

ANNUAL REPORT 2003



BTV AG AT A GLANCE

	2003 in €	2002 in €	Change in €	Change in %
Balance Sheet (millions)				
Balance Sheet total	6 058.0	5 720.1	337.9	+ 5.9%
Loans to customers	4 374.6	4 120.6	254.0	+ 6.2%
Fixed-interest securities	901.8	881.2	20.6	+ 2.3%
Liabilities to customers	3 547.4	3 413.1	134.3	+ 3.9%
of which savings deposits	1 044.5	1 014.7	29.8	+ 2.9%
of which other liabilities	2 502.9	2 398.4	104.5	+ 4.4%
Securitized liabilities	673.5	621.2	52.3	+ 8.4%
Creditable capital resources (not tier 3 capital)	499.1	459.2	39.9	+ 8.7%
Surplus capital resources (under 22/1/1 and 4)	163.1	149.3	13.8	+ 9.2%
Securities deposited by customers	4 212.3	4 274.3	- 62.0	- 1.5%
Profit statement (millions)				
Operating results	70.1	68.9	1.2	+ 1.7%
Results from ordinary business activities	41.1	38.9	2.2	+ 5.7%
Surplus for the year	31.0	28.1	2.9	+ 10.3%
Key company indicators				
			% points	
Core capital ratio	7.19%	7.18%	+ 0.01%	
BIS ratio	11.88%	11.85%	+ 0.03%	
Return on Equity before tax	13.79%	14.13%	- 0.34%	
Return on Assets	0.53%	0.50%	+ 0.03%	
Cost-Income-Ratio	54.63%	53.88%	+ 0.75%	
Operating results as a % of Ø balance sheet total	1.19%	1.23%	- 0.04%	
BTV share indicators				
			in €	
ÖVFA-consolidated profit per share (in €)	6.23	5.65	0.58	
Dividend per share (in €)	1.30	1.16	0.14	
Share price: profit per ordinary share	20.3	23.0	- 2.7	
Share price: profit per preference share	5.8	6.3	- 0.5	
Ordinary share: top price in €	129.5	144.0		
Bottom price in €	102.5	128.8		
Closing price in €	126.5	130.0		
Preference share: top price in €	36.5	45.0		
Bottom price in €	30.3	27.1		
Closing price in €	36.1	35.5		
Resources				
Average no. of employees over year	832	825	7	
Branches	36	36	0	

INTRODUCTION BY THE MANAGING DIRECTORS

SHAREHOLDERS AND BUSINESS PARTNERS, ESTEEMED CUSTOMERS OF BTV,

Over the financial year just ended BTV continued its 2002 success. Despite the economic turbulence of 2003, both BTV AG and the BTV group brought home good profits. We are particularly proud to announce a rise in both operating profits and total assets in a year of economic stagnation and tough competition that put numerous obstacles in our path: low interest rates had a negative impact on margins; the introduction of the euro led to a fall in income from foreign monetary transactions; the war in Iraq caused investment business to fall off and generally undermined confidence. All our business activities - whether investment, financing or monetary transactions - focus on providing tailored solutions, professional advice and valuations and ensuring reliability and full customer satisfaction with our services.

BTV's primary objective is to become the market leader in all money-related business and with this in mind we rethought our approach this year, introducing an entirely new way of providing financial information based on a comprehensive information booklet and numerous customer events. The positive response we have obtained from the public and from people attending these events has confirmed that we are on the right path and as a result 2004 will see more such events in the Tyrol and Vorarlberg.

BTV's investment business in 2003 saw the introduction of extremely successful safe products with capital guarantees, such as the BTV with profit bonds with guaranteed bonus. We are particularly proud of winning the Standard & Poor's Fund Award. The 3 Banken asset mix managed by BTV fought off international and Austrian investment funds to win first prize in the German and Austrian „International Defensive Mixed Funds“ category.

Our primary services to our corporate clients are monetary transactions and finance management. Our comprehensive service packages of more than just banking products offer both cost and interest savings. In a Basle II information campaign organised in conjunction with local tax advisors, we gave practical advice on credit line management and the bank/customer relationship. In the financial year 2003, BTV group total assets grew 5.9% to over € 6 bn.

Increased lending (+6.2%) made a material contribution to this result and deposits also rose. We are especially pleased to report that operating profits were over € 70 mn and profits on ordinary business over € 41 mn. Despite a significant increase in the basis of valuation, the core capital ratio of the BTV group rose to 7.19% and the BIS ratio to 11.88%. With a 54.63% cost : income ratio and 13.80% pre-tax ROE, BTV remains a leader in Austria.

Managing change means taking charge of the future rather than being driven by events. We have emerged stronger from the economic turbulence of 2003 and now look to the future with confidence. We aim to excel. We shall use our entrepreneurial talent to offer outstanding services and ensure the long-term independence of BTV by putting the customer first. Planning for the future means moving forward together with our staff, our shareholders, our customers and our business partners. And it is with this in mind we look forward to an exciting 2004.



Mag. Matthias Moncher

Peter Gaugg

CODE OF CORPORATE GOVERNANCE

CODE OF CORPORATE GOVERNANCE MANDATORY DECLARATION BY BTV

In 2002 the Austrian Code of Corporate Governance was published establishing principles for proper company management and is viewed by investors as a major contribution to investment decisions. As BTV is an Austrian listed company, its Management Board and Supervisory Board have decided to implement the Code of Corporate Governance.

In addition to statutory requirements, the Austrian Code of Corporate Governance* also includes advice and suggestions. Subject to specific conditions applicable to the company concerned, advice need not necessarily be implemented. The Management Board and Supervisory Board of BTV have decided to apply all material parts of the Code of Corporate Governance and to deviate from it only where the specific circumstances of BTV or banking regulations require. Necessary deviations are marked in **dark blue** below.

BTV aims to achieve constant growth in its company value. However, its market positioning cannot be seen in isolation and must also take account of that of the two other Austrian regional banks, Oberbank and Bank für Kärnten und Steiermark, whose history it shares and with which it is connected through the 3 Banken Gruppe brand. Value-oriented, transparent management based on the Code of Corporate Governance is a primary focus of BTV and its „sister banks“.

*In the version contained in the Handbuch Corporate Governance, Dr. Gerhard Hrebicek, MBA & Mag. Markus Fichtinger (eds.), Aktienforum, Österreichischer Verband für Aktien-Emittenten und -Investoren, Vienna 2003.

Notes to the table:

The table lists deviations from the Austrian Code of Corporate Governance.

The left column shows Code numbering and notations:

1. Legal Requirement (L): mandatory legal requirement

2. Comply or Explain (C): Compliance required; all deviations to be explained and justified.

Right column C-rules (explanations of deviations) and L-rules (banking regulations): **dark blue items**

2. C	Share structure to be based on „one share one vote“. Limitations on voting rights for preference shares only.
4. C	General Meetings of Shareholders shall be convened pursuant to the BTV Articles of Association so as to allow shareholders at least 14 days as of the notice date to deposit shares. There must be at least three working days between the deadline for the deposit of shares and the date of the Meeting. Notices of General Meetings of Shareholders, Meeting agendas, all motions and documents to be submitted to the shareholders and made available to the General Meeting of Shareholders for consultation from the date the General Meeting of Shareholders is convened and all motions and counter-motions by shareholders, if brought to the Company's attention in due time, shall be published with a public download option on the Company's website at least one week in advance.

16. C	The Management Board shall comprise two or more persons. The rules of procedure shall state the organisation of duties and manner in which the Management Board shall work together. If the Supervisory Board appoints one of its members to chair the Management Board, care shall be taken to ensure compliance with the bank management regulations so far as the competence of that member is concerned. (The „four eyes principle“).
18. C	In line with Banking Act (BWG) requirements, BTV has set up an Internal Audit Department reporting directly to the Management Board and working solely to ensure that the entire Company complies at all times with all applicable laws and regulations and its corporate purpose. The head of Internal Audit sends a quarterly report on material audit matters directly to the President of the Supervisory Board. (Tougher than Code requirements for banks)
20. L	In order to prevent insider trading, the Company shall establish internal guidelines for the dissemination of information and shall ensure compliance with them. For this purpose the Company shall apply, within the meaning of the Issuer Compliance Order (Emittenten- Compliance-Verordnung), the Standard Compliance Code of the Verband österreichischer Banken und Bankiers, which incorporates the provisions of the Stock Market Act (Börsegesetz) and the Securities Supervision Act (Wertpapieraufsichtsgesetz). (Banks are specifically exempted from the Issuer Compliance Order).
24. L	All business between BTV or its subsidiaries and members of the Management Board or persons and companies close to them must comply with normal industry standards. All such business and its terms and conditions must be approved in advance by the Supervisory Board, unless the business involved is everyday business, or is subject to special regulation under the Banking Act (business involving officers). (Tougher requirements for banks)
26. C	The appointment of any member of the Management Board as Managing Director or CEO or to the Supervisory Board of any non-Group company must be approved by the President of the Supervisory Board. Similar additional appointments of key staff must be approved by the Management Board.
30. C	In compliance with legal requirements, the remuneration of the Management Board shall be published.
35. L	The Supervisory Board shall, subject to the Public Limited Companies Act (Aktengesetz), prepare a list of transactions requiring approval and, depending on the size of the company involved, set appropriate limits. This shall apply also to the transactions of subsidiaries that are material to the Group. In addition under the terms of the Banking Act (BWG), certain high limits are subject to approval.
38. C	When appointing new members of the Management Board, the Supervisory Board shall comply with Banking Act regulations on bank directors. The Supervisory Board shall act in the Company's best interests. The Supervisory Board is otherwise free to make its selection to which no age limits apply.
42. C	Strategy shall be developed by the Management Board and the Supervisory Board working closely together and may be decided by the full Supervisory Board.
43. C	The Supervisory Board shall set up a Personnel Committee chaired by the Supervisory Board President. If the Supervisory Board has fewer than six members (including staff representatives), the duty may be performed by all its members together. The Personnel Committee shall deal with personnel matters concerning members of the Management Boards, including succession planning. The Personnel Committee shall decide on the contents of the employment contracts of Management Board members and their emoluments. It shall also be responsible for approving other appointments of Management Board members.

CODE OF CORPORATE GOVERNANCE

45. C	Representatives of the Company's leading shareholders are also represented on the Supervisory Board. If these include other banks, such Supervisory Board members will also be officers of other banks with which BTV competes. However, in their capacities as members of the BTV Supervisory Board, those persons are subject to the rules on independence, conflicts of interest and obligations to the other shareholders. The aforesaid also applies to BTV Management Board members who also sit on the supervisory boards of banks in which BTV has a shareholding.
47. C	Loans by BTV to Supervisory Board members and legal transactions with them are subject to the provisions and limitations of the Banking Acts. (Tougher than Code requirements for banks).
48. C	All members of the Supervisory Board shall be acquainted with the Standard Compliance Code.
51. C	When appointing the Supervisory Board, the General Meeting of Shareholders shall consider each nominee's personal qualifications while also seeking to establish a technically balanced Supervisory Board. When appointing the Supervisory Board, the General Meeting of Shareholders shall consider in particular the business structure of BTV. It may also appoint shareholders to the Supervisory Board.
54. C	Supervisory Board members may together hold no more than eight supervisory board appointments in listed companies. Any member of the Management Board belonging to a listed company may not hold more than four supervisory board appointments in non-Group listed companies if such appointments are not in BTV's business interests. Material participations do not constitute non-Group public limited companies. The Articles of Association set no age limit on Supervisory Board membership.
62. C	The annual financial statements and quarterly reports of BTV are prepared in compliance with Austrian commercial law (HGB). If required by law or stock market regulations, BTV will prepare its consolidated financial statements and its quarterly reports to International Financial Reporting Standards (IFRS).
65. C	BTV shall publish in German and on the Company's website its consolidated financial statements and annual report within four months, and its quarterly reports within two months, of the end of the reporting period concerned. The annual financial statements prepared to Austrian commercial law (HGB) requirements shall be published in German at the same time.
69. C	In compliance with legal requirements, the Management Board shall immediately publish the notices issued pursuant to the Stock Market Act (Börsengesetz) concerning the sale and purchase of shares by members of the Management or Supervisory Board.
73. C	The consolidated financial statements shall be audited in compliance with HGB requirements. If required by law or stock market regulations, the consolidated financial statements shall be audited to internationally recognised auditing standards.

The mandatory declaration by BTV and the corporate governance principles are given in their entirety on our website at [www.btv.at/BTV Portrait/Corporate Governance](http://www.btv.at/BTV_Portrait/Corporate_Governance).

2003 FINANCIAL STATEMENT OF BTV AG AND THE BTV GROUP

BTV AG AND THE BTV GROUP IN 2003

Solid profit in a tough market

Consolidated profit on ordinary business up 5.5% to € 41.1 mn

Despite a tough market, the BTV group had a successful year. Operating income grew 3.4% (+€ 5.1 mn) to € 154.5 mn, while general operating expenses rose only marginally against 2002, giving an operating profit up 1.8% (+€ 1.2 mn) to € 70.1 mn (of which BTV AG: € 65.2 mn). Credit risk management efforts to achieve a balanced portfolio again bore their fruits in 2003, so that despite the continued rise in lending, bad debt provisions were cut by 4.1% (-€ 1.1 mn), lifting profit on ordinary business over the period by 5.5% (+€ 2.1 mn) to € 41.1 mn (of which BTV AG: € 37.2 mn). Lower tax rates raised annual surplus 10.3% (+€ 2.9 mn) to € 31.0 mn (of which BTV AG: € 27,9 mn).

Net interest income was hit particularly hard by low rates and the current inverted interest curve, both of which reduced margins. Net interest income fell 6.7% (-€ 6.1 mn) to € 84.7 mn. Trading and investment income increased mainly through the increase of equity and other security positions. The loss of confidence on the equity markets continued to be a problem that we took active steps to counter by the issue and heavy marketing of guaranteed products. Even so, falls in deposit fees and commission on units could not be entirely avoided. Developments involving the foreign exchange markets however were more positive as most yen loans were converted into Swiss francs or euro, boosting exchange income 20.4%. Nevertheless at closing commission profit had fallen 2.1% (-€ 1.0 mn) below 2002. Higher trading profits and increased income from leasing subsidiaries lifted operating income by € 5.1 mn.

The average number of employees rose to 832 over the year, increasing payroll costs 0.8% (+€ 0.4 mn) to € 50.4 mn. Targeted marketing campaigns and investment in a state of the art IT system increased material expenditure 0.7% (+€ 0.1 mn). The BTV AG cost : income ratio remained unchanged over 2002 and in the Group rose to 54.6% because of the yet to be netted and reported increase in the operating income and expenditure of our leasing subsidiary. After-tax ROE improved despite the continued growth of own funds to 10.4%.

Consolidated net assets up 5.9% to € 6.1 bn

The Group's consolidated net assets for the first time overstepped the € 6 bn threshold, BTV AG net assets growing 6.8% to € 6.0 bn. Drivers were loans to private and corporate clients (up € 254 mn or 6.2%). New funds were also up on 2002. New funds rose 4.6% (+€ 187 mn) to a book value of over € 4.2 bn.

At 31.12.2003, the core capital of the banking group was € 301.9 mn and at 7.19% the core capital ratio, despite a sharp rise in the valuation basis, was one basis point up on the previous year. The own funds reported in the consolidated financial statements increased € 23.7 mn (+ 8.3%) to € 310.0 mn at year end. The banking group's own funds, reported pursuant to paragraphs 23 and 24 of the Banking Act, stood at € 502.2 mn (including tier 3 capital) at the balance sheet date. Regulatory capital (€ 339.1 mn) takes account of securities trading exposures and the parent company's open foreign exchange positions, € 163.1 constituting excess capital. The 11.88% capital ratio has therefore improved 0.03% over 2002.

OUTLOOK FOR 2004

2004 PROFITS

The prospects for international economic recovery spearheaded by the US and Asia have improved considerably over the past few months. 2% growth is expected in the eurozone, driven primarily by exports. Current forecasts show some euro : dollar risk that should not be underestimated, while no significant drop in unemployment will continue to depress consumer confidence.

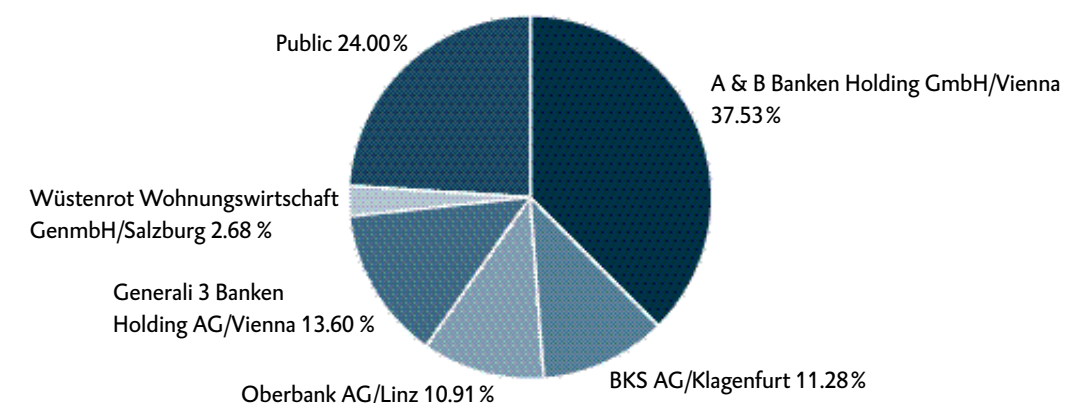
The WIFO (Wirtschaftsforschungsinstitut - Institute for Business Research) expects Austria to show real growth of 1.7%. Exports in particular should benefit from the upswing as the Eastern European accession countries join the EU. Tourism in Western Austria is also likely to improve. Household consumption will probably grow slowly and inflation does not look set to accelerate, giving stable prices over the next two years. Since the economy is not as solid as many indicators would have us believe, the current low money market interest rates will continue for some time. The capital market with its falling rates is also not reacting as predicted and it is difficult to say when rates will start rising again, although higher rates for the bond market are already on the cards. Last year's recovery of the equity markets looks set to continue, although less vigorously than before. All this means that 2004 will be a tough year for the banks in terms of interest income and BTV will not escape the trend. By placing even greater focus on the Tyrol and Vorarlberg regions, we shall concentrate on obtaining an even larger share of our core markets.

The beginning of the year saw the opening of the Private Customer Centre on the Naschmarkt in Vienna. BTV now has two offices in Vienna, in Tuchlauben and the Naschmarkt, dealing with both private and corporate clients. We shall also be stepping up our activities in the growing South German and Eastern Swiss markets.

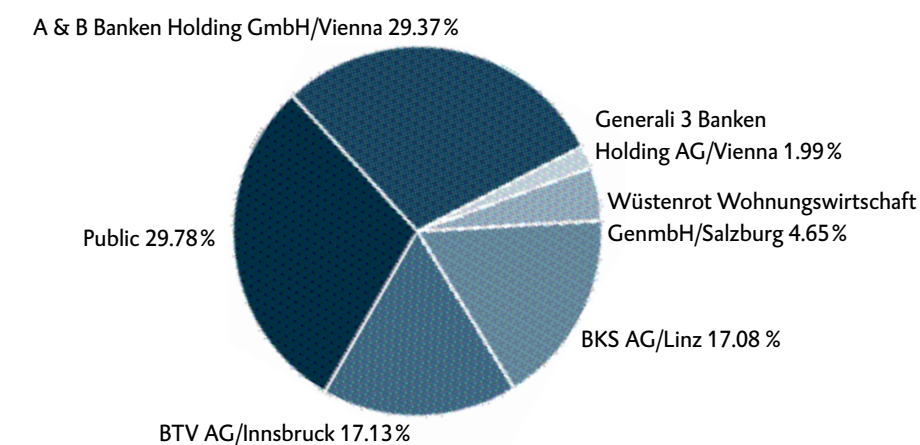
Thanks to the planned increase in its activities, BTV is again looking forward to growth. 2004 should see euro and currency financing growing at 2003 rates but weak interest rates will probably mean that the growth in new funds will be somewhat lower than last year and investment margins will be tighter. We shall exploit securities trading trends by developing new, innovative products that are more in line with the current demand for safer investments. We shall not be able to repeat our 2003 success in foreign exchange business because developments last year led to extraordinarily high levels of currency changes on loans. In order to consolidate its income positions, BTV will continue to keep a close eye on costs. By optimising processes and keeping operating expenditure under tight control, management will be streamlined and costs kept down, meaning that operating profit and profit on ordinary business should be higher than in the previous period. There were no material post-balance sheet events in the financial year 2003.

SHAREHOLDERS 3 BANKEN GRUPPE

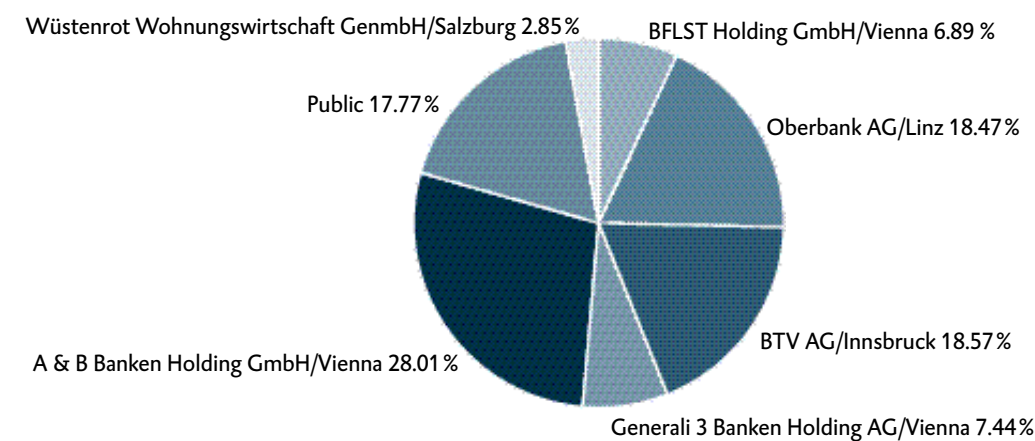
BTV



OBERBANK



BKS



NOTES TO THE 2003 FINANCIAL STATEMENTS OF BTV AG

The following provides more detailed information on the development of balance sheet volumes, the lending and refinancing business, capital adequacy and material revenue positions.

Balance sheet volumes

In 2003 the Austrian economy made only a very slight recovery. Internationally, Euroland countries suffered as a result of the strength of the euro. Austrian exports in US dollars fell but exports to Central, Eastern and Southern Europe rose. While companies remained more reluctant to invest in 2003, private consumption held up better, rising slightly over the previous year, and tourism was relatively strong given the economic slump.

The marketing of home building loans and increased lending, particularly to industry, grew BTV's lending business. At 31.12.2003 BTV AG total assets were up € 382.1 (+6.8%) to € 6 029.7 mn.

Lending and refinancing

Customer loans shown on the balance sheet rose over the period to € 4 320.4 mn, a € 303.9 mn (+7.6%) rise, of which Austrian customers € 177.6 mn (+5.1%) and foreign customers € 126.3 mn (+22.4%). The proportion of currency loans fell from 44.4% to 42.8% to total € 1 848.8 mn, of which 71.7% to domestic and 28.3% to foreign customers.

16.0% of all 2003 lending was to foreign customers (2002: 14.1%), customers in Switzerland and Liechtenstein accounting for 51.8% of all such loans (2002: 46.4%), in EMU Member

States 42.0% (2002: 43.1%), in the USA 4.9% (2002: 8.2%) and in other Western European countries 0.3% (2002: 0.2%). Customers in other countries accounted for 1.0% of all such loans (2002: 2.1%) and were mainly foreign subsidiaries or foreign business partners of local enterprises.

Table 2 breaks down lending at 31.12.2003 by sector:

Driving lending growth in absolute terms were: industrial companies (+ € 88.6 mn or +17.5%), followed by leasing companies including BTV Leasing (+ € 84.6 mn or +45.8%), private (self-employed and dependent) customers (+ € 71.6 mn or +4.9%) and traders. Lending fell to tourism-related business (- € 11.1 mn or - 4.4%) and the public sector (- € 9.3 mn or - 2.6%). The securities portfolio rose to € 1 130.8 mn in 2003, an increase of € 71.9 mn (+6.8%), of which € 44.6 mn fixed-interest securities and € 27.3 mn equities and other variable-interest securities. This is not immediately clear from the balance sheet since at the balance sheet date securities totalling € 188.9 mn (2002: 164.9 mn) were deducted as a result of incorrect pensions operations. These positions therefore show a rise of € 47.9 mn.

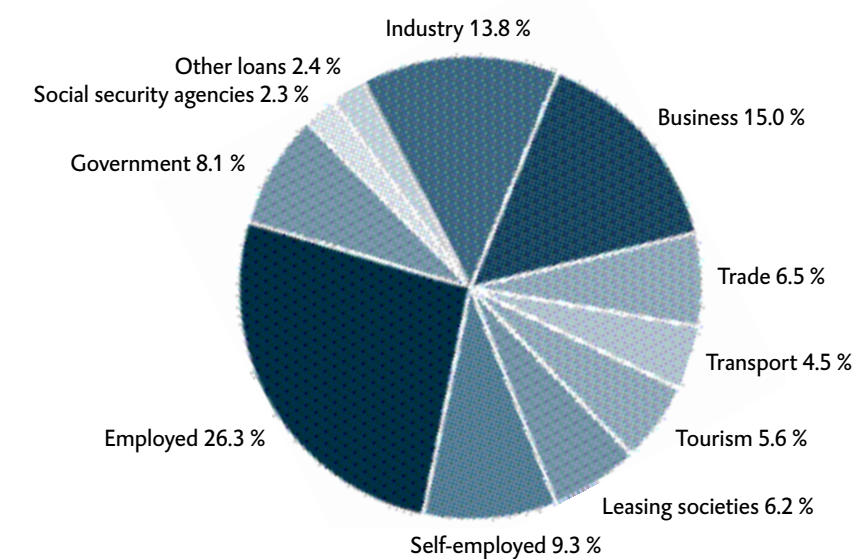
Contingent liabilities arising from the giving of guarantees, sureties, irrevocable guarantees for bills of exchange and the acceptance of joint and several liability for secured 3 Banken loans totalled € 319.1 mn at 31.12.2003, down € 9.7 mn or -2.9% on 2002.

This was primarily due to the fact that at the balance sheet date guarantees had fallen € 11.2 mn.

1. CUSTOMERS LOANS		2003 mn €	2002 mn €	Change mn €	Change in %
Austria	€	2 304.1	2 086.7	217.4	10.4%
Austria	Foreign currency	1 324.9	1 364.7	-39.8	-2.9%
Abroad	€	167.5	145.5	22.0	15.1%
Abroad	Foreign currency	523.9	419.6	104.3	24.9%
TOTAL		4 320.4	4 016.5	303.9	7.6%

BTV Breakdown by sector

Customers loans at 31 December 2003
Balanced loan allocation by sector



2. SECTOR BREAKDOWN/ CUSTOMER LOANS

	Share	2003	2002	Change in %
Industry	13.8%	596.1	507.5	17.5%
Business	15.0%	649.3	610.4	6.4%
Trade	6.5%	280.0	268.3	4.4%
Transport	4.5%	195.7	169.5	15.5%
Tourism	5.6%	241.4	252.5	- 4.4%
Leasing societies	6.2%	269.4	184.8	45.8%
Self-employed	9.3%	402.3	378.5	6.3%
Employed	26.3%	1 136.6	1 088.8	4.4%
Government	8.1%	347.2	356.5	- 2.6%
Social security agencies	2.3%	100.0	100.0	0.0%
Other loans	2.4%	102.4	99.7	2.7%
TOTAL	100.0%	4 320.4	4 016.5	7.6%

NOTES TO THE 2003 FINANCIAL STATEMENTS OF BTV AG

3. REFINANCING	2003 mn €	2002 mn €	Change mn €	Change in %
Liabilities to customers – savings deposits	1 044.5	1 014.7	29.8	2.9%
Liabilities to customers – savings other	2 505.2	2 352.4	152.8	6.5%
Securitized liabilities	673.5	621.2	52.3	8.4%
Primary deposits	4 223.2	3 988.3	234.9	5.9%
Liabilities to banks	1 212.1	1 115.9	96.2	8.6%
TOTAL	5 435.3	5 104.2	331.1	6.5%

Borrowing over the period rose € 331.1 mn (+ 6.5%) to € 5 435.3 mn. This figure includes € 4 223.2 mn in new funds from domestic and foreign customers, up 5.9% (+€ 234.9 mn). Bank loans rose 8.6% (+€ 96.2 mn) to € 1 212.1 mn at 31.12.2003. Since the rise in new funds was lower than the rise in total assets, new funds fell as a proportion of total assets from 70.6% to 70.0% while the proportion of bank loans rose from 19.8% in 2002 to 20.1%.

The primary drivers of growth in new funds in 2003 were Other Liabilities, which rose € 152.8 mn (+6.5%) mainly as a result of investments by institutions. In retail banking, the primary drivers were deposits, which were up € 29.8 mn (+2.9%) to € 1 044.5 mn, increasing debt to customers by the same amount.

Securitized debt increased € 52.3 mn over the period (+8.4%) to € 673.5 mn. Listed debt securities at the balance sheet date totalled € 396.5 mn, down € 14.6 mn (-3.6%) on 2002. In 2003 BTV issued one stepped-interest bond, two fixed-interest bonds and two step-down bonds. A 2002 tap issue bond was also increased to € 7.7 mn.

However, "Other Securitized Debt" also rose; within this heading fall various fixed and variable-rate domestic bonds including capped-rate bonds totalling € 136.2 mn (2002: € 123.3 mn), and private placements in euro and Swiss francs including € 78.1 mn in deferred interest. Sales over the reporting period focused on the issue of structured investment products worth € 62.7 mn and made a material contribution to the € 66.9 mn rise in "Other Securitized Debt" over the year.

In addition to the € 4 223.2 mn new funds reported, BTV also managed € 4 112.7 mn in customer securities deposited with it, a € 66.9 mn (- 1.6%) fall over the previous year. BTV thus managed a total of € 7 662.4 mn in customer assets (adjusted for double calculation of securitized debt and deposits), up € 115.7 mn (+1.5%) over 2002.

BTV's share of secured 3Banken Gruppe loans issued 1988-1997 totalled € 23.3 mn. The loans are secured by stock that brought in government-guaranteed income of € 29.1 mn and a profit of € 5.8 mn at year end.

Source and application of funds

The following Statement of Changes in Financial Position shows business developments over the reporting year in terms of the source and application of funds.

4. STATEMENTS OF CHANGES IN FINANCIAL POSITION	Source of funds		Application of funds	
	mn €	%	mn €	%
ASSETS				
Rise in assets			391.4	99.0%
Client receivables			303.9	76.9%
Subsidiaries, Group undertakings			9.6	2.4%
Securities, including equities			48.0	12.1%
Cash in hand, balances with the Austrian National Bank			22.4	5.7%
Other assets			7.5	1.9%
Reduction in assets	9.2	2.3%		
Bank receivables	9.2	2.3%		
LIABILITIES				
Rise in liabilities	386.0	97.7%		
Liabilities to banks	96.2	24.4%		
Savings deposits	29.8	7.5%		
Other debts to clients	152.8	38.7%		
Securitized liabilities	52.3	13.2%		
Capital resources including tier-2 capital	54.9	13.9%		
Reduction in liabilities			3.8	1.0%
Other Liabilities			3.8	1.0%
TOTAL SOURCE/APPLICATION OF FUNDS	395.2	100%	395.2	100%

NOTES TO THE 2003 FINANCIAL STATEMENTS OF BTV AG

Interest income

The inverted interest curve in the first half of the year, the historic low interest rates that have now hit and the ensuing pressure on debt margins pushed net interest income down by €3.4 mn (-4.1%) to €79.5 mn. Dividends and investment income together totalled €8.7 mn, dividends rising with the larger portfolio of equities and other securities, as did distributions from associates. Investment income was slightly lower than in 2002.

Services

Lower deposit fees and commission on units pushed down trading income despite slightly higher broking profits, causing BTV profits to fall €2.3 mn (-11.0%) on its core services. Loan income also fell €0.8 mn (-12.1%). Income from monetary transactions (+ €0.7 mn or +5.8%) and currency and transactions in foreign notes and coins (+ €1.1 mn or +20.4%) was however significantly higher than in the previous year. This is mainly attributable to customers' enthusiasm for changing yen loans into euro or Swiss francs. Income from other services were €0.5 mn up on 2002. Income from financial transactions rose €4.1 mn over the period to €6.4 mn thanks to growth in securities and currency trading. Other operating income rose to €0.3 mn to €1.6 mn €, lifting total operating income €1.2 mn to €140.5 mn (+0.9% over 2002).

Operating expenses

Operating expenses rose 0.8% (€0.6 mn) over the reporting year to €75.3 mn. Staff costs, the largest expense position, rose 1.1% (€0.5 mn) to €48.7 mn. Average staff numbers rose by 7 (0.9%) to 811 meaning that the 0.9% rise in salaries and wages under the collective agreement continued to follow a positive trend. Material expenditure increased 2.4% to €20.8 mn, €0.5 mn up on 2002. The rise is mainly due to higher IT and marketing expenses. Depreciation fell €0.8 mn. Although the depreciation of buildings dropped €0.7 mn, it fell only €0.1 mn for office equipment. Other operating expenses rose by €0.4 mn. As a result of these changes, operating profit went up 0.9% or €0.6 mn to €65.2 mn.

5. NET COMMISSION INCOME	2003 mn €	2002 mn €	Change mn €	Change in %
Loans and guarantees	5.8	6.6	- 0.8	- 12.1%
Securities trading	18.7	21.0	- 2.3	- 11.0%
Payments	12.7	12.0	0.7	5.8%
Foreign exchange/foreign currency/precious metals trading	6.5	5.4	1.1	20.4%
Other service income	0.7	0.2	0.5	> 100%
TOTAL	44.4	45.2	- 0.8	- 1.8%

Risk management

Revenue/expenses from the valuation and sale of loans and securities led to total outgoings of €26.1 mn, €2.8 mn down on 2002. This was mainly due to lower profits on equities and the heavier write-down of securities held as current assets. Total losses on loans were slightly less than in the previous year, leading us to continue the very cautious valuation of our loan portfolio in 2004.

Revenue/expenses from the valuation and sale of securities held as current assets, shares in associated companies and investments led to total outgoings of €1.9 mn in 2003, which compares with a €0.2 mn profit in 2002. This was primarily attributable to the sale and reclassification of current assets, which led to write-downs totalling €2.4 mn. Revenue from ordinary business rose as a result of the above by €1.3 mn (+3.6%) to €37.2 mn. Lower levels of taxable income boosted annual profit by €2.1 mn (+8.2%) to €27.9 mn. After-tax ROE improved to 9.93% (2002: 9.89%), while the cost : income ratio remained stationary at 53.6%.

6. INCOME /EXPENDITURE TOTALS 11./12.	2003 mn €	2002 mn €	Change mn €	Change in %
Credit risk total	- 25.1	- 25.9	- 0.8	- 3.1%
Sales income from securities held as current assets	0.4	1.8	- 1.4	- 77.8%
Write-down of securities held as current assets	- 1.4	- 4.8	- 3.4	- 70.8%
TOTAL P&L-POSITION 11./12.	- 26.1	- 28.9	- 2.8	- 9.7%

Liable capital resources

At 31 December 2003, 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 €21.5 mn were made from profits for the period, of which €3.8 mn from the liability reserve. A further €17.9 mn was credited to unallocated reserves from taxed profit. The 1999 €0.2 mn investment allowance was credited to unallocated reserves at the end of the mandatory retention period. Taxed and tax-free reserves together totalled €243.7 mn at 31.12.2003.

Supplementary capital rose with the issue of three stepped-interest bonds with a total par value of €22.5 mn. In 2001 and 2002 existing issues were increased by €22.8 mn. Following deduction of bonds maturing in the reporting year, supplementary capital including deferred interest totalled €226.8 mn. Taking weighted maturity and the Bank's own share portfolio into account, pursuant to para 23 of the Banking Act €185.3 mn was imputed to the Bank's own funds, €19.6 mn more than in the previous year. Eligible own funds rose €40.9 mn to €488.9 mn. Since the capital adequacy requirement was only €32.5 mn, excess capital rose 6.0% to €147.9 mn.

Regulatory capital at 31 December 2003 is shown in table 7.

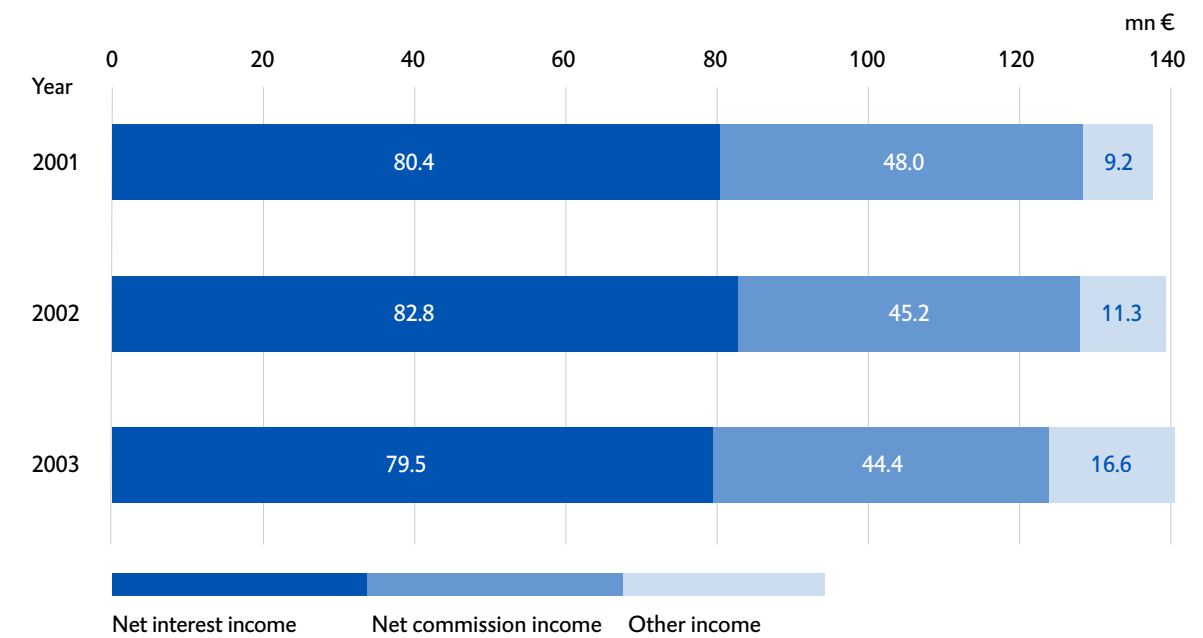
NOTES TO THE 2003 FINANCIAL STATEMENTS OF BTV AG

7. CAPITAL RESOURCES	2003 mn €	2002 mn €	Change mn €	Change in %
Share Capital	50.0	50.0	0.0	0.0%
minus owner shares	- 2.2	- 2.1	- 0.1	4.8%
Open reserves	240.4	218.6	21.8	10.0%
Core capital (tier 1)	288.2	266.5	21.7	8.1%
Core capital share	6.82%	6.93%		
Additional capital resources (tier 2)	253.7	227.0	26.7	11.8%
Deductions	- 56.1	- 46.2	- 9.9	21.4%
Creditable capital resources (not tier 3)	485.8	447.3	38.5	8.6%
Capital resources ratio	11.50%	11.63%		
Capital resources under 23(14)(Z)(7) of the BWG (tier 3)	3.1	0.7	2.4	> 100%
Creditable capital resources under 23(14) of the BWG	488.9	448.0	40.9	9.1%
Capital adequacy requirements	337.9	307.8	30.1	9.8%
Capital adequacy requirements for securities trading and open currency positions	3.1	0.7	2.4	> 100%
Capital resource requirements under 22(1) of the BWG	341.0	308.5	32.5	10.5%
Surplus cover (not tier 3 capital)	147.9	139.5	8.4	6.0%

PROFIT AND LOSS ACCOUNT OF THE BTV AG FOR THE YEAR ENDED 31 DECEMBER 2003

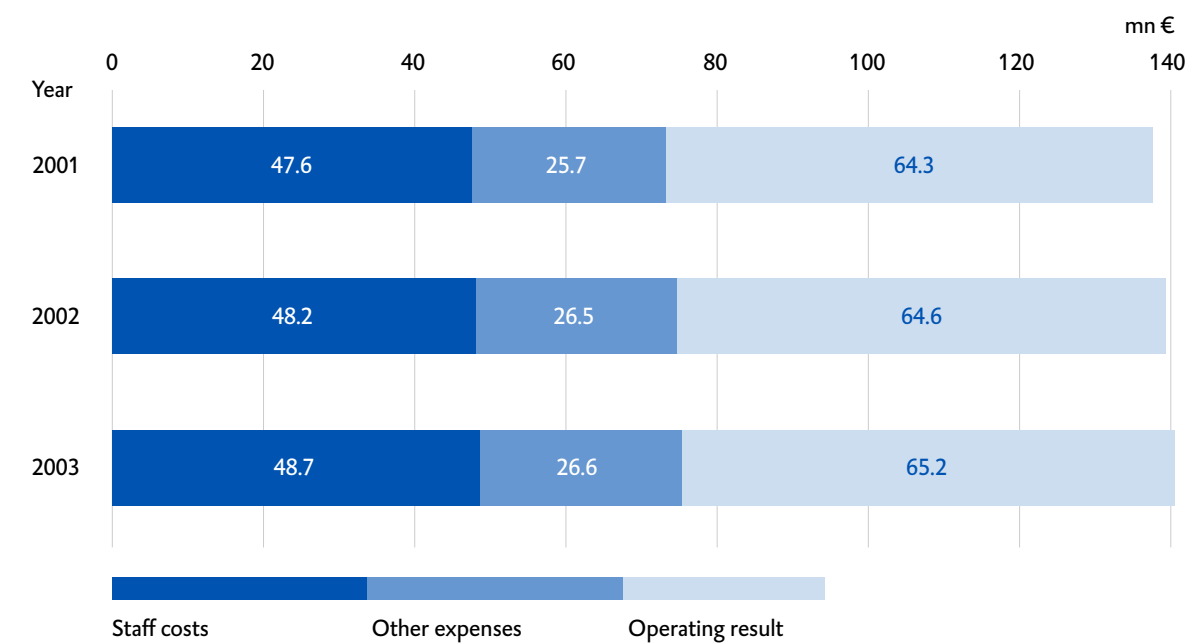
OPERATING INCOME 2001–2003 IN MN €

Increased revenue from other income



APPLICATION OF OPERATING INCOME 2001–2003 IN MN €

Operating result slightly above last year's level



BTV AG BALANCE SHEET AS AT 31 DECEMBER 2003

ASSETS	31-12-2003 € in 1 000s	31-12-2002 € in 1 000s	Change € in 1 000s	Change in %
1. Cash in hand, balances with central banks and post office banks	130 890	108 462	22 428	20.7%
2. Treasury bills and other bills eligible for refinancing with the central bank	175 719	239 711	- 63 992	- 26.7%
3. Loans and advances to credit institutions	367 757	377 039	- 9 282	- 2.5%
a) due at sight	25 260	50 509	- 25 249	- 50.0%
b) other loans and advances of which unsecured loans and advances to banks with participating interests	342 497	326 530	15 967	4.9%
4. Loans and advances to customers of which unsecured loans and advances to associated companies	4 320 391	4 016 495	303 896	7.6%
of which unsecured loans and advances to banks with participating interests	237 769	142 625	95 144	66.7%
of which unsecured loans and advances to banks with participating interests	8 521	12 908	- 4 387	- 34.0%
5. Debt securities including fixed-interests securities	726 100	641 518	84 582	13.2%
a) issued by public bodies	0	0	0	0.0%
b) issued by other borrowers of which own bonds	726 100	641 518	84 582	13.2%
of which own bonds	10 890	8 111	2 779	34.3%
6. Shares and other non-fixed-interests securities	40 144	12 762	27 382	> 100%
7. Equity shares of which in credit institutions	52 976	58 374	- 5 398	- 9.2%
of which in credit institutions	44 187	44 271	- 84	- 0.2%
8. Interest in associated companies of which in credit institutions	125 321	110 341	14 980	13.6%
of which in credit institutions	0	0	0	0.0%
9. Intangible fixed assets	2 404	2 701	- 297	- 11.0%
10. Tangible assets of which land and buildings used by Bank within own activities	41 009	37 564	3 445	9.2%
of which land and buildings used by Bank within own activities	22 155	18 074	4 081	22.6%
11. Own shares apiece	2 247	2 087	160	7.7%
apiece	31 109	29 823	1 268	4.3%
12. Other assets	40 778	37 433	3 345	8.9%
13. Prepayments and accrued income	3 929	3 031	898	29.6%
TOTAL ASSETS	6 029 665	5 647 518	382 147	6.8%

LIABILITIES	31-12-2003 € in 1 000s	31-12-2002 € in 1 000s	Change € in 1 000s	Change in %
1. Liabilities to Banks	1 212 074	1 115 906	96 168	8.6%
a) due at sight	105 948	146 952	- 41 004	- 27.9%
b) with agreed terms or periods of notice of which liabilities to banks with participating interests	1 106 126	968 954	137 172	14.2%
of which liabilities to banks with participating interests	126 939	72 559	54 380	74.9%
2. Customer accounts	3 549 707	3 367 085	182 622	5.4%
a) Saving deposits	1 044 499	1 014 692	29 807	2.9%
aa) due at sight	0	0	0	0.0%
ab) with agreed terms or periods of notice	1 044 499	1 014 692	29 807	2.9%
b) Other accounts payable	2 505 208	2 352 393	152 815	6.5%
ba) due at sight	1 300 426	1 074 512	225 914	21.0%
bb) with agreed terms or periods of notice of which associated companies	1 204 782	1 277 881	- 73 099	- 5.7%
of which associated companies	4 439	2 582	1 857	71.9%
of which companies with participating interests	9 754	10 119	- 365	- 3.6%
3. Debt securities	673 507	621 211	52 296	8.4%
a) Debentures issued	396 517	411 091	- 14 574	- 3.5%
b) other	276 990	210 120	66 870	31.8%
4. Other liabilities	18 752	24 087	- 5 335	- 22.1%
5. Accruals and deferred income	1 260	1 125	135	12.0%
6. Provisions	47 228	46 537	691	1.5%
a) provisions for severance payments	10 679	9 938	741	7.5%
b) provisions for staff pensions	23 918	23 602	316	1.3%
c) provisions for deferred taxation	21	25	- 4	- 16.0%
d) other provisions	12 610	12 972	- 362	- 2.8%
7. Supplementary Capital	226 834	193 374	33 460	17.3%
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	80 461	62 326	18 135	29.1%
a) statutory reserves	589	589	0	0.0%
b) reserves for own shares	2 247	2 087	160	7.7%
c) other reserves	77 625	59 650	17 975	30.1%
11. Liability reserve pursuant to 23(6) of the Banking Act (BWG)	91 500	87 700	3 800	4.3%
12. Net profit	6 566	5 932	634	10.7%
13. Untaxed reserves	10 482	10 941	- 459	- 4.2%
a) special valuation reserve under paragraph 12 of the Income Tax Act	9 840	10 039	- 199	- 2.0%
b) other untaxed reserves of which untaxed reserve for reinvestment under paragraph 10 of which provisions pursuant to para 12 EStG (Income Tax Act)	642	902	- 260	- 28.8%
of which untaxed reserve for reinvestment under paragraph 10 of which provisions pursuant to para 12 EStG (Income Tax Act)	642	902	- 260	- 28.8%
of which provisions pursuant to para 12 EStG (Income Tax Act)	0	0	0	0.0%
TOTAL LIABILITIES	6 029 665	5 647 518	382 147	6.8%

PROFIT AND LOSS ACCOUNT OF THE BTV AG FOR THE YEAR ENDED 31 DECEMBER 2003

	2003 € in 1 000s	2002 € in 1 000s	Change € in 1 000s	Change in %
1. Interest receivable and similar income	205 519	239 787	- 34 268	- 14.3%
of which fixed-interest securities	50 723	54 121	- 3 398	- 6.3%
2. Interest payable and similar expenses	- 126 046	- 156 944	- 30 898	- 19.7%
I. NET INTEREST INCOME	79 473	82 843	- 3 370	- 4.1%
3. Income on securities and equity interests	8 692	7 774	918	11.8%
a) Income on shares other equity rights and non-fixed interests	1 031	411	620	> 100%
b) Income on equity interests	3 461	3 663	- 202	- 5.5%
c) Income on interests in associated companies	4 200	3 700	500	13.5%
4. Commission receivable	51 706	52 226	- 520	- 1.0%
5. Commission payable	- 7 302	- 6 999	303	4.3%
6. Profit from financial transactions	6 389	2 262	4 127	> 100%
7. Other operating income	1 563	1 214	349	28.7%
II. OPERATING INCOME	140 521	139 320	1 201	0.9%
8. General administrative expenses	- 69 501	- 68 487	1 014	1.5%
a) staff costs	- 48 685	- 48 168	517	1.1%
aa) wage and salaries	- 34 308	- 34 013	295	0.9%
ab) expenses for statutory social levies and payment-related taxes and compulsory contributions	- 9 192	- 8 887	305	3.4%
ac) other social expenses	- 925	- 1 039	- 114	- 11.0%
ad) expenses for retirement pensions and staff welfare	- 2 958	- 3 486	- 528	- 15.1%
ae) allocation to pension provisions	- 316	- 42	274	> 100%
af) allocations to provisions for severance payments	- 986	- 701	285	40.7%
b) other administrative expenses (material expenses)	- 20 816	- 20 319	497	2.4%
9. Value adjustment on assets included in asset 9 + 10	- 5 203	- 5 953	- 750	- 12.6%
10. Other operating expenses	- 604	- 237	367	> 100%
III. OPERATING EXPENSES	- 75 308	- 74 677	631	0.8%
IV. OPERATING RESULT	65 213	64 643	570	0.9%

	2003 € in 1 000s	2002 € in 1 000s	Change € in 1 000s	Change in %
IV. OPERATING RESULT	65 213	64 643	570	0.9%
11./12. Valuation and disposal of claims and contingent liabilities and of securities	- 26 059	- 28 904	- 2 845	- 9.8%
13./14. Valuation and disposal of securities valued as financial assets and of stakes in associated companies and subsidiaries	- 1 922	195	- 2 117	> - 100%
V. RESULTS FROM ORDINARY BUSINESS ACTIVITIES	37 232	35 934	1 298	3.6%
15. Taxes on income and earnings	- 9 066	- 9 959	- 893	- 9.0%
16. Other taxes (not included in item 15)	- 290	- 209	81	38.8%
a) Other taxes	- 290	- 403	- 113	- 28.0%
b) income from tax release	0	194	- 194	- 100%
VI. ANNUAL SURPLUS	27 876	25 766	2 110	8.2%
17. Transfers to and from reserves of which: allocation to liability reserve as per paragraph 23(6) of the Banking Act (BWG)	- 21 476	- 19 879	1 597	8.0%
VII. PROFIT FOR THE FINANCIAL YEAR	6 400	5 887	513	8.7%
18. Profit carried forward	166	45	121	> 100%
VIII. NET PROFIT	6 566	5 932	634	10.7%

BTV CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2003

ASSETS	31-12-2003 € in 1 000s	31-12-2002 € in 1 000s	Change € in 1 000s	Change in %
1. Cash in hand, balances with central banks and post office banks	130 893	108 463	22 430	20.7%
2. Treasury bills and other bills eligible for refinancing with the central bank	175 719	239 711	- 63 992	- 26.7%
3. Loans and advances to credit institutions	369 628	377 864	- 8 236	- 2.2%
a) due at sight	26 487	50 829	- 24 342	- 47.9%
b) other loans and advances of which unsecured loans and advances to banks with participating interests	343 141	327 035	16 106	4.9%
b) of which unsecured loans and advances to banks with participating interests	9 371	35 300	- 25 929	- 73.5%
4. Loans and advances to customers of which unsecured loans and advances to associated companies	4 374 608	4 120 587	254 021	6.2%
of which unsecured loans and advances to banks with participating interests	14 373	11 073	3 300	29.8%
of which unsecured loans and advances to banks with participating interests	8 521	12 908	- 4 387	- 34.0%
5. Debt securities including fixed-interests securities	726 100	641 518	84 582	13.2%
a) issued by public bodies	0	0	0	0.0%
b) issued by other borrowers of which own bonds	726 100	641 518	84 582	13.2%
of which own bonds	10 890	8 111	2 779	34.3%
6. Shares and other fixed-interests securities	40 177	12 795	27 382	> 100%
7. Equity shares	54 556	60 397	- 5 841	- 9.7%
a) in associated companies of which in credit institutions	8 939	9 004	- 65	- 0.7%
b) in other institutions of which in credit institutions	45 617	51 393	- 5 776	- 11.2%
of which in credit institutions	43 716	43 801	- 85	- 0.2%
8. Investments in Group undertakings treated as associates	67 465	52 177	15 288	29.3%
a) treated as associates	67 430	52 177	15 253	29.2%
b) others	35	0	35	> 100%
9. Intangible assets of fixed assets	4 841	5 525	- 684	- 12.4%
10. Tangible assets of which land and buildings used by Bank within own activities	70 833	65 980	4 853	7.4%
of which land and buildings used by Bank within own activities	46 264	40 826	5 438	13.3%
11. Own shares apiece	2 247	2 087	160	7.7%
apiece	31 109	29 823	1 286	4.3%
12. Other assets	36 667	29 515	7 152	24.2%
13. Prepayments and accrued income	4 239	3 444	795	23.1%
TOTAL ASSETS	6 057 973	5 720 063	337 910	5.9%

LIABILITIES	31-12-2003 € in 1 000s	31-12-2002 € in 1 000s	Change € in 1 000s	Change in %
1. Liabilities to Banks	1 212 483	1 115 906	96 577	8.7%
a) due at sight	106 231	146 952	- 40 721	- 27.7%
b) with agreed terms or periods of notice of which liabilities to banks with participating interests	1 106 252	968 954	137 298	14.2%
with participating interests	126 939	72 559	54 380	74.9%
2. Customer accounts	3 547 370	3 413 056	134 314	3.9%
a) Saving deposits	1 044 499	1 014 692	29 807	2.9%
aa) due at sight	0	0	0	0.0%
ab) with agreed terms or periods of notice	1 044 499	1 014 692	29 807	2.9%
b) Other accounts payable	2 502 871	2 398 364	104 507	4.4%
ba) due at sight	1 297 558	1 074 505	223 053	20.8%
bb) with agreed terms or periods of notice of which associated companies of which companies with participating interests	1 205 313	1 323 859	- 118 546	- 9.0%
of which associated companies	1 571	2 575	- 1 004	- 39.0%
of which companies with participating interests	9 754	10 119	- 365	- 3.6%
3. Debt securities	673 507	621 211	52 296	8.4%
a) Debentures issued	396 517	411 091	- 14 574	- 3.5%
b) other	276 990	210 120	66 870	31.8%
4. Other liabilities of which deposits of silent partners	25 326	30 113	- 4 787	- 15.9%
of which deposits of silent partners	0	365	- 365	- 100%
5. Accruals and deferred income	1 601	1 739	- 138	- 7.9%
6. Provisions	52 076	50 408	1 668	3.3%
a) provisions for severance payments	10 781	10 052	729	7.3%
b) provisions for staff pensions	23 918	23 602	316	1.3%
c) provisions for deferred taxation	709	964	- 255	- 26.5%
d) other provisions	16 668	15 790	878	5.6%
7. Supplementary Capital	226 834	193 374	33 460	17.3%
8. Subscribed Capital	50 000	50 000	0	0.0%
9. Capital reserves	56 574	56 574	0	0.0%
10. Reserves	181 179	159 480	21 699	13.6%
a) statutory reserves	589	589	0	0.0%
b) reserves for own shares	2 247	2 087	160	7.7%
c) other reserves	178 343	156 804	21 539	13.7%
11. Liability reserve pursuant to 23(6) of the Banking Act (BwG) of which share in annual net profit	48	110	- 62	- 56.4%
of which share in annual net profit	0	1	- 1	- 100%
12. Consolidated net profit for the year	30 975	28 092	2 883	10.3%
TOTAL LIABILITIES	6 057 973	5 720 063	337 910	5.9%

BTV CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	2003 € in 1 000s	2002 € in 1 000s	Change € in 1 000s	Change in %
1 Interest receivable and similar income	210 842	247 819	- 36 977	- 14.9%
of which fixed-interest securities	50 723	54 121	- 3 398	- 6.3%
2 Interest payable and similar expenses	- 126 148	- 157 055	- 30 907	- 19.7%
I NET INTEREST INCOME	84 694	90 764	- 6 070	- 6.7%
3 Income on securities and equity interests	5 652	4 736	916	19.3%
a) Income on shares other equity rights and non-fixed interests	1 033	412	621	> 100%
b) Income on equity interests	537	285	252	88.4%
c) Income on other interests	3 275	3 519	- 244	- 6.9%
d) Income on interests in associated companies	807	520	287	55.2%
4 Commission receivable	52 879	53 444	- 565	- 1.1%
5 Commission payable	- 7 417	- 7 026	391	5.6%
6 Profit from financial transactions	6 391	2 264	4 127	> 100%
7 Other operating income	12 299	5 195	7 104	> 100%
II OPERATING INCOME	154 498	149 377	5 121	3.4%
8 General administrative expenses	- 70 633	- 70 092	541	0.8%
a) staff costs	- 50 420	- 50 016	404	0.8%
aa) wage and salaries	- 35 709	- 35 511	198	0.6%
ab) expenses for statutory social levies and payment-related taxes and compulsory contributions	- 9 516	- 9 219	297	3.2%
ac) other social expenses	- 935	- 1 049	- 114	- 10.9%
ad) expenses for retirement pensions and staff welfare	- 2 958	- 3 486	- 528	- 15.1%
ae) allocation to pension provisions	- 316	- 42	274	> 100%
af) allocations to provisions for severance payments	- 986	- 709	277	39.1%
b) other administrative expenses (material expenses)	- 20 213	- 20 076	137	0.7%
9 Value adjustments on assets included in asset item 9 + 10	- 6 665	- 7 289	- 624	- 8.6%
10 Other operating expenses	- 7 126	- 3 141	3 985	> 100%
III OPERATING EXPENSES	- 84 424	- 80 522	3 902	4.8%
IV OPERATING RESULT	70 074	68 855	1 219	1.8%

	2003 € in 1 000s	2002 € in 1 000s	Change € in 1 000s	Change in %
IV OPERATING RESULT	70 074	68 855	1 219	1.8%
11 /12 Valuation and disposal of claims and contingent liabilities and of securities	- 27 042	- 30 147	- 3 105	- 10.3%
13 /14 Valuation and disposal of securities valued as financial assets and of stakes in associated companies and subsidiaries	- 1 972	210	- 2 182	>- 100%
V RESULTS FROM ORDINARY BUSINESS ACTIVITIES	41 060	38 918	2 142	5.5%
15 Taxes on income and earnings	- 9 743	- 10 563	- 820	- 7.8%
a) taxes on income and earnings	- 9 912	- 10 566	- 654	- 6.2%
b) earnings on tax credits and on retransfer of tax provisions	169	3	166	> 100%
16 Other taxes (not included in 15)	- 342	- 262	80	30.5%
a) other taxes	- 342	- 457	- 115	- 25.2%
b) income from release of tax reserves	0	195	- 195	- 100%
VI ANNUAL SURPLUS	30 975	28 093	2 882	10.3%
of which minority interest from profit participation rights	0	- 1	- 1	- 100%
NET PROFIT FOR THE FINANCIAL YEAR (LIABILITY ITEM 12)	30 975	28 092	2 883	10.3%

CONSOLIDATION CRITERIA

a) At 31 December 2003, as in 2002, BTV was the sole owner of the BTV Leasing GmbH financial group, thus constituting a banking group pursuant to paragraph 30 of the BWG. It is therefore required to publish consolidated accounts.

b) Consolidation complied with Commercial Code requirements and the special provisions in the BWG that apply to banks; it was based on the production of audited consolidated accounts and interim financial statements which present the accounting and valuation methods applied to the consolidation by the Bank für Tirol und Vorarlberg.

The consolidated accounts were prepared on the basis of the forms included in Annex 2 to paragraph 43 of BWG and the interim accounts of BTV Leasing GmbH that are included in the consolidation were therefore also attached, as required by the BWG.

Leased long-term fixed assets were stated in the interim accounts of BTV Leasing GmbH pursuant to paragraph 59(6) of the BWG under the appropriate receivables headings at the current value of the discounted leases. Lease instalments were discounted per contract on the basis of the rate applicable to the contract concerned at the balance-sheet date, minus additional payments of deposits and security. The consolidated P&L account replaces lease instalments and the depreciation of leased items with interest as a proportion of total leasing income; this is shown under 1. "Interest and similar income". Undertakings not governed by the BWG and consolidated using the equity method have been valued on the basis of general commercial law requirements.

Consolidated annual profit shown in the balance sheet and the P&L account comprises annual profit before transfers to reserves for consolidated undertakings and minus dividends to participating rights. 10. c) on the liabilities side of the consolidated balance sheet includes the unallocated, liability and untaxed reserves of BTV at 1 January 2003 minus updated consolidation profit and plus subsidiaries' postconsolidation reserves.

c) As in 2002, the full consolidation as defined in paragraph 59 of the BWG included BTV Leasing GmbH and the 8 financial companies it controls (BTV Leasing subsidiaries), the Langer Weg GmbH of Innsbruck building project and Privatinvest Zürich AG of Zurich, the investment fund. All other major associated companies involved in providing a true view of the assets, income and financial position of the BTV group and the subsidiaries that have a major impact on the Bank für Tirol und Vorarlberg have been valued using the equity method. The method by which each subsidiary on the list of subsidiaries has been included in the consolidated accounts or the consolidation is stated in para-

graphs 238(Z)(2) and 265(2) of the Commercial Code, end of the Annex.

d) Subsidiaries that have been neither fully consolidated nor consolidated using the equity method have been included by taking their book values and dividend income from their ordinary accounts and stating these under "Shareholdings" or "Shares in associated undertakings" on the balance sheet.

e) Equity consolidation and "at equity" valuation have applied the book value method. Initial consolidation is defined as the date on which an undertaking is first fully consolidated or included in the consolidation using equity-method valuation.

f) The consolidation of BTV Leasing GmbH involved inclusion of its interim accounts as at 31 December 2003 which include all the financial companies in which the Bank has a direct or indirect shareholding of over 50 %. The positive differential on the full consolidation of BTV Leasing GmbH was already entered on 1 January 1995 when the company was consolidated for the first time. Following the repurchase of stocks, BTV adjusted the positive differential over the following years.

g) Valuation using the equity method was based on the latest set of published accounts and in order to ensure period-for-period comparison of the results of the associated undertakings, the audited accounts as at 31 December 2003 not yet approved by the Board were also considered. As part of the valuation method, the consolidated accounts show the subsidiary's book value and compare it with the proprietary interest. The initial consolidation profit was immediately set off against revenue reserves. Losses from retained earnings were set off against reserves. In the consolidated accounts as at 31 December 2003 the equity method valuations of companies were increased by the appropriate percentage of profit for the year, following deduction of distributed dividends, or else were reduced by the appropriate proportion of loss for the year.

h) Receivables and debts within the Group were eliminated. Income from services among fully-consolidated undertakings were stated taking account of the materiality of applicable expenses. Material interim profits within the BTV Group and companies consolidated using the equity method were not available.

i) Due to the change-over to a single valuation method for the Group and the attribution of the untaxed reserves in companies' ordinary accounts to the Group's revenue reserves as a result of existing losses on delays and deferred corporation tax losses, there were no deferred tax assets or liabilities.

THE BANK'S BOARDS AND OFFICERS

The following were members of our Management Board and Supervisory Board in 2003:

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 (since 25-4-2003)
Konsul Senator h. c. Kommerzialrat Dipl.-Ing. Prof. Dr. techn. Artur Doppelmayr, Wolfurt (until 24-4-2003)
Vorstandsdirektor Dr. Franz Gasselsberger MBA, Linz
Vorstandsdirektor Mag. Wolfgang Haller, Vienna (until 24-4-2003)
Präsident Kommerzialrat Dkfm. Dr. Hansjörg Jäger, Innsbruck
Generaldirektor Dr. Dietrich Karner, Vienna

Dipl.-Ing. Klaus Ortner, Innsbruck
Direktor Dipl.-Ing. Albert Pietsch, Reutte
Direktor DDR. Regina Prehofer, Vienna (since 24-4-2003)
Generaldirektor Karl Samstag, Vienna (until 24-4-2003)
Konsul Dipl.-Ing. Paul Senger-Weiss, Lauterach

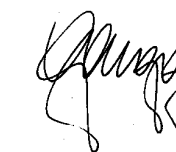
Employee representatives:

Andrea Müller, Chairman of the Work Council, Götzens
Stefan Abenthung, Götzens (until 25-4-2003)
Alfred Fabro, Wattens
Harald Handle, Oberperfuß
Herbert Kärle, Stanzach
Dietmar Rädler, Innsbruck
Walter Theurl, Gainberg
Elisabeth Vollweiter, Langen

State Commissioners:

Ministerialrat Mag. Günther Neubauer, Vienna
Representative:
Gerald Bichler, Vienna

Innsbruck, 27 Feb 2004
The Management Board



Peter Gaugg



Mag. Matthias Moncher

REPORTS

AUDIT REPORT

Following our statutory audit, it is our opinion that the accounting records and financial statements for the year and the consolidated financial statements meet statutory and regulatory requirements. The ordinary and consolidated financial statements comply with the principles governing the orderly keeping of accounts and provide a true view of the assets and the financial and income positions of the Company and the Group. The annual reports for the Company and the Group agree with the financial statements to which they refer.

Innsbruck, 27 Feb 2004

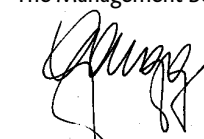
KPMG Alpen-Treuhand Gesellschaft m.b.H.
Auditors and Tax Advisors

Dr. Christoph Lauscher Mag. Martha Kloibmüller
Auditors and Tax Advisors

PROPOSED DIVIDEND DISTRIBUTION

The 2003 balance sheet profit for BTV, including profit brought forward from 2002, totals € 6 566 149. We propose that a dividend of € 1.30 per share be distributed in respect of the financial year 2003. The total distribution would therefore be € 6 500 000. Any profit remaining after the distribution of dividends will be carried forward pursuant to paragraph 6(5) of the Aktiengesetz (Shares Act).

Innsbruck, 27 Feb 2004
The Management Board



Peter Gaugg



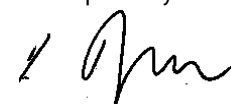
Mag. Matthias Moncher

REPORT OF THE SUPERVISORY BOARD

The Management Board has kept the Supervisory Board properly informed of the business and position of BTV. During its meetings the Supervisory Board has inter alia complied with the duties imposed on it by the law and regulations and the Company's bylaws and has provided advice on all major matters affecting the Company. KPMG Alpen-Treuhand Gesellschaft m. b. H. of Innsbruck has audited the financial statements and the annual reports of BTV AG and the BTV Group. The audits were completed without complaint. The auditors have consequently stated that the financial statements and the Directors' Report meet all statutory and regulatory requirements and offer a true view of the assets and the financial and income position of the Bank.

The Supervisory Board endorses the results of the auditors' examinations and approves the Directors' Report and the distribution of dividends it has proposed. The Supervisory Board has approved the financial statements which are therefore issued pursuant to paragraph 125(2) of the Aktiengesetz (Shares Act).

Innsbruck, March 2004
The Supervisory Board



Dkfm. Dr. Hermann Bell, Chairman

BTV CONSOLIDATED FIGURES 5-YEAR OVERVIEW

	2003	2002	2001	2000	1999
Balance sheet (mn €)					
Total	6 058.0	5 720.1	5 496.0	5 169.6	4 482.4
Cash, assets at Central Bank	130.9	108.5	141.6	141.0	70.9
Loans to banks	369.6	377.9	609.6	608.5	462.3
Loans to customers	4 374.6	4 120.6	3 884.4	3 538.3	3 138.9
Fixed-interest securities	901.8	881.2	617.1	604.9	542.2
Shares and participating interests	162.2	125.4	129.4	152.2	158.1
Bank liabilities	1 212.5	1 115.9	993.8	1 716.1	1 500.5
Savings deposits	1 044.5	1 014.7	936.3	901.6	931.5
Other liabilities to customers	2 502.9	2 398.4	2 452.5	1 414.9	966.1
Securitized liabilities	673.5	621.2	597.9	659.9	666.2
Primary funds	4 220.9	4 034.3	3 986.7	2 976.4	2 563.8
Capital resources	310.0	286.3	264.3	234.3	195.3
Supplementary capital	226.8	193.4	160.8	140.9	121.3
Creditable capital resources (not tier 3 capital)	499.1	459.2	395.5	327.8	272.8
Core capital ratio in %	7.19%	7.18%	7.05%	6.92%	6.44%
Capital resources ratio in %	11.88%	11.85%	10.94%	10.09%	9.73%
Surplus capital resources	163.1	149.3	106.3	67.8	48.5
Securities deposited by customers	4 212.3	4 274.3	4 632.3	4 407.6	4 013.9
Profit statement (mn €)					
Net interest	84.7	90.8	88.1	80.1	68.0
Dividends and investments	5.7	4.7	4.2	6.1	6.8
Net commission	45.5	46.4	49.2	52.6	40.1
Operating income	154.5	149.4	150.5	145.3	122.5
Staff costs	50.4	50.0	49.1	54.5	45.1
Material expenditure	20.2	20.1	18.3	20.6	17.0
Operating expenses	84.4	80.5	78.5	85.9	71.2
Operating results	70.1	68.9	72.0	59.4	51.3
Results from ordinary business activities	41.1	38.9	47.2	44.8	29.2
Surplus for the year	31.0	28.1	35.7	32.9	22.1
Dividend of BTV AG	6.5	5.8	5.8	5.8	5.1
Company indicators					
Return on Equity before tax	13.79%	14.13%	18.93%	21.73%	15.63%
Return on Equity after tax	10.40%	10.21%	14.32%	15.93%	11.83%
Return on assets	0.53%	0.50%	0.67%	0.71%	0.52%
Cost: income ratio	54.6%	53.9%	52.2%	59.1%	58.1%
Operating result as a % of Ø balance sheet total	1.19%	1.23%	1.35%	1.28%	1.20%
Profit per employee for the year (Tsd €)	37.3	34.1	43.4	40.9	28.6
Staff	832	825	823	803	773
Branches	36	36	35	35	35
BTV share indicators					
ÖVFA group profit per share (in €)	6.23	5.65	7.27	6.60	4.75
Dividend per share (in €)	1.30	1.16	1.16	1.16	1.09
Share price: profit per ordinary share	20.3	23.0	17.9	19.8	27.6
Share price: profit per preference share	5.8	6.3	4.1	5.6	10.5

3 BANKEN GRUPPE AND THEIR REPRESENTATIVE OFFICES

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3 Banken Gruppe

The "3 Banken Gruppe" (group of 3 banks) consists of

1. Oberbank AG, Linz
2. Bank für Kärnten und Steiermark AG, Klagenfurt (BKS)
3. Bank für Tirol und Vorarlberg AG, Innsbruck (BTV)

The following companies are commonly operated by the "3 Banken Gruppe":

1. Drei-Banken EDV-Ges.m.b.H., Linz: almost all EDP services for the 3 Banks are carried out by this company.
2. Drei-Banken Versicherungs AG, Linz: this company deals mainly with life insurances.
3. Drei-Bankenversicherungsdienst Ges.m.b.H., Innsbruck: independent insurance broker in all lines of insurance business.

The "3 Banken Gruppe" cooperate in partnership but remain independent banks. They agree on business policy, sales strategies and marketing activities (joint advertisement and media work) in regular periods of time. The co-operation of the 3 banks is also expressed in their mutual participations.

3 BANKEN GRUPPE OVERVIEW

	BKS		Oberbank		BTV		3 Banken Gruppe	
	2003	2002	2003	2002	2003	2002	2003	2002
Balance sheet (mn €)								
Balance sheet total	4 189.7	3 734.7	10 497.7	9 695.5	6 058.0	5 720.1	20 745.4	19 150.3
Loans to banks	841.6	749.6	1 714.9	1 376.7	369.6	377.9	2 926.1	2 504.2
Loans to customers	2 546.0	2 313.0	6 289.8	6 049.1	4 374.6	4 120.6	13 210.4	12 482.7
Fixed-interest securities	443.7	348.5	1 813.7	1 578.0	901.8	881.2	3 159.2	2 807.7
Loans from banks	1 371.8	1 318.3	3 239.4	2 810.3	1 212.5	1 115.9	5 823.7	5 244.5
Liabilities to customers	2 120.7	1 749.1	5 471.3	5 190.5	3 547.4	3 413.1	11 139.4	10 352.7
of which savings deposits	1 158.1	913.2	2 543.3	2 425.2	1 044.5	1 014.7	4 745.9	4 353.1
of which other liabilities	962.6	835.9	2 928.0	2 765.3	2 502.9	2 398.4	6 393.5	5 999.6
Securitized liabilities	248.2	249.5	637.5	636.0	673.5	621.2	1 559.2	1 506.7
Creditable capital resources (not tier 3 capital)	308.4	283.1	882.7	792.3	499.1	459.2	1 690.2	1 534.6
of which core capital (tier 1)	209.1	189.5	510.4	481.6	301.9	278.0	1 021.4	949.1
Surplus capital resources	75.0	72.1	303.7	227.4	163.1	149.3	541.8	448.8
Securities deposited by customers	4 633.5	4 029.1	6 706.0	6 234.4	4 212.3	4 274.3	15 551.8	14 537.8
Profit statement (mn €)								
Operating income	107.1	107.9	264.8	265.0	154.5	149.4	526.4	522.3
Operating expenditure	65.9	67.0	154.6	157.4	84.4	80.5	304.9	304.9
Operating result	41.2	40.9	110.2	107.6	70.1	68.9	221.5	217.4
Results from ordinary business activities	20.3	18.0	53.0	48.0	41.1	38.9	114.4	104.9
Surplus for the year	14.7	14.6	38.4	35.7	31.0	28.1	84.1	78.4
Company indicators								
Pre-tax return on equity	10.20%	9.35%	11.10%	10.64%	13.79%	14.13%	11.73%	11.41%
After-tax return on equity	7.38%	7.60%	8.04%	7.91%	10.40%	10.21%	8.63%	8.53%
Return on assets	0.37%	0.40%	0.38%	0.38%	0.53%	0.50%	0.42%	0.42%
Cost: income ratio	61.6%	62.1%	58.4%	59.4%	54.6%	53.9%	57.9%	58.4%
Operating result as a % of Ø balance sheet total	1.04%	1.10%	1.09%	1.13%	1.19%	1.23%	1.11%	1.15%
Profit per employee in 1 000s €	19.8	22.1	23.5	21.1	37.3	34.1	26.2	24.7
Ressources								
Average number of employees over the year	742	662	1 636	1 688	832	825	3 210	3 175
Branches	54	39	100	99	36	36	190	174

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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Terms such as customer, manager and employee refer equally to both men and women.

Media owner (Publisher):
Bank für Tirol und Vorarlberg AG
Langer Weg 11
6020 Innsbruck
Austria

Design and graphics:
Xynias, Wetzels Werbeagentur GmbH
Schwanthalerstraße 9-11
80336 Munich
Germany

Lithographs:
PX5 @ Medien GmbH
Kirchenstraße 88
81675 Munich
Germany

Printing:
Tiroler Repro Druck GmbH
Valiergasse 40
6021 Innsbruck
Austria