

# BUSINESS REPORT / SECOND QUARTER 2006

# IMPORTANT DATES FOR SHAREHOLDERS

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## Annual General Meeting

10 May 2006, 10.00 h, Langer Weg 11, Innsbruck

The dividend is published one day after the General Meeting at BTV's website and in the gazette of the Wiener Zeitung.

## Ex-dividend date

17 May 2006

## Payment of dividend

24 May 2006

## Quarterly report as at 31 March 2006

Published on 26 May 2006 ([www.btv.at](http://www.btv.at))

## Quarterly report as at 30 June 2006

Published on 25 August 2006 ([www.btv.at](http://www.btv.at))

## Quarterly report as at 30 September 2006

Published on 24 November 2006 ([www.btv.at](http://www.btv.at))

## THE BTV GROUP – AT A GLANCE

<b>Balance sheet in millions of €</b>	<b>30.06.2006</b>	<b>31.12.2005</b>	<b>+/- %</b>
Total assets	7.309	6.765	8,0 %
Loans and advances to customers after credit risk	4.967	4.762	4,3 %
Primary funds	5.344	5.247	1,8 %
of which savings deposits	1.058	1.058	0,0 %
of which securitised debt inc. subordinated capital	1.122	1.139	- 1,5 %
Equity	481	470	2,3 %
Managed deposits	10.260	10.290	- 0,3 %
<b>Equity (under Austrian law - BWG) in millions of €</b>			<b>+/- %</b>
Risk-weighted assets	5.113	4.773	7,1 %
Own funds (not inc. Tier 3)	564	555	1,6 %
of which core capital (Tier I)	339	340	- 0,2 %
Surplus own funds	153	171	- 10,2 %
Core capital ratio	6,64 %	7,12 %	- 0,48 %
Total capital ratio	10,99 %	11,63 %	- 0,64 %
<b>Resources</b>			<b>+/-</b>
Average no. of employees	835	820	15
Number of branches	37	37	0
<b>Income in millions of €</b>	<b>30.06.2006</b>	<b>30.06.2005</b>	<b>+/- %</b>
Interest	51,6	46,8	10,4 %
Loan loss provisions	- 12,8	- 12,1	5,9 %
Commission	23,4	19,9	17,9 %
Operating expenses	- 42,6	- 38,2	11,6 %
Profit of the year before tax	24,4	19,8	23,1 %
Group profit for the year	21,1	17,4	21,3 %
<b>Companies</b>			<b>+/- in %-Points</b>
Return on equity before tax	10,4 %	9,1 %	1,3 %
Return on equity after tax	8,9 %	7,9 %	1,0 %
Cost/income ratio	54,8 %	56,1 %	- 1,3 %
Risk/earnings ratio	24,9 %	25,9 %	- 1,0 %
<b>BTV shares</b>			
Number of ordinary no-par value shares	4.500.000	4.500.000	
Number of preference no-par value shares	500.000	500.000	
Top price of ordinary/preference share in €	101,00/90,00	115,00/80,50	
Bottom price of ordinary/preference share in €	88,00/78,50	95,00/51,00	
Closing price of ordinary/preference share in €	95,00/90,00	105,00/80,00	
Market capitalisation in millions of €	473	513	
IFRS EPS in €	8,50	7,00	
P/E ratio, ordinary shares	11,2	15,0	
P/E ratio, preference shares	10,6	11,4	

# BUSINESS DEVELOPMENT OF BTV AG DURING THE SECOND QUARTER OF 2006

## ECONOMIC ENVIRONMENT

European growth continued to pick up speed after a good start in the first quarter, Western Europe (led by industry) for the first time outperforming America and Japan. Business output April to June was 3.75% higher than in the same period the previous year, thanks mainly to full order books. In a generally clear economic sky, rising prices and the tense political situation in the Middle East cast looming shadows while growing doubt about the sustainability of economic growth changed investment trends. In May 2006 there was a mass migration from equities to bonds. Gilts were the main winners as corporates became less attractive. The 4 % yield on 10-year euro gilts was just above their March 2006 figure. The raising of the key interest rates flattened the euro interest-rate curve.

## INCOME

### Interest

Export-oriented business in the Tyrol and Vorarlberg and also in our new Eastern Switzerland, Baden-Württemberg, Bavaria and Viennese markets benefited from the positive economic environment as significantly more banking services were sold. Our core market remains extremely competitive. Rising rates since the beginning of the year lifted the BTV group's interest income 10.4 % over the previous year to € 51.6 million.

### Loan loss provisions

Loan loss provisions were calculated on the basis of total accruals and releases including direct provisions for doubtful debts and income from already provisioned doubtful debts. At € 12.8 million, corporate and retail loan loss provisions were 5.9 % up on the same period the previous year.

### Commission

Business and retail banking commission income rose in S1 2006, driven primarily by trading (up € 3.1 million to € 13.7 million). Guarantee facilities and payment transaction services showed good growth with business customers. Overall, net commission income grew 17.9 % to € 23.4 million.

### Trading

At € 2.7 million, trading income was materially higher than in 2005, mostly as a result of hedging business. For flexibility, this is recognised under trading income rather than in hedge accounting.

### Operating expenses

These (payroll and material expenditure plus depreciation of property, plant and equipment) rose 11.6 % over the quarter to € 42.6 million owing to BTV expansion. At the beginning of July we opened new foreign branches in Memmingen and

Augsburg. Payroll expenses increased 17.0 % to € 28.2 million mostly owing to the additional payroll provisions required under the collective agreement. The parameter for calculating social capital was raised from 2.25 % to 3 %, the expense being recognised pro-rata in the first half. Salaries and wages went up 4.2 % to € 18.6 million and the number of employees increased by 15 to 835 (weighted for grade) since 31 December 2005. The higher IT costs and the heavier cost of premises have been the main contributors to the increased material expenditure. The depreciation of office furnishings and equipment and the amortisation intangible assets fell 10.3 % to € 3.2 million.

### Other operating income

Total earnings went up from € 2.0 million in 2005 to € 2.1 million while other operating income rose € 1.8 million and other operating expenses increased € 1.7 million. The result was a € 24.4 million pre-tax profit for the period, + 23.1 % on the same period last year.

### Tax

Income and profits taxes include Austrian corporation tax and in particular the accrued tax liabilities and deferred tax income that must be recognised under the IFRSs. The tax liability for S1 2006 is € 3.3 million, giving BTV a 13.7 % tax rate (2005: 12.4 %).

### Consolidated profit

After-tax profits for the period were up 21.3 % to € 21.1 million (2005: € 17.4 million). RoE on after-tax Group profit was 8.9 % in S1 2006 (7.9 % over the same period 2005).

## BALANCE SHEET

BTV Group total assets rose 8.0 % in the first half of 2006 to € 7308.7 million. On the asset side, loans and advances to customers increased 4.4 % to € 5125.2 million.

Retail lending increased slightly. The good economic environment meant that Austrian corporate customers were able to take out more investment finance. Loan loss provisions rose 6.8 % to € 158.0 million. The € 40.6 million increase in current trading assets (to € 1023.7 million) was entirely fixed-interest securities. Our equity portfolio was unaltered at € 84.7 million. Long-term investments and loans went up 0.4 % to € 600.5 million, redemptions of non-current assets being lower (- € 19.1 million) than those of participating interests recognised at equity (- € 21.3 million).

On the liabilities side, customer deposits increased 2.8 % to € 4222.1 million, primarily owing to higher inflows from our foreign customers.

The banking group's creditable own funds under the Austrian Banking Act (BWG) totalled € 563.8 million in the first half (December 2005: € 555.3 million). At 30 June 2006 the statutory capital adequacy requirement was € 410.7 million, giving us about 137 % cover (December 2005 about 145 %).

At 30 June 2006 the banking group's core capital (Austrian rules) totalled € 339.3 million (December 2005: € 339.8 million). Core capital at the interim balance-sheet date was 6.64%, -0.48 % down on the comparable figure at 31 December 2005. Own funds fell from 11.63 % to 10.99 % but remained materially above the statutory 8% requirement.

## OUTLOOK

In the first half of 2006 BTV increased market share of its core and new markets. We believe this trend will continue.

BTV is to open additional foreign branches in Ravensburg (Baden-Württemberg) and Rosenheim (Bavaria) in the second quarter of 2006, continuing its market offensive. In the meantime, BTV is looking forward to continued contributions to its income from these additions to the Group's territory.

In addition to its existing branch in Padua, in autumn 2006 BTV will add two new representational offices in Verona and Bolzano to improve the quality of the service we offer our customers in Northern Italy.

Consolidated pre-tax profit at 31 December 2006 is expected to be around € 40 million.

## I. BTV GROUP: BALANCE SHEET AS AT 30 JUNE 2006

Assets thousands of €	Notes	30.06.2006	31.12.2005	total	change	in %
1. Cash reserves		171.779	123.564	48.215		39,0 %
2. Loans and advances to credit institutions	(1)	324.401	116.510	207.891		> 100,0 %
3. Loans and advances to customers	(2)	5.125.225	4.910.087	215.138		4,4 %
4. Loan loss provisions	(3)	- 158.003	- 147.879	- 10.124		6,8 %
5. Trading	(4)	4.014	11.807	- 7.793		- 66,0 %
6. Other current assets	(5)	1.023.663	983.100	40.563		4,1 %
7. Long-term investments and loans	(6)	600.471	598.089	2.382		0,4 %
8. Intangible fixed assets		1.683	1.834	- 151		- 8,2 %
9. Property, plant and equipment		101.913	97.976	3.937		4,0 %
10. Other assets		113.541	70.294	43.247		61,5 %
<b>Total assets</b>		<b>7.308.687</b>	<b>6.765.382</b>	<b>543.305</b>		<b>8,0 %</b>
Liabilities in Tsd. €	Notes	30.06.2006	31.12.2005	absolut	change	in %
1. Banks	(7)	1.275.006	887.870	387.136		43,6 %
2. Customer accounts	(8)	4.222.067	4.108.226	113.841		2,8 %
3. Securitised debt	(9)	824.185	847.625	- 23.440		- 2,8 %
4. Reserves and provisions	(10)	66.110	67.531	- 1.421		- 2,1 %
5. Other liabilities		142.974	92.891	50.083		53,9 %
6. Subordinated capital	(11)	297.796	291.621	6.175		2,1 %
7. Equity		480.549	469.618	10.931		2,3 %
<b>Total liabilities</b>		<b>7.308.687</b>	<b>6.765.382</b>	<b>543.305</b>		<b>8,0 %</b>

## II.A. BTV GROUP: PROFIT AND LOSS ACCOUNT AS AT 30 JUNE 2006

thousands of €	Notes	01.01. - 30.06.2006	01.01. - 30.06.2005	absolut	change in %
1. Interest and similar income		132.750	116.548	16.202	13,9 %
2. Interest and similar expenses		- 81.120	- 69.771	11.349	16,3 %
<b>I. Net interest income</b>	<b>(12)</b>	<b>51.630</b>	<b>46.777</b>	<b>4.853</b>	<b>10,4 %</b>
3. Loan loss provisions	(13)	- 12.847	- 12.127	720	5,9 %
4. Commission income		28.238	23.898	4.340	18,2 %
5. Commission expense		- 4.836	- 4.042	794	19,6 %
<b>II. Net commission income</b>	<b>(14)</b>	<b>23.402</b>	<b>19.856</b>	<b>3.546</b>	<b>17,9 %</b>
6. Trading income	(15)	2.718	1.481	1.237	83,5 %
7. Operating expenses	(16)	- 42.617	- 38.195	4.422	11,6 %
8. Other operating income	(17)	2.114	2.022	92	4,5 %
<b>III. Net profit for the year before tax</b>		<b>24.400</b>	<b>19.814</b>	<b>4.586</b>	<b>23,1 %</b>
9. Income and profits tax		- 3.343	- 2.458	885	36,0 %
<b>IV. Net profit for the year after tax</b>		<b>21.057</b>	<b>17.356</b>	<b>3.701</b>	<b>21,3 %</b>

EPS (ordinary und preference shares)	30.06.2006	30.06.2005
Equities (ordinary and preference shares)	5.000.000	5.000.000
Average float (Stamm- und Vorzugsaktien)	4.955.227	4.958.027
Net Group income (thousands of €)	21.057	17.356
<b>EPS (€)</b>	<b>4,25</b>	<b>3,50</b>
Diluted gain per share (€)	4,25	3,50

## II.B. BTV GROUP: PROFIT AND LOSS ACCOUNT PERIODES

thousands of €	2. Qu. 2006	1. Qu. 2006	4. Qu. 2005	3. Qu. 2005	2. Qu. 2005
1. Interest and similar income	69.888	62.862	61.044	55.076	58.998
2. Interest and similar expenses	- 43.522	- 37.598	- 32.080	- 31.368	- 34.660
<b>I. Net interest income</b>	<b>26.366</b>	<b>25.264</b>	<b>28.964</b>	<b>23.708</b>	<b>24.338</b>
3. Loan loss provisions	- 5.968	- 6.879	- 8.242	- 6.561	- 6.153
4. Commission income	13.437	14.801	12.939	11.953	11.841
5. Commission expense	- 2.524	- 2.312	- 1.707	- 2.198	- 2.377
<b>II. Net commission income</b>	<b>10.913</b>	<b>12.489</b>	<b>11.232</b>	<b>9.755</b>	<b>9.464</b>
6. Trading income	534	2.184	1.900	2.944	689
7. Operating expenses	- 20.846	- 21.771	- 24.957	- 19.946	- 19.101
8. Other operating income	1.818	296	464	748	1.150
<b>III. Net profit for the quarter before tax</b>	<b>12.817</b>	<b>11.583</b>	<b>9.361</b>	<b>10.648</b>	<b>10.387</b>
9. Income and profits tax	- 1.673	- 1.670	- 1.157	- 1.316	- 1.291
<b>IV. Net profit for the quarter after tax</b>	<b>11.144</b>	<b>9.913</b>	<b>8.204</b>	<b>9.332</b>	<b>9.096</b>

### III. BTV GROUP: STATEMENT OF CHANGE IN EQUITY AS AT 30 JUNE 2006

thousands of €	Subscribed capital	Retained earnings	Revenue reserves	Depreciation reserves	Total equity 2005
<b>Equity at 01.01.2005</b>	<b>50.000</b>	<b>59.096</b>	<b>306.276</b>	<b>16.492</b>	<b>431.864</b>
Capital increases	–	–	–	–	–
Net income for the quarter	–	–	17.356	–	17.356
Distributions	–	–	- 6.500	–	- 6.500
Exchange differentials	–	–	6	–	6
Treasury shares	–	- 173	–	–	- 173
Other changes of which deferred tax	– –	– –	1.655 - 745	6.705 –	8.360 - 745
<b>Equity at 30.06.2005</b>	<b>50.000</b>	<b>58.923</b>	<b>318.793</b>	<b>23.197</b>	<b>450.913</b>

thousands of €	Subscribed capital	Retained earnings	Revenue reserves	Depreciation reserves	Total equity 2006
<b>Equity at 01.01.2006</b>	<b>50.000</b>	<b>58.778</b>	<b>340.071</b>	<b>20.769</b>	<b>469.618</b>
Capital increases	–	–	–	–	–
Net income for the quarter	–	–	21.057	–	21.057
Distributions	–	–	- 7.000	–	- 7.000
Exchange differentials	–	–	17	–	17
Treasury shares	–	- 13	–	–	- 13
Other changes of which deferred tax	– –	– –	9.432 3.141	- 12.562 –	- 3.130 3.141
<b>Equity at 30.06.2006</b>	<b>50.000</b>	<b>58.765</b>	<b>363.577</b>	<b>8.207</b>	<b>480.549</b>

## IV. BTV GROUP: CASH FLOW STATEMENT AS AT 30 JUNE 2006

thousands of €	01.01. - 30.06.2006	01.01. - 30.06.2005
Cash position at the end of the previous period	123.564	104.479
Operating cash flow	49.267	125.512
Investment cash flow	- 4.027	10.645
Financing cash flow	2.975	9.515
Cash position at end of period	171.779	250.151

## V. BTV GROUP: NOTES SECOND QUARTER 2006

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### **Accounting and Valuation Principles**

The BTV consolidated financial statements are published in accordance with the requirements of the International Accounting Standards Boards (IASB), with current International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) including the applicable interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and with the international accounting standards adopted by the EU. The present unaudited interim financial statements as at 30 June 2006 agree with IAS 34.

On 1 January 2006 the parameter for calculating pay rises under the collective agreement pay was raised from 2.25 % to 3.00 %. The additional expense will be imputed straight-line over the entire year. There were no other changes in accounting or valuation methods over the reporting period.

### **Post-interim balance sheet events**

On 3 July 2006 BTV opened its first two foreign branches in Southern Germany in Memmingen and Augsburg.

In the first half of August the BTV Financial Department moved and from 28 August BTV customers will be welcomed into the newly opened Stadtforum in the centre of Innsbruck.

## V. BTV GROUP: NOTES SECOND QUARTER 2006

### BALANCE SHEET – ASSETS

#### 1) LOANS AND ADVANCES TO BANKS

	30.06.2006	31.12.2005
<b>thousands of €</b>		
Austrian banks	191.251	88.991
Foreign banks	133.150	27.519
<b>Loans and advances to banks</b>	<b>324.401</b>	<b>116.510</b>

#### 2) LOANS AND ADVANCES TO CUSTOMERS

	30.06.2006	31.12.2005
<b>thousands of €</b>		
Austrian	3.940.799	3.684.152
Foreign	1.184.426	1.225.935
<b>Loans and advances to customers</b>	<b>5.125.225</b>	<b>4.910.087</b>

#### 3) LOAN LOSS PROVISIONS

	01.01. - 30.06.2006	01.01. - 30.06.2005
<b>thousands of €</b>		
Opening balance at 1 January	147.879	145.541
Releases	- 15	- 532
Allocation	11.030	12.408
Application	- 891	- 552
<b>Loan loss provisions at 30.06.</b>	<b>158.003</b>	<b>156.865</b>
Opening balance commitments at 01.01.	181	241
Releases	0	0
Allocation	100	118
Application	0	0
<b>Reserves and provisions commitments at 30.06.</b>	<b>281</b>	<b>359</b>
<b>Total loan loss provisions at 30.06.</b>	<b>158.284</b>	<b>157.224</b>

## V. BTV GROUP: NOTES SECOND QUARTER 2006

### 4) TRADING ASSETS

	30.06.2006	31.12.2005
<b>thousands of €</b>		
Debenture bonds and other fixed-interest securities	12	304
Equities and other variable-interest securities	3.923	11.478
Positive market values arising from derivative transactions	79	25
<b>Trading assets</b>	<b>4.014</b>	<b>11.807</b>

### 5) OTHER CURRENT ASSETS

	30.06.2006	31.12.2005
<b>thousands of €</b>		
Debenture bonds and other fixed-interest securities	938.934	898.343
Equities and other variable-interest securities	84.729	84.757
<b>Total current assets</b>	<b>1.023.663</b>	<b>983.100</b>
of which fair value	39.185	38.654

### 6) LONG-TERM INVESTMENTS AND LOANS

	30.06.2006	31.12.2005
<b>thousands of €</b>		
a) Securities held as current assets/HTM		
Debenture bonds and other fixed-interest securities	323.020	342.135
<b>Interim securities held as current assets</b>	<b>323.020</b>	<b>342.135</b>
b) Participations/associates		
Other participations	20.594	20.594
Other associates	70.311	70.161
Participations consolidated at equity	186.546	165.199
<b>Interim participations/associates</b>	<b>277.451</b>	<b>255.954</b>
<b>Total long-term investments and loans</b>	<b>600.471</b>	<b>598.089</b>

### 7) BANKS

	30.06.2006	31.12.2005
<b>thousands of €</b>		
Austrian	801.786	670.387
Foreign	473.220	217.483
<b>Liabilities to banks</b>	<b>1.275.006</b>	<b>887.870</b>

## V. BTV GROUP: NOTES SECOND QUARTER 2006

### 8) CUSTOMER ACCOUNTS

	30.06.2006	31.12.2005
<b>thousands of €</b>		
<b>a) savings deposits</b>		
Austrian	946.979	949.854
Foreign	110.980	108.439
<b>Sub-total savings deposits</b>	<b>1.057.959</b>	<b>1.058.293</b>
<b>b) Other deposits</b>		
Austrian	2.794.584	2.804.708
Foreign	369.524	245.225
<b>Sub-total other deposits</b>	<b>3.164.108</b>	<b>3.049.933</b>
<b>Customer accounts</b>	<b>4.222.067</b>	<b>4.108.226</b>

### 9) SECURITISED DEBT

	30.06.2006	31.12.2005
<b>thousands of €</b>		
Debentures	677.758	681.293
Domestic bonds (including medium-term cash deposit)	146.427	166.332
<b>Securitized debt</b>	<b>824.185</b>	<b>847.625</b>

### 10) RESERVES AND PROVISIONS

	30.06.2006	31.12.2005
<b>thousands of €</b>		
Long-term payroll reserves	63.853	61.212
Other Reserves and provisions	2.257	6.319
<b>Reserves and provisions</b>	<b>66.110</b>	<b>67.531</b>

### 11) SUBORDINATED CAPITAL

	30.06.2006	31.12.2005
<b>thousands of €</b>		
Supplymentary capital	297.796	291.621
<b>Subordinated capital</b>	<b>297.796</b>	<b>291.621</b>

## V. BTV GROUP: NOTES SECOND QUARTER 2006

Pursuant to the Austrian Banking Act (BWG) own funds issued by the BTV banking group were as follows:

### CONSOLIDATED OWN FUNDS OF THE BTV BANKING GROUP

millions of €	30.06.2006	31.12.2005
Share capital	50,0	50,0
Minus treasury shares	- 2,6	- 2,5
General reserves	284,8	285,4
Consolidation pursuant to section 24(2) BWG	8,6	8,6
Minus intangible assets	- 1,5	- 1,7
<b>Core capital (Tier 1)</b>	<b>339,3</b>	<b>339,8</b>
<b>Supplementary own funds (Tier 2)</b>	<b>322,0</b>	<b>304,3</b>
Valuation items	- 99,2	- 88,8
<b>Eligible own funds (excluding Tier 3)</b>	<b>562,1</b>	<b>555,3</b>
Own funds applied pursuant to section 23(14 Z 7) BWG (Tier 3)	1,7	0,0
<b>Eligible own funds pursuant to section 215(115) BWG</b>	<b>563,8</b>	<b>555,3</b>
Capital adequacy - own fund requirement	409,0	381,8
Securities trading book and general currency position - own fund requirement	1,7	3,0
<b>Own fund requirement pursuant to section 22(1) BWG</b>	<b>410,7</b>	<b>384,8</b>
<b>Excess</b>	<b>153,1</b>	<b>170,5</b>
Core capital ratio	6,64 %	7,12 %
Attributable own funds	10,99 %	11,63 %

## V. BTV GROUP: NOTES SECOND QUARTER 2006

### INCOME STATEMENT

#### 12) NET INTEREST INCOME

thousands of €	01.01. - 30.06.2006	01.01. - 30.06.2005
Interest and similar income from		
lending and money market transactions with banks	16.249	14.896
lending and money market transactions with customers	79.681	67.038
debenture bonds and fixed-interest securities	22.780	21.022
equities and variable-rate securities	746	961
other participations	610	1.664
participations carried at equity	8.316	6.103
other	4.368	4.864
<b>Sub-total interest and similar income</b>	<b>132.750</b>	<b>116.548</b>
Interest and similar expenses on		
bank deposits	- 9.450	- 4.271
client deposits	- 47.593	- 42.117
securitised debt	- 12.373	- 11.577
subordinated capital	- 6.427	- 5.870
other	- 5.277	- 5.936
<b>Sub-total interest and similar expenses</b>	<b>- 81.120</b>	<b>- 69.771</b>
<b>Net interest income</b>	<b>51.630</b>	<b>46.777</b>

## V. BTV GROUP: NOTES SECOND QUARTER 2006

### 13) LOAN LOSS PROVISIONS

thousands of €	01.01. - 30.06.2006	01.01. - 30.06.2005
On-balance sheet	- 11.031	- 10.398
Off-balance sheet	- 100	- 118
Loan loss insurance premiums	- 1.971	- 2.011
Release of on-balance sheet provisions	15	532
Release of off-balance sheet provisions	0	0
Direct amortisation	- 29	- 555
Income from amortised receivables	269	423
<b>Loan loss provisions</b>	<b>- 12.847</b>	<b>- 12.127</b>

Accruals to and releases of off-balance sheet loan loss provisions are included in the above.

### 14) COMMISSION INCOME

thousands of €	01.01. - 30.06.2006	01.01. - 30.06.2005
Lending	1.368	1.119
Payment transactions	6.217	6.135
Securities trading	13.747	10.561
Currency, foreign exchange and precious metals trading	1.468	1.239
Other	602	802
<b>Commission income</b>	<b>23.402</b>	<b>19.856</b>

### 15) TRADING INCOME

thousands of €	01.01. - 30.06.2006	01.01. - 30.06.2005
Derivatives	2.240	- 421
Securities	- 39	1.209
Foreign currency	517	693
<b>Trading income</b>	<b>2.718</b>	<b>1.481</b>

## V. BTV GROUP: NOTES SECOND QUARTER 2006

### 16) OPERATING EXPENSES

thousands of €	01.01. - 30.06.2006	01.01. - 30.06.2005
Payroll	- 28.211	- 24.126
Materials	- 11.168	- 10.459
Amortisation	- 3.238	- 3.610
<b>Operating expenses</b>	<b>- 42.617</b>	<b>- 38.195</b>

### 17) OTHER OPERATING INCOME

thousands of €	01.01. - 30.06.2006	01.01. - 30.06.2005
Securities and derivatives	1.542	1.059
Participations	0	- 61
Sundry other operating income	3.065	1.801
Sundry other operating expenses	- 2.493	- 777
<b>Other Operating income</b>	<b>2.114</b>	<b>2.022</b>

### 18) OTHER INFORMATION

	30.06.2006	31.12.2005
<b>a) Contingent liabilities and loan loss risk in thousands of €</b>	<b>1.206.531</b>	<b>1.211.606</b>
– Guarantees/commitments	356.931	357.155
– Documentary credits	4.965	8.041
– Loan loss risk	844.635	846.410
<b>b) Payroll</b>	<b>30.06.2006</b>	<b>31.12.2005</b>
– White collar	835	820
– Blue collar	21	22
<b>Payroll</b>	<b>856</b>	<b>842</b>

## V. BTV GROUP: SEGMENT REPORTING

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### Corporate banking

The pre-tax € 10.5 million profit for the period in this segment was 15.7 % above the same period in 2005. Higher lending and deposit volumes gave interest income a € 2.1 million (+8.8 %) boost. The growth in commission income is primarily the result of higher levels of lending and payment transactions. Rising payroll costs following our expansion into Eastern Switzerland, Bavaria and Baden-Württemberg have increased operating expenses by € 1.2 million (+11.9 %). The cost/income ratio was therefore 38.9 % and the yield on own funds 8.9 %.

### Retail banking

Our retail business saw good growth in trading. Commission income in this area grew by over 30 % and total net commission income by 25.2 % to € 17.1 million. Interest income was up 4.0 % over the same period in 2005 to around € 22.8. New business, particularly in the house-building sector, more than made up for falling spreads. Operating expense (+ 8.2 %) increased as a result of our expansion. Pre-tax profit for the period was € 10.3 million at the end of June 2006. The cost/income ratio improved to 63.8 % on the back of better income figures and the yield on own funds went up to 16.6 %.

### Institutional customers and banks

Rising interest rates have had a positive effect on interest income from institutional customers. Trading income came mainly from hedging business. For the sake of flexibility, this is not shown in hedge accounting. Pre-tax profit for the period was € 7.6 million.

## V. BTV GROUP: SEGMENT REPORTING

Segment reporting thousands of €	Quarter	Corporate	Retail	Institutional and banking	Other	Total
Net interest income	06/2006	25.558	22.766	3.304	0	51.629
	06/2005	23.499	21.892	1.407	0	46.798
Loan loss provisions	06/2006	- 8.792	- 4.055	0	0	- 12.847
	06/2005	- 8.775	- 3.250	- 100	0	- 12.125
Commission	06/2006	5.057	17.122	1.224	0	23.403
	06/2005	4.597	13.678	1.583	0	19.858
Trading income	06/2006	0	0	2.718	0	2.718
	06/2005	0	0	1.640	0	1.640
Operating expenses	06/2006	- 11.922	- 25.438	- 1.222	- 4.034	- 42.617
	06/2005	- 10.652	- 23.517	- 828	- 3.727	- 38.724
Other operating income	06/2006	583	- 84	1.543	72	2.114
	06/2005	395	0	1.076	550	2.021
<b>Net profit for the year before tax</b>	<b>06/2006</b>	<b>10.484</b>	<b>10.312</b>	<b>7.566</b>	<b>- 3.962</b>	<b>24.400</b>
	<b>06/2005</b>	<b>9.064</b>	<b>8.802</b>	<b>4.779</b>	<b>- 3.177</b>	<b>19.468</b>
Segment income	06/2006	3.047.594	1.644.678	2.385.502	0	7.077.774
	06/2005	2.686.980	1.583.931	2.248.337	0	6.519.248
Segment liabilities	06/2006	1.132.467	1.686.421	3.800.166	0	6.619.054
	06/2005	833.267	1.591.736	3.778.152	0	6.203.155
Ø Lending and market risk equivalent pursuant to section 22 BWG	06/2006	2.975.665	1.563.737	304.731	100.942	4.945.074
	06/2005	2.466.552	1.515.343	309.715	151.754	4.443.363
Ø Allocated equity	06/2006	238.053	125.099	24.378	86.662	474.193
	06/2005	197.324	121.227	24.777	95.248	438.577
Cost/income ratio (%)	06/2006	38,9 %	63,8 %	16,9 %		54,8 %
	06/2005	37,9 %	66,1 %	17,9 %		56,7 %
RoE (basis net profit for the year before tax) in %	06/2006	8,9 %	16,6 %	62,6 %		10,4 %
	06/2005	9,2 %	14,5 %	38,6 %		8,9 %

Interest income has been apportioned using the "Marktinzinsmethode" (a market-oriented fund transfer-pricing system used by Austrian and German banks) while costs have been imputed to the correct segment on the basis of origin. Costs that cannot be directly imputed to any particular heading are entered under "Other".

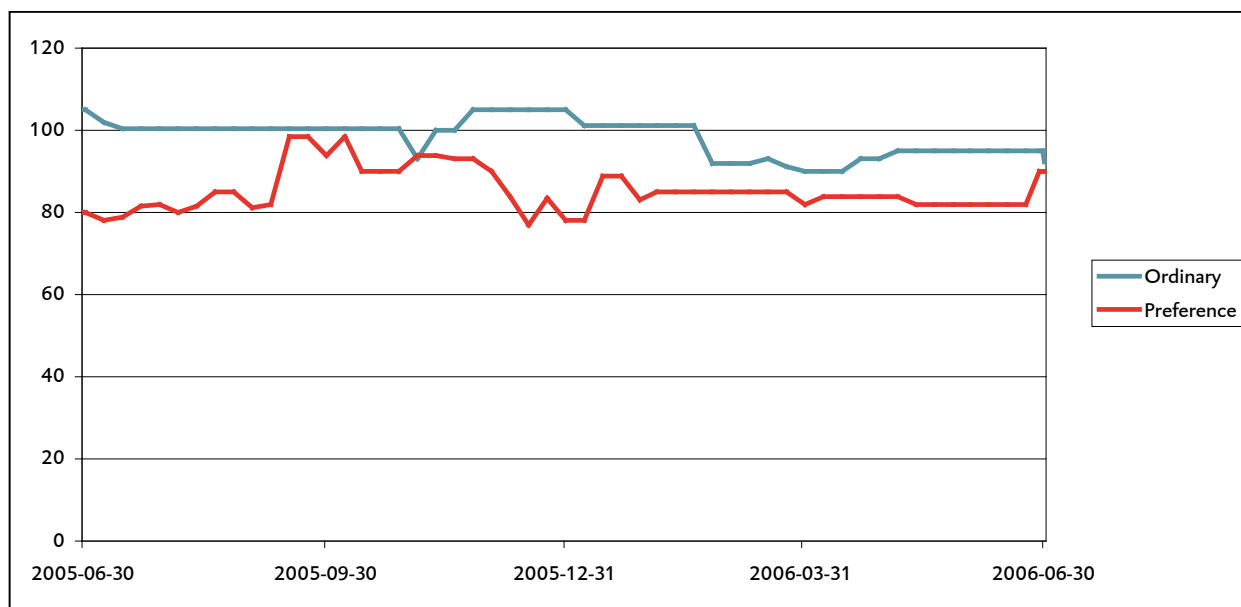
Segment receivables include banks, loans and advances to customers, trading assets and current and non-current assets (securities). Segment liabilities include banks, customer accounts, securitised debt and supplementary capital.

The success of this area of business is measured in terms of pre-tax profit for the segment.

ROI = pre-tax annual profit:equity. Capital allocation follows legal requirements, is based on the capital requirement for the area of business concerned and together with the interest rate for long-term investments is recognised as equity investment income under the interest income heading.

Cost/income ratio = operating expense/interest income + net commission income + trading income.

## BTV EQUITIES AS AT 2006-06-30



The biggest economic slowdown in the second quarter was in the USA where both trend indicators and actual economic data have been adjusted downwards over the last few months. High energy prices in the meantime pushed core inflation up 2.3 % over the same period last year to its highest point since the beginning of 2005. This had a knock-on effect on rates, forcing the Fed to raise short-term rates for the fourth time this year to 5.25 %.

Rising prices in Europe pushed the ECB into adopting a more restrictive monetary policy, lifting its main refinancing rate to 2.75 %.

Rising rates and inflation also had their effect on the international equity markets, which came under heavy pressure over the period.

The ATX was particularly hard hit by investor withdrawals and fell 9 % from the previous quarter to 3745.72.

BTV preference shares bucked the trend to close March 10% up at € 90, while BTV ordinary shares at 30 June 2006 were worth € 95 (+ 5 %).

## 3 BANKEN GRUPPE – OVERVIEW GROUP INFORMATION

	BKS Bank		Oberbank		BTV	
	30.06. 2006	31.12. 2005	30.06. 2006	31.12. 2005	30.06. 2006	31.12. 2005
<b>Balance sheet figures in millions of €</b>						
Total assets	4.966,3	4.719,0	12.726,2	12.251,6	7.308,7	6.765,4
Loans and advances to customers after loan loss provisions	3.103,4	2.922,0	7.670,5	7.223,8	4.967,2	4.762,2
Primary funds	2.848,9	2.633,7	7.360,0	7.268,4	5.344,1	5.247,5
of which savings deposits	1.326,7	1.246,8	2.596,8	2.523,3	1.058,0	1.058,3
of which securitised debt inc. subordinated capital	414,0	363,8	1.415,3	1.297,3	1.122,0	1.139,2
Equity	392,7	385,0	775,3	693,3	480,5	469,6
Managed deposits	8.664,9	8.861,9	14.573,2	14.456,6	10.259,7	10.289,6
of which client deposits	5.816,0	6.228,2	7.213,2	7.188,2	4.915,6	5.042,1
<b>BWG own funds in millions of €</b>						
Measurement basis	3.498,0	3.292,6	9.126,4	8.461,5	5.113,1	4.773,1
Own funds	350,5	335,4	1.169,4	1.065,4	563,8	555,3
of which core capital (Tier I)	226,7	227,5	631,4	575,9	339,3	339,8
Surplus	70,7	72,0	435,7	387,6	153,1	170,5
Core capital ratio	6,48 %	6,91 %	6,92 %	6,81 %	6,64 %	7,12 %
Total capital ratio	10,02 %	10,19 %	12,81 %	12,59 %	10,99 %	11,63 %
<b>Resources</b>						
Average no. of employees	748	744	1.708	1.702	835	820
Number of branches	50	50	111	111	37	37
<b>Profit and loss in millions of €</b>						
	30.06. 2006	30.06. 2005	30.06. 2006	30.06. 2005	30.06. 2006	30.06. 2005
Net interest income	46,2	41,5	110,6	103,4	51,6	46,8
Loan loss provisions	- 11,3	- 10,2	- 27,4	- 28,8	- 12,8	- 12,1
Commission income	21,4	19,6	48,6	45,7	23,4	19,9
Operating expenses	- 38,1	- 37,2	- 93,7	- 88,7	- 42,6	- 38,2
Net profit for the year before tax	22,3	15,0	46,2	36,3	24,4	19,8
Attributable net income for the year	18,6	12,9	41,0	32,9	21,1	17,4
<b>Subsidiaries</b>						
	30.06. 2006	31.12. 2005	30.06. 2006	31.12. 2005	30.06. 2006	31.12. 2005
RoE before tax	11,44 %	9,21 %	12,79 %	12,42 %	10,36 %	8,83 %
RoE after tax	9,70 %	8,15 %	11,34 %	10,85 %	8,94 %	7,74 %
Cost/income ratio	54,8 %	59,4 %	56,0 %	59,5 %	54,8 %	56,7 %
Risk/earnings ratio	24,5 %	20,7 %	24,8 %	24,1 %	24,9 %	27,1 %

# IMPRINT

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