in percentage points
Return on equity before tax (RoE)	7.3%	12.5%	–5.3 pp
Return on equity after tax	5.6%	10.2%	–4.6 pp
Cost/income ratio	55.6%	50.6%	+5.0 pp
Risk/earnings ratio	+21.7%	–4.3%	+26.0 pp

Number of resources	31/03/2020	31/03/2019	Change figure
Weighted average number of employees	1,510	1,488	+23
Number of branches	36	36	+0

Key indicators for BTV shares	31/03/2020	31/03/2019
Number of ordinary no par value shares	31,531,250	31,531,250
Number of preference shares	2,500,000	2,500,000
Highest price of ordinary/preference share in EUR	30.00/27.80	25.00/23.00
Lowest price of ordinary/preference share in EUR	26.80/24.80	23.80/21.80
Closing price of ordinary/preference share in EUR	27.40/25.40	24.80/22.80
Market capitalisation in EUR million	927	839
IFRS earnings per share in EUR	2.19	4.35
P/E ratio, ordinary share	12.5	5.7
P/E ratio, preference share	11.6	5.2

Economic environment

One thing first: since the start of the lockdown measures, national economies have entered new territory – they were not properly prepared for the severity of the COVID-19 pandemic. The measures and effects are very demanding for all of us and will continue to accompany our society and economy for a long time to come. We are learning from the crisis and are confident that we will be able to overcome it together.

At the beginning of the year, economic euphoria was still high, as the partial agreement in the US/China trade dispute and the UK's regulated exit from the EU on 31/01/2020 reduced uncertainty. This was expected to lead to an increase in investment, consumption and recovery in industry and global trade. The rapid spread of the coronavirus in China led to strict quarantine measures at the end of January, which included the closure of businesses and educational facilities, as well as the isolation of private individuals. In mid-February, the virus reached Italy and spread from there not only throughout Europe, but also to the USA and subsequently the rest of the world. The lockdown measures put in place due to the rapid spread of the disease around the world led to a severe shock to supply and demand. The first response was for sentiment indicators such as consumer confidence, business climate and investor sentiment to fall sharply. Slumps in hard economic data, such as retail sales and industrial production, will for the most part only become visible in the second quarter. Fiscal policy packages were adopted by governments at break-neck speed in order to assist companies and private individuals affected by the lockdown measures. This includes subsidies for businesses, unemployment benefits for private individuals, and interest and tax postponements for companies and private individuals. The lower interest rates ensure that the fiscal measures are financially viable. However, the global economy will still suffer a serious recession in the first half of the year, although monetary and fiscal policy measures should reduce its intensity and duration, and kick-start the subsequent economic recovery.

Interest rates

In the first quarter of 2020, global central banks were more expansive than ever before. The collapse in economic activity required swift intervention to ensure the viability of fiscal support packages and to provide banks, businesses and bond markets with sufficient liquidity. In a special meeting in mid-March, the ECB set up the Pandemic Emergency Purchase Programme (PEPP), a EUR 750 billion bond purchase programme, which is expected to run until at least the end of 2020. In order to mitigate the increase of risk premiums on EUR peripheral bonds, the purchase criteria and the capital key were relaxed as part of the PEPP. Within Europe, Italy and Spain in particular have been affected by the pandemic and are dependent on a lower level of interest rates in the context of more comprehensive fiscal support packages. The US Federal Reserve was also forced to intervene with comprehensive measures. In two special meetings, the target range for the key interest rate as a whole was reduced by 1.50% to between 0.00% and 0.25%. An unlimited purchase of US government bonds was also resolved. Support programmes for lending to states, companies and private individuals rounded out the measures implemented.

The rapid spread of the coronavirus and the subsequent lockdown measures led to a sharp rise in risk premiums on the bond markets. High-yield and emerging market bonds were particularly affected by this development, and to a lesser extent also investment-grade corporate bonds. Among government bonds, it was mainly the risk premiums on the EUR peripheral bonds that were affected. Interest rate rises also occurred in the comparatively "safe" government bond segment due to the low liquidity. The bid/ask spread of US government bonds and core EUR government bonds widened noticeably in extreme stress phases. However, the massive intervention of the global central banks was able to counteract this. The liquidity situation on the bond market therefore relaxed towards the end of the quarter and the risk premiums for the riskier segments fell slightly again.

The long-term euro interest rates indicated barely any change in the first quarter. Although the 10-year euro swap meanwhile fell to –0.31%, it recovered to –0.02% by the end of March. This represents a minimal increase of 3 basis points compared to 31/12/2019. Money market interest rates (3-month Euribor) remained unchanged at –0.36% (–0.38% as at 31/12/2019).

Currency markets

Alongside the global economy, the foreign exchange market was also in crisis mode in the first quarter. The EUR/USD exchange rate responded to this with a high level of volatility and experienced a veritable rollercoaster ride. This was due to the unclear economic impact of the coronavirus crisis and the intensive activity of the central banks. The US dollar lost its interest rate advantage against the euro almost entirely after the Fed cut the key interest rate to between 0.00% and 0.25% in two extraordinary meetings. This led to a weakening of the US dollar, causing the EUR/USD exchange rate to peak at 1.15 at the beginning of March. However, the US dollar was able to benefit from the uncertainties surrounding the coronavirus as a safe haven, while the euro was burdened by it, which subsequently pushed the exchange rate to below 1.07 at its worst. By the end of March, the euro rose again slightly to USD 1.10. Newly launched Fed and ECB bond purchase programmes will limit the appreciation potential of both currencies in the coming months.

In addition to the US dollar, the Swiss franc and the Japanese yen are also considered safe havens, and these could therefore also profit from the pandemic-related uncertainties in the first quarter. After an EUR/CHF exchange rate of 1.09 at the beginning of the year, the franc continued to appreciate against the euro. However, through ongoing interventions, the SNB was able to prevent an excessive appreciation of the franc. Nonetheless, the strength of the Swiss franc will continue in the coming months against the backdrop of an impending global recession and concerns over long-term negative economic consequences. The downward pressure on the EUR/CHF exchange rate is only likely to decrease once the mood on the market has stabilised. The euro has also proven to be weaker against the yen in the first quarter, although this is due not to the financial strength of Japan but to the nature of the yen as a safe haven. A slight appreciation of the euro is likely if corona-related uncertainties subside.

Stock markets

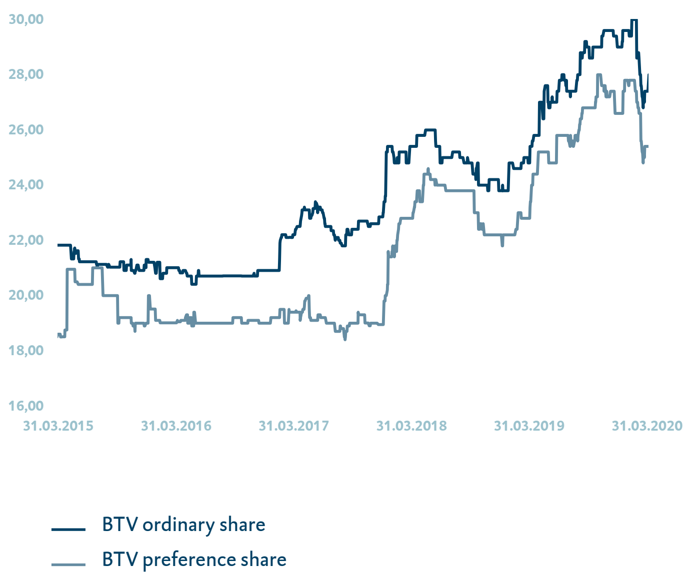
At the beginning of the year, sentiment on the stock markets could not have been better. Uncertainties surrounding the trade conflict and Brexit had decreased, the central banks appeared supportive and economic expectations were rising. The increasing proliferation of the coronavirus in China and the beginning of quarantine measures there left global financial markets cold at the beginning of the quarter since no one had anticipated a pandemic at that time. The first correction therefore mainly affected the Chinese stock market and, to a lesser extent, the Asian stock exchanges. US equity indices (S&P 500, Dow Jones, Nasdaq Composite) and the broad European market (STOXX 600) even reached new all-time highs in February. The massive outbreak of the disease in Italy therefore took investors by surprise. The prospect of a rapid spread of the pandemic and the measures to be taken worldwide to curb it meant that economic actors could, for the first time, get a feel for the extent of the economic damage. A severe global recession was then factored in very quickly, causing global equity markets to fall by 20% to 40% after their peak in mid-February, to their lowest point on 23 March. The sell-off was therefore different to other corrective movements due in particular to its considerably speed. The VIX volatility index, which measures the volatility intensity of the US S&P 500 benchmark index, shot up to 82 points very quickly, exceeding the level during the global financial crisis in 2008/2009. The first signs of effective lockdown measures, as well as packages of measures by central banks and governments, led to a massive recovery in the equity markets in the last few days of March.

European equity indices closed the first quarter in the red across the board. The market-wide STOXX 600 recorded a negative performance of –23.0%. The Italian FTSE MIB suffered particularly severe losses, falling –27.5%, as Italy is one of the countries most affected by the coronavirus pandemic. However, the quarterly losses of the German benchmark index DAX (–25.0%) and the British FTSE 100 (–24.8%) were only slightly behind the Italian index. US equity indices also made significant losses in the first quarter, the S&P 500 by around –20.0% and the Dow Jones by –23.2%. On the other hand, the losses of the Chinese indices were comparatively lower, as the Middle Kingdom was already able to make more significant progress in curbing the pandemic than the Western industrialised countries as a result of the earlier outbreak of the virus. The Shanghai Composite fell –9.8% and the Hang Seng suffered a loss of –16.3%. The Japanese Nikkei 225 also lost ground and recorded a decline of –20.0% in the first quarter. After a good performance in 2019, emerging markets had to concede their gains again in the first quarter. MSCI Eastern Europe recorded a decline of –36.7%, while MSCI Latin America was even down –45.6%.

BTV shares

BTV's ordinary shares fell in the first quarter of 2020 by –3.9% to EUR 27.40. Preference shares declined by –4.5% and closed the quarter at EUR 25.40.

Performance of BTV shares in EUR



Balance sheet performance

The Bank für Tirol und Vorarlberg Aktiengesellschaft (BTV) was able to achieve solid balance sheet figures as at 31/03/2020, despite the severe recession in the Eurozone – and therefore also on BTV's markets – which began in the first quarter. Driven by robust customer business as well as higher cash reserves, total assets rose by EUR +567 million to EUR 13.1 billion in the first quarter, thereby exceeding the EUR 13 billion mark for the first time in BTV's history.

Loans to customers – one of the most important balance sheet items in the business model of BTV – were able to expand by EUR +57 million or +0.7% to EUR 8.1 billion compared to the end of 2019. Loans to banks also rose by EUR +38 million to EUR 506 million. The cash reserve rose by EUR +478 million to EUR 1.9 billion, an increase which reflects BTV's enormous liquidity buffer.

The inventory of risk provisions increased moderately over the first three months of 2020 and amounted to EUR 102 million at the end of the quarter. Other financial assets, including companies valued at equity and trading assets, fell by EUR –8 million to EUR 2.2 billion.

The liabilities side of the balance sheet shows the high confidence of customers in BTV which has been known and valued as a stable anchor since its foundation in 1904, particularly in times of crisis: Primary funds rose by EUR +738 million to EUR 9.7 billion, thus exceeding BTV's strategic objective of refinancing customer loans with primary funds in the reporting quarter. This increase was achieved in particular thanks to higher account and savings deposits. These recorded a total gain of EUR +791 million. The loan-deposit ratio, the ratio of loans to customers after risk provisions to primary funds, was 82.6% at the end of the quarter (end of 2019: 88.8%). Liabilities to credit institutions fell by EUR –191 million to EUR 1.3 billion.

Managed customer funds, the sum of deposit volumes and primary funds, fell by EUR –432 million to EUR 15.3 billion despite growth in primary funds in the reporting period. The massive slump on the equity markets led to a fall in the value of securities and thus in the volume of deposits of around EUR –1.2 billion.

Particularly in times of crisis, equity becomes even more important than usual. At EUR 1.8 billion, BTV has a strong capital buffer. Equity rose further in the first quarter of 2020, despite the challenging conditions compared to the end of 2019 (EUR 1.7 billion).

As at 31/03/2020, the credit institution group's qualifying equity under CRR (Basel III) totalled EUR 1.3 billion, an increase of EUR +3 million compared to the end of 2019. The credit institute group's common equity Tier 1 (CET1) under CRR was EUR 1.1 billion, as was total core capital.

The total amount of risk rose by EUR +31 million to EUR 8.3 billion. This resulted in a common equity ratio of 12.9% as at 31/03/2020 (31/12/2019: 13.1%), a core capital ratio of 12.9% (31/12/2019: 13.1%) and a total capital ratio of 15.6% unchanged compared to the end of 2019.

Profit trend

Interest earnings after risk provisions

Compared to the same period in the previous year, interest income after loan loss provisions fell by EUR –8.3 million to EUR 28.5 million. Interest surplus thereby rose by EUR +1.1 million to EUR 36.4 million. Due to the crisis, loan loss provisions received a clear allocation of EUR 7.9 million in the first three months. Expenditure under this item rose by EUR 9.4 million compared to the end of the quarter in 2019.

Net commission result

The pleasing development of net commission income was heavily dominated by the development of the securities business. Compared to the previous year, there was an increase of EUR +2.2 million to EUR 8.2 million. The remaining categories in net commission income were all above the previous year's level. The net profit in payment transactions amounted to EUR 3.5 million, while the profit from foreign currency, cash and precious metal trading was EUR 1.3 million. In the credit business, earnings of EUR 2.3 million were achieved, and EUR 0.5 million was achieved in other services business. Overall, an increase compared to the previous year of EUR +3.3 million to EUR 15.8 million was recorded in net commission income in the first three months of 2020.

Revenue from companies valued at equity

This item includes the result from companies valued at equity included in the scope of consolidation. The total contribution of these companies of EUR 1.5 million represents a fall of EUR –10.8 million compared to the previous year.

Trading income and profit from financial transactions

The collapse of the securities markets had a significant impact on trading income and the result from financial transactions: Compared to 31/03/2020, trading income fell by EUR –5.0 million to EUR –3.3 million, while income from financial transactions fell by EUR –4.6 million to EUR –0.7 million.

Operating expenses

Operating expenses increased from EUR 47.1 million to 50.8 million year-on-year. The increase of EUR +3.7 million is spread among the three major categories of expenditure as follows: Staff expenditure rose by EUR +1.6 million to EUR 26.3 million, material expenditure rose by EUR +0.8 million to EUR 15.2 million and write-downs by EUR +1.3 million to EUR 9.2 million.

Other operating profit

Other operating profit indicated a clearly positive development at the end of the quarter and at EUR 40.8 million exceeded the previous year by EUR +9.6 million. This item is largely determined by the turnover of the fully consolidated cable cars.

Net profit for the period before taxes

Overall, the negative factors in loan loss provisions in the lending business, income from companies valued at equity, trading income and income from financial transactions led to a fall of EUR –19.5 million in net profit for the period to EUR 31.8 million.

Tax situation

Besides the on-going effect of corporation tax, the amounts recorded under "Taxes on income and profit" relate primarily to the deferred taxes to be paid on accruals and prepayment adjustments, in accordance with IFRS. Tax expenditure fell by EUR –2.4 million compared to the previous year to EUR 7.3 million as at 31/03/2020. The tax ratio was therefore 22.9% (previous year: 18.9%).

Group net profit for the period incl. key indicators

This year, the net profit for the period after tax fell by EUR –17.1 million to EUR 24.5 million so far. The cost/income ratio increased compared to the previous year from 50.6% to 55.6%. The return on equity before taxes decreased to 7.3%, down from 12.5% the previous year. The risk/earnings ratio was 21.7% (previous year: –4.3%) as a result of the development of risk provisions.

Outlook

By means of an ad hoc report dated 21/04/2020, BTV adjusted its profit forecast compared to publication in the 2019 Annual Report due to the measures taken to combat the COVID-19 pandemic.

BTV now expects group annual net profit before taxes to be in the range of EUR 42 to 50 million as at 31/12/2020. The most significant factor in adjusting the outlook is a significant decline in earnings from companies included at equity, which are significantly below the values which the budget is based on. The development of the cable cars segment, trading income and financial transactions, which is well below expectations, as well as an increase in risks costs also contribute to this.

Abridged consolidated financial statements

Balance sheet as at 31 March 2020

Assets in EUR thousand	31/03/2020	31/12/2019	Absolute change	Change in %
Cash reserves [1] [Reference to Notes]	1,905,488	1,427,659	+477,829	+33.5%
Loans to credit institutions [2]	506,214	468,459	+37,755	+8.1%
Loans to customers [3]	8,093,033	8,036,081	+56,952	+0.7%
Other financial assets [4]	1,459,961	1,468,796	–8,835	–0.6%
Shares in companies valued at equity [5]	711,148	712,776	–1,628	–0.2%
Risk provisions [6]	–102,387	–97,773	–4,614	+4.7%
Trading assets [7]	48,365	45,919	+2,446	+5.3%
Intangible fixed assets [8]	1,465	1,483	–18	–1.2%
Property, plant and equipment [8a]	343,387	347,536	–4,149	–1.2%
Properties held as financial investments [8b]	63,414	61,902	+1,512	+2.4%
Current tax refunds [9]	882	1,075	–193	–18.0%
Deferred tax assets [9]	9,283	9,046	+237	+2.6%
Other assets [10]	75,561	66,237	+9,324	+14.1%
Total assets	**13,115,814**	**12,549,196**	**+566,618**	**+4.5%**

Liabilities in EUR thousand	31/03/2020	31/12/2019	Absolute change	Change in %
Liabilities to credit institutions [11]	1,319,639	1,510,520	–190,881	–12.6%
Liabilities to customers [12]	8,306,682	7,515,918	+790,764	+10.5%
Other financial liabilities [13]	1,418,655	1,469,840	–51,185	–3.6%
Trading liabilities [14]	15,689	9,096	+6,593	+72.5%
Reserves [15]	148,300	148,495	–195	–0.1%
Current tax debts [16]	12,709	6,114	+6,595	>+100%
Deferred tax debts [16]	589	849	–260	–30.6%
Other liabilities [17]	132,837	139,021	–6,184	–4.4%
Equity [18]	1,760,714	1,749,343	+11,371	+0.7%
Non-controlling interests [18]	49,718	43,686	+6,032	+13.8%
Owners of the parent company [18]	1,710,996	1,705,657	+5,339	+0.3%
Total liabilities	**13,115,814**	**12,549,196**	**+566,618**	**+4.5%**

Comprehensive income statement as at 31 March 2020

Comprehensive income statement in EUR thousand	**01/01 – 31/03/2020**	**01/01 – 31/03/2019**	**Absolute change**	**Change in %**
Interest and similar revenue from application of effective interest method*	40,068	38,212	+1,856	+4.9%
Other interest and similar revenue	7,541	11,558	–4,017	–34.8%
Interest and similar expenses*	–11,184	–14,449	+3,265	–22.6%
Net interest income [19]	**36,425**	**35,321**	**+1,104**	**+3.1%**
Risk provisions in credit business [20]	–7,917	1,520	–9,437	>–100%
Commission income	17,040	13,671	+3,369	+24.6%
Commission expenses	–1,246	–1,198	–48	+4.0%
Net commission income [21]	**15,794**	**12,473**	**+3,321**	**+26.6%**
Revenue from companies valued at equity [22]	1,489	12,264	–10,775	–87.9%
Trading income [23]	–3,267	1,726	–4,993	>–100%
Revenue from financial transactions [24]	–741	3,868	–4,609	>–100%
Operating expenses [25]	–50,765	–47,058	–3,707	+7.9%
Other operating revenue	46,815	35,847	+10,968	+30.6%
Other operating expenses	–5,993	–4,612	–1,381	+29.9%
Other operating income [26]	**40,822**	**31,235**	**+9,587**	**+30.7%**
Net profit for the period before taxes	**31,840**	**51,349**	**–19,509**	**–38.0%**
Taxes on income and revenue [27]	–7,296	–9,729	+2,433	–25.0%
Group net profit for the period	**24,544**	**41,620**	**–17,076**	**–41.0%**
Non-controlling interests	6,031	5,206	+825	+15.8%
Owners of the parent company	18,513	36,414	–17,901	–49.2%

* Due to a reclassification to the amount of EUR 702 thousand of interest revenue as interest expenditure, the previous year's values were adjusted accordingly.

Other income in EUR thousand	**01/01 – 31/03/2020**	**01/01 – 31/03/2019**
Group net profit for the period	**24,544**	**41,620**
Revaluations from performance-oriented pension plans	1,021	0
Changes in companies valued at equity recognised directly in equity	–1,077	–2,072
Changes in equity instruments recognised directly in equity	–8,273	2,907
Losses from sale of equity instruments reclassified under profit reserves	0	0
Fair-value adjustment of own creditworthiness risk of financial liabilities	1,026	–133
Gains/losses with regard to deferred taxes, offset directly against total profit	841	–882
Total of items which could subsequently not be allocated to profit or loss	**–6,462**	**–180**
Changes in companies valued at equity recognised directly in equity	–306	–310
Changes in debt securities recognised directly in equity	–3,525	1,936
Unrealised profits/losses from adjustments in currency conversion	118	–66
Gains/losses with regard to deferred taxes, offset directly against total profit	0	0
Total of items which could subsequently be allocated to profit or loss	**–3,713**	**1,560**
Total other operating result	**–10,175**	**1,380**
Comprehensive income for the period	**14,369**	**43,000**
Non-controlling interests	6,031	5,206
Owners of the parent company	8,338	37,794

Key indicators	**31/03/2020**	**31/03/2019**
Diluted and undiluted earnings per share in EUR [28]	0.55	1.07

Statement of changes in equity in EUR thousand	**Subscribed capital**	**Reserves**	**Profit reserves**	**OCI non-recyclable**	**OCI recyclable**	**Total owners of the parent company**	**Non-controlling interests**	**Equity**
Equity 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	1,189	–856	–333	0	0	0
Equity 01/01/2019	**68,063**	**242,030**	**1,269,150**	**–8,856**	**27,413**	**1,597,799**	**41,183**	**1,638,982**
Capital increases	0	0	0	0	0	0	0	0
Comprehensive income for the period								
Group net profit for the period	0	0	36,414	0	0	36,414	5,206	41,620
Other comprehensive income excluding companies valued at equity	0	0	–13	1,892	1,870	3,749	0	3,749
Other comprehensive income from companies valued at equity	0	0	–970	–2,072	–310	–3,352	0	–3,352
Distributions	0	0	0	0	0	0	0	0
Own shares	0	–109	0	0	0	–109	0	–109
Other changes with a neutral effect on result	0	–2	0	0	0	–2	0	–2
Equity 31/03/2019	**68,063**	**241,919**	**1,304,581**	**–9,036**	**28,973**	**1,634,499**	**46,389**	**1,680,888**

Statement of changes in equity in EUR thousand	**Subscribed capital**	**Reserves**	**Profit reserves**	**OCI non-recyclable**	**OCI recyclable**	**Total owners of the parent company**	**Non-controlling interests**	**Equity**
Equity 01/01/2020	**68,063**	**242,436**	**1,382,352**	**–13,095**	**25,902**	**1,705,657**	**43,686**	**1,749,343**
Capital increases	0	0	0	0	0	0	0	0
Comprehensive income for the period								
Group net profit for the period	0	0	18,513	0	0	18,513	6,031	24,544
Other comprehensive income excluding companies valued at equity	0	0	–35	–5,385	–3,407	–8,827	0	–8,827
Other comprehensive income from companies valued at equity	0	0	–1,735	–1,077	–306	–3,118	0	–3,118
Distributions	0	0	0	0	0	0	0	0
Own shares	0	–1,228	0	0	0	–1,228	0	–1,228
Other changes with a neutral effect on result	0	–1	0	0	0	–1	1	0
Equity 31/03/2020	**68,063**	**241,207**	**1,399,095**	**–19,557**	**22,189**	**1,710,996**	**49,718**	**1,760,714**

Cash flow statement as at 31 March 2020

Cash flow statement in EUR thousand	**01/01 – 31/03/2020**	**01/01 – 31/03/2019**
Cash position at the end of the previous period	**1,427,659**	**867,497**
Profit for the period after taxes without non-controlling interests	24,544	41,620
Non-cash items and other adjustments in net profit for the period	20,167	–6,734
Changes to assets and liabilities from operating activities after correction for non-cash items	452,508	137,813
Operating cash flow	**497,219**	**172,699**
Cash inflow from sales	504	66
Cash outflow through investments	–30,626	–35,843
Investment cash flow	**–30,122**	**–35,777**
Capital increases	0	0
Dividend payments	0	0
Subordinated liabilities and other financing activities	10,732	1,621
Financing cash flow	**10,732**	**1,621**
Cash position at the end of the period	**1,905,488**	**1,006,040**

This consolidated interim financial statement of the Bank für Tirol und Vorarlberg AG (BTV AG) as at 31/03/2020 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 Aktiengesellschaft is an "Aktiengesellschaft" (public limited company) with headquarters in Austria. The company's registered office is in Innsbruck. The main activities of the company and its subsidiaries include asset management, corporate and retail banking, the holding of participations and the operation of cable cars and other tourism business. 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).

Principles and scope of consolidation

All significant subsidiaries which are controlled by BTV under IFRS 10 are included in the consolidated 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 values at the time of acquisition. As part of the consideration, shares of other associates are valued at 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 conjunction with IAS 36 and IAS 38. Subsidiaries of lesser significance for the asset, financial and income situation of the Group are not fully consolidated.

The scope of full consolidation has changed compared to 31/12/2019. On 06/12/2019, Silvretta Montafon Holding GmbH acquired three companies, "Besitzgesellschaft St. Gallenkirch Appartment A & B Joint Venture GmbH", "Besitzgesellschaft St. Gallenkirch Appartment C Joint Venture GmbH" and "Besitzgesellschaft St. Gallenkirch Hotel Joint Venture GmbH", with the purpose of developing hotel and apartment projects in Montafon.

In addition to the Bank für Tirol und Vorarlberg Aktiengesellschaft, the full scope of consolidation includes the following participations:

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	100.00%	100.00%
Silvretta Montafon Bergerlebnisse GmbH, Schruns	100.00%	100.00%
Besitzgesellschaft St. Gallenkirch Appartment A & B Joint Venture GmbH	100.00%	100.00%
Besitzgesellschaft St. Gallenkirch Appartment C Joint Venture GmbH	100.00%	100.00%
Besitzgesellschaft St. Gallenkirch Hotel Joint Venture GmbH	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%
Wilhelm-Greil-Strasse 4 GmbH, Innsbruck	100.00%	100.00%

The leasing companies and the companies of Silvretta Montafon Holding GmbH were included in the Annual Report as at 30 September, in accordance with their deviating financial year. BTV Beteiligungsholding GmbH, BTV 2000 Beteiligungsverwaltungsgesellschaft m.b.H. and Mayrhofner Bergbahnen AG conclude their financial year on 30 November. The companies of Silvretta Montafon Holding GmbH and Mayrhofner Bergbahnen Aktiengesellschaft have a deviating reporting date due to their seasonal activity. Owing to the structural situation within 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 date.

The Bank für Tirol und Vorarlberg Aktiengesellschaft holds 100% of shares in Silvretta Montafon Holding GmbH as at 31/03/2020. Only indirect minority interests exist which are the result of the holding in Skischule Silvretta Montafon St. Gallenkirch GmbH.

BTV Beteiligungsholding GmbH holds 100% of the shares in BTV 2000 Beteiligungsverwaltungsgesellschaft m.b.H. BTV 2000 Beteiligungsverwaltungsgesellschaft m.b.H. holds 50.52% in Mayrhofner Bergbahnen AG.

There are direct minority interests which result from the participation in Mayrhofner Bergbahnen Aktiengesellschaft.

The consolidated earnings for the period allocated to minority interests total EUR 6.031 thousand.

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

The following holdings were included using the equity method:

Companies consolidated at equity	**Share in %**	**Voting rights in %**
BKS Bank AG, Klagenfurt	18.89%	19.45%
Oberbank AG, Linz	16.15%	16.98%
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 Oberbank AG, there is a syndication contract between BTV, BKS Bank AG and Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H. For the holding in BKS Bank AG, there is a syndication contract between BTV, Oberbank AG and Generali 3Banken 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 taken into account for the period from 01/10/2019 to 31/12/2019 in order to permit prompt preparation of interim financial statements. Loans and liabilities, expenses and revenue internal to the Group are eliminated except where they are significant.

ALPENLÄNDISCHE GARANTIE- GESELLSCHAFT m.b.H. is classed as a joint operation. The company has a concession pursuant to Art. 1(1)(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 taken into account on the reporting date of 31/03/2020.

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

Accounting and valuation principles

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.

Spot transactions

Spot transactions in financial assets are recorded or closed out on the settlement date.

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 the BTV Group, in particular project and leasing companies with limited areas of activity, as well as public investment funds, third-party financial companies and securitisation companies are regarded as structured entities, provided that the business connection to these entities does not constitute ordinary business activity. In the reporting period, there were no material contractual or non-contractual relationships with structured companies. BTV is regarded as the sponsor of a structured entity if market operators associate the entity with the Group, especially through use of the name BTV in the firm or on business documents in companies for which BTV Group acts as broker. BTV did not maintain any material business connections in the reporting period and in this sense did not act as a sponsor.

Financial instruments pursuant to IFRS 9

Financial instruments pursuant to IFRS 9 are 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 cash flows 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 cash flows. 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 reference shall be made to a higher aggregation level – the management level. 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 cash flows 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 Executive Board and documented internally in the "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 cash flows and dispose of the debt instruments.

"Sell": The objective of this business model is to maximise cash flows through short-term sales and purchases. The collection of contractually agreed cash flows 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 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 cash flow criterion is also crucial in classifying according to valuation categories. This means that the contractual provisions on cash flows 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 risks 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 cash flow criteria for the "Hold" and "Hold and Sell" business models. The review of the cash flow criterion is performed using defined criteria. The decision of whether the cash flow 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 cash flow 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 cash flows of the financial asset differ significantly from the comparison cash flows 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 cash flows, 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", page 25).

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
- Cash flow criterion fulfilled

Debt instruments are classified as valued at fair value directly in equity under other income 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
- Cash flow 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 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 fair 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 with effect for result according to IFRS 9, just as according to IAS 39 previously.

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 the 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 but opposing with respect to key parameters.

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 with effect for result under the item "Revenue from financial transactions".

Revenue from customer contracts

The regulations of IFRS 15 define when and how revenue not connected with the receipt of revenue from financial instruments, which falls under the regulations of IFRS 9, is received. At BTV, processes and associated internal controls have been implemented to ensure that realisation of revenue from contracts with customers is in accordance with IFRS 15.

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	It concerns a foreign currency loan	Total lifetime ECL
2 – increased risk	It concerns 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 levels	Total lifetime ECL
2 – increased risk	No new business but initial or current rating missing	Total lifetime ECL
3 – default	Customer has defaulted	Discounted cash flow method / flat-rate impairment calculation

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) expected 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 cash flows, the expected exposure at default results from the contractually owed future payments. For financial assets with non-deterministic cash flows, 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 ratio in case of 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 also the future-oriented macroeconomic 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 which are dependent on the rating are adjusted over the next two years using macroeconomic 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 macroeconomic variables, such as of real GDP or growth in real gross investments. The choice of macroeconomic 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 macroeconomic 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 macroeconomic variables of the external organisation represent a baseline scenario. The expected credit loss for this baseline scenario is estimated for all financial assets. Moreover, the baseline 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 macroeconomic 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 1 million – the individual value adjustment or reserve is calculated using the DCF (discounted cash flow) method in which the future discounted cash flows are contrasted with the current extra-time guarantees and possible liability. The allocation of cash flows 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 cash flow 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 1 million – 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.

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 acquisition costs carried forward 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 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 income.

No collateral that may be disposed of independent of the debtor's default was held by BTV in the reporting period.

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

Shares in companies valued at equity

This item records the holdings in those associated companies which are included according to the equity method. On 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 the two values from use value and fair value less costs to sell, against which the carrying amount is compared.

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 carried out at acquisition costs, reduced by scheduled depreciation. The scheduled depreciation is applied linearly based on the estimated useful life. The expected useful life and the depreciation method are checked at the end of each financial year and all changes in estimates are prospectively considered. As a rule, the amortisation of intangible assets is performed via a useful life of between 2 and 20 years or 40 years for long-term lease rights and other licences.

In the event of a depreciation under IAS 36, unscheduled amortisations are performed. If the reason for an earlier unscheduled 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 costs, reduced by scheduled and, where necessary, unscheduled depreciation. Scheduled depreciation is applied linearly. The depreciation period is 40 to 50 years for buildings; for fixtures and fittings it is 3 to 13 years.

Derecognition of the fully depreciated fixed assets takes place upon decommissioning. In the event of derecognition of assets, the procurement or manufacturing costs, as well as the accumulated write-offs, are offset. Earnings on asset disposals (sale proceeds less carrying amount) are recorded under other operating income or other operating expenses. Assets are capitalised at acquisition or manufacturing costs.

Acquisition and production incidental costs and expansion investments 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 scheduled linear 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 lease agreements are shown in the profit and loss item "Other operating income".

Leasing
The BTV Group recognises leases in accordance with the provisions of IFRS 16 "Leases".

Lessee:
If there exists a leasing relationship, BTV records a right of use, relating to the underlying asset, and a corresponding leasing liability on the balance sheet.

When determining whether an agreement involves a lease pursuant to IFRS 16, BTV assesses, upon conclusion of any contract, whether the contractual agreement constitutes or establishes a leasing relationship. To do this, BTV assesses, on the basis of the individual contract, whether the asset value underlying the agreement is a concretely identifiable asset, whether BTV as lessee is entitled to essentially extract the entire financial benefit from use of the asset, and whether BTV holds the right to determine use of the asset. If these three criteria are cumulatively fulfilled, there exists a leasing relationship in the sense of IFRS 16.

Pursuant to IFRS 16, a leasing liability should be valued at the start of the lease at the cash value of lease payments not yet made at that time. In the absence of all information required to determine the discounting of the implicit interest rate to be applied as a priority, BTV discounts the future lease payments using the incremental borrowing rate. The leasing liability should then be updated in following periods depending on the repayments agreed. The leasing liability should be re-valued if there has been a change to an estimation of payment expectations already made as part of the initial valuation.

The right to use a lease object is valued at amortised cost. These costs include the amount from the first-time valuation of the leasing liability, all lease payments made at or before the start of the term of the lease, initial direct costs and estimated dismantling costs.

The term of the lease relationship is comprised of the non-cancellation period and periods for which an extension option will, with sufficient certainty, be exercised or for which a unilateral termination option will, with sufficient certainty, not be exercised. When assessing whether the exercising or non-exercising of the options is sufficiently certain, BTV takes into account, in particular, the significance of the asset for the Group, termination costs, costs relating to defining an alternative asset value and material installations of BTV. If this consideration of all factors as at the date of preparation results in a term of a maximum of 12 months, then there exists a short-term lease.

For short-term leases and leases whose underlying asset does not exceed a nominal value of EUR 5 thousand at the time of assessment, BTV makes use of the optional right not to report these leases on the balance sheet, and instead reports payments from these contracts linearly as expenditure across the term of the lease.

Lessor:
If all risks and opportunities associated with ownership are transferred as part of a lease, this is considered financial leasing. Based on the following indicators, BTV assesses in particular whether a lease could be classified as financial leasing:

- At the end of the term of the lease, ownership of the asset is transferred to the lessee.
- The lessee has the option to acquire the asset at a price that is significantly lower than the fair value of the asset at the time of the potential exercise of an option, such that it is sufficiently certain at the start of the lease that the option will be exercised.
- The term of the lease covers the majority of the economic useful life of the asset, even if the right of ownership is not transferred.
- The asset is special such that it can only be used by the lessee without significant change.

If all risks and opportunities associated with ownership are not essentially transferred, a lease is classified as an operational lease.

In the case of finance leasing, the assets held as part of the lease are entered as receivables to the amount of the net investment in the lease. The lease instalments are broken down into repayment and interest, whereby the latter should be distributed across the term of the lease such that the returns from the net investment value are equal across the period on the basis of the lessor's internal interest rate.

Lease payments from operational leases are reported linearly as revenue. In the case of an operational lease, the lessor must value the asset at the outset at acquisition and manufacturing cost, and report this on the balance sheet according to its type. The asset is subsequently updated pursuant to IAS 16 "Property, plant and equipment" or IAS 38 "Intangible assets" depending on whether it is a movable asset or immovable property.

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

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

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

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

Tax refunds 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 transferrer of an amount defined in advance. The financial assets in question remain on 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 the repurchase agreement 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 personnel provisions are also posted under this item. In addition, negative interest rates are reported 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.

Loan loss provisions

The item "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 loans in connection with the lending business.

Net commission income

The net 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 transactions, securities transactions, credit transactions as well as from foreign exchange, foreign cash and precious metals business and other miscellaneous services.

Revenue 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 revenue achieved from the derecognition of securities, derivatives, loans and own emissions is recognised under this item.

Operating expenses

The operating expenses include staff expenditure, material expenditure as well as scheduled depreciation of fixed assets, amortisation of intangible assets and of properties held as financial investments for the reporting period.

Staff expenditure includes 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, insofar as they have not been included under other income.

Material costs include IT costs, office building costs and the costs for running offices, costs for advertising and marketing, legal and consultancy costs, and other operating costs.

Other operating profit

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

Taxes on earnings and profit

Current and deferred taxes on income are reported 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 consolidated 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 may make it necessary to adjust the book value on the balance sheet. The management's 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, with the objective of providing meaningful information on the asset, financial and earnings situation of the company.

Significant discretionary decisions

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

Retroactive amendments of contractual cash flows pursuant to IFRS 9

In assessing whether a modification leads to a significant change in contractual cash flows and thus to a derecognition of the financial instrument, qualitative and quantitative factors are taken into consideration. A qualitative appraisal 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 cash flow 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 change in contract conditions if a present value difference between the outstanding debt of the original cash flows and the new cash flows results from the modification and amounts to at least 10%.

The expected credit loss in accordance with IFRS 9 was determined in accordance with the previous calculation logic. However, in order to adequately take account of the current situation in the expected credit losses, model inputs were adjusted on the basis of the information available at the balance sheet date on current conditions and projections of future economic conditions, since the macroeconomic data available at the beginning of April did not sufficiently reflect the current crisis.

To this end, the current uncertainty regarding future macroeconomic developments and the associated default rates has been taken into account in the different scenarios underlying the ECL calculation. The scenario-dependent forecasts of the portfolio default rates used to transform the through-the-cycle to point-in-time probabilities of default were formed on the basis of historical portfolio-specific experiences, taking into account the forecasts available at the reporting date on the macroeconomic development and the expected effect of government stabilisation measures. In each respective scenario, a mild, medium and severe economic decline and a corresponding effect on portfolio default rates is assumed, with government stabilisation measures partially mitigating the negative effects.

In addition, COVID-19 measures, even if they were a forbearance or follow-up measure, were not specified as an automatic trigger for a significant increase in the risk of default. While follow-up actions, unless they are due to the current COVID-19 situation, continue to automatically result in a transfer to Level 2, this criterion is not applied to follow-up actions related to COVID-19. Rather, the other criteria of the existing tier allocation logic determine the appropriate classification of the financial asset and the setting of a significant increase in the risk of default.

BTV has come to the conclusion that so far all moratoria introduced to our core markets fulfil the conditions as defined in the EBA guidelines published on 25/03/2020 and 02/04/2020. The facilities offered to borrowers as a result of this have therefore not caused an automatic shift from Level 1 to Level 2.

BTV has made an assessment of its receivables from individual sectors of the economy and prepared an industry analysis for the sectors expected to be most affected by the COVID-19 crisis. The risk assessment of identified customers operating in these industries has been reassessed, taking into account the current situation. The valuation was already taken into account in the reporting quarter in accordance with the level allocation logic.

Both public moratoria and voluntary deferrals change the contractual cash flows of the related financial asset and are therefore treated as a contractual amendment in the sense of IFRS 9.

In general, BTV expects an increase in risk provisions due to the COVID-19 crisis in conjunction with the worsening economic environment and the associated rating deteriorations.

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 is determined using different valuation models. The input parameters for these model calculations are, as far as possible, derived from observable market data.

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, insofar as these represent prices applied within the context of regular and current transactions.

An active market must fulfil cumulatively the following conditions:

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

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

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

Valuation procedures through significant unobservable parameters (Level 3):

The financial instruments in this category show input parameters which are based on unobservable 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 on an active market are valued by means of the discounted cash flow method. This means that the future projected cash flows are discounted by means of suitable discount factors in order to calculate the fair value. The discount factors contain both the credit curve without credit risk as well as the credit spreads which follow the credit rating and the rank of the issuer. The interest curve for discounting contains securities account, money-market futures and swap rates as observable on the market.

The calculation of the credit spread follows a 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 case does not currently exist in the BTV Group.

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

The issues are allocated to Level 2 and valuation is performed in accordance with the following process:

Level 2
The own issues are not subject to active trading on the capital market. Instead, they are retail issues and private placements. Valuation is consequently performed by means of a discounted cash flow valuation model. This is based on an interest curve that applies money market interest rates and swap interest as well as BTV's credit spreads.
The derivatives are also allocated to Level 2.
The following valuation processes are applied:

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

At BTV, derivatives with a symmetrical payment profile contain interest derivatives (interest swaps and forward interest rate contracts) 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 is performed 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 fair value hierarchy and fair values of financial instruments are explained in more detail under Notes 31 and 31a.

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 cash flows.

Depreciations of financial instruments which cannot yet be identified are established based on expected credit loss (ECL). These depreciations are based on ratings estimates and probabilities of default. Notes on the principles of the applied input factors, assumptions and estimation procedures for measuring expected credit losses, for determining whether the risk of default of a financial instrument has increased significantly since first application, and for determining whether a financial asset is exposed to impaired creditworthiness are explained in more detail in the Section "Calculating depreciations pursuant to IFRS 9" on page 18.

Long-term staff reserves

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

Other reserves and provisions

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

The legal disputes of 3 Banken with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H:
UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H. (mutually abbreviated to: "UniCredit") submitted a motion at the Annual General Meeting of BTV in May 2019 to conduct a special audit with regard to all capital increases performed by BTV since 1993. This motion was not approved. In light of the rejection of this motion for resolution, UniCredit subsequently submitted an application to the District Court Innsbruck in June 2019 requesting the ordering of a special audit. This application was rejected by order of the court on 20/01/2020. UniCredit appealed against this decision to the Supreme District Court Innsbruck.

UniCredit furthermore lodged a claim to challenge individual AGM resolutions before the District Court Innsbruck in June 2019. The District Court Innsbruck suspended the proceedings for clarification of a preliminary matter by the Takeover Commission in a decision of 19/01/2020.

Neither of these proceedings have had a discernible impact on the balance sheet.

At the end of February 2020, UniCredit submitted applications to the Takeover Commission to review whether the shareholder syndicates existing at 3 Banken have breached a bid obligation under takeover law. BTV is affected by these proceedings as a member of the syndicates with Oberbank AG and BKS BANK AG.

UniCredit is alleging that, since 2003, the composition and decision-making organ of the syndicates have changed and that as a whole these have expanded their voting weight in a manner relevant to takeover law, and that thus a bid obligation should have been triggered.

After careful review, with the involvement of external experts, the Board of Directors assumes that even a new audit under takeover law will not lead to any assertion of a bid obligation.

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. Discretionary decisions 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.

Significant business events during or after the reporting period

By means of an ad hoc report dated 21/04/2020, BTV adjusted its profit forecast compared to the publication in the 2019 Annual Report due to the measures taken to combat the COVID-19 pandemic (see page 7).

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

1 Cash reserves in EUR thousand	**31/03/2020**	**31/12/2019**
Cash on hand	80,913	32,580
Credit with central banks	1,824,575	1,395,079
Cash reserves	**1,905,488**	**1,427,659**

2 Loans to credit institutions in EUR thousand	**31/03/2020**	**31/12/2019**
Amortised costs	506,214	468,459
Loans to credit institutions	**506,214**	**468,459**

3 Loans to customers in EUR thousand	**31/03/2020**	**31/12/2019**
Amortised costs	7,822,197	7,761,136
Mandatorily at fair value	270,836	274,945
Loans to customers	**8,093,033**	**8,036,081**

4 Other financial assets in EUR thousand	**31/03/2020**	**31/12/2019**
Debt securities valued at amortised costs	888,719	899,342
Debt securities valued at fair value through other comprehensive income (FVOCI)	356,505	345,342
Debt securities mandatorily valued at fair value	8,310	9,490
Debt securities fair-value option	0	2,610
Equity instruments valued at fair value through other comprehensive income (FVOCI)	117,138	125,594
Equity instruments valued at fair value through profit and loss (FVTPL)	35,055	35,055
Positive market values from derivative hedging instruments	54,234	51,363
Other financial assets	**1,459,961**	**1,468,796**

5 Shares in companies valued at equity in EUR thousand	**31/03/2020**	**31/12/2019**
Credit institutions	692,001	694,580
Non-credit institutions	19,147	18,196
Shares in companies valued at equity	**711,148**	**712,776**

6 Risk provisions 2020 (presentation of portfolio) in EUR thousand	**Position 01/01/2020**	**Addi-tions**	**Releases**	**Consumption**	**Currency conversion**	**Split-ting**	**Position 31/03/2020**
Value adjustments Level 1	5,512	3,723	–1,219	0	0	0	8,016
Value adjustments Level 2	4,482	2,963	–722	0	0	0	6,723
Value adjustments Level 3 to loans to credit institutions	0	0	0	0	0	0	0
Value adjustments Level 3 to loans to customers	87,779	4,166	–3,867	–475	45	0	87,648
Loan loss provisions	**97,773**	**10,852**	**–5,808**	**–475**	**45**	**0**	**102,387**
Reserves for guarantees Level 1	41,779	1,934	–360	0	0	0	43,353
Reserves for guarantees Level 2	83	96	–21	0	0	0	158
Reserves for guarantees Level 3	4,365	1,479	–1,419	0	20	0	4,445
Reserves of unused credit Level 1	2,187	1,763	–656	0	0	0	3,294
Reserves of unused credit Level 2	730	266	–189	0	0	0	807
Reserves of unused credit Level 3	2,626	319	–483	0	0	0	2,462
Reserves for guarantees and credit	**51,770**	**5,857**	**–3,128**	**0**	**20**	**0**	**54,519**
Total risk provisions	**149,543**	**16,709**	**–8,936**	**–475**	**65**	**0**	**156,906**

Within the risk provisions, the counterparty risk was recorded directly in the relevant balance sheet items in the reporting period.

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 2019 (presentation of portfolio) in EUR thousand	**Position 01/01/2019**	**Addi-tions**	**Releases**	**Consumption**	**Currency conversion**	**Split-ting**	**Position 31/03/2019**
Value adjustments Level 1	7,746	1,866	–2,773	0	0	0	6,839
Value adjustments Level 2	7,093	893	–1,663	0	0	0	6,323
Value adjustments Level 3 to loans to credit institutions	0	0	0	0	0	0	0
Value adjustments Level 3 to loans to customers	82,538	4,266	–3,754	–543	15	–1,421	81,101
Loan-loss provisions in the credit business	**97,377**	**7,025**	**–8,190**	**–543**	**15**	**–1,421**	**94,263**
Reserves for guarantees Level 1	40,585	315	–820	0	0	0	40,080
Reserves for guarantees Level 2	105	106	–36	0	0	0	175
Reserves for guarantees Level 3	4,529	895	–1,448	0	8	0	3,984
Reserves of unused credit Level 1	1,665	764	–637	0	0	0	1,792
Reserves of unused credit Level 2	581	243	–136	0	0	0	688
Reserves of unused credit Level 3	2,668	350	–11	0	0	0	3,007
Reserves for guarantees and credit	**50,133**	**2,673**	**–3,088**	**0**	**8**	**0**	**49,726**
Total risk provisions	**147,510**	**9,698**	**–11,278**	**–543**	**23**	**–1,421**	**143,989**

6a Level transfer in EUR thousand

Value adjustment 01/01/2020 – 31/03/2020	Level 1	Level 2	Level 3	POCI*
Transfer from Level 1 to Level 2	–102	102	0	0
Transfer from Level 1 to Level 3	–29	0	29	0
Transfer from Level 2 to Level 1	175	–175	0	0
Transfer from Level 2 to Level 3	0	–70	70	0
Transfer from Level 3 to Level 1	0	0	0	0
Transfer from Level 3 to Level 2	0	0	0	0
Total	**44**	**–143**	**99**	**0**

Reserves for guarantees 01/01/2020 – 31/03/2020	Level 1	Level 2	Level 3	POCI*
Transfer from Level 1 to Level 2	–34	34	0	0
Transfer from Level 1 to Level 3	0	0	0	0
Transfer from Level 2 to Level 1	4	–4	0	0
Transfer from Level 2 to Level 3	0	0	0	0
Transfer from Level 3 to Level 1	0	0	0	0
Transfer from Level 3 to Level 2	0	0	0	0
Total	**–30**	**30**	**0**	**0**

Provisions for credit 01/01/2020 – 31/03/2020	Level 1	Level 2	Level 3	POCI*
Transfer from Level 1 to Level 2	–2	2	0	0
Transfer from Level 1 to Level 3	–1	0	1	0
Transfer from Level 2 to Level 1	16	–16	0	0
Transfer from Level 2 to Level 3	0	–2	2	0
Transfer from Level 3 to Level 1	0	0	0	0
Transfer from Level 3 to Level 2	0	0	0	0
Total	**13**	**–16**	**3**	**0**

At BTV, the transfers reported from one level to another are posted to the P/L account via allocation to or release from the respective items and are included in the values under Note 6 in the respective items additions (+) and releases (–).

* 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 01/01/2019 – 31/03/2019			
	Level 1	Level 2	Level 3	POCI*
Transfer from Level 1 to Level 2	–120	120	0	0
Transfer from Level 1 to Level 3	–3	0	3	0
Transfer from Level 2 to Level 1	282	–282	0	0
Transfer from Level 2 to Level 3	0	–2	2	0
Transfer from Level 3 to Level 1	0	0	0	0
Transfer from Level 3 to Level 2	0	0	0	0
Total	**159**	**–164**	**5**	**0**

	Reserves for guarantees 01/01/2019 – 31/03/2019			
	Level 1	Level 2	Level 3	POCI*
Transfer from Level 1 to Level 2	–2	2	0	0
Transfer from Level 1 to Level 3	0	0	0	0
Transfer from Level 2 to Level 1	18	–18	0	0
Transfer from Level 2 to Level 3	0	0	0	0
Transfer from Level 3 to Level 1	0	0	0	0
Transfer from Level 3 to Level 2	0	0	0	0
Total	**16**	**–16**	**0**	**0**

	Provisions for credit 01/01/2019 – 31/03/2019			
	Level 1	Level 2	Level 3	POCI*
Transfer from Level 1 to Level 2	–18	18	0	0
Transfer from Level 1 to Level 3	0	0	0	0
Transfer from Level 2 to Level 1	26	–26	0	0
Transfer from Level 2 to Level 3	0	0	0	0
Transfer from Level 3 to Level 1	0	0	0	0
Transfer from Level 3 to Level 2	0	0	0	0
Total	**8**	**–8**	**0**	**0**

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

7 Trading assets in EUR thousand	**31/03/2020**	**31/12/2019**
Funds	33,430	32,430
Positive market values arising from derivative transactions	14,935	13,489
Trading assets	**48,365**	**45,919**

8 Intangible fixed assets in EUR thousand	**31/03/2020**	**31/12/2019**
Intangible fixed assets	1,465	1,483
Intangible fixed assets	**1,465**	**1,483**

8a Property, plant and equipment in EUR thousand	**31/03/2020**	**31/12/2019**
Land and buildings	211,986	212,757
of which activated rights of use for leased assets pursuant to IFRS 16	21,128	21,264
Operating and office equipment	131,401	134,779
of which activated rights of use for leased assets pursuant to IFRS 16	210	240
Property, plant and equipment	**343,387**	**347,536**

8b Properties held as financial investments in EUR thousand	**31/03/2020**	**31/12/2019**
Properties held as financial investments	63,414	61,902
of which activated rights of use for leased assets pursuant to IFRS 16	5,411	5,522
Properties held as financial investments	**63,414**	**61,902**

9 Tax assets in EUR thousand	**31/03/2020**	**31/12/2019**
Current tax assets	882	1,075
Deferred tax assets	9,283	9,046
Tax assets	**10,165**	**10,121**

10 Other assets in EUR thousand	**31/03/2020**	**31/12/2019**
Other assets	75,561	66,237
Other assets	**75,561**	**66,237**

11 Liabilities to credit institutions in EUR thousand	**31/03/2020**	**31/12/2019**
Liabilities to credit institutions	1,319,639	1,510,520
Liabilities to credit institutions	**1,319,639**	**1,510,520**

12 Liabilities to customers in EUR thousand	**31/03/2020**	**31/12/2019**
Savings deposits	1,437,050	1,390,739
Other deposits	6,869,632	6,125,179
Liabilities to customers	**8,306,682**	**7,515,918**

13 Other financial liabilities in EUR thousand	**31/03/2020**	**31/12/2019**
Amortised costs	836,875	869,549
Fair value option	531,275	551,161
Negative market values from derivative hedging instruments	23,867	21,938
Liabilities from leases in accordance with IFRS 16	26,638	27,192
Other financial liabilities	**1,418,655**	**1,469,840**

14 Trading liabilities in EUR thousand	**31/03/2020**	**31/12/2019**
Negative market values arising from derivative transactions	15,689	9,096
Trading liabilities	**15,689**	**9,096**

15 Reserves in EUR thousand	**31/03/2020**	**31/12/2019**
Long-term staff reserves	85,740	87,414
Other reserves and provisions	62,560	61,081
Reserves and provisions	**148,300**	**148,495**

15a Other provisions in EUR thousands	**Position 01/01/2020**	**Additions**	**Releases**	**Consumption**	**Currency conversion**	**Split-ting**	**Position 31/03/2020**
Reserves for guarantees Level 1	41,779	1,934	–360	0	0	0	43,353
Reserves for guarantees Level 2	83	96	–21	0	0	0	158
Reserves for guarantees Level 3	4,365	1,479	–1,419	0	20	0	4,445
Reserves of unused credit Level 1	2,187	1,763	–656	0	0	0	3,294
Reserves of unused credit Level 2	730	266	–189	0	0	0	807
Reserves of unused credit Level 3	2,626	319	–483	0	0	0	2,462
Reserves for miscellaneous	9,311	0	–1	–1,279	10	0	8,041
Other reserves and provisions	**61,081**	**5,857**	**–3,129**	**–1,279**	**30**	**0**	**62,560**

Other provisions in EUR thousands	**Position 01/01/2019**	**Additions**	**Releases**	**Consumption**	**Currency conversion**	**Split-ting**	**Position 31/03/2019**
Reserves for guarantees Level 1	40,585	315	–820	0	0	0	40,080
Reserves for guarantees Level 2	105	106	–36	0	0	0	175
Reserves for guarantees Level 3	4,529	895	–1,448	0	8	0	3,984
Reserves of unused credit Level 1	1,665	764	–637	0	0	0	1,792
Reserves of unused credit Level 2	581	243	–136	0	0	0	688
Reserves of unused credit Level 3	2,668	350	–11	0	0	0	3,007
Reserves for miscellaneous	5,665	0	0	–1,211	3	–705	3,752
Other reserves and provisions	**55,798**	**2,673**	**–3,088**	**–1,211**	**11**	**–705**	**53,478**

16 Tax debts in EUR thousand	**31/03/2020**	**31/12/2019**
Current tax debts	12,709	6,114
Deferred tax debts	589	849
Tax debts	**13,298**	**6,963**

17 Other liabilities in EUR thousand	**31/03/2020**	**31/12/2019**
Other liabilities	132,837	139,021
Other liabilities	**132,837**	**139,021**

18 Equity in EUR thousand	**31/03/2020**	**31/12/2019**
Subscribed capital	68,063	68,063
Reserves	241,207	242,436
Profit reserves (including net profit)	1,399,095	1,382,352
Other reserves	2,632	12,807
Owners of the parent company	**1,710,996**	**1,705,657**
Non-controlling interests	49,718	43,686
Equity	**1,760,714**	**1,749,343**

19 Net interest income in EUR thousand	**01/01 – 31/03/2020**	**01/01 – 31/03/2019**
Interest and similar income from:		
Lending and money market transactions with credit institutions*	1,828	1,891
Lending and money market transactions with customers	40,452	37,472
Other financial assets	4,698	9,610
Trading assets	21	25
Contract adjustments	35	0
Liabilities	575	772
Unwinding	0	0
Sub-total interest and similar income	**47,609**	**49,770**
Interest and similar expenditure on:		
Credit institutions' deposits	–909	–1,298
Customer deposits	–3,465	–2,984
Other financial liabilities	–5,009	–8,818
Trading liabilities	0	0
Long-term personnel reserves	–68	–374
Contract adjustments	–115	0
Assets*	–1,618	–975
Sub-total interest and similar expenses	**–11,184**	**–14,449**
Net interest income	**36,425**	**35,321**

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 – 31/03/2020**	**01/01 – 31/03/2019**
Interest and similar income:		
Total interest revenue from application of effective interest method	40,068	38,212
From assets valued at amortised costs*	39,388	37,167
From assets valued at fair value through other comprehensive income (recyclable)	105	273
Positive interest expenditure from liabilities valued at amortised costs	575	772
Total other interest revenue	7,541	11,558
From assets valued at fair value through profit and loss	5,895	7,313
From assets valued at fair value through other comprehensive income (not recyclable)	1,646	4,245
Sub-total interest and similar income	**47,609**	**49,770**
Interest and similar expenses:		
Total interest expenditure from application of effective interest method	–8,348	–7,880
For liabilities valued at amortised costs	–6,730	–6,905
Negative interest revenue from assets valued at amortised costs*	–1,618	–975
Total other interest expenditure	–2,836	–6,569
For liabilities valued at fair value through profit and loss	–2,768	–6,195
from non-financial liabilities	–68	–374
Sub-total interest and similar expenses	**–11,184**	**–14,449**
Net interest income	**36,425**	**35,321**

* Due to a reclassification to the amount of EUR 702 thousand of interest revenue as interest expenditure, the previous year's values were adjusted accordingly.

20 Loan loss provisions in lending business in EUR thousand	01/01 – 31/03/2020	01/01 – 31/03/2019
Allocations to loan loss provisions on-balance	–11,020	–7,271
Allocations to loan loss provisions off-balance	–5,856	–2,674
Release of loan loss provisions on-balance	5,829	8,261
Release of loan loss provisions off-balance	3,128	3,088
Direct write-downs	–62	–27
Income from amortised loans	64	143
Loan loss provisions	**–7,917**	**1,520**

21 Net commission income in EUR thousand	01/01 – 31/03/2020	01/01 – 31/03/2019
Commission revenue from		
Credit transactions	2,431	1,943
Payment transactions	3,902	3,728
Securities trading	8,728	6,576
Currency, foreign exchange and precious metals trading	1,278	869
Other services business	701	555
Sub-total commission income	**17,040**	**13,671**
Commission expenses for		
Credit transactions	–108	–117
Payment transactions	–410	–323
Securities trading	–541	–557
Currency, foreign exchange and precious metals trading	0	0
Other services business	–187	–201
Sub-total commission expenses	**–1,246**	**–1,198**
Net commission income	**15,794**	**12,473**

22 Revenue from companies valued at equity in EUR thousand	01/01 – 31/03/2020	01/01 – 31/03/2019
Revenue from companies valued at equity	1,489	12,264
Revenue from companies valued at equity	**1,489**	**12,264**

23 Trading income in EUR thousand	01/01 – 31/03/2020	01/01 – 31/03/2019
Valuation and realisation gains from derivatives	605	39
Valuation and realisation gains from debt securities	5	–10
Valuation and realisation gains from funds	–4,024	1,379
Revenue from foreign exchange and currencies	147	318
Trading income	**–3,267**	**1,726**

24 Revenue from financial transactions in EUR thousand	01/01 – 31/03/2020	01/01 – 31/03/2019
Realisation gains – valued at amortised costs	0	0
Valuation and realisation gains – valued at fair value through other comprehensive income (FVOCI)	0	132
Valuation and realisation gains – mandatorily valued at fair value	–849	1,841
Valuation and realisation gains – fair value option	472	1,909
Result from fair value hedge accounting	–364	–14
Income from financial transactions	**–741**	**3,868**

25 Operating expenses in EUR thousand	01/01 – 31/03/2020	01/01 – 31/03/2019
Staff expenditure	–26,338	–24,703
Material expenditure	–15,206	–14,443
Amortisations	–9,221	–7,912
of which amortisation of activated rights of use for leasing objects according to IFRS 16	–807	–749
Operating expenses	**–50,765**	**–47,058**

25a Average number of employees in the period, weighted by person-years	01/01 – 31/03/2020	01/01 – 31/03/2019
White collar	986	969
Blue collar	524	519
Payroll	**1,510**	**1,488**

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 – 31/03/2020	01/01 – 31/03/2019
Revenue from other transactions	46,815	35,847
Expenses from other transactions	–5,993	–4,612
Other operating profit	**40,822**	**31,235**

27 Taxes on income and revenue in EUR thousand	**01/01 – 31/03/2020**	**01/01 – 31/03/2019**
Current tax expenditure	–6,980	–8,163
Deferred tax expenditure (–)/revenue (+)	–316	–1,566
Taxes on earnings and profit	**–7,296**	**–9,729**

28 Earnings per share (ordinary and preference shares)	**31/03/2020**	**31/03/2019**
Shares (ordinary and preference shares)	34,031,250	34,031,250
Average float (ordinary and preference shares)	33,921,297	33,939,332
Group net profit attributable to the owners for the period in EUR thousand	18,513	36,414
Earnings per share in EUR	0.55	1.07
Diluted earnings per share in EUR (ordinary and preference shares)	0.55	1.07

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	**31/03/2020**	**31/12/2019**
Trust loans:		
Loans to customers	14,355	12,750
Trust liabilities:		
Liabilities to customers	14,355	12,750
I) Fiduciary operations		
Performance guarantees and credit risks:		
Performance guarantees	362,898	358,945
Credit risks	2,068,424	2,121,774
II) Performance bonds and credit risks	**2,431,322**	**2,480,719**
III) Open capital calls	**9,296**	**9,296**

In the reporting year 2019, Bank für Tirol und Vorarlberg Aktiengesellschaft participated in Gain Capital Private Equity III SCSp, headquartered in Luxembourg, in the form of a limited partner deposit to the amount of maximum EUR 10 million. The total limited partner deposit committed, to the amount of EUR 10 million, can be called by Gain Capital Private Equity III SCSp as a whole or in several tranches (capital calls). As at 31 March 2020, there are still outstanding capital calls to the amount of EUR 9.296 thousand.

30 Regulatory capital and debt levels

The consolidated capital of the Group is reported in accordance with the framework of Basel III. This is based on EU Regulation 575/2013 (Capital Requirements Regulation – CRR), in conjunction with the Austrian CRR accompanying regulation. The capital according to CRR consists of the common equity (Common Equity Tier 1 – CET1), the additional core capital (Additional Tier 1 – AT1) and supplementary capital (Tier 2 – T2). The respective capital ratios are determined by contrasting the corresponding regulatory capital component after taking into account all regulatory deductions and transitional provisions of the overall measure of risk. In accordance with the provisions of the CRR and including the outcome of the Supervisory Review and Evaluation Process (SREP) carried out by the Financial Market Supervisory Authority for CET1, a minimum requirement of 5.800% is required for CET1, which is increased by 2.500% by the capital buffer defined in CRD IV (Capital Requirements Directive IV) and by 0.003% by the anti-cyclical capital buffer. For the entire core capital, a minimum requirement of 10.203% is stipulated; the total equity must have a minimum value of 12.803%. 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 calculation and disclosure of the leverage ratio within the EU are implemented by BTV as part of its disclosure obligations. The debt level ratio totalled 8.250% as at 31/12/2020, and 8.670% as at 31/12/2019.

30a Consolidated equity pursuant to the CRR in EUR million	31/03/2020	31/12/2019
Common equity (CET1)		
Capital instruments qualifying as CET1	300.2	300.2
Proprietary CET1 instruments	–32.2	–32.7
Retained earnings and other profit reserves	1,240.4	1,242.1
Aggregated other income	–0,0	9.3
Other reserves	140.2	140.2
Transitional changes owing to the transitional provisions for CET1 capital instruments	1.0	1.5
Deductions and adjustment items due to adjustments to common equity (prudential filters)	0.8	1.8
Goodwill	0.0	0.0
Other intangible assets	–0,9	–0,9
Regulatory changes in connection with CET1 instruments of financial companies, in which the bank holds a substantial interest	–561.1	–565.0
Amount exceeding the threshold value of 17.65%	–10.6	–10.0
Other transitional changes to CET1	0.0	0.0
Common equity – (CET1)	**1,077.7**	**1,086.6**
Additional core capital (Additional Tier 1)		
Changes owing to the transitional provisions for Additional Tier 1 capital instruments	0.0	0.0
Other transitional changes to Additional Tier 1	0.0	0.0
Additional core capital (Additional Tier 1)	0.0	0.0
Core capital (Tier 1): sum of common equity (CET1) and additional (AT1) core capital	**1,077.7**	**1,086.6**
Supplementary capital (Tier 2)		
Paid-up capital instruments and subordinated loans	217.2	205.3
Direct positions in supplementary capital instruments	–0.2	–0.3
Changes owing to the transitional provisions for supplementary capital instruments and subordinated loans	0.8	1.1
Other transitional changes to supplementary capital	0.0	0.0
Supplementary capital (Tier 2)	**217.8**	**206.1**
Total qualifying equity	**1,295.5**	**1,292.6**
Total risk amount	**8,330.8**	**8,300.4**
Common equity Tier 1 ratio	12.94%	13.09%
Core capital ratio	12.94%	13.09%
Equity ratio	15.55%	15.57%

The structure of regulatory capital is based on the final proposal of the guidelines of the EBA (European Banking Authority); the values are assessed on the basis of the scope of consolidation required by supervisory regulations.

Fair value hierarchy of financial instruments which are valued at fair value as at 31/03/2020 in EUR thousand	**Prices listed on active markets**	**Valuation methods based on market data**	**Valuation method not based on market data**
Financial assets stated at fair value			
Loans to customers mandatorily valued at fair value	0	0	270,837
Debt securities valued at fair value through other comprehensive income (FVOCI)	336,128	20,377	0
Debt securities mandatorily valued at fair value	8,310	0	0
Debt securities (fair value option)	0	0	0
Equity instruments valued at fair value through other comprehensive income (FVOCI)	57,207	0	59,931
Equity instruments valued at fair value through profit and loss (FVTPL)	35,055	0	0
Positive market values from derivative hedging instruments	0	54,234	0
Trading assets – funds	33,430	0	0
Trading assets – positive market values from derivative financial instruments	0	14,935	0
Overall financial assets classified at fair value	**470,130**	**89,546**	**330,768**
Financial liabilities valued at fair value			
Fair value option	0	531,275	0
Negative market values from derivative hedging instruments	0	23,867	0
Trading liabilities – negative market values arising from derivative financial instruments	0	15,689	0
Total liabilities valued at fair value	**0**	**570,831**	**0**

Fair value hierarchy of financial instruments which are valued at fair value as at 31/12/2019 in EUR thousand	**Prices listed on active markets**	**Valuation methods based on market data**	**Valuation method not based on market data**
Financial assets stated at fair value			
Loans to customers mandatorily valued at fair value	0	0	274,945
Debt securities valued at fair value through other comprehensive income (FVOCI)	324,685	20,657	0
Debt securities mandatorily valued at fair value	9,490	0	0
Debt securities (fair-value option)	2,610	0	0
Equity instruments valued at fair value through other comprehensive income (FVOCI)	63,409	0	62,185
Equity instruments valued at fair value through profit and loss (FVTPL)	35,055	0	0
Positive market values from derivative hedging instruments	0	51,363	0
Trading assets – funds	32,430	0	0
Trading assets – positive market values from derivative financial instruments	0	13,489	0
Overall financial assets classified at fair value	**467,679**	**85,509**	**337,130**
Financial liabilities valued at fair value			
Fair value option	0	551,161	0
Negative market values from derivative hedging instruments	0	21,938	0
Trading liabilities – negative market values from derivative financial instruments	0	9,096	0
Total liabilities classified at fair value	**0**	**582,195**	**0**

31a Movements in Level 3 of financial instruments valued at fair value in EUR thousand	**01/01/2020**	**Earnings on P&L**	**Success from other operating income**
Loans to customers mandatorily valued at fair value	274,945	106	0
Equity instruments valued at fair value through other comprehensive income (FVOCI)	62,185	0	–2,254
Overall financial assets classified at fair value	**337,130**	**106**	**–2,254**

Movements on 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	408	0
Equity instruments valued at fair value through other comprehensive income (FVOCI)	69,007	0	–3,429
Overall financial assets classified at fair value	**269,574**	**408**	**–3,429**

Movements between Level 1, Level 2 and Level 3

There have not been any movements between the individual levels in the 2020 reporting period.

Purchases	Sales, repayments	Transfer to Level 3	Transfer from Level 3	Currency conversion	31/03/2020
23,997	–28,211	0	0	0	270,837
0	0	0	0	0	59,931
23,997	**–28,211**	**0**	**0**	**0**	**330,768**

Purchases	Sales, repayments	Transfer to Level 3	Transfer from Level 3	Currency conversion	31/03/2019
24,350	–32,814	0	0	0	192,511
0	0	0	0	0	65,578
24,350	**–32,814**	**0**	**0**	**0**	**258,089**

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 could be raised from the sale of a financial instrument on an active market 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 31/03/2020	Book value 31/03/2020	Fair value 31/12/2019	Book value 31/12/2019
Cash reserves	1,905,488	1,905,488	1,427,659	1,427,659
Loans to credit institutions valued at amortised cost	506,257	506,067	468,461	468,238
Loans to customers valued at amortised costs	7,823,662	7,721,156	7,757,737	7,664,135
Other financial assets valued at amortised costs	889,716	887,519	906,788	898,791

Liabilities in EUR thousand	Fair value 31/03/2020	Book value 31/03/2020	Fair value 31/12/2019	Book value 31/12/2019
Liabilities to credit institutions valued at amortised costs	1,319,421	1,319,639	1,510,654	1,510,520
Liabilities to customers valued at amortised costs	8,293,472	8,306,682	7,500,064	7,515,918
Other financial liabilities valued at amortised costs	871,391	863,513	908,799	896,741

33 Fair value hierarchy of financial instruments which are not valued at fair value as at 31/03/2020 in EUR thousand	Prices listed on 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 cost	0	0	506,257
Loans to customers valued at amortised costs	0	0	7,823,662
Other financial assets valued at amortised costs	870,324	11,239	8,153
Total financial assets not valued at fair value	**870,324**	**11,239**	**8,338,073**
Financial liabilities not valued at fair value			
Liabilities to credit institutions valued at amortised costs	0	0	1,319,421
Liabilities to customers valued at amortised costs	0	0	8,293,472
Other financial liabilities valued at amortised costs	0	844,753	26,638
Total liabilities not valued at fair value	**0**	**844,753**	**9,639,531**

Fair value hierarchy of financial instruments which are not valued at fair value as at 31/12/2019 in EUR thousand	Prices listed on 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 cost	0	0	468,461
Loans to customers valued at amortised costs	0	0	7,757,737
Other financial assets valued at amortised costs	892,574	5,758	8,456
Total financial assets not valued at fair value	**892,574**	**5,758**	**8,234,654**
Financial liabilities not valued at fair value			
Liabilities to credit institutions valued at amortised costs	0	0	1,510,654
Liabilities to customers valued at amortised costs	0	0	7,500,064
Other financial liabilities valued at amortised costs	0	881,607	27,192
Total liabilities not valued at fair value	**0**	**881,607**	**9,037,910**

34 Hedge accounting

Underlying transactions as at 31/03/2020 in EUR thousand	Book value of the underlying transaction		Cumulative book value adjustment for underlying transactions in fair value hedges	
	Assets	Liabilities	Assets	Liabilities
Fair value hedges				
Interest rate risk				
Loans to customers	167,157		6,107	
Liabilities to customers		106,232		16,283
Other financial liabilities		139,819		20,203

Hedging transactions as at 31/03/2020 in EUR thousand	Nominal amount	Book value	
		Assets	Liabilities
Fair value hedges			
Interest rate risk			
Other financial assets	243,800	36,528	0
Other financial liabilities	165,816	152	6,522

Underlying transactions as at 31/12/2019 in EUR thousand	Book value of the underlying transaction		Cumulative book value adjustment for underlying transactions in fair value hedges	
	Assets	Liabilities	Assets	Liabilities
Fair value hedges				
Interest rate risk				
Loans to customers	166,244		5,457	
Liabilities to customers		111,103		16,023
Other financial liabilities		150,288		19,246

Hedging transactions as at 31/12/2019 in EUR thousand	Nominal amount	Book value	
		Assets	Liabilities
Fair value hedges			
Interest rate risk			
Other financial assets	258,800	35,378	0
Other financial liabilities	165,399	951	6,374

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

Ineffectiveness 01/01 – 31/03/2020 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	–297	0	Income from financial transactions
Liabilities to customers	–30	0	Income from financial transactions
Other financial liabilities	–37	0	Income from financial transactions

Ineffectiveness 01/01 – 31/03/2019 in EUR thousand	**Ineffectiveness recorded in the P&L**	**Ineffectiveness recorded in the OCI**	**Items in the P&L and in the OCI which show hedge ineffectiveness**
Fair value hedges			
Interest rate risk			
Loans to customers	0	0	Income from financial transactions
Liabilities to customers	–2	0	Income from financial transactions
Other financial liabilities	–13	0	Income from financial transactions

35 Segment reporting

Segment reporting is performed by the BTV Group as required by the information and valuation rules of IFRS 8. Segment information is based on the "Management Approach". This requires segment information to be presented according to internal reporting as it is regularly used by the company's key decision-makers for decisions on the allocation of resources to the segments and for assessing 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 and for the cable cars 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 to 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. At 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 direct personnel, material and occupancy expenditure as well as overhead personnel, material and occupancy expenditure.

The aforementioned reports reflect the structure of management responsibilities within the BTV Group in 2020. These internal reports to the Executive Board, 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 is agreed in the "Finance and Controlling" and "Risk Management" divisions for the reports.

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.

In 2020, the following business areas have been defined within BTV:

The corporate customers segment is responsible for small, medium and large corporate customers, and chartered accountants and auditors. The retail customer segment is responsible for retail customers, freelance professionals and micro-companies market segments. The institutional clients and banks segment mainly includes treasury and trading activities. BTV Leasing brings together all leasing operations of BTV. The cable cars segment includes Silvretta Montafon Holding GmbH and Mayrhofner Bergbahnen Aktiengesellschaft, which contain all of the two companies' tourism activities. The results of these segments also include transactions between segments, particularly between the corporate customer segment and leasing and the funiculars. Services are transferred at market prices. Alongside these five reporting segments, results from service areas across BTV, such as Finance and Controlling, Legal and Investments, Marketing, Communications, Executive Board matters, Group Auditing etc., are reported under the "Other segments/ consolidations/misc." column. In addition, the effects of consolidation and fully consolidated companies below the thresholds (ALPENLÄNDISCHE GARANTIE - GESELLSCHAFT m.b.H., BTV Hybrid I GmbH in liquidation, Wilhelm-Greil-Straße 4 GmbH and TiMe Holding GmbH) are allocated to this segment.

The results of the five reporting segments are detailed below.

Corporate customer segment

The corporate customer segment is the largest in terms of earnings. Operating interest income forms its main revenue component. Compared to the first quarter of 2019, interest income increased by EUR +2.7 million to EUR 29.6 million. Risk provisions in the credit business had a negative impact on this segment's results amounting to EUR –7.3 million. The segment's net commission income recorded an increase of EUR +1.1 million to EUR 6.9 million. Operating expenses increased by EUR +0.2 million to EUR 9.7 million. Income from financial transactions resulted in a balance to the amount of EUR 0.1 million. New business led to an increase in segment receivables of EUR +515 million to EUR 6,650 million. Segment liabilities increased from EUR 2,983 million to EUR 3,571 million. In total, the profit for the period before taxes reached EUR 19.5 million and was therefore EUR –3.6 million below the previous year's figure.

Retail customer segment

Retail customer business contributed EUR +0.4 million more to interest income at BTV compared to the first quarter of 2019 with interest revenue of EUR 9.7 million. Loan loss provisions amounted to EUR –0.7 million in the reporting period. Net commission income costs rose by EUR +1.6 million to EUR 9.5 million. The typically high resources invested in staff and premises in the retail sector resulted in administrative overheads of EUR 14.1 million.
Other operating income remained at the same level as last year at EUR 0.2 million. Overall, the retail clients segment achieved earnings before tax of EUR 4.6 million in this period, compared to EUR 3.9 million in the previous year.

Institutional clients and banks segment

The results for the institutional clients and banks segment fell substantially compared to the same period in the previous year. Interest income fell by EUR –0.8 million to EUR 0.6 million. Income from financial transactions, including trading income, showed a marked decrease of EUR –8.1 million to EUR –4.1 million. Risk provisions in the lending business amounted to EUR –0.5 million in the first quarter of 2020. Operating expenses for the segment remained stable compared to last year, totalling EUR 1.0 million. In total, the pre-tax result for the period was down EUR –10.3 million to EUR –5.1 million.

Leasing segment

The leasing subsidiary of BTV experienced robust development in the reporting period. Customer cash volumes increased by EUR +16 million to EUR 1,020 million. At EUR 4.0 million, interest income remained at a similar level compared to the previous year. Revenue from risk provisions in the lending business rose by EUR +0.2 million to EUR 0.6 million. At EUR 0.1 million, net commission income stood at the same level as the previous year. Administrative costs rose slightly by EUR +0.1 million to EUR 1.7 million. Other business earnings held steady compared to the first quarter of 2019 at EUR 0.8 million. The pre-tax result for the period thus increased by EUR +0.2 million overall to EUR 3.8 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 income totalled EUR –0.6 million. Other operating income, which mainly includes revenues, increased by EUR +3.3 million to EUR 34.5 million. These earnings were also the decisive factor for Silvretta Montafon Holding GmbH, with its average of 460 employees in the reporting period, and Mayrhofner Bergbahnen Aktiengesellschaft, which employed an average of 213 employees during the reporting period. Operating expenses increased by EUR +0.5 million to EUR 20.0 million. On the whole, the segment achieved a result for the period before taxes to the amount of EUR 13.8 million, which is EUR +2.8 million higher than in the previous year.

Segment reporting **in EUR thousand**	**Year**	**Cor-porate clients**	**Private clients**	**Institu-tional clients and banks**	**Leasing**	**Cable cars**	**Segments that must be reported**	**Other segments/ consolida-tion/misc.**	**Group balance sheet/P&L**
Net interest income incl. at-equity result	03/2020	29,580	9,679	566	3,973	–577	43,220	–5,306	37,914
	03/2019	26,860	9,319	1,374	3,927	–606	40,873	6,711	47,584
Risk provisions in the credit business	03/2020	–7,294	–684	–505	566	0	–7,917	0	–7,917
	03/2019	–338	670	851	337	0	1,520	0	1,520
Net commission income	03/2020	6,865	9,504	0	99	–183	16,285	–491	15,794
	03/2019	5,716	7,919	0	90	–107	13,618	–1,146	12,473
Operating expenses	03/2020	–9,744	–14,084	–1,024	–1,656	–19,956	–46,464	–4,301	–50,765
	03/2019	–9,554	–14,229	–1,047	–1,602	–19,469	–45,901	–1,157	–47,058
Other operating profit	03/2020	0	213	0	795	34,523	35,532	5,291	40,822
	03/2019	0	198	0	769	31,216	32,183	–948	31,235
Income from financial transactions and trading result	03/2020	106	0	–4,137	59	–5	–3,977	–31	–4,008
	03/2019	408	0	3,982	123	–19	4,495	1,100	5,595
Result for the period before tax	**03/2020**	**19,513**	**4,628**	**–5,101**	**3,836**	**13,802**	**36,678**	**–4,838**	**31,840**
	03/2019	**23,093**	**3,877**	**5,160**	**3,644**	**11,015**	**46,788**	**4,561**	**51,349**
Segment loans	03/2020	6,650,395	1,372,836	3,701,043	1,020,287	24,950	12,769,512	–723,188	12,046,324
	03/2019	6,134,913	1,363,444	2,680,013	1,003,809	15,401	11,197,580	–394,778	10,802,802
Segment liabilities	03/2020	3,571,034	4,311,042	2,172,549	986,566	97,695	11,138,886	–117,777	11,021,109
	03/2019	2,982,538	3,751,220	2,155,460	952,269	94,048	9,935,535	–171,111	9,764,424

Segment reporting: Explanatory notes

The net interest income is allocated according to the market interest method. Sales figures are included under corporate and retail customers for management reasons, among other items. Income from at-equity valued companies is allocated to the "Other segments/consolidation/misc." segment.
Net commission income is determined by the assignment of the internal divisional accounting (including all manual entries being assigned to commission). Costs are allocated to the correct segment on the basis of origin. The expenses of BTV Leasing GmbH or respectively Silvretta Montafon Holding GmbH and Mayrhofner Bergbahnen Aktiengesellschaft are directly allocatable according to the individual reporting packages. Costs not directly allocatable are shown under "Other segments/consolidation/misc." Other operating income includes, among other things, earnings from Silvretta Montafon Holding GmbH 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 customers", "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 customers", 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 segment is measured by the pre-tax surplus earned in the period for this segment.

Declaration by the statutory representatives pursuant to Art. 125 BörseG (Austrian Stock Exchange Act) 2018

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

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

Innsbruck, May 2020

The Executive Board

Michael Perger
Member of the Executive Board

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

Gerhard Burtscher
Chair of the Board

Chair 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 Executive Board

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

Imprint

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Note

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 Art. 25 Mediengesetz (Austrian Media Act) can be found at www.btv.at/impressum.

Principle objective

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

Contents

BTV Finanzen & Controlling
MMag. Daniel Stöckl-Leitner

Design

Marketing, Communication, Executive Board matters
Johannes Eller

Final version

14 May 2020

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