BANK FÜR TIROL UND VORARLBERG AG

ANNUAL REPORT 2018

Annual Report

BTV VIER LÄNDER BANK

3 Banken Gruppe

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Important dates for BTV shareholders

Annual General Meeting	16/05/2019, 10:00 am, Stadtforum 1, Innsbruck, Austria The dividend will be published on the BTV homepage and in the gazette of the Wiener Zeitung the day after the Annual General Meeting.
Ex-dividend date	22/05/2019
Payment of dividend	24/05/2019
Interim Report as at 31 March 2019	Published on 24 May 2019 (www.btv.at)
Half-Year Financial Report as at 30 June 2019	Published on 30 August 2019 (www.btv.at)
Interim Report as at 30 September 2019	Published on 22 November 2019 (www.btv.at)

The BTV Group at a glance

Profit and loss in EUR million	31/12/2018	31/12/2017	% change
Net interest income	123.0	119.6	+2.8%
Risk provisions in the credit business	4.4	–21.1	>–100%
Net commission income	51.8	50.9	+1.8%
Income from companies valued at-equity	51.7	46.2	+11.9%
Trading income	–0.2	–2.2	–92.2%
Operating expenses	–181.0	–173.5	+4.4%
Other operating profit	81.1	71.1	+14.1%
Annual net profit before tax	139.8	91.2	+53.3%
Group annual net profit	107.1	76.0	+41.0%

Balance sheet figures in EUR million	31/12/2018	31/12/2017	% change
Total assets	11,630	10,463	+11.2%
Loans to customers after risk provisions	7,754	7,142	+8.6%
Primary funds	8,162	7,606	+7.3%
of which savings deposits	1,260	1,266	–0.4%
of which own issues	1,357	1,318	+2.9%
Equity	1,639	1,367	+19.9%
Managed deposits	14,195	13,905	+2.1%

Regulatory (CRR) equity in EUR million	31/12/2018	31/12/2017*	% change
Total amount at risk	7,728	7,139	+8.2%
Equity	1,222	972	+25.7%
of which common equity (CET1)	1,015	914	+11.0%
of which total core capital (CET1 and AT1)	1,029	914	+12.5%
Common equity Tier 1 ratio	13.1%	12.8%	+0.3 pp
Core capital ratio	13.3%	12.8%	+0.5 pp
Equity ratio	15.8%	13.6%	+2.2 pp

Key indicators in pp	31/12/2018	31/12/2017	Change in percentage points
Return on equity before tax (RoE)	9.3%	7.1%	+2.2 pp
Return on Equity after tax	7.1%	5.9%	+1.3 pp
Cost/income ratio	58.9%	60.8%	–1.9 pp
Risk Earnings Ratio (credit risk/interest result)**	–3.6%	17.6%	–21.2 pp

Number of resources	31/12/2018	31/12/2017	Change figure
Weighted average number of employees	1,438	1,401	+37
Number of branches	36	36	+0

Key indicators for BTV shares	31/12/2018	31/12/2017
Number of ordinary no par value shares	31,531,250	28,437,500
Number of preference shares	2,500,000	2,500,000
Top price of ordinary/preference share in EUR	26.00/24.60	23.40/20.00
Bottom price of ordinary/preference share in EUR	23.00/19.40	21.40/18.40
Closing price of ordinary/preference share in EUR	23.80/22.20	22.85/18.95
Market capitalisation in EUR million	806	697
IFRS EPS in EUR	3.31	2.49
P/E ratio, ordinary share	7.2	9.2
P/E ratio, preference share	6.7	7.6

* 31/12/2017 adjusted in accordance with IAS 8, see p. 97
** 31/12/2017 adjusted based on reclassification of total result position "Income from at-equity valued companies"

Ladies and Gentlemen,

2018 was an extremely successful year for Bank für Tirol und Vorarlberg AG in its 114-year history. With profit before tax of EUR 140 million, BTV has achieved a sensational result. This is crucially down to our customers who put their trust in us, and to the generally favourable economic situation.

The fact that the level of customer deposits we look after has increased once again shows that we handle our customers' savings with extreme care. This figure passed the EUR 14 billion mark for the first time in 2018. We use these deposits to invest in export-oriented, family-run companies in the region, thereby enabling innovation, well-being and employment opportunities.

BTV's market area, stretching from Winterthur to Vienna and from Mannheim to Innsbruck is one of the most attractive economic regions in the world. We have networked and successfully managed around 8,000 regional business customers across borders. This is particularly evident in the loans made to customers, which we were able to increase by EUR 515 million in 2018. In Autumn 2018, we placed an oversubscribed capital increase. We are delighted that so many shareholders have taken the opportunity to invest in BTV.

Sounding out our customers' needs and consistently building on these to offer suitable, tailor-made solutions is an objective we follow every day. When making our customers' ideas a reality, we always make sure to deliver the highest quality. Evidence of the success of these efforts can also be seen in awards such as those given out by the independent controlling institution "firstfive".

Plenty went on with the BTV Arts and Culture Programme in 2018. The new INN SITU series is combining photography, music and dialogue under the leadership of Vorarlberg native Hans-Joachim Gögl. We set a successful tone with "RIGHT THERE! Innsbruck: Seven first-time encounters".

With all our activities, events and meetings, we are always looking to create added value and wow our customers. This is only possible thanks to our motivated and enthusiastic employees and we would like to express our great thanks to them at this point. Together with our customers, we are giving flight to new ideas every day.

Yours sincerely,

Michael Perger
Member of the Board

Gerhard Burtscher
Chairman of the Board

Mario Pabst
Member of the Board

Executive Board member Michael Perger, Chairman of the Board Gerhard Burtscher and Executive Board member Mario Pabst (from left to right).

Director of BTV Stadtforum headquarters and regional business areas

BTV Stadtforum Headquarters

Corporate customers
Thomas Gapp

– Foreign trade and markets Germany, Switzerland
MMag. Simon Knitel
– Structured financing and funding
– Sales management
– Payment transfers and support
Rudolf Oberleiter

Institutional clients and banks
Mag. Rainer Gschnitzer

– Institutional clients
Silvia Vicente
– Treasury

Retail customers
Dr. Jürgen Brockhoff

– Branch business
Norbert Peer
– Package service marketing
– MiFID/Sales organisation
– Asset investments
Mag. Martin Mausser
– Asset management
Dr. Robert Wiesner
– Sales management
– Housing construction
Mario Scherl

Service centre
Mag. Paul Jäger

– Enforcement
– Bond service
Sabine Dadak-Nedl
- Payment and commerce
Christine Schurl

Effectiveness and efficiency
Michael Draschl

– Interface coordination

Finance and controlling
Mag. (FH) Manuela Bauer

– Risk manager in the sense of Sec. 39(5) Austrian Banking Act
– Consolidated accounting
– Reporting
Christoph Meister
– Accounting
– Risk controlling
Mag. (FH) Mario Haller
– Strategy and sales controlling
Mag. Hannes Gruber

Corporate audit
Richard Altstätter

Credit management
Mag. Robert Walcher

– Corporate customers Germany and Switzerland with KSB retail customers
– Austria and South Tyrol corporate customers
Thomas Zipprich, MA
– Retail customers and finance law
Mag. Martin Schwabl
– Risk management and valuation
Mag. Arno Saxer

Marketing, Communication, Executive Board matters
MMag. Daniel Stöckl-Leitner

– Brands and events
Mag. Markus Wieser
– Marketing & Communications

Human resources
Mag. Ursula Randolf

- Human resources support
Friedrich Braito
– Human resources development
Mag. Sandra Jorda

Legal and corporate investments
Dr. Stefan Heidinger

BTV Leasing
Gerd Schwab
Johannes Wukowitsch

3 Banks Insurance Brokers
Walter Schwinghammer

Compliance and money laundering prevention
Mag. Martin Rohner
Mag. Elisabeth Seywald-Schmelzer
Manfred Unterwurzacher

Chairman of the Central Works Council
Harald Gapp

BTV regional business areas

Tyrol, retail
Mag. Stefan Nardin

– Ausserfern
Urs Schmid
– Hall and Schwaz
Kurt Moser
– Innsbruck
Mag. (FH) Eva-Maria Ringler
– Innsbruck City Forum
Marc Schönberger, BSc
– Seefeld and Garmisch-Partenkirchen
Stefan Glas
– St. Johann in Tirol
Markus Lanzinger
– Telfs
Florian Neuwirt
– Tyrolean Oberland
Wilfried Gabl

– Unterinntal and Zillertal
Thomas Naschberger
– Asset investments Italy
– Asset investments and liberal professions Innsbruck
Edi Plattner
– Asset investments and endowments
Karl Eder
– Co-support Innsbruck, retail
Mag. Kerstin Schuchter

EAST TYROL
- East Tyrol, retail
Manfred Steurer

Vorarlberg, retail
Christof Kogler

– Alpine Region Bludenz
Dipl. (FH) Markus Amann, MBA
– Lake Constance
Dominik Schuchter
– Montfort
Hubert Kotz
– Rhine Valley
Stephan Kirchmann, MBA

Innsbruck and South Tyrol, corporate
Mag. Christoph Wenzl

- Key accounts and special financing
- Property, tourism and South Tyrol
Mag. (FH) Karl Silly
– SMEs
Dr. Norbert Erhart

Tiroler Oberland and Außerfern, corporate
Michael Falkner

– Corporate customers Imst
– Corporate customers Reutte
Andreas Wilhelm

Tyrol Unterland, corporate
Bernd Scheidweiler

– Co-support
Mag. Günter Mader

Vorarlberg, corporate
Mag. Michael Gebhard

– Key accounts and special financing
Mag. Philipp Schöflinger
– SMEs and tourism
Mag. Benno Wagner
– Co-support
Evelin Stöckler

Vienna, retail
Josef Sebesta

– Asset investments and liberal professions Vienna
Jürgen Jungmayer
– Asset investments and endowments Vienna

Vienna, corporate
Mag. Martina Pagitz

– Key accounts and special financing
– Property and project financing
Marion Nikodem
– SMEs and tourism

Bavaria Kitzbühel Retail
Mag. Peter Kofler

– Kitzbühel
– Asset investment and endowments Munich
– Asset investment and endowments Nuremberg
Rolf Maul

Baden-Württemberg retail
Mag. Jürgen Hofer

– Asset investment and endowments Baden-Württemberg

Bavaria/Baden-Württemberg, corporate
Dr. Hansjörg Müller

– Corporate customers Real estate
Michael Hildebrand, MA
– Corporate customers Mannheim
Dipl.-Vw. Stefan Fischer
– Corporate customers Memmingen
Tobias Bott
– Corporate customers Munich
Dipl.-BBW Mile Savic
– Corporate customers Nuremberg
Dkfm. Marc Ludescher
– Corporate customers Ravensburg
Bw. (VWA) Andreas Kleiner
– Corporate customers Stuttgart
Dipl.-Bw. BA Thomas Weber

Germany

– Compliance

Switzerland, retail
Martin Anker

– Retail customers Switzerland
– Co-support

Switzerland corporate
Mag. Markus Scherer

– Corporate customers Staad
Ing. Bruno Kaufmann
– Corporate customers Winterthur
– Co-support
Mag. (FH) Markus Hämmerle

Switzerland

– Risk Management Compliance
Johannes Hämmerle, Dipl. BW HF

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BTV Dornbirn opened with a celebration in January 2018.

Corporate customers

- New customers: In 2018, we gained 472 medium-sized corporate customers who were amazed by the qualities of BTV.
- Robust lending business: The consistently good demand for credit and hedging instruments in all regional business areas is focused on a recent significant increase in volume to the amount of EUR 463 million. The expertise of BTV in the area of structured financing has enjoyed excellent demand in particular.
- Bank guarantees/sureties: Hedging of customer transactions with bank guarantees and bank deposits achieved a new high of EUR 821 million.
- Significant increase in export financing: Thanks to new businesses and stockpiling, net growth of EUR +67 million was achieved. Successful support was given to lots of customer projects and equity financing.
- Investment support in Austria: Overall, more than 80 support projects were structured and executed, in particular in the areas of environmental protection.
- Growth in German developmental loans: In a good and close collaboration with German funding agencies KfW, LfA,and L-Bank, the funding volume in Germany has increased by around EUR 60 million to EUR 308 million.
- Hedging currency risks in foreign trade: Political and economic uncertainties are creating volatile currency markets. More and more customers are coming to appreciate the range of services and uncomplicated execution of BTV in the forex area.
- Payment transactions are continuing their dynamic development, bringing with them significantly greater quantities with an increase of 3.8% to nearly 10 million.
- E-banking: The new corporate customer portal meineBTV Business has got off to a successful start. With the new generation of Finnova e-banking, all corporate customers in Switzerland are being equipped with a suitable online banking solution.
- Occupational provisions: BTV managers can work with 3 Banken Versicherungsmakler Gesellschaft m.b.H. to work out individual solutions for both occupational pension provisions and also property insurance, benefiting both companies and employees.

Retail customers

- Award-winning: In 2018, "firstfive" awarded BTV asset management "dynamic" in the risk class and 5 stars (outstanding performance) in the categories Top Returns and Sharpe Ratio (for 12, 36, and 60 months respectively).*
- High level of customer trust: Deposits in the retail customer segment increased by +7%, i.e. EUR 249 million, to more than EUR 3.7 billion.
- VM Future Strategy: The issue of "sustainability" affects lots of people, both in their daily lives and in asset management. That's why in 2018 BTV Asset Management began offering the innovative "VM Future Strategy" solution which puts an emphasis on aspects of sustainability.
- BTV Advisory Board – now also in Germany from 2018: The BTV Advisory Board offers individuality paired with professional support from BTV experts for volumes in excess of EUR 1 million. Our Austrian customers have had access to the BTV Advisory Board since 2016 - and this consulting service was expanded to Germany in 2018.
- Rethinking asset investment: Under the rubric "Rethinking asset investment", around 600 interested investors at the BTV Expert Dialogues in Tyrol and Vorarlberg discussed where and how to invest in a complex world. BTV's opinion is: "Build yourself a stable core and look for the right satellites." Separating assets into so-called "core and satellite investments" simplifies investment and ensures flexibility and clarity. The core investment represents a stable anchor for the asset investment. With satellite investments, sensible additions can be made to the core investment.
- BTV Good to Know: BTV offered exclusive customer seminars for the first time ever in 2018 under the rubric "BTV Good to Know". At these events, basic information about the asset investment business was presented in order to give customers an insight into the practice.
- Pro Ecclesia asset management fund: In 2018, BTV began offering dioceses, orders and church organisations a new solution. The Pro Ecclesia asset management fund follows a long-term investment strategy designed according to Christian values, and combines revenue opportunities with sustainable and moral principles, and is therefore an ethical alternative to standard forms of investment.
- Residential construction financing: New business from private residential construction financing increased in 2018 to around EUR 250 million. The retail credit volume increased by EUR +43 million to EUR 1.4 billion as a result.
- Payment transactions: In 2018, the number of transactions rose by +3.5% compared to the previous year to around 12 million postings.
- BTV Black – Cash and payments in a new dimension: BTV began issuing Austria's most exclusive debit card in June 2018. Over 500 cardholders were already enjoying the premium services of BTV Black by the end of the year.
- Event series "Securing the future": Since our founding in 1904, the area of provisions has been a key competence of BTV. At the event series "Securing the future", around 600 interested customers in Tyrol and Vorarlberg learnt about the possibilities and benefits of responsible and individual precautions.
- Insurance: In the course of needs-based consulting, the result in the capital insurance area increased in 2018 by around 30% compared to the previous year.

* Awards and successes in the past do not guarantee success or continued growth in the future. More info at: www.btv.at/auszeichnungen.

BTV Munich is celebrating its 10th birthday. Centrally located, Munich is the biggest location in Germany.

Institutional clients and banks

- Liquidity: The institutional clients and banks division makes an important contribution to the overall running of the bank. In anticipated liquidity management, in particular, it is the sustainable and excellent personal contacts with our money market partners and institutional clients that allow BTV to act flexibly and professionally in a market environment that continues to prove demanding.
- Personal: At BTV, we place a great deal of value on personal contact with bank partners and institutional clients despite digitalisation and technological advances. Thanks to our extensive network of national and international bank partners, BTV is also able to offer customers additional services for payment transactions, financing, or interest and currency hedging, and can also provide corresponding know-how.

BTV Leasing

- Introducing Konjunkturleasing® economy leasing: Konjunkturleasing® relieves pressure from on-going leasing payments in the event of a strong recession. The reduced leasing rates protect the customer's liquidity and decrease effective expenditure in P/L accounting.
- Customer volume: BTV Leasing's customer volume is around EUR 1 billion.

The INN SITU series combines photography, music and dialogue.

Art and culture

BTV Epiphany concert in Innsbruck and Bregenz: On 6 January in Innsbruck, and 7 January in Bregenz, the New Year was rung in with a new star at the piano in the shape of young pianist Alexander Krichel.

toninton: The toninton concert series from 11 to 14 April was all about jazz and classical music. Outstanding musicians such as the Eggner Trio, the Die Strottern & Blech quartet, and pianist, composer and producer Francesco Tristano performed at the Ton Halle.

BTV Spring Concert: The BTV Spring Concert took place on 18 April at the Vienna Museum of Ethnology. The wind ensemble of the Vienna Academy Orchestra produced an amazing experience in the ambience of the main hall.

BTV Autumn Concert: The CONTINUUM ensemble, starring harpsichordist Elina Albach from Berlin, used the music of Bach to tell an imaginary tale of love, loss and passion at the Ton Halle on 26 September as part of the BTV Autumn Concert.

In the Ton Halle, a wide range of musical features are emphasised.

INN SITU: 2 October saw the opening of the first part of INN SITU, the new BTV Arts and Culture Programme under the artistic leadership of Hans-Joachim Gögl. The programme combines photography, music and dialogue. For the first exhibition, "RIGHT THERE! Innsbruck: Seven first-time encounters", seven students from the College of Graphic Design and Book Art Leipzig (HGB) took on the capital of the Tyrol region. Students from the Tyrol Regional Conservatory composed a reactionary concert that was played twice during the inaugural week. A dialogue event where experts presented their insights on Innsbruck tied it all together.

BTV's Rising Jazz Star Prize: On 13 November the TonArtTirol Jazz Prize was awarded once again at the BTV Ton Halle. Exceptional performances on the regional jazz scene were recognised. BTV's Rising Jazz Star Prize this year went to Christian Hauser.

The BTV Management Board (left to right) Mario Pabst, Gerhard Burtscher and Michael Perger feel personally obliged to follow the ethos of the BTV banker. They also showed their connection to BTV by wearing clothes from the era when the bank was founded as part of the 100th AGM.

114 years of BTV – an eventful but successful story

On 8 April 1904, the Allgemeine Verkehrsbank in Vienna, established by order of the Emperor of Austria, received approval from the Austrian Ministry of the Interior to found a public company. The bank bought the two banking houses "Payr & Sonvico" in Innsbruck and "Ludwig Brettauer sel. Erben" in Bregenz. The first directors of the new company were the former company directors Hans Sonvico and Ferdinand Brettauer. Entry into the commercial register on 18 of August 1904 was then only a formality – the 'Bank für Tirol und Vorarlberg' was born. BTV experienced strong business expansion in its early years. Numerous branch openings in North and South Tyrol and in Vorarlberg were the visible signs of growth. BTV's reputation among the population and in economic circles grew from year to year – BTV quickly established a firm place for itself.

The wonder of the Inn

At the end of the First World War, the European borders were redrawn and South Tyrol given to Italy: whereupon BTV had to close its South Tyrolean branches in 1922. Like Germany, Austria suffered from galloping inflation which had fatal effects for the Tyrolean and Vorarlberg economy. The population stormed the banks to remove their savings deposits. Unlike most of their competitors, BTV was able to pay the savings deposits to its customers immediately and survive these difficult times. BTV's company philosophy, which still applies today – of not making any risky speculations on financial markets – has proven itself. Thanks to its reserved business policy, BTV was the only regional joint stock bank to survive the financial crisis, and by focusing on the takeover of domestic banks it in fact came out of the 20s stronger than ever. The Austrian press therefore hailed BTV as the 'Wonder from the Inn'.

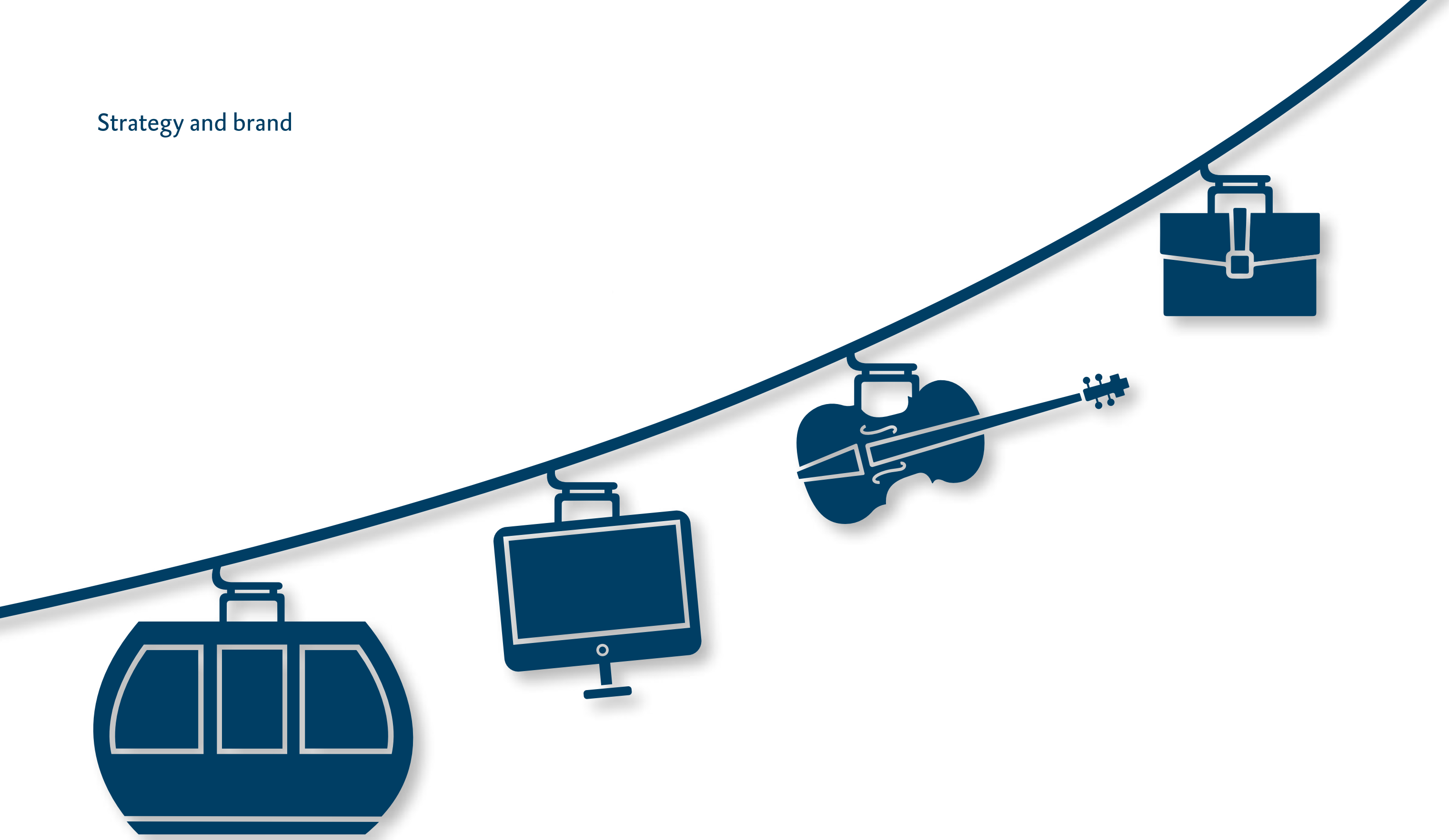
The BTV Stadtforum building was re-established in 2006 at our traditional headquarters.

Economic boom

After the Second World War, gradual economic stabilisation created the financial foundations for reconstruction. By issuing loans to regional companies, BTV targeted and promoted the domestic economy which then experienced a "golden" decade. In 1952, new shareholders joined BTV in the form of the Bank für Oberösterreich und Salzburg and the Bank für Kärnten und Steiermark. Today, Oberbank, BKS Bank and BTV together form the 3 Banken Group. It stands for a voluntary union oriented towards democratic principles, which is more than ever considered an important partner of the domestic economy. For all three banks, this cooperation is a central component of their autonomy and independence. The 3 Banken Group covers the whole of Austria, as well as nearby bordering regions.

True customer proximity

BTV's network of branches was expanded significantly in the 1970s and 1980s. With this step, BTV successfully made its endeavour "to be close to the customer" and "to expand into the regions" a reality. The personal relationship between the customer and employees was and is a central success factor for BTV. BTV has been listed on the Vienna Stock Exchange since 1986, the only regional bank in Western Austria to do so - "a big leap for the Alpine people" in the eyes of Tyrol artist Paul Flora who captured this significant event in his images. In 1989, the company expanded to Vienna. In 2004 - celebrating 100 years since its founding - it opened its first foreign branch in Staad by Lake Constance in Switzerland. 2006 marked our entry to the markets in Bavaria, Baden-Wuerttemberg, and South Tyrol. With its new brand name BTV VIER LÄNDER BANK (the Bank of Four Countries), which was introduced in 2011, BTV is demonstrating a pledge: namely, that its commitment in all four countries is sustainable and profitable. Gerhard Burtscher, Mario Pabst und Michael Perger took over responsibility for the Management Board on 1 January 2016. They will continue to manage the bank with a real proximity to our customers in future.



Strategy

In focus: BTV's customers

BTV's customers are at the heart of its strategy. Building on their needs and desires, customer-friendly innovations are developed on an on-going basis. With its entrepreneurial spirit, BTV relies on performance that goes the extra mile - and thereby also secures its long-term independence. Because of the mergers in the banking sector in past years, this autonomy has become an extraordinary advantage which is becoming ever rarer.

Offering tailored solutions

Whether it involves investment, financing or other financial services – BTV's performance and above-average commitment impresses its customers. BTV's customers value the tailored solutions and competent advice. As well as its wide range of banking products, BTV subsidiaries, holdings and cooperations also provide other bank-related services such as leasing or insurance. BTV has access to lots of banking partners for international transactions. BTV is also the official representative of the German Chamber of Commerce and the Switzerland-Austria-Liechtenstein Chamber of Commerce in Tyrol and Vorarlberg - a service which is very much valued by export-oriented corporate customers.

Approaching and listening to customers

BTV is a regional service provider specialised in handling money. This is apparent from solutions which are individually tailored to the customer and first and foremost from the highly qualified employees who, with their specialist expertise, constitute BTV's most important asset. Our customer structure is primarily composed of medium-sized enterprises owned by families, and investors. Fulfilling their needs and desires in the best possible way – that is what is near and dear to BTV. BTV employees therefore actively approach customers, not only to inform them but also to discover their needs. BTV wants to remain in business, not make business. Our task, which we fulfil prudently and sustainably, is not to maximise profit but to secure BTV's autonomy. BTV's customers benefit from this.

Sigi Ramoser, CEO of Sägenvier DesignKommunikation, and Gerhard Burtscher, Chair of the Board at BTV, celebrate the German Brand Award 2018.

Winners of the 20th BTV Marketing Trophy 2018 celebrate.

Brand

New BTV advertising range

In everyday life, the quality of service experienced is often only noticeable through fine details. This makes it all the more important to recognise that customers use exactly these details for appraisal. BTV's duty to constantly improve the quality of not only its products and services, but processes too, plays an important role in this. 2018 saw the conclusion of the implementation of the BTV Corporate Design. The previous primary colour of silver has been replaced by a new brand colour - the specific BTV Blue. Regional connections are established through photos and publications from the regions where we are active. We regularly portray entrepreneurial fields of activity, and oversee the dynamic development of companies making sustainable investments. Consequently, we are showing once again that we have our roots in the Alpine region and have a close connection with our customers.

Economic environment

Developments in the global economy lost momentum in 2018. In particular, global industry production was significantly less dynamic. Having been a constant driving force behind the global upturn for many years, the Chinese economy is now becoming one of the weak points in the global economy. The trade conflict between China and the USA, which affected the financial markets first of all, has continued to have an ever greater impact on the global real economy throughout the year - though not in the USA where tax relief (decreases in income tax and company tax) has fanned the flames of GDP growth.

The downturn in global trade activities has weakened the economy in both Japan and the EU. Domestic problems too, such as the unresolved Brexit issue, have increased uncertainty and subsequently reduced investments. Strong domestic consumption and a well-utilised job market have had a positive impact, promoting growth in wages. In Germany, the automotive industry, for years the dynamic engine of growth, has put a strain on financial development due to emissions issues. The trade conflict is also inhibiting exports. Italy, on the other hand, was able to reach an agreement with the EU in its budgetary dispute after intense negotiations.

Given the global strains, the Austrian economy looks robust. The dynamism of its economy decreased moderately at the high level, whilst capacity utilisation was above average for the year as a whole. Unemployment decreased slightly (from 5.5% to 4.8%), and the rate of inflation remained above-average for the Eurozone at 2.1% thanks to increasing service prices. At 2.7%, GDP growth in Austria in 2018 left the Eurozone (+1.9%), Germany (+1.4%), and Italy (+1.2%) paddling in its wake.

Thanks to high exports and investments from companies, GDP in Switzerland grew strongly at 2.3%, though an abrupt weak period set in towards the end of the year in particular. Foreign trade in Switzerland decreased due to the slowing down of international growth, whilst the interim appreciation of the franc also put a brake on exports. At the same time, growth drivers from domestic demand failed to appear.

Interest rates

Last year, the US Federal Reserve increased the target band for prime rate interest four times by 25 base points to a total of 2.25% to 2.50%. This led to short-term US interest increasing comparatively more than long-term interest, which further slowed down the interest curve and even inverted it in the 2 to 5-year maturity area. This development towards the end of the year only strengthened economic concerns. The Eurozone also suffered a slowing down of the interest curve, a trend which started with lower interest rates at the long end of the curve. Economic concerns and a general atmosphere of "Risk off" at the end of the year led to a significant decrease in interest. This was in spite of the fact that the European Central Bank ended its Asset Purchase Programme in December 2018. However, volumes being released through coupon payments and repayments are still to be reinvested in order to avoid any significant decrease in liquidity. More risky loan segments, such as company, high-interest or developing country loans also suffered in 2018 from worries regarding economic developments and the associated risk aversion on the market. Giving preference to credit risk over interest risk was therefore not profitable on the whole last year. In the loan segment, only certain state loans with best creditworthiness were able to achieve a slightly positive performance in 2018.

Compared to previous years, the long-term Euro interest rates decreased slightly (-8 base points to 0.81% for 10-year Euro swap). Money market interest (3-month Euribor) proved stable and increased ever so slightly compared to 31 December 2017 by 2 base points to -0.31%.

Currency markets

Having shown its strengths compared to all leading currencies in 2017, the euro's positive trend came to an end in 2018. Significantly weaker economic figures from the Eurozone, the Brexit debacle, and difficulties in Italy and France led to a decrease in investor trust in
the common currency. It was above all the Japanese yen, though also the Swiss franc and the US dollar, that profited from this hit to the mood of the market. As well the "Safe Port" nature of the US dollar, the interest difference between the USA and the Eurozone also played a crucial role in the development of the EUR/USD exchange rate. The common currency lost -7.0%, -3.9%, and -4.5% respectively against the yen, franc and US dollar for 2018 as a whole. At the end of the year, the EUR/USD exchange rate stood at 1.14, whilst EUR/CHF recorded over 1.12. Amongst the leading currencies, the

British pound came out weaker against the euro due to the Brexit debate, whilst the Chinese renminbi suffered as a result of economic concerns.

Currency rates as of 31/12/2018:
EUR-USD: 1.1450
EUR-CHF: 1.1269
EUR-JPY: 125.85

Equity markets

2018 was not a good year for global equity markets. After concerns regarding a quicker than expected increase in inflation caused investors to fear more US interest rate measures than promised, the year got off to a rocky start. The expectation that the US Federal Reserve could stall economic performance through additional interest rate measures to counter inflation triggered corrective measures across global equity markets. Following this shock at the start of the year, the situation relaxed somewhat and stock exchanges were able to make up some of their losses during the spring/summer. However, this comparatively more stable period lasted only a short while. October saw the next sale which affected the Asian and previously untouched US indices above all. Cyclical and growth-oriented sectors were among the biggest losers. However, there is no one single reason for the "Risk off" mood. Rather, it was a combination of several factors that led to this. The burgeoning trade conflict between the USA and China put a strain on Asian and European stock exchanges throughout the year, impacting the US indices more greatly from the autumn onwards. The increases in interest introduced by the US Federal Reserve, the strong US dollar, and stricter global financial policies put a great amount of pressure on above all developing countries. Global economic concerns, which were strengthened by decreased growth predictions of international financial instructions, led to another drop in prices in December.

The lowest drop for the year as whole was recorded by the US technology index NASDAQ Composite with a loss of -3.9%. The leading US index S&P 500 ended the year in the red at -6.2%. The Eurozone came out significantly worse as the Europe-wide STOXX 600 index was forced to take a hit of -13.2% for the year as a whole. In the Eurozone, ATX suffered the worst with a loss of -19.7%, whilst the Italian FTSE MIB also saw a negative development of -16.2%. Amongst developing countries, Asia (excl. Japan) suffered the heaviest with a loss of -14.4%, caused in particular by the weak performance of Chinese shares. The Shanghai Composite closed 2018 with a loss of -24.6%.

BTV's ordinary shares increased in 2018 by +4.2% to €23.80, whilst preference shares increased by +17.2% to €22.20.

Business trends

IFRS Group accounts

The consolidated financial statement has been drawn up according to IFRS regulations as well as the interpretations by the International Financial Reporting Interpretations Committee (IFRIC) as exempting consolidated financial statements as defined by section 59a of the Austrian Banking Act (BWG) in conjunction with section 245a of the Austrian Commercial Code (UGB).
All standards which were mandatory for the financial year have been applied in compiling this consolidated financial statement. An overview of the standards and the balance sheet principles is provided in the Annex, from page 47 onwards.

Detailed explanations about risk management as well as descriptions of the relevant risks and uncertainties to which the company is exposed can be found in the Risk Report starting on page 116.

Below, the business activities of the BTV Group are analysed taking into account the most important financial and non-financial performance indicators for the business activity:

Profit trend

BTV looks back at a successful financial year 2018 – a year that relied on less of the new and more of the old with respect to interest developments. As a retail bank, BTV operates the way that banking was invented: deposits from the region are added to the bank's balance sheet and then made available for lending and regional projects. The result is therefore determined by the interest and provision business.

This business model requires a good equity base. This allows us to be a strong partner for the economy and at the same time a secure destination for asset investment. 2018 confirmed BTV's business model of being close to and growing with our customers: Business volume across all important balance sheet items, such as loans to customers, customer deposits managed, equity or balance sheet total, achieved the highest level in the banks' 114-year history. At the same time, even the risk provisions in the loan business were able to record a positive balance. Of course, these results are also down to the extraordinarily good financial and economic situation.

BTV increased its annual surplus before tax by a significant EUR +48.6 million to EUR 139.8 million in 2018. The operative customer segment was the main driver of this growth, This is evident above all in the higher interest surplus (EUR +3.4 million), in the provision surplus (EUR +0.9 million), and in the decreased risk provisions in the lending segment (EUR +25.5 million). The result from financial transactions also improved by EUR 8.7 million compared to the previous year. Growth was also achieved in the trading results with an increase of EUR +2.1 million and in the result from companies valued at-equity at EUR +5.5 million. Remaining operational profit increased from EUR 71.1 million to EUR 81.1 million.

Net interest income

The low interest environment is also continuing to shape the business activity and result of banks. The net interest profit - the result of the operative business activity of BTV - was able to grow by EUR +3.4 million to EUR 123.0 million. It is essentially the growth in volume of loans to customers that is responsible for this improved result. The high volume new business was able to significantly exceed repayments.

Risk provisions in the credit business

Risk provisions in the loan segment showed a pleasing decrease in the financial year 2018. The balance from the depositing and liquidating of risk provisions, including direct amortisations on loans and income from loans already written off, decreased by EUR -25.5 million in the reporting year. Overall, revenue of EUR 4.4 million was posted on this item.

Selected Breakdown of changes in profit	**in EUR thousand**
Net interest income	+3,397
Risk provisions in the credit business	+25,504
Net commission income	+918
Trading income	+2,067
Operating expenses	–7,552
Other operating profit	+10,012
Income from financial transactions	+8,712
Annual net profit before tax	+48,572
Group annual net profit	+31,114

The NPL ration (non-performing loans ratio) also exhibited an extremely low value. The share of defaulted customer loans in total customer loans was well below the value of 31 December 2017 in 2018 at 1.8%. The NPE ratio (non-performing exposure ratio), which correlates the defaulted credit risk volume with the total credit risk volume, decreased from 2.0% in the previous year to 1.5%.

Net commission income

The pressure on interest business - triggered by the low interest environment - is increasing the significance of provision business. At BTV it is above all the securities business that takes on a central role. In the previous financial year, EUR 27.0 million was saved in this column, more than half of the total provision result at around 52%.

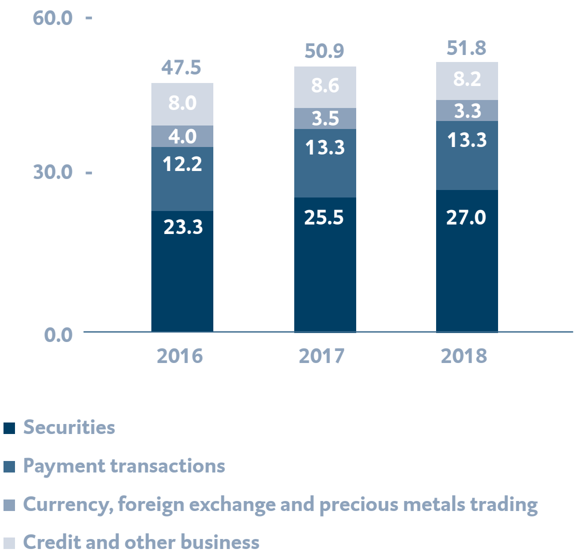
Despite the volatile developments on the capital markets, we were able to record a growth here of EUR +1.4 million, or +5.6%. Payment transactions contributed EUR 13.3 million to the result, making it the second largest category in the provision result at the previous year's level after securities business. The forex, exchange, and precious metals business decreased moderately by EUR -0.2 million, the result in the loan business by EUR -0.3 million. Remaining services business recorded EUR 0.3 million as in the previous year. Overall, net provision profit improved above all thanks to the increase in the securities business of EUR 0.9 million to EUR 51.8 million.

Income from companies valued at-equity

The contribution of companies valued at-equity to the result achieved a value of EUR 51.7 million, EUR 5.5 million above the level of 2017.

Change in net commission income 2016-2018

Amounts in EUR million



Trading income

The result from trading income increased by EUR +2.1 million compared to the previous year. It was predominantly the results from forex and currencies, as well as valuation and realisation successes from derivatives, that was responsible for this.

Income from financial transactions

The income from financial transactions of EUR +8.7 million for 2018 came predominantly from the financial instruments valued at fair value through profit and loss. Overall, a result of EUR 9.0 million was recorded in financial transactions.

Operating expenses

The administrative expenses of BTV increased by EUR +7.6 million, or +4.4% to EUR 181.0 million. The largest category here was material expenditure which increased by EUR 4.7 million to EUR 53.8 million. Depreciation fell by EUR -0.6 million to EUR 26.5 million. Both of these positions were significantly affected by the fully consolidated mountain railways. Staff expenditure increased by EUR +3.4 million, or +3.5%, to EUR 100.7 million. The number of employees in 2018 increased as an annual average by +37 to 1,438.

The number of business locations of BTV remained unchanged with respect to 2017 at 36. Details on the current subsidiaries of BTV can be found on pages 8 and 9 of the Annual Report.

Since there is no independent and planned search in place for achieving new economic or technical knowledge, and since there is no upstream development in place for commercial production or use, no research and development activities in the sense of Sec. 243(3)(2) Austrian Commercial Code were performed, just as in the previous year.

Other operating profit

Significant growth to the amount of EUR +10.0 million to EUR 81.1 million was recorded in other operating result. A significant component of this item is turnover from the fully consolidated mountain railways which can look back on a good year.

Taxes on earnings and profit

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 increased by EUR +17.5 million compared to the previous year in line with the higher result of EUR 32.7 million. The tax ratio with respect to annual profit before tax was therefore 23.4%.

Annual pre-tax profit and group net profit for the year

2018 was another overall successful financial year for BTV. The annual net profit before tax increased by EUR +48.6 million to EUR 139.8 million, corresponding to an increase of +53.3%. Group net profit for the year improved by EUR +31.1 million to EUR 107.1 million (+41.0%).

Earnings per share

The profit per share increased from EUR 2.49 in the previous year to EUR 3.31.

For the financial year 2018, the Management Board will suggest a dividend unchanged from the previous year of EUR 0.30 per share at the AGM 2019.

Balance sheet performance

Due to the new reporting standard IFRS 9, in use since 01/01/2018, changes have been made to certain balance sheet items; details of these can be found on page 61 ff. The statements in the following management report refer to the balance sheet as at 31 December 2018 according to the respective legal situation.

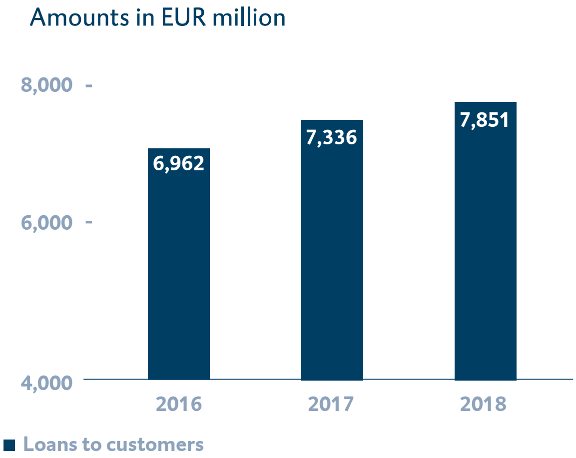
Trends in Assets

The balance sheet total of BTV increased during the reporting year by EUR +1,167 million to EUR 11,630 million. The driving force behind this increase was the loans to customers, as well as cash reserves which more than doubled from EUR 321 million to EUR 867 million. Loans to credit institutions increased by +77 million to EUR 365 million.

The success of the customer loans at BTV is directly linked to the close relationship our managers have with customers and their understanding of their customers' business models. As a result, the position "Loans to customers" was able to increase by EUR +515 million, or +7.0%, compared to the previous year at EUR 7,851 million. In the corporate customer segment (incl. BTV Leasing and institutional business), the volume increased by EUR +472 million. Loans to retail customers increased by EUR +43 million.

The reporting guidelines under IFRS 9 introduced on 1 January 2018 are having a significant impact on the position "Risk provisions". Due to the new standards on impairment, portfolio value adjustments were resolved through other comprehensive income. The inventory of risk provisions decreased by EUR -70 million as a result of this alone. Overall the balance sheet risk provisions halved in 2018 to EUR 97 million. For risk management objectives and methods regarding existing default and market risks, please see the detailed risk report starting on page 116.

Changes in loans to customers 2016-2018



Changes to major balance sheet items in 2018	**in EUR million**
Total assets	+1,167
Cash reserves	+547
Loans to credit institutions	+77
Loans to customers	+515
Other financial assets incl. shares in companies valued at-equity and trading assets	–28
Liabilities to credit institutions	+305
Primary funds	+556
Equity	+272

IFRS 9 had an impact on the overall picture compared to 2017 in terms of financial assets too: Other financial assets including shares in companies valued at-equity and trading assets were EUR -28 million below the previous year's level at the end of the year at EUR 2,163 million. The reinvestment volume of the securities inventory was also below the values of the current repayments.

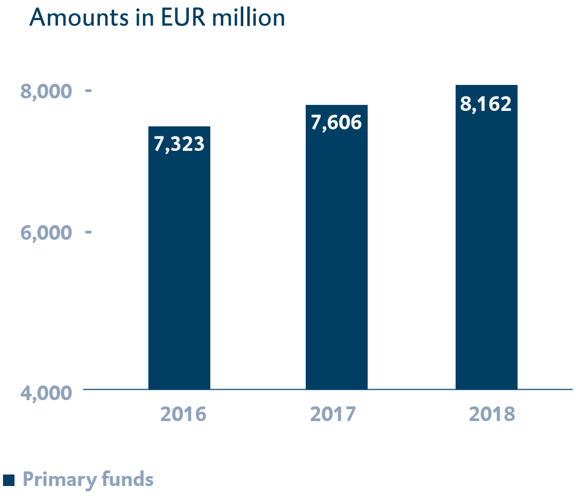
Trends in liabilities

In accordance with BTV's strategic aim to refinance customer loans through primary funds, the growth in customer loans should be covered in its entirety by the growth in customer deposits. This aim was achieved in the reporting year as well, with an increase in primary funds of EUR +556 to EUR 8,162 million. This increase was achieved in particular from higher account deposits. These recorded a gain of EUR +524 million. Savings deposits were roughly the same level as the previous year. The amount of BTV emissions was increased in 2018 by EUR +38 million. The loan-deposit ratio, the ratio between loans to customers after risk provisions to primary funds, at the end of the year was 95.0% (previous year: 93.9%). Liabilities to banks increased by EUR +305 million as an additional comparison position of growth in assets to EUR 1,517 million.

The past year was characterised by a high level of volatility on the equity markets and negative performance values of the most important share indices. Such an environment is tough for both customers and banks. Compared to 31 December 2017, the deposit volume decreased by EUR -266 million, or -4.2%, to EUR 6,033 million. Customer funds under management, the sum of both primary deposits and deposit volumes, increased by EUR +290 million to EUR 14,195 million.

Particularly pleasing for BTV was the growth in balance sheet equity in the reporting year since the strength of capital is particularly significant for the bank's business model. Overall, equity increased by EUR +272 million to EUR 1,639 million due to the good result, the successfully placed capital increase, and the effects of transitioning to IFRS 9.

Change in primary funds 2016-2018



Qualifying capital as per the CRR

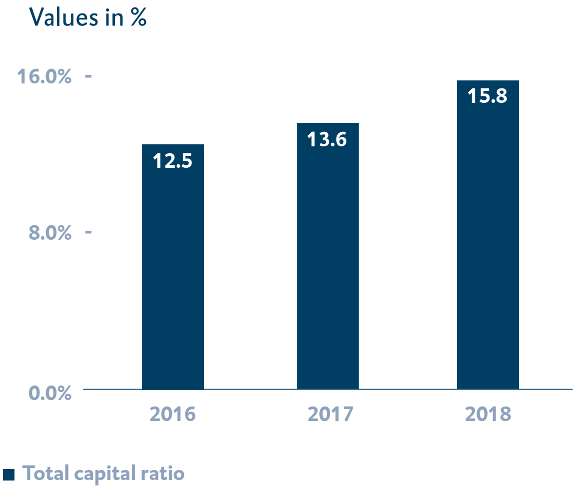
In accordance with Regulation (EU) No. 575/2013 (CRR), in conjunction with the accompanying regulation of the Austrian Financial Market Authority (FMA), subject to application of the transitional provisions, the qualifying equity of the banking group increased by EUR +250 million compared to the previous year to EUR 1,222 million as at 31 December 2018.

Common equity (CET1) increased to EUR 1,015 million (EUR +100 million), and core capital by EUR +114 million to EUR 1,029 million. Total risk amount increased by EUR +588 million to EUR 7,728 million. In accordance with Regulation (EU) No 575/2013 (CRR), in conjunction with the CRR accompanying regulation of the FMA, subject to application of the transitional provisions, the core equity ratio was 13.1% as at 31 December 2018 (previous year: 12.8%), and the core capital ratio 13.3% (previous year: 12.8%). The total capital ratio was 15.8% (previous year: 13.6%).

Regulation (EU) No 575/2013 (CRR), in conjunction with the CRR accompanying regulation of the FMA, subject to application of the transitional provisions (= Basel 3 currently) has been the basis for calculation since 2014.

The equity calculation for 2018 includes retained earnings totalling EUR 126,496 thousand, subject to approval of the annual financial statements by the Supervisory Board on 29 March 2019.

Development total capital ratio 2016–2018



Key indicators

The return on equity on the basis of the annual net profit at the end of 2018 increased by 2.2 percentage points before tax to 9.3%; and by 1.3 percentage points to 7.1% after tax. The loan deposit ratio (ratio of customer loans by risk provisions to primary funds) was 95.0% (previous year: 93.9%). At 9.0%, the leverage ratio also significantly exceeded the required minimum figure of 3.0%. The cost/income ratio improved in the reporting year 2018 thanks above all to the improvement in the interest profit result and in other operational results from 60.8% to 58.9 %. These key figures are significantly affected by the fully consolidated mountain railways. The risk/earnings ratio was –3.6% (adjusted previous year: 17.6%). The non-performing loans ratio decreased from 2.5% to 1.8%.

KPIs in %

RoE before tax	9.3%
RoE after tax	7.1%
Loan Deposit Ratio	95.0%
Liquidity-coverage ratio	144.5%
Leverage Ratio	9.0%
Cost/income ratio	58.9%
Risk/earnings ratio	–3.6%
Non-Performing loans ratio	1.8%
Core capital ratio according to CRR	13.3%
Total capital ratio pursuant to. CRR	15.8%

Events after the financial statement date

Between the end of the financial year and the creation and approval of the financial statement by the auditors there were no significant events relating to the business.

References to information in the consolidated financial statements

Detailed information on the financial situation (liquidity, equity position, cash flow statements), on the investment and financing area (balance-sheet structure, liquidity, debt ratio) are published in the consolidated financial statement starting on page 39.

Corporate governance report

In 2002, the Austrian Corporate Governance Code (ÖCGK) was published for the first time. This Code stipulates the basic principles of good corporate governance and is viewed by investors as an important source of guidance.

The ÖCGK is publicly available on the website of the Österreichischer Arbeitskreis für Corporate Governance [Austrian Working Party on Corporate Governance] (www.corporate-governance.at), as well as on BTV's website (www.btv.at/de/unternehmen/investor_relations/corporate-governance-id1726.html).
The Corporate Governance Report of BTV is also published on the latter website.

Compliance

At the Bank für Tirol und Vorarlberg Aktiengesellschaft (BTV), employees undertake on joining to comply with the provisions of BTV's compliance code. This code is based on the provisions of the EU Market Abuse Regulation, the compliance provisions of the Austrian Securities Supervision Act (Wertpapieraufsichtsgesetz (WAG 2018)), the Austrian Stock Exchange Act, and relevant delegated regulations of the EU. The objective of these provisions is not only prevention of insider trading, market manipulation or abuse, or avoidance of conflicts of interest, but also prevention or minimising of all compliance-related risks which may arise from failure to comply with laws, regulatory provisions, non-statutory recommendations or internal guidelines. Internal procedures and measures for compliance with these rules, which are regularly checked and documented, have been defined by company compliance officers, with no infringements being ascertained during the reporting period.

730 BTV employees have refreshed their knowledge using the compliance e-learning and successfully passed the final test. In addition, during the reporting year 97 new employees in the branches and divisions participated in classroom training in order to ensure full compliance with the regulations of the Compliance Rules and in particular the EU Market Abuse Regulation and the Securities Supervision Act (WAG 2018).

Money laundering prevention

BTV's goal is to prevent any form of money laundering or the financing of terrorism within its business activities. For this purpose, various procedures and systems are set up within BTV in order to uncover unusual transactions and business cases, and to pass these on to the money laundering reporting authority if money laundering is suspected. The daily embargo and sanctions review, which is also enforced by the system, as well as the review of existing and new business relationships with politically exposed persons (PEP) were carried out according to the legal regulations.

558 BTV employees have refreshed their knowledge using the money laundering e-learning tool and successfully passed the final test. E-learning included the legal stipulations of the Austrian Financial Market Money Laundering Act (FM-GwG), the legal requirements of the Austrian Economic Ownership Register Act (WiEReG) and relevant internal guidelines.

97 BTV employees took part in classroom-based training with the focus on understanding risky transactions and business cases as well as individual employee responsibility regarding the prevention of money laundering and the financing of terrorism.

BTV has decided to publish the NFI declaration (reporting obligation of non-financial information under section 243b Austrian Commercial Code) as a separate report.
This is available on the BTV homepage at www.btv.at/Nachhaltigkeit .

Reporting on the significant features of the internal control and risk management system with regard to the accounting process

As required by Sec. 243a (2) of the Austrian Commercial Code (UGB), the most important characteristics of BTV's internal control and risk management system with regard to the accounting process are cited below.

BTV's Board of Directors is responsible for the implementation and organisation of an internal control and risk management system corresponding to the requirements of the Group, in relation to the accounting process. This report provides an overview of how the internal controls are regulated in relation to the accounting process.

The following explanations follow an opinion of the Austrian Financial Reporting and Auditing Committee (AFRAC) on drawing up the management report required under Sec. 243, 243a and 267 of the Commercial Code (UGB) of March 2016, and also the tasks of the Audit Committee as laid down in Sec. 63a of the Banking Act (BWG). The description of the significant characteristics is structured pursuant to the framework concept of the Committee of Sponsoring Organisations of the Treadway Commission (COSO).

Accounting (bookkeeping and presentation of the accounts) and its associated processes, as well as the associated risk management, fall within the Finance and Controlling area in the Reporting, Presentation of Accounts, and Accounting teams, as well as the Sales and Strategy Controlling team. Regular and legally prescribed checks are carried out by the Internal department.

The primary tasks of the internal control system and of the risk management system are to inspect all accounting-related processes and to identify, analyse and constantly monitor the risks affecting the correctness and reliability of the bookkeeping, and where necessary, to adopt measures to ensure that the company's goals can be achieved.

Control environment

In addition to compliance with legal provisions in Austria, Germany and Switzerland, the principles of conduct defined by BTV are given priority. Emphasis is also placed on observing BTV's corporate governance principles and on the implementation of its standards.

For the overall control environment, descriptions of jobs with their associated competences and allocated areas of responsibility exist for the entire department, with corresponding training pyramids for the optimal further development of employee expertise. In this way, it is also possible for innovations to be included in the accounting process in a proper and timely fashion. The department employees have the necessary knowledge and experience at their disposal to work in accordance with their remits.

In order to comply with the prescribed legal provisions and relevant accounting standards, within BTV, accounting processes (IFRS and the applicable national accounting standards), in particular key processes, are supported by numerous guidelines, manuals, working aids and written instructions in the Finance and Controlling departments. These are regularly checked and updated where necessary.

Risk assessment

A catalogue of risks has been developed covering the most significant typical company business processes in accounting, with the identification of the most important risk areas. These are monitored with controls on an on-going basis or reviewed and, where necessary, evaluated. Internal controls may provide an adequate degree of certainty of meeting these objectives, but no absolute guarantee. The possibility of mistakes when performing activities, or errors when estimating or applying scope for discretion evidently exists. Due to this, it is not possible to provide an unlimited guarantee that errors in the annual financial statements will be detected or prevented. In order to minimise the risk of a misjudgement, selective use is made of external experts and publicly accessible sources.

Control measures

These activities include systemic controls, which have been defined by BTV and the IT providers (SAP, GAD, GEOS Nostro, Finanz-Logistik AG, SOBACO Solutions AG with the Finnova program), as well as manual controls such as plausibility checks, the four-eyes principle (partly with the involvement of the regional manager or the respective team manager) or job rotation between the teams or in the division. As a supplementary safeguard of security within the systems, sensitive activities within BTV are protected through restrictive management of IT authorisations. These comprehensive control measures are backed up by internal handbooks, working aids, check lists, process descriptions and job descriptions with their associated areas of responsibility. In addition reconciliations and plausibility checks are performed on the data between the Reporting, Presentation of Accounts and Accounting teams on the one hand, and Risk Controlling on the other. This guarantees the accuracy and compliance of the data used in the risk reports and legal publications.

Information and communication

Timely and comprehensive reports on the most significant accounting processes and group activities, are drawn up for the Board of Directors (in the form of monthly financial reports), for the Supervisory Board and Audit Committee, as well as for the BTV shareholders (quarterly financial reporting) with explanations as needed.

Supervisory measures

The supervision of the accounting process is guaranteed on the one hand, by the functional internal control system which is regularly updated (IKS), and on the other, by the independent internal auditing department of BTV (which reports directly to BTV's Board of Directors).

The head of department, as well as the responsible team leaders, carry out a supporting supervisory and oversight function for the accounting processes.

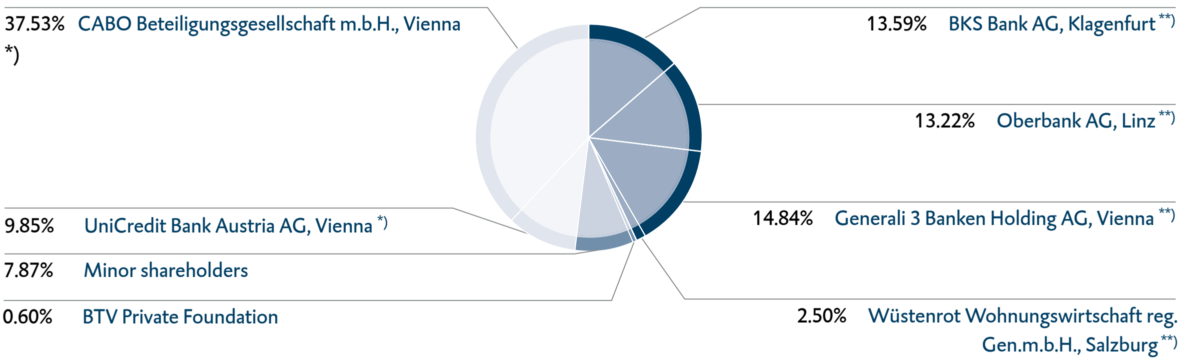
Additional supervisory measures to guarantee the reliability and correctness of the accounting process and its associated reporting are executed by the legally designated auditors of the consolidated financial statements and the Audit Committee mandatorily appointed at the level of the Supervisory Board.

BTV is autonomous.

The Bank für Tirol und Vorarlberg Aktiengesellschaft (BTV) has EUR 68,062,500 in share capital (previous year: around EUR 61.88 million) which is divided into 31,531,250 ordinary shares (previous year: around 28.44 million) and, unchanged since last year, 2,500,000 non-voting preference shares with a minimum dividend payable of 6% of its proportional share in the share capital. In relation to the holding of own shares and the changes that occurred during the financial year, we refer to the information in the Annex.

The shareholders Oberbank AG, BKS Bank AG, Generali 3 Banken Holding AG and Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H. form a syndicate, with the purpose of preserving the autonomy of BTV, it being in the interests of the syndicate partners for BTV to continue to develop as an earnings and profit-oriented company. In order to realise this objective, the syndicate partners have agreed on joint exercise of their corporate rights associated with their shareholdings and of their pre-emptive rights.

BTV shareholder structure by size of holding

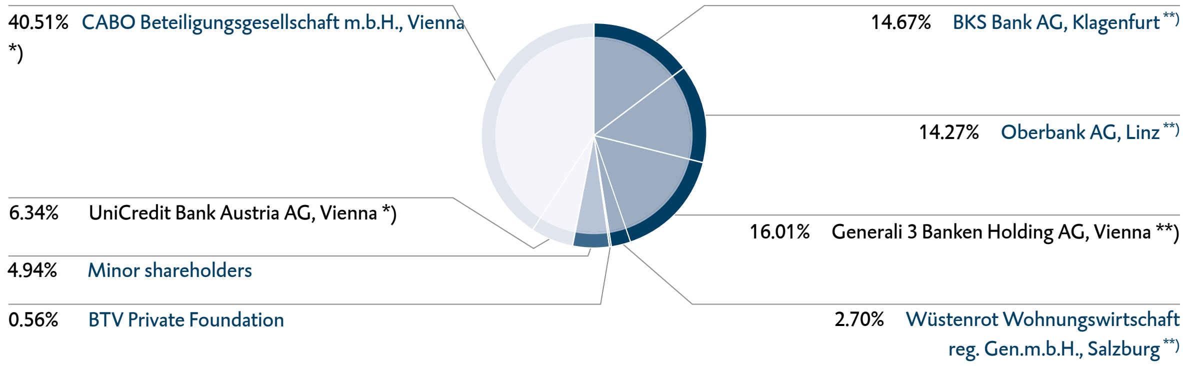


*) Affiliated group company
**) Shareholders who form part of the syndicate agreement

BTV employees have a stake in the company in the form of the BTV Private Foundation. The Board of Directors, the Foundation's Advisory Board and its auditors constitute the executive bodies of the BTV Private Foundation. The exclusive purpose of BTV Privatstiftung is to pass on, directly and in full, income from holdings in BTV or affiliated group companies. This provides a collective opportunity for active involvement by the staff of BTV both in shaping the company and in its success.

BTV is authorised to purchase its own shares for the purposes of securities trading, as well as for its own employees, managers, members of the Board of Directors as well as the Supervisory Board by 7 November 2020, with the proviso that the trading portfolio of shares acquired for this purpose may not exceed five per cent of the share capital at the end of any day. On the basis of these decisions, shares may only be purchased if the equivalent per share does not differ either positively or negatively by more than 20% from the average of the official BTV share price on the Vienna stock exchange during the three trading sessions preceding the purchase.

BTV shareholder structure by voting rights



*) Affiliated group company
**) Shareholders who form part of the syndicate agreement

The economic development achieved its highpoint of 2018 on those markets relevant to BTV. For the budget basis scenario 2019, BTV expects GDP to develop more favourably, but still at a decreasing rate of around 0.5% for Austria, Germany and Italy. GDP development in Switzerland, on the other hand, is budgeted higher than in 2018 at just under 0.5%. It remains uncertain how the mood on the financial markets in 2019 will be influenced by political events.
The overall positive environment will allow BTV to continue its growth strategy. In the corporate customer business, the growth will be driven by higher loans to customers as in previous years, in particular by the expansion markets of Germany and Vienna. The strategic principle of fully refinancing customer loans by means of primary funds will be retained in this respect.

For interest, a persistence of the historically low level of the previous year is assumed for 2019 and the first measures from the ECB are not expected before the end of the year. Therefore, securities will remain an interesting alternative for retail customer investments. However, we must also expect an increase in volatility on the stock and swap markets. The expected growth in managed customer assets should, therefore, generally be supported more by primary funds than by deposit volume.

Due to the increasing customer volume, the interest result is planned to be moderately higher than 2018. However, BTV is also expecting a significant increase in risk provisions in the loan business. This position has a significant impact on the overall result. In 2018 it actually realised a profit from liquidations and less restructuring. It is expected to return to being an expense item in 2019. The net provision profit will continue to be carried by the securities business, whilst the development of other sectors is expected to be the same as the previous year. A transverse development is expected in the result from companies valued at-equity and trading results. It is envisaged that the financing business result will be significantly lower than in 2018. The 2018 result was mainly due to valuation profits that are not expected in 2019. The general administration costs are budgeted as moderately higher than the development of consumer prices. In other operating profit, the two fully consolidated mountain rail companies should once again make a favourable contribution to earnings due to their increased turnover.

The sum of these developments will lead to an annual profit before taxes for 2019 that is expected to be lower than the excellent result of the previous year. Above all, the higher budgeted risk provisions in the credit sector will reduce the annual profit before tax - the expected band ranges from EUR 100 million to EUR 112 million.

Innsbruck, 22 March 2019

The Board of Directors

Michael Perger
Member of the Board

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

Gerhard Burtscher
Chairman of the Board

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

Mario Pabst
Member of the Board

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

Group accounts 2018
Balance sheet
Comprehensive income statement
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Cash flow statement
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Other and supplementary notes on the balance sheet

Balance Sheet as at 31 December 2018

Assets in EUR thousand	31/12/2018	31/12/2017	Change absolute	Change in %
Cash reserve [1] [Reference to Notes]	867,497	320,708	+546,789	>+100%
Loans to Credit Institutions [2]	365,402	288,415	+76,987	+26.7%
Loans to Customers [3]	7,850,903	7,336,377	+514,526	+7.0%
Other financial assets [4]	1,457,700	n.a.	+1,457,700	>+100%
Financial assets – at fair value through profit or loss	n.a.	35,685	–35,685	–100.0%
Financial assets – available for sale	n.a.	1,545,238	-1,545,238	–100.0%
Financial assets – held to maturity	n.a.	0	+0	+0.0%
Shares in companies valued at-equity [5]	674,452	589,556	+84,896	+14.4%
Risk provisions [6]	–97,377	–194,474	+97,097	–49.9%
Trading assets [7]	30,739	19,948	+10,791	+54.1%
Intangible fixed assets [8a]	1,105	944	+161	+17.1%
Property, plant and equipment [8b]	323,266	301,410	+21,856	+7.3%
Properties held as financial investments [8c]	55,013	57,785	–2,772	–4.8%
Current tax refunds [9]	231	276	–45	–16.3%
Deferred tax refunds [9a]	3,722	29,782	–26,060	–87.5%
Other assets [10]	97,452	130,958	–33,506	–25.6%
Total assets	**11,630,105**	**10,462,608**	**+1,167,497**	**+11.2%**

Liabilities in EUR thousand	31/12/2018	31/12/2017	Change absolute	Change in %
Liabilities to banks [11]	1,516,620	1,212,086	+304,534	+25.1%
Liabilities to customers [12]	6,805,812	6,287,594	+518,218	+8.2%
Other financial liabilities [13]	1,372,321	n.a.	+1,372,321	>+100%
Securitised liabilities	n.a.	1,156,916	–1,156,916	–100.0%
Subordinated capital	n.a.	161,209	–161,209	–100.0%
Trading liabilities [14]	8,267	6,091	+2,176	+35.7%
Reserves and provisions [15]	133,412	131,196	+2,216	+1.7%
Current tax debts [16]	8,637	6,759	+1,878	+27.8%
Deferred tax debts [16a]	3,574	5,535	–1,961	–35.4%
Other liabilities [17]	142,480	127,896	+14,584	+11.4%
Equity [18]	1,638,982	1,367,326	+271,656	+19.9%
Non-controlling interests	41,183	38,257	+2,926	+7.6%
Owners of the parent company	1,597,800	1,329,069	+268,731	+20.2%
Total liabilities	**11,630,105**	**10,462,608**	**+1,167,497**	**+11.2%**

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

Statement of comprehensive income as at 31 December 2018

Comprehensive income statement in EUR thousand	**01/01–31/12/2018**	**01/01–31/12/2017**	**Change absolute**	**Change in %**
Interest and similar revenue from application of effective interest method	138,891	136,167	+2,724	+2.0%
Other interest and similar revenue	17,435	19,745	–2,310	–11.7 %
Interest and similar expenses	–33,333	–36,317	+2,984	–8.2%
Net interest income [19]	**122,993**	**119,596**	**+3,397**	**+2.8%**
Risk provisions in credit business [20]	4,403	–21,101	+25,504	>–100%
Commission revenue	56,272	55,058	+1,214	+2.2%
Commission expenses	–4,483	–4,187	–296	+7.1%
Net commission income [21]	**51,789**	**50,871**	**+918**	**+1.8%**
Result from companies valued at-equity [22]	51,719	46,205	+5,514	+11.9%
Trading result [23]	–175	–2,242	+2,067	–92.2%
Income from securities [24]	8,998	286	+8,712	>+100%
Operating expenses [25]	–181,046	–173,494	–7,552	+4.4%
Other operating revenue	110,310	102,280	+8,030	+7.9%
Other operating expenses	–29,204	–31,186	+1,982	–6.4%
Other operating income [26]	**81,106**	**71,094**	**+10,012**	**+14.1%**
Annual net profit before tax	**139,787**	**91,215**	**+48,572**	**+53.3%**
Taxes on earnings and revenue [27]	–32,703	–15,245	–17,458	>+100%
Group annual net profit	**107,084**	**75,970**	**+31,114**	**+41.0%**
Non-controlling interests	3,102	2,464	+638	+25.9%
Owners of the parent company	103,982	73,506	+30,476	+41.5%

Other income in EUR thousand	**01/01–31/12/2018**	**01/01–31/12/2017**
Group annual net profit	**107,084**	**75,970**
Revaluations from performance-oriented pension plans	5,315	2,409
Changes in companies valued at-equity recognised directly in equity	–2,065	3,770
Changes in equity instruments recognised directly in equity	–2,255	0
Losses from sale of equity instruments reclassified under profit reserves	281	0
Fair-value adjustment of own creditworthiness risk of financial liabilities	1,807	0
Profits/losses with regards to deferred taxes, applied directly against total profit	–1,320	–602
Total of items which subsequently cannot be reclassified under profit or loss	**1,763**	**5,577**
Changes in companies valued at-equity recognised directly in equity	8	3,618
Changes in debt securities recognised directly in equity	–787	n.a.
Unrealised profits/losses from assets held for sale (depreciation reserves)	n.a.	–1,094
Unrealised profits/losses from adjustments in currency conversion	635	–1,457
Profits/losses with regards to deferred taxes, applied directly against total profit	2,510	–271
Total items which subsequently can be reclassified under profit or loss	**2,366**	**795**
Total other operating result	**4,129**	**6,372**
Total result for the financial year	**111,213**	**82,342**
Non-controlling interests	3,102	2,464
Owners of the parent company	108,111	79,878

Key indicators	**31/12/2018**	**31/12/2017**
Diluted and undiluted earnings per share in EUR [28]	3.31	2.49

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

* The reclassification of the result from companies valued at-equity in the comprehensive statement of result led to an adjustment of the previous year's value.

Statement of change in equity in EUR thousand	**Subscribed capital**	**Capital reserves**	**Retained earnings**	**Reserves available for sale**	**Actuarial profit/loss**	**Total owners of the parent company**	**Non-controlling interests**	**Total equity**
Equity at 01/01/2017	55,000	106,996	1,031,836	24,012	–34,225	1,183,619	35,815	1,219,434
Capital increases	6,875	67,719	0	0	0	74,594	0	74,594
Total result for the financial year								
Group annual net profit	0	0	73,506	0	0	73,506	2,464	75,970
Other income	0	0	5,057	–1,094	2,409	6,372	0	6,372
Distributions	0	0	–8,351	0	0	–8,351	–129	–8,480
Own shares	0	–488	0	0	0	–488	0	–488
Other changes with a neutral effect on result	0	–95	–88	0	0	–183	107	–76
Equity at 31/12/2017	**61,875**	**174,132**	**1,101,960**	**22,918**	**–31,816**	**1,329,069**	**38,257**	**1,367,326**

Statement of changes in equity in EUR thousand	**Subscribed capital**	**Capital reserves**	**Retained earnings**	**OCI non-recyclable**	**OCI recyclable**	**Total owners of the parent company**	**Non-controlling interests**	**Total equity**
Equity at 31/12/2017	**61,875**	**174,132**	**1,101,960**	**–31,816**	**22,918**	**1,329,069**	**38,257**	**1,367,326**
Reclassifications	0	–126	–31,258	20,807	10,577	0	0	0
IFRS 9 revaluation	0	0	70,820	1,246	–8,115	63,951	0	63,951
Equity at 01/01/2018	**61,875**	**174,006**	**1,141,521**	**–9,763**	**25,380**	**1,393,020**	**38,257**	**1,431,277**
Capital increases	6,188	68,836	0	0	0	75,023		75,023
Total result for the financial year								
Group annual net profit	0	0	103,982	0	0	103,982	3,102	107,084
Other income without companies valued at-equity	0	0	–1,084	3,828	2,358	5,101	0	5,101
Other income from companies companies valued at-equity	0	0	32,759	–2,065	8	30,703	0	30,703
Distributions	0	0	–9,257	0	0	–9,257	–99	–9,356
Own shares	0	–742	0	0	0	–742	0	–742
Other changes with a neutral effect on result	0	–70	40	0	0	–31	–77	–108
Equity 31/12/2018	**68,063**	**242,030**	**1,267,961**	**–8,000**	**27,746**	**1,597,799**	**41,183**	**1,638,982**

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

Cash flow statement as at 31 December 2018

Cash flow statement in EUR thousand	**31/12/2018**	**31/12/2017**
Annual profit	107,084	75,970
Non-cash items in annual profit and reconciliations to cashflow from operating activities		
– Depreciation/revaluation of fixed assets/financial assets/other assets	–25,221	28,477
– Increase/reduction in reserves and risk provisions	–11,618	38,679
– Profits/losses from sale of financial and fixed assets	–5,653	687
– Adjustments for other non-cash items	3,757	–43,953
Sub-total	**68,349**	**99,860**
Changes to assets and liabilities from operating activities after correction for non-cash components:		
– Loans to credit institutions	–65,860	43,870
– Loans to customers	–648,424	–628,402
– Other financial assets	120,211	n.a.
– Trading assets	13,397	–3,849
– Other working capital	n.a.	–29,503
– Other assets from operating activities	–16,884	–13,548
– Liabilities to credit institutions	306,337	90,311
– Liabilities to customers	531,038	389,729
– Other financial liabilities	51,623	n.a.
– Securitised liabilities	n.a.	–10,212
– Other liabilities from operating activities	33,328	–25,793
– Interest received	179,515	177,030
– Dividends received	2,430	3,163
– Interest paid	–33,499	–36,047
– Income tax payments/reimbursements	–28,034	–18,570
Cash flow from operative business	**513,527**	**38,039**
Funds inflow from sales of		
– Fixed assets and intangible assets	6,657	–2,213
– Financial assets	70	18,381
Funds outflow through investment in		
– Fixed and intangible assets	–44,022	–30,020
– Financial assets	–76,694	–27,794
Investment cash flow	**–113,989**	**–41,646**
Capital increases	74,953	74,499
Dividend payments	–9,257	–8,480
Subordinated liabilities and other financing activities	81,555	–58,231
Cashflow from financing activity	**147,251**	**7,787**
Cash position at end of previous period	**320,708**	**316,527**
Cash flow from operative business	513,527	38,039
Investment cash flow	–113,989	–41,646
Cashflow from financing activity	147,251	7,787
Cash position at end of period	**867,497**	**320,708**

The payment instruments include the cash reserve balance sheet items comprising cash in hand and credit balances at central banks.

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

Changes in liabilities from financing activity 31/12/2018 in EUR thousand	**Position 31/12/2017**	**Financing cash flows**	**Non-cash changes**				**Position 31/12/2018**
			Change in ownership structure	Exchange rate changes	Change in fair value	Other changes	
Subordinated liabilities	161,209	82,445	0	0	–1,106	56	242,603
Other financial activities	75,865	–890	0	0	–139	–2,276	72,560
Total changes in liabilities from financing activity	**237,074**	**81,555**	**0**	**0**	**–1,245**	**–2,220**	**315,163**

The consolidated financial statement of the Bank für Tirol und Vorarlberg AG (BTV AG) 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. In preparing this consolidated financial statement, all standards which were required for this financial year were applied.

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

The accounting and valuation methods applied uniformly across the Group comply with the standards for European balance sheets, so that the informative value of these group financial statements equates to those pursuant to the provisions of the Austrian Commercial Code (UGB), in conjunction with the provisions of the Austrian Banking Act (BWG). In contrast to the audited BTV consolidated financial statement for 2017, the consolidated financial statement was prepared as at 31 December 2018 in accordance with the accounting principles according to the new IFRS 9 standard "Financial Instruments". The impact of the first-time application of IFRS 9 is described in detail on pages 61 to 68.

IFRS 15 "Revenue from Contracts with Customers" came into force on 1 January 2018. The rules determine how and when income is recognised but have no impact on income receipts arising in connection with financial instruments under the rules of IFRS 9. A comprehensive analysis of yields from contracts with customers has shown that yields from fixed assets within the BTV Group have essentially been realised before the period of first application in accordance with IFRS 15 and thus there was no impact on the balance sheet of the BTV Group. Furthermore, suitable processes and associated internal controls were implemented which guarantee realisation of yields from future contracts in accordance with IFRS 15.

All accounting and valuation principles not covered by the standards IFRS 9 and IFRS 15 remain unchanged. An overview of all new applicable standards is presented on page 69.

Approval to publish the group financial statements was given by the Board of Directors to the Supervisory Board on 22 March 2019. The approval for publication of the consolidated financial statement by the Supervisory Board is planned for 29 March 2019.

Principles of consolidation and scope of consolidation

The scope of full consolidation has changed compared to 31 December 2017.
Beteiligungsholding 5000 GmbH, with headquarters in Innsbruck, was founded by entry into the companies register on 23 November 2018 and was fully consolidated for the first time on 31 December 2018.

With entry in the companies register dated 9 November 2017, the balance sheet date of MPR Holding GmbH was brought forward to 30 September. The company assumes the holding function for the group of companies of Silvretta Montafon GmbH with headquarters in Gaschurn and is a managing holding company. The name of the company is Silvretta Montafon Holding GmbH. The headquarters of the company was relocated to Schruns.

The company name "Silvretta Montafon GmbH" was changed to "Silvretta Montafon Bergbahnen GmbH" with the entry in the companies register on 30 November 2017. "Silvretta Verwaltungs GmbH" was renamed "Silvretta Montafon Sporthotel GmbH" with the registration in the company register of 18 November 2017. Also with the entry in the companies register from 18 November 2017, the company name changed from "HJB Projektgesellschaft mbH" to "Sporthotel Schruns GmbH". With the companies register entry of 24 November 2017, "Silvretta Sports Service GmbH" was renamed "Silvretta Montafon Sportshops GmbH". The scope of consolidation expanded to include the companies "Silvretta Montafon Ferienimmobilien GmbH" and "Silvretta Montafon Bergerlebnisse GmbH" with registration of 22 November 2017 as of the balance sheet date of 31 March 2018. With a commercial register entry dated 20 July 2018, "Das Schruns" Hotelprojektentwicklungsgesellschaft mbH, St. Gallenkirch was merged as a transferring company with Silvretta Montafon Holding GmbH as the acquiring company. In addition, "Silvretta Skischule GmbH" was renamed to "Silvretta Montafon Skischule Schruns GmbH" on 6 October 2018.

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

Fully consolidated companies	Share in %	Voting rights in %
BTV Leasing Gesellschaft m.b.H., Innsbruck	100.00%	100.00%
BTV Real-Leasing Gesellschaft m.b.H., Vienna	100.00%	100.00%
BTV Real-Leasing I Gesellschaft m.b.H., Innsbruck	100.00%	100.00%
BTV Real-Leasing II Gesellschaft m.b.H., Innsbruck	100.00%	100.00%
BTV Real-Leasing III Nachfolge GmbH & Co KG, Innsbruck	100.00%	100.00%
BTV Real-Leasing IV Gesellschaft m.b.H., Innsbruck	100.00%	100.00%
BTV Real-Leasing V Gesellschaft m.b.H., Innsbruck	100.00%	100.00%
BTV Anlageleasing 1 GmbH, Innsbruck	100.00%	100.00%
BTV Anlageleasing 2 GmbH, Innsbruck	100.00%	100.00%
BTV Anlageleasing 3 Gesellschaft m.b.H, Innsbruck	100.00%	100.00%
BTV Anlageleasing 4 GmbH, Innsbruck	100.00%	100.00%
BTV Leasing Deutschland GmbH, Munich	100.00%	100.00%
BTV Leasing Schweiz AG, Staad	99.99%	99.99%
BTV Hybrid I GmbH, Innsbruck	100.00%	100.00%
TiMe Holding GmbH, Innsbruck	100.00%	100.00%
Silvretta Montafon Holding GmbH, Schruns [1]	100.00%	100.00%
Silvretta Montafon Bergbahnen GmbH, Schruns [2]	100.00%	100.00%
Silvretta Montafon Gastronomie GmbH, Schruns	100.00%	100.00%
Silvretta Montafon Gallenkirch GmbH Schruns, Schruns	100.00%	100.00%
Silvretta Montafon Sporthotel GmbH, Schruns [3]	100.00%	100.00%
Silvretta Montafon Sporthotel GmbH & Co. KG, Gaschurn	100.00%	100.00%
Sporthotel Schruns GmbH, Schruns [4]	100.00%	100.00%
Silvretta Montafon Sportshops GmbH, Schruns [5]	100.00%	100.00%
Skischule Silvretta Montafon St. Gallenkirch GmbH, St. Gallenkirch	50.00%	50.00%
Silvretta Montafon Ferienimmobilien GmbH, Schruns	100.00%	100.00%
Silvretta Montafon Bergerlebnisse GmbH, Schruns	100.00%	100.00%
BTV Beteiligungsholding GmbH, Innsbruck	100.00%	100.00%
BTV 2000 Beteiligungsverwaltungsgesellschaft m.b.H., Innsbruck	100.00%	100.00%
Mayrhofner Bergbahnen Aktiengesellschaft, Mayrhofen	50.52%	50.52%
Beteiligungsholding 5000 GmbH, Innsbruck	100.00%	100.00%

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

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

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

The financial statements of the associated companies are adjusted for the effects of significant business event or incidents between the reporting date for associated companies on 30/09 and the consolidated financial accounts balance sheet date on 31/12.

BTV AG holds 100% of shares in Silvretta Montafon Holding GmbH as at 31 December 2018. There are only indirect minority interests, which are the result of the holding in Skischule Silvretta Montafon St. Gallenkirch GmbH.
BTV Beteiligungsholding GmbH holds 100% of the shares in BTV 2000 Beteiligungsverwaltungsgesellschaft m.b.H. BTV 2000 Beteiligungsverwaltungsgesellschaft m.b.H. holds 50.52% in Mayrhofner Bergbahnen Aktiengesellschaft. There are direct minority interests which result from the holding in Mayrhofner Bergbahnen Aktiengesellschaft.

Annual group net profit allocated to the minority interests amounts to EUR 3,102 thousand.

At the AGM of Mayrhofner Bergbahnen Aktiengesellschaft on 19 June 2018, a dividend of EUR 200 thousand was agreed. EUR 99 thousand of this was allocated to the minority interests.

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

The following holdings were included using the equity method:

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

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

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

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

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

Associated companies are considered to have a reporting date of 30 September, in order to permit the drawing up of the annual financial statements in timely fashion. Loans and liabilities, expenses and income internal to the Group are eliminated except where they are insignificant. An interim net profit elimination has been waived, since material interim net profit figures were not available.

ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H. is classed as a joint operation. The company has a concession under Sec. 1(1), line 8, of the Austrian Banking Act (BWG). Its exclusive corporate object is the granting of guarantees, sureties and other liabilities for lending businesses of the 3 Banken Group. The 3 Banken Group is primarily the only source for payment flows that contribute to the continued activities of the arrangement. It is therefore classed as a joint operation in accordance with IFRS 11.B29-32. The proportional assets and liabilities of the company are considered on the reporting date of 31 December.

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

Accounting and valuation principles

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

Structured entities

Structured entities are companies that have been designed in such a way that voting or similar rights are not the dominating factor when assessing control. For example, this is the case if voting rights only relate to administrative tasks and the rights for managing the essential activities are controlled on the basis of contractual principles. In the BTV Group, mainly project and leasing companies with limited areas of activity, as well as public investment funds, third-party financial companies and securitisation companies, are regarded as structured entities, provided that the business connection to these entities does not constitute ordinary business activity. In the reporting year 2018 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, mainly by using the name BTV in the firm or on business documents in companies for which the BTV Group acts as broker. BTV did not maintain any material business connections in the 2018 financial year and in this sense did not act as a sponsor.

Financial instruments pursuant to IFRS 9

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

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

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

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

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

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

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

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

The "Hold and sell" business model is principally allocated to securities which primarily serve as additional liquidity reserves.The "Sell" business model is principally allocated to all financial assets which cannot be allocated to either of the other two business models. This includes in particular securities inscribed in the Austrian Commercial Code/Austrian Banking Code accounts books and investment funds inscribed in the Commercial Code/Banking Code
bank pass book.

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

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

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

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

In the event of significant retroactive amendments of contractual cashflows, this shall lead to derecognition of the original financial instrument in the balance sheet and a new recognition in the balance sheet of a "new" modified financial instrument. In the event of insignificant retroactive amendments which do not lead to a derecognition of the financial instrument, the gross book value of the financial asset shall be recalculated and a change in profit or loss recorded with effect for result. In the absence of clear regulations in IFRS 9 regarding demarcation between significant and insignificant amendments, a company-specific demarcation shall be applied (see here also "Significant discretionary decisions", p. 60).

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

- "Hold" business model
- Cashflow criterion fulfilled

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

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

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

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

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

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

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

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

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

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

- Loans to customers
- Liabilities to customers
- Securitised liabilities

The result from fair value hedge accounting is presented with effect for result under the item Result from financial transactions.

Recording of depreciations pursuant to IFRS 9

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

The depreciation model stipulates a categorisation of financial assets in three levels of depreciation. The amount of the depreciation depends on the allocation of the financial instrument to one of the three levels:
Generally, during first application all financial assets are allocated to Level 1, where depreciations are measured to the amount of the expected 12-month credit loss.

If the credit risk increases significantly after 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 determining of depreciation is performed at BTV using the transfer logic
specified below. In this context, the entry of the rating and process-related indicators specified in the table determines the level to be used.

The so-called "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 his 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 his contractual payment obligations, though this is not absolutely certain.

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

For financial assets with deterministic cashflows, the expected exposure at default results from contractually owed future payments. For financial assets with non-deterministic cashflows, such as loan commitments and guarantees, for example, the

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

expected exposure at default results on the one hand from the amount withdrawn on the accounting date, and on the other from additional amounts, the future withdrawal of which can be expected in case of default, by means of applying credit conversion factors.

In general, in the context of depreciation pursuant to IFRS 9, BTV differentiates its customers on the basis of their segment, whereby a total of four segments are used: (i) corporate customers; (ii) retail customers; (iii) states; and (iv) banks. The segment allocation of a customer influences the predicted probability of default and the loss given default since different empirical models, approaches and parameters are used in the calculations based on the allocation. The loss given default for the non-securitised part of a loan and the predicted probability of default are based on segment-specific empirical evaluations or statistical models.

The probability of default allocated to a financial asset is estimated using segment-specific econometric models which take account of not just customer rating but the also future-oriented macro-economic information. Within the framework of the models, the multi-period probabilities of default inferred from the one-year segment-specific through-the-cycle rating migration matrices and depending on the rating are adjusted over the next 2 years using macro-economic predictions from an established external organisation. For longer time horizons, extrapolation is performed up to the probability of default dependent on the through-the-cycle rating. The predictions in this context contain prognoses on the development of macro-economic variables, such as of real GDP or growth in real gross investments. The choice of macro-economic variables taken into account is based on an empirical analysis, the aim of which was the best-possible description of the segment-specific, historical default rates by means of macro-economic variables.

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

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

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

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

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

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

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

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

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

- a significant liability of the debtor to BTV is overdue for more than 90 days; or
- BTV considers it unlikely that the debtor will settle his 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 result shall be presented in the P/L account. The deprecation itself does not lead to any decrease in the book value of these assets in the balance sheet, rather it is presented under Other result.

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

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

Risk provisions
The particular risks of the banking business are recognised by BTV through the creation of value adjustments and reserves as appropriate. For creditworthiness risks group-wide standard assessment criteria are applied and provided for by provision of securities.

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

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

Intangible fixed assets
This item includes rental leases, industrial property rights and other rights. The valuation is done at acquisition costs, reduced by regular depreciation. The scheduled depreciation applied is straight line based on the estimated useful life. The

expected useful life and the depreciation method are checked at the end of each financial year and all changes in estimates are prospectively considered. The amortisation of intangible assets is basically performed via a useful life of between 2 and 20 years or 40 years for long-term lease rights and other licenses. In the event of a depreciation under IAS 36, extraordinary amortisations are performed. If the reason for an earlier extraordinary amortisation has lapsed, an allocation will be made to the amortised acquisition or production cost, except in the case of goodwill.

Property, plant and equipment

The valuation of the fixed assets is performed at acquisition or manufacturing cost, reduced by planned and – where necessary – extraordinary amortisations. Planned depreciation is applied using the straight line method. The depreciation period is 40 to 50 years for buildings; for fixtures and fittings it is 3 to 10 years.

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

Properties held as financial investments

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

Leasing

Leasing agreements where a BTV Group company is acting as lessor are essentially classified as Financing leases and accordingly all the risks and opportunities linked to the lease capital are transferred to the lessee. According to IAS 17 the lessor shows a receivable against the lessee to the value of the cash value of the contractually agreed payments and taking into account any residual value. In the case of operating lease relationships (in which case the risks and benefits linked to the property remain with the lessor) the object of the lease is shown by the lessor under the heading "Properties held as financial investments" and depreciation is applied using the rules for the relevant class of asset. Lease payments are collected on the P&L according to the transfer of use.

Leasing agreements where a BTV Group company acts as lessee are classified as operating leasing relationships. Pursuant to IAS 17, the BTV Group records these linearly as expenditure in the P/L account over the lifetime of the leasing relationship.

In January 2016, the IASB published IFRS 16 "Leases" which covers approach, valuation, evidence, and information obligations with respect to leasing relationships, and which replaces the preceding regulations of IAS 17. The standard shall be first applied to financial years beginning on or after 1 January 2019 (see more details on p. 71).

Current assets

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

Reserves and provisions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Taxes on earnings
Current and deferred taxes on income are recorded under this item.

Discretionary decisions, assumptions and estimates
In drawing up the BTV group financial statements, values are determined on the basis of discretionary decisions, as well as through the use of assumptions and estimates. The associated uncertainties may lead in future reporting periods to additional income or expenses or make it necessary to adjust the book value in the balance sheet. The management estimates and assumptions used are based on historical experience and other factors such as planning and likely expectations and predictions of future events, based on current assessments, and this is with the objective of providing meaningful information on the asset, financial and earnings situation of the company. For discretionary decisions regarding the risk status of the Group, please refer to the Risk Report (p. 116 onwards).

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 cashflows pursuant to IFRS 9
In assessing whether a modification leads to a significant change in contractual cashflows and thus to a derecognition of the financial instrument, qualitative and quantitative factors are taken into consideration. A qualitative assessment is always sufficient for financial assets if this assessment can be used to clearly identify a significant modification. This shall be considered in particular in the event of a change of debtor or currency or the granting of a contractual clause which does not fulfil the cashflow conditions. In the event of a modification of a financial asset which was not defined beforehand as a clearly significant contract adjustment, the assessment is performed using a cash value test. Accordingly, there exists a significant change in the conditions of contract if the modification results in a cash value difference between the outstanding debt of the original and the new financial asset of at least 10%.

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

Fair value of financial instruments
If the fair value of financial assets and financial liabilities cannot be derived based on data from an active market, it will be determined using different valuation models. The input parameters for these model calculations will, as far as possible, be derived from observable market data. Valuation models, input parameters, the fair value hierarchy and fair values of financial instruments are explained in more detail in Notes 35, 35a and 35b.

Risk provisions in the lending business

Risk provisions are determined by expectations regarding future loan losses and the composition of the quality of the loan portfolio. It is also necessary for calculating expenses on risk provisions to estimate the amount and timing of future cashflows. Depreciations of financial instruments which cannot yet be identified are established based on expected credit loss (ECL). This depreciation is 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 53.

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. Assumptions, estimates and developments, and sensitivities are presented in greater detail in Notes 15a ff.

Other reserves and provisions

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

Deferred taxes

Deferred tax assets are recognised as tax loss carry-forwards and applicable temporary tax differences. This assumes that in future a taxable result will be available to offset the losses. Judgement calls and estimations are required in order to determine at what level deferred tax assets are to be set, based on future taxable profit and future tax planning. The calculation is performed for each taxable entity at the relevant tax rates and in the taxable period during which the tax deferral is reversed. Details about deferred tax assets can be found in notes 9a and 16a.

Useful life of fixed assets

The scheduled depreciation of fixed assets and intangible assets applied is straight-line based on their estimated useful life. Details on fixed assets are presented in Note 8.

Disclosure pursuant to Part 8 of Regulation (EU) No 575/2013 (CRR)

The disclosure of the BTV Group pursuant to Part 8 of Regulation (EU) No 575/2013 (CRR) can be found on the Internet at www.btv.at in the menu item "Company > Investor Relations > Publications / Financial Reports > Information according to Offenlegungsverordnung [Disclosure Ordinance] (OffV) or pursuant to Part 8 of Regulation (EU) No 575/2013 (CRR)".

First-time application of IFRS 9

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

In its application, BTV has utilised the exception not to adjust comparison information for previous periods with respect to changes in categorisation and valuation (including of depreciation). Differences between the book values of financial assets and financial liabilities due to the application of IFRS 9 are generally recognised in retained earnings and other aggregated income as of 1 January 2018. For the balance sheet and valuation methods of IAS 39 applicable for the financial year 2017, please refer to the BTV Group's Annual Report 2017. The following section lists the reconciliation accounts resulting from the first-time application of IFRS 9.

The following table presents the transition of balance sheet items according to IAS 39 to items according to IFRS 9. The IFRS 9 revaluation was booked through retained earnings and cumulative other comprehensive income.

Assets in EUR thousand **Balance sheet structure from 1 January 2018**	**01/01/2018**	**IFRS 9 revaluation**	**31/12/2017 after reclassification**	**Reclassifica-tion**
Cash reserves	320,708	0	320,708	0
Loans to credit institutions	288,415	0	288,415	0
Loans to customers	7,330,090	–6,287	7,336,377	0
Other financial assets	1,634,279	24,977	1,609,302	1,609,302
Shares in at-equity valued companies	589,556	0	589,556	0
Risk provisions	–124,027	70,447	–194,474	0
Trading assets	36,544	–1,910	38,454	18,506
Intangible fixed assets	944	0	944	0
Property, plant and equipment	301,410	0	301,410	0
Properties held as financial investments	57,785	0	57,785	0
Current tax refunds	276	0	276	0
Deferred tax refunds	8,526	–21,256	29,782	0
Other assets	84,073	0	84,073	0
Total assets	**10,528,579**	**65,971**	**10,462,608**	**1,627,808**

Assets in EUR thousand **Balance sheet structure up to 31 December 2017**	**31/12/2017**	**Reclassifica-tion**
Cash reserves	320,708	0
Loans to credit institutions	288,415	0
Loans to customers	7,336,377	0
Risk provisions	–194,474	0
Trading assets	19,948	0
Financial assets - at fair value through profit or loss	35,685	–35,685
Financial assets - available for sale	1,545,238	-1,545,238
Financial assets – held to maturity	0	0
Shares in at-equity valued companies	589,556	0
Intangible fixed assets	944	0
Property, plant and equipment	301,410	0
Properties held as financial investments	57,785	0
Current tax refunds	276	0
Deferred tax refunds	29,782	0
Other assets	130,958	–46,885
Total assets	**10,462,608**	**–1,627,808**

Liabilities in EUR thousand **Balance sheet structure from 1 January 2018**	**01/01/2018**	**IFRS 9 revaluation**	**31/12/2017 after reclassification**	**Reclassification**
Liabilities to credit institutions	1,212,086	0	1,212,086	0
Liabilities to customers	6,287,594	0	6,287,594	0
Other financial liabilities	1,336,211	–658	1,336,869	1,336,869
Trading liabilities	6,091	0	6,091	0
Reserves and provisions	133,874	2,678	131,196	0
Current tax debts	6,759	0	6,759	0
Deferred tax debts	5,535	0	5,535	0
Other liabilities	109,152	0	109,152	0
Equity	1,431,277	63,951	1,367,326	0
Non-controlling interests	38,257	0	38,257	0
Owners of the parent company	1,393,020	63,951	1,329,069	0
Total liabilities	**10,528,579**	**65,971**	**10,462,608**	**1,336,869**

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

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

	IAS 39		IFRS 9			
Financial assets in EUR thousand	**Valuation category**	**Book value 31/12/2017**	**Valuation category**	**Reclassification**	**Revaluation**	**Book value 01/01/2018**
Cash reserves	Amortised costs	**320,708**	Amortised costs (AC)	**0**	**0**	**320,708**
Loans to credit institutions	Amortised costs	**288,415**	Amortised costs (AC)	**0**	**0**	**288,415**
Loans to customers		**7,336,377**		**0**	**–6,287**	**7,330,090**
	Amortised costs	7,336,377	Amortised costs (AC)	–224,379	0	7,111,998
			fair value through profit and loss (FVPL)	224,379	–6,287	218,092
Other financial assets		**1,580,923**		**28,379**	**24,977**	**1,634,279**
(previously finan. assets)	Available for sale	1,545,238		-1,545,238	0	0
			Amortised costs (AC)	1,073,407	–9,059	1,064,348
			fair value through other comprehensive income (FVOCI)	419,233	30,608	449,841
			fair value through profit and loss (FVPL)	52,528	3,428	55,956
	Fair value option	35,685		–35,685	0	0
			Fair value option	2,836	0	2,836
			fair value through profit and loss (FVPL)	10,908	0	10,908
of which derivatives			fair value through profit and loss (FVPL)	50,390	0	50,390
Derivatives	fair value through profit and loss	**50,390**	fair value through profit and loss (FVPL)	**–50,390**	**0**	**0**
Trading assets	fair value through profit and loss	**19,948**	fair value through profit and loss (FVPL)	**18,506**	**–1,910**	**36,544**
Other assets		**130,958**		**–46,885**	**0**	**84,073**
	Amortised costs	84,073	Amortised costs (AC)	0	0	84,073
	fair value through profit and loss	46,885	fair value through profit and loss (FVPL)	–46,885	0	0

Financial liabilities in EUR thousand	**IAS 39** Valuation category	Book value 31/12/2017	**IFRS 9** Valuation category	Reclassification	Revaluation	Book value 01/01/2018
Liabilities to credit institutions	Amortised costs	**1,212,086**	Amortised costs (AC)	**0**	**0**	**1,212,086**
Liabilities to customers	Amortised costs	**6,287,594**	Amortised costs (AC)	**0**	**0**	**6,287,594**
Other financial liabilities (previously securitised liabilities)		**1,156,916**		**179,953**	**–658**	**1,336,211**
	Amortised costs	752,968	Amortised costs (AC)	0	0	752,968
	Fair value option	403,948		–403,948	0	0
			Amortised costs (AC)	34,018	–658	33,360
			Fair value option	369,930	0	369,930
of which subordinated capital			Amortised costs (AC)	36,328	0	36,328
			Fair value option	124,881	0	124,881
of which derivatives			fair value through profit and loss (FVPL)	18,744	0	18,744
Derivatives	fair value through profit and loss	**18,744**	fair value through profit and loss (FVPL)	**–18,744**	**0**	**0**
Trading liabilities	fair value through profit and loss	**6,091**	fair value through profit and loss (FVPL)	**0**	**0**	**6,091**
Subordinated capital IAS 39		**161,209**		**0**	**0**	**n.a.**
	Fair value option	124,881		–124,881	0	n.a.
	Amortised costs	36,328		–36,328	0	n.a.

BTV applies the OCI option for equity instruments in the amount of EUR 111,536 thousand and designates it at fair value through other comprehensive income (FVOCI). Equity instruments at fair value through profit and loss (FVTPL) are valued at EUR 31,033 thousand.

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

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

Impacts, risk provisions in EUR thousand	**Risk provisions acc. to balance sheet**
Risk provisions on 31/12/2017 acc. to IAS 39	194,474
Change due to reclassification	–6,175
Change due to introduction of the ECL model	–64,271
Level 1	10,856
Level 2	7,517
Resolution of portfolio impairments	–82,644
Risk provisions on 01/01/2018 acc. to IFRS 9	**124,028**
Reserves for guarantees and credit on 31 December 2017 acc. to IAS 39	40,661
Change due to introduction of the ECL model	2,678
Level 1	186
Level 2	2,492
Reserves for guarantees and credit on 01/01/2018 acc. to IFRS 9	**43,339**
Total risk provisions on 01/01/2018 acc. to IFRS 9	**167,367**

Impacts on equity in EUR thousand	**Total equity acc. to balance sheet**
Equity on 31/12/2017 acc. to IAS 39	1,367,326
IFRS 9 amendments from	63,951
Categorisation and valuation	23,614
Risk provisions	61,593
Deferred tax effects from	–21,256
Categorisation and valuation	–5,903
Risk provisions	–15,353
Equity on 01/01/2018 acc. to IFRS 9	**1,431,277**

Deferred tax effects had an impact on retained earnings of EUR -15,012 thousand and on accumulated other result of EUR -6,244 thousand.

The following table shows the effect of the reclassification of financial liabilities of category "valued at fair value through profit and loss" (IAS 39) to category "valued at amortised costs" (IFRS 9):

Effect of reclassification of other financial assets in EUR thousand	**01/01/2018**
In trading assets valued at fair value through profit and loss (FVTPL)	18,506
In Other financial assets valued at fair value through profit and loss (FVTPL)	10,908

Effect of reclassification of financial liabilities in EUR thousand	**01/01/2018**
In Other financial liabilities, valued at amortised costs (AC)	34,018

The mandatory reclassification of Other financial assets is justified by the non-utilisation of the previous application possibilities of the fair value option according to IAS 39.9 (financial instruments which are managed on a fair value basis, or financial instruments with embedded derivatives).

The mandatory reclassification of Other financial liabilities is justified by the fact that the liabilities are not hedged by interest derivatives, hence the incongruities in the valuation or approach (accounting mismatch) no longer exist.

The following table shows the effect of the reclassification of financial liabilities of category "valued at fair value through profit and loss" (IAS 39) to category "valued at amortised costs" (IFRS 9):

Effect of reclassification of financial liabilities valued at amortised costs (IFRS 9) in EUR thousand	**31/12/2018**
Fair value incl. accrued interest as at 31/12/2018	33,499
Loss from change in fair value in financial year 2018 that would have been recorded through profit and loss without reclassification	–82
Profit from change in fair value in financial year 2018 that would have been recorded under Other result without reclassification	46
Effective interest rate that was determined at time of first application (weighted)	1.20%
Interest expenditure recorded during financial year 2018	–348

As a result of the transition to IFRS 9, no financial assets of category "valued at fair value through profit and loss" were reclassified to category "valued at fair value through other comprehensive income" under Other result.

The following table show the transition of the final result of the depreciations pursuant to IAS 39, that is, provisions pursuant to IAS 37 as at 31 December 2017, to the initial amount of depreciations determined pursuant to IFRS 9 as at 1 January 2018:

in EUR thousand	**Position 31/12/2017 (IAS 39/IAS 37)**	**Reclassification**	**Revaluation**	**Position 01/01/2018 (IFRS 9)**
Loans to credit institutions	–2,854	0	2,654	–200
of which valued at amortised costs	–2,854	0	2,654	–200
of which valued at fair value through profit and loss	0	0	0	0
Loans to customers	–191,620	0	68,076	–123,544
of which valued at amortised costs	–191,620	9,423	58,653	–123,544
of which valued at fair value through profit and loss	0	–9,423	9,423	0
Other financial assets	0	0	–431	–431
of which valued at amortised costs	0	0	–283	–283
of which valued at fair value with no effect for profit and loss	0	0	–147	–147
Risk provision for on-balance-sheet assets	**–194,474**	**0**	**70,299**	**–124,175**
Reserves and provisions (off-balance)	–40,662	40,662	n.a.	n.a.
Reserves for guarantees	n.a.	–39,310	–185	–39,495
Reserves for unused credit	n.a.	–1,352	–2,492	–3,844
Risk provision for off-balance-sheet commitments	**–40,662**	**0**	**–2,677**	**–43,339**
Risk provisions total	**–235,136**	**0**	**67,622**	**–167,514**

In the course of the revaluation, risk provisions to the amount of EUR 147 thousand for financial assets valued at fair value through other comprehensive income were transferred from accumulated other result to retained earnings.

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

Use of modified/new IFRS/IAS standards

The table below shows published or modified standards and interpretations on the balance sheet date, which were applied for the first time during this reporting period.
The first-time application of IFRS 9 had significant effects on the consolidated financial statement and effected a change in the balance sheet and valuation methods.
The application of other IFRS and IFRIC specified had a minor effect on BTV AG's consolidated financial statements as at 31 December 2018 as the changes were applicable only here and there. No changes occurred to the balance sheet policies and valuation methods.

First used in the reporting period:

Standard/ Interpretation	**Name**	**To be applied for financial years from**	**Already adopted by EU**
IFRS 15	Revenue from Contracts with Customers	01/01/2018	yes
IFRS 15	Clarifications to Revenue from Contracts with Customers	01/01/2018	yes
IFRS 9	Financial Instruments	01/01/2018	yes
Annual Improvements to IFRS 2014–2016		01/01/2017 or 01/01/2018	yes
IFRS 2	Amendments: Classification and Measure-ment of Share-based Payment Transactions	01/01/2018	yes
IFRS 4	Amendments: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	01/01/2018	yes
IAS 40	Amendments: Transfers of of Investment Property	01/01/2018	yes
IFRIC 22	Foreign Currency Transactions and Advance Consideration	01/01/2018	yes

The next table shows newly published or modified standards and interpretations on the balance sheet date which came into effect through the IASB or in part through the EU endorsement procedure but application of which is not yet mandatory. These have not been applied to these consolidated financial statements.

Newly published or amended standards and interpretations:

Standard/ Interpretation	Name	To be applied for financial years from	Already adopted by EU
Annual Improvements to IFRS 2015–2017		01/01/2019	no
IFRS 16	Leases	01/01/2019	yes
IFRS 9	Amendments: Prepayment Features with Negative Compensation	01/01/2019	yes
IAS 28	Amendments: Long-term Interests in Associates and Joint Ventures	01/01/2019	no
IFRIC 23	Uncertainty over Income Tax Treatments	01/01/2019	yes
IAS 19	Amendments: Plan Amendment, Curtailment or Settlement	01/01/2019	no
Amendments to References to the Conceptual Framework in IFRS standards		01/01/2020	no
IFRS 3	Amendments: Business Combinations	01/01/2020	no
IAS 1 and IAS 8	Amendments: Definition of Material	01/01/2020	no
IFRS 17	Insurance Contracts	01/01/2022	no

New standards, which have not yet been applied:
IAS 17 was replaced with the introduction of IFRS 16 "Leases". For lessors, IFRS 16 essentially continues the previous regulations of IAS 17, though it brings significant changes for the lessee. As before, the lessor shall categorise a lease relationship as an operating lease relationship or a financing leasing. The lessee shall record a right of use, which represents his right to use the underlying asset, and a corresponding leasing obligation in the balance sheet.

The BTV Group shall apply IFRS 16 from the obligatory date of first use, i.e. from 1 January 2019. It was decided to apply the simplified transition method, hence the comparison figures of the previous period will not be adjusted. Furthermore, all rights of use are allocated in accordance with the amount of the leasing obligation at the time of transition. In addition, BTV is making use of the option to record short-term leasing relationships with a maximum term of 12 months and leasing relationships regarding assets of minimal value as expenditure and therefore not in the balance sheet.

The BTV Group has assigned a project team which in the previous financial year reviewed all leasing relationships of the Group with respect to the effects of IFRS 16. The actual effects of the application of this standard as at 1 January 2019 may deviate from this since the Group has not yet concluded tests or assessments of the controls of its new IT systems, and the new reporting methods are subject to change until publication of the first consolidated financial statement after time of first application.

With respect to leasing relationships where BTV is the lessor, no significant effects are expected as a result of the first-time application of IFRS 16. Additional information resulting from such will follow in the Annual Report for 2019.

For leasing relationships where BTV is the lessee, BTV assumes that rights of use to the amount of max. EUR 50 million shall be activated as at 1 January 2019. This will lead to an insignificant increase in the balance sheet total of less than 1% and an insignificant reduction of the equity ratio. The active rights of use originate predominantly from operating lease relationships which were concluded by Mayrhofner Bergbahnen Aktiengesellschaft and Silvretta Montafon Holding GmbH above all for the purposes of erecting and operating lifts and cable cars, and for use as winter sports facilities on rented property. Further capitalised rights of use originate essentially from existing operating leasing relationships which are concerned with the renting of property and parking spaces by a BTV Group company.

Thus far, the BTV Group has recorded expenditure from operating leasing relationships linearly over the term of the lease. According to IFRS 16, amortisations for rights of use and interest expenditure from leasing obligations shall be allocated from 1 January 2019 onwards. The distribution of interest expenditure is performed using the effective interest method. The result of this is that the encumbrance of the P/L account is higher at the start of the leasing relationship than towards the end, hence the result will be less greatly encumbered as the term of the leasing relationship increases. The upstream expenditure at the start of the leasing relationship results, as of today, in a result before tax for the financial year 2019 approximately EUR 0.1 million to EUR 0.2 million lower than would have been recorded under IAS 17.

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

Overall, therefore, there will not be any significant effects for the BTV Group resulting from the first-time application of IFRS 16.

Other changes:
The amendments to IFRS 9 (prepayment with negative compensation) and the coming into force of IFRIC 23 (uncertainty regrading income tax handling) do not have any significant effects on the consolidated financial statement of BTV.

With respect to other newly published or amended standards and interpretations which were not yet applied in the financial year 2018, no significant changes are expected for future consolidated financial statements. There are no plans for early adoption of the new standards and interpretations.

1 Cash reserve in EUR thousand	**31/12/2018**	**31/12/2017**
Petty cash balance	30,485	22,293
Credit with central banks	837,012	298,415
Cash reserves	**867,497**	**320,708**

2 Loans to credit institutions in EUR thousand	**31/12/2018**	**31/12/2017**
Amortised costs	365,402	288,415
Loans to credit institutions	**365,402**	**288,415**

3 Loans to customers in EUR thousand	**31/12/2018**	**31/12/2017**
Amortised costs	7,650,336	7,336,377
Mandatorily at fair value	200,567	n.a.
Loans to customers	**7,850,903**	**7,336,377**

The loans to customers include finance-lease contracts with a net investment value to the amount of EUR 946,686 thousand (previous year: EUR 864,746 thousand). The corresponding gross investment values of these leasing relationships amounts to EUR 1,047,838 thousand (previous year: EUR 927,327 thousand), the associated unrealised financial revenue amounted to EUR 101,152 thousand (previous year: EUR 62.581 thousand). The residual value of the total lease assets are guaranteed both in the current and previous financial years. At the date of the balance sheet there were non-collectable lease receivables of EUR 9,761 thousand (previous year: EUR 8.494 thousand). In the financial year 2018, a risk provision was established pursuant to the three-level approach implied by IFRS 9 for the first time. For expected losses from customer loans in the next 12 months, a risk provision (Level 1) was established to the amount of EUR 628 thousand (01/01/2018: EUR 523 thousand), and for expected losses from customer loans over the entire contract term (Level 2) to the amount of EUR 524 thousand (01/01/2018: EUR 1,080 thousand).

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

3a Breakdown by remaining term 2018

Financial lease receivables in EUR thousand	**< 1 year**	**1–5 years**	**> 5 years**	**Total**
Gross investment value	238,978	570,867	196,541	1,006,386
Unrealised financial revenue	16,854	31,807	11,040	59,701
Net investment value	222,124	539,060	185,502	946,686

3a Breakdown by remaining term 2017

Financial lease receivables in EUR thousand	**< 1 year**	**1–5 years**	**> 5 years**	**Total**
Gross investment value	218,002	530,674	178,651	927,327
Unrealised financial revenue	21,723	29,207	11,651	62,581
Net investment value	196,279	501,467	167,000	864,746

4 Other financial assets in EUR thousand	**31/12/2018**	**31/12/2017**
Debt securities valued at amortised costs	925,630	n.a.
Debt securities valued at fair value through other comprehensive income (FVOCI)	311,301	n.a.
Debt securities mandatorily valued at fair value	21,245	n.a.
"Hold" business model	0	n.a.
"Hold and sell" business model	21,245	n.a.
Debt securities fair value option	2,729	n.a.
"Hold" business model	0	n.a.
"Hold and sell" business model	2,729	n.a.
Equity instruments valued at fair value through other comprehensive income (FVOCI)	120,545	n.a.
Equity instruments which are not maintained as holdings	17,995	n.a.
Other shareholdings	93,070	n.a.
Other affiliated shareholdings	9,480	n.a.
Equity instruments valued fair value through profit and loss (FVTPL)	30,558	n.a.
Equity instruments which are not maintained as holdings	0	n.a.
Other shareholdings	30,558	n.a.
Positive market values from derivative hedging instruments[1]	45,692	n.a.
Fair value hedge/valuation of hedging instrument	32,782	n.a.
Positive market values of negotiated swaps/options	12,910	n.a.
Financial assets - at fair value through profit or loss	n.a.	35,685
Financial assets - available for sale	n.a.	1,545,238
Financial assets – held to maturity	n.a.	0
Other financial assets	**1,457,700**	**1,580,923**

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

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

As at 31 December 2018, the maximum default risk of financial assets which are designated as valued at fair value (fair value option) totals EUR 2,729 thousand.

BTV uses interest swaps which do not have any financial effects on the amount of the maximum default risk as hedging transactions for these financial assets.

Due to changes in the risk of default, the fair value of these financial assets has changed as follows:

4a Change in fair value due to changes in risk of default of financial assets (designated as valued at fair value through profit and loss) in EUR thousand	**2018**
Position 01/01/2018	25
Changes during financial year 2018	5
Changes in fair value cumulatively as at 31/12/2018	**30**

In order to avoid or resolve incongruities in the allocation and valuation, the following equity instruments were designated as valued at fair value through other comprehensive income:

4b Equity instruments, designated as valued at fair value through other comprehensive income as at 31/12/2018 in EUR thousand	**Fair value as at 31/12/2018**
Equity instruments which are not maintained as holdings	17,995
Other shareholdings	93,070
Other associated companies	9,480
Total equity instruments valued at fair value through other comprehensive income	**120,545**

In the financial year 2018, EUR 2,299 thousand of dividends from financial investments were recorded. These are located in their entirety in the portfolio as at the balance sheet date.

During the financial year, the following equity instruments, which were thus far valued at fair value through other comprehensive income, were sold:

4c Derecognised equity instruments in EUR thousand	**Fair value at time of derecognition**	**Accumulated profit/loss from sale**
Equity instruments which are not maintained as holdings	0	0
Other shareholdings	110	–281
Other associated companies	0	0
Total equity instruments valued at fair value	**110**	**–281**

During the financial year, losses to the amount of EUR 281 thousand were reclassified due to derecognitions of holdings within equity.

5 Shares in companies valued at-equity in EUR thousand	**31/12/2018**	**31/12/2017**
Credit institutions	655,471	570,961
Non-credit institutions	18,981	18,595
Shares in at-equity valued companies	**674,452**	**589,556**

The book value of listed shares in companies valued at-equity totalled EUR 655,471 thousand (previous year: EUR 570,961 thousand). The fair value of the shares in companies valued at-equity totalled EUR 665,731 thousand (previous year: EUR 616,752 thousand).

6 Risk provisions 2018 (presentation of portfolio) in EUR thousand	**Position 31/12/2017**	**Reclassification & Revaluation of IFRS 9**	**Position 01/01/2018**	**Appropriation**	**Releases**	**Consumption**	**Currency con version**	**Reclassification**	**Position 31/12/2018**
Value adjustments Level 1	n.a.	10,856	10,856	7,147	–10,257	0	0	0	7,746
Value adjustments Level 2	n.a.	7,517	7,517	9,099	–9,523	0	0	0	7,093
Individual valuation adjustment to loans to credit institutions	0	0	0	0	0	0	0	0	0
Individual valuation adjustment to loans to customers	111,830	–6,175	105,655	13,696	–21,397	–16,844	101	1,327	82,538
Portfolio valuation adjustments pursuant to IAS 39	82,644	–82,644	0	0	0	0	0	0	n.a.
Risk provisions in the credit business	**194,474**	**–70,446**	**124,028**	**29,942**	**–41,177**	**–16,844**	**101**	**1,327**	**97,377**
Reserves for guarantees Level 1	n.a.	33,965	33,965	6,765	–145	0	0	0	40,585
Reserves for guarantees Level 2	n.a.	93	93	102	–90	0	0	0	105
Reserves for guarantees Level 3	n.a.	5,437	5,437	5,953	–6,880	0	19	0	4,529
Reserves of unused credit Level 1	n.a.	1,515	1,515	1,976	–1,826	0	0	0	1,665
Reserves of unused credit Level 2	n.a.	977	977	569	–965	0	0	0	581
Reserves of unused credit Level 3	n.a.	1,352	1,352	2,029	–715	0	2	0	2,668
Reserves and provisions commitments	40,662	–40,662	0	0	0	0	0	0	n.a.
Reserves for guarantees and credit	**40,662**	**2,677**	**43,339**	**17,394**	**–10,621**	**0**	**21**	**0**	**50,133**
Total risk provisions	**235,136**	**–67,769**	**167,367**	**47,336**	**–51,798**	**–16,844**	**122**	**1,327**	**147,510**

Risk provisions 2017 (presentation of portfolio) in EUR thousand	**Position 31/12/2016**	**Appropriation**	**Releases**	**Consumption**	**Currency conversion**	**Reclassification**	**Position 31/12/2017**
Individual valuation adjustment of loans to credit institutions	0	0	0	0	0	0	0
Individual valuation adjustment of loans to customers	123,292	28,476	–13,495	–21,329	–405	–4,709	111,830
Portfolio valuation adjustments pursuant to IAS 39	84,598	0	–1,954	0	0	0	82,644
Risk provisions in the credit business	**207,890**	**28,476**	**–15,449**	**–21,329**	**–405**	**–4,709**	**194,474**
Reserves and provisions commitments	33,429	9,924	–2,043	–614	–18	–16	40,662
Total risk provisions	**241,319**	**38,400**	**–17,492**	**–21,943**	**–423**	**–4,725**	**235,136**

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

Within the loan loss provisions, the counterparty risk was recorded directly in the relevant balance sheet items in the reporting period. Reclassifications in the individual valuation adjustment of loans to customers and the reserves and provisions for performance bonds result from the pro rata consolidation of Alpenländische Garantie-Gesellschaft m.b.H.

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

6a Level transfer in EUR thousand

Value adjustment 1 January 2018 - 31 December 2018	Level 1	Level 2	Level 3	POCI*	Total
Transfer from Level 1 to Level 2	–767	767	0	0	0
Transfer from Level 1 to Level 3	–23	0	23	0	0
Transfer from Level 2 to Level 1	3,903	–3,903	0	0	0
Transfer from Level 2 to Level 3	0	–145	145	0	0
Transfer from Level 3 to Level 1	0	0	0	0	0
Transfer from Level 3 to Level 2	0	3,078	–3,078	0	0
Total	**3,113**	**–203**	**–2,910**	**0**	**0**

Reserves for guarantees 1 January 2018 - 31 December 2018	Level 1	Level 2	Level 3	POCI*	Total
Transfer from Level 1 to Level 2	–1	1	0	0	0
Transfer from Level 1 to Level 3	–1	0	1	0	0
Transfer from Level 2 to Level 1	74	–74	0	0	0
Transfer from Level 2 to Level 3	0	–1	1	0	0
Transfer from Level 3 to Level 1	19	0	–19	0	0
Transfer from Level 3 to Level 2	0	0	0	0	0
Total	**91**	**–74**	**–17**	**0**	**0**

Provisions for credit 1 January 2018 - 31 December 2018	Level 1	Level 2	Level 3	POCI*	Total
Transfer from Level 1 to Level 2	–114	114	0	0	0
Transfer from Level 1 to Level 3	–14	0	14	0	0
Transfer from Level 2 to Level 1	701	–701	0	0	0
Transfer from Level 2 to Level 3	0	–1	1	0	0
Transfer from Level 3 to Level 1	0	0	0	0	0
Transfer from Level 3 to Level 2	0	0	0	0	0
Total	**573**	**–588**	**15**	**0**	**0**

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

* Financial instruments with creditworthiness already impaired at time of acquisition or issue (Purchased or Originated Credit Impaired – POCI)

The following table explains the extent to which significant changes in the gross book value of the financial instruments in the current financial year have contributed to changes in the value adjustment:

6b Gross book value of financial assets valued at AC

in EUR thousand	Level 1	Level 2	Level 3	POCI	Total
Position as at 01/01/2018	7,840,049	460,510	164,202	0	8,464,761
Transfer to Level 1	232,890	–232,337	–553	0	0
Transfer to Level 2	–707,782	714,109	–6,327	0	0
Transfer to Level 3	–6,249	–10,893	17,142	0	0
Additions	2,062,672	147,783	9,295	0	2,219,750
of which newly acquired or issued financial assets	1,665,343	122,781	3,649	0	1,791,773
of which portfolio business	397,329	25,002	5,646	0	427,977
Disposals	–1,590,082	–77,721	–42,120	0	–1,709,923
of which derecognised financial assets	–1,094,162	–48,242	–13,503	0	–1,155,907
of which write-offs	0	0	–16,844	0	–16,844
Changes due to contract modifications which do not lead to derecognition	–15	11	0	0	–4
Exchange rate changes	–17,999	–14,632	–584	0	–33,215
Position as at 31/12/2018	**7,813,483**	**986,830**	**141,055**	**0**	**8,941,368**

Gross book value of financial assets valued at FV/OCI

in EUR thousand	Level 1	Level 2	Level 3	POCI	Total
Position as at 01/01/2018	338,305	0	0	0	338,305
Transfer to Level 1	0	0	0	0	0
Transfer to Level 2	0	0	0	0	0
Transfer to Level 3	0	0	0	0	0
Additions	28,735	0	0	0	28,735
of which newly acquired or issued financial assets	28,735	0	0	0	28,735
of which portfolio business	0	0	0	0	0
Disposals	–55,738	0	0	0	–55,738
of which derecognised financial assets	–52,910	0	0	0	–52,910
of which write-offs	0	0	0	0	0
Changes due to contract modifications which do not lead to derecognition	0	0	0	0	0
Exchange rate changes	0	0	0	0	0
Position as at 31/12/2018	**311,301**	**0**	**0**	**0**	**311,301**

6c Financial instruments where a risk provision was not recorded due to securities in EUR thousand

Loans to credit institutions	3
Loans to customers	694,920
Guarantees	30,803
Credit	65,066
Total	**790,792**

6d Expected credit losses which were first applied in the reporting period in EUR thousand	**01/01/2018 – 31/03/2018**	**01/01/2018 – 30/06/2018**	**01/01/2018 – 30/09/2018**	**01/01/2018 – 31/12/2018**
Loans to credit institutions	22	10	105	96
Loans to customers	1,222	3,458	4,510	4,376
Financial assets	0	0	0	13
Contingent liabilities	17	88	58	276
Unused credit	1,026	1,348	911	1,110
Total	**2,288**	**4,905**	**5,584**	**5,871**

The total amount of expected credit losses from financial assets that were first applied in the financial year 2018 total EUR 5,871 thousand.

For financial assets which were written off but which are still subject to an enforcement measure, a provision is established with an individual value adjustment to the amount of the outstanding sum less the material value of the securities. Provisions are established for contingent liabilities. All legal measures are being applied on the part of the Ops Team at BTV to make the outstanding amount collectable. If the entire loan cannot be made collectable with these measures, the outstanding portion shall be derecognised and the operational measures ceased.

The following table contains information on financial assets where the contractual cashflows have been amended and their value adjustment measured to the amount of the credit losses expected over the lifetime:

6e Change in contractual cashflows during the financial year in EUR thousand	**2018**
Amortised costs before change	410
Net profit from change	1

In the reporting year, there were no financial assets which were measured before the change in contractual cashflows over the term of expected credit losses or where the valued adjustment was converted to the amount of the expected 12-month credit loss.

In the current reporting period, nothing significant has changed in the estimation procedures or material assumptions made during the year.

7 Trading assets in EUR thousand	**31/12/2018**	**31/12/2017**
Funds	23,073	n.a.
Listed	23,073	n.a.
Positive market values arising from derivative transactions	7,666	19,948
Currency-related trades	1,027	564
Interest related trades	6,547	19,284
Other trades	92	99
Trading assets	**30,739**	**19,948**

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

8 Fixed Asset Overview – 31/12/2018 in EUR thousand	Acqui-sition value 01/01/2018	Additions	Disposals	Transfers	Changes to currency exchange rates	Acqui-sition value 31/12/2018
Intangible fixed assets	18,595	543	–6,760	1,726	0	14,105
Land and buildings	289,955	10,457	–8	8,312	0	308,716
Production and business fittings	366,802	36,663	–5,812	–8,072	58	389,639
Properties held as financial investments (IAS 40)	84,728	1,002	–2,567	–283	140	83,020
Total	**760,080**	**48,665**	**–15,147**	**1,683**	**198**	**795,480**

8 Fixed Asset Overview – 31/12/2017 in EUR thousand	Acqui-sition value 01/01/2017	Additions	Disposals	Transfers	Changes to currency exchange rates	Acqui-sition value 31/12/2017
Intangible fixed assets	19,526	327	–19	–1,239	0	18,595
Land and buildings	280,769	5,917	–2,320	5,589	0	289,955
Production and business fittings	347,337	29,289	–4,015	–5.691	–118	366,802
Properties held as financial investments (IAS 40)	81,154	4,180	0	–5	–602	84,728
Total	**728,788**	**39,713**	**–6,354**	**–1,347**	**–720**	**760,080**

Depreciation accumulated 01/01/2018	Additions depreciation	Revaluations depreciation	Disposals depreciation	Transfers depreciation	Changes to currency ex-change rates depreciation	Accumulated depreciation 31/12/2018	Balance sheet value 31/12/2018	Balance sheet value 31/12/2017
–17,651	–425	0	5,077	0	0	–12,999	1,105	944
–119,026	–7,262	0	0	29	0	–126,259	182,457	170,929
–236,321	–17,657	0	5,199	–29	–22	–248,830	140,809	130,481
–26,943	–1,181	0	117	0	0	–28,007	55,013	57,785
–399,941	**–26,525**	**0**	**10,393**	**0**	**–22**	**–416,095**	**379,384**	**360,139**

Depreciation accumulated 01/01/2017	Additions depreciation	Revaluations depreciation	Disposals depreciation	Transfers depreciation	Changes to currency exchange rates	Accmulated depreciation 31/12/2017	Balance sheet value 31/12/2017	Balance sheet value 31/12/2016
–16,055	–269	0	19	–1,347	0	–17,651	944	3,471
–113,829	–6,194	0	997	0	0	–119,026	170,929	166,941
–223,102	–16,739	251	3,228	0	41	–236,321	130,481	124,235
–25,797	–1,144	0	0	0	0	–26,943	57,785	55,357
–378,783	**–24,346**	**251**	**4,245**	**–1,347**	**41**	**–399,941**	**360,139**	**350,004**

8a Intangible fixed assets in EUR thousand	**31/12/2018**	**31/12/2017**
Intangible fixed assets	1,105	944
Intangible fixed assets	**1,105**	**944**

8b Property, plant and equipment in EUR thousand	**31/12/2018**	**31/12/2017**
Land and buildings	182,457	170,929
Production and business fittings	140,809	130,481
Property, plant and equipment	**323,266**	**301,410**

In the reporting period borrowing costs of EUR 5 thousand were capitalised (previous year: EUR 20 thousand). An interest rate of 0.89% (previous year: 0.71%) was applied.

8c Properties held as financial investments in EUR thousand	**31/12/2018**	**31/12/2017**
Properties held as financial investments	55,013	57,785
Properties held as financial investments	**55,013**	**57,785**

The fair value of the properties held as financial investments amounted to EUR 65,249 thousand (previous year: EUR 72,844 thousand). The determination of fair value was achieved by use of revenue value calculations for which the agreed rents provided the basis.

The rental income in the reporting year amounted to EUR 4,957 thousand (previous year: EUR 4,919 thousand), the expenses relating to achieving the rental income totalled including depreciation EUR 2,493 thousand (previous year: EUR 2,208 thousand). Revenue from operating lease agreements in the reporting year totalled EUR 468 thousand (previous year: EUR 463 thousand).

8d Remaining life to maturity breakdown **Operating lease contracts** in EUR thousand	**< 1 year**	**1–5 years**	**> 5 years**	**Total**
Future minimum leasing payments	468	1,874	9,066	11,408

Under the item "Properties held as financial investments", book values from operating lease contracts are included to the amount of of EUR 11,408 thousand (previous year: EUR 11,268 thousand). The fair value amounts to EUR 11,408 thousand (previous year: EUR 11,268 thousand). For conditional rental payments there was no income during the reporting year.

9 Tax refunds in EUR thousand	**31/12/2018**	**31/12/2017**
Current tax refunds	231	276
Deferred tax refunds	3,722	29,782
Tax refunds	**3,953**	**30,058**

9a Deferred tax refunds/debts in EUR thousand	**Refunds 31/12/2018**	**Refunds 31/12/2017**	**Debts 31/12/2018**	**Debts 31/12/2017**
Other financial assets valued at amortised costs	0	n.a.	–3,339	n.a.
Other financial assets valued at fair value through other comprehensive income (FVOCI)	1,020	n.a.	0	n.a.
Other financial assets mandatorily valued at fair value	0	n.a.	–447	n.a.
Financial assets - at fair value through profit or loss	n.a.	2,310	n.a.	0
Financial assets - available for sale	n.a.	0	n.a.	–1,596
Long-term staff reserves	8,208	10,211	0	0
Hedge Accounting and derivatives	0	0	–2,636	–2,445
Portfolio impairments	n.a.	20,661	n.a.	0
Risk provision ECL	3,370	n.a.	0	n.a.
Revaluation of finance leasing and other	5,109	6,725	–7,564	–6,084
Deferred tax debts and tax refunds	**17,707**	**39,907**	**13,985**	**10,124**
Deferred tax refunds after balancing	**3,722**	**29,782**		

10 Other assets in EUR thousand	**31/12/2018**	**31/12/2017**
Positive market values from derivative trades[1]	n.a.	50,390
Other assets	97,452	80,568
Other assets	**97,452**	**130,958**

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

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

11 Liabilities to banks in EUR thousand	**31/12/2018**	**31/12/2017**
Liabilities to credit institutions	1,516,620	1,212,086
Liabilities to credit institutions	**1,516,620**	**1,212,086**

12 Liabilities to customers in EUR thousand	**31/12/2018**	**31/12/2017**
Savings deposits	1,260,041	1,265,718
Other deposits	5,545,771	5,021,876
Liabilities to customers	**6,805,812**	**6,287,594**

13 Other financial liabilities in EUR thousand	**31/12/2018**	**31/12/2017**
Amortised costs	873,544	n.a.
Debentures	587,537	n.a.
Domestic bonds	198,611	n.a.
Supplementary capital	51,068	n.a.
Additional Tier-I Capital	36,328	n.a.
Fair value option	482,981	n.a.
Debentures	327,774	n.a.
Supplementary capital	155,207	n.a.
Negative market values from derivative hedging instruments[1]	15,796	n.a.
Fair value hedge/valuation of hedging instrument	5,810	n.a.
Negative market values of negotiated swaps/options	9,986	n.a.
Securitised liabilities	n.a.	1,156,916
Subordinated capital	n.a.	161,209
Other financial liabilities	**1,372,321**	**1,318,125**

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

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

BTV has designated financial liabilities as valued at fair value through profit and loss. The cumulative amount of changes in fair value that are the result of changes in the credit risk of these financial liabilities totals EUR –3,446 thousand (previous year: EUR –5,252 thousand). The change in value was recorded under Other result. The change to the fair value due to changes in the risk of default is determined by the difference between the overall change to the fair value of the financial liabilities and the change to the fair value resulting from market risk factors. The fair value was determined by discounting future payment flows on the reporting date, the default risk add-on was valued based on the funding for comparable maturities.

Where financial liabilities were derecognised during the period, BTV achieved a loss of EUR 49 thousand under Other result.

The repayment amount for the financial liabilities including accrued interest, for which the fair value option was exercised, totals EUR 475,341 thousand (previous year: EUR 517,245 thousand). The difference between the fair value of the financial liabilities for which the fair value option was chosen and their repayment amount totalled EUR 7,640 thousand (previous year: EUR 11,584 thousand).

BTV AG made its own issues associated with loan security in the form of housing loans. As cover funds, these housing construction loans had no impact on the valuation of BTV AG's covered bond issues, which are valued at depreciated acquisition costs.

The supplementary capital presented under other financial liabilities shows maturities during financial years 2019 - 2028 and interest of between 2.400% and 6.000% (previous year: maturities 2018 - 2027: 2.400% and 5.500%).

In the reporting year, subordinated supplementary capital of EUR 84,370 was issued with final maturity by 2028 (previous year, final maturity 2027: EUR 18,041 thousand). In the reporting year, as in the previous year, no listed supplementary capital was repaid, and EUR 3,000 thousand (previous year: EUR 65,950 thousand) of non-listed supplementary capital.

As in the previous year, no supplementary capital was terminated ordinarily.

Interest can only be paid if it is covered by the annual profit as defined by company law before assignments to reserves. Repayment on maturity is only possible on proportional deduction for the losses which occurred during the lifetime. For supplementary capital which was issued after 1 January 2010, the interest is only to be paid out if this is covered by disposable profits.

The overall expenditure for supplementary capital bonds in the reporting year was EUR 5,138 thousand (previous year: EUR 4,263 thousand). In the financial year 2019, issued supplementary capital with a total nominal amount of EUR 15,550 thousand (previous year: EUR 3,000 thousand) will be due.

Of the subordinated borrowings by BTV during the financial year, the following emissions exceeded
10% of the overall volume of subordinated borrowings:

Subordinated BTV debentures 18 - 28 June; nominal EUR 30,000 thousand; interest 2.9%; maturity: 23/05/2028
Subordinated BTV debentures 18 - 28 July; nominal EUR 50,000 thousand; interest 3.5%; maturity 23/05/2028

For these two supplementary capital bonds, ordinary termination on the part of the issuer or the holder of these non-dividend values is irrevocably excluded.
Ordinary termination is possible for both supplementary capital bonds under the following conditions: The issuer is entitled to terminate the supplementary capital bond in full (but not in part) at nominal value plus interest accrued by the repayment date with approval of the FMA by giving notice of 20 bank working days, if:

- (A) the classification of the supplementary capital bond under supervisory law changes, which would probably lead to the exclusion of the bond from equity or to its reclassification as low-quality equity, and (i) the FMA considers it sufficiently certain that such a change will occur; and (ii) the issuer demonstrates to the FMA sufficiently that the reclassification under supervisory law could not have been predicted at the time of issuing the supplementary capital bond; or

- (B) the applicable tax handling of the supplementary capital bond changes and the issuer demonstrates to FMA sufficiently that this is significant and that it could not have been predicted at the time of issuing the bond; and the issuer (i) replaces the bond prior to or simultaneous with the repayment with equity instruments of at least equal quality under conditions which are sustainable with respect to the revenue opportunities of the issuer; and (ii) has demonstrated to the FMA sufficiently that its equity after repayment will exceed the requirements of Art. 92(1) CRD IV (as defined in the prospectus) and the combined capital buffer requirements in the sense of Art. 128 no. 45 CRD IV by a range which FMA considers necessary as applicable on the basis of Art. 104(3) CRD IV.

No hybrid loans were repaid or issued by the BTV Group during the reporting year or the previous year. Overall interest paid for the hybrid loans amounted to EUR 2,275 thousand (previous year: EUR 2,275 thousand).

14 Trading liabilities in EUR thousand	31/12/2018	31/12/2017
Negative market values arising from derivative transactions	8,267	6,091
Currency-related trades	6,553	398
Interest related trades	1,714	5,693
Trading liabilities	**8,267**	**6,091**

15 Reserves and provisions in EUR thousand	31/12/2018	31/12/2017
Long-term staff reserves	77,614	83,524
Other reserves and provisions	55,798	47,672
Reserves and provisions	**133,412**	**131,196**

Pensions reserves

The benefits and entitlements are based on the collective bargaining agreement regarding the revision of pensions rights. The area of application covers all BTV employees employed in Austria who are covered by the collective bargaining agreement for banks and bankers and who joined before 1 January 2002. The collective bargaining agreement governs benefits and entitlements to occupational disability and accident insurance, old age pension and early retirement pension, administrative pension, social contributions and care allowance contribution. For the surviving dependants, regulations are included about pensions for surviving dependants in the form of widow, widower and orphan pension, care allowance contribution, widow/widower settlement and death benefits. In the calculation of the reserves, the entitlements are also included in addition to the benefits. As of January 2000, entitlements to old age and early retirement pensions, including related benefits to surviving dependants, were transferred over to the VBV pension fund. The company pension schemes granted in the Silvretta Montafon Bergbahnen Group and in Mayrhofner Bergbahnen Aktiengesellschaft are based on the benefits agreed in detail between the company and its employees.

Severance pay provisions

For all employees in the BTV Group in Austria whose working relationship began before 1 January 2003, there is in accordance with the regulations of the employment law or severance pay law for workers a claim for severance, which will be paid out in the case of respective reasons for termination. For all other working relationships, the group companies pay contributions into the corporate pension insurance fund according to the regulations of the BMSVG. Furthermore, in accordance with the collective bargaining agreement for banks and bankers, there exists a claim for two additional months' pay as severance payment if the working relationship lasted more than 5 years and was terminated by the employer or more than 15 years and is terminated due to an old-age pension or disability pension being terminated. In contrast to the legal severance, this collective-bargaining claim also exists for working relationships which began after 31 December 2002 and those yet to begin. In addition, according to the provisions to the pension fund collective bargaining agreement, there is an additional entitlement to 3 months' pay (20 years of service) or 4 months' pay (25 years of service) for employees who joined after 31 December 1996 if the employer gives notice. For employees in Germany and in Switzerland, there is no obligation to form pension and severance reserves.

15a Staff reserves for benefits after termination of the working relationship: performance-oriented plans in EUR thousand	**Reserves for pensions**	**Severance provisions**	**Total**
Old-age pension and severance reserves as at 01/01/2017	**56,294**	**21,984**	**78,278**
Income recorded for the period			
Interest charge	955	373	1,328
Period of service cost	211	987	1,198
Included in the other results			
Actuarial Profit (–)/Loss (+) from changes to the demographic assumptions	0	0	0
Actuarial Profit (–)/Loss (+) from changes to financial assumptions	–2,192	–1,111	–3,303
Actuarial Profit (–)/Loss (+) from changes to experience-based assumptions	771	–756	15
Other			
payments from these obligations	–3,449	–603	–4,052
Change in basis of consolidation	0	0	0
Old-age pension severance reserves as at 31/12/2017	**52,590**	**20,874**	**73,464**
Income recorded for the period			
Interest charge	970	393	1,363
Period of service cost	208	910	1,118
Included in the other results			
Actuarial Profit (–)/Loss (+) from changes to the demographic assumptions	–884	–425	–1,309
Actuarial Profit (–)/Loss (+) from changes to financial assumptions	–2,698	–588	–3,286
Actuarial Profit (–)/Loss (+) from changes to experience-based assumptions	317	–191	126
Other			
payments from these obligations	–3,550	–915	–4,465
Change in basis of consolidation	0	0	0
Old-age pension and severance reserves as at 31/12/2018	**46,953**	**20,058**	**67,011**

15b Other long-term staff reserves in EUR thousand	**Annivers. provisions**	**Other staff provisions**	**Total**
Other long-term staff reserves as at 01/01/2017	**6,736**	**3,707**	**10,443**
Income recorded for the period			
Interest charge	115	64	179
Period of service cost	615	0	615
Actuarial Profit (–)/Loss (+) from changes to the demographic assumptions	0	0	0
Actuarial Profit (–)/Loss (+) from changes to financial assumptions	–197	–215	–412
Actuarial Profit (–)/Loss (+) from changes to experience-based assumptions	–478	–11	–489
Other			
payments from these obligations	–240	–36	–276
Change in basis of consolidation	0	0	0
Other long-term staff reserves as at 31/12/2017	**6,551**	**3,509**	**10,060**
Income recorded for the period			
Interest charge	125	66	191
Period of service cost	530	0	530
Actuarial Profit (–)/Loss (+) from changes to the demographic assumptions	885	–24	861
Actuarial Profit (–)/Loss (+) from changes to financial assumptions	–300	–198	–498
Actuarial Profit (–)/Loss (+) from changes to experience-based assumptions	–144	–24	–168
Other			
payments from these obligations	–325	–48	–373
Change in basis of consolidation	0	0	0
Other long-term staff reserves as at 31/12/2018	**7,322**	**3,281**	**10,603**

The expense contained in the profit and loss account for severance, pensions, anniversary payments and other staff reserves is shown in staff expenses, with the exception of interest expense, which is presented in the interest results.

Actuarial profit and loss for severance and old-age pensions are shown in the other result and are based entirely on adjustments and changes to actuarial assumptions according to experience.

15c Overview long-term staff reserves 2014–2018

in EUR thousand	31/12/2018	31/12/2017	31/12/2016	31/12/2015	31/12/2014
Pension reserves	46,953	52,590	56,294	54,653	55,492
Redundancy reserves	20,058	20,874	21,984	20,665	21,983
Anniversary reserves	7,322	6,551	6,736	6,308	6,386
Other staff reserves	3,281	3,509	3,707	3,147	3,541
Total	**77,614**	**83,524**	**88,721**	**84,773**	**87,402**

The weighted average term of the defined contractual obligations (duration) for the banking sector in the reporting year is 11.49 years for severance payments (previous year: 11.15 years), 13.61 years for pension commitments (previous year: 14.48 years), and 20.97 years for death benefits (previous year: 21.51 years). For non-banking benefits, the duration in the reporting year was 10.85 years for severance payments (previous year: 10.44 years), and 11.48 years for pension commitments (previous year: 11.66 years).

No contributions to the plan are expected for the next reporting periods. The valuation of the existing staff reserves is based on assumptions regarding the calculated interest rate, the retirement age, the life expectancy, the fluctuation rate and the future salary developments. In the calculations, the current regulations for the gradual alignment of the retirement age for men and women to 65 were taken on board.

15d Actuarial assumptions for the banking sector	2018	2017
Financial assumptions		
Rate for the discount	2.06%	1.91%
Pay increase	2.79%	2.94%
Old-age pension increase	2.25%	2.37%
Discount for employee turnover	-	-
Demographic assumptions		
Age for pension entitlement: female employees	65 years	65 years
Age for pension entitlement: male employees	65 years	65 years
Mortality table	AVÖ 2018	AVÖ 2008

Due to the non-banking benefits and the different accounting year for Silvretta Montafon Bergbahnen Group and Mayrhofner Bergbahnen Aktiengesellschaft different actuarial assumptions apply to those for BTV AG.

15e Actuarial assumptions for the non-banking sector 2018	BTV Leasing	Mayrhofner Bergbahnen	Silvretta Montafon
Financial assumptions			
Rate for the discount	2.00%	2.05%	2.00%
Pay increase	2.84%	2.98%	2.92%
Old-age pension increase	-	2.60%	2.38%
Discount for employee turnover	-	5.00%	-
Demographic assumptions			
Age for pension entitlement: female employees	65 years	60-65 years	65 years
Age for pension entitlement: male employees	65 years	65 years	65 years
Mortality table	AVÖ 2018	AVÖ 2018	AVÖ 2018

Actuarial assumptions for the non-banking sector 2017	**BTV Leasing**	**Mayrhofner Bergbahnen**	**Silvretta Montafon**
Financial assumptions			
Rate for the discount	1.87%	1.91%	1.87%
Pay increase	2.94%	2.68%	2.73%
Old-age pension increase	-	2.20%	2.16%
Discount for employee turnover	-	5.00%	-
Demographic assumptions			
Age for pension entitlement: female employees	65 years	60-65 years	65 years
Age for pension entitlement: male employees	65 years	65 years	65 years
Mortality table	AVÖ 2008	AVÖ 2008	AVÖ 2008

The Group is essentially exposed to the following actuarial risks: risk of a change in interest rates, risk of longevity and salary risk.

Risk of a change in interest rates

A drop in the interest rate leads to an increase in the liability.

Risk of longevity

The present value of the liabilities is calculated based on the best estimation of the probability of the beneficiary employee dying. An increase in the life expectancy leads to an increase in the liability.

Salary risk

The present value of the liability is calculated based on the future salaries of the beneficiary employee. Thus salary increases for the beneficiary employee lead to an increase in the liability.

In the case of a change of the calculated interest rate by +/– 1.00 percentage point, a change of +/– 0.50 percentage points for pay increases as well as a change of +/– 0.50 percentage points for pension increases, the contributions to the reserves would develop as follows if all other parameters remain the same:

15f Sensitivity analysis 2018 **in EUR thousand**	**Calculated interest rate**		**Pay increase**		**Pension increases**	
	–1.00%	+1.00%	–0.50%	+0.50%	–0.50%	+0.50%
Severances	22,458	18,030	19,005	21,192	0	0
Pensions	53,693	41,591	46,783	47,132	43,225	48,685
Death benefits	4,047	2,709	3,259	3,305	3,011	3,591

Sensitivity analysis 2017 **in EUR thousand**	**Calculated interest rate**		**Pay increase**		**Pension increases**	
	–1.00%	+1.00%	–0.50%	+0.50%	–0.50%	+0.50%
Severances	23,296	18,821	19,811	22,017	0	0
Pensions	60,667	46,227	51,463	52,248	48,636	54,701
Death benefits	4,351	2,882	3,484	3,536	3,214	3,847

The maturity profile of the expected benefit payments from the staff reserves formed looks as follows for the reporting years 2019 to 2023:

15g Maturity profile of the expected benefit payments **in EUR thousand**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
Severances	882	1,266	1,023	1,005	1,153	5,329
Pensions	3,241	3,027	2,770	2,591	2,433	14,062
Death benefits	91	102	114	128	145	580

15h Other reserves and provisions in EUR thousand	Position 31/12/2017	Reclassification & Revaluation of IFRS 9	Position 01/01/2018	Appropriation	Releases	Consumption	Currency conversion	Reclassification	Position 31/12/2018
Reserves for guarantees level 1	n.a.	33,965	33,965	6,765	–145	0	0	0	40,585
Reserves for guarantees level 2	n.a.	93	93	102	–90	0	0	0	105
Reserves for guarantees level 3	n.a.	5,437	5,437	5,953	–6,880	0	19	0	4,529
Reserves of unused credit level 1	n.a.	1,515	1,515	1,976	–1,826	0	0	0	1,665
Reserves of unused credit level 2	n.a.	977	977	569	–965	0	0	0	581
Reserves of unused credit level 3	n.a.	1,352	1,352	2,029	–715	0	2	0	2,668
Reserves for guarantees (off-balance)	40,662	–40,662	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Reserves for miscellaneous	7,010	0	7,010	3,999	0	–5,358	14	0	5,665
Other reserves and provisions	**47,672**	**2,677**	**50,349**	**21,393**	**–10,621**	**–5,358**	**35**	**0**	**55,798**

Other reserves in EUR thousand	Position 31/12/2016	Currency conversion	Additions	Consumption	Releases	Reclassification	Position 31/12/2017
Reserves for guarantees (off-balance)	33,429	–18	9,924	–614	–2,043	–16	40,662
Reserves for miscellaneous	4,224	–32	2,873	–31	–24	0	7,010
Other reserves and provisions	**37,654**	**–50**	**12,797**	**–645**	**–2,067**	**–16**	**47,672**

The other reserves have been created as required by IAS 37 for legal or actual obligations of the group. In BTV this balance sheet item mainly includes reserves for off-balance sheet guarantees and other liabilities, legal cases as well as for taxes and duties. The consumption of reserves in the coming years can be expected with a high degree of probability.

16 Tax debts in EUR thousand	31/12/2018	31/12/2017
Current tax debts	8,637	6,759
Deferred tax debts	3,574	5,535
Tax debts	**12,211**	**12,294**

16a Deferred tax refunds/debts in EUR thousand	Refunds 31/12/2018	Refunds 31/12/2017	Debts 31/12/2018	Debts 31/12/2017
Deferred tax debts BTV Switzerland	0	0	–99	–2,524
Deferred tax debts BTV Germany	0	0	–2,689	–2,689
Revaluation of finance leasing and other	0	0	–786	–322
Deferred tax debts	**0**	**0**	**–3,574**	**–5,535**

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

17 Other liabilities in EUR thousand	31/12/2018	31/12/2017
Negative market values from derivatives trades[1]	n.a.	18,744
Other liabilities	142,480	109,152
Other liabilities	**142,480**	**127,896**

18 Equity

As at 31 December 2018, subscribed capital totals EUR 68.1 million (previous year: EUR 61.9 million). As part of capital increase in 2018, BTV issued a total of around 3.1 million new ordinary no par value shares (previous year: around 3.4 million). The share capital is represented by 31,531,250 (previous year: 28,437,500) – bearer – voting individual shares (common shares). In addition 2,500,000 (previous year: 2,500,000) – bearer – non-voting shares (preference shares) were issued, with a minimum dividend of 6% attached (in the event of dividends being suspended, to be paid retrospectively). The change to the total number of voting rights came into effect with the issuance of the new shares on 25 October 2018. The book value of the shares held by the company was EUR 1,979 thousand on the balance sheet date (previous year: EUR 1,167 thousand). The capital reserves include premium values from the share issues. A result of the 2018 capital increase, the premium rose by EUR 68.8 million EUR 67.7 million). In the capital reserves both retained earnings as well as income and expenses with no effect on profits were accounted. The represented shares correspond to the approved shares.

Development of the shares in circulation in shares	2018	2017
Issued shares in circulation 01/01.	30,881,656	27,466,176
Purchase of own shares	–63,509	–36,538
Sale of own shares	31,345	14,518
Capital increase	3,093,750	3,437,500
Issued shares in circulation 31/12	33,943,242	30,881,656
plus own shares in Group portfolio	88,008	55,844
Shares issued 31/12	34,031,250	30,937,500

18a 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 comprises the common equity (Common Equity Tier 1 – CET1), the additional core capital (Additional Tier 1 – AT1) and supplementary capital (Tier 2 – T2). The respective capital ratios are determined by contrasting the corresponding regulatory capital component after taking into account all regulatory deductions and transitional provisions of the overall measure of risk.

Under the provisions of the CRR, a minimum requirement of 4.5% is required for CET1, which will be increased by 1.875% by the capital buffer defined in CRD IV (Capital Requirements Directive IV). For the entire core capital, a minimum requirement of 7.875% is provided; the total equity must have a minimum value of 9.875%. The leverage ratio indicates the ratio of the common equity (Tier 1) to the leverage exposure (unweighted asset items of the balance sheet and off-balance-sheet transactions pursuant to CRR). The provisions for calculating and disclosure of the leverage ratio within the EU are implemented by BTV as part of disclosures in the publication report.

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

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

18b Consolidated equity pursuant to CRR in EUR millions	**31/12/2018**	**31/12/2017***
Common equity (CET1)		
Capital instruments qualifying as CET1	300.2	225.3
Proprietary CET1 instruments	–18.7	–12.9
Retained earnings and other surplus reserves	1,131.2	935.4
Aggregated other income	–9.4	34.8
Other reserves	134.1	128.9
Transitional changes owing to the transitional provisions for CET1 capital instruments	2.0	2.5
Prudential filters	1.4	3.1
Goodwill	0.0	0.0
Other intangible assets	–0.4	–0.1
Regulatory changes relating to instruments in the CET1 core capital of companies in the financial sector, in which the institution has a significant holding	–522.8	–453.0
Amount exceeding the threshold value of 17.65%	–2.6	0.0
Other transitional changes to CET1	0.0	50.5
Common equity (CET1)	**1,015.0**	**914.5**
Additional core capital (Additional Tier 1)		
Changes owing to the transitional provisions for capital instruments of additional core capital	14.0	17.5
Other transitional changes to Additional Tier 1	0.0	–17.5
Additional core capital (Additional Tier 1)	14.0	0.0
Core capital (Tier 1): sum of common equity (CET1) and additional (AT1) core capital	**1,029.0**	**914.5**
Supplementary capital (Tier 2)		
Paid-up capital instruments and subordinated loans	184.4	103.9
Direct positions in supplementary capital instruments	–0.8	–11.8
Changes owing to the transitional provisions for supplementary capital instruments and subordinated loans	9.6	10.0
Other transitional changes to supplementary capital	0.0	–44.4
Supplementary capital (Tier 2)	**193.2**	**57.7**
Total qualifying equity	**1,222.2**	**972.2**
Total amount at risk	**7,727.5**	**7,139.5**
Common equity Tier 1 ratio	13.13%	12.81%
Core capital ratio	13.32%	12.81%
Equity ratio	15.82%	13.62%

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.

The equity calculation for 2018 includes retained earnings totalling EUR 126,496 thousand, subject to approval of the annual financial statements by the Supervisory Board on 29 March 2019. The first-time application of IFRS 9 as of 1 January 2018 had a positive effect on core capital of EUR +51.2 million under "Retained earnings" and "Cumulative other comprehensive income". The remaining deviations in the items "core capital", "additional core capital" and "supplementary capital" result from the expiry of numerous regulatory transitional provisions.

* 31 December 2017 adjusted in accordance with IAS 8, see p. 97

Reporting IAS 8 on consolidated equity pursuant to CRR

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

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

Consolidated equity according to CRR in EUR millions	**31/12/2017**	**Correction**	**31/12/2017 adjusted**
Common equity (CET1)			
Capital instruments qualifying as CET1	225.4	–0.1	225.3
Proprietary CET1 instruments	–12.9	0.0	–12.9
Retained earnings and other surplus reserves	1,091.9	–156.5	935.4
Aggregated other income	27.4	7.3	34.8
Other reserves	129.0	–0.1	128.9
Transitional changes owing to the transitional provisions for CET1 capital instruments	2.5	0.0	2.5
Prudential filters	–0.2	3.3	3.1
Goodwill	0.0	0.0	0.0
Other intangible assets	–0.1	0.0	–0.1
Regulatory changes in connection with CET1 instruments of financial companies, in which the bank holds a substantial interest	–443.7	–9.3	–453.0
Amount exceeding the threshold value of 17.65%	0.0	0.0	0.0
Other transitional changes to CET1	50.7	–0.2	50.5
Common equity (CET1)	**1,069.8**	**–155.3**	**914.5**
Additional core capital (Additional Tier 1)			
Changes owing to the transitional provisions for Additional Tier 1 capital instruments	17.5	0.0	17.5
Other transitional changes to Additional Tier 1	–17.5	0.0	–17.5
Additional core capital (Additional Tier 1)	0.0	0.0	0.0
Core capital (Tier 1): sum of common equity (CET1) and additional (AT1) core capital	**1,069.8**	**–155.3**	**914.5**
Supplementary capital (Tier 2)			
Paid-up capital instruments and subordinated loans	103.9	0.0	103.9
Direct positions in supplementary capital instruments	–11.8	0.0	–11.8
Changes owing to the transitional provisions for supplementary capital instruments and subordinated loans	6.3	3.7	10.0
Other transitional changes to supplementary capital	–43.1	–1.3	–44.4
Supplementary capital (Tier 2)	**55.2**	**2.5**	**57.7**
Total qualifying equity	**1,125.0**	**–152.8**	**972.2**
Total amount at risk	**7,108.3**	**31.2**	**7,139.5**
Common equity Tier 1 ratio	15.05%	–2.24%	12.81%
Core capital ratio	15.05%	–2.24%	12.81%
Equity ratio	15.83%	–2.21%	13.62%

Consolidated equity according to CRR in EUR millions	**31/12/2016**	**Correction**	**31/12/2016 adjusted**
Common equity (CET1)			
Capital instruments qualifying as CET1	150.8	0.0	150.8
Proprietary CET1 instruments	–10.0	–0.2	–10.2
Retained earnings and other surplus reserves	1,008.3	–136.7	871.6
Aggregated other income	28.0	0.0	28.0
Other reserves	125.4	0.0	125.4
Transitional changes owing to the transitional provisions for CET1 capital instruments	3.0	0.0	3.0
Prudential filters	–0.8	0.0	–0.8
Goodwill	0.0	0.0	0.0
Other intangible assets	–0.1	0.0	–0.1
Regulatory changes in connection with CET1 instruments of financial companies, in which the bank holds a substantial interest	–408.6	–8.3	–416.9
Amount exceeding the threshold value of 17.65%	0.0	0.0	0.0
Other transitional changes to CET1	79.1	2.4	81.4
Common equity (CET1)	**975.1**	**–142.8**	**832.3**
Additional core capital (Additional Tier 1)			
Changes owing to the transitional provisions for Additional Tier 1 capital instruments	21.0	0.0	21.0
Other transitional changes to Additional Tier 1	–21.0	0.0	–21.0
Additional core capital (Additional Tier 1)	0.0	0.0	0.0
Core capital (Tier 1): sum of common equity (CET1) and additional (AT1) core capital	**975.1**	**–142.8**	**832.3**
Supplementary capital (Tier 2)			
Paid-up capital instruments and subordinated loans	93.8	0.0	93.8
Direct positions in supplementary capital instruments	–11.8	0.0	–11.8
Changes owing to the transitional provisions for supplementary capital instruments and subordinated loans	10.2	–0.6	9.6
Other transitional changes to supplementary capital	–79.2	–2.4	–81.6
Supplementary capital (Tier 2)	**13.1**	**–3.0**	**10.1**
Total qualifying equity	**988.2**	**–145.8**	**842.4**
Total amount at risk	**6,708.8**	**31.3**	**6,740.1**
Common equity Tier 1 ratio	14.54%	–2.19%	12.35%
Core capital ratio	14.54%	–2.19%	12.35%
Equity ratio	14.73%	–2.23%	12.50%

19 Net interest income in EUR thousand	31/12/2018	31/12/2017
Interest and similar income from:		
Lending and money market transactions with credit institutions	3,631	6,963
Lending and money market transactions with customers	137,636	130,738
Other financial assets	9,330	17,155
Trading assets	82	n.a.
Contract adjustments	16	n.a.
Liabilities	5,631	1,057
Unwinding	0	n.a.
Sub-total interest and similar income	**156,326**	**155,913**
Interest and similar expenses on:		
Credit institutions deposits	–4,508	–4,897
Customer deposits	–11,038	–13,442
Other financial liabilities	–15,811	–15,695
Trading liabilities	0	n.a.
Interest costs, long-term personnel reserves	–1,250	–1,239
Contract adjustments	–18	n.a.
Assets	–708	–1,044
Sub-total interest and similar expenses	**–33,333**	**–36,317**
Net interest income	**122,993**	**119,596**

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

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	31/12/2018	31/12/2017
Interest and similar income:		
Total interest income from application of effective interest method	138,891	136,167
From assets valued at amortised costs	132,000	130,912
From assets valued at fair value through other comprehensive income (recyclable)	1,260	n.a.
From assets available for sale	n.a.	4,199
Positive interest expenditure from assets valued at amortised costs	5,631	1,057
Total other interest income	17,435	19,745
From assets valued at fair value through profit and loss	12,311	16,096
From assets valued at fair value through other comprehensive income (not recyclable)	5,124	n.a.
From assets available for sale	n.a.	3,649
Sub-total interest and similar income	**156,326**	**155,913**
Interest and similar expenses:		
Total interest expenditure from application of effective interest method	–25,205	–26,240
For assets valued at amortised costs	–24,496	–25,196
Negative interest income from assets valued at amortised costs	–709	–1,044
Total other interest expenditure	–8,128	–10,077
For liabilities valued at fair value through profit and loss	–6,878	–8,837
Interest expenditure from non-financial liabilities	–1,250	–1,239
Sub-total interest and similar expenses	**–33,333**	**–36,317**
Net interest income	**122,993**	**119,596**

For written-down financial assets a total interest income of EUR 401 thousand (previous year: EUR 671 thousand) was collected.

In addition to the negative income shown under "Interest income from liabilities" and "Interest expense on assets", in 2018 negative credit interest of EUR 5,426 thousand (previous year: EUR 6,689 thousand) and negative debit interest of EUR 2,597 thousand (previous year: EUR 3,092 thousand) were recorded for derivatives. The increase in the "Interest income from liabilities" item results essentially from a loan to the National Bank of Austria to the amount of EUR 4,949 thousand.

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

20 Loan-loss provisions in lending business in EUR thousand	**01/01–31/12/2018**	**01/01–31/12/2017**
Additions to credit risk provisions on-balance	–29,958	–28,478
Level 1 + 2 Loans to credit institutions/customers	–16,213	n.a.
Level 1 + 2 debt securities AC	–33	n.a.
Level 1 + 2 debt securities OCI	–8	n.a.
Level 3 Loans to credit institutions/customers	–13,696	n.a.
Additions CVA	–8	n.a.
Additions to credit risk provisions off-balance	–17,395	–9,924
Level 1 + 2 guarantees	–6,867	n.a.
Level 1 + 2 unused credit	–2,546	n.a.
Level 3 guarantees	–5,953	n.a.
Level 3 unused credit	–2,029	n.a.
Loan loss insurance premiums (ALGAR)	0	0
Releases of credit risk provisions on-balance	41,210	15,690
Level 1 + 2 Loans to credit institutions/customers	19,687	n.a.
Level 1 + 2 debt securities AC	93	n.a.
Level 1 + 2 debt securities OCI	24	n.a.
Level 3 Loans to credit institutions/customers	21,397	n.a.
Releases CVA	9	n.a.
Releases of credit risk provisions off-balance	10,621	2,043
Level 1 + 2 guarantees	235	n.a.
Level 1 + 2 unused credit	2,791	n.a.
Level 3 guarantees	6,880	n.a.
Level 3 unused credit	715	n.a.
Direct write-downs	–515	–938
Income from amortised receivables	440	506
Risk provisions in the credit business	**4,403**	**–21,101**

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

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

21 Net commission income in EUR thousand	**01/01–31/12/2018**	**01/01–31/12/2017**
Commission income from		
credit transactions	8,237	8,406
Payment transactions	14,467	14,414
Securities trading	29,194	27,525
Currency, foreign exchange and precious metals trading	3,272	3,497
Other service activities	1,102	1,216
Sub-total commission income	**56,272**	**55,058**
Commission expenses für		
credit transactions	–275	–180
Payment transactions	–1,139	–1,086
Securities trading	–2,220	–1,991
Currency, foreign exchange and precious metals trading	0	0
Other services business	–848	–930
Sub-total commission expenses	**–4,483**	**–4,187**
Net commission income	**51,789**	**50,871**

The provision revenue and expenditure reported in the above table include revenue to the amount of EUR 17,011 thousand (previous year: EUR 17,137 thousand) and expenditure to the amount of EUR 220 thousand (previous year: EUR 194 thousand) from financial assets and liabilities which are not valued at fair value through profit and loss. Amounts which are referred to for determining the effective interest rate are not included in this revenue and expenditure.

The securities business includes provision revenue which is achieved by BTV as part of fiduciary and other similar transactions where BTV holds or invests customer assets.

22 Income from companies valued at-equity in EUR thousand	31/12/2018	31/12/2017
Income from companies valued at-equity	51,719	46,205
Income from companies valued at-equity	**51,719**	**46,205**

23 Trading income in EUR thousand	01/01–31/12/2018	01/01–31/12/2017
Valuation and realisation gains from derivatives	118	–1,121
Valuation and realisation gains from debt securities	–391	458
Valuation and realisation gains from funds	–625	n.a.
Valuation and realisation gains from equity instruments	108	n.a.
Income from foreign exchange and currencies	615	–1,579
Trading income	**–175**	**–2,242**

24 Income from financial transactions in EUR thousand	31/12/2018	31/12/2017
Realisation gains – valued at amortised costs	–49	n.a.
Valuation and realisation gains – valued at fair value through other comprehensive income (FVOCI)	–29	n.a.
Valuation and realisation gains from debt securities	–28	n.a.
Gains realised from change in OCI reserve	–1	n.a.
Valuation and realisation gains from equity instruments which are not maintained as holdings	0	n.a.
Valuation and realisation gains from equity instruments which are maintained as holdings	0	n.a.
Valuation and realisation gains - mandatorily valued at fair value	7,897	n.a.
Exchange rate gains from loans to credit institutions/customers (SPPI-deleterious)	5,123	n.a.
Valuation and realisation gains from debt securities	–2,251	n.a.
Valuation and realisation gains from equity instruments	5,025	n.a.
Valuation and realisation gains - fair-value option	1,231	n.a.
Valuation and realisation gains from securities (assets)	–107	n.a.
Valuation and realisation gains from debt securities hedging instrument (assets)	87	n.a.
Valuation and realisation gains from emissions (liabilities)	1,295	n.a.
Valuation and realisation gains from emissions hedging instrument (liabilities)	–44	n.a.
Result from fair value hedge accounting	–52	n.a.
Profit arising from financial assets – at fair value through profit or loss	n.a.	311
Profit arising from financial assets – available for sale	n.a.	–25
Profit arising from financial assets – held to maturity	n.a.	0
Income from financial transactions	**8,998**	**286**

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

The book values of financial assets sold, and the profits and losses from derecognition of these assets totalled the following:

24a Derecognition of financial assets (valued at amortised costs) in EUR thousand	2018		
	Book value of sold assets	**Profits from derecognition**	**Losses from derecognition**
Debt securities - "Hold" business model	6,037	0	49
Total derecognition of financial assets	**6,037**	**0**	**49**

During the financial year, a fixed-interest debt security which was valued at amortised costs was sold due to expected worsening of creditworthiness.

24b Net profit/loss in EUR thousand	**31/12/2018**
Financial investments in equity instruments valued at fair value through other comprehensive income	
Profit or loss under other result	–2,255
Financial investments in borrowed capital instruments valued at fair value through other comprehensive income	–772
Profit or loss under other result	–771
Reclassification into profit or loss for the financial year	–1

For financial investments in equity instruments which are valued at fair value through other comprehensive income, a cumulative loss to the amount of EUR 2,255 thousand was recorded directly under Other result during the reporting period.

In the reporting period, a total loss from other investments and other associated companies to the amount of EUR 504 thousand (previous year: loss of EUR 143 thousand) was recorded directly under Other result. Of this, a loss to the amount of EUR 601 thousand (previous year: profit of EUR 1,933 thousand) fell to other holdings, and a profit to the amount of EUR 97 thousand (previous year: loss of EUR 2,076 thousand) to other associated companies.

For financial investments in borrowed capital instruments which are valued at fair value through other comprehensive income, a cumulative loss to the amount of EUR 772 thousand was recorded directly under Other result in the reporting period. In addition, in the reporting year, due to sales or repayments a loss of EUR 1 thousand was posted under this P&L item.

The loss from fair value hedge accounting amounted to EUR 52 thousand in the reporting year (previous year: profit of EUR 25 thousand). Hedged underlying transactions incurred a profit of EUR 1,586 thousand (previous year: profit of EUR 12,705 thousand), while hedging instruments made a loss of EUR 1,638 thousand (previous year: loss of EUR 12,680 thousand).

25 Operating expenses in EUR thousand	**31/12/2018**	**31/12/2017**
Staff expenditure	–100,735	–97,374
of which salaries and wages	–72,077	–72,429
of which statutory social contributions	–19,808	–19,355
of which other staff costs	–6,791	–4,177
of which expenditure for long-term staff provisions	–2,059	–1,413
Material expenditure	–53,786	–49,043
Amortisations	–26,525	–27,077
Operating expenses	**–181,046**	**–173,494**

The staff expenditure includes expenses for contribution-oriented pension plans to the amount of EUR 2,406 thousand (previous year: EUR 1,784 thousand).

The costs invoiced by the Group auditors (KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft and KPMG network companies) for the audit of the individual and consolidated financial statements as well as other services rendered amounted to (incl. VAT):

25a Auditor expenses in EUR	**2018**	**2017**
Audit of individual and consolidated annual financial statements	427	382
Tax advisory services	5	32
Other services	193	65
Auditor expenses	**625**	**480**

25b Average number of employees, weighted according to staff years	**31/12/2018**	**31/12/2017**
White collar	951	934
Blue collar	487	467
Number of employees	**1,438**	**1,401**

In addition, in the reporting year, an average of 27 employees (previous year: 27 employees) were dispatched to closely related companies. These are not taken into account in the table above.

26 Other operating income in EUR thousand	**31/12/2018**	**31/12/2017**
Income from other transactions	110,310	102,255
Expenses from other transactions	–29,204	–31,186
Hedge accounting income[1]	n.a.	25
Other operating profit	**81,106**	**71,094**

The total of other taxes included in expenditure from other transactions totalled EUR 4,152 thousand in 2018 (previous year: EUR 4,162 thousand). Sales revenue from non-banking activities (cable car segment) are reported under "Revenue from other activities" to the amount of around EUR 102 million (previous year: EUR 94 million).

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

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

27 Taxes on income and revenue in EUR thousand	**31/12/2018**	**31/12/2017**
Current tax expenditure	–28,928	–18,570
Deferred tax provision expenditure (-)/revenue (+)	–3,775	3,325
Taxes on earnings and profit	**–32,703**	**–15,245**

The taxes on income include the individual group companies on the basis of calculated taxable results from current income taxes, income tax corrections for prior years and changes to the tax provisions.

27a Taxes: Reconciliation account in EUR thousand	**2018**	**Reconciliation of tax rate**	**2017**	**Reconciliation of tax rate**
Annual net profit before tax	139,787		91,215	
Calculated tax expense	–34,947	25.0%	–22,804	25.0%
Tax reduction due to tax-exempt revenue from holdings and other tax-exempt revenues	3,374	–2.4%	1,830	–2.0%
Tax increase from non-deductible expenses	–3,186	2.3%	–235	0.3%
Other	–5,960	4.3%	1,385	–1.5 %
Tax expense for other periods	–2,794	2.0%	–4,922	5.4%
Tax exemption of at-equity revenues	10,809	–7.7%	9,500	–10.4%
Taxes on earnings and profit	**–32,703**	**23.4%**	**–15,245**	**16.7%**

The "Other" item comprises essentially the tax assessments and differences from foreign taxation. The tax expenses not relating to the period contains taxes on income from previous periods and other sources of tax.

In the reporting year, EUR 1,190 thousand (previous year EUR –874 thousand) of deferred taxes was passed to account under equity within the comprehensive income statement.

The deferred taxes passed to account directly under equity, which cannot subsequently be reclassified under the P/L account, total EUR –1,320 thousand (previous year: EUR –602 thousand). Of that, EUR 126 thousand falls to the change in equity instruments through other comprehensive income, and EUR –1,194 thousand (previous year: EUR –602 thousand) to the revaluation of performance-related benefit plans.

The deferred taxes passed to account directly under equity, which can subsequently be reclassified under the P/L account, total EUR 2,510 thousand (previous year: EUR –271 thousand), and relate to the changes in debt securities through other comprehensive income which are valued at fair value.

28 Earnings per share (ordinary and preference shares)	2018	2017
Shares (ordinary and preference shares)	34,031,250	30,937,500
Average float (ordinary and preference shares)	31,376,648	29,463,331
Group net profit attributable to the owners in EUR thousand	103,982	73,506
EPS (Earnings per share) in EUR	3.31	2.49
Diluted earnings per share in EUR (ordinary and preference shares)	3.31	2.49
Dividend per share in EUR	0.30	0.30

No financial instruments with dilution effect on ordinary or preference shares were in circulation during the reporting period. The result of this is that there is no difference between the values "earnings per share" and "diluted earnings per share".

29 Application of profits

The distributable profits are determined from the financial statements of BTV AG. The net earnings for the financial year 2018 amounted to EUR 142,096 thousand (previous year: EUR 23,653 thousand). After transfer to reserves of EUR 131,746 thousand (previous year: EUR 14,203 thousand) and adding back the profits carried forward there is an available sum of EUR 10,596 thousand (previous year: EUR 9,282 thousand).

The Board of Directors will recommend to the Annual General Meeting that for the financial year 2018 a dividend of EUR 0.30 per share (previous year: EUR 0.30) be paid out. The payment requires therefore a total of EUR 10,209 thousand (previous year: EUR 9,281 thousand). The total amount of dividends on preference shares was EUR 750 thousand (previous year: EUR 750 thousand). The remaining retained profit shall be carried forward to the next statement.

30 Segment reporting

Segment reporting is performed in the BTV Group pursuant to the information and valuation regulations of IFRS 8.

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

Segment reporting is based on profit centre accounting for the corporate and retail customers business areas, on the overall bank report for the institutional clients and banks business area, on the Group Reporting Package for the BTV Leasing subgroup (without monthly report since 2018, previous year's comparison value was adjusted), the respective monthly reports for Silvretta Montafon Holding GmbH and Mayrhofner Bergbahnen Aktiengesellschaft.

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

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

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

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

The results of the five reporting segments are described below.

Corporate customer segment

The largest business division by revenue in the corporate customer segment is the operative interest result. In the reporting year 2018, interest result totalled EUR 102.8 million. As described in the Status Report, the framework conditions for corporate customers were very good - this is reflected in the risk provisions in the lending business. Under segment result, revenue of EUR 6.2 million was reported due to releases. Commission income was EUR 20.0 million, operating expenses were EUR 41.9 million. The result from financial transactions was a positive balance to the amount of EUR 5.1 million due above all to valuations at fair value through profit and loss. Overall, this segment achieved earnings before tax of EUR 92.2 million in this period.

Segment loans rose significantly over the course of the year: due to the high volume of new business, loans reached a year-end volume of EUR 5,988 million. Segment liabilities increased to EUR 2,903 million.

Retail customer segment

Retail customer business forms the second pillar of BTV's business success. Net profit in interest business totalled EUR 36.8 million. Net provision profit, driven by the securities business, was almost on a par at EUR 33.0 million. Risk provisions in the lending business were again at a very low level with expenditure to the amount of EUR –0.5 million in 2018. The typically high resource investments in staff and premises for the retail customer segment totalled EUR 64.0 million in administrative expenditure. Other operating result developed pleasingly and reached EUR 1.0 million. Net profit before tax in this segment totalled EUR 6.3 million for the period.

Institutional clients and banks segment

Interest earnings in the institutional clients and banks segment amounted to EUR 7.1 million in the reporting year. Risk provisions in the lending business with the ECL contained therein improved significantly, reporting EUR 0.2 million during the course of the year. Administrative expenditure in this segment totalled EUR 4.3 million. In total, the pre-tax profit for the period was EUR 3.8 million.

Leasing segment

The development of BTV Leasing was stable during the reporting period. The customer cash value volume increased during the year by EUR +93 million to EUR 983 million. The growth in cash value above all allowed interest result to increase to EUR 14.5 million.

Other operating result totalled EUR 2.6 million, and net provision profit EUR 0.3 million. Administrative expenditure totalled EUR 6.0 million. BTV Leasing's profit before tax therefore achieved EUR 9.9 million for the period.

Cable cars segment

The cable cars segment comprises Mayrhofner Bergbahnen Aktiengesellschaft and Silvretta Montafon Holding GmbH. The business performance of both companies is dominated by tourism, so the results are subject to strong seasonal fluctuations. Other operating profit, which mainly includes the revenues, reached EUR 86.9 million. These earnings were also the decisive factor for Silvretta Montafon Holding GmbH, with its average of 466 employees in the reporting year (previous year: 439), and Mayrhofner Bergbahnen Aktiengesellschaft, which employed an average of 164 employees during the reporting period (previous year: 157). Operating expenses for both companies amounted to EUR 71.2 million. Overall, the segment achieved earnings before tax of EUR 20.0 million in this period.

Change in management

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

Segment reporting: explanatory notes

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

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

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

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

Segment reporting (NEW calculation logic) in EUR thousand	Year	Corporate customers	Retail customers	Institu-tional clients and banks	Leasing	Cable cars	Segments that must be reported	Other segments/ consolida-tion/ misc	Consolidated balance sheet/ P&L
Net interest income, incl. at-equity result	12/2018	102,815	36,803	7,132	14,504	–1,238	160,016	14,695	174,712
Risk provisions in the credit business	12/2018	6,205	–519	209	–1,492	0	4,403	0	4,403
Net commission income	12/2018	19,990	33,018	0	331	0	53,339	–1,550	51,789
Operating expenses	12/2018	–41,926	–64,009	–4,305	–5,986	–71,215	–187,441	6,395	–181,046
Other operating profit	12/2018	0	1,031	0	2,642	86,942	90,615	–9,509	81,106
Income from financial assets and trading income	12/2018	5,123	0	–1,232	–94	5,500	9,297	–473	8,823
Annual profit before tax	**12/2018**	**92,207**	**6,324**	**1,803**	**9,906**	**19,989**	**134,147**	**9,558**	**139,787**
Segment loans	12/2018	5,987,852	1,375,923	2,598,460	983,528	66,485	11,012,248	–381,117	10,631,130
Segment liabilities	12/2018	2,902,549	3,708,642	2,151,235	958,000	107,423	9,827,849	–148,892	9,678,957

Segment reporting (OLD calculation logic) in EUR thousand	**Year**	**Corporate customers**	**Retail customers**	**Institu-tional clients and banks**	**Leasing**	**Cable cars**	**Segments that must be reported**	**Other segments/ consolida-tion/ misc**	**Consolidated balance sheet/ P&L**
Net interest income, incl. at-equity result	12/2018	105,554	42,517	7,132	14,504	–1,238	168,469	6,242	174,712
	12/2017	98,341	40,661	11,520	13,671	–1,252	162,941	2,860	165,801
Risk provisions in the credit business	12/2018	10,123	–519	209	–1,492	0	8,321	–3,918	4,403
	12/2017	–13,538	–709	–1,401	–1,209	0	–16,858	–4,243	–21,101
Net commission income	12/2018	19,990	33,018	0	331	0	53,339	–1,550	51,789
	12/2017	22,403	30,740	0	349	0	53,492	–2,621	50,871
Operating expenses	12/2018	–30,276	–53,654	–2,339	–5,986	–71,215	–163,470	–17,576	–181,046
	12/2017	–29,834	–51,093	–2,315	–5,887	–67,556	–156,685	–16,809	–173,494
Other operating profit	12/2018	0	1,031	0	2,642	86,942	90,615	–9,509	81,106
	12/2017	0	700	0	3,394	81,472	85,566	–14,472	71,094
Income from financial assets and trading income	12/2018	5,123	0	–1,232	–94	5,500	9,297	–473	8,823
	12/2017	0	0	–1,830	–1	0	–1,831	–125	–1,956
Annual profit before tax	**12/2018**	**110,514**	**22,393**	**3,769**	**9,906**	**19,989**	**166,571**	**–26,783**	**139,787**
	12/2017	**77,372**	**20,299**	**5,973**	**10,317**	**12,664**	**126,626**	**–35,413**	**91,215**
Segment loans	12/2018	5,987,852	1,375,923	2,598,460	983,528	66,485	11,012,248	–381,117	10,631,130
	12/2017	5,524,661	1,333,038	2,215,672	890,953	18,764	9,983,088	–576,174	9,406,914
Segment liabilities	12/2018	2,902,549	3,708,642	2,151,235	958,000	107,423	9,827,849	–148,892	9,678,957
	12/2017	2,444,907	3,459,928	2,447,468	868,717	101,096	9,322,116	–498,220	8,823,896

Risk strategy and policy for risk management

As part of the risk report, a qualitative and quantitative disclosure is made of risk management at BTV. Risk management is seen at BTV as an integral component of strategic and operative company management. As a component of strategic company management, risk management is aimed in particular at raising awareness that strategic decisions always carry risks which must be dealt with. In the context of operative company management, it is the duty of the risk management team to adequately manage risks that have been entered into.

This Risk Report covers both the supervisory consolidated group pursuant to Art. 18 CRR, and the consolidated group pursuant to the reporting framework of the IFRS.

Within BTV, risk is understood as the risk of a negative deviation between the actual and expected result. The risks relevant for BTV are divided into credit, market, liquidity, operational, macro-economic, concentration, and other risks. Risk categories are subsequently arranged according to type and sub-type of risk. The following figure shows the full systematisation of risk categories, risk types, and risk sub-types applied at BTV.

Credit risk
- Risk of default by other party
- Equity investment risk
- Credit concentration risk
- Risks from credit risk reducing techniques
- Risks from securitisation

Market risk
- Interest risk
- Credit spread risk
- Share price risk
- Currency risk
- Volatility risk
- Risk from adjustment of credit assessment

Liquidity risk

Operational risk
- Failure of processes
- Human error
- Losses due to external events
- Legal risk
- Information and communication technology risk

Macro-economic risk

Concentration risks
- Inter-concentration risks
- Intra-concentration risks

Other risks
- Strategic risk
- Reputation risk
- Capital risk
- Model risk
- Risk from the business model
- Systemic risk
- Risk of excessive debt

The conscious and selective assumption of risks and their appropriate management represents one of the core functions of BTV. The aim is to achieve a balanced ratio between risk and profit, in order to make a sustainable contribution to the positive development of the company. Due to the operational necessity of maintaining risk-bearing capacity with respect to capital and liquidity adequacy, and of achieving a balance between risk and return, both bank-wide and detailed risk strategies have been developed at BTV. BTV understands a risk strategy as the concise documentation of adherence to risk policy focused on strategic content. The risk strategy is used over time as an instrument for hedging the company's objectives, and as an integral part of the bank-wide strategy is in harmony with the business strategy. The bank-wide and detailed risk strategies are characterised by a conservative approach to operational banking risks, resulting from the demands of a customer-oriented focus in banking business and the attitude towards the legal and supervisory framework requirements. Therefore a control loop has been implemented within BTV which ensures that all risks within the Group are identified, quantified, aggregated and actively managed. The individual risk definitions and management mechanisms applied as part of this control circuit are described in detail below.

Credit risk

At BTV credit risk is broken down as follows:

- Risk of default by other party
- Equity investment risk
- Credit concentration risk
- Risks from credit risk reducing techniques
- Risks from securitisation

Risk of default by other party

Under this heading BTV looks at the total or partial default of a counterparty and the resultant loss of the income due or loss of the capital invested. Particular importance is attached to monitoring counterparty default risk, as the most important type of risk for BTV. The counterparty default risk exists in the following 4 control units:

- Corporate customers
- Retail customers
- Institutional clients and banks
- Other

Management of counterparty default risk

The credit management department is responsible for risk management of its loan book as well as for assessing the creditworthiness of customers. This department is also responsible for overall management, restructuring management, management of loan commitments in default (the operations team is assigned to the service centre division), drawing up of balance-sheet and company analyses, as well as collection and evaluation of sector information. Knowing our customers well is particularly important for BTV. This is reflected strongly in the loan management area. Regular meetings between customers and loan managers from BTV are just as self-evident as annual borrower reviews and regular individual case reviews on the basis of early-warning systems. The main defined goals for the management of the borrower's default risk have been defined as the long-term optimisation of the lending business with regard to the risk/return ratio, and in the short term, the achievement of the credit risk objectives budgeted for in the individual customer segments. At individual level, risk management techniques include assessment of creditworthiness when granting loans, the acceptance of collateral, on-going monitoring of account management and scheduled reviews of ratings and the soundness of collateral. Loan loss provision is carefully formed, taking into consideration existing collateral, for default risks identified and quantified during the financial year.

Transactions involving debt arrangements

This concerns transactions in which the borrower, who is under financial pressure, is given through one or more measures the opportunity to pay off his liabilities within the limits of his current financial situation.

Types of debt arrangement

The following types of debt arrangement are distinguished at BTV:

Debt arrangement concerning capital repayment:
- Refinancing of impaired loans
- The credit period is extended
- Arrears are capitalised
- Redemption payments are temporarily put on hold

- Loans are waived in part or as a whole
- Annuity repayment vehicles are temporarily put on hold
- Loans that have reached maturity are converted to amortising loans with simultaneous extension of lifetime

Debt arrangements concerning the interest payments to be made:
- Interest payments are temporarily put on hold
- Agreement on favourable interest rates to reduce interest burden

Other types of debt arrangement:
- The credit relationship is readjusted by contract
- The obligation to comply with binding conditions (covenants) on the part of the borrower is temporarily relaxed
- Securities are released
- Additional borrowers are adopted into the credit relationship

The measures listed are applied both individually and in combination.

Risks

All of the measures mentioned above generally reduce the risk of the borrower defaulting. If however the agreements made are not adhered to on the part of the customer, there is the risk of a reduced quota of collectability due to the delay of the default or the delay in a possible termination of the loan.

Risk management and risk control

The internal regulations of BTV provide that debt arrangements are only to be granted if, on the basis of the available data, documents and information, a proper repayment is ensured. The approval is made through the decision-making channels. The agreements made with the borrower are always documented in writing. If there is interference in existing contracts, the changed or new contracts have to be agreed to by the borrower as well as all the co-borrowers and issuers of securities.

The control is carried out by the credit management department by means of existing control systems such as, for instance, lists for overdrafts and credit limits. Other agreements made with the customer are controlled separately through the relevant responsible person for the market.

Probation period

Once an agreed debt arrangement has formally come into force, a two-year probation period will start for the borrower.

After the two-year probation period has been completed and all criteria listed below have been fulfilled, the customer is again managed as a customer without forbearance:

- The customer is within the living rating area.
- According to the assessment of the commercial situation, the borrower can repay the claims.
- Within the probationary period, the payment obligations are fulfilled properly.
- Currently, the total position of the borrower is less than 30 days overdue.

If a customer who has been granted forbearance defaults during the probationary period, the probationary period will be interrupted for 365 calendar days. The customer cannot obtain a living rating for the period of interruption of the probationary period. Provided that the borrower's overall position is not overdue, a new two-year probationary period will start when the interruption period ends. For those customers whose probationary period was interrupted, stringent monitoring criteria will apply to the new probationary period:

- If the borrower's overall position is more than 30 days overdue, this is regarded as default.
- The granting of a further debt arrangement is regarded as default.

Accounting policies and valuation methods, loan loss provision indicators

Forbearances granted to borrowers automatically lead to the formation of an increased portfolio value adjustment (Level 2, based on the expected credit loss over the remaining lifetime). If the agreed measures are not complied with, the customer is subjected to a renewed and timely credit check. Within the context of this check, a change in the borrower's rating for default as well as the formation of a specific value allowance or a reserve will be evaluated.

If, within a credit commitment, a credit default is to be expected, a value allowance or a reserve is created for the part that is probably not recoverable. The amount of this value allowance or provision is calculated by the credit management (restructuring) or service centre (operations) divisions only and is determined pursuant to the rules of competency.

The IFRS international accounting standards stipulate the formation of portfolio valuation adjustments. Provisions for loan losses which have already occurred by the balance sheet date but have not yet been recognised are represented under portfolio impairments. For calculation, a model is used with which the need for impairment is determined based on historical loss experiences in the portfolio.

The total amount of impairments is shown explicitly as a reduction on the asset side of the balance sheet. Reserves and provisions for off-balance sheet transactions (in particular liabilities and guarantees and other lending commitments) are held in the item "reserves".

Generally, entire or partial write-offs of claims take place only with customers who have already defaulted and after assessment by the restructuring management or operations team in accordance with the rules on competence. Provided that a borrower in a difficult financial position can cover some of his obligations, in individual cases a release of existing claims can take place also for customers who have not defaulted.

Equity investment risk

Equity investment risks (shareholder risks) are defined within BTV as the potential losses from equity furnished, non-payment of dividends, partial write-downs, losses on disposals, reduction of hidden reserves, liability risks (e.g. B. letters of comfort), or profit transfer agreements (assumption of losses).

Credit concentration risk

Within BTV, credit risk concentration is defined as the risks which arise from an uneven distribution of business partners in loan or other business relationships, the formation of geographical or sector-specific business clusters or other concentrations, which may causes losses with the potential to threaten BTV's continued existence.

Risks from credit risk reducing techniques

This is understood to mean the risk that the credit risk reducing techniques implemented by BTV are less effective than expected. This risk can be differentiated according to credit, market, liquidity, operational, macroeconomic and other risks.

Under credit risk BTV looks in this context at the total or partial default of a counterparty and of the collateral issuer or security provider and the resultant loss of income due or loss of the capital invested.

Market risks include the interest rate, currency, share price, credit spread and volatility risks. The currency risk arises as a result of inconsistencies in the currency between debts and risk-mitigating techniques. If the nominal price of the security changes negatively in relation to the nominal price of the loan, the unsecured portion of the debt will increase and so will the potential loss amount in the event of default on the debt. Interest rate, share price and credit spread risks should be seen here as mainly being connected with financial securities. For example, the market values of financial security (equities, bonds, etc.) could be reduced owing to macroeconomic influences.

As part of the risks arising from risk-mitigating techniques, liquidity risk is defined as the non-liquidity of parts of the collateral portfolio.

Furthermore, operational, macro-economic and other risks – corresponding to the definitions in the following sections – may result in parts of the collateral portfolio losing value.

In the case of all the risks mentioned, owing to the reduction in the value of the security, the unsecured portion of the debt increases and so does the potential amount of the economic loss for BTV in the event of default on the debt.

Risks from securitisation

A securitisation is a transaction that divides the credit risk associated with an exposure or a pool of exposures into tranches and has the following characteristics:

- Payments made in the context of the transaction or structure depend on the value performance of the risk position or the pool of risk positions.
- The ranking of the tranches determines the distribution of losses during the term of the transaction.

The risks associated with securitisation are as diverse as the possible securitisation structures. The main risks include credit risk, market risk, liquidity risk, operational risk and legal risk.

Market risk

Under market risk BTV understands the potential loss which can arise due to changes in prices and interest rates in financial markets for all the positions of the bank and its trading book. The market risk is made up of interest risk, currency risk, share price risk, credit-spread risk, volatility risk and risk of a credit valuation adjustment.

Control of market risks

Management of market risks is undertaken centrally in the Institutional Clients and Banks business area of BTV. Both the periodical and net asset value effects of asset/liability management are taken into consideration to this end. As central auxiliary conditions, the impacts of the management measures on invoicing according to IFRS and UGB and the clauses relating to supervisory law are taken into consideration.

At BTV, management measures include the identification of commitment incongruities and their adjustment, the on-going monitoring of credit spreads in the security nostro, the assurance of the effectiveness of hedge relationships, the separation of income components using a transfer price system and the assurance of risk-bearing ability at all times.

Interest rate risk
The interest rate risk is understood as the risk that the achievable interest result will not be achieved due to changes occurring to the market interest rate. Interest rate changes affect the revenue and risk situation of BTV in different ways. The two significant economic effects here are the cash value effect and the income effect. On the one hand, the present value effect poses the risk of reduced present values due to the changes of market rates in the interest register. On the other hand, the income effect poses the risk that the expected interest revenue will not be achieved due to a change in interest rates.

Types of interest rate risk
Within BTV, the different forms of interest rate risk are broken down as follows:

Risk of interest rate gap: The risk results from the interest rate structure of interest rate-sensitive instruments and the associated timing of the interest rate adjustment. The risk of an interest rate gap includes risks related to timing mismatches and the revaluation of assets, liabilities and off-balance sheet items (revaluation risk), risk arising from changes in the slope and shape of the interest structure curve (interest structure curve risk).

Basis risk: This risk arises from different interest rate responsiveness of asset and liability positions with the same fixed interest rate and arises when a hedging transaction is based on a different interest rate compared to an interest rate risk position, so that a revaluation leads to slightly different conditions.

Non-linear risks: Non-linear interest rate risks, also called option risks, arise from the gamma and vega effects of options, including embedded options.

Credit spread risk
The credit spread represents a risk premium for investments which include loan and liquidity risks. The credit spread is defined as the difference in returns from an asset and a risk-free reference bond. Credit spread risk is reflected in fluctuations in the net value of bond portfolios which cannot be attributed to interest rate changes.

Share price risk
Share price risk is understood as the risk that price changes in shares will have a negative impact on the expected result.

Currency risk
BTV defines currency risk as the danger that the profit which is obtained from transactions which require conversion from one currency to another, deviates negatively from the expected result.

Volatility risk
Volatility risk is understood to be the risk of change in the price of options purchased and sold due to changes in the volatility of the base value, which adversely affect the expected result.

Risk of a credit valuation adjustment
The adjustment of a credit valuation is understood as the adjustment of the valuation of a portfolio of transactions with a counterparty to the valuation at the mean market value. This adjustment reflects the market value of the credit risk of the counterparty to BTV, but not the market value of BTV's credit risk to the counterparty. The risk here is that the positive replacement value for derivative financial instruments is reduced because the risk premium for the counterparty has increased without it dropping out.

Liquidity risk

At BTV, liquidity risk is broken down as follows:

- Dispositive liquidity risk
- Structural liquidity risk
- Market liquidity risk
- Risk of a refinancing concentration
- Liquidity risk in foreign currency

Optional liquidity risk (and known as liquidity risk in the narrower sense or insolvency risk/funding liquidity risk) is defined as the danger that BTV is no longer able to meet its current and future payment liabilities either in full or by the established deadlines. Within BTV, this essentially consists of the following risk subtypes:

- Due date risk: The risk of an unscheduled extension to the capital commitment period of lending operations due to behaviour of the counterparty which is not contractually compliant.
- Withdrawal risk: The risk arising from unexpected draw-down of lending commitments or the unexpected with-drawal of deposits with an indeterminate capital commit-ment.
- Replacement risk: Any risk of not being able to extend or replace expiring financing.

Liquidity risk in the broader sense essentially is risk within the structural liquidity, also known as refinancing risk, and describes the effects on earnings of sub-optimal availability of liquidity. Refinancing risk is the danger that additional refinancing can only be obtained at higher market interest rates. This describes the situations in which only insufficient liquidity can be obtained under the expected conditions. The maturity mismatches which are deliberately contracted from the point of view of profitability, entail the danger that purchasing conditions will become more expensive. This situation can arise either due to disturbance in the interbank market or due to a reduction in the credit rating of BTV. On the basis of the money-at-risk approach, this risk thus corresponds to the costs which would have to be borne by the bank in the event of an unspecified negative scenario occurring, in order to exclude this risk, i.e. in order to close out the existing maturity mismatches (sale of realisable assets or assumption of long-term refinancing).

Market liquidity risk is the danger, contingent on extraordinary events, that assets may only be realised with discounts in the market and thus only a minimal liquidity inflow will be achieved.

The risk of a concentration in refinancing arises when some of the refinancing resources available are disproportionately high in relation to certain instruments, one or more lenders, residual maturities, currencies or geographic areas compared to the total of all refinancing funds.

BTV conducts transactions in foreign currency. The risk here is that required refinancing funds in a foreign currency cannot be procured, or can only be procured under unfavourable conditions with respect to interest and exchange rates. As a result, BTV is exposed to the risk that a sudden change in the exchange rate, market liquidity, or both will lead to liquidity incongruities or will increase existing liquidity incongruities.

Management of liquidity risk

BTV's liquidity risk management is used to guarantee adequate liquidity at all times, so that the bank is able to meet its payment liabilities.

The institutional clients and banks division is responsible for short-term to medium-term liquidity risk management. The primary task of short-term to medium-term liquidity risk management is to identify and manage the optional liquidity risk position. This management is based on an analysis of daily payments and the planning of expected cash flows, as well as demand-related money market trading, taking into account the liquidity buffer and access to central bank facilities. Monitoring of the long-term liquidity risk is carried out by BTV bank management and consists of the following points:

- Optimisation of the refinancing structure incl. minimisation of refinancing costs
- Sufficient provision of primary funds
- Diversification of sources of refinancing
- Optimisation of the liquidity buffer
- Clear investment strategy for tenderable securities on the bank's books
- Compliance with supervisory regulations in connection with the provisions of Regulation (EU) No. 575/2013 (CRR), the Austrian Banking Act (BWG) and the Credit Institution Risk Management Ordinance (KI-RMV)

Operational risk

The operational risk is divided into the following risk types:

- Risk of failure of processes
- Risk of human error
- Risk of losses due to external events
- Legal risk
- Information and communication technology risk

The strategic risk and reputation risk are classified as other risks and are therefore not considered operational risks.

The risk of failures of processes is understood as the risk that losses will arise due to inadequate or lacking process organisation.

The risk of human error is understood as the risk that losses will arise due to the improper behaviour or actions of persons involved. This includes improper behaviour or actions which were performed with wilful intent or gross negligence, as well as such which arise due to errors in execution of the work process (human error).

The risk of external events is understood as the risk that losses will arise due to disruptions in operations which cannot be actively managed. The risks of losses due to external events cannot be specified exhaustively.

The legal risk is the possibility that processes, legal judgements, or contracts which are proven to be unenforceable lead to a negative deviation from the expected result since the transactions or condition of the bank are impaired by such, or because there exists the danger that failure to observe, improper application, or over-representation of legal regulations will lead to failure to observe the bank's own obligations. This also includes the risk of suffering losses due to non-feasance.

Information and communication technology (ICT) covers all technical resources which support the processing or transfer of information. The processing of information includes the collecting, recording, use, storage, transfer, program-supported processing, internal presentation, and issuing of information.

The information and communication technology risk (ICT risk) is the present or future risk of losses due to the inappropriateness or failure of the hardware and software of the technology infrastructure which could impair the availability, integrity, availability, and security of these infrastructures or of data. This includes the risks arising from ICT availability and continuity, ICT security, ICT changes, ICT integrity, and ICT outsourcing. These sub-categories are defined as follows:

- The availability and continuity risk is the risk that the performance and availability of ICT systems and data will be negatively affected, including the loss of capacity to restore ICT hardware and software components in good time after a failure, as well as the negative effect of weaknesses in the ICT system management or other events affecting the services of BTV.
- The security risk is understood as the risk of unauthorised access to ICT systems and data access from within or outside of BTV (e.g. cyber attacks).
- The change risk results from BTV being incapable of managing pending ICT system changes in good time and in a controlled fashion, in particular with respect to comprehensive and complex change projects.
- The data integrity risk is the risk that the data stored and processed by ICT systems is incomplete, imprecise, or inconsistent across ICT systems. For example, due to defective or lacking ICT controls during the different phases of the ICT data life cycle (i.e. draft of data architecture, development of the data model and/or data dictionary, reviewing data input, controlling data extractions, transfers and processing, incl. data outputs rendered) which leads to an impairment of BTV's ability to render services and produce (risk) management and financial information in and orderly and timely fashion.
- The outsourcing risk arises when the commissioning of a third party or other group company (internal outsourcing) with the provision of ICT systems or the rendering of associated services negatively influences the performance and risk management of BTV.

Macro-economic risk

Risks are described as macro-economic risks if they result from unfavourable changes in the overall economic development of the markets in which BTV transacts business and have a negative impact on the expected profit of BTV.
These risks lie outside the sphere of influence of BTV, the sensitivity of customer groups, sectors and markets versus negative economic changes but are expressed to different degrees and are taken into account in the direction of the business. From this perspective, an internal closeness to the strategic risks is also the case.

Concentration risks

Risks which could arise within or between different risk categories at BTV are subsumed under concentration risks and have the potential to produce losses which are great enough to threaten the stability of BTV or its ability to sustain its core business, or to cause a significant change in the risk profile. A distinction is made between inter-risk concentrations and intra-risk concentrations.

Inter-risk concentration refers to risk concentrations that may arise from interactions between different positions of various risk categories. The interactions between the various positions may arise due to an underlying common risk factor or from interrelated risk factors.

Intra-risk concentration refers to risk concentrations that may arise from interactions between different positions in a single risk category.

Other risks

The other risks are broken down at BTV as follows:

- Strategic risk
- Reputation risk
- Capital risk
- Model risk
- Risk from the business model
- Systemic risk
- Risk of excessive debt

BTV defines these types of risk as follows:

As far as BTV is concerned, strategic risk arises from the negative effects on equity and revenue of business policy decisions, changes in the economic environment, failure to implement or inadequate implementation of decisions or a failure to adapt to changes in the economic environment.

Reputation risk describes the negative consequences which may arise from a negative divergence in BTV's reputation from the expected level. Reputation is understood to be the standing of BTV with regards to its competence, integrity and trustworthiness resulting from the perceptions of public stakeholders (shareholders, employees, customers, etc.).

Capital risk arises from the inadequate availability of risk cover capital.

The model risk is the risk that a model generates incorrect results and therefore incorrect steering impulses are given. The production of incorrect results can be due to the fact that the model was incorrectly designed, or is unsuitable for the selected application. The model may also have been used incorrectly, or the incorrect input data were used for a model. It is also possible that a model is no longer valid or is inconsistent.

The business model risk is the danger posed by a business model or strategy lacking sustainability. Both exist when no acceptable yields can be achieved.

The systemic risk is the threat of a disruption in the financial system which causes severe negative effects in the financial system itself and subsequently for the rest of the economy. The systemic risk therefore has an impact on BTV via a wide range of mechanisms.

The risk of excessive debt is the risk arising from BTV's vulnerability due to its indebtedness or contingent borrowing and may require unscheduled corrections to its business plan, including the sale of assets in distress, which could result in losses or valuation adjustments of the remaining assets.

The central responsibility for appropriate risk management lies with all the Directors. The Directors are responsible in particular for the following duties in this respect:

- Responsible for working out business and risk strategy
- Establishing the risk policy and principles thereof
- Anchoring the risk management process as a core component of the overall management of the bank
- Determining strategic limits
- Establishing corresponding set-up and process organisation to ensure capital adequacy (ICAAP) and liquidity adequacy (ILAAP)
- Communication risk strategy to employees
- Installing an appropriate internal control system
- Functional and organisational separation of responsibilities to avoid conflicts of interest
- Ensuring sufficient human resources are in place
- Ensuring employees are qualified
- Regular - at least annual - review of processes, systems and procedures

The committee that acts above all during the phase of adjusting the risk management process is BTV Bank Management. BTV Bank Management meets monthly. It consists of the full Board of Directors and the heads of the Finance and Controlling and Credit Management teams, as well as the Corporate Customer, Retail Customer and Institutional Clients and Banks departments, and the head of the Risk Control team. The principal responsibility of BTV Bank Management covers management of the balance sheet structure from the perspective of risk/return, as well as management of credit, market, liquidity risk as well as operational and macroeconomic risk. Strategic, reputation, equity, and model risks, as well as risks from the business model, systemic risk, and the risk of excess indebtedness are combined under the "Other risks" category and are also discussed within the context of BTV Bank Management.

Within the framework of risk management, the supervisory board of BTV has the responsibility for monitoring the risk management system. The realisation of this supervisory role is essentially carried out through the reports listed below:

- Report of the representative of the Risk management department about the types of risk and the risk position of the BTV to the Risk and Credit Committee.
- Risk report by full Executive Board as part of the preparatory meetings of the auditing committee and within the full Supervisory Board meeting.
- Annual ICAAP report to the audit committee
- Annual session of the risk and credit committee
- On-going reports by the Group Audit to the audits undertaken with different areas of emphasis
- Annual report of the auditor about the functional capacity of the risk management system to the Chairman of the Supervisory Board
- Reporting on the continuous compliance with the recovery indicators according to the Supervisory Board's recovery plan

Risk controlling is a risk management division independent of operative business with direct access to the Management. Organisationally, risk controlling is its own entity within the Finance and Controlling division. Risk controlling has the corresponding competences and resources to ensure fulfilment of the following core duties:

- Identification, assessment, aggregation and monitoring of risks
- Reporting to the Management with respect to risks and the risk situation
- Participating in the drawing up of the BTV risk strategy and all key decisions on risk management
- Complete overview of the designing of key risk categories, risk types and risk sub-types, and of the risk situation of BTV
- Advising responsible persons in company divisions and processes

Through these core tasks, Risk Controlling provides an important supportive business management service to the management for risk-oriented planning and management.

As an autonomous supervisory body, BTV's group audit team audits the effectiveness and appropriateness of overall risk management and thereby also supplements the role of representatives of supervisory bodies and owners.

The compliance function monitors all legal regulations and internal guidelines relating to financial services in particular according to the Securities Supervision Act (WAG 2018) and the Market Abuse Regulation (MAR). The supervision of employee and customer transactions is intended to prevent insider trading and ensure confidence on the capital markets, whereby compliance contributes directly to the protection of the reputation of BTV. The anti-money laundering department has the task of preventing money laundering and financing of terrorism within BTV. On the basis of the legally prescribed risk analysis, measures and guidelines are defined to prevent the channelling of illegally obtained assets into the legal financial system. In case of evidence of money laundering or the financing of terrorism, the money laundering officer must inform the Federal Ministry of the Interior. Both the compliance officer and the money laundering officer report directly to the full Board of Directors.

Within BTV, the functions of risk control, group audit and the compliance/money laundering function are organised so as to be independent of each other. This guarantees that these organisational units can execute their tasks in an appropriate manner within the framework of an effective internal control system.

Within BTV, the requirements for quantitative risk management to ensure capital adequacy that result from the 2nd pillar of Basel III and from the operational necessity are covered, above all, by the risk-bearing capacity calculation. With the help of this calculation, BTV determines the extent to which it is able to absorb unexpected losses.

In calculating risk-bearing capacity, BTV assumes two viewpoints - the going concern and the perspective of liquidation. From the perspective of a going concern, the continued existence of a regular ongoing concern is to be assured. Furthermore, BTV has built an early warning stage into its going-concern approach. The aim of the protection at the early warning stage is to be able to ensure that smaller, high-probability risks can be absorbed, without needing to change the type and extent of business activity, or the risk strategy. Furthermore, triggering of the early warning stage has the effect of implementing corresponding measures. From a liquidation perspective, the BTV has the aim of guaranteeing the claims of outside financial backers (holders of debt securities, savings deposits, etc.). The determination of the risk cover capital (= internal capital) is carried out differently for each of the going- concern and liquidation approaches. This in turn occurs against the background of the differing protection aims of the two approaches. The risk-bearing capacity requirement must be fulfilled for both approaches in a normal as well as a stress situation.

The going-concern approach, the risk cover capital essentially consists of the expected net profits for the financial year, the hidden reserves/charges from shareholdings, securities and property, capital increases already realised, and the core capital surplus. The core capital surplus is defined as an open reserve, which exceeds the common equity Tier 1 capital ratio of 9%.

In the liquidation approach, internal capital (risk-covering capital) was defined as the eligible equity plus deduction items resulting from Common Equity Tier 1 instruments of companies in the financial sector in which BTV holds a substantial interest. These are corrected by an excess or shortfall which can be traced back to the IRB basic approach. Furthermore, an adjustment is performed on the basis of hidden reserves or hidden charges from holdings, securities and properties.

In order to measure the risks within the context of ICAAP, the following processes and parameters are applied:

Risk category/parameters	Liquidation approach	Going-concern approach
Confidence level	99.9%	95.0%
Time horizon	250 days	
Internal capital (Risk cover capital)	Equity qualifying by extension	Expected annual net profit, hidden reserves and core capital surplus
Credit risk		
Risk of default by other party	IRB basic approach/standard approach	
Equity investment risk	IRB-PD/LGD approach/standard approach	
Concentration of credit risk		
Risks from high credit volumes	IRB Granularity Adjustment	
Risks from Foreign currency loans	Foreign currency stress test	
Risks from lending with repayment vehicles	Repayment vehicle stress test	
Market risk	Diversification across market risks considered	
Interest rate risk	VaR (historical simulation)	
Currency risk	VaR (historical simulation)	
Share price risk	VaR (historical simulation)	
Credit spread risk	VaR (historical simulation)	
Liquidity risk	Structural liquidity risk (P/L risk)	Structural liquidity risk (Cash value risk)
Operational risk	Standard approach	VaR approach
Macro-economic risk	Macroeconomic stress scenario	
Other risks	10% buffer	

Furthermore, limits are defined for each risk category as well as for the controlling units (corporate customers, retail customers, institutional clients and banks) within the counterparty default risk and for detailed risk categories in the case of credit concentration risk and within market risk. The risks which are not quantifiable are taken into account by means of a buffer in the risk-bearing capacity calculation.

Credit risk

BTV uses the IRB basic approach to quantify the counterparty default risk and the IRB-PD/LGD approach to quantify the investment risk in the risk-bearing capacity calculation. For other items, such as tangible fixed assets, accrued interest etc., the standard approach is used for quantifying the risk.

The probability of default represents the central parameter for calculating credit risk in the IRB approach and in the IRB-PD/LGD approach. This is derived from internal bank ratings. For corporate and retail customers, as well as for banks and property project financing, rating systems are used which spread the credit risks over a scale with 13 available levels. The rating forms the basis for the calculation of credit risks and provides the framework for a risk-based calculation of terms, as well as for the early identification of problem cases. The price calculation in the lending business is based on this and is carried out taking into consideration ratings-based risk premiums.

The risk from high credit volumes is integrated into ICAAP at BTV using IRB Granularity Adjustment:

The risk from foreign currency loans and the risk from loans with repayment vehicles are considered in the ICAAP in the form of stress tests.

The quantification of the risk in relation to risks from credit risk reducing techniques as well as credit concentration risks takes place by means of sensitivity analyses. For this purpose, stress tests are performed for the following sub-portfolios:

- Foreign currency loans
- Property development financing
- Repayment vehicle loans
- Construction industry
- Machine tooling
- Automotive
- Tourism
- Large positions with liability of over EUR 40 million
- Financial securities

Credit risks not considered here are taken into account under the other risks in the buffer of the risk bearing capacity calculation.

The management of credit risk at portfolio level is primarily based on internal ratings, classes by size, sectors, currencies and countries. Together with the risk-bearing capacity calculation, the lending risk reporting system and above all, the quarterly BTV lending risk report, form central management and monitoring instruments for decision makers.

Market risk

For risk measurement purposes at the overall bank level, BTV quantifies the value-at-risk for the risk categories of interest, currency, share price and credit spread risk with regard to the liquidation approach, on the basis of a confidence level of 99.9% and a retention period of 250 days. The value at risk (VaR) is the loss which, on the basis of a given confidence, will not be exceeded over a defined period.

Value at Risk is estimated on the basis of a historic simulation method. The basis for the market parameters used are historical time series from the last four years. Diversification effects between the individual market risk classes are already implicitly included in the data histories and are accounted for separately.

The VaR model can be briefly outlined as follows:

- Definition of risk factors for each risk category
- Allocation of products to risk factors
- Determination of the historical risk factors based on historical observations
- Simulation of changes in risk factors based on historical events
- Revaluation of positions in all scenarios and calculation of profit and loss
- Calculation of the VaR quantile based on profit or loss distribution of positions

The market risk is measures at a bank-wide level monthly.

Interest rate risk
In the context of the ICAAP, the risk capital is compared with the risk potential according to the VaR model, and is therefore limited. The basis for this is BTV's interest rate portfolio, which comprises all interest rate sensitive assets and liabilities and derivative transactions. This portfolio is broken down into fixed interest rates for individual transactions and combined in a maturity structure (gap analysis). The interest risk is measured at a bank-wide level monthly.

Currency risk
The quantifying of the foreign currency risk is also carried out on the basis of a historical value-at-risk approach. The foreign currency risk is measured at a bank-wide level monthly.

Share price risk
The quantifying of the share price risk is carried out on the basis of a historical value-at-risk approach. In which individual shares are directly assigned to the respective rate histories. Share price risk at overall bank level is measured on a monthly basis.

Credit spread risk
The quantifying of the credit spread risk is carried out on the basis of a historical value-at-risk approach. The credit default swap spread serves as a basis for calculating the credit spreads per issuer. In the case of non-tradable credit default swaps, the asset value is allocated to a CDS index The credit spread risks are measured at a bank-wide level monthly.

Liquidity risk
The measurement of liquidity risks begins with the drawing up of a liquidity maturity statement, in which all balance sheet, off-balance sheet and derivative transactions are classified by maturity intervals. For positions with an indeterminate capital commitment, care is taken to ensure that the liquidity assumptions correspond as closely as possible to actual customer behaviour. For this purpose maturity profiles are estimated based on historical data and using statistical methods. In addition assumptions are modelled for the drawdown on unused credit and the take-up of guarantees. Securities and credits suitable for central banks within the liquidity buffer (under consideration of a relevant haircut) are treated as assets that can be liquidated at any time.

For the determination of the liquidity risk, the risk premiums of a pool of reference banks are analysed in comparison with best-rated government bonds and the volatilities for the individual maturities are calculated on the basis of the fluctuations in these premiums. The multiplication of these credit spread volatilities with the cumulative liquidity gaps gives the liquidity risk over the period.

The drivers of the risk are therefore the amount and the distribution of the liquidity gaps as well as the fluctuations in the risk premiums in the individual terms. Alongside the integration of the liquidity risk as a risk to earnings in ICAAP, the liquidity risk situation at group level is monitored daily. In doing so, the liquidity progress review is expanded to include new business. In a normal case, the cumulated gap is compared to the new business of the liquidity reserve. This liquidity reserve is made up of lines at institutional customers and banks, from issue lines and the deposits with the central bank that exceed the minimum required reserves. In addition, the liquidity situation is presented under three stress scenarios (default crisis, market crisis and combined crisis). On the one hand, the liquidity gap analysis is exposed to changes in the forecast profiles and on the other hand the new business assumptions are exposed to a specific stress. These varied liquidity gaps are compared to the potential liquidity. The potential liquidity consists of the strongly reduced liquidity reserve and the liquidity buffer. This potential liquidity must provide at least four weeks cover for the liquidity flows under a stress test. This condition is capped with a limit, and shown both graphically and as a table for each scenario.

Operational risk

In BTV a risk management process has been developed, which applies both for qualitative and quantitative methods. For losses which have already occurred, a loss database exists which collects details of all cases of losses. After analysis of the losses, suitable measures are taken to minimise the risk of loss in future. This approach is complemented by the implementation of self-assessments for the operational risk where all areas or processes are investigated to possible operational risks. These risks are assessed through interviews and, if necessary, internal processes and systems are then adapted.

Under the liquidation approach the operational risk is measured using the standard approach. In the going-concern approach, BTV applies a VaR approach that uses previously sustained losses in the loss database to quantify the risk. In order to guarantee a closed circuit process and the quality of the implemented control loop - risk identification, risk quantification and risk management - decision-makers are kept informed on a continuous basis by a quarterly report on the trend in operational risk (loss events incurred) and the measures taken and their ongoing monitoring.

Macro-economic risk

The macro-economic risk manifests itself in the negative change for BTV within the market environment and its implications for the significant risk drivers. Consequently, the quantifying takes place by means of a macroeconomic stress test which contains the significant changes in the parameters of an economic downturn. The maintaining of the risk-bearing capacity in the case of stress is calculated implicitly here.

Other risks

Other risks are considered within the risk capacity calculation through the buffer.

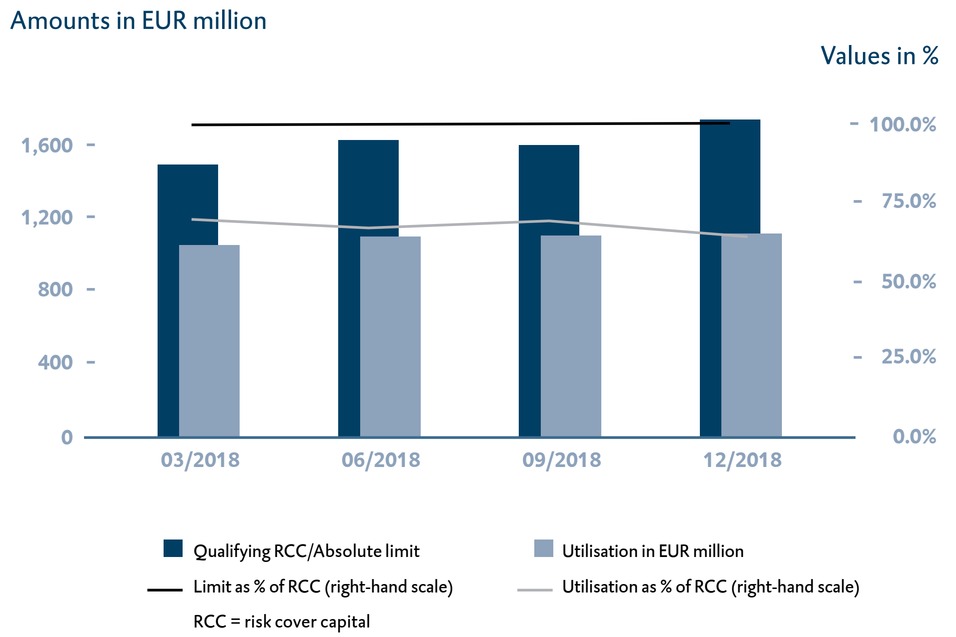
Risk reporting system

The following explanations relate to the extent and type of BTV's risk reporting system.

The measurement of overall bank risk in ICAAP, as well as the individual risk categories, excluding the market risk, is performed each quarter. The market risk is measures at a bank-wide level monthly. The short-term liquidity risk as well as the individual market risks in the trading book are measured daily. In addition, an ad hoc report is drawn up in so far as this is necessary. Within BTV Bank Management Committee, a report is given on the current utilisation levels and limiting of overall bank risk, as well as of the individual risk categories, together with definition and monitoring of control measures. The reporting on operational risks is provided quarterly.

Utilisation of the quantified overall risk at year-end amounted to EUR 1,110.5 million. This corresponds to a limit utilisation of 64.1% of the risk cover capital. The highest relative level of usage of 70.6% of the risk cover capital was in the first quarter of 2018. 10% of the risk cover capital is reserved for unquantifiable other risks and is reported as already used.

Total bank risk - liquidation approach



Total bank risk - liquidation approach		Maximum	Average	Year-end
31/12/2018	Utilisation in EUR million	1,110.5	1,084.4	1,110.5
	Utilisation in % of risk cover capital	70.6%	67.7%	64.1%
31/12/2017	Utilisation in EUR million	1,041.9	1,004.5	1,041.9
	Utilisation in % of risk cover capital	69.5%	65.5%	63.4%

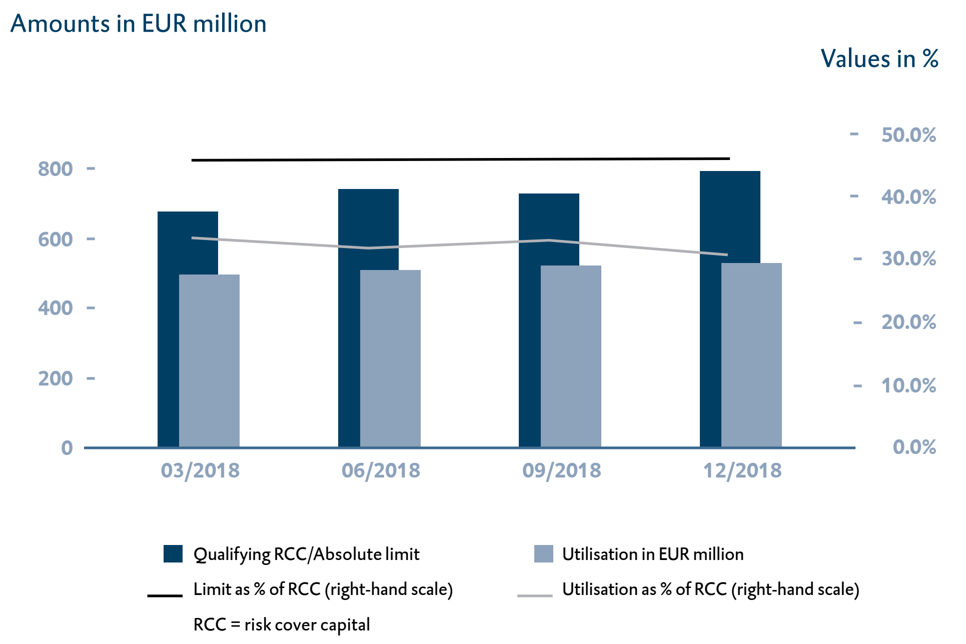
The limit has been respected at all times at the total bank level. In addition, an adequate buffer for the applied limit was available at all times. Account was thus taken at all times during the financial year 2018 of the compulsory reconciliation process between the quantified risk and BTV's allocated capital for risk coverage.

Credit risk

The illustrations below show the risks in comparison with the allocated risk cover assets and the fixed limit for counterparty default and equity investment risk, as well as the credit risk concentration.

As can be seen from the illustrations below, the limit in all the partial risk categories of the credit risk was maintained. In addition, a buffer for the applied limit was available at all times.

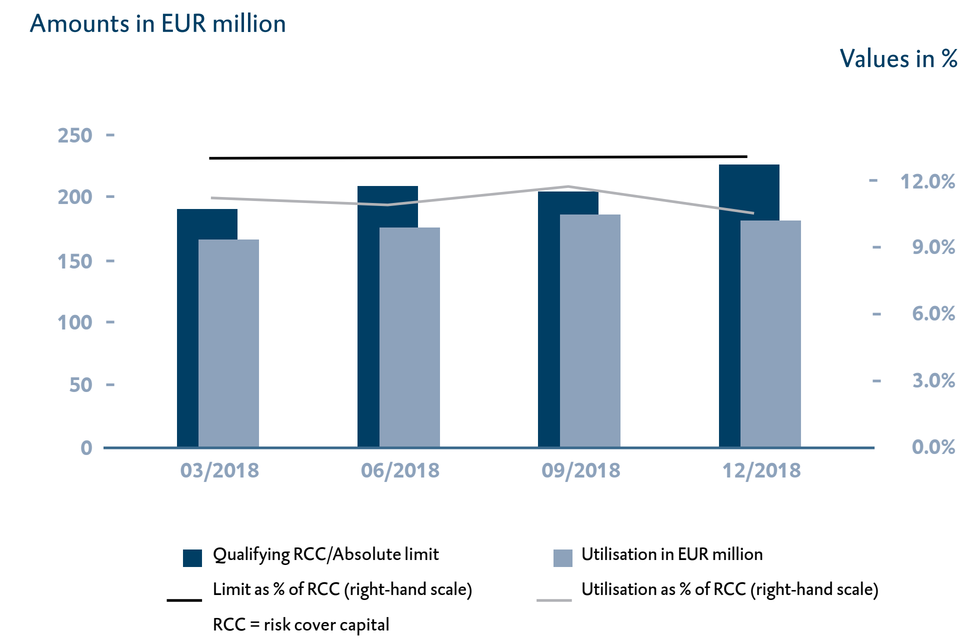
Counterparty default - liquidity approach



Counterparty default - liquidity approach		Maximum	Average	Year-end
31/12/2018	Utilisation in EUR million	533.6	518.0	533.6
	Utilisation in % of risk cover capital	33.6%	32.4%	30.8%
31/12/2017	Utilisation in EUR million	492.5	487.3	492.5
	Utilisation in % of risk cover capital	33.2%	31.8%	29.9%

Over the course of the year, the counterparty default risk increased relative to risk cover from 29.9% to 30.8%. A slight increase of the counterparty default risk was also recorded in absolute figures to the amount of EUR +41 million. The risk cover allocated rose over the course of the year due above all to the capital increase in the fourth quarter and the revaluation reserve at the end of the year.

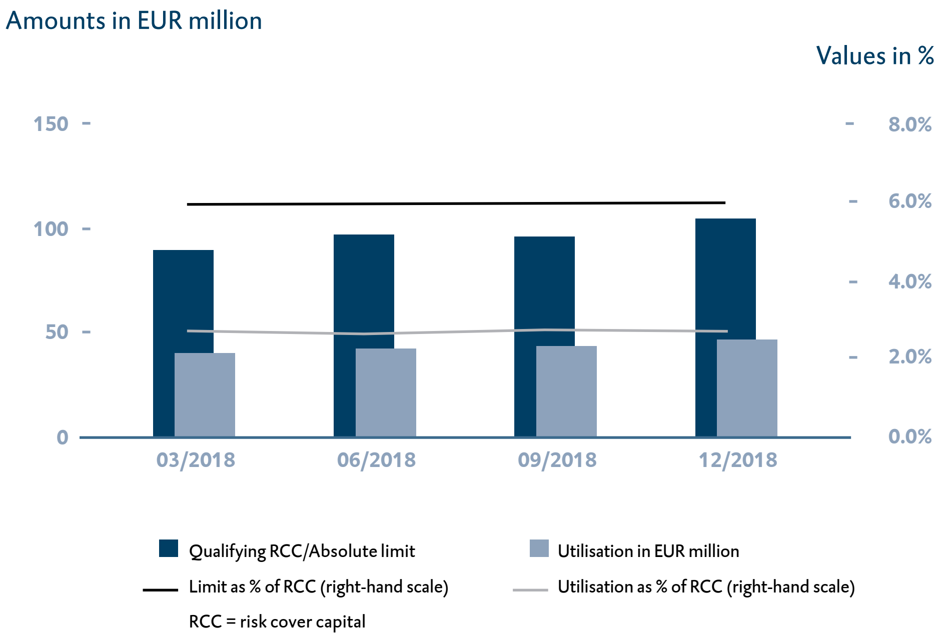
Investment risk - liquidity approach



Investment risk - liquidity approach		Maximum	Average	Year-end
31/12/2018	Utilisation in EUR million	186.6	177.3	180.8
	Utilisation in % of risk cover capital	11.8%	11.1%	10.4%
31/12/2017	Utilisation in EUR million	158.6	152.7	158.6
	Utilisation in % of risk cover capital	10.1%	10.0%	9.6%

As expected, the participation risk rose steadily by EUR +22.2 million during the course of 2018 from EUR 158.6 million to EUR 180.8 million. This increase is essentially due to the fair value valuation of selected holdings applied from 1 January 2018 onwards, and the changes through profit and loss and through other comprehensive income to Oberbank AG, BKS Bank AG and Silvretta Montafon Holding GmbH (at-equity valuation).

Concentration of credit risk – liquidation approach



Concentration of credit risk – liquidation approach		Maximum	Average	Year-end
31/12/2018	Utilisation in EUR million	46.5	42.8	46.5
	Utilisation in % of risk cover capital	2.7%	2.7%	2.7%
31/12/2017	Utilisation in EUR million	41.9	39.0	37.6
	Utilisation in % of risk cover capital	2.9%	2.5%	2.3%

In the financial year 2018, the utilisation of the "Credit concentration risk" category increased by EUR +8.9 million from EUR 37.6 million to EUR 46.5 million. The primary driver behind this was the risk sub-category "Risk from high credit volumes". This increased over the course of the year by EUR +6.2 million from EUR 18.2 million to EUR 24.4 million. The remainder of the increase can be traced back to the risk sub-categories "Risk from credits with repayment vehicles" and "Risk from foreign currency loans".

Credit risk - overview

The credit risk volume is made up of the balance sheet items "Loans to credit institutions", "Loans to customers", all fixed interest securities as well as securities and guarantees.

The total loan volume of BTV rose year on year by EUR +388.4 million, or +4.1%, to EUR 9,794.1 million. The amount of bad debt fell by EUR –42.2 million or –23.3%. The share of the total volume at the year end therefore totalled 1.5%, compared to 2.0% the previous year.

Creditworthiness structure overall in EUR thousand

Due date	Data	No visible risk of default	With Notes	Increased Risk of default	Bad debt	Total
31/12/2018	Total drawn	9,115,410	490,128	39,783	148,797	9,794,118
	Amortised costs	8,588,911	483,366	39,473	146,527	9,258,277
	Fair value	526,499	6,762	310	2,270	535,842
	Share in %	93.1%	5.0%	0.4%	1.5%	100.0%
	Risk provisions	13,341	4,473	706	89,738	108,257
	Percentage of cover	0.1%	0.9%	1.8%	60.3%	1.1%
31/12/2017	Total drawn	8,550,479	636,544	27,735	190,949	9,405,706
	Amortised costs	8,536,735	636,544	27,735	190,949	9,391,962
	Fair value	13,744	0	0	0	13,744
	Share in %	90.9%	6.8%	0.3%	2.0%	100.0%
	Risk provisions	59,852	19,577	3,200	118,633	201,263
	Percentage of cover	0.7%	3.1%	11.5%	62.1%	2.1%
Change	Overall utilisation, previous year	564,931	–146,416	12,048	–42,151	388,412
	Amortised costs, previous year	52,176	–153,178	11,738	–44,422	–133,686
	Fair Value of the previous year	512,755	6,762	310	2,270	522,098
	to the overall utilisation of the previous year (in %)	0.6%	–24.1%	42.3%	–23.3%	4.1%
	of loan loss provisions to previous year	–46,511	–15,104	–2,495	–28,895	–93,005
	of loan loss provisions to previous year (in %)	–77.7%	–77.2%	–77.9%	–24.4%	–46.2%

Creditworthiness structure domestic and foreign

The presentation is based on the tax domicile of the borrower or issuer. In Austria, the overall credit risk volume rose by EUR +119.8 million, or +2.1%, relative to the previous year. The foreign component of the credit risk volume, on the other hand, rose by +7.3%, or EUR +268.7 million.

Creditworthiness structure, domestic in EUR thousand

Due date	Data	No visible risk of default	With Notes	Increased Risk of default	Bad debt	Total
31/12/2018	Total drawn	5,397,893	359,115	11,642	84,004	5,852,653
	Amortised costs	5,112,059	352,434	11,443	82,228	5,558,164
	Fair value	285,834	6,681	199	1,775	294,490
	Share in %	92.2%	6.1%	0.2%	1.4%	100.0%
	Risk provisions	8,035	3,273	319	53,483	65,111
	Percentage of cover	0.1%	0.9%	2.7%	63.7%	1.1%
31/12/2017	Total drawn	5,131,519	464,677	14,666	122,036	5,732,898
	Amortised costs	5,117,775	464,677	14,666	122,036	5,719,155
	Fair value	13,744	0	0	0	13,744
	Share in %	89.5%	8.1%	0.3%	2.1%	100.0%
	Risk provisions	32,877	14,670	1,827	80,750	130,122
	Percentage of cover	0.6%	3.2%	12.5%	66.2%	2.3%
Change	Overall utilisation, previous year	266,374	–105,562	–3,024	–38,033	119,755
	Amortised costs, previous year	–5,716	–112,244	–3,223	–39,808	–160,991
	Fair Value of the previous year	272,091	6,681	199	1,775	280,746
	to the overall utilisation of the previous year (in %)	–0.1%	–24.2%	–22.0%	–32.6%	2.1%
	of loan loss provisions to previous year	–24,841	–11,396	–1,507	–27,267	–65,012
	of loan loss provisions to previous year (in %)	–75.6%	–77.7%	–82.5%	–33.8%	–50.0%

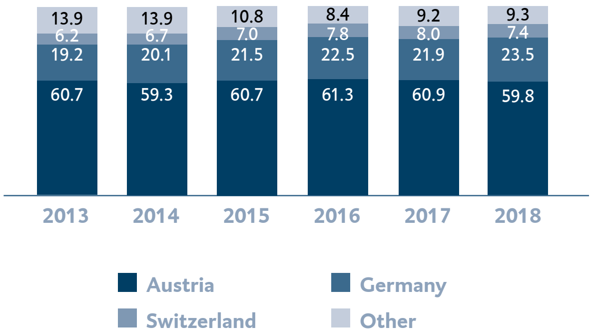
Creditworthiness, foreign in EUR thousand

Due date	Data	No visible risk of default	With Notes	Increased Risk of default	Bad debt	Total
31/12/2018	Total drawn	3,717,517	131,013	28,141	64,794	3,941,465
	Amortised costs	3,476,852	130,932	28,031	64,298	3,700,113
	Fair value	240,665	81	111	495	241,352
	Share in %	94.3%	3.3%	0.7%	1.6%	100.0%
	Risk provisions	5,306	1,199	387	36,255	43,147
	Percentage of cover	0.1%	0.9%	1.4%	56.0%	1.1%
31/12/2017	Total drawn	3,418,960	171,867	13,069	68,912	3,672,808
	Amortised costs	3,418,960	171,867	13,069	68,912	3,672,808
	Fair value	0	0	0	0	0
	Share in %	93.1%	4.7%	0.4%	1.9%	100.0%
	Risk provisions	26,976	4,907	1,374	37,883	71,140
	Percentage of cover	0.8%	2.9%	10.5%	55.0%	1.9%
Change	Overall utilisation, previous year	298,557	–40,854	15,073	–4,119	268,657
	Amortised costs, previous year	57,892	–40,935	14,962	–4,614	27,305
	Fair Value of the previous year	240,665	81	111	495	241,352
	to the overall utilisation of the previous year (in %)	1.7%	–23.8%	114.5%	–6.7%	7.3%
	of loan loss provisions to previous year	–21,670	–3,708	–987	–1,628	–27,994
	of loan loss provisions to previous year (in %)	–80.3%	–75.6%	–71.9%	–4.3%	–39.3%

Creditworthiness structure of credit risk by country

Around 59.8% of the credit risk volume (sum of amortised costs and fair value) relates to domestic borrowers. 23.5% is accounted for by German borrowers and 7.4% by Swiss borrowers. The remaining 9.3% is distributed as follows: 4.9 percentage points are accounted for by the USA, Netherlands, and Italy. The remaining 4.4 percentage points are spread across borrowers in other countries.

Change in country structure credit risk in %



Creditworthiness structure by country in EUR thousand

Countries	No visible Risk of default	With Notes	Increased Risk of default	Bad debt	Total	Share in %
Amortised costs						
Austria	5,112,059	352,434	11,443	82,228	5,558,164	56.8%
Germany	2,139,128	77,208	26,256	48,553	2,291,146	23.4%
Switzerland	662,241	51,089	173	14,583	728,087	7.4%
Italy	121,527	1,197	98	759	123,581	1.3%
USA	117,729	0	0	0	117,729	1.2%
Netherlands	116,856	40	0	0	116,896	1.2%
France	54,198	30	0	0	54,228	0.6%
UK	34,872	0	0	61	34,933	0.4%
Ireland	6,792	0	0	0	6,792	0.1%
Hungary	347	0	0	0	347	0.0%
Spain	25	0	0	165	190	0.0%
Greece	0	0	0	0	0	0.0%
Other	223,136	1,368	1,503	177	226,184	2.3%
Fair value						
Austria	285,834	6,681	199	1,775	294,490	3.0%
USA	65,941	0	0	0	65,941	0.7%
Netherlands	53,289	0	0	0	53,289	0.5%
UK	19,661	0	0	0	19,661	0.2%
Germany	12,719	77	54	495	13,346	0.1%
France	9,718	4	0	0	9,722	0.1%
Ireland	2,971	0	0	0	2,971	0.0%
Switzerland	396	0	0	0	396	0.0%
Italy	147	0	57	0	204	0.0%
Other	75,823	0	0	0	75,823	0.8%
Total	**9,115,410**	**490,128**	**39,783**	**148,797**	**9,794,118**	**100.0%**

Creditworthiness by sector of selected countries

The following table illustrates the volume of receivables owed by borrowers in the countries of Italy, UK, Ireland, Spain, Russia and Greece, broken down by sectors. There are currently no receivables owed by Portuguese and Ukrainian debtors. Against the backdrop of recent trends on the financial markets the loan, insurance and public authority sectors have been highlighted. The loan and insurance sector accounts for EUR 65.4 million. The credit risk illustrated for Ireland is essentially accounted for by a US group, the financial services subsidiary of which is headquartered in Ireland.

Structure by sector of selected countries in EUR thousand

Sectors	Italy	UK	Ireland	Spain	Russia	Greece	Total
Loans and insurance	18,745	36,948	9,700	0	0	0	65,393
Public sector	0	0	0	0	0	0	0
Remaining sectors	105,040	17,646	63	190	1	0	122,940
Total	**123,784**	**54,594**	**9,763**	**190**	**1**	**0**	**188,333**

Creditworthiness structure of credit risk by sector

Real estate continues to be the most important, and in the financial year 2018 is again the majority. The greatest increase came in the service sector, credit and insurance, and manufacturing. The greatest decline was seen in the public sector, as was the case in 2017.

Creditworthiness by sector total in EUR thousand

All sectors together	No visible Risk of default	With Notes	Increased Risk of default	Bad debt	Total	Share in %
Amortised costs						
Services	1,342,216	133,342	7,194	20,022	1,502,774	15.3%
Physical goods manufacturing	1,264,423	84,153	15,196	51,812	1,415,584	14.5%
Property management	1,342,601	67,066	505	5,111	1,415,283	14.5%
Retail	1,083,368	55,346	9,070	29,133	1,176,918	12.0%
Loans and insurance	909,660	7,921	80	2,463	920,125	9.4%
Public sector	817,889	0	0	117	818,007	8.4%
Trade	641,334	22,823	3,764	13,336	681,257	7.0%
Tourism	398,519	61,641	1,011	7,428	468,599	4.8%
Construction	335,143	31,945	173	9,411	376,672	3.8%
Cable cars	218,769	36	0	0	218,805	2.2%
Transport and communications	146,016	15,781	189	2,744	164,730	1.7%
Energy and water utilities	43,840	147	2,000	3,732	49,720	0.5%
Other	45,133	3,164	290	1,215	49,803	0.5%
Fair value						
Loans and insurance	266,986	0	0	0	266,986	2.7%
Property management	160,898	5,476	127	1,731	168,233	1.7%
Public sector	49,024	0	0	0	49,024	0.5%
Services	26,476	413	43	1	26,932	0.3%
Retail	19,303	778	103	539	20,723	0.2%
Construction	2,753	0	0	0	2,753	0.0%
Physical goods manufacturing	715	0	0	0	715	0.0%
Trade	0	96	0	0	96	0.0%
Transport and communications	68	0	0	0	68	0.0%
Tourism	0	0	25	0	25	0.0%
Other	275	0	12	0	287	0.0%
Total	**9,115,410**	**490,128**	**39,783**	**148,797**	**9,794,118**	**100.0%**

Compared to the previous year, the biggest domestic growth was seen in the credit and insurance sector, whilst the greatest decrease was in the public sector. On the foreign markets, the strongest growth sectors were manufacturing and the service sector. Abroad, both the public sector and real estate are in decline.

Creditworthiness by sector, domestic in EUR thousand

Domestic sectors	No visible Risk of default	With Notes	Increased Risk of default	Bad debt	Total	Share in %
Amortised costs						
Property management	1,078,360	57,285	181	3,578	1,139,404	19.5%
Services	850,805	106,543	1,343	6,551	965,244	16.5%
Retail	860,050	43,236	5,240	14,118	922,645	15.8%
Physical goods manufacturing	399,530	33,696	20	32,864	466,111	8.0%
Public sector	455,957	0	0	117	456,074	7.8%
Tourism	308,191	44,228	301	5,390	358,109	6.1%
Trade	299,315	20,334	1,724	5,116	326,487	5.6%
Loans and insurance	296,314	7,149	70	188	303,720	5.2 %
Construction	232,031	25,099	173	7,895	265,199	4.5%
Cable cars	214,515	36	0	0	214,552	3.7%
Transport and communications	67,545	11,779	114	1,570	81,009	1.4%
Energy and water utilities	33,760	0	2,000	3,732	39,492	0.7%
Other	15,686	3,047	276	1,108	20,118	0.3%
Fair value						
Property management	149,427	5,476	127	1,428	156,459	2.7%
Loans and insurance	48,443	0	0	0	48,443	0.8%
Public sector	40,238	0	0	0	40,238	0.7%
Services	26,476	413	43	1	26,932	0.5%
Retail	17,438	697	17	346	18,498	0.3%
Construction	2,753	0	0	0	2,753	0.0%
Physical goods manufacturing	715	0	0	0	715	0.0%
Trade	0	96	0	0	96	0.0%
Transport and communications	68	0	0	0	68	0.0%
Other	275	0	12	0	287	0.0%
Total	**5,397,893**	**359,115**	**11,642**	**84,004**	**5,852,653**	**100.0%**

Creditworthiness structure by sector, foreign in EUR thousand

Foreign sectors	**No visible Risk of default**	**With Notes**	**Increased Risk of default**	**Bad debt**	**Total**	**Share in %**
Amortised costs						
Physical goods manufacturing	864,893	50,456	15,176	18,948	949,473	24.1%
Loans and insurance	613,347	773	10	2,275	616,404	15.6%
Services	491,410	26,798	5,851	13,471	537,530	13.6%
Public sector	361,933	0	0	0	361,933	9.2%
Trade	342,019	2,490	2,040	8,221	354,770	9.0%
Property management	264,240	9,781	324	1,534	275,879	7.0%
Retail	223,319	12,110	3,830	15,015	254,273	6.5%
Construction	103,112	6,845	0	1,515	111,472	2.8%
Tourism	90,328	17,413	710	2,038	110,490	2.8%
Transport and communications	78,470	4,002	75	1,174	83,721	2.1%
Energy and water utilities	10,081	147	0	0	10,228	0.3%
Cable cars	4,253	0	0	0	4,253	0.1%
Other	29,447	117	14	107	29,685	0.8%
Fair value						
Loans and insurance	218,543	0	0	0	218,543	5.5%
Property management	11,472	0	0	302	11,774	0.3%
Public sector	8,786	0	0	0	8,786	0.2%
Retail	1,864	81	86	193	2,224	0.1%
Tourism	0	0	25	0	25	0.0%
Total	**3,717,517**	**131,013**	**28,141**	**64,794**	**3,941,465**	**100.0%**

Creditworthiness structure of credit risk by type of business

The share of the corporate customer segment in the total credit risk volume was 68.3% (previous year: 66.6%). Retail customers represent a share of 14.3% (previous year: 14.5%), whilst the remaining 17.3% (previous year: 18.9%) relate to institutional clients and banks.

Creditworthiness structure by type of business in EUR thousand

Types of business	Data	No visible risk of default	With Notes	Increased Risk of default	Bad debt	Total
Corporate customers	Total drawn	6,177,144	372,302	26,710	115,194	6,691,350
	Amortised costs	6,006,498	366,642	26,583	113,462	6,513,185
	Fair value	170,646	5,659	127	1,731	178,164
	Share in %	92.3%	5.6%	0.4%	1.7%	100.0%
	Risk provisions	9,497	3,771	301	72,997	86,567
	Percentage of cover	0.2%	1.0%	1.1%	63.4%	1.3%
Retail customers	Total drawn	1,241,233	115,826	13,068	33,604	1,403,730
	Amortised costs	1,220,661	114,723	12,885	33,065	1,381,333
	Fair value	20,572	1,103	183	539	22,397
	Share in %	88.4%	8.3%	0.9%	2.4%	100.0%
	Risk provisions	1,481	658	404	16,741	19,283
	Percentage of cover	0.1%	0.6%	3.1%	49.8%	1.4%
Institutional clients and banks	Total drawn	1,697,033	2,001	5	0	1,699,039
	Amortised costs	1,361,752	2,001	5	0	1,363,758
	Fair value	335,281	0	0	0	335,281
	Share in %	99.9%	0.1%	0.0%	0.0%	100.0%
	Risk provisions	2,364	43	0	0	2,407
	Percentage of cover	0.1%	2.2%	0.0%	80.0%	0.1%
Total	**Total drawn**	**9,115,410**	**490,128**	**39,783**	**148,797**	**9,794,118**
	Amortised costs	**8,588,911**	**483,366**	**39,473**	**146,527**	**9,258,277**
	Fair value	**526,499**	**6,762**	**310**	**2,270**	**535,842**
	Share in %	**93.1%**	**5.0%**	**0.4%**	**1.5%**	**100.0%**
	Provision for risks	**13,341**	**4,473**	**706**	**89,738**	**108,257**
	Percentage of cover	**0.1%**	**0.9%**	**1.8%**	**60.3%**	**1.1%**

Creditworthiness structure of credit risk by currency

89.2% (previous year: 88.9%) of the credit risk volume related to loans in euros. The Swiss franc covers 9.5% (previous year: 9.9%), while the remaining currencies represent 1.3% (previous year: 1.2%) of the volume of loans. The share of CHF financing in the Eurozone dropped from 4.0% to 3.8%.

Creditworthiness structure by currency in EUR thousand

Currency	No visible Risk of default	With Notes	Increased Risk of default	Bad debt	Total	Share in %
Amortised costs						
EUR	7,621,471	421,374	34,772	130,792	8,208,409	83.8%
CHF with Swiss customers	506,076	40,897	142	10,717	557,833	5.7%
CHF	336,708	19,861	4,478	3,203	364,250	3.7%
USD	109,936	137	8	1,682	111,764	1.1%
JPY	8,416	1,094	68	132	9,710	0.1%
Other	6,303	3	5	0	6,311	0.1%
Fair value						
EUR	522,483	6,759	288	842	530,372	5.4%
CHF with Swiss customers	396	0	0	0	396	0.0%
CHF	1,855	4	22	1,428	3,309	0.0%
USD	1,765	0	0	0	1,765	0.0%
Total	**9,115,410**	**490,128**	**39,783**	**148,797**	**9,794,118**	**100.0%**

Creditworthiness structure of overdue loans

The following charts show a breakdown of overdue, but not written-down financial debts by the number of days overdue and the risk-class assigned (grouping according to customer rating). The borrower is in arrears in relation to payment of interest or repayment. In the opinion of BTV, the formation of a specific value allowance is not appropriate on the basis of the evaluation of the borrower or existing collateral.

Creditworthiness structure by overdue debts in EUR thousand

Due date	Number of days overdue	Valuation	No visible risk of default	With Notes	Increased Risk of default	Total
31/12/2018	31 - 60 days	Amortised costs	470	1,172	36	1,678
		Fair value	13	0	0	13
	61 - 90 days	Amortised costs	20	4	5	29
		Fair value	0	0	0	0
Total			**503**	**1,176**	**41**	**1,720**
31/12/2017	31 - 60 days	Amortised costs	1,016	51	258	1,324
		Fair value	0	0	0	0
	61 - 90 days	Amortised costs	463	5	41	509
		Fair value	0	0	0	0
Total			**1,479**	**55**	**299**	**1,834**

Collateral received

BTV groups collateral according to mortgages, securities and other assets. In particular for higher risk classes we ensure that with a reduction in the level of quality of borrower creditworthiness the amount of the collateralisation increases. The lower level of securities in the creditworthiness class 'bad debt' (this category contains customers who have defaulted) is due to securities already having been used.

Collateral received as at 31/12/2018 in EUR thousand

Value	No visible Risk of default	With Notes	Increased Risk of default	Bad debt	Total
Amortised costs					
Total drawn	8,588,911	483,366	39,473	146,527	9,258,277
Land register collateral	2,103,501	166,672	18,436	24,016	2,312,626
Collateral securities	131,833	11,791	1,683	945	146,253
Other collateral	822,232	42,694	11,679	11,809	888,415
Total collateral in %	35.6%	45.8%	80.6%	25.1%	36.2%
Fair value					
Total drawn	526,499	6,762	310	2,270	535,842
Land register collateral	78,591	4,923	260	1,050	84,825
Collateral securities	293	307	0	0	600
Other collateral	6,643	323	3	1,169	8,139
Total collateral in %	16.2%	82.1%	85.1%	97.7%	17.5%
Total					
Total drawn	**9,115,410**	**490,128**	**39,783**	**148,797**	**9,794,118**
Land register collateral	**2,182,092**	**171,595**	**18,696**	**25,066**	**2,397,450**
Collateral securities	**132,126**	**12,098**	**1,683**	**945**	**146,852**
Other collateral	**828,876**	**43,018**	**11,683**	**12,978**	**896,554**
Total collateral in %	**34.5%**	**46,3 %**	**80.6%**	**26,2 %**	**35,1 %**

Collateral received by 31/12/2017 in EUR thousand

Value	No visible Risk of default	With Notes	Increased Risk of default	Bad debt	Total
Amortised costs					
Total drawn	8,536,735	636,544	27,735	190,949	9,391,962
Land register collateral	1,924,467	272,394	14,260	35,641	2,246,763
Collateral securities	127,069	15,740	1,577	1,460	145,846
Other collateral	692,510	56,069	3,648	12,699	764,927
Total collateral in %	32.1%	54.1%	70.3%	26.1%	33.6%
Fair value					
Total drawn	13,744	0	0	0	13,744
Land register collateral	0	0	0	0	0
Collateral securities	0	0	0	0	0
Other collateral	0	0	0	0	0
Total collateral in %	0.0%	0.0%	0.0%	0.0%	0.0%
Total					
Total drawn	**8,550,479**	**636,544**	**27,735**	**190,949**	**9,405,706**
Land register collateral	**1,924,467**	**272,394**	**14,260**	**35,641**	**2,246,763**
Collateral securities	**127,069**	**15,740**	**1,577**	**1,460**	**145,846**
Other collateral	**692,510**	**56,069**	**3,648**	**12,699**	**764,927**
Total collateral in %	**32.1%**	**54.1%**	**70.3%**	**26.1%**	**33.6%**

Risk structure of transactions involving debt arrangements according to credit quality

The table below illustrates transactions involving debt arrangements structured according to their credit quality.

The credit quality is differentiated hereby as follows:
- Not value-adjusted and not bad debt
- Not value-adjusted and bad debt
- Value-adjusted and bad debt

In addition, for each credit quality the extent to which the risk provision has been formed or the value of the securities is illustrated. Within the risk provisions illustrated in the first three credit rating levels, it concerns portfolio valuation adjustments. The risk provisions shown in the category "bad debt" are value adjustments or reserves.

The credit risk volume increased in the "Not individually value-adjusted and not bad debt" category by EUR +26.9 million and in the "Value-adjusted and bad debt" category by EUR +1.1 million compared with the previous year. The volume under "Not value-adjusted and bad debt" decreased (EUR –0.8 million).

Risk structure of transactions involving debt forbearance, by credit quality as of 31/12/2018 in EUR thousand

Credit quality	Values	No visible risk of default	With Notes	Increased Risk of default	Bad debt	Total
Not value-adjusted and not bad debt	Total drawn	28,840	31,949	3,287	0	64,077
	Provision for risks	6	645	50	0	701
	Collateral	14,122	6,319	2,508	0	22,950
Not value-adjusted and bad debt	Total drawn	0	0	0	1,029	1,029
	Provision for risks	0	0	0	0	0
	Collateral	0	0	0	1,014	1,014
Value-adjusted and bad debt	Total drawn	0	0	0	23,438	23,438
	Provision for risks	0	0	0	12,737	12,737
	Collateral	0	0	0	8,250	8,250
Total	**Total drawn**	**28,840**	**31,949**	**3,287**	**24,467**	**88,544**
	Provision for risks	**6**	**645**	**50**	**12,737**	**13,438**
	Collateral	**14,122**	**6,319**	**2,508**	**9,264**	**32,214**

Risk structure of transactions involving debt forbearance, by credit quality as of 31/12/2017 in EUR thousand

Credit quality	Values	No visible risk of default	With Notes	Increased Risk of default	Bad debt	Total
Not value-adjusted and not bad debt	Total drawn	7,405	27,409	2,326	0	37,140
	Provision for risks	34	1,102	182	0	1,317
	Collateral	6,660	4,452	1,575	0	12,687
Not value-adjusted and bad debt	Total drawn	0	0	0	1,857	1,857
	Provision for risks	0	0	0	0	0
	Collateral	0	0	0	1,133	1,133
Value-adjusted and bad debt	Total drawn	0	0	0	22,305	22,305
	Provision for risks	0	0	0	12,818	12,818
	Collateral	0	0	0	7,913	7,913
Total	**Total drawn**	**7,405**	**27,409**	**2,326**	**24,162**	**61,302**
	Provision for risks	**34**	**1,102**	**182**	**12,818**	**14,136**
	Collateral	**6,660**	**4,452**	**1,575**	**9,047**	**21,734**

Risk structure of transactions involving debt arrangements according to type and number per transaction

The following table shows the volume of loans affected by debt arrangements dependent on the type of debt arrangements agreed. Furthermore a breakdown according to the number of debt arrangements granted per transaction within the reporting period is presented.

The type of capital repayment was adjusted for the largest section of the volume affected by debt arrangements, just as in the previous year. It hereby concerns a volume of loans to the tune of EUR 78.4 million or 91.3%. With regard to EUR 3.6 million or 4.0%, there was a reduction in the interest payments to be made. The entire financing structure of customers was rearranged for a volume of loans totalling EUR 1.9 million or 2.1%. There were adjustments to other agreements covering EUR 2.3 million or 2.6%. In principle it can be asserted that the volume with forbearance has increased compared to the previous year by EUR +27.2 million. A driver here was the "Capital repayment was adjusted" category.

The risk structure of transactions with forbearance by type and number per business as of 31/12/2018 in EUR thousand

Type of forbearance	Number of debt arrangements /transaction	No visible Risk of default	With Notes	Increased Risk of default	Bad debt	Total
Capital repayment was adjusted	1	28,563	31,097	2,899	15,868	78,428
	2	277	0	0	2,098	2,375
	3	0	0	0	0	0
Interest payment to be made was reduced	1	0	0	388	3,175	3,563
	2	0	0	0	0	0
	3	0	0	0	0	0
Revision of credit relationship	1	0	852	0	1,007	1,859
	2	0	0	0	0	0
	3	0	0	0	0	0
Easing of compliance with binding obligations (covenants)	1	0	0	0	2,317	2,317
	2	0	0	0	2	2
	3	0	0	0	0	0
Total		**28,840**	**31,949**	**3,287**	**24,467**	**88,544**

The risk structure of transactions with forbearance by type and number per business as of 31/12/2017 in EUR thousand

Type of forbearance	Number of debt arrangements /transaction	No visible Risk of default	With Notes	Increased Risk of default	Bad debt	Total
Capital repayment was adjusted	1	7,116	22,188	2,326	14,487	46,117
	2	289	133	0	2,124	2,546
	3	0	0	0	0	0
Interest payment to be made was reduced	1	0	5,087	0	3,804	8,892
	2	0	0	0	0	0
	3	0	0	0	0	0
Revision of credit relationship	1	0	0	0	1,303	1,303
	2	0	0	0	0	0
	3	0	0	0	0	0
Easing of compliance with binding obligations (covenants)	1	0	0	0	2,443	2,443
	2	0	0	0	2	2
	3	0	0	0	0	0
Total		**7,405**	**27,409**	**2,326**	**24,162**	**61,302**

Risk structure of transactions involving debt arrangements according to segment

As in the previous year, debt arrangements were particularly made regarding loans to corporate customers.

Risk structure of transactions with forbearance by segments as of 31/12/2018 in EUR thousand

Segment	No visible Risk of default	With Notes	Increased Risk of default	Bad debt	Total
Corporate customers	21,021	30,420	3,098	22,480	77,020
Retail customers	7,820	1,528	189	1,987	11,525
Institutional clients and banks	0	0	0	0	0
Total	**28,840**	**31,949**	**3,287**	**24,467**	**88,544**

Risk structure of transactions involving debt forbearance, by segment as of 31/12/2017 in EUR thousand

Segment	No visible Risk of default	With Notes	Increased Risk of default	Bad debt	Total
Corporate customers	602	26,961	1,903	21,995	51,461
Retail customers	6,803	448	423	2,167	9,841
Institutional clients and banks	0	0	0	0	0
Total	**7,405**	**27,409**	**2,326**	**24,162**	**61,302**

Risk structure of transactions involving debt arrangements according to economic sector

As in the previous year, the volume of loans affected by forbearances is distributed equally across all economic sectors without significant concentration.

Risk structure of transactions involving forbearance by economic sector as at 31/12/2018 in EUR thousand

Sector	No visible Risk of default	With Notes	Increased Risk of default	Bad debt	Total
Services	164	20,895	803	2,557	24,419
Property management	20,989	0	206	0	21,196
Physical goods manufacturing	0	410	885	13,646	14,941
Tourism	0	9,115	578	2,585	12,278
Retail	7,655	1,528	152	1,979	11,315
Construction	0	0	0	2,182	2,182
Trade	31	0	664	948	1,643
Transport and communications	0	0	0	570	570
Total	**28,840**	**31,949**	**3,287**	**24,467**	**88,544**

Risk structure of transactions involving debt forbearance, by industry segment as at 31/12/2017 in EUR thousand

Sector	No visible Risk of default	With Notes	Increased Risk of default	Bad debt	Total
Services	602	20,644	1,074	1,467	23,787
Physical goods manufacturing	0	5,972	0	12,344	18,316
Retail	6,803	448	293	2,159	9,702
Construction	0	0	0	3,172	3,172
Tourism	0	112	0	2,784	2,896
Trade	0	0	828	1,033	1,861
Transport and communications	0	233	0	568	801
Property management	0	0	132	365	496
Other	0	0	0	271	271
Total	**7,405**	**27,409**	**2,326**	**24,162**	**61,302**

Risk structure of transactions involving debt arrangements according to country

The following table shows the risk structure of transactions involving debt arrangements structured according to country.

The largest part of the volume, with a volume of loans amounting to EUR 74.7 million or 84.4%, concerns borrowers from Austria. Furthermore, forbearances were agreed with borrowers in Germany and Switzerland. There are no longer any forbearances for Italy.

Risk structure of transactions involving debt forbearance, by country as of 31/12/2018 in EUR thousand

Country	No visible Risk of default	With Notes	Increased Risk of default	Bad debt	Total
Austria	27,004	28,500	1,283	17,927	74,714
Germany	1,836	3,161	2,005	5,102	12,105
Switzerland	0	288	0	1,438	1,725
Italy	0	0	0	0	0
Other	0	0	0	0	0
Total	**28,840**	**31,949**	**3,287**	**24,467**	**88,544**

Risk structure of transactions involving debt forbearance, by country as of 31/12/2017 in EUR thousand

Country	No visible Risk of default	With Notes	Increased Risk of default	Bad debt	Total
Austria	5,803	21,166	1,097	16,861	44,927
Germany	1,301	6,243	1,229	5,813	14,587
Switzerland	301	0	0	1,458	1,759
Italy	0	0	0	29	29
Other	0	0	0	0	0
Total	**7,405**	**27,409**	**2,326**	**24,162**	**61,302**

Income structure of transactions with forbearance by segment

Transactions where forbearance was agreed yielded interest income in financial year 2018 of EUR 3.3 million.

Income structure of transactions involving debt forbearance, by segment as at 31/12/2018 in EUR thousand

Segment	No visible Risk of default	With Notes	Increased Risk of default	Bad debt	Total
Corporate customers	936	1,194	147	674	2,951
Retail customers	134	153	4	37	328
Institutional clients and banks	0	0	0	0	0
Total	**1,069**	**1,347**	**152**	**711**	**3,279**

Income structure of transactions involving debt forbearance, by segment as at 31/12/2017 in EUR thousand

Segment	No visible Risk of default	With Notes	Increased Risk of default	Bad debt	Total
Corporate customers	12	1,086	49	811	1,958
Retail customers	135	7	12	54	207
Institutional clients and banks	0	0	0	0	0
Total	**147**	**1,093**	**61**	**865**	**2,166**

Risk structure for derivatives according to segments

The presented credit volume of derivatives corresponds to the fair value. The credit volume from derivatives totals EUR 53.4 million as at the balance sheet date of 31 December 2018. Of this, EUR 39.8 million, or 74.5%, accounts for loans to institutional customers and banks. Loans to corporate customers amounted to EUR 13.4 million or 25.1% and to retail customers EUR 0.2 million or 0.4%.

Risk structure of derivatives by segments as at 31/12/2018 in EUR thousand

Segment	No visible Risk of default	With Notes	Increased Risk of default	Bad debt	Total
Corporate customers	11,429	1,936	24	0	13,389
Retail	199	17	0	0	216
Institutional clients and banks	39,754	0	0	0	39,754
Total	**51,382**	**1,953**	**24**	**0**	**53,359**

Risk structure of derivatives by segment as at 31/12/2017 in EUR thousand

Segment	No visible Risk of default	With Notes	Increased Risk of default	Bad debt	Total
Corporate customers	9,755	4,543	0	0	14,298
Retail	215	0	4	0	219
Institutional clients and banks	55,821	0	0	0	55,821
Total	**65,791**	**4,543**	**4**	**0**	**70,338**

Risk structure of derivatives according to segments and currencies

At around 95.2% of the volume, the largest portion accounts for loans in EUR, just like the previous year. 3.5% originate from CHF transactions, whilst the remaining 1.3% relates to USD, JPY and other currencies.

Risk structure of derivatives by segment and currency as at 31/12/2018 in EUR thousand

Segment	Currency	No visible risk of default	With notes	Increased risk of default	Bad debt	Total
Corporate customers	EUR	10,352	545	24	0	10,921
	CHF	461	1,391	0	0	1,852
	USD	513	0	0	0	513
	JPY	95	0	0	0	95
	Other	8	0	0	0	8
Retail customers	EUR	173	17	0	0	190
	CHF	26	0	0	0	26
Institutional clients and banks	EUR	39,667	0	0	0	39,667
	CHF	7	0	0	0	7
	USD	30	0	0	0	30
	Other	50	0	0	0	50
Total		**51,382**	**1,953**	**24**	**0**	**53,359**

Risk structure of derivatives by segment and currency as of 31/12/2017 in EUR thousand

Segment	Currency	No visible risk of default	With notes	Increased risk of default	Bad debt	Total
Corporate customers	EUR	8,942	4,349	0	0	13,291
	CHF	391	194	0	0	585
	USD	320	0	0	0	320
	Other	103	0	0	0	103
Retail customers	EUR	186	0	0	0	186
	CHF	29	0	4	0	33
Institutional clients and banks	EUR	49,810	0	0	0	49,810
	CHF	5,516	0	0	0	5,516
	USD	476	0	0	0	476
	JPY	19	0	0	0	19
	Other	0	0	0	0	0
Total		**65,791**	**4,543**	**4**	**0**	**70,338**

Risk structure of derivatives by country

43.4% of debts are in respect of counterparties in Germany. A further 40.5% relate to Austrian partners. The remainder is distributed among customers in Switzerland and other countries.

Risk structure of derivatives by country as at 31/12/2018 in EUR thousand

Country	No visible risk of default	With notes	Increased risk of default	Bad debt	Total
Austria	19,686	1,917	0	0	21,603
Germany	23,123	15	24	0	23,161
Switzerland	645	21	0	0	667
Other	7,927	0	0	0	7,927
Total	**51,382**	**1,953**	**24**	**0**	**53,359**

Risk structure of derivatives by country as of 31/12/2017 in EUR thousand

Country	No visible Risk of default	With notes	Increased risk of default	Bad debt	Total
Austria	24,994	4,175	0	0	29,169
Germany	27,270	368	4	0	27,641
Switzerland	1,294	0	0	0	1,294
Other	12,233	0	0	0	12,233
Total	**65,791**	**4,543**	**4**	**0**	**70,338**

Risk structure of derivatives by transaction type

95.2% of loans arise from interest rate swaps, 2.4% from currency swaps, 1.9% from currency futures, and 0.4% from interest or loan options. Currently there is no credit risk in relation to derivatives on asset values. As in the previous year, the highest volume resulted from interest swaps, whereby there is a downward trend across all types of derivatives in a year-on-year comparison.

Risk structure of derivatives by type of business as at 31/12/2018 in EUR thousand

Transaction type	No visible Risk of default	With notes	Increased risk of default	Bad debt	Total
Interest swaps	50,238	549	24	0	50,810
Foreign exchange futures	1,013	15	0	0	1,027
Interest options	131	0	0	0	131
Currency swaps	0	1,298	0	0	1,298
Bond options	0	92	0	0	92
Total	**51,382**	**1,953**	**24**	**0**	**53,359**

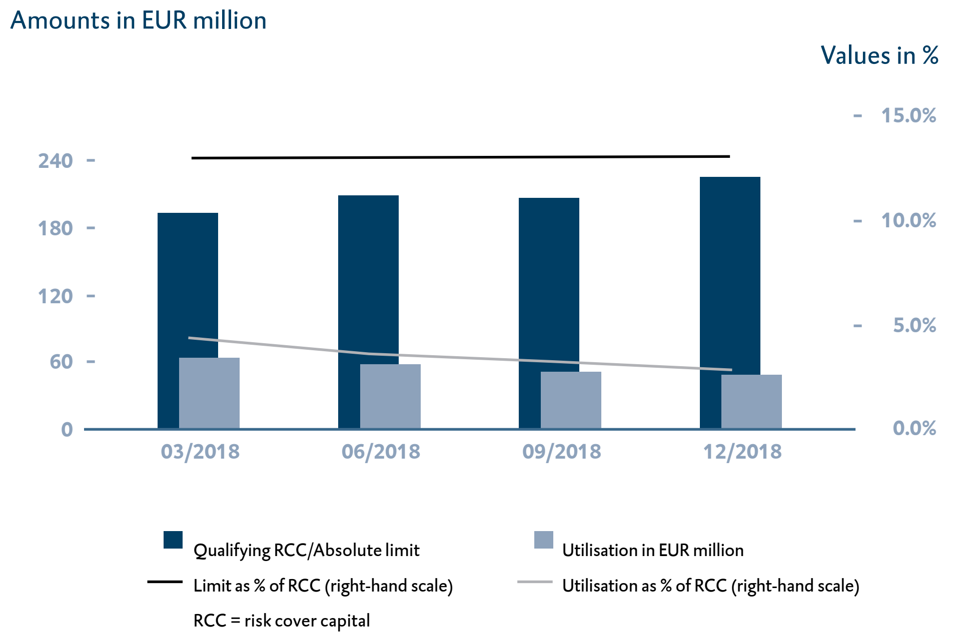
Risk structure of derivatives by type of business as at 31/12/2017 in EUR thousand

Transaction type	No visible Risk of default	With notes	Increased risk of default	Bad debt	Total
Interest swaps	53,653	1,027	4	0	54,684
Foreign exchange futures	6,454	0	0	0	6,454
Interest options	5,684	0	0	0	5,684
Currency swaps	0	3,417	0	0	3,417
Bond options	0	99	0	0	99
Total	**65,791**	**4,543**	**4**	**0**	**70,338**

Market risk

The following diagram shows the utilisation of market risk limits at global banking level. Risk capital is assigned to each of the risk types of interest risk, currency risk, equity price risk and credit spread risk. The correlations which are inherent in the timelines have a risk-reducing effect. Over the course of 2018, market risk relative to risk coverage decreased from 4.3% in the first quarter to 2.7% in the fourth quarter. The main drivers of market risk are interest rate risk and credit spread risk. The decline in the market risk can essentially be attributed to the reduction in the securities portfolio.

Market risk – liquidation approach

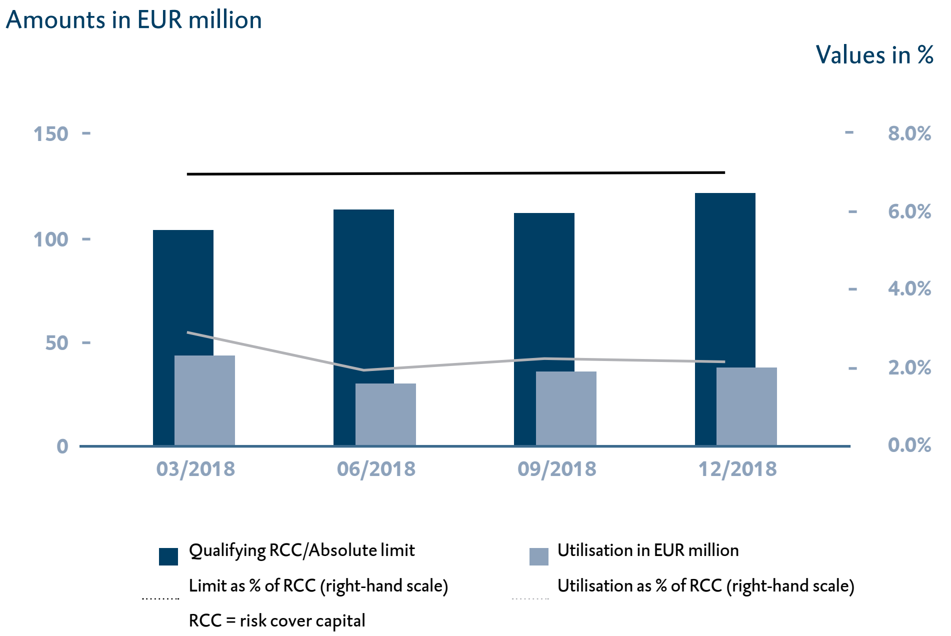


Market risk – liquidation approach		Maximum	Average	Year-end
31/12/2018	Utilisation in EUR million	64.5	54.8	46.7
	Utilisation in % of risk cover capital	4.3%	3.4%	2.7%
31/12/2017	Utilisation in EUR million	78.1	70.6	60.7
	Utilisation in % of risk cover capital	5.3%	4.6%	3.7%

Interest rate risk

The following illustration depicts the risk in comparison to the allocated risk-covering capital and the limit set for the interest risk. Utilisation in relation to risk coverage decreased from 2.9% in the first quarter to 2.2% at the end of the year.

Interest rate risk - liquidation approach

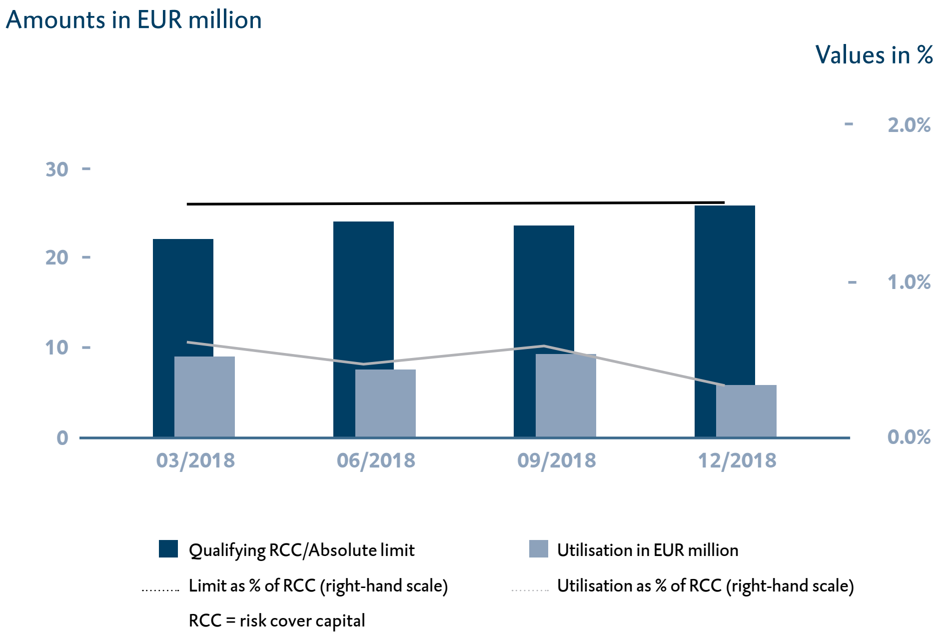


Interest rate risk - liquidation approach		Maximum	Average	Year-end
31/12/2018	Utilisation in EUR million	43.4	36.9	37.5
	Utilisation in % of risk cover capital	2.9%	2.3%	2.2%
31/12/2017	Utilisation in EUR million	57.8	51.2	47.6
	Utilisation in % of risk cover capital	4.0%	3.3%	2.9%

Currency risk

The following illustration depicts the risk in comparison to the allocated risk-covering capital and the limit set for the currency risk. Currency risk remained at a low level over the course of the year and stood at 0.3% of the risk cover amount at the end of the year.

Currency risk – liquidation approach

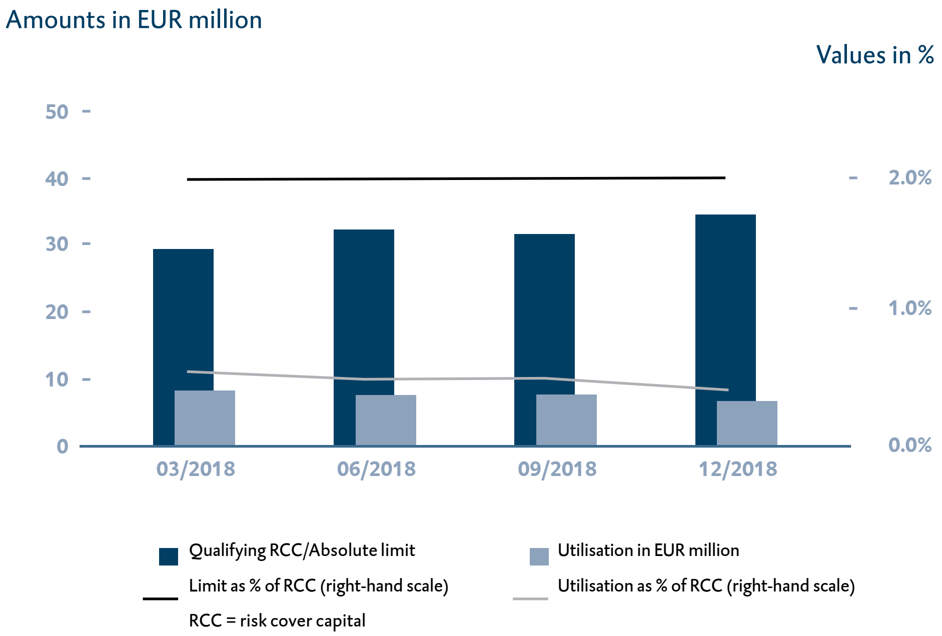


Currency risk – liquidation approach		Maximum	Average	Year-end
31/12/2018	Utilisation in EUR million	9.3	8.0	6.0
	Utilisation in % of risk cover capital	0.6%	0.5%	0.3%
31/12/2017	Utilisation in EUR million	13.8	12.4	13.8
	Utilisation in % of risk cover capital	0.9%	0.8%	0.8%

Share price risk

The following illustration depicts the risk in comparison to the allocated risk-covering capital and the limit set for the share price risk. The generation of income from the equity business is not part of BTV's core business. An average utilisation to the amount of EUR 7.7 million, or 0.5% of the risk coverage, underlines this. There were no significant changes in the share price risk during the reporting year 2018.

Share price risk - liquidation approach

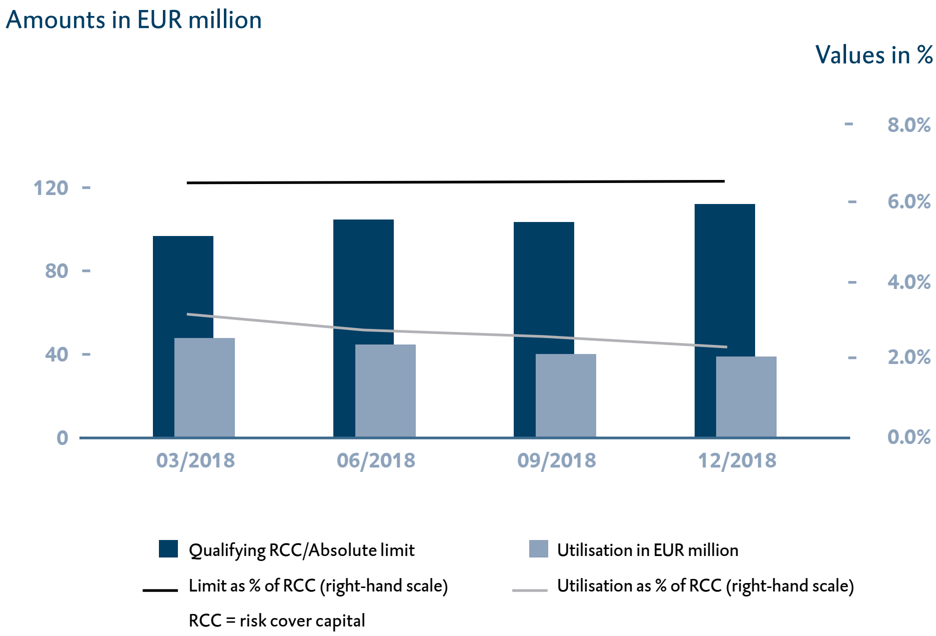


Share price risk - liquidation approach		Maximum	Average	Year-end
31/12/2018	Utilisation in EUR million	8.2	7.7	6.8
	Utilisation in % of risk cover capital	0.6%	0.5%	0.4%
31/12/2017	Utilisation in EUR million	9.8	9.4	8.7
	Utilisation in % of risk cover capital	0.7%	0.6%	0.5%

Credit spread risk

The following illustration depicts the risk in comparison to the allocated risk-covering capital and the limit set for the credit spread risk. The credit spread risk in relation to risk coverage at overall bank level fell from 3.2% in the first quarter to 2.3% at the end of the year.

Credit spread risk - liquidity approach

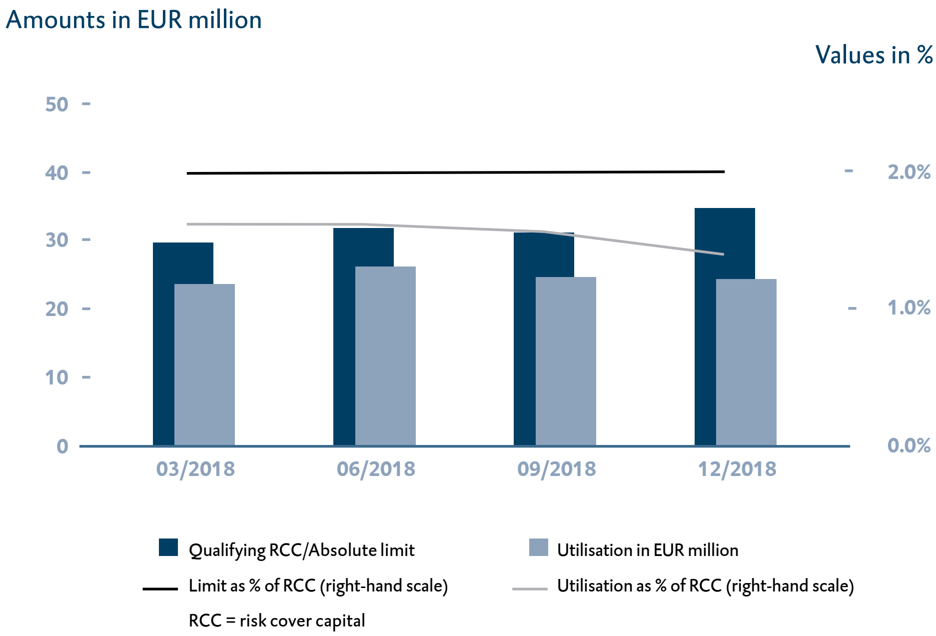


Credit spread risk - liquidity approach		Maximum	Average	Year-end
31/12/2018	Utilisation in EUR million	47.7	43.1	39.7
	Utilisation in % of risk cover capital	3.2%	2.7%	2.3%
31/12/2017	Utilisation in EUR million	76.8	60.2	52.0
	Utilisation in % of risk cover capital	5.3%	4.0%	3.2%

Liquidity risk

Liquidity risk utilisation declined slightly over the course of 2018, falling from 1.6% of the risk cover assets to 1.4% at the end of the year.

Liquidity risk - liquidation approach



Liquidity risk - liquidation approach		Maximum	Average	Year-end
31/12/2018	Utilisation in EUR million	26.2	24.9	24.5
	Utilisation in % of risk cover capital	1.6%	1.6%	1.4%
31/12/2017	Utilisation in EUR million	23.8	20.9	19.6
	Utilisation in % of risk cover capital	1.6%	1.4%	1.2%

Residual maturities of liabilities 2018 according to IFRS 7.39

in EUR thousand	due daily	< 3 M.	3 M. – 1 Y.	1 – 5 Y.	> 5 Y.	Total results
Liabilities to credit Institutions	40,778	259,445	101,069	743,943	363,964	1,509,200
Liabilities to customers	4,376,607	752,076	820,030	799,368	75,681	6,823,762
Other financial liabilities	0	53,667	162,209	664,798	560,839	1,441,513
Non-derivatives Liabilities	**4,417,385**	**1,065,189**	**1,083,307**	**2,208,109**	**1,000,484**	**9,774,474**
Derivative liabilities	0	782	3,272	6,203	–1,936	8,321
Total	**4,417,385**	**1,065,971**	**1,086,580**	**2,214,311**	**998,548**	**9,782,795**
Contingent liabilities	91,593	256,037	868,598	524,274	182,758	1,923,260
Financial guarantees	42,680	50,517	53,026	164,813	5,865	316,901
Credit facilities not utilised	48,913	205,520	815,571	359,461	176,893	1,606,359

Residual maturities of liabilities 2017 according to IFRS 7.39

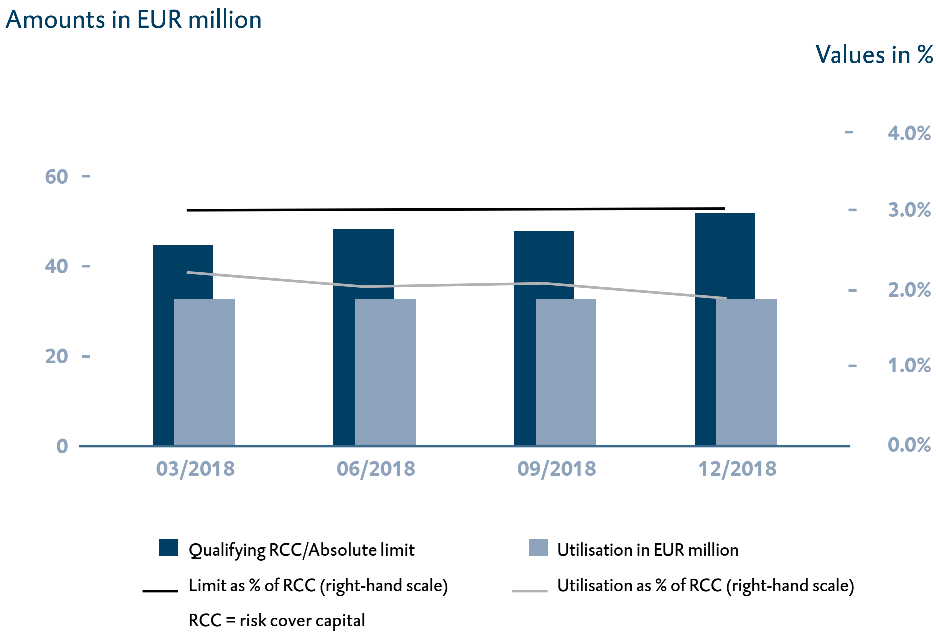
in EUR thousand	due daily	< 3 M.	3 M. – 1 Y.	1 – 5 Y.	> 5 Y.	Total results
Liabilities to credit Institutions	34,840	193,834	40,583	738,675	234,638	1,242,570
Liabilities to customers	3,796,067	935,881	753,156	713,344	98,807	6,297,256
Securitised liabilities	0	63,670	145,188	645,264	365,005	1,219,128
Subordinated capital	0	4,041	2,492	57,064	101,918	165,515
Non-derivatives Liabilities	**3,830,907**	**1,197,425**	**941,420**	**2,154,348**	**800,369**	**8,924,469**
Derivative liabilities	0	1,024	4,026	7,190	–521	11,719
Total	**3,830,907**	**1,198,449**	**945,446**	**2,161,537**	**799,848**	**8,936,188**
Contingent liabilities	82,842	326,747	649,261	629,025	94,152	1,782,027
Financial guarantees	40,062	103,536	35,483	144,377	7,008	330,465
Credit facilities not utilised	42,780	223,211	613,778	484,648	87,144	1,451,562

In accordance with contractual residual maturities under IFRS 7.39, the structure of liabilities again showed a significant total year-on-year increase in liabilities. Growth is visible across all maturity bands.

Operational risk

In order to guarantee a closed circuit process and the quality of the implemented control loop - risk identification, risk quantification and risk management - decision-makers are kept informed on a continuous basis by a quarterly report on the trend in operational risk (loss events incurred) and the measures taken and their ongoing monitoring. The calculation of the operational risk is performed annually. Therefore, the absolute utilisation remains constant throughout the year. The relative utilisation on the other hand varies depending on the risk cover capital available at the time.

Operational risk – liquidation approach

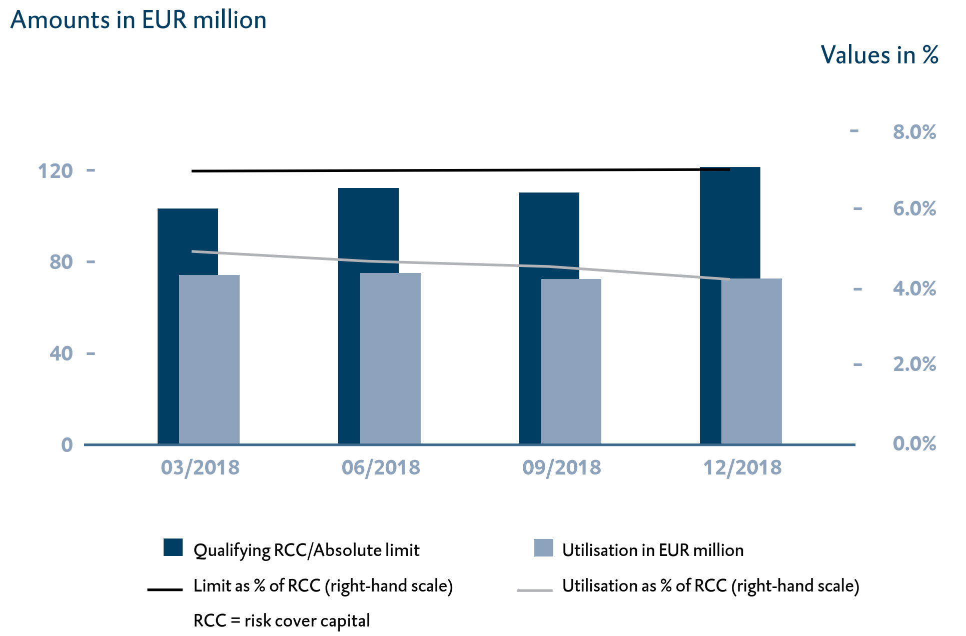


Operational risk – liquidation approach		Maximum	Average	Year-end
31/12/2018	Utilisation in EUR million	32.6	32.6	32.6
	Utilisation in % of risk cover capital	2.2%	2.0%	1.9%
31/12/2017	Utilisation in EUR million	33.6	33.6	33.6
	Utilisation in % of risk cover capital	2.3%	2.2%	2.0%

Macro-economic risk

The following illustration depicts the risk in comparison to the allocated risk cover capital and the limit set for the macro-economic risk. The absolute utilisation of the macro-economic risk moved laterally over the course of the year. The relative utilisation fell from 5.0% of risk cover capital to 4.2% at year end.

Macro-economic risks – liquidation approach



Macro-economic risks – liquidation approach		Maximum	Average	Year-end
31/12/2018	Utilisation in EUR million	75.6	73.7	72.6
	Utilisation in % of risk cover capital	5.0%	4.6%	4.2%
31/12/2017	Utilisation in EUR million	78.2	68.2	74.9
	Utilisation in % of risk cover capital	5.1%	4.4%	4.6%

In recent years, a new software system was implemented to calculate the size of risk positions. The application is currently taking over the calculation tasks below:

- Capital requirement for the credit risk
- Capital requirement for the market risk
- Capital requirement for the credit valuation adjustment (CVA) risk
- Economic risk for the counterparty and investment risk
- Stress tests for the capital requirement for the credit risk, the market risk and CVA risk, as well as for the counterparty and the investment risk
- Leverage ratio

Due to regulatory developments such as the CRR-II package or Basel IV, a project was initiated in 2018 in order to update the application mentioned above so as to prepare BTV as much as possible for the challenges ahead. The project is expected to conclude successfully in the third quarter of 2019.

BTV sees management of liquidity and market risk as one of its core tasks. Therefore, BTV has decided to replace the existing application and initiated a migration project in the fourth quarter of 2018. The new application should further increase the transparency of the results and will make the calculation processes more efficient. It should also increase the level of integration and significantly improve the performance of simulations.

A further significant risk category at BTV is operational risk. In light of this, a project was begun in 2018 in order to further develop the applied processes for quantifying the operational risk for the purposes of calculating risk-bearing capacity in order to ensure capital adequacy. The project is expected to conclude successfully in the first half of 2019.

The bank-wide risk strategy was also revised in 2018. The primary aim of the revision was to increase coherence and reduce redundancies from and to other documents to the minimum required. Following on from the revision of the bank-wide risk strategy, further development was undertaken on the stress test framework. The stress test framework represents a significant addition to on-going risk management and is explicitly not a replacement framework for standard risk measures, rather it should be used as an additional element in the risk management system and understood as integral part of the latter.

The "ECB Guidelines on Internal Capital Adequacy Assessment Process" (ICAAP) came into force on 1 January 2019. With these guidelines, the ECB is defining its supervisory expectation of ICAAP and in particular is establishing a "normative" and "economic" perspective. The guidelines are aimed at significant institutions directly under the supervision of the ECB. In light of its wish to contribute to the convergence of the uniform European supervisory mechanism, BTV decided to initiate a project in the second half of 2019 with the aim of designing implementation for BTV of the ECB's supervisory expectation of the capital adequacy process - taking into account the principle of proportionality - and preparing the bank for its productive use.

The liquidity report is complemented by sensitivity analyses in order to further develop liquidity risk management. In doing so, the effects of various changes in factors influencing LAB, LCR, NSFR, LRD and the buffer can be simulated over time. This serves to adapt liquidity risk management to legal supervisory standards, short-term and medium-term planning of refinancing structure and, inferred from such, the foreseeable intervention of measures to comply with internal strategic guidelines and legal supervisory standards in a sustainable way.

Implementation of the EBA guidelines on interest rate risk will be the focus of market risk controlling in 2019. A significant component here is the corresponding anchoring of the interest rate changes in the strategy of BTV and expanding reporting. The newly implemented risk management system will play a key role in risk assessment. In addition to calculating the risk with respect to interest scenarios stipulated by the EBA, a dynamic interest result simulation will also be developed.

The "ECB Guidelines on the Internal Liquidity Adequacy Assessment Process" (ILAAP) came into force on 1 January 2019. These guidelines are relevant first and foremost for institutions supervised by the ECB, though they are also an important input factor for the supervisory review and evaluation process (SREP) and therefore indirectly relevant for BTV as well. According to the principle of proportionality, it is the responsibility of the institutions to identify and value all material liquidity risks. The principles described in these guidelines will be replicated in the prevailing practises at BTV in 2019. In doing so, deviations will be identified and we will begin closing loopholes that have arisen - taking into account the principle of proportionality.

32 Other data in EUR thousand	**31/12/2018**	**31/12/2017**
Assets deposited as guarantees:		
Debenture bonds and other fixed-interest securities	473,709	459,700
Loans to credit institutions	9,579	6,164
Loans to customers	1,595,479	1,551,465
I) Assets deposited as collateral	**2,078,767**	**2,017,329**
c) Liabilities for which collateral was transferred:		
Trust fund deposits	17,711	17,324
Bonds issued	366,000	359,500
Liabilities to credit institutions	624,243	720,014
II) Liabilities for which collateral was provided	**1,007,954**	**1,096,838**
Subordinated assets:		
Loans to credit institutions	0	0
Loans to customers	0	0
Debenture bonds and other fixed-interest securities	22,230	36,844
Equities and other variable-interest securities	4,872	0
III) Subordinated assets	**27,102**	**36,844**
Foreign currency volumes		
Receivables	1,115,083	971,130
Liabilities	523,950	483,448
IV) Foreign currency volume		
Foreign volumes:		
Foreign assets	3,952,688	3,674,142
Foreign liabilities	1,610,158	1,593,392
V) Foreign volumes		
Trust loans:	14,986	67,476
Loans to customers	14,986	67,476
Trust liabilities:	14,986	67,476
Liabilities to credit institutions	0	49,925
Liabilities to customers	14,986	17,551
VI) Fiduciary operations		
VII) Genuine repurchase agreements	**600,000**	**600,000**
Performance guarantees and credit risks:		
Performance guarantees	310,945	324,885
Credit risks	1,606,359	1,451,562
VIII) Performance bonds and credit risks	**1,917,304**	**1,776,447**

Transactions in which securities are sold with the agreement of a retrocession on a specific date are referred to as repos. The securities that are lent out are still shown on BTV AG's balance sheet, as all the risks and rewards related to ownership basically remain with BTV AG. The financial instruments are retroceded on expiry of the repo. During the term of the repo, BTV AG is the beneficiary of all interest payments and other income received during the term. The accounting as financing corresponds to the economic substance of the transaction.

No collateral that may be disposed of independent of the debtor's default was held by BTV in the financial year 2018.

In the context of pension business, securities were transferred to third parties. As at 31 December 2018, the market value without accrued interest totalled EUR 405,960 thousand (previous year: EUR 427,901 thousand), and the book value without accrued interest totalled EUR 404,544 thousand (previous year: EUR 427,901 thousand). Securities to the amount of EUR 40,088 thousand and EUR 365,872 thousand were allotted to the categories "Debt securities valued at fair value through other comprehensive income" and "Debt securities valued at amortised costs" respectively. The previous year's value of EUR 427,901 thousand was allotted to the category "Financial assets – available for sale". The associated liabilities are shown under "Liabilities to credit institutions", and utilisation as at 31/12/2018 amounts to EUR 600,000 thousand (previous year: EUR 600,000 thousand).

32a Notes regarding balancing of financial instruments as at 31/12/2018 in EUR thousand	Balanced financial assets/debts	Effects from settlement agreements	Collateral received/ issued in the form of financial instruments	Financial assets/ debts (net)
Trading assets - derivatives	55,520	–36,244	–15,565	3,711
Total debt	**55,520**	**–36,244**	**–15,565**	**3,711**
Liabilities to credit institutions and customer deposits	8,322,432	0	–1,604,396	6,718,036
Trading liabilities – Derivatives	22,831	–36,244	–5,774	–19,187
Total liabilities	**8,345,263**	**–36,244**	**–1,610,170**	**6,698,849**

Notes regarding balancing of financial instruments as at 31/12/2017 in EUR thousand	Balanced financial assets/debts	Effects from settlement agreements	Collateral received/ issued in the form of financial instruments	Financial assets/ debts (net)
Trading assets - derivatives	66,241	–41,168	–21,485	3,588
Total debt	**66,241**	**–41,168**	**–21,485**	**3,588**
Liabilities to credit institutions and customer deposits	7,499,680	0	–1,433,269	6,066,411
Trading liabilities – Derivatives	24,887	–41,168	–3,724	–20,005
Total liabilities	**7,524,567**	**–41,168**	**–1,436,993**	**6,046,406**

The contractual terms for all collateral and settlement agreements are in line with banking practice.

32b Notes pursuant to SEC. 64 BWG (Banking Act)

Selected data and key indicators 2018 concerning branches pursuant to SEC. 64 BWG

in EUR thousand	Austria	Switzerland	Germany
Net interest income	93,298	8,004	21,691
Operating income	186,587	12,364	27,375
Number of employees in persons/years	1,343	25	69
Annual profit before tax	113,959	16,724	9,104
Taxes on earnings	28,328	3,089	1,287
State aid received	0	0	0

Selected data and key indicators 2017 concerning branches pursuant to SEC. 64 BWG

in EUR thousand	Austria	Switzerland	Germany
Net interest revenue*	92,761	8,966	17,869
Operating income	180,503	13,127	20,801
Number of employees in persons/years	1,302	27	73
Annual profit before tax	86,339	6,709	–1,833
Taxes on earnings	13,211	1,099	935
State aid received	0	0	0

BTV has a branch in Switzerland, BTV Switzerland with registered office in Staad, and BTV Leasing has a branch, BTV Leasing Schweiz AG, also with registered office in Staad. BTV has a branch in Germany, BTV Germany with registered office in Memmingen, and BTV Leasing has a branch, BTV Leasing Deutschland GmbH with its registered office in Munich.

Return on investment pursuant to SEC. 64 BWG	2018	2017
Return on investment	0.92%	0.73%

32c Comfort letters

During the reporting year, and as in the previous year, BTV did not issue any comfort letters. In 2018, BTV AG issued a letter of subordination to BTV Leasing Schweiz AG to the amount of EUR 8,874 thousand (CHF 10,000 thousand).

*2017 adjusted due to reclassification of total profit item "Result from companies valued at-equity"

33 Notes on transactions with closely related persons

As part of normal business activity transactions are concluded with closely related companies and persons at normal market terms and conditions. The scope of these transactions is shown below:

33a Emoluments and loans to members of the Board of Directors and Supervisory Board.

At the end of 2018, as was already the case in the previous year, there were no loans or advances given to members of the Board of Directors. Loans of EUR 2,961 thousand are due from members of the Supervisory Board (previous year: EUR 3,324 thousand). The interest rates and other conditions (maturity and collateral) are in line with the market. Members of the Supervisory Board made loan repayments during 2018 of EUR 516 thousand (Previous year: EUR 2,637 thousand).

In the reporting year, remuneration of the current Board of Directors amounted to EUR 1,178 thousand (previous year: EUR 1,054 thousand). Pension payments to former members of the Board of Directors amounted to EUR 400 thousand (previous year: revenue of EUR 937 thousand essentially due to the release of provisions to the amount of EUR 1,840 thousand).

During the financial year, active members of the BTV AG Supervisory Board received annual remuneration for their positions in the amount of EUR 269 thousand (previous year: EUR 263 thousand).

33b Loans and liabilities to associated non-consolidated companies and holdings in EUR thousand	**31/12/2018**	**31/12/2017**
Loans to credit institutions	0	0
Loans to customers	11,902	9,870
Total loans	**11,902**	**9,870**
Liabilities to credit institutions	0	0
Liabilities to customers	32,541	10,713
Total liabilities	**32,541**	**10,713**

In the context of the profit and loss account there are earnings of EUR 86 thousand (previous year: EUR 76 thousand) and expenses of EUR 32 thousand (previous year: EUR 0 thousand) were incurred for transactions with the parent company and its associated companies.

33c Loans and liabilities to associated companies and holdings in EUR thousand	31/12/2018	31/12/2017
Loans to credit institutions	48	26
Loans to customers	196	3,631
Total loans	**244**	**3,657**

Liabilities to credit institutions	9,094	4,412
Liabilities to customers	1,547	4,132
Total liabilities	**10,641**	**8,544**

In the context of the profit and loss account there are earnings of EUR 21 thousand (previous year: EUR 15 thousand) and expenses of EUR 41 thousand (previous year: EUR 59 thousand) were incurred for transactions with the parent company and its associated companies.

The fair value of the listed companies which are included according to the equity method, was EUR 647 million on the reporting date (previous year: EUR 598 million).

The total of temporary differences relating to shares in associated companies, for which no deferred tax debts were reported on the balance sheet, total EUR 625 million as at the balance sheet date (previous year: EUR 541 million).

The number of shares held by associated companies was 9,123,252 (previous year: 8,293,856 shares).

33d Reconciliation of the equity book value of the associated companies included in the consolidated financial statement based on the portfolio as at 31 December 2018 in EUR thousand	Book value carried forward as at 1 January 2018	Effect of transition to IFRS 9	Change not recognised in profit and loss 2018	Change recognised in profit and loss 2018	Book value carried forward as at 31 December 2018	Stock exchange price of ordinary shares	Stock exchange price of preference shares
BKS Bank AG	186,757	1,813	17,334*	11,806	217,710	16.80	17.00
Oberbank AG	384,204	24,126	–2,007	31,437	437,761	89.80	83.00
Drei-Banken Versicherungs-agentur GmbH in liqui.	1,646	0	0	–7	1,639	n.a.	n.a.
Moser Holding Aktiengesellschaft	16,949	0	–30	423	17,342	n.a.	n.a.

*of which capital increase: EUR 10,533 thousand

Reconciliation of the equity book value of the associated companies included in the consolidated financial statements based on the portfolio as at 31 December 2017 in EUR thousand	Book value carried forward as at 1 January 2017	Change not recognised in profit and loss 2017	Change recognised in profit and loss 2017	Book value carried forward as at 31 December 2017	Stock exchange price of ordinary shares	Stock exchange price of preference shares
BKS Bank AG	156,372	3,405	9,790	186,757	17.80	17.65
Oberbank AG	295,380	9,670	29,540	384,204	81.95	71.4
Drei-Banken Versicherungs-agentur GmbH	4,471	0	–1,329	1,646	n.a.	n.a.
Moser Holding Aktiengesellschaft	12,264	1,001	2,539	16,949	n.a.	n.a.

n.a. = not available

33e The companies valued at equity showed the following values as at the balance sheet date in EUR thousand

	2018	2017
Assets	29,672,577	27,790,309
Debts	25,633,484	24,257,648
Earnings	935,907	896,984
Group annual net profit	309,169	273,539
Other income	–14,460	43,233
Total result for the financial year	294,709	316,772
Dividends received	8,061	6,666

33f The associated companies valued at amortised costs or fair value showed the following values as at the balance sheet date
in EUR thousand

	2018	2017
Assets	94,548	68,047
Debts	48,593	39,339
Earnings	98,621	65,757
Group annual net profit	19,627	1,162

For the calculation of the values in tables 33e and 33f the last available annual financial statements were used as the basis for the calculation.

34 Total volume of as yet non-transacted derivative financial products

Total volume of as yet non-transacted derivative financial products as at 31/12/2018:

in EUR thousand	Contract volume/residual terms				Market values					
					positive	negative	positive	negative	positive	negative
	< 1 year	1- 5 years	> 5 years	Total	< 1 year		1- 5 years		> 5 years	
Interest swaps	141,873	549,988	870,481	1,562,342	706	–285	15,436	–6,334	33,687	–9,176
Purchase	28,781	135,734	308,596	473,111	0	–277	28	–5,241	213	–8,708
Sale	113,092	414,255	561,885	1,089,231	706	–9	15,408	–1,093	33,475	–468
Interest rate options	86,453	36,148	17,387	139,987	13	–13	39	–45	42	–108
Purchase	43,226	18,074	8,693	69,994	13	0	13	–20	42	0
Sale	43,226	18,074	8,693	69,994	0	–13	26	–25	0	–108
Total interest rate contracts	228,326	586,136	887,868	1,702,329	719	–298	15,475	–6,379	33,730	–9,284
Currency swaps	13,315	0	0	13,315	1,485	–1,467	0	0	0	0
Purchase	4,000	0	0	4,000	0	–1,467	0	0	0	0
Sale	9,315	0	0	9,315	1,485	0	0	0	0	0
Foreign exchange futures	65,006	6,229	0	71,234	1,121	–402	53	–12	0	0
FX Swaps	922,531	0	0	922,531	237	–5,552	0	0	0	0
Total currency exchange rate contracts	1,000,852	6,229	0	1,007,081	2,844	–7,420	53	–12	0	0
Derivative trades relating to securities and other derivatives	4,875	5,000	0	9,875	358	0	288	0	0	0
Purchase	0	0	0	0	0	0	0	0	0	0
Sale	4,875	5,000	0	9,875	358	0	288	0	0	0
Trades relating to securities and other derivatives Total	4,875	5,000	0	9,875	358	0	288	0	0	0
Total bank register	1,234,053	597,364	887,868	2,719,285	3,921	–7,719	15,816	–6,391	33,730	–9,284
Interest rate options – trading book	0	4,597	13,908	18,504	0	0	0	0	37	–104
Purchase	0	2,271	6,610	8,881	0	0	0	0	37	0
Sale	0	2,326	7,297	9,623	0	0	0	0	0	–104
Interest swaps – trading book	1,000	0	0	1,000	0	0	0	0	0	0
Purchase	1,000	0	0	1,000	0	0	0	0	0	0
Sale	0	0	0	0	0	0	0	0	0	0
Total interest rate contracts	1,000	4,597	13,908	19,504	0	0	0	0	37	–104
Derivative trades relating to securities and other derivatives	0	0	2,000	2,000	0	0	0	0	92	0
Purchase	0	0	2,000	2,000	0	0	0	0	92	0
Trades relating to securities and other derivatives Total	0	0	2,000	2,000	0	0	0	0	92	0
Total trading book	1,000	4,597	15,908	21,504	0	0	0	0	129	–104
Non-transacted derivatives Total financial instruments	**1,235,053**	**601,961**	**903,775**	**2,740,790**	**3,921**	**–7,718**	**15,816**	**–6,391**	**33,859**	**–9,387**

Total volume of as yet non-transacted derivative financial products at 31/12/2017:

in EUR thousand	Contract volume/residual terms				Market values					
					positive	negative	positive	negative	positive	negative
	< 1 year	1- 5 years	> 5 years	Total	< 1 year		1- 5 years		> 5 years	
Interest swaps	139,534	529,650	907,597	1,576,781	891	–643	12,038	–6,881	40,471	–10,158
Purchase	25,761	153,588	299,297	478,646	0	–643	59	–6,384	870	–7,478
Sale	113,772	376,063	608,300	1,098,135	891	0	11,979	–498	39,601	–2,680
Interest rate options	31,825	101,405	21,312	154,542	0	0	170	–148	43	–138
Purchase	15,935	50,703	10,656	77,294	0	0	71	–73	43	0
Sale	15,890	50,703	10,656	77,249	0	0	99	–74	0	–138
Total interest rate contracts	171,359	631,056	928,909	1,731,323	891	–643	12,208	–7,029	40,514	–10,296
Currency swaps	0	22,464	0	22,464	0	0	3,538	–3,776	0	0
Purchase	0	10,400	0	10,400	0	0	0	–3,776	0	0
Sale	0	12,064	0	12,064	0	0	3,538	0	0	0
Foreign exchange futures	37,170	463	0	37,633	383	–1,381	14	0	0	0
FX Swaps	881,347	0	0	881,347	6,321	–1,089	0	0	0	0
Total currency exchange rate contracts	918,517	22,927	0	941,443	6,704	–2,469	3,552	–3,776	0	0
Derivative trades relating to securities and other derivatives	0	9,875	0	9,875	0	0	1,352	0	0	0
Purchase	0	0	0	0	0	0	0	0	0	0
Sale	0	9,875	0	9,875	0	0	1,352	0	0	0
Trades relating to securities and other derivatives Total	0	9,875	0	9,875	0	0	1,352	0	0	0
Total bank register	1,089,875	663,858	928,909	2,682,642	7,595	–3,112	17,112	–10,806	40,514	–10,296
Interest rate options – trading book	188	8,271	16,582	25,040	0	0	0	0	57	–143
Purchase	30	3,882	8,055	11,967	0	0	0	0	57	0
Sale	158	4,389	8,527	13,074	0	0	0	0	0	–143
Interest swaps – trading book	0	0	0	0	0	0	0	0	0	0
Purchase	0	0	0	0	0	0	0	0	0	0
Sale	0	0	0	0	0	0	0	0	0	0
Total interest rate contracts	188	8,271	16,582	25,040	0	0	0	0	57	–143
Derivative trades relating to securities and other derivatives	0	0	2,000	2,000	0	0	0	0	99	0
Purchase	0	0	2,000	2,000	0	0	0	0	99	0
Trades relating to securities and other derivatives Total	0	0	2,000	2,000	0	0	0	0	99	0
Total trading book	188	8,271	18,582	27,040	0	0	0	0	156	–143
Non-transacted derivatives Total financial instruments	**1,090,063**	**672,129**	**947,490**	**2,709,682**	**7,595**	**–3,112**	**17,113**	**–10,806**	**40,670**	**–10,439**

The trading volume is divided by the type of underlying financial instrument into the categories of interest rate, currency rate and security related trades. The selected subdivision of the volumes by time to maturity concords with international recommendations, as does the classification into interest rate, currency rate and security based trades. BTV had only OTC (over the counter) transactions on its books at the end of 2018.

The derivative instruments held for non-trading purposes are mainly represented by interest rate contracts primarily requested by customers. Alongside interest swaps customers also asked for cross-currency swaps and interest rate options. BTV closes off these positions with back-to-back transactions with other credit institutions and does not carry any risk on its own book. BTV itself uses primarily interest rate swaps to manage the overall bank rate risk. For management of currency rate risks BTV mainly uses foreign exchange futures and currency swaps. The securities-related transactions relate solely to issued structured investment products. The options required for these were bought in through third-party banks.

The hedging period for derivatives used in hedge accounting is identical to that for the hedged item.

The Group uses fair value hedge accounting predominantly through interest rate swaps, in order to hedge against changes in the fair values of fixed-income financial instruments due to movements in market interest rates. The fair values of the hedging instruments are included under other financial assets on the positive side and other financial liabilities on the negative side.

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

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

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

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

An active market must fulfil cumulatively the following conditions:

- the products traded on the market are homogeneous,
- 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 markets. The allocation of certain financial instruments to the categories requires a systematic assessment, especially if the valuation is based on both observable as well as unobservable market parameters. The instrument classification may also change over time in consideration of changes to the market parameters.

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

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

Level 2
Securities which are not traded 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 instance does not currently exist in the BTV Group.

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

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

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

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

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

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

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

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

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

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

35a Fair value hierarchy of financial instruments which are valued at fair value as at 31/12/2018 in EUR thousand	Prices listed on active markets Level 1	Valuation methods based on market data Level 2	Valuation methods not based on market data Level 3
Financial assets stated at fair value			
Loans to customers mandatorily valued at fair value	0	0	200,567
Debt securities valued at fair value through other comprehensive income (FVOCI)	270,320	40,981	0
Debt securities mandatorily valued at fair value	21,245	0	0
Debt securities (fair-value option)	2,729	0	0
Equity instruments valued at fair value through other comprehensive income (FVOCI)	51,538	0	69,007
Equity instruments valued at fair value through profit and loss (FVTPL)	30,558	0	0
Positive market values from derivative hedging instruments	0	45,692	0
Trading assets - funds	23,072	0	0
Trading assets - positive market values arising from derivative financial instruments	0	7,666	0
Total financial assets classified at fair value	**399,462**	**94,339**	**269,574**
Financial liabilities valued at fair value			
Fair value option	0	482,981	0
Negative market values from derivative hedging instruments	0	15,796	0
Trading liabilities - negative market values arising from derivative financial instruments	0	8,267	0
Total liabilities classified at fair value	**0**	**507,044**	**0**

Fair value hierarchy of financial instruments which are valued at fair value as at 31/12/2017 in EUR thousand	Prices listed on active markets Level 1	Valuation methods based on market data Level 2	Valuation methods not based on market data Level 3
Financial assets stated at fair value			
Positive market values from derivative financial instruments	0	70,338	0
Assets classified at fair value	25,020	10,665	0
Financial assets available for sale	1,397,131	55,427	65,834
Total financial assets classified at fair value	**1,422,151**	**136,430**	**65,834**
Financial liabilities valued at fair value			
Negative market values from derivative financial instruments	0	24,835	0
Liabilities classified at fair value	0	528,830	0
Total liabilities classified at fair value	**0**	**553,665**	**0**

35b Movements in Level 3 of financial instruments valued at fair value in EUR thousand	31/12/2017	Reclassification & Revaluation of IFRS 9	01/01/2018	Earnings on P&L
Loans to customers mandatorily valued at fair value	n.a.	218,092	218,092	5,123
Equity instruments valued at fair value through other comprehensive income (FVOCI)	n.a.	66,058	66,058	0
Financial assets available for sale Assets	65,834	–65,834	0	n.a.
Total financial assets classified at fair value	**65,834**	**218,316**	**284,150**	**5,123**

Movements in Level 3 of financial instruments valued at fair value in 2017 in EUR thousand	Jan. 2017	Earnings on P&L	Success from other operating income	Purchases	Sales, repayments	Transfer to level 3	Transfer from Level 3	Currency conversion	Dec. 2017
Available for sale financial assets	63,752	0	–143	2,225	0	0	0	0	65,834
Total financial assets classified at fair value	**63,752**	**0**	**–143**	**2,225**	**0**	**0**	**0**	**0**	**65,834**

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

Success from other operating income	Purchases	Sales, repay-ments	Transfer to level 3	Transfer from level 3	Currency conversion	31/12/2018
0	52,461	–75,109	0	0	0	200,567
–504	3,562	–110	0	0	0	69,007
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0
–504	**56,023**	**–75,219**	**0**	**0**	**0**	**269,574**

During the reporting period, there were no reclassifications between the individual levels. For the other investments and other affiliated companies measured at fair value, the level of level 3 financial instruments on 31 December 2018 amounts to EUR 69,007 thousand (previous year: EUR 65,834 thousand).

In the reporting year 2018, losses were realised from sales to the amount of EUR 106 thousand in equity instruments recorded in Level 3 which are valued at fair value through other comprehensive income (previous year: EUR 0 thousand). For equity instruments which are valued at fair value through other comprehensive income, a capital increase to the amount of EUR 3,555 thousand was posted for a participation and a participation of EUR 7 thousand was acquired. EUR 504 thousand (previous year: EUR 143 thousand) in valuation losses was recorded under Other result.

At the end of a reporting period, BTV AG checks to what extent regroupings have taken place owing to changes in relevant parameters between the different levels of the fair value hierarchy. Regroupings take place on the basis of the portfolios in the reporting period concerned.

The book values of financial instruments which are SPEs of subordinate significance, and the book value thus calculated as fair value totals EUR 5,124 thousand under Other participations as at 31 December 2018 (previous year: EUR 17,928 thousand), and EUR 8,918 thousand under Other associated participations (previous year: EUR 8,918 thousand).

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

Calculation of the fair value for the assets declared in Level 3 was done on the basis of future payment flows or using the market value and net asset value method.
For the sensitivity analysis of the fair value with respect to the value of the holding, those holdings which are categorised as recorded on the balance sheet at fair value and not as SPEs are subjected to an interest shift of +100 or -100 base points. The fair values are recalculated based on these shifted interest rate curves and compared with the originally calculated fair value on the basis of the current interest level.

The difference from the originally calculated fair value here is:

35c Sensitivity analysis of holdings **in EUR thousand**	**Interest rates +100 BP**	**Interest rates –100 BP**
Change in fair value in scenario	–3,925	+5,333

For the sensitivity analysis of the fair value with respect to the credit risk, those loans to customers which are recorded in the balance sheet at fair value are recalculated under a negative and a positive scenario. To do this, macro-economic factors influencing the credit risk are set at a negative or positive level and the ECL used for the valuation under fair value recalculated in these scenarios. The difference from the originally calculated fair value here is:

35d Change in fair value under loans to customers caused by creditworthiness **in EUR thousand**	**Negative scenario**	**Positive scenario**
Change in fair value in scenario	–26.8	+24.7

For the sensitivity analysis of the fair value with respect to the market level, those loans to customers which are recorded on the balance sheet at fair value are subjected to an interest rate shift of +100 or –100 base points. The fair values are recalculated based on these shifted interest rate curves and compared with the originally calculated fair value on the basis of the current interest level.

35e Change in fair value under loans to customers caused by market interest rates **in EUR thousand**	**Interest rates +100 BP**	**Interest rates –100 BP**
Change in fair value in scenario	–607.1	+1,465.7

For the sensitivity analysis of the expected credit loss, the financial instruments underlying a depreciation according to IFRS 9 are valued under a negative and a positive scenario. To do this, the macro-economic factors influencing the credit risk are set at a negative or a positive value - relative to the predicted base scenario. The difference to the originally expected credit loss on Levels 1 and 2 here is:

35f Change in expected credit loss caused by scenario **in EUR thousand**	**Positive scenario**	**Negative scenario**
Change in expected credit loss in scenario	+769.1	–581.4

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

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

For positions without a contractually fixed term the relevant book value was applied. If no market prices exist, then generally accepted valuation models were applied, in particular analysis using discounted cash flow and the option price model. Each of the values from 2018 onwards includes the risk provision triggered by first-time application of IFRS 9.

Assets **in EUR thousand**	**Fair value 31/12/2018**	**Book value 31/12/2018**	**Fair value 31/12/2017**	**Book value 31/12/2017**
Cash reserves	867,497	867,497	320,708	320,708
Loans to credit institutions, valued at amortised costs	365,389	365,275	288,685	288,415
Loans to customers valued at amortised costs	7,619,088	7,553,310	7,670,777	7,336,377
Other financial assets valued at amortised costs	930,805	925,406	n.a.	n.a.
Financial assets – held to maturity	n.a.	n.a.	0	0

Liabilities **in EUR thousand**	**Fair value 31/12/2018**	**Book value 31/12/2018**	**Fair value 31/12/2017**	**Book value 31/12/2017**
Liabilities to credit institutions valued at amortised costs	1,513,656	1,516,620	1,187,916	1,212,086
Liabilities to customers valued at amortised costs	6,785,400	6,805,812	6,298,377	6,287,594
Other financial liabilities valued at amortised costs	880,889	873,544	n.a.	n.a.
Subordinated capital	n.a.	n.a.	36,324	36,328
Securitised liabilities	n.a.	n.a.	755,478	752,967

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

Assets

Level 1

For securities which were allocated to the category "Other financial assets", the fair value is calculated from the price created on the market.

Level 2

For securities which cannot be valued through prices created on the market (mostly regarding securities traded on stock exchanges and on functioning markets), the fair value is determined in accordance with 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. In this case, adequate credit spreads per bond issuer are flowing in. The credit spread is primarily derived for illiquid securities from credit default swaps. If no credit default swap spread is available, the calculation of the credit spread is made via comparable financial instruments from comparable issuers available on the market. Furthermore, external valuations by third parties are also taken into consideration which however have indicative character at any rate.

Level 3

At level 3, the fair value calculation takes place via models, whereby a part of the input parameters contains data not observable on the market and, consequently, are based on assumptions which are made within the bank. This primarily effects non-securitised loans to customers and banks which are valued 'at cost'. Herewith, for the fair value calculation the underlying credit spread per counter party is normally not known and also cannot be derived from the market.

Liabilities

Level 2

For liabilities which are not accounted for at fair value, the fair value is determined according to 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. In the case of securitised liabilities, BTV's credit spread is used which orientates itself with the spreads of bond issues payable at the time.

Level 3

In the same way as the non-securitised loans, the non-securitised liabilities to customers and banks are also components of level 3. These products are also generally not valued at market value. The creation of a fair value also takes place by means of the discounted cash flow method whereby the credit spread remains disregarded here.

37 Fair value hierarchy of financial instruments, which are not valued at fair value as at 31/12/2018 in EUR thousand	Prices listed on active markets	Calculation methods based on market data	Valuation methods not based on market data
Financial assets not valued at fair value			
Loans to credit institutions valued at amortised costs	0	0	365,402
Loans to customers valued at amortised costs	0	0	7,650,337
Other financial assets valued at amortised costs	914,624	11,005	0
Total financial assets not valued at fair value	**914,624**	**11,005**	**8,015,739**
Financial liabilities not valued at fair value			
Liabilities to credit institutions valued at amortised costs	0	0	1,516,620
Liabilities to customers valued at amortised costs	0	0	6,805,812
Other financial liabilities valued at amortised costs	0	873,544	0
Total liabilities not valued at fair value	**0**	**873,544**	**8,322,432**

Fair value hierarchy of financial instruments that are not valued at fair value as at 31/12/2017 in EUR thousand	Prices listed on active markets	Calculation methods based on market data	Valuation methods not based on market data
Financial assets not valued at fair value			
Loans to credit institutions	0	0	288,685
Loans to customers	0	0	7,670,777
Financial assets held until maturity	0	0	0
Total financial assets not valued at fair value	**0**	**0**	**7,959,462**
Financial liabilities not valued at fair value			
Liabilities to credit institutions	0	0	1,187,916
Liabilities to customers	0	0	6,298,377
Securitised liabilities	0	755,478	0
Subordinated capital	0	36,324	0
Total liabilities not valued at fair value	**0**	**791,802**	**7,486,293**

38 Remaining life to maturity breakdown

Assets as at 31/12/2018 in EUR thousand	**due daily**	**< 3 months**	**3 months – 1 year**	**1 – 5 years**	**> 5 years**	**Total**
Loans to credit institutions	78,965	237,563	48,874	0	0	365,402
Loans to customers	2,070,952	367,932	791,947	2,735,471	1,884,601	7,850,903
Other financial assets – Debt securities at amortised costs	0	114,091	191,355	583,321	36,862	925,630
Other financial assets – Debt securities at fair value through other comprehensive income (FVOCI)	0	35,559	46,338	200,206	29,198	311,301
Other financial assets – Debt securities manda-torily at fair value	0	251	12,803	0	8,191	21,245
Other financial assets – Debt securities Fair value option	0	97	0	2,632	0	2,729
Other financial assets – Equity instruments at fair value through other comprehensive income (FVOCI)	13,123	197	0	4,675	102,550	120,545
Other financial assets – Equity instruments fair value through profit and loss (FVTPL)	0	0	0	0	30,558	30,558
Other financial assets – Positive market values from derivative hedging instruments	0	30	1,836	14,080	29,747	45,692
Trading assets/trading	23,072	607	1,070	1,656	4,333	30,739
Total assets	**2,186,113**	**756,328**	**1,094,224**	**3,542,041**	**2,126,039**	**9,704,744**

Liabilities as at 31/12/2018 in EUR thousand	**due daily**	**< 3 months**	**3 months – 1 year**	**1 – 5 years**	**> 5 years**	**Total**
Liabilities to credit institutions	215,702	123,751	99,719	743,068	334,380	1,516,620
Liabilities to customers	4,064,739	721,671	830,194	929,552	259,657	6,805,812
Other financial liabilities – amortised costs	0	20,179	95,867	410,864	346,634	873,544
Other financial liabilities – Fair value option	0	29,504	56,261	202,665	194,551	482,981
Other financial liabilities – Derivatives	0	60	1,695	5,197	8,843	15,796
Trading liabilities	0	6,218	313	1,196	540	8,267
Total liabilities	**4,280,441**	**901,383**	**1,084,049**	**2,292,542**	**1,144,605**	**9,703,020**

Assets as at 31/12/2017 in EUR thousand	**due daily**	**< 3 months**	**3 months – 1 year**	**1 – 5 years**	**> 5 years**	**Total**
Loans to credit institutions	77,939	111,773	98,703	0	0	288,415
Loans to customers	2,416,024	430,609	705,553	2,170,935	1,613,256	7,336,377
Trading assets	0	6,047	6,522	4,361	3,018	19,948
Financial assets – at fair value through profit or loss	21,941	97	10,908	2,739	0	35,685
Financial assets – available for sale	15,931	77,934	132,964	1,084,042	234,367	1,545,238
Financial assets – held to maturity	0	0	0	0	0	0
Total assets	**2,531,835**	**626,460**	**954,650**	**3,262,077**	**1,850,641**	**9,225,663**

Liabilities as at 31/12/2017 in EUR thousand	**due daily**	**< 3 months**	**3 months – 1 year**	**1 – 5 years**	**> 5 years**	**Total**
Liabilities to credit institutions	127,916	99,046	39,232	736,039	209,853	1,212,086
Liabilities to customers	3,606,514	850,966	765,155	808,602	256,357	6,287,594
Securitised liabilities	0	61,742	135,390	600,860	358,924	1,156,916
Trading liabilities	0	1,571	1,352	684	2,485	6,092
Subordinated capital	0	3,686	1,375	54,013	102,135	161,209
Total liabilities	**3,734,430**	**1,017,011**	**942,504**	**2,200,198**	**929,754**	**8,823,897**

Due to the first-time application of IFRS 9 in 2018, Financial assets - at value through profit or loss, Financial assets – available for sale, Financial assets – held to maturity, securitised liabilities, and subordinated capital are not specified.

39 Bodies of BTV AG

The following members of the Board of Directors and the Supervisory Board were active for BTV:

Chairman

Gerhard Burtscher, Chairman of the Board
Mario Pabst, Member of the Board
Michael Perger, Member of the Board

Supervisory Board

Honorary president

KR Honorary Chairman Dr Hermann Bell, Linz

Chairman

General Director Consul Dr Franz Gasselsberger, MBA, Linz

Deputy Chairperson

Board Chairperson Consul Mag. Dr Herta Stockbauer, Klagenfurt

Members

Mag. Pascal Broschek, Fieberbrunn
DI Johannes Collini, Hohenems
Angela Falkner, Sölden (from 08/05/2018)
Franz Josef Haslberger, Freising (D)
Board Chairperson Mag. Gregor Sailer Hofstätter-Pobst, Vienna
RA Dr Andreas König, Innsbruck
Consul General Dr. Johann F. Kwizda, Vienna (until 08/05/2018)
KR Director Karl Samstag, Vienna
Hanno Ulmer, Wolfurt
Executive Board Director Arno Schuchter, Vienna
Mag. Sonja Zimmermann, Vienna (from 08/05/2018)

Employee representative

Chairman of the Central Works Council, Harald Gapp, Innsbruck
Deputy Chairman of the Works Council, Harald Praxmarer, Neustift im Stubaital
Stefan Abenthung, Götzens
Birgit Fritsche, Nüziders
MA Lydia Liphart, BSc, Innsbruck
Bettina Lob, Vils

Government commissioner

Government commissioner HR Dr .Michael Manhard, Innsbruck
Government commissioner deputy HR Mag. Hubert Woischitzschläger, Linz

40 Presentation of shareholdings as at 31 December 2018

As at 31 December 2018, the company had holdings in at least 20% of the shares in the following companies which are not included in the Group accounts as being insignificant as a whole:

Name of company and registered office	Total capital holding	Direct capital holding	Equity in EUR thousand [1]	Result in EUR thousand [2]	Date of conclusion
a) Affiliated companies					
1. Domestic financial institutions: n.a.					
2. Other domestic companies:					
BTV Real-Leasing VI Gesellschaft m.b.H., Vomp	100.00%		783	–21	31/12/2018
Beteiligungsholding 3000 GmbH, Innsbruck	100.00%	100.00%	7,683	–5	30/11/2018
Beteiligungsverwaltung 4000 GmbH, Innsbruck	100.00%		4,162	–5	30/11/2018
Stadtforum Tiefgaragenzufahrt GmbH, Innsbruck	100.00%	100.00%	35	–14	31/12/2018
Freiraum I GmbH, Mayrhofen	50.52%		109	3	30/11/2017
KM Immobilienservice GmbH, Innsbruck	100.00%		92	171	31/12/2017
KM Immobilienprojekt IV GmbH, Innsbruck	100.00%		524	–4	31/12/2017
C3 Logistik GmbH, Innsbruck	100.00%		584	–14	30/09/2018
Wilhelm-Greil-Strasse 4 GmbH, Innsbruck	100.00%	99.71%	–70	–75	31/12/2017
3. Other foreign companies:					
AG für energiebewusstes Bauen AGEB, Staad	50.00%		243	50	30/06/2017
KM Beteiligungsinvest AG, Staad	100.00%		28,977	319	31/12/2017

Name of company and registered office	Total capital holding	Direct capital holding	Equity in EUR thousand [1]	Result in EUR thousand [2]	Date of conclusion
b) Associated companies					
Other domestic companies:					
Montafoner Kristberg-Bahn Silbertal Gesellschaft m.b.H., Silbertal	32.29%		462	–127	30/04/2018
Beteiligungsverwaltung Gesellschaft m.b.H., Linz	30.00%	30.00%	31,871	18,793	31/12/2018
3 Banken IT GmbH, Linz[3]	30.00%	30.00%	3,638	35	31/12/2018
3-Banken Beteiligung Gesellschaft m.b.H., Linz	30.00%		8,286	522	31/12/2018
3 Banken Versicherungsmakler Gesellschaft m.b.H., Innsbruck	30.00%	30.00%	817	270	31/12/2018
Sitzwohl in der Gilmschule GmbH, Innsbruck	25.71%		116	12	30/09/2017
SHS Unternehmensberatung GmbH, Innsbruck	25.00%		726	189	31/12/2017
Impulse4Success GmbH, Munich[4]	25.00%		n.a.	n.a.	n.a.
KopfStart GmbH, Vienna	25.03%		37	2	31/12/2017

1 Equity in the sense of Sec. 229 Austrian Commercial Code (UGB)
2 Annual profit/loss after taxes on income, before transfer to reserves or application of results, for fiscal entities and non-limited companies annual profit before taxes
3 formerly DREI-BANKEN-EDV Gesellschaft m.b.H., Linz
4 Company founded February 2018
n.a. = not available

Innsbruck, 22 March 2019

The Board of Directors

Michael Perger
Member of the Board

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

Gerhard Burtscher
Chairman of the Board

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

Mario Pabst
Member of the Board

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

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

We confirm that to the best of our knowledge the group accounts, drawn up in accordance with the statutory accounting standards provide a true picture of the assets, financial and profit situation of the group, that the management report presents the course of business, the results of business activities and the situation of the group in a way which provides a true and fair view of the assets, financial and earnings situation of the group, and that the management report discloses all significant risks and uncertainties to which the group is exposed.

We confirm that to the best of our knowledge that the accounts of the parent company, drawn up in accordance with the statutory accounting standards provides a true picture of the assets, financial and earnings situation of the company, that the management report presents the course of business, the results of business activities and the situation of the company in a way which provides a true and fair view of the assets, financial and earnings situation of the company, and that the management report discloses all significant risks and uncertainties to which the company is exposed.

Innsbruck, 22 March 2019

The Board of Directors

Michael Perger
Member of the Board

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

Gerhard Burtscher
Chairman of the Board

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

Mario Pabst
Member of the Board

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

Audit Certificate

Report on Group Accounts
Audit opinion

We have audited the group financial statements of

Bank für Tirol und Vorarlberg AG Aktiengesellschaft, Innsbruck,

and its subsidiaries (the group), consisting of the group balance sheet as of 31 December 2018, the group comprehensive income statement, the capital flow statement and the group statement of changes in equity for the financial year ending at this reporting date, plus the notes to the consolidated accounts.
In our opinion, the group financial statements comply with the legal requirements and present a true and fair picture of the assets and financial position of the group as of 31 December 2018, as well as the income situation and the cash flows of the group for the financial year ending on this reporting date, in line with the International Financial Reporting Standards, as applied in the EU (IFRS) and the additional requirements of Sections 245a UGB and 59a BWG.

Basis for the audit opinion

We conducted our audit in accordance with EU Regulation 537/2014 (hereinafter EU Regulation) and the generally accepted Austrian standards for the audit of financial statements. These standards require the application of the International Standards on Auditing (ISA). Our responsibilities under these regulations and standards are described in more detail in the section "Responsibilities of auditors for the audit of group financial statements" in our audit opinion. We are independent of the group as required by the Austrian company, banking and professional rules and we have fulfilled our other professional duties in agreement with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as a basis for our audit opinion.

Particularly important audit items

Particularly important audit items are items that in our best judgement were the most important for our audit of the consolidated financial statements for this financial year. These items were taken into account in the context of our audit of the consolidated financial statements as a whole, and in preparing our audit opinion, and we do not offer a separate audit opinion on these items.

Value of customer loans and valuation of provisions for contingent liabilities and credit risks

The risk for the accounts

Loans to customers are reported in the balance sheet to an amount of EUR 7,850,903 thousand. Risk provisions were formed for these to the amount of EUR 97,026 thousand. Provisions were also formed for contingent liabilities and credit risks.
The Executive Board of the Bank für Tirol und Vorarlberg Aktiengesellschaft explained the approach to determining the risk provisions in the Annex under the section on accounting and valuation principles. The Bank für Tirol und Vorarlberg Aktiengesellschaft applied the new accounting standards "IFRS 9 - Financial instruments" for the first time at the start of the financial year 2018. Significant new features arising from IFRS 9 include the introduction of a 3-stage model for depreciation of credits which are valued at amortised costs or at fair value through other comprehensive income. Specific valuation allowances are formed for credits where a default event was identified (Level 3 - Risk provision). The calculation of the specific valuation allowance and the valuation of provisions for contingent liabilities and credit risks are subject to significant estimation uncertainties and room for discretion which result from the financial situation and development of the borrower and from the valuation of loan collaterals and which therefore have effects on the amount and time of expected future cashflows. Blanket specific valuation allowances which are formed for insignificant defaulted borrowers are based on models and therefore also include discretionary decisions and estimation uncertainties. Loans where no default event has occurred are allocated at time of allocation to Level 1 - expected 12-month credit loss - and to Level 2 - over the (entire) lifetime of the expected credit loss - in case of a relevant increase in risk of default (transfer criterion). In case of improper design and application of the transfer criterion, there exists a risk of erroneous level allocation and thus an inadequate risk provision. When calculating the expected credit loss

on Levels 1 and 2, comprehensive estimates and assumptions are required which take into account rating-based probabilities of default, loss ratios, and present and future-oriented information.

Our approach to the audit

We evaluated the suitability of the applied estimates relating to risk provisions as follows:

- We have reviewed the methods specified in the handbooks for calculating the value adjustment for credits or for calculating provisions for contingent liabilities and credit risks for their conformity with the accounting standard. We have surveyed the credit issuing and monitoring process of the Bank für Tirol und Vorarlberg Aktiengesellschaft and assessed whether it is suitable for identifying credit default in good time. In this context, we have held conversations with responsible persons and critically analysed the internal guidelines. Using individual cases from the existing loans we tested whether certain key controls had been carried out as part of the process.
- Based on individual incidents from the credit portfolio, we have assessed whether rating has been performed in accordance with the internal guidelines and whether default events were recognised in good time. The selection of test cases here was risk-based, giving particular weighting to the rating levels with a higher risk of default. For defaults ascertained, the estimates made by the management with respect to future cashflows and assumptions - taking into account evidence of the financial situation and development of the borrower, as well as the valuation of loan collaterals - were assessed for their appropriateness.
- With respect to provisions for insignificant, defaulted borrowers (blanket specific valuation allowances), we reproduced the model and parameters applied therein, and assessed whether such are suitable for establishing sufficient risk provisions. We reproduced the arithmetical correctness of the provisions.
- We surveyed the technical concept for categorising credits and for forming risk provisions in Levels 1 and 2, and assessed whether the model is consistent with the stipulations of IFRS 9 and whether it is suitable for appropriately illustrating the ascertainments regarding credit default and recoverability of loan receivables.
- For the risk provision requirement calculated at a portfolio level (Stage 1 and 2), we collaborated with internal specialists to assess whether the calculation methods applied including input parameters and macro-economic predictions are suitable for calculating the risk provision requirement in an appropriate manner. We collaborated with internal specialists to review the transfer criterion set out for the properness of its conception and application.
- On the grounds of the first-time application of the new accounting standard "IFRS 9 - Financial instruments", we conducted the reviews described with regards to the risk provision of Levels 1 and 2 for both the opening balance on 1 January 2018 and the balance on the balance sheet date of 31 December 2018.
- Consequently, we assessed whether the notes in the annex regarding loans to customers or risk provisions are appropriate.

Classification and evaluation of associated companies

The risk for the accounts

The Bank für Tirol und Vorarlberg Aktiengesellschaft books its shares in associated companies according to the equity method. Companies valued at-equity totalled a book value of EUR 674,452 thousand.
The Executive Board of the Bank für Tirol und Vorarlberg Aktiengesellschaft describes the procedure for the classification and valuation of at-equity valued companies in the section on consolidation principles in the Annex to the consolidated financial statements.

The equity method is an accounting method where the shareholding is first accounted for at its acquisition cost. This approach is consequently adjusted pro rata for changes in the net worth of the holding company. If there is objective evidence of a depreciation, the Bank für Tirol und Vorarlberg Aktiengesellschaft will calculate an achievable amount. The risk for the accounts is therefore that these valuations will be greatly dependent on future expected cashflows and valuation parameters - in particular discounting factors, assumptions on growth, and business plans - and therefore subject to estimation uncertainties and room for discretion.

Our approach to the audit

- We have reviewed the classification of companies included at-equity by an evaluation of the internal documentation as well as any contractual documents that were available, looking at the question of controlling influence of the Bank für Tirol und Vorarlberg Aktiengesellschaft.
- We engaged our own valuation specialists to analyse the valuation model and valuation parameters contained therein in order to assess the recoverability of significant shares in associated companies. We have reviewed adherence to planning by means of a comparison of the previous year's plans with

the results of the current year. We assessed the assumptions referred to when determining discounting rates by comparing such with capital market data to establish appropriateness.
- We then reviewed whether the details in the Annex on the companies valued at-equity are appropriate.

Financial instruments - Fair value measurement
The risk for the accounts

The Bank für Tirol und Vorarlberg Group books financial instruments at fair value on the positive side to the amount of EUR 763,375 thousand (of which Level 3 EUR 269,574 thousand) and on the negative side to the amount of EUR 507,044 thousand (of which Level 3 EUR 0 thousand).

The Executive Board of the Bank für Tirol und Vorarlberg Aktiengesellschaft describes the procedure for the classification of financial instruments and the valuation of financial instruments at fair value in the Notes in the section on balance sheet and valuation principles, as well as in item 35 of the Annex to the consolidated financial statements.

As required, the Group applied the new accounting standard "IFRS 9 - Financial instruments" for the first time at the start of the financial year 2018. The significant new features of this include, among others, a new classification model for financial instruments which contains, among others, adherence of the cashflow criterion (so-called SPPI criterion) as prerequisite for valued at amortised costs. In the event that the SPPI criterion is not met, the financial instrument is in principle valued at fair value. The assessment of whether only SPPI-conforming cashflows can result from the contract of a financial instrument may be complex in individual cases and may include discretionary decisions.

The risk for the accounts is furthermore that the valuation of financial instruments at fair value recorded on the balance sheet as assets and liabilities is strongly influenced by judgements due to valuation parameters not observable on the market (Level 3 category) on the grounds of the heavy dependency on valuation models and parameter estimates.

Our approach to the audit

- We have surveyed the internal approach of the Bank für Tirol und Vorarlberg Aktiengesellschaft to classification of financial assets and liabilities, and assessed whether these are consistent with the stipulations of IFRS 9 and suitable for illustrating the classification appropriately.
- On the basis of the total portfolio of active debt securities as at 1 January 2018 and 31 December 2018, we assessed for selected test cases whether the SPPI estimate made by the Bank für Tirol und Vorarlberg is correct by analysing the underlying individual contracts.
- We have examined the categorisation (level allocation) of financial instruments in test cases to see whether the allocation criteria are met for each fair value category, and have checked whether the subsequent valuation matches the relevant categorisation.
- We employed specialists as part of the audit team in order to check the Level 3 financial instruments, who investigated the valuation models and the assumptions made and the parameters applied in terms of market compliance and suitability. In addition, the fair values of financial instruments were recalculated in individual cases and compared with the calculation of fair values performed by the bank.
- We subsequently assessed whether the information provided in this area in the Notes to the consolidated financial statements relating to classification and the presentation of the Level 3 valuation methods is appropriate.

Legal representatives' and Audit committee's responsibility for the consolidated financial statements

The legal representatives are responsible for the maintenance of the consolidated financial statement, and for such reflecting as true a picture as possible of the assets, financial and earnings situation of the Group in accordance with the IFRS, as they are applied in the EU, and the additional requirements of Sec. 245a Austrian Commercial Code (UGB) and Sec. 59a Austrian Banking Act (BWG). The legal representatives are furthermore responsible for those internal controls considered necessary in order to prepare a consolidated financial statement that is free from material misstatement - whether due to fraud or error.

When preparing the consolidated financial statements, the legal representative are responsible for determining whether the group is a going concern, and for presenting any information relating to the ability of the group to continue trading – if relevant, as well as applying the going concern accounting principle, unless the legal representatives intend to either liquidate the group or to stop its business activities, or have no realistic alternative to doing so.

The audit committee is responsible for monitoring the accounting process within the group.

Responsibilities of the company auditors for the audit of the consolidated financial statement

It is our objective to achieve adequate certainty that the consolidated financial statement as a whole is free from material misstatement -
whether due to fraud or error - and to issue an audit certificate which contains our audit assessment. Adequate certainty means a high level of certainty, but not a guarantee that the audit of the financial statements, carried out in accordance with the Austrian principles of correct audit of annual accounts, that require the application of the ISAs, will always uncover a materially false presentation, if this is the case. False representations may result from malicious acts or errors, and are regarded as material if it can be expected that they, individually or collectively, could influence the business decisions taken by users on the basis of these consolidated financial statements.
As part of the audit of the financial statements, in line with the EU Regulation and the Austrian principles of correct auditing, requiring the application of ISAs, we use our professional judgement and retain a critical approach.

In addition:

- We identify and rank the risks of material misrepresentation – whether due to fraud or error – in the financial statements, plan audit activities in terms of these risks, perform them and acquire audit proofs that are sufficient and adequate to use as the basis of our audit opinion. The risk that malicious actions resulting in materially false representation will not be discovered, is greater than one resulting from errors, as malicious actions can include collusion, falsification, deliberate omissions, misleading representations or bypassing internal controls.
- We familiarise ourselves with the internal control system relevant to the audit of the financial statements in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control system.
- We evaluate the appropriateness of accounting principles used and the tenability of the valuation estimates made by the legal representatives in the consolidated financial statements and its annexes.
- We draw conclusions about the suitability of the application of the going concern accounting principle by the legal representatives as well as, based on the evidence acquired during the audit, about whether there is any substantial uncertainty in relation to events or facts that could cast significant doubts on the ability of the group to continue its commercial activity. Should we reach the conclusion that a substantial uncertainty exists, we are required to draw attention to the relevant data in our audit opinion on the consolidated financial statements or, if these data require it, to amend our audit opinion. We draw our conclusions on the basis of the audit evidence acquired by the date of our audit opinion. Future events or factors may, however, result in the group deciding not to continue its business activity.
- We judge the overall presentation, the structure and the contents of the consolidated financial statements including the additional information, as well as whether the consolidated financial statements accurately reflect the underlying business transactions and events, so that a true and fair picture is presented.
- We obtain sufficient suitable audit evidence about the financial information for the entities or business activities within the group in order to be able to issue an audit opinion on the consolidated financial statements. We are responsible for organising, monitoring and implementing the audit of the underlying consolidated financial statements. We are solely responsible for our audit opinion.
- We inform the Audit Committee among others about the planned scope and the planned timetable of the audit of the consolidated financial statements, as well as about significant

audit conclusions, including any significant shortcomings of the internal control system, that we uncover during audit of the consolidated financial statements.

- We also provide the Audit Committee with a statement that we have complied with the professional conduct requirements relating to independence, and discuss with them any relationships or other factors which could lead to the logical conclusion that they might impact our independence and – if relevant – any related protective measures required.
- We determine which factors of those which we have discussed with the Audit committee are the most relevant for the audit of the consolidated financial statements for this financial year, and therefore which are the most important items for audit. We describe these factors in our audit opinion, unless laws or other legal provisions prevent the publication of the information or we decide, in very rare cases, that an item should not be mentioned in our audit opinion because one could reasonably expect negative consequences from its publication that would outweigh the benefits in the public interest.

Other legal and regulatory requirements

Report on the Management report

Austrian company law requires that the Management report be reviewed to determine that it is in line with the consolidated financial statements and that it was prepared in compliance with the current legal requirements.

The legal representatives are responsible for the preparation of the Management report, in compliance with the requirements of Austrian company law.

We have performed our audit in line with the professional principles for the audit of the Group Management report.

Conclusions

In our opinion, the Group Management report was drawn up in compliance with the current legal requirements, that it contains accurate information under Section 243a UGB and is consistent with the consolidated financial statements.

Declaration

In the light of the information acquired during the audit of the consolidated financial statements and the understanding of the Group and its environment, we have not detected any materially incorrect information in the Group Management report.

Additional information

The legal representatives are responsible for all additional information. The additional information comprises all information in the Annual Report, excluding the financial and consolidated financial statements, the management and group management report and the audit opinions on these.
Our audit opinion on the consolidated financial statements does not cover this additional information, and we provide no assurances of any kind in respect to it.
As part of our audit of the consolidated financial statements it is our responsibility to read this other information and to consider if there are major discrepancies between the other information and the consolidated financial statements, or with the knowledge we gained in the course of the audit, or whether the other information is presented in a fundamentally incorrect way. If, based on the work we have carried out, we reach the conclusion that the additional information is substantially incorrect, we must report this. We have no comments to make in this respect.

Additional information pursuant to Article 10 of EU Regulation

We were chosen as auditors by the Annual General Meeting on 12 May 2017, and commissioned by the Supervisory Board on 23 May 2017 and 20 September 2018 respectively to audit the consolidated financial statements of the Bank für Tirol und Vorarlberg Aktiengesellschaft. We have been Group auditors of the company for more than 20 years. We declare that the opinion in the section "Report on the Consolidated Financial Statements" is consistent with the additional report to the Audit Committee pursuant to Art. 11 of the EU Regulation.
We declare that we have not provided any prohibited non-audit services (Art. 5(1) EU Regulation) and that we have maintained our independence from the Group companies in conducting the audit.

Responsible Auditor

The auditor responsible for the contract to audit the consolidated financial statements is Ms Mag. Martha Kloibmüller.

Innsbruck, 22 March 2019

KPMG Austria GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft

Mag. Martha Kloibmüller
Auditor

President of the Supervisory Board Dr Franz Gasselsberger, MBA.

Dear reader,

2018 was another very successful year for the Bank für Tirol und Vorarlberg Aktiengesellschaft. For banks, the current market environment is a challenging one. The historically low interest rates in particular put a strain on the operational business of financial institutions throughout Europe. By contrast, BTV succeeds, as the very good result proves, in taking advantage of the opportunities that still exist and growing together with its customers.

The Supervisory Board has carried out the tasks required of it by the law and the company statutes while adhering to the regulations of the current version of the Austrian Code of Corporate Governance. It is the duty of the Supervisory Board to supervise and support the Board of Directors. In the context of the Supervisory Board meetings, the members of the Supervisory Board together with the Board of Directors discuss the economic situation, including the risk situation and risk management, strategic development and other bank-related events. During the financial year, the Supervisory Board convened each quarter, whereby the Board of Directors has also been communicating outside the sessions of the Supervisory Board and its committees with the Supervisory Board in particular in relation to significant events. The Supervisory Board was thus involved in the key decisions and was comprehensively and thoroughly informed about business activities by the BTV Board of Directors.

The Supervisory Board has established five committees for the purpose of efficient performance of the Supervisory Board's tasks, or by way of implementing legal requirements. These are namely the audit, working, risk and credit, remuneration and appointments committees. The committees essentially prepare topics and resolutions for subsequent discussion at a full meeting. Within the limits of legal possibilities, the Supervisory Board's decision-making powers are delegated to the committees in individual cases. The Chairman of the Supervisory Board chairs all of the committees. In his role as committee chairman, the Chairman of the Supervisory Board has regularly and comprehensively reported at the full meetings on the content and decisions of committee meetings.

Both the Working Committee and the Risk and Loans Committee of the Supervisory Board have continuously monitored the business events which required its approval. In addition, the Auditing Committee met twice, as planned, and has performed its legal auditing and monitoring tasks to the fullest extent, particularly in relation to the internal control system, the risk management system, the accounting process, the internal auditing system, the audit of the consolidated financial statements, and the independence of the auditor, as well as the corporate governance report. The remuneration committee met as planned on one occasion and fully performed during the financial year the duties assigned to it through the Banking Act, especially the passing, auditing and controlling of the principles of the remuneration policy as well as the measuring of the variable remuneration of the Members of the Board. The appointments committee met once as planned, and fulfilled the duties assigned to it under the Banking Act to their full extent, in particular in relation to the succession planning for the Board of Directors and the Supervisory Board, monitoring the achievement of a target rate for the under-represented gender, and the evaluation of the knowledge, capabilities and experience both of the Directors and of the individual members of the Supervisory Board, as well as the body in its entirety. The Risk and Credit Committee met once, as planned, and fully performed during the financial year the duties assigned to it under the Banking Act, particularly advising management on risk appetite and risk strategy and monitoring the implementation of the risk strategy, and checking the appropriateness of the pricing and of the risk incentives inherent in the remuneration system. The meetings and decisions of the committees of the Supervisory Board where reported to the plenum of the Supervisory Board at the respective subsequent meeting. I would like to thank the members of the Supervisory Board for their tremendous dedication and valuable discussions!

To permanently ensure the professional suitability of members of the Supervisory Board and management of BTV, educational and training courses run by both external and in-house lecturers took place throughout the financial year.

The auditor of the financial statements, KPMG Austria GmbH Auditor and Accounting Company, Innsbruck, has checked the book-keeping, the individual and the group financial statements as well as the individual and group management reports for the company. The audit conformed to the legal requirements and did not give rise to any objections. The financial statements are accompanied by an unqualified opinion.

At its meeting on 29 March 2019, the Auditing Committee examined the individual and group annual accounts and the individual and group management report of the company and also the non-financial report and the Corporate Governance report and recommended the findings from the annual accounts to the full meeting of the Supervisory Board, in which regard this was reported to the full meeting of the Supervisory Board accordingly.
The Supervisory Board had available to it copies of the Financial Statements and Management Report, drawn up in accordance with the legal commercial stipulations in Austria, as well as the non-financial report.

The Financial Statements show a true and fair view as of 31 December 2018 of the capital and financial situation of the Bank für Tirol und Vorarlberg Aktiengesellschaft. A similar view for the time period 1 January up to 31 December 2018 is provided by the attached comments on the earnings situation. The recommendation of the Board of Directors to pay out a dividend of EUR 0.30 per share for the year 2018, i.e. EUR 10,209,375.00 and to carry forward the residual profit is endorsed by the Supervisory Board.

The Supervisory Board adopts the results of the audit, declares that it is in agreement with the financial statements presented by the Board of Directors including management report and non-financial report, and approves the financial statements for 2018 for the company, which are thereby established as required by Sec. 96(4) of the Austrian Share Act.

On behalf of the Supervisory Board, I would like to thank the Board of Directors and the employees of BTV for their personal commitment.

Innsbruck, 29 March 2019

The Supervisory Board

Dr. Franz Gasselsberger, MBA
President of the Supervisory Board

Imprint

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Tax ID: ATU31712304

Notes

Any reference in the company reports to a person (e.g. he, him) is intended to apply equally to women and men.

In the BTV company report there may be slightly differing values between tables or charts.

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

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Marketing, Communication,
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MMag. Marion Plattner
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MMag. Daniel Stöckl-Leitner

BTV Finance & Controlling (pp. 21–192)

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Final version
22 March 2019

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A pilot provides safe passage. All our employees have a little BTV pilot's flag in their buttonhole.

A meaningful symbol: We guide you on your route to success.

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