

BUSINESS REPORT / SECOND QUARTER 2005

BUSINESS DEVELOPMENT OF BTV AG DURING THE SECOND QUARTER OF 2005

Increased market share

BTV's share of the business and retail banking market was further boosted in its Tyrol and Vorarlberg core markets and also in its developing markets in Vienna, Southern Germany and Eastern Switzerland.

The main business banking focus was on short to medium-term financing and cash management, BTV analysing payment transactions and working capital financing with the client in order to develop tailor-made solutions.

In retail banking, the emphasis was on safe investments and pensions, both popular products with our clients and attracting more new funds into the branches and higher levels of securities investment and insurance business. Both focuses are in line with the main findings of the new BTV financial indicator, an annual survey of how people in the Tyrol and Vorarlberg feel in a number of financial areas. The first survey, in 2005, has shown that the primary concern of most people is to ensure that their investments are safe and that they put security before income, and that one in three of the Bank's customers have no personal pension scheme.

Continued expansion of BTV

A new customer centre in Vienna's Albertinaplatz was opened on 28 June 2005, the second attractive office the Bank has opened in the Austrian capital, after the Naschmarkt centre. Both branches offer business and retail banking services.

Higher levels of own funds

At € 532 million, eligible own funds are 2.6 % up on last year, while 11.9 % in own funds puts BTV comfortably above the 8 % regulatory capital requirement.

Stronger competition

Rising competition for churn business has further tightened the margins on interest and services and forced us to use almost all the profits from our increased share of the market to set off falling earnings.

Quality and productivity have continued to improve, reducing operating expenses € 0.8 million (- 2 %) in 2005. Operating profit at 30 June 2005 was € 29.3 million.

Outlook

We shall continue our aggressive market strategy in the Tyrol and Vorarlberg and in our developing markets in Vienna, Southern Germany and Eastern Switzerland over the next few months. For business banking, we shall concentrate on supporting family businesses and the new settlement on dismissal procedures. In the second half of the year, our retail banking focus will be on innovative home loans and, as a result of the findings of our financial indicator, on safe investments and pensions.

Supporting business is the "Managing Your Money" series of events, this year running under the "Women and Money" title. BTV is also the main sponsor of the 2005 Tyrol Young Business Person of the Year competition open to businessmen and women who have either created or taken over a Tyrol-registered business in the last five years.

BTV operating profits at the end of 2005 will be similar to those for 2004.

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT OF BTV AG AS AT 2005-06-30

ASSETS	2005-06-30	2004-06-30	changes	changes
	mn. EUR	mn. EUR	mn. EUR	%
1. Cash in hand, balances with central banks	250,2	128,4	121,8	94,9
2. Treasury bills and other bills eligible for refinancing with the central bank	168,7	187,6	- 18,9	- 10,1
3. Loans and advances to credit institutions	334,3	144,6	189,7	131,2
4. Loans and advances to customers	4.459,7	4.222,6	237,1	5,6
5. Debt securities and other fixed-interest securities	844,5	666,7	178,8	26,7
6. Shares and other non-fixed interest securities	88,2	70,1	18,1	25,8
7. Equity shares	52,9	53,0	- 0,1	- 0,2
8. Interest in associated companies	127,4	125,3	2,1	1,7
9. Other assets	168,9	147,9	21,0	14,2
TOTAL	6.494,8	5.746,2	748,6	13,0

LIABILITIES	2005-06-30	2004-06-30	changes	changes
	mn. EUR	mn. EUR	mn. EUR	%
1. Deposits by credit institutions	1.191,0	483,3	707,7	146,4
2. Customers accounts	3.761,8	3.849,5	- 87,7	- 2,3
of which a) savings deposits	1.059,0	1.054,2	4,8	0,5
of which b) other liabilities	2.702,8	2.795,3	- 92,5	- 3,3
3. Liabilities evidenced by certificates	809,3	730,7	78,6	10,8
4. Provisions	45,5	45,4	0,1	0,2
5. Supplementary capital	276,9	258,0	18,9	7,3
6. Subscribed capital	50,0	50,0	0,0	0,0
7. Reserves	177,4	152,3	25,1	16,5
8. Liability reserve according to §23 (6) Bank Act	93,1	91,5	1,6	1,7
9. Other liabilities	89,8	85,5	4,3	5,0
TOTAL	6.494,8	5.746,2	748,6	13,0

PROFIT AND LOSS ACCOUNT	2005-06-30	2004-06-30	changes	changes
	mn. EUR	mn. EUR	mn. EUR	%
1. Interest receivable and similar income	103,2	101,9	1,3	1,3
2. Interest payable and similar expenses	- 64,1	- 60,9	3,2	5,3
I. NET INTEREST INCOME	39,1	41,0	- 1,9	- 4,6
3. Income on shares, other equity rights and variable-yield securities	0,4	0,3	0,1	33,3
4. Income on equity interests and interests in associated companies	4,5	3,4	1,1	32,4
5. Commissions	21,3	22,0	- 0,7	- 3,2
6. Earnings / expenses from financial transactions	1,6	2,3	- 0,7	- 30,4
7. Other operating income	0,8	0,6	0,2	33,3
II. OPERATING INCOME	67,7	69,6	- 1,9	- 2,7
8. Staff costs	- 24,8	- 25,3	- 0,5	- 2,0
9. Other administrative expenses (material costs)	- 10,8	- 11,0	- 0,2	- 1,8
10. Value adjustments on assets included in asset item no.9	- 2,7	- 2,7	0,0	0,0
11. Other operating expenses	- 0,1	- 0,2	- 0,1	- 50,0
III. OPERATING EXPENSES	- 38,4	- 39,2	- 0,8	- 2,0
IV. OPERATING RESULT	29,3	30,4	- 1,1	- 3,6

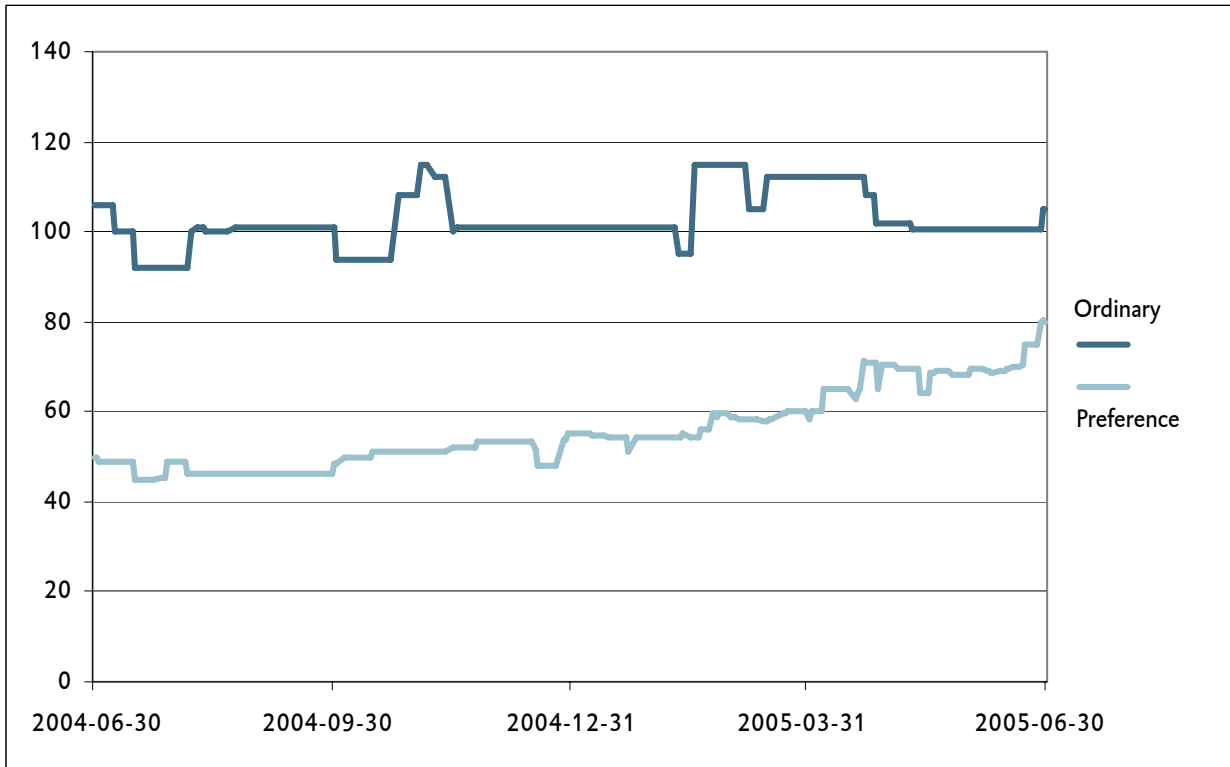
CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT OF BTV AS PER 2005-06-30

ASSETS	2005-06-30	2004-06-30	changes	changes
	mn. EUR	mn. EUR	mn. EUR	%
1. Cash in hand, balances with central banks	250,2	128,4	121,8	94,9
2. Treasury bills and other bills eligible for refinancing with the central bank	168,7	187,6	- 18,9	- 10,1
3. Loans and advances to credit institutions	333,6	146,2	187,4	128,2
4. Loans and advances to customers	4.566,4	4.295,6	270,8	6,3
5. Debt securities and other fixed-interest securities	844,5	666,7	177,8	26,7
6. Shares and other non-fixed interest securities	88,2	70,1	18,1	25,8
7. Equity shares	54,5	54,5	0,0	0,0
8. Interest in associated companies	72,1	67,5	4,6	6,8
9. Other assets	197,7	176,4	21,3	12,1
TOTAL	6.575,9	5.793,0	782,9	13,5

LIABILITIES	2005-06-30	2004-06-30	changes	changes
	mn. EUR	mn. EUR	mn. EUR	%
1. Deposits by credit institutions	1.223,5	483,3	740,2	153,2
2. Customers accounts	3.764,1	3.852,3	- 88,2	- 2,3
of which a) savings deposits	1.059,0	1.054,2	4,8	0,5
of which b) other liabilities	2.705,1	2.798,1	- 93,0	- 3,3
3. Liabilities evidenced by certificates	809,3	730,7	78,6	10,8
4. Provisions	54,9	49,9	5,0	10,0
5. Supplementary capital	276,9	258,0	18,9	7,3
6. Subscribed capital	50,0	50,0	0,0	0,0
7. Reserves	196,0	170,7	25,3	14,8
8. Liability reserve according to §23 (6) Bank Act	93,1	91,5	1,6	1,7
9. Other liabilities	108,1	106,6	1,5	1,4
TOTAL	6.575,9	5.793,0	782,9	13,5

PROFIT AND LOSS ACCOUNT	2005-06-30	2004-06-30	changes	changes
	mn. EUR	mn. EUR	mn. EUR	%
1. Interest receivable and similar income	105,7	106,0	- 0,3	- 0,3
2. Interest payable and similar expenses	- 64,1	- 62,6	1,5	2,4
I. NET INTEREST INCOME	41,6	43,4	- 1,8	- 4,1
3. Income on shares, other equity rights and variable-yield securities	0,4	0,3	0,1	33,3
4. Income on equity interests and interests in associated companies	3,5	2,6	0,9	34,6
5. Commissions	21,8	22,6	- 0,8	- 3,5
6. Earnings / expenses from financial transactions	1,6	2,3	- 0,7	- 30,4
7. Other operating income	2,5	1,8	0,7	38,9
II. OPERATING INCOME	71,4	73,0	- 1,6	- 2,2
8. Staff costs	- 25,4	- 26,1	- 0,7	- 2,7
9. Other administrative expenses (material costs)	- 10,6	- 10,5	0,1	1,0
10. Value adjustments on assets included in asset item no.9	- 3,5	- 3,5	0,0	0,0
11. Other operating expenses	- 1,4	- 1,3	0,1	7,7
III. OPERATING EXPENSES	- 40,9	- 41,4	- 0,5	- 1,2
IV. OPERATING RESULT	30,5	31,6	- 1,1	- 3,5

BTV EQUITIES AS AT 2005-06-30



The US equity markets were depressed in Q2 by rising US money market rates, a more expensive dollar and higher oil prices. These led to sluggish rises on the Nasdaq Composite and the S&P 500 and a slight fall on the Dow Jones.

By contrast, in the past few months the European equity markets have benefited from a weaker euro (which pushed up export securities in particular), the German elections and lower money and capital market rates, while takeovers and mergers have also stimulated the European stock markets, the Central and Eastern European equity markets in particular posting major gains.

The ATX rose again to 3 049.91 (+15 % on Q1).
At the end of March BTV preference shares were up 36 % to €80 and BTV ordinary shares ended June at €105.

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IMPORTANT FIGURES OF 3 BANKEN GRUPPE* (CONSOLIDATED)

	2005-06-30 mn. EUR	2004-06-30 mn. EUR	changes mn. EUR	changes %
BALANCE SHEET				
Balance-sheet total	22.657	20.895	1.762	8,4
Loan and advances to customers	14.572	13.492	1.080	8,0
Fixed-interest securities	3.053	3.061	- 8	- 0,3
Primary funds (including supplementary capital)	14.372	13.898	474	3,4
of which savings deposits	4.792	4.701	91	1,9
Securities deposited by customers	17.167	16.259	908	5,6
PROFIT AND LOSS ACCOUNT				
Interest income (including income on equity interests)	167,8	161,7	6,1	3,8
Commission receivable (including other earnings)	97,3	92,5	4,8	5,2
Earnings / expenses from financial transactions	7,7	10,4	- 2,7	- 26,0
Staff costs	98,8	97,5	1,3	1,3
Material expenditure, depreciation other expenditure	62,3	59,4	2,9	4,9
Operating result	111,7	107,7	4,0	3,7
CAPITAL RESOURCES				
Creditable capital resources (without Tier 3)	1.856	1.769	87	4,9
Surplus capital resources	583	602	- 19	- 3,2
RESOURCES				
Average number of persons employed	3.226	3.184	42	
Branches	192	191	1	

* consisting of BKS Bank AG, Oberbank AG, Bank für Tirol und Vorarlberg AG