

2007

2006

2005

ANNUAL REPORT 2004

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100 Jahre BTV

BTV
3 Banken Gruppe

100 YEARS OF BTV

It all began on 8 April 1904 when the royally and imperially appointed Allgemeine Verkehrsbank in Vienna obtained an Interior Ministry licence to set up a limited company. The Bank bought out two other banks: Payr & Sonvico of Innsbruck and Ludwig Brettauer sel. Erben of Bregenz and the new firm was headed up by Hans Sonvico and Ferdinand Brettauer, who had managed the Bank pre-merger. The entry in the Commercial Register on 18 August 1904 was just a formality: the Bank für Tirol und Vorarlberg had been born.

FAST GROWTH

BTV grew fast in the years immediately following its founding, opening a large number of branches in both North and South Tyrol and in Vorarlberg itself. The Bank's reputation among the people of the region and its business circles developed steadily.

A SAFE HAVEN IN STORMY SEAS

At the end of World War I, South Tyrol was ceded to Italy and in 1922 BTB had to close the branches there. Austria was suffering galloping inflation with deadly effect on business in the Tyrol and Vorarlberg. The banks were attacked by mobs trying to get their hands on their savings. Unlike its competitors, BTB was able to repay its customers immediately.

The Bank's philosophy of not entering into any risky speculations on the financial markets had paid off. By sticking to this business policy, BTB was the only regional joint-stock bank to survive the economic crisis, and by taking over other domestic banks actually came out of the 1920s stronger than it had been before. The Austrian press christened BTB the "wonder of the River Inn".

THE DOMESTIC ECONOMY DRIVER

World War II was followed by general economic stabilisation that provided the financial footing for recovery. As a lender to regional companies, BTB cranked up a domestic economy that now began to live heady days.

In 1952 the Bank für Oberösterreich und Salzburg and the Bank für Kärnten became shareholders in BTB. Today Oberbank, BKS and BTB form the 3 Banken Gruppe. This is a voluntary, democratic grouping that plays an even stronger role than it used to in the Austrian economy. For all three banks, the collaboration is fundamental to their independence and autonomy.

A TRUE UNDERSTANDING OF CUSTOMERS

Dr. Gerhard Moser and Dr. Otto Kaspar, the two Managing Directors, significantly expanded BTB's network of branches in the 70s and 80s to ensure that the Bank could truly "understand its customers" with a "real presence in the regions".

The personal relationship between customers and bank staff is a key factor in the Bank's success, as it seeks to meet customers' needs. 1986 was another milestone in BTB's history when it was listed on the stock market: "A great leap forward for the Alpine folk", according to Paul Flora, a local painter who immortalised the moment on his canvases.

EXPANSION INTO EUROPE

Since the second half of the 90s, BTB's MDs, Peter Gaugg and Matthias Moncher, have energised the Bank. BTB is the business and private banking leader in its core Tyrol and Vorarlberg markets and, as one of Austria's most cash-rich banks, is making careful use of the opportunities offered by the new Europe. It is expanding into Vienna, Northern Italy, Southern Germany and Eastern Switzerland, where its market share is steadily rising. In 2004 BTB opened its first foreign branch at Staad on Lake Constance.

SURVIVAL OF THE FITTEST

The world has changed a lot over the last century. For example, in its 100-year history BTB has seen its currency change five times. Only one thing remains unchanged: BTB provides its customers with unparalleled solutions and value, day after day, year after year. Because only the fittest can survive.

BTV AG AT A GLANCE

	2004	2003	Change absolut	Change in %
Balance Sheet (millions)				
Balance Sheet total	6 050.0	6 029.7	20.3	0.3%
Loans to customers	4 414.3	4 320.4	93.9	2.2%
Fixed-interest securities	832.0	726.1	105.9	14.6%
Liabilities to customers	3 580.0	3 549.7	30.3	0.9%
of which savings deposits	1 058.8	1 044.5	14.3	1.4%
of which other liabilities	2 521.2	2 505.2	16.0	0.6%
Securitized liabilities	823.7	673.5	150.2	22.3%
Creditable capital resources (not tier 3 capital)	539.1	485.8	53.3	11.0%
Surplus capital resources (under 22/1/1 and 4)	188.5	147.9	40.6	27.5%
Securities deposited by customers	4 246.0	4 112.7	133.3	3.2%
Profit statement (millions)				
Operating results	65.7	65.2	0.5	0.8%
Results from ordinary business activities	38.1	37.2	0.9	2.3%
Profit by the year	33.2	27.9	5.3	19.2%
Key company indicators				
			% points	
Core capital ratio	7.20%	6.82%	0.38%	
BIS ratio	12.30%	11.50%	0.80%	
Return on Equity before tax	12.49%	13.26%	- 0.77%	
Return on Equity after tax	10.90%	9.93%	0.97%	
Return on Assets	0.55%	0.48%	0.07%	
Cost-Income-Ratio	54.20%	53.59%	0.61%	
Operating results as a % of Ø balance sheet total	1.09%	1.12%	- 0.03%	
BTV share indicators				
			in €	
ÖVFA-consolidated profit per share (in €)	6.70	5.61	1.09	
Dividend per share (in €)	1.30	1.30	0.00	
Share price: profit per ordinary share	15.1	22.5	- 7.4	
Share price: profit per preference share	8.2	6.4	1.8	
Ordinary share: top price in €	126.5	129.5		
Bottom price in €	92.0	102.5		
Closing price in €	101.0	126.5		
Preference share: top price in €	55.0	36.5		
Bottom price in €	42.5	30.3		
Closing price in €	55.0	36.1		
Resources				
Average no. of employees over year	807	811	- 4	
Branches	37	36	1	

INTRODUCTION BY THE MANAGING DIRECTORS

SHAREHOLDERS AND BUSINESS PARTNERS, ESTEEMED CUSTOMERS OF BTV,

2004 was a good, successful financial year. BTV continued its expansion by opening a foreign branch in Staad in Switzerland, a Private Customer Centre on the Naschmarkt in Vienna and a representation office in Padua in Italy. As a regional bank our focus remains on our core markets in the Tyrol and Vorarlberg. Our regional connections, together with our targeted expansion mainly into our neighbouring countries, will remain a major feature of our business policy in the future.

2004 was an exceptional year for BTV. The Bank für Tirol und Vorarlberg was set up on 8 April 1904 and the last 100 years have seen much change – for example, the currency has changed five times in Austria – but BTV's core values remain: your background is the key to your future.

It is our aim to use our business skills to deliver exceptional services that will ensure the Bank's independence in the long term.

Our business philosophy of retaining our independence and understanding of our customers, shareholders and business partners has served us well over the past one hundred years and will remain our guiding light for the next century.

In 2004, we saw our shares of the business and private customer markets grow and the profits of the BTV group rise 7.7 % to 33.4 million euro. Thanks to the high level of our reserves, eligible own funds now exceed 500 million euro for the first time. At year-end BTV Group core capital stood at 7.53 % and at 12.63 % capital ratio was significantly above the statutory 8 % minimum, further ensuring the independence and autonomy of the Bank. The way ahead over the next few decades is clear, as is our wish to anticipate our customers' hopes and wishes. All we need is your continued trust and the chance to show you what we can do.



Peter Gaugg



Mag. Matthias Moncher



Peter Gaugg and Matthias Moncher, the Managing Directors of BTV, are looking back at successful years.

CODE OF CORPORATE GOVERNANCE KODEX SHAREHOLDERS 3 BANKEN GRUPPE

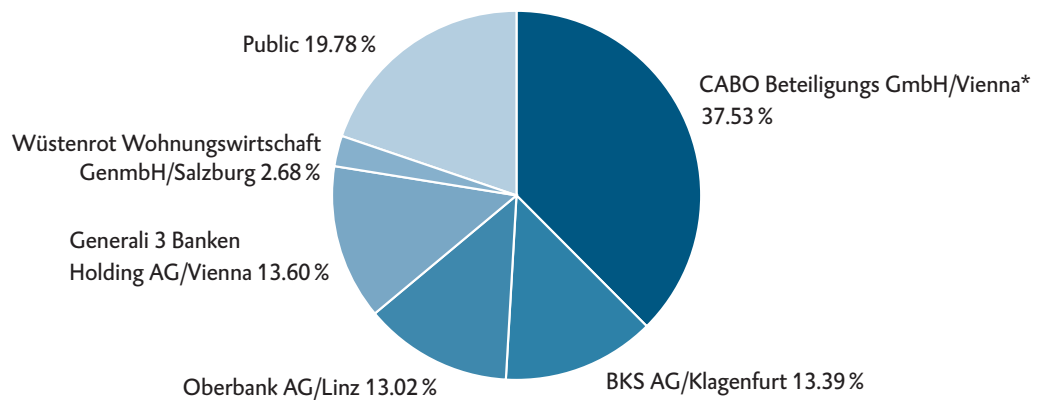
CODE OF CORPORATE GOVERNANCE KODEX

BTV published a Code of Corporate Governance regarding aims and principles, which are given in their entirety on our website at www.btv.at/Download/KO/CGK-eng.pdf. The company has observed the code last year and will keep to it during the current business year.

SHAREHOLDERS 3 BANKEN GRUPPE

BTV

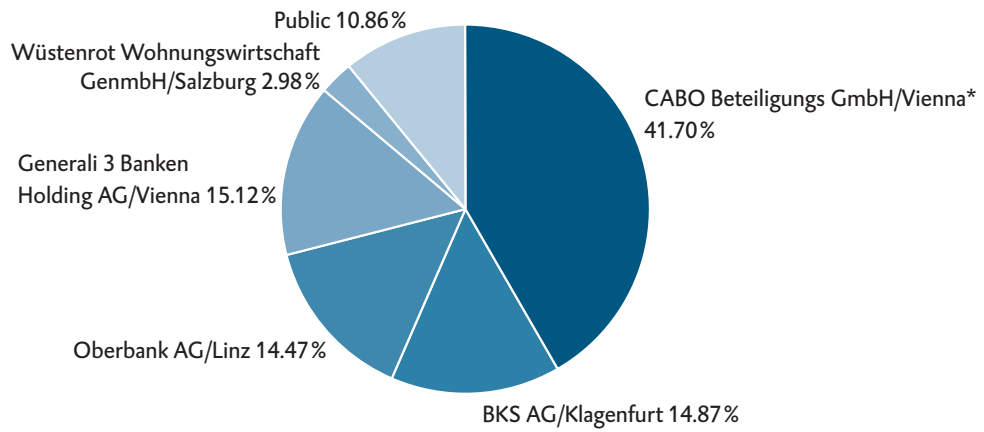
according to shares
in capital



SHAREHOLDERS 3 BANKEN GRUPPE

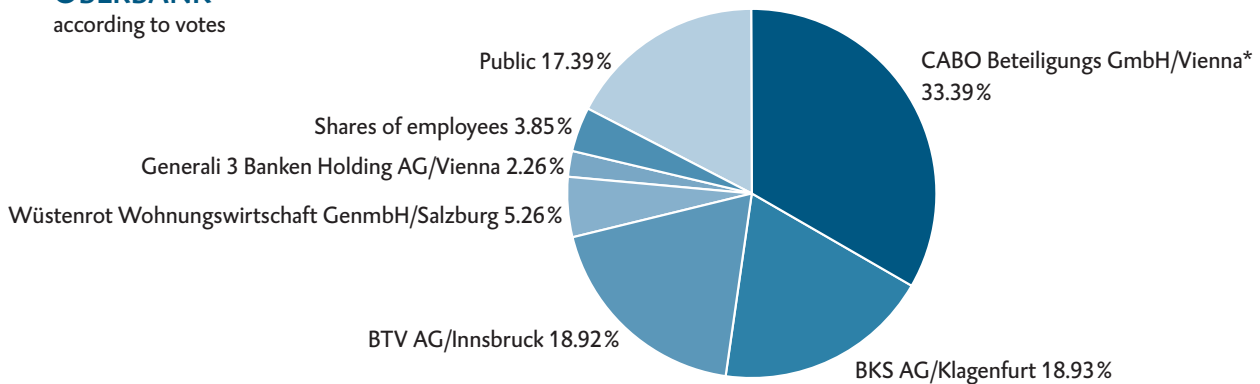
BTV

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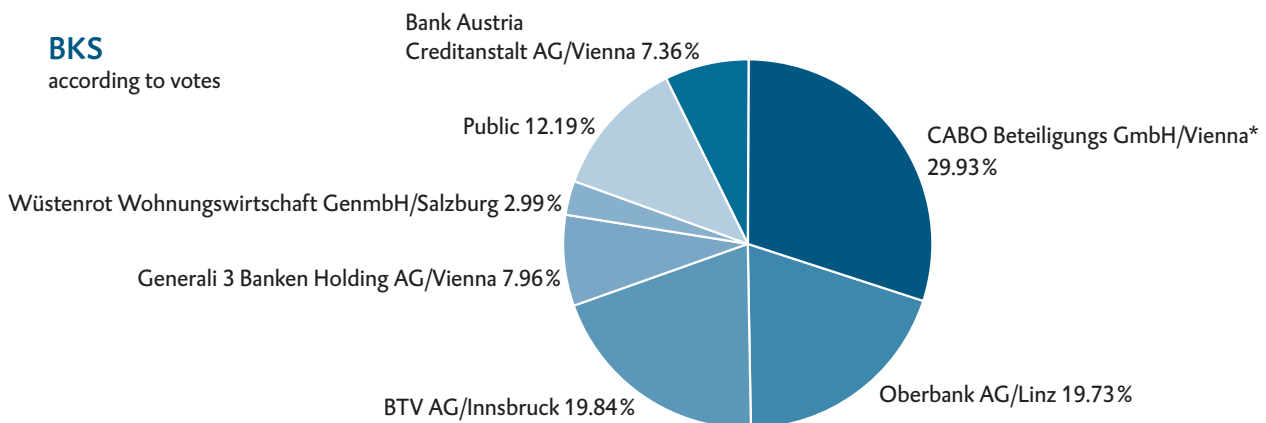
OBERBANK

according to votes



BKS

according to votes



*) In former times A & B Banken Holding GmbH/Vienna

2004 ANNUAL REPORTS OF BTV AG

BTV AG IN 2004

Strong performance yet again

The 19.2% growth in profits mean BTV had a successful year. Increased market share, lower bad debt provisioning and optimised taxation led BTV AG to allocate € 26.8 million to provisions. The Bank's large capital reserves continue to ensure its independence and ability to expand into neighbouring countries.

The Profit & Loss Account shows operating income rose 2.1% (+ € 2.9 mn) to € 143.4 mn, with general operating expenses 3.2% above 2003, giving operating profit an increase of 0.8% to € 65.7 mn.

Net interest income was again hit by low rates and this, together with the reduction of total interest risk in the middle of the year caused a narrowing of interest margins. Net interest income slightly increased 0.3% to € 79.7 mn.

Commission profits dropped by 8.0% or € 4.2 mn.

The average number of employees decreased by four to 807 over the year. Payroll costs increased 3.5% (+ € 1.7 mn) to € 50.4 mn. The cost:income ratio rose slightly to 54.2%. After-tax ROE of 10.9% exceeded the level of last year by 1% despite continued growth of own funds.

Customer loans up 2.2% to € 4.4 bn

The net assets of BTV AG grew 0.3% (+ € 20.3 mn) to € 6.05 bn at year-end. Drivers were loans to private and corporate customers (up € 93.9 mn or 2.2%). New funds rose 4.3% (+ € 180.5 mn) to over € 4.4 bn.

At 31.12.2004, the core capital of the BTV AG was € 315.4 mn and the core capital ratio had improved by 7.20%.

The own funds, reported pursuant to paragraphs 23 and 24 of the Banking Act, stood at € 539.1 mn (including tier 3 capital) at the balance sheet date, € 188.5 mn constituting excess capital. The 12.30% capital ratio has therefore improved 0.80% over 2003.

OUTLOOK FOR 2005

Posting a 4.2% increase in 2004, the world economy saw its biggest annual expansion in the last 15 years and global trading growing 9%. The dynamism of the USA and China in particular impacted exporting countries with previously flat levels of domestic demand – mainly Germany and Japan – yet nevertheless Eurozone GDP managed to grow only 1.8% because of low company dividends and disappointing results, a strengthening euro, high oil prices and lack of fiscal incentives. In its January monthly report, WIFO (Wirtschaftsforschungsinstitut – Institute for Business Research) says it expects the energising effect of stabilising oil prices to be cancelled in the Eurozone in 2005 by the rising euro. The most decisive economic factor in 2005 is likely to be the switch from export to domestic demand but caution is required. The euro:dollar exchange rate will also be a risk that should not be overlooked, while unemployment is also unlikely to fall appreciably, with all that this will mean in terms of consumer confidence.

The WIFO expects the Austrian economy to move from 2.0% in 2004 to 2.2% in 2005. The tax reforms will give Austria better growth than the rest of the Eurozone over the year. It should however be noted that this forecast does not take account of any further strengthening of the euro, and it also postulates the export boom transferring to the domestic economy. Companies could use their additional profits to reduce their debts or could benefit from the strength of the euro by investing in countries with lower costs or offering better sales opportunities. Private households, probably due to the social and pension reforms, are likely to avoid larger purchases. The weak performance of the

Eurozone means that it will be the second half of the year at earliest before we can expect to see rising money market rates and indeed some economists believe the weakness of the economy will lead to rates falling. The current outlook for the capital markets is one of great volatility with no probability of any rate upswing in the near future. The equity markets therefore seem set for another good year. 2005 is likely to be tough for the banks in interest-related business and BTV will not be an exception to this trend. By focusing even more heavily on the Tyrol and Vorarlberg regions, we shall seek to further improve our share of our core markets, while at the same time putting more emphasis on our expansion into Southern Germany, Northern Italy, Eastern Switzerland and Vienna, thus continuing to show profits. Euro and foreign currency lending should be higher than in 2004 but falling interest rates will probably mean that cash deposits do not achieve the same level of growth as financing business. Lower interest rates will also put further pressure on margins on the asset side. We shall exploit the growing demand for securities to develop products that are even better matches for customer requirements, and in particular we shall bring out innovative products in step with the current demand for safe investment. In order to maintain income levels, BTV will continue to keep costs under tight control. By improving procedures and efficient inventory controls, we shall streamline business and keep a lid on costs, thus ensuring that operating profit and profit on ordinary business remain at around last year's levels. There were no material post-balance sheet events in the financial year 2004.

NOTES TO THE 2004 FINANCIAL STATEMENTS OF BTV AG

Balance sheet volumes

In 2004 the Austrian economy made a slight recovery, mainly on the back of exports. Corporate investment fell again but private consumption performed better than 2003. Internationally, tourism held up quite well although hotel bookings in the Tyrol and Vorarlberg fell for the first time since 1997. The marketing of home building loans to individuals and increased lending to trade and commerce further expanded BTV's lending business, although lending to other banks fell over the same period. At 31.12.2004 BTV AG total assets were up € 20.4 (+0.3%) to € 6 050.0 mn.

Lending and refinancing

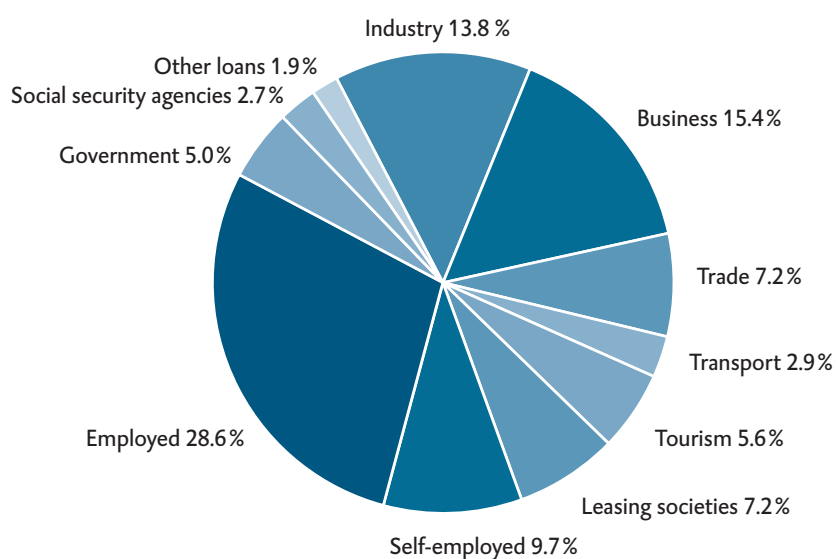
Customer loans carried on the balance sheet rose over the period by € 93.9 mn to € 4 414.3mn (+2.2%), of which foreign customers € 191.8 mn (+27.7%) and Austrian customers € 97.9 mn (-2.8%). The proportion of currency loans rose very slightly in line with higher lending to the new Swiss market, from 42.8% to 43.3% to total € 1 914.7 mn, of which 67.2% (2003: 71.7%) to domestic and 32.8% (2003: 28.3%) to foreign customers. 20.0% of all 2004 lending was to foreign customers (2003: 16.0%), customers in Switzerland and Liechtenstein accounting for 52.0% of all such loans (2003: 51.8%), EMU Member States 42.2% (2003: 42.0%), USA 4.6% (2003: 4.9%) and other Western European countries 0.3% (2003: 0.3%). Customers in other countries accounted for 0.9% of all such loans (2003: 1.0%) and were mainly foreign subsidiaries or foreign business partners.

1. CUSTOMERS LOANS		2004 mn €	2003 mn €	Change mn €	Change in %
Austria	Euro	2 243.8	2 304.1	- 60.3	- 2.6%
Austria	Foreign currency	1 287.3	1 324.9	- 37.6	- 2.8%
Abroad	Euro	255.8	167.5	88.3	52.7%
Abroad	Foreign currency	627.4	523.9	103.5	19.8%
TOTAL		4 414.3	4 320.4	93.9	2.2%

BTV Breakdown by sector

Customers loans at 31 December 2004

Balanced loan allocation by sector



2. SECTOR BREAKDOWN/ CUSTOMER LOANS

	Share	2004	2003	Change in %
Industry	13.8%	608.9	596.1	2.1%
Business	15.4%	681.6	649.3	5.0%
Trade	7.2%	318.6	280.0	13.8%
Transport	2.9%	128.8	195.7	-34.2%
Tourism	5.6%	248.2	241.4	2.8%
Leasing societies	7.2%	316.2	269.4	17.4%
Self-employed	9.7%	428.0	402.3	6.4%
Employed	28.6%	1 262.9	1 136.6	11.1%
Government	5.0%	219.4	347.2	-36.8%
Social security agencies	2.7%	120.0	100.0	20.0%
Other loans	1.9%	81.7	102.4	-20.2%
TOTAL	100.0%	4 414.3	4 320.4	2.2%

NOTES TO THE 2004 FINANCIAL STATEMENTS OF BTV AG

Driving growth in absolute terms for the branches was lending to: employees and private customers (€ 126.3 mn or 11.1 %), leasing companies including BTV Leasing (€ 46.8 mn or 17.4 %), trade (€ 38.6 mn or 13.8 %), commercial companies (€ 32.3 mn or 5.0 %) and the liberal professions and the self-employed (€ 25.7 mn or 6.4 %). The biggest falls in lending were to the public sector (-€ 127.8 mn or -36.8 %) and transport (-€ 66.9 mn or -34.2 %). The securities portfolio rose to € 1 275.7 mn in 2004, an increase of € 144.9 mn (+12.8 %), of which € 108.5 mn fixed-interest securities and € 36.4 mn equities and other variable-interest securities. This is not immediately clear from the balance sheet since at the balance sheet date securities totalling € 176.9 mn (2003: 188.9 mn) were deducted as a result of incorrect pensions operations. These positions therefore show a total rise of € 156.9 mn.

Contingent liabilities arising from the giving of guarantees, sureties, irrevocable guarantees for bills of exchange and the acceptance of joint and several liability for secured 3 Banken loans totalled € 362.8 mn at 31.12.2004, up € 43.7 mn or +13.7 % on 2003. This was primarily owing to the fact that at the balance sheet date guarantees had increased € 37.8 mn.

3. REFINANCING	2004 mn €	2003 mn €	Change mn €	Change in %
Liabilities to customers – savings deposits	1 058.8	1 044.5	14.3	1.4 %
Liabilities to customers – savings other	2 521.2	2 505.2	16.0	0.6 %
Securitized liabilities	823.7	673.5	150.2	22.3 %
Primary deposits	4 403.7	4 223.2	180.5	4.3 %
Liabilities to banks	980.8	1 212.1	- 231.3	- 19.1 %
TOTAL	5 384.5	5 435.3	- 50.8	- 0.9 %

Borrowing over the period decreased by € 50.8 mn (-0.9 %) to € 5 384.5 mn. This figure includes € 4 403.7 mn in new funds from domestic and foreign customers, up 4.3 % (+€ 180.5 mn). Bank loans went down 19.1 % (-€ 231.3 mn) to € 980.8 mn at 31.12.2004. Since the rise in new funds was greater than the rise in total assets, new funds increased as a proportion of total assets from 70.0 % to 72.8 % while bank loans as a proportion of total borrowing dropped from 20.1 % to 16.2 %.

The primary drivers of growth in new funds in 2004 was securitized debt, which rose by € 150.2 mn (+22.3 %) to € 823.7 mn. Savings increased € 14.3 mn (+1.4 %) and other liabilities went up € 16.0 mn (+0.6 %) to € 2 521.2 mn.

Listed debt securities at the balance sheet date totalled € 256.0 mn, down € 140.5 mn (-35.4 %) on 2003. At the same time, other securitized debt (fixed and variable-rate domestic bonds) increased to € 166.6 mn: this heading covers € 77.9 mn

in euro and Swiss franc private placements, € 131.3 mn in structured products and non-listed bonds, including € 95.7 mn in accrued interest. Sales over the reporting period focused on capital market floaters (€ 96.2 mn issued), the most important result of which was that other securitized debt rose € 290.7 mn over the year. In 2004 BTV issued one stepped-rate bond, two bonds, seven capital market floaters, one "bestzins" bond and five structured investment products.

In addition to the € 4 403.7 mn new funds reported, BTV also managed € 4 246.0 mn in customer securities deposited with it, up € 133.3 mn (+3.2 %) over the previous year. BTV thus managed a total of € 7 826.0 mn in customer assets (adjusted for double payments of securitized debt and deposits), a rise of € 163.6 mn (+2.1 %) over 2003.

BTV's share of secured 3Banken Gruppe loans issued 1997 totalled € 11.6 mn.

The loans are secured by stock that brought in government-guaranteed income of € 59.1 mn and a profit of € 47.5 mn at year end.

Source and application of funds

The following statement of changes in financial position shows the changes in the financial year just ended affecting the sources and applications of funds:

4. STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Source of funds		Application of funds	
	mn €	%	mn €	%
ASSETS				
Rise in assets			271.9	54.0 %
Client receivables			93.9	18.7 %
Subsidiaries, group undertakings			2.3	0.5 %
Securities, including equities			156.7	31.1 %
Other assets			19.0	3.7 %
Reduction in assets	251.6	50.0 %		
Bank receivables	225.2	44.8 %		
Cash in hand, balances with the Austrian National Bank	26.4	5.2 %		
LIABILITIES				
Rise in liabilities	251.6	50.0 %		
Savings deposits	14.3	2.8 %		
Other debts to clients	16.0	3.2 %		
Securitized liabilities	150.2	29.8 %		
Capital resources including tier-2 capital	60.7	12.1 %		
Other liabilities	10.4	2.1 %		
Reduction in liabilities			231.3	46.0 %
Liabilities to banks			231.3	46.0 %
TOTAL SOURCE/APPLICATION OF FUNDS	503.2	100 %	503.2	100 %

NOTES TO THE 2004 FINANCIAL STATEMENTS OF BTV AG

Interest income

Despite a rather flattened euro interest curve (the gap between the 10-year and overnight rates fell 0.68%), net interest income rose € 0.2 mn (+0.3%) to € 79.7 mn. Dividends and investment income together totalled € 15.6 mn, dividends rising with the larger portfolio of equities and other securities, as did distributions from associates. Investment income was slightly higher than in 2003 as well.

Services

Targeted marketing resulted in securities trading, our core trading business, increasing to bring in € 1.8 mn (+9.6%) more than 2003. This was more than counterbalanced however by the sharp fall in income from currency transactions, transactions in foreign notes and coins and trading in precious metals (-€ 3.1 mn or -47.7%). The primary reason for this was that income had risen in 2003 with the conversion of yen-denominated currency loans into Swiss francs, and this was no longer possible in 2004. Loan income also fell € 0.4 mn (-6.9%). Payment services (-€ 0.3 mn, or -2.4%) and other services (-€ 0.2 mn, or -28.6%) were also down on 2003. Income from financial transactions dropped € 2.1 mn to € 4.3 mn because of reduced securities and currency own trading profits. Total operating income rose to € 143.4 mn (€ 2.9 mn or +2.1%).

Operating expenses

Operating expenses rose 3.2% (€ 2.4 mn) over the reporting year to € 77.7 mn. Payroll, the largest expense position, rose 3.5% (€ 1.7 mn) to € 50.4 mn. Average staff numbers fell by 4 (0.5%) to 807. The rise in salaries and wages was mainly owing to provisioning for retirement pensions and part-time retirement costs. Material expenditure increased 2.2% to € 21.3 mn, € 0.5 mn up on 2003 primarily because of higher IT expenses for the Staad accounts centre. Depreciation went up € 0.4 mn: € 0.1 mn for buildings and € 0.3 mn for office equipment. Other operating expenses fell by € 0.2 mn. As a result of these changes, operating profit went up 0.8% or € 0.5 mn to € 65.7 mn.

5. NET COMMISSION INCOME	2004 mn €	2003 mn €	Change mn €	Change in %
Loans and guarantees	5.4	5.8	- 0.4	- 6.9%
Securities trading	20.5	18.7	1.8	9.6%
Payments	12.4	12.7	- 0.3	- 2.4%
Foreign exchange/foreign currency/precious metals trading	3.4	6.5	- 3.1	- 47.7%
Other service income	0.5	0.7	- 0.2	- 28.6%
TOTAL	42.2	44.4	- 2.2	- 5.0%

Risk management

Revenue/expenses from the valuation and sale of receivables and securities led to total outgoings of € 24.5 mn, € 1.6 mn down on 2003. Credit risk was well below the previous year (- € 4.0 mn), leading us to continue the very cautious valuation of our loan portfolio into 2005. However, the losses on the sale of trading securities has to some extent neutralised this positive effect.

Revenue/expenses from the valuation and sale of trading securities, shares in associates and investments led to total outgoings of € 3.2 mn in 2004 (2003: € 1.9 mn), primarily attributable to impairment losses.

Revenue from ordinary business rose as a result of the above by € 0.9 mn (+2.3 %) to € 38.1 mn. Lower tax levels boosted annual profit by € 5.4 mn (+19.2 %) to € 33.2 mn. After-tax ROE improved to 10.9 % (2003: 9.93 %), while the cost:income ratio rose slightly to 54.2 %.

Liabe capital resources

At 31 December 2004, BTV AG had share capital totalling € 50.0 mn comprising 4 500 000 ordinary shares with a par value of € 45.0 mn plus 500 000 preference shares with a par value of € 5.0 mn.

Appropriations of € 27.2 mn were made from profits for the period, of which € 1.6 mn from the liability reserve. A further € 25.3 mn was credited to unallocated reserves from taxed profit. The € 0.6 mn 2000/2001 investment allowance was credited to unallocated reserves at the end of the mandatory retention period. Taxed and tax-free reserves together totalled € 270.5 mn at 31.12.2004. After deduction of deferred tax and intangibles, core capital totalled € 267.6 mn.

Supplementary capital rose with the issue of three stepped-interest bonds with a total par value of € 14.2 mn and a € 25.0 mn capital market floater. A 2003 issue was increased by € 1.5 mn. € 3.4 mn of a variable supplementary capital domestic bond was redeemed early. Following deduction of bonds maturing in the reporting year, supplementary capital totalled € 260.8 mn. Taking weighted maturity and the Bank's own share portfolio into account, pursuant to para 23 of the Banking Act € 212.3 mn was imputed to the Bank's own funds, € 27.0 mn more than in the previous year.

Eligible own funds rose € 50.7 mn to € 539.6 mn. Since the capital adequacy requirement was only € 10.1 mn, excess capital rose 27.5 % to € 188.5 mn. Regulatory capital at 31 December 2004 is shown in table 7.

6. INCOME /EXPENDITURE TOTALS 11./12.	2004 mn €	2003 mn €	Change mn €	Change in %
Credit risk total	- 21.1	- 25.1	- 4.0	- 15.9%
Sales income from securities held as current assets	- 2.7	0.4	- 3.1	>- 100.0%
Write-down of securities held as current assets	- 0.7	- 1.4	- 0.7	- 50.0%
TOTAL P&L-POSITION 11./12.	- 24.5	- 26.1	- 1.6	- 6.1%

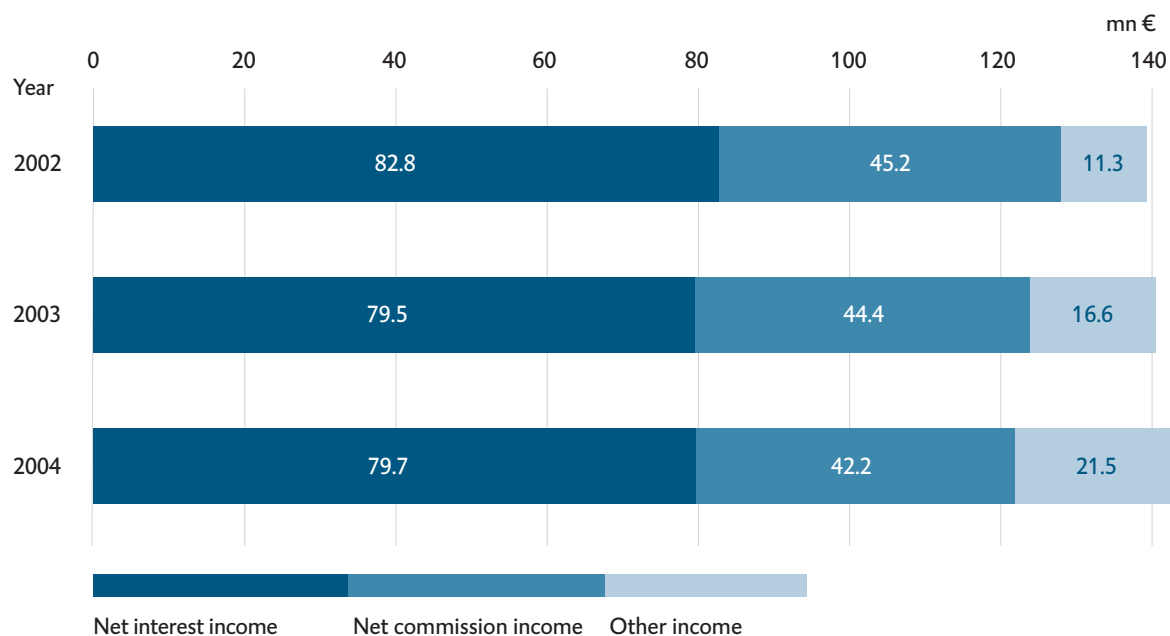
NOTES TO THE 2004 FINANCIAL STATEMENTS OF BTV AG

7. CAPITAL RESOURCES	2004 mn €	2003 mn €	Change mn €	Change in %
Share Capital	50.0	50.0	0.0	0.0%
minus owner shares	- 2.2	- 2.2	0.0	0.0%
Open reserves	267.6	240.4	27.2	11.3%
Core capital (tier 1)	315.4	288.2	27.2	9.4%
Core capital share	7.20%	6.82%		
Additional capital resources (tier 2)	278.0	253.7	24.3	9.6%
Deductions	- 54.3	- 56.1	- 1.8	- 3.2%
Creditable capital resources (not tier 3)	539.1	485.8	53.3	11.0%
Capital resources ratio	12.30%	11.50%		
Capital resources under 23(14)(Z)(7) of the BWG (tier 3)	0.5	3.1	- 2.6	- 83.9%
Creditable capital resources under 23(14) of the BWG	539.6	488.9	50.7	10.4%
Capital adequacy requirements	350.6	337.9	12.7	3.8%
Capital adequacy requirements for securities trading and open currency positions	0.5	3.1	- 2.6	- 83.9%
Capital resource requirements under 22(1) of the BWG	351.1	341.0	10.1	3.0%
Surplus cover (not tier 3 capital)	188.5	147.9	40.6	27.5%

PROFIT AND LOSS ACCOUNT OF THE BTV AG FOR THE YEAR ENDED 31 DECEMBER 2004

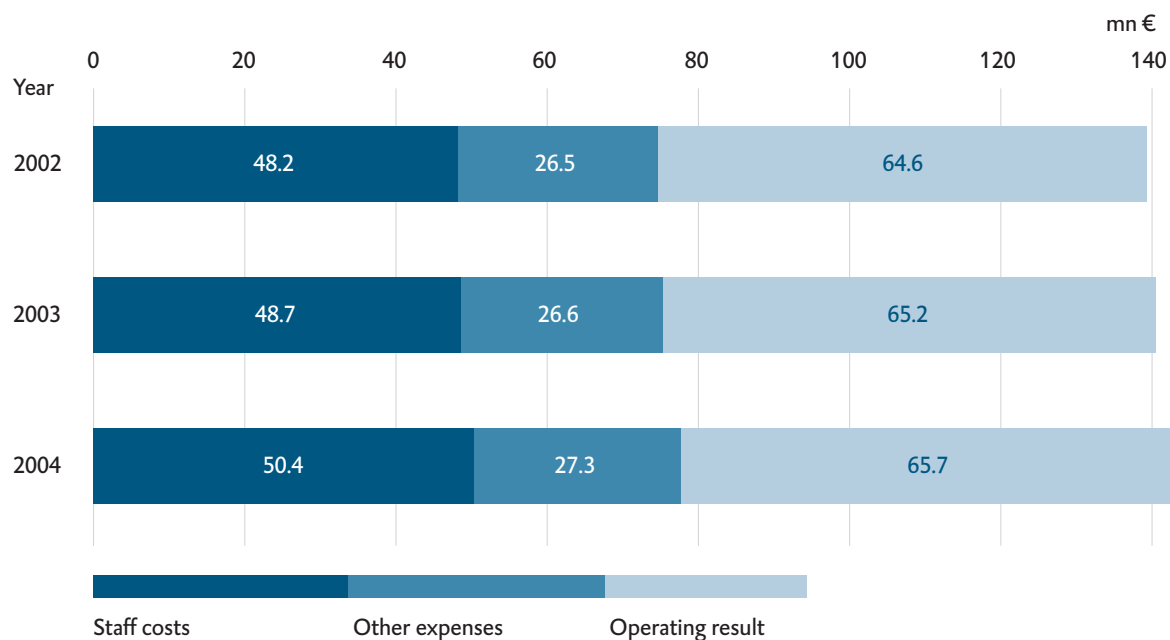
OPERATING INCOME 2002–2004 IN MN €

Increased revenue from other income



APPLICATION OF OPERATING INCOME 2002–2004 IN MN €

Operating result slightly above last year's level



BTV AG BALANCE SHEET AS AT 31 DECEMBER 2004

ASSETS	31-12-2004 € in 1 000s	31-12-2003 € in 1 000s	Change € in 1 000s	Change in %
1. Cash in hand, balances with central banks and post office banks	104 479	130 890	- 26 411	- 20.2%
2. Treasury bills and other bills eligible for refinancing with the central bank	190 259	175 719	14 540	8.3%
3. Loans and advances to credit institutions	142 553	367 757	- 225 204	- 61.2%
a) due at sight	32 766	25 260	7 506	29.7%
b) other loans and advances of which unsecuritized loans and advances to banks with participating interests	109 787	342 497	- 232 710	- 67.9%
of which unsecuritized loans and advances to banks with participating interests	114	9 371	- 9 257	- 98.8%
4. Loans and advances to customers of which unsecuritized loans and advances to associated companies	4 414 253	4 320 391	93 862	2.2%
of which unsecuritized loans and advances to associated companies	279 254	237 769	41 485	17.4%
of which unsecuritized loans and advances to banks with participating interests	6 857	8 521	- 1 664	- 19.5%
5. Debt securities including fixed-interest securities	831 974	726 100	105 874	14.6%
a) issued by public bodies	0	0	0	0.0%
b) issued by other borrowers of which own bonds	831 974	726 100	105 874	14.6%
of which own bonds	12 707	10 890	1 817	16.7%
6. Shares and other non-fixed-interest securities	76 501	40 144	36 357	90.6%
7. Equity shares of which in credit institutions	53 271	52 976	295	0.6%
of which in credit institutions	44 187	44 187	0	0.0%
8. Interest in associated companies of which in credit institutions	127 281	125 321	1 960	1.6%
of which in credit institutions	0	0	0	0.0%
9. Intangible fixed assets	2 107	2 404	- 297	- 12.4%
10. Tangible assets of which land and buildings used by bank within own activities	43 772	41 009	2 763	6.7%
of which land and buildings used by bank within own activities	26 251	22 155	4 096	18.5%
11. Own shares apiece	2 198	2 247	- 49	- 2.2%
apiece	41 759	31 109	10 650	34.2%
12. Other assets	58 030	40 778	17 252	42.3%
13. Prepayments and accrued income	3 365	3 929	- 564	- 14.4%
TOTAL ASSETS	6 050 043	6 029 665	20 378	0.3%

LIABILITIES	31-12-2004 € in 1 000s	31-12-2003 € in 1 000s	Change € in 1 000s	Change in %
1. Liabilities to Banks	980 812	1 212 074	- 231 262	- 19.1%
a) due at sight	123 068	105 948	17 120	16.2%
b) with agreed terms or periods of notice of which liabilities to banks with participating interests	857 744	1 106 126	- 248 382	- 22.5%
	130 164	126 939	3 225	2.5%
2. Customer account	3 580 021	3 549 707	30 314	0.9%
a) Saving deposits	1 058 778	1 044 499	14 279	1.4%
aa) due at sight	0	0	0	0.0%
ab) with agreed terms or periods of notice	1 058 778	1 044 499	14 279	1.4%
b) Other accounts payable	2 521 243	2 505 208	16 035	0.6%
ba) due at sight	953 709	1 300 426	- 346 717	- 26.7%
bb) with agreed terms or periods of notice	1 567 534	1 204 782	362 752	30.1%
of which associated companies	2 616	4 439	- 1 823	- 41.1%
of which companies with participating interests	3 681	9 754	- 6 073	- 62.3%
3. Debt securities	823 698	673 507	150 191	22.3%
a) Debentures issued	255 956	396 517	- 140 561	- 35.4%
b) other	567 742	276 990	290 752	> 100.0%
4. Other liabilities	29 348	18 752	10 596	56.5%
5. Accruals and deferred income	1 491	1 260	231	18.3%
6. Provisions	46 793	47 228	- 435	- 0.9%
a) provisions for severance payments	9 134	10 679	- 1 545	- 14.5%
b) provisions for staff pensions	25 095	23 918	1 177	4.9%
c) provisions for deferred taxation	111	21	90	> 100%
d) other provisions	12 453	12 610	- 157	- 1.2%
7. Supplementary Capital	260 798	226 834	33 964	15.0%
8. Subscribed Capital	50 000	50 000	0	0.0%
9. Capital reserves	61 294	61 294	0	0.0%
a) tied	56 574	56 574	0	0.0%
b) uncommitted	4 720	4 720	0	0.0%
10. Reserves	106 386	80 461	25 925	32.2%
a) statutory reserves	589	589	0	0.0%
b) reserves for own shares	2 198	2 247	- 49	- 2.2%
c) other reserves	103 599	77 625	25 974	33.5%
11. Liability reserve pursuant to 23(6) of the Banking Act (BWG)	93 100	91 500	1 600	1.7%
12. Net profit	6 579	6 566	13	0.2%
13. Untaxed reserves	9 723	10 482	- 759	- 7.2%
a) special valuation reserve under paragraph 12 of the Income Tax Act	9 723	9 840	- 117	- 1.2%
b) other untaxed reserves	0	642	- 642	- 100.0%
of which untaxed reserve for reinvestment under paragraph 10	0	642	- 642	- 100.0%
of which provisions pursuant to para 12 EStG (Income Tax Act)	0	0	0	0.0%
TOTAL LIABILITIES	6 050 043	6 029 665	20 378	0.3%

PROFIT AND LOSS ACCOUNT OF THE BTV AG FOR THE YEAR ENDED 31 DECEMBER 2004

	2004 € in 1 000s	2003 € in 1 000s	Change € in 1 000s	Change in %
1. Interest receivable and similar income	203 242	205 519	- 2 277	- 1.1%
of which fixed-interest securities	50 118	50 723	- 605	- 1.2%
2. Interest payable and similar expenses	- 123 523	- 126 046	- 2 523	- 2.0%
I NET INTEREST INCOME	79 719	79 473	246	0.3%
3. Income on securities and equity interests	15 644	8 692	6 952	80.0%
a) Income on shares other equity rights and non-fixed interests	3 084	1 031	2 053	> 100%
b) Income on equity interests	3 760	3 461	299	8.6%
c) Income on interests in associated companies	8 800	4 200	4 600	> 100%
4. Commission receivable	49 511	51 706	- 2 195	- 4.2%
5. Comission payable	- 7 288	- 7 302	- 14	- 0.2%
6. Profit from financial transactions	4 258	6 389	- 2 131	- 33.4%
7. Other operating income	1 584	1 563	21	1.3%
II OPERATING INCOME	143 428	140 521	2 907	2.1%
8. General administrative expenses	- 71 684	- 69 501	2 183	3.1%
a) staff costs	- 50 407	- 48 685	1 722	3.5%
aa) wage and salaries	- 35 567	- 34 198	1 369	4.0%
ab) expenses for statutory social levies and payment-related taxes and compulsory contributions	- 9 463	- 9 174	289	3.2%
ac) other social expenses	- 887	- 925	- 38	- 4.1%
ad) expenses for retirement pensions and staff welfare	- 3 546	- 2 958	588	19.9%
ae) allocation to pension provisions	- 1 178	- 316	862	> 100%
af) allocations to provisions for severance payments	234	- 1 114	- 1 348	> - 100%
b) other administrative expenses (material expenses)	- 21 277	- 20 816	461	2.2%
9. Value adjustment on assets included in asset 9 + 10	- 5 553	- 5 203	350	6.7%
10. Other operating expenses	- 448	- 604	- 156	- 25.8%
III OPERATING EXPENSES	- 77 685	- 75 308	2 377	3.2%
IV OPERATING RESULT	65 743	65 213	530	0.8%

	2004 € in 1 000s	2003 € in 1 000s	Change € in 1 000s	Change in %
IV. OPERATING RESULT	65 743	65 213	530	0.8%
11./12. Valuation and disposal of claims and contingent liabilities and of securities	- 24 480	- 26 059	- 1 579	- 6.1%
13./14. Valuation and disposal of securities valued as financial assets and of stakes in associated companies and subsidiaries	- 3 167	- 1 922	1 245	64.8%
V. RESULTS FROM ORDINARY BUSINESS ACTIVITIES	38 096	37 232	864	2.3%
15. Taxes on income and earnings	- 4 518	- 9 066	- 4 548	- 50.2%
16. Other taxes (not included in item 15)	-338	- 290	48	16.6%
VI. ANNUAL SURPLUS	33 240	27 876	5 364	19.2%
17. Transfers to and from reserves of which: allocation to liability reserve as per paragraph 23(6) of the Banking Act (BWG)	- 26 766 - 1 600	- 21 476 - 3 800	5 290 - 2 200	24.6% - 57.9%
VII. PROFIT FOR THE FINANCIAL YEAR	6 474	6 400	74	1.2%
18. Profit carried forward	105	166	-61	- 36.7%
VIII. NET PROFIT	6 579	6 566	13	0.2%

THE BANK'S BOARDS AND OFFICERS

The following were members of our Management Board and Supervisory Board in 2004:

MANAGEMENT BOARD

Konsul Direktor Peter Gaugg, spokesman for the Management Board

Direktor Mag. Matthias Moncher, member of the Management Board

SUPERVISORY BOARD

Honorary Chairman:

Dr. Heinrich Treichl, Vienna

Chairman:

Konsul Kommerzialrat Generaldirektor Dkfm. Dr. Hermann Bell, Linz

Representatives:

Kommerzialrat Dr. Gerhard Moser, Innsbruck

Konsul Kommerzialrat Direktor Dkfm. Dr. Heimo Penker, Klagenfurt

Dr. Guido N. Schmidt-Chiari, Vienna

Members:

Dipl.-Ing. Johannes Collini, Hohenems

Vorstandsdirektor Willibald Cernko, Vienna

Vorstandsdirektor Dr. Franz Gasselsberger, Linz

Präsident Kommerzialrat Dkfm. Dr. Hansjörg Jäger, Innsbruck

Generaldirektor Dr. Dietrich Karner, Vienna

Direktor Dkfm. Heinz Öhler, Innsbruck

Dipl.-Ing. Klaus Ortner, Innsbruck

Direktor Dipl.-Ing. Albert Pietsch, Reutte

Direktor DDr. Regina Prehofer, Vienna (until 28-04-2004)

Generaldirektor a.D. Karl Samstag, Vienna (since 28-04-2004)

Konsul Dipl.-Ing. Paul Senger-Weiss, Lauterach

Employee representatives:

Andrea Müller, Chairman of the Work Council, Götzens

Alfred Fabro, Representative of Chairman, Wattens

Harald Handle, Representative of Chairman, Oberperfuß

Herbert Kärle, Stanzach

Dietmar Rädler, Innsbruck

Walter Theurl, Gainberg

Herlinde Tiefenthaler, Hard (since 20-04-2004)

Elisabeth Vollweiter, Langen (until 20-04-2004)

State Commissioners:

Ministerialrat Mag. Günther Neubauer, Vienna

Representative:

Gerald Bichler, Vienna

Innsbruck, 25 Feb 2005

The Management Board



Peter Gaugg



Mag. Matthias Moncher

REPORTS

AUDIT REPORT

Following our statutory audit of the books and the ordinary and consolidated annual accounts, we have found them to comply with legal requirements. In compliance with the principles of proper book-keeping, the ordinary and consolidated annual accounts give a true and fair view of the assets, finances and income of the Company and the Group. The annual reports of the Company and the Group agree with the related annual accounts.

Innsbruck, 25 February 2005

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Martha Kloibmüller
Auditors and tax advisors

Michael Ahammer

PROPOSED ALLOCATION OF PROFITS

The BTV annual accounts for the financial year 2004 show accumulated profits, including profit carried forward, of € 6 579 156. We propose distribution of a € 1.3 dividend per share for the financial year 2004 (2003: € 1.3), making a total distribution of € 6 500 000. Pursuant to section 65(5) of the Shares Act, any profit remaining after distribution shall be carried forward.

Innsbruck, 25 February 2005
The Managing Directors



Peter Gaugg



Matthias Moncher

SUPERVISORY BOARD REPORT

The Management Board has regularly reported to the Supervisory Board on BTV's business and position. The Supervisory Board has inter alia complied with its duties under the law and the Articles of Association at its meetings and has advised on all important questions put by the Company. KPMG Austria GmbH of Innsbruck audited the annual accounts and annual reports of BTV AG and the BTV Group. The audit gave rise to no comments. The auditors have therefore declared that the annual accounts and the management report comply with legal requirements and offer a true and fair view of the assets, finances and income of the Bank.

The Supervisory Board agrees with the results of the statutory audit and approves the management report and the proposed allocation of profits. The Supervisory Board has approved the annual accounts prepared in compliance with section 125(2) of the Shares Act.

Innsbruck, March 2005
The Supervisory Board



Dr. Hermann Bell, President

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3 BANKEN GRUPPE AND THEIR REPRESENTATIVE OFFICES

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IMPRINT

This English version is a free translation of the German text. In the event of conflict in interpretation, reference should be made to the German version, which is the authentic text. The auditor's reports apply to the German version of the Financial Statements and the Board of Director's Report.

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