ANNUAL REPORT 2007

BTV
3 Banken Gruppe

SHAREHOLDERS AND BUSINESS PARTNERS, ESTEEMED CLIENTS OF BTV,

After several years of economic upturn and attractive share trading conditions erratic turbulence, brought on by the US real estate crisis, struck the financial markets in the middle of 2007. Quite a number of major banks had to write off billions of euros and seek additional equity funding. BTV did not make any US subprime deals. Its corporate philosophy (which has applied since its foundation in 1904) of not embarking on any risky speculation in the financial markets has again proved its worth.

As a regional bank we are concentrating on consistent expansion of our market position in the Tyrol and Vorarlberg provinces, in Vienna, Eastern Switzerland, the German states of Bavaria and Baden-Württemberg, and the Italian regions of South Tyrol and the Veneto. We are firmly convinced that personal contact and the personal relationships between customers and BTV employees are, and will remain decisive determinants of success in our business. Today, more than ever, our customers demand speed, flexibility, smooth handling and total competence on all financial matters – and that is all part of BTV's success story. That way we enthuse our customers.

BTV has one vital advantage over many of its competitors, namely its independence. This allows us to react to developments immediately and flexibly, and thus always to offer our medium-sized companies and wealthy private individuals the best solution.

Our high aspirations in terms of security, quality, innovation and economy are reflected in the gratifying annual accounts for 2007.

The BTV group's after-tax income for the year rose by 19.6% to €53.3 million. The eligible equity increased by €44.9 million to €662.3 million and, at 11.85%, was markedly above the level of 8% required by law. In times of turbulence customers seek dispositions that are safe. Primary funds grew by about €700 million to €6,200 million.
The cost-income ratio, an indicator of consistent cost management, improved from 52.0% to 51.1%. This is a leading figure, both in Austria and in the adjoining regions of its neighbours.

We have come out from the turbulence of 2007 stronger than we were. You will find our friendly and very well qualified employees convincing. We look forward to successful meetings with you, time after time.

Many thanks for your confidence in us.

Yours

Peter Gaugg

Mag. Matthias Moncher

2007 consolidated financial statements prepared pursuant to the International Financial Reporting Standards (IFRS)

Content

Business over the year

BTV looks back on a successful financial year in 2007. Highly motivated employees are the foundation for achieving satisfying annual results.

Economic environment

In 2007 the subprime segment of the US mortgage market triggered off a crisis in the world's financial markets. Several banks became insolvent and the risk premiums for financing companies increased considerably. The central banks met the liquidity crises that kept recurring with interventions that were, at times, massive. Their active countermeasures at first calmed the markets, but the extent and duration of the problems afflicting the international financial system cannot yet be estimated. The fluctuations in the equity markets intensified at the end of the year, and the markets became very unsettled.

The economy directly affected is the USA, with a noticeable weakening in its growth. Its GDP increased by just over 2% compared with the year before. There continues to be the danger of a recession. The initial repercussions of the international financial crisis are also appearing in Europe. The economy of the Eurozone is also lacking in breadth owing to weakness in consumer demand. Nonetheless real GDP managed to rise by 2.7% in 2007.

In 2007 the Austrian economy had real growth of 3.4%, which was faster than the average of the Eurozone by about ¾ of a percentage point. The buoyant economy was, as in the preceding year, led by exports and also involved investments in equipment and construction – exports from Austria itself having risen in real terms by 8% and the production of physical goods by over 7%. The high growth accelerated the rise in employment and government income. The economy did, however, reach a high point in the first six months. The increase in investments slowed, while private consumption failed to play a leading role in the economy and, simultaneously, inflation went up sharply (it rose by 2.1% in 2007). On top of these came the dampening effects of the crisis on the international financial markets – the extent of which cannot yet be completely assessed.

In the third quarter of 2007 the ECB [The European Central Bank] suspended its cycle of interest rate hikes because of the US real estate crisis, and has since left its basic rate at 4.00%. The crisis began to spill over onto European banks. Restrictive loan granting by the banks at times put the money market under heavy pressure. The effects also turned out to be quite noticeable on the foreign exchange markets. The euro's rate of exchange increased against the US$ in the course of the year from $1.32 to $1.46. The euro was, however, also markedly revalued against the Japanese yen and the Swiss franc. This in fact dampened the negative effects of the pronounced increases in the prices of raw materials, but at the same time weakened export industries. (Source: WIFO [Austria's Institute for Economic Research]).

PROFIT DEVELOPMENT

IFRS consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRS requirements and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and, pursuant to section 59a BWG [Austria's Banking Act] taken together with section § 245a UGB [Austria's Commercial Code], remove the need to prepared any other group financial statements. The present group financial statements have been prepared in accordance with all standards applicable for the financial years concerned. Standards or interpretations already published or adopted by the EU, which are not yet applicable, have not been applied prematurely.

Profit development

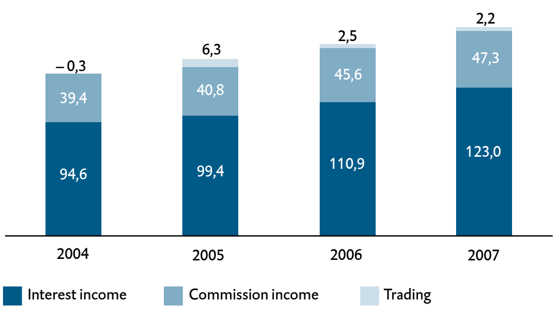
BTV again saw very pleasing developments in the 2007 financial year. The annual income after tax rose by 19.6% to €53.3 million. The year-on-year results for individual profit and loss entries were as follows.

The net interest income increased by 10.9% to €123.0 million and commission income increased by 3.6% to €47.3 million. Trading income in the reporting year declined, attaining a value of €2.2 million. Operating expenses increased by 6.6% to €88.1 million. The cost-income ratio improved as a result of this development to 51.1% (52.0% in the previous year). Loan loss provisions in the lending business reduced by 0.8%. Remaining operating income increased from €1.3 million to €1.6 million. The overall profit from financial assets improved from €2.6 million to €3.3 million. All in all the annual income before tax rose significantly - by 18% to €60.0 million.

Change in earnings in thousands of €	
Interest income	12.105
Loan loss provisions	221
Commission income	1.624
Trading	– 341
Operating expenses	– 5.435
Other operating profit	254
Profit arising from financial assets	744
Pre-tax profit	9.172
After-tax profit	8.740

Interest income
Despite continuing intensive competition in the core markets, and the strong pressure on margins associated with that, interest income rose by €12.1 million, or 10.9%, to €123.0 million. Contributing to that, above all, were the volume growth in all BTV's markets, its own account deals, and the growth in the profits of companies valued at-equity – which improved the interest margin from 1.56% to 1.59%.

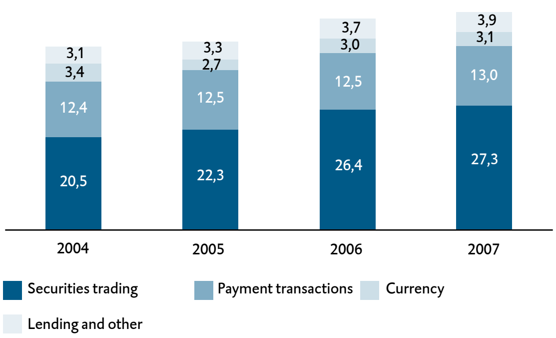
Development of operating revenues in €million.



Loan loss provisions
The need for loan loss provisions for the lending operations went down in 2007 by €0.2 million or 0.8% to €29.2 million. Detailed explanations on risk management and the risk situation can be found in the risk report.

Commission income
In net terms the commission business showed a growth of €1,6 million, or 3.6%, to €47.3 million. Securities trading, which increased by €0.8 million to €27.3 million, contributed the main portion of the growth. Other important growth drivers were money transmission with an increase of €0.5 million, and lending operations, which put on €0.2 million. Currency transactions improved by €0.1 million, while the other services division was steady at the previous year's level.

Development of commission business in €million.

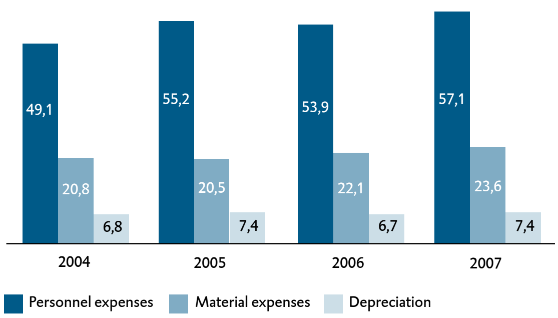


Trading income
2007 was a challenging year for trading. The net profit of €2.2 million was below the previous year's level. The main reason for the setback was lower profits from the derivative positions that were taken up, while it proved possible to make a marked improvement in the profits from securities trading.

Operating expenses
In the reporting year operating expenses (personnel and material expenses, depreciation) increased – brought about, in the main, by BTV's expansion - by 6.6% from €82.7 million to €88.1 million. Expenditure on personnel went up by 6.0% to €57.1 million. The main part of the increase resulted from the number of employees increasing by 5.8%. Reduced expenditure on long-term personnel provisions, which are partly attributable to changes in the way these are calculated, had the effect of bringing the expenses down.

Material expenses rose chiefly as a result of the BTV expansion activities already mentioned by €1.5 million, or 6.8%, to €23.6 million. Higher depreciation on intangible assets, buildings, operational equipment and furniture led to depreciation rising in total by 10.5% to €7.4 million.

Development of operating expenses in €million.



Other operating income and profit on financial assets
The profit from other operating income improved from €1.3 million to €1.6 million. The balance of the sales of securities not classed as part of trading increased by €0.7 million to €3.3 million. The fall in profits arising from financial assets held in the "available for sale" category was more than compensated by the improvement in profits in the "fair value option" category.

Income and profits tax

The amounts shown in the "income and profits tax" entry relate particularly to the assets and liabilities for deferred taxes that have to be carried out under IFRS, in addition to the current charges imposed under Austria's corporation tax. In 2007 BTV had a tax rate of 11.3% (previous year 12.5%).

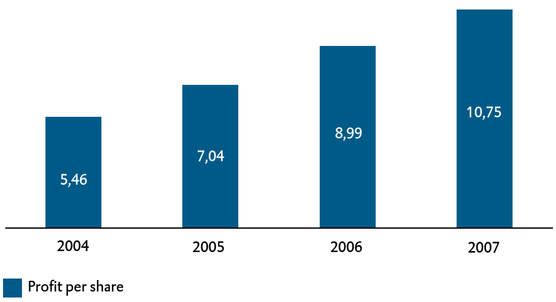
Annual group income

The annual income before tax amounted to €60.0 million compared with €50.9 million in the previous year, representing an increase of 18.0%. After tax on the annual surplus there resulted a group annual income of €53.3 million, which was the equivalent of a rise of 19.6% over the preceding year.

Key data in %	2004	2005	2006	2007
Pre-tax return on equity	8,0 %	8,8 %	10,4 %	11,4 %
After-tax return on equity	6,5 %	7,7 %	9,1 %	10,2 %
Cost-Income-Ratio	57,3 %	56,7 %	52,0 %	51,1 %
Risk-Earnings-Ratio	27,0 %	27,1 %	26,5 %	23,7 %
Core capital ratio	7,5 %	7,1 %	7,0 %	7,1 %
Capital resources ratio	12,6 %	11,6 %	12,0 %	11,9 %

The return on equity (RoE) on the basis of the group income before tax was 11.4%, having been 10.4% the previous year. After tax it worked out at 10.2% in the reporting year, having been 9.1% the year before. The profit per share rose from €8.99 last year to its present level of €10.75.

Development of profit per share in €

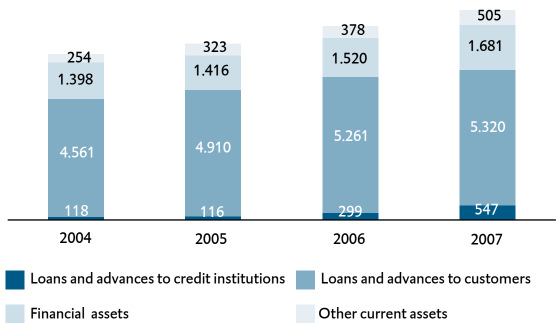


The Management Board is proposing a dividend of €1.50 per share for the 2007 financial year – increased over the previous year by 7.1%.

Balance sheet development

Over the past year the total assets of the BTV group rose by 8.0% to € €8,053.3 million. Growth in primary deposits drove the total balance sheet performance.

Development of the balance sheet assets in €million



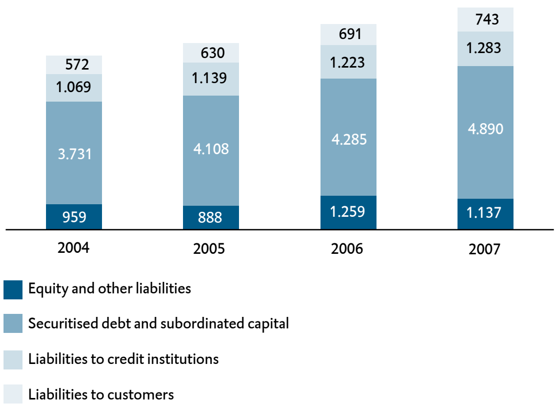
In the area of assets, loans and advances to customers have been extended by 1.1% to €5,319.7 million. BTV achieved growth of €222.9 million (7.0%) to €3,427.1 million with its company clientele, while recording a slight fall to €1,576.6 million with its private clientele. Business with institutional clients showed a marked fall of 26.9%, to €315.9 million. Demand concentrated both on short-term finance and on finance with medium and long terms. Owing to the uncertainties surrounding foreign currencies and in the money and capital markets Austrian, German and Swiss clients took out loans mainly in their local currencies. The foreign currency portion of new loans was therefore below 10 %.

In the case of loan loss provisions the 2007 additions were for the most part balanced by reversals and consumption, such that they increased moderately, by 4.7%, to €159.7 million. Please refer to the risk report for risk management aims and methods, and for statements on existing loss and market risks.

The securities contained in the "financial assets" balance sheet entries were built up by €157.5 million, or 11.0%. Fixed interest securities were bought to the extent of €198.3 million, or 15.0%, while the level of equities and other non-fixed interest securities was reduced by €40.8 million, or 37.1%, because of the market's more volatile performance. The portfolio of equity participations shows an increase of €5.1 million, or 5.6%.

Primary deposits increased by €664.9 million, or 12.1%, to €6,173.2 million, of which €1,126.9 million were savings deposits (up 3.0% on the previous year). As in recent years, in 2007 there was again an increase in refinancing using own issues. The total debt evidenced by securitised debt and subordinated capital rose by €60.1 million, or 4.9%, to €1,283.0 million. In 2007 the customers' deposits entry saw the most significant increase, namely up by more than €570 million, or 17.9%, to €3,763.3 million. The unusual primary deposit performance demonstrated the particular trust customers had in BTV in the year reported.

Development of the balance sheet liabilities in €million



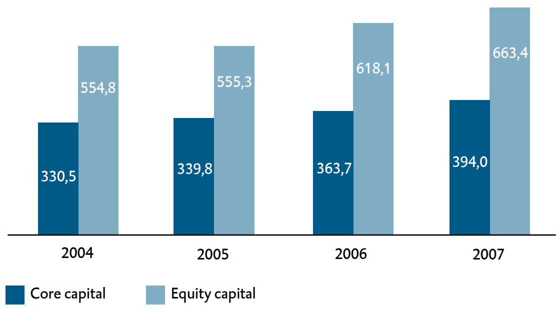
The balance sheet equity (including the group income for the year) went up by €25.0 million, or 4.9%, to €537.3 million, with the growth coming chiefly from the 2007 financial year's profit.

Total change in €million

Total assets	595
Loans and advances to customers	58
Loans and advances to banks	248
Financial assets	163
Liabilities to banks	– 122
Primary funds inc. supplementary capital	665
Equity	25

The banking group's own equity eligible under the BWG on the balance sheet date amounted to €663.4 million (it was €618.1 million on the same date the previous year). The statutory minimum requirement was €448.0 million as at 31 December 2007, which allowed cover of 148% (it was 149% the previous year).

Core and equity capital development in €million



The banking group's core capital in accordance with the BWG reached a level of €394.0 million as at 31 December 2007 (previous year €363.7 million). The resulting core capital ratio calculated on the balance sheet date came to the figure of 7.05%, which was 1 base point above that of the preceding year. The capital resources ratio, at 11.85%, was 10 base points below that of the previous year, but still considerably above the legal requirement of 8.0%.

Sustainability report

Working with a view to the future and trading responsibly are the foundations of BTV's operational success.

BTV is aware of its responsibilities in relation to society and the environment and takes the expectations of the company in these respects very seriously.
Supporting developments that meet the requirements of the current generation, without jeopardising opportunities for future generations, has been part of BTV's corporate policy for many years. More and more companies are recognising the importance of such an integrated approach, and aligning their corporate policies to the aims of sustainable developments – a process that BTV supports.

Privately run BTV operates in a sophisticated environment and has close reciprocal relationships with many social groups that confront it with the most diverse demands. It places a high value on sustainability and on showing respect and fairness to its shareholders, customers and employees, and indeed to future generations.

Long-term added value
BTV strives to use resources in the best possible ways and to act in socially responsible ways. By seeking a balance between economy, ecology and social interests in its daily business it makes a positive contribution for customers, employees, the environment and society as a whole, and adds value in the long term.

Focus on employees – over 2,000 applicants
BTV focuses on an innovative range of products and services, the efficient use of resources, and responsible interaction with employees, who are the most important factor in bringing about its success. Their social needs are met through comprehensive benefits, including private health insurance. Individualised training courses for employees, and attracting their loyalty, rank among BTV's foremost objectives. The figure of over 2,000 job applications in 2007 (up by 40%) is but one demonstration of its attractions as an employer.

The "Dr. Gerhard Moser going Europe" private foundation
BTV is also concerned that talent is fostered over the longer term. Under the "Dr. Gerhard Moser going Europe" private foundation sponsorship totalling €130,000 has so far been awarded to send talented students on training courses in Europe. The amount awarded in 2007 was €14,000.

Making efficient use of natural resources
Eco-efficient office management within BTV focuses on consistent, sustainable bank operations at all levels. The company has been working for many years to reduce the environmental impact of its own business. The main approach here is monitoring consumption, involving reductions in energy consumption and the sparing use of other resources. Emphasis is laid on environmentally sound, re-cyclable products when making purchases. BTV has made important savings by using energy-efficient products in the course of renovating old buildings and erecting new ones (for instance, on heating, lighting and insulation systems). Such measures, taken all together, result in conscientious, far-sighted and efficient use of natural resources and they also contribute to BTV's operational success in the form of cost savings.

Sustainable bank products
The principle of sustainability can also be seen in BTV's bank products. The 3 Banken investment company offers an equity fund based on sustainability considerations. The 3 Banken sustainability fund is ideal for all ethically-minded investors in equities seeking investments, all over the world, with an over-weighting of eco-criteria combined with clearly defined exclusion criteria. These guarantee that the fund only invests in companies, which contribute to economic performances that are ecologically and socially viable in the long term. Topics for the future such as water, renewable energies or health are over-weighted. The ranges of products and services are constantly being adapted and developed to customers' needs.

Compliance and money laundering

BTV employees keep to the Austrian banking industry's Standard Compliance Code. State of the art systems are deployed to prevent money laundering to the greatest extent possible.

Compliance
When they start work employees undertake to work in accordance with the provisions of BTV's compliance regulations. These are based on the Standard Compliance Code of Austria's banking industry and on the provisions of the Issuers' Compliance Regulation. Compliance with these rules is checked and documented daily.

In 2007 emphasis was placed on implementing the MiFiD provisions and on training employees.

Money laundering
In the 2007 reporting period, BTV was constantly carrying out comprehensive measures to ensure compliance with all money laundering regulations. In addition to using computer-supported systems based on databases containing suspects from all over the world, random samples were regularly taken of conspicuous transactions, which were then thoroughly examined.

Employees were constantly up-dated on the latest money-laundering schemes in order to recognise suspicious transactions in advance.

BTV shares and shareholders

BTV is an independent, autonomous bank, whose shares have been listed on the Vienna stock exchange since 1986.

It has € 50.0 million share capital, and is divided into 4.5 million ordinary individual share certificates and 500,000 preference individual share certificates without voting rights that have a minimum payable dividend of 6% of the proportionate amount of the share capital.

BKS Bank AG, Oberbank AG, Generali 3 Banken Holding AG and Wüstenrot Wohnungswirtschaft registered Gen.m.b.H. make up a syndicate. The purpose of this syndicate is to maintain the independence of the Bank für Tirol und Vorarlberg AG, meaning that it is in the interests of the syndicate members that BTV develops further as an income and profit-oriented company. To obtain this objective, the syndicate members have agreed on a uniform exercising of their corporate rights linked to share ownership and rights of pre-emption. There are no shares with particular controlling rights.

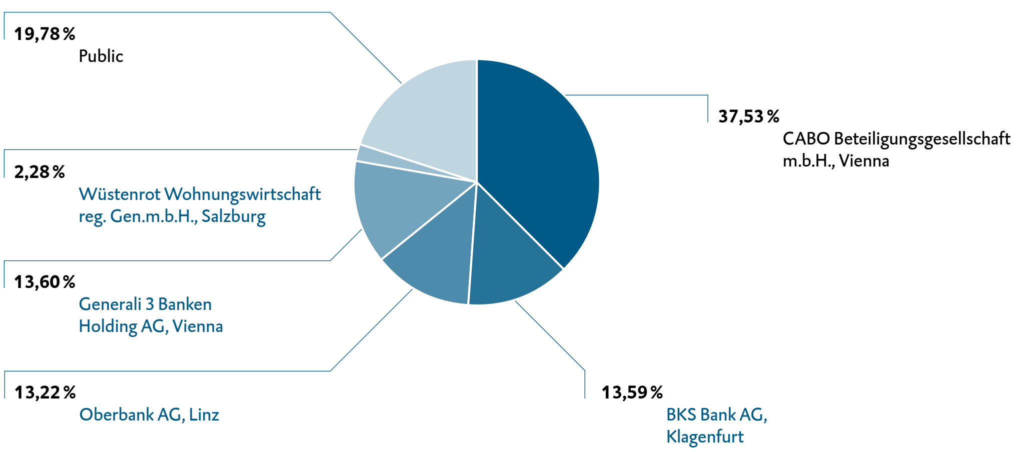
There is an employee share ownership plan in the form of the BTV private foundation. The BTV private foundation is made up of the Management Board, the foundation inspector and the Foundation Advisory Board.

The Management Board is made up of three or more members. No members of the Management Board, no employees and no other members of staff of the Bank für Tirol und Vorarlberg AG or any of its subsidiaries may be members of the Foundation Management Board. Employees or organisational members of shareholder companies, which own more than 10.0% of the share capital of the Bank für Tirol und Vorarlberg AG, and people who are employed by or work as advisors for competitor firms are also not permitted to undertake roles on the Management Board.

Only those under the age of 71 during the respective financial year may be members of the Management Board. The Management Board is instructed for an indefinite period of time. The dismissal of a member of the Board can occur if a significant reason for this to happen is presented to the Board, and the Advisory Board agrees to it. When a member of the Board leaves, the remaining members of the Board appoint the successor. In the case that a member steps down voluntarily or due to having reached the age limit, they may be involved in the decision process for appointing a successor. The appointment also requires the consent of the Advisory Board. If all members of the Board step down the Advisory Board will appoint the new Management Board. The Management Board will make simple majority decisions. At any one time two members of the Management Board have joint entitlement to represent the private foundation.

Until 21 November 2008 the Bank für Tirol und Vorarlberg Aktiengesellschaft is entitled to purchase its own shares for the purposes of securities trading, provided that the trading portfolio of the shares purchased does not exceed five per cent of the share capital at the end of the day. On the basis of this decision, shares may only be purchased when the counter value per share does not fall more than 20% above/below the average official standard quotation on the Vienna stock exchange for the shares of the Bank für Tirol und Vorarlberg Aktiengesellschaft on the three trading days preceding the purchase.

Shareholders BTV according to shares in capital



The above italicised shareholders have concluded syndicate agreements.

Outlook

Since its establishment 103 years ago, the Bank für Tirol und Vorarlberg AG has been offering tailored solutions for the financial concerns of its customers, and it will continue to do so in the future.

Equity markets all over the world lost value significantly in the early weeks of 2008, and the credit spread on the capital markets continued to widen in the face of investors' growing aversion to risk. The economic factors deteriorated, especially in the USA. The Federal Reserve Bank reacted to them with interest rate reductions. This monetary measure will, in time, diminish the pressures on the real economy and public finances but it remains uncertain when it will take effect.

In Europe the weak dollar is having an adverse effect on exports and prices are also rising because of rising inflation, against which background the uncertainty remains of how the money and capital markets will perform in the future. BTV is therefore expecting the environment in which it operates to continue to be difficult in 2008. Its market opportunities have clearly increased as a result of its geographical market expansions from which it is expecting - despite the difficult market conditions - positive results. BTV is planning to open branches in Munich and Stuttgart (in the states of Bavaria and Baden-Württemberg respectively) in the first six months. BTV Leasing will also set up offices in both cities, thus intensifying BTV's market offensive in Southern Germany. BTV is opening a new branch in Telfs in the summer of 2008.

We are aiming to achieve group income before tax exceeding €60 million for 2008. The equity yield rate and the cost-income ratio should hover around the levels of 2007. There were no significant events relevant to BTV's operations in the period between drawing up the annual accounts and their certification by the auditors.

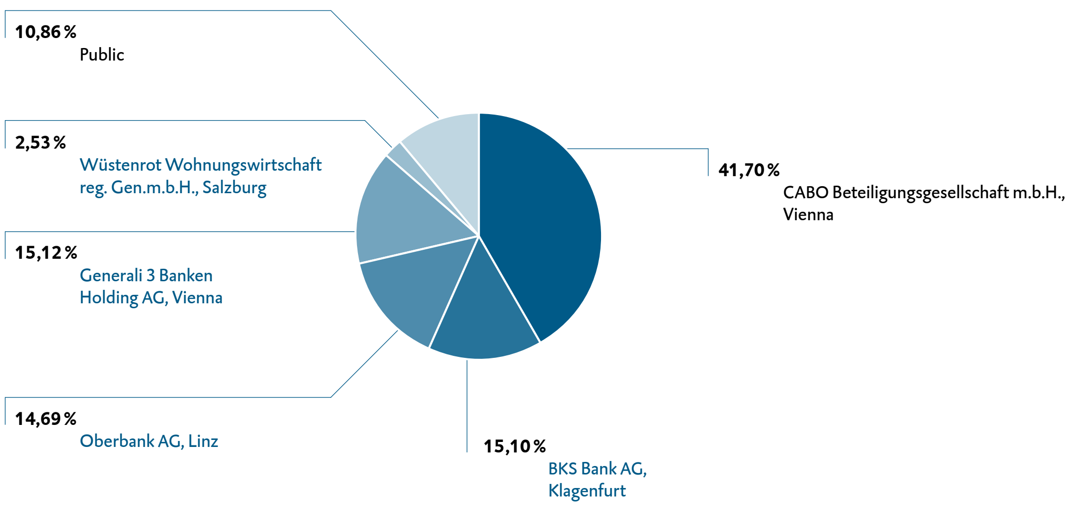
Innsbruck, 20 February 2008

The Managing Directors

Peter Gaugg

Mag. Matthias Moncher

Shareholders BTV according to votes



Risk report

BTV is focusing on a highly developed active risk management system, and has the diverse risks involved as far as possible under control.

One of the core functions of the banking business is the conscious and selective assumption of risks and controlling them appropriately. With its policy on risk BTV is pursuing the objective of identifying the risks resulting from its banking operations in good time, of managing them actively, and above all of limiting them. For this it has to attain a balanced risk/profit ratio in order to make permanent, positive profit contributions.

BTV's risk management strategy is distinctive for dealing with the risks inherent in banking conservatively, and it results from the need to focus on customers, tempered by the underlying statutory conditions in which banks operate. In line with this strategy BTV implements a controlled process whose objective is to identify and quantify all the risks to the group, in order thereby to control such risks actively and to be able to attain the desired contribution to its profit performance.

BTV's overall Management Board takes central responsibility for risk management. It decides on risk policy and approves the principles of risk management, determines the limits for all relevant risks and the procedures for monitoring them. It is backed up in fulfilling these tasks by a committee (BTV Banking Control) and independent risk management units.

The loan management department is responsible for the portfolio management, risk control and risk monitoring of all BTV's loans and for evaluating its business customers in terms of credit-worthiness. It is also responsible for the comprehensive administration and management of loan commitments in danger of default, for the drawing up of analyses of balance sheets and companies, and for the gathering and interpretation of sector information.

In the fields of finance and controlling the group risk control department is responsible for developing and implementing methods of risk and profit measurement, for on-going development and refinement of control instruments, and for independent and neutral reporting on BTV's risk profile.

The BTV Banking Control committee consists of the overall Management Board, the managers of the loan, finance and controlling departments, and the managers of the business sectors. It is responsible for managing the balance sheet entries, for controlling the market risks incurred by the bank's portfolio of loans, and the liquidity risk. In addition presentations are made to this committee (which meets monthly) on the status of the profits from the loan portfolio and the operational risks. This committee also decides on and analyses the limits to be set and the extent to which customers may avail themselves of them.

Risk controlling
Long-term success is ensured only by active risk management, which is therefore of great importance in BTV. Established techniques and modern procedures and systems are thus deployed within the bank both for internal control and to comply with the statutory requirements of BASEL II and BWG.

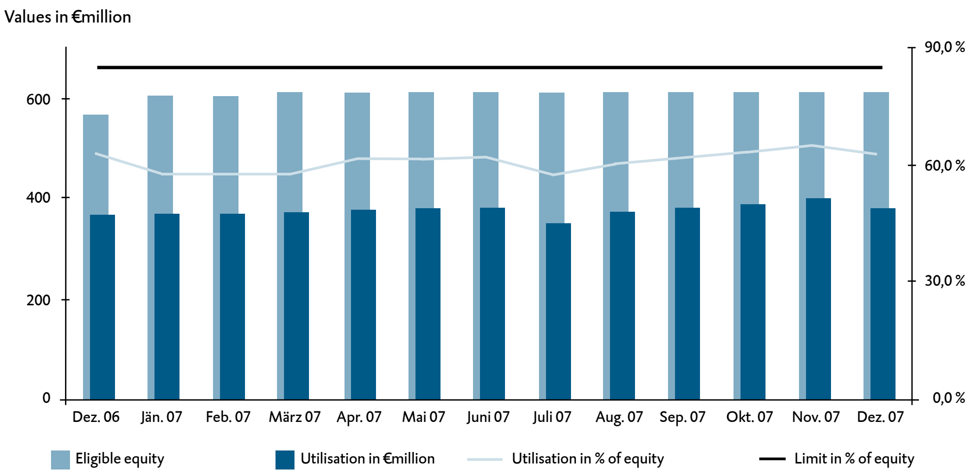
The main tasks of BTV's risk control department subdivide into risk identification, risk appraisal, risk management and risk control, as defined in the risk management procedure as a whole. Through these core tasks the department provides BTV's management with an overall business service enabling its planning and controlling to be orientated to targets and risks, and also ensuring that all its results, risks, procedures and strategies are transparent.

Control of overall banking risk
The regulatory requirements for quantitative risk management that derive from the Basel II Accord II and from the ICAAP consultation paper are covered, first and foremost, by the risk acceptability calculation. According to that the aim of any overall banking risk control is to guarantee that the bank stays in business. Under this calculation the risk results of the individual types of risk are aggregated into an overall loss potential and set against the covering assets available to cover the potential loss concerned. BTV thus establishes the extent to which it is in a position to absorb potential, unexpected losses. This is at the same time the basis for defining the appropriate overall banking limits to ensure BTV's continued existence.

In past years the covering assets were calculated, first and foremost, on the basis of the equity capital, but last year a calculation was contrasted to that approach that focuses more strongly on profit-earning capacity and on existing reserves. As this new approach was being constantly refined during the year, and as there is as yet no seasonal sequence, the representation of risk acceptability below is still based on the equity approach.

The risks for the bank as a whole are in turn contrasted with the available covering assets. The BTV Banking Control committee reports monthly on the current utilisation and limitation of the types of risk. The risks set up in BTV's risk controlling and management systems include the following main risks:

Risk acceptability			
	Market risk		Losses in value that are triggered off by changes to interest rates, equity prices, foreign exchange rates, and by general volatility;
	Loan risk		Losses that arise from default by, or deterioration in the credit-worthiness of business partners (going over and above expected losses);
	Liquidity risk		Problems in meeting short-term payment obligations or closing off market positions optimally at short notice;
	Operational risk		Losses caused by failures of internal procedures, systems and people, or by external influences;
	Other risks	Strategic Risk	Losses because of strategic decisions;
		Risk to reputation	Losses in value resulting from damage to reputation involving customers, employees,...



Risk acceptability in thousand Euro	**Previous year**	**Max.**	**Average**	**Last trading day**
Utilisation	366.000	399.000	375.000	381.000
In % of equity	62,0 %	65,4 %	60,9 %	62,5 %

The utilisation of the overall risk as a percentage of equity is limited within BTV to 85%, and was 62.5% on the final day of the year (€381 million). The highest level of utilisation was 65.4% in November 2007.

Attention was thus constantly being paid during the 2007 reporting year to the compulsory procedure under which the quantified risk potential, on the one hand, was reconciled with the bank's funds available for potential risk cover on the other hand.

Loan risk

By the risk of counterparty default or loan risk is meant the whole or only partial default of a counterparty and the accompanying deficit in the accumulated income and/or losses of capital deployed. The loss of capital in cases of transactions shown on the balance sheet is real, while in the case of derivatives the capital or nominal amount serves just as a basis for charging and is not effectively made available.

Particular importance is attached to monitoring the risk of counterparty default, as BTV's leading risk type. With the marked increase in volume of trading with derivatives in recent years it has become necessary to ensure that the risk of counterparty default is managed and monitored separately from market price risks. Separate covering of the risks results from the fact that loan risk persists even in the case of positions that are completely closed.

Managing loan risk

Long-term optimisation of the lending operations with respect to the risk/profit ratio, and short-term attainment of the loan risk objectives budgeted in each case in the individual customer segments, were defined as the main targets for managing loan risk.

The risks are limited at individual and portfolio levels. BTV measures loan risk using ratings-based, unexpected losses according to the Basel II Accord with a holding period of one year and a confidence level of 99.9%. Checking on credit-worthiness, the acceptance of sureties, on-going monitoring of account management, regular checking of the rating, and the soundness of the collateral rank among the risk reduction techniques at the individual level. Diligent risk precautions in the form of provisions against bad debts are taken for risks of default that are identified and quantified for the financial year, taking existing sureties into consideration.

The risk in financing foreign currency is simulated both at the level of individual loans and at the portfolio level with the aid of stress scenarios. Country risks are also restricted by limits.

Both for companies and for BTV's private clientele a computer-aided rating programme is in use with which classification of loan risks on a scale of ten is undertaken. Qualitative components as well as purely quantitative criteria flow into the appraisal.

A scoring procedure that backs up a well-founded appraisal of the loan customer is in use for private clients. The adviser makes an initial judgement of the customer rating on site. The final rating classification is released once the loan managers have given their expert opinion, whereby the separation of market and market consequence is unambiguous.

This rating procedure forms the basis for computing loan risks in the form of default probabilities and creates the preconditions for a conditions calculation that does justice the risks and for early identification of problem cases. The price calculation in the lending operations builds on that and is thus takes into consideration rating-based risk mark-ups and the costs of collateralisation using regulatory capital as per Basel II.

Management of the loan risk at portfolio level is based predominantly on sectors, currencies and credit-worthiness classes. The loan risk report drawn up regularly for the various levels of consolidation is the central management and supervisory instrument for the decision-takers. On-going analysis and the initiation of whatever measures become necessary ensures that BTV's business policy objectives are attained.

Total loan risk volumes

The loan risk volume is made up of the balance sheet amounts receivable from banks, amounts receivable from customers, all fixed-interest securities, and guarantees and liabilities.

The entire loan volume of the BTV group increased by €562.5 million, or 8.0%, to €7,631.2 million. Of this increase €484.9 million came from BTV AG, and €77.6 million from BTV Leasing. The increase in the loan risk was largely in the best risk category (without noticeable default risk). Claims with heightened default risk fell sharply back. Because of deteriorations in credit-worthiness, most of this fall has now been classified as "impaired claims". Viewed as a whole more than 86% of the loan volume continues to be in the best risk category, which means an increase of €515 million, or 8.5%, in the credit-worthiness categories concerned.

Loan risk structure within Austria and abroad

This is shown on the basis of the country of origin of the borrower/issuer. In Austria the loan risk volume as a whole increased by €269.6 million, or 6.0%, compared with the preceding year. As the foreign part of the loan risk volume grew by €292.8 million, or 11.3%, its share of the loan risk went up from 36.6% to 37.7%.

Total
Asset quality
in thousand €

Balance-sheet-date	Items	No expectation of default	Credit watch	Higher risk of default	Non-performing	Total
31.12.2007	Total Assets	6.607.212	519.997	228.450	275.545	7.631.204
	Percentage	86,58 %	6,81 %	2,99 %	3,61 %	100,00 %
	Provisions	5.066	9.754	12.388	132.472	159.679
	Perventage cover	0,08 %	1,88 %	5,42 %	48,08 %	2,09 %
31.12.2006	Total Assets	6.092.261	453.061	297.288	226.141	7.068.751
	Percentage	86,19 %	6,41 %	4,21 %	3,20 %	100,00 %
	Provisions	2.414	1.538	19.975	128.511	152.439
	Perventage cover	0,04 %	0,34 %	6,72 %	56,83 %	2,16 %
Change	Total Assets	514.951	66.936	– 68.837	49.404	562.454
	Percentage	8,5 %	14,8 %	– 23,2 %	21,8 %	8,0 %
	Provisions	2.652	8.216	– 7.588	3.961	7.241
	Perventage cover	> 100,0 %	> 100,0 %	– 38,0 %	3,1 %	4,7 %

Asset quality
Austria
in thousand €

Balance-sheet-date	Items	No expectation of default	Credit watch	Higher risk of default	Non-performing	Total
31.12.2007	Total Assets	3.930.043	419.265	179.173	224.584	4.753.065
	Percentage	82,68 %	8,82 %	3,77 %	4,73 %	100,00 %
	Provisions	3.805	7.958	10.044	109.178	130.986
	Perventage cover	0,10 %	1,90 %	5,61 %	48,61 %	2,76 %
31.12.2006	Total Assets	3.678.124	374.367	247.033	183.929	4.483.452
	Percentage	82,04 %	8,35 %	5,51 %	4,10 %	100,00 %
	Provisions	1.802	1.281	16.844	105.544	125.472
	Perventage cover	0,05 %	0,34 %	6,82 %	57,38 %	2,80 %
Change	Total Assets	251.919	44.897	– 67.859	40.655	269.613
	Percentage	6,8 %	12,0 %	– 27,5 %	22,1 %	6,0 %
	Provisions	2.003	6.677	– 6.800	3.634	5.514
	Perventage cover	> 100,0 %	> 100,0 %	– 40,4 %	3,4 %	4,4 %

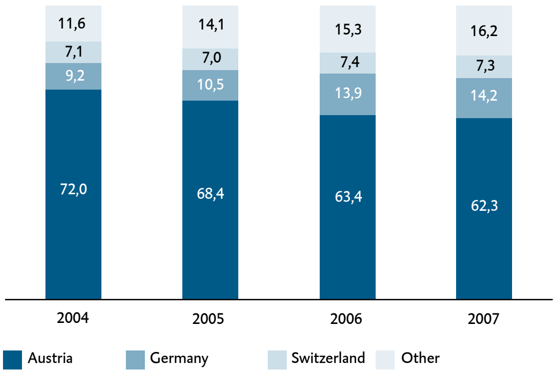
Asset quality
abroad
in thousand €

Balance-sheet-date	Items	No expectation of default	Credit watch	Higher risk of default	Non-performing	Total
31.12.2007	Total Assets	2.677.170	100.732	49.277	50.961	2.878.140
	Percentage	93,02 %	3,50 %	1,71 %	1,77 %	100,00 %
	Provisions	1.261	1.796	2.343	23.293	28.693
	Perventage cover	0,05 %	1,78 %	4,76 %	45,71 %	1,00 %
31.12.2006	Total Assets	2.414.138	78.693	50.255	42.213	2.585.299
	Percentage	93,38 %	3,04 %	1,94 %	1,63 %	100,00 %
	Provisions	612	257	3.131	22.967	26.967
	Perventage cover	0,03 %	0,33 %	6,23 %	54,41 %	1,04 %
Change	Total Assets	263.032	22.039	– 978	8.749	292.841
	Percentage	10,9 %	28,0 %	– 1,9 %	20,7 %	11,3 %
	Provisions	649	1.539	– 788	326	1.726
	Perventage cover	> 100,0 %	> 100,0 %	– 25,2 %	1,4 %	6,4 %

Loan risk structure by countries

About 62.3% of the loan risk volume involves Austrian borrowers. BTV succeeded in again achieving increases in the absolute shares of the expansion markets of Germany and Switzerland, which are now 14.2% and 7.3% respectively. The remaining 16.2% is distributed across borrowers in Italy, the USA and other countries. The "other countries" entry involves mainly claims on banks or securities in treasury.

Development of the regional structure of the loan risk in %



Loan risk structure by sectors

The main sectors are the same as in previous years – the private clientele, in banking and insurance, and in the production of physical goods. The services sector, property, public authorities, trade and construction follow proportionately. The shares of other sectors are all below 4%, such that the sector mix is balanced and risk is appropriately diversified.

The net loan volume increase of €562.5 million consisted of increases totalling €772.1 million in banking and insurance, the production of physical goods, property, services, cable cars, tourism, public authorities and construction. The total of claims on private borrowers and on customers in trade, transportation and communications, energy and water supply and others reduced by €209.6 million.

Asset quality by country in thousand€

Country	No expectation of default	Credit watch	Higher risk of default	Non-performing	Total	Percentage
Austria	3.930.043	419.265	179.173	224.584	4.753.065	62,3 %
Germany	970.924	63.893	26.526	21.630	1.082.973	14,2 %
Switzerland	492.401	20.023	18.244	24.435	555.103	7,3 %
Italy	342.997	3.313	2.572	4.124	353.005	4,6 %
USA	250.909	7.152	0	250	258.312	3,4 %
Other	619.939	6.351	1.936	522	628.747	8,2 %
Total	6.607.212	519.997	228.450	275.545	7.631.204	100,0 %

Asset quality total in thousand€

Branches total	No expectation of default	Credit watch	Higher risk of default	Non-performing	Total	Percentage
Building industry	380.412	47.664	11.366	15.000	454.442	6,0 %
Services	573.446	77.964	35.496	46.126	733.032	9,6 %
Power/water supply	102.277	3.004	0	0	105.281	1,4 %
Tourism	222.666	35.889	17.295	23.369	299.218	3,9 %
Trade	362.586	43.311	45.873	42.386	494.156	6,5 %
Financing and Industry	1.519.928	0	0	0	1.519.928	19,9 %
State	598.283	0	0	0	598.283	7,8 %
Private enterprises	1.095.454	109.258	82.922	81.802	1.369.436	17,9 %
Real estate industry	609.918	79.605	10.831	16.192	716.546	9,4 %
Production of material goods	846.674	84.126	19.543	35.000	985.343	12,9 %
Cable cars	179.834	5.612	311	2.981	188.739	2,5 %
Other	34.215	6.158	1.158	8.592	50.124	0,7 %
Traffic and telecommunication	81.518	27.404	3.656	4.098	116.676	1,5 %
Total	6.607.212	519.997	228.450	275.545	7.631.204	100,0 %

Asset quality in Austria in thousand€

Branches total	No expectation of default	Credit watch	Higher risk of default	Non-performing	Total	Percentage
Building industry	304.116	46.726	10.449	14.557	375.848	7,9 %
Services	501.742	62.311	26.633	39.949	630.636	13,3 %
Power/water supply	62.260	0	0	0	62.260	1,3 %
Tourism	212.784	35.039	16.851	16.894	281.568	5,9 %
Trade	228.007	36.640	44.666	41.337	350.649	7,4 %
Financing and Industry	498.877	0	0	0	498.877	10,5 %
State	352.253	0	0	0	352.253	7,4 %
Private enterprises	718.662	78.607	49.040	46.399	892.708	18,8 %
Real estate industry	514.679	66.177	9.095	15.981	605.931	12,7 %
Production of material goods	324.759	60.129	17.629	34.501	437.017	9,2 %
Cable cars	137.957	4.148	311	2.981	145.398	3,1 %
Other	17.070	5.621	1.158	7.943	31.792	0,7 %
Traffic and telecommunication	56.875	23.867	3.342	4.042	88.127	1,9 %
Total	3.930.042	419.265	179.173	224.584	4.753.064	100,0 %

Asset quality abroad in thousand€

Branches total	No expectation of default	Credit watch	Higher risk of default	Non-performing	Total	Percentage
Building industry	76.296	938	918	442	78.594	2,7 %
Services	71.704	15.653	8.862	6.177	102.396	3,6 %
Power/water supply	40.017	3.004	0	0	43.021	1,5 %
Tourism	9.882	850	444	6.475	17.650	0,6 %
Trade	134.579	6.671	1.207	1.049	143.507	5,0 %
Financing and Industry	1.021.051	0	0	0	1.021.051	35,5 %
State	246.030	0	0	0	246.030	8,5 %
Private enterprises	376.792	30.651	33.882	35.403	476.728	16,6 %
Real estate industry	95.239	13.429	1.736	211	110.615	3,8 %
Production of material goods	521.915	23.998	1.914	499	548.326	19,1 %
Cable cars	41.877	1.465	0	0	43.341	1,5 %
Other	17.145	537	0	649	18.332	0,6 %
Traffic and telecommunication	24.643	3.537	314	55	28.549	1,0 %
Total	2.677.170	100.732	49.277	50.961	2.878.140	100,0 %

Loan risk structure by segments

The company clientele's share in the total loan risk volume is 46.8%. Private clients account for 20.7%, and the remaining 32.5% involves the treasury segment. The increase in the total exposure of €562.5 million is attributable to the company clientele and treasury segments, which went up by €332.5 million and €295.2 million respectively, while the private clientele segment fell back slightly.

Asset quality by segments in thousand€		No expectation of default	Credit watch	Higher risk of default	Non-performing	Total
Corporate	Total Assets	2.879.298	383.570	127.581	180.921	3.571.370
	Provisions	4.187	8.201	7.866	88.763	109.017
	Percentage cover	0,15 %	2,14 %	6,17 %	49,06 %	3,05 %
Retail	Total Assets	1.247.113	136.426	100.182	94.625	1.578.346
	Provisions	879	1.553	4.522	43.708	50.662
	Percentage cover	0,07 %	1,14 %	4,51 %	46,20 %	3,21 %
Treasury	Total Assets	2.480.801	0	688	0	2.481.489
	Provisions	0	0	0	0	0
	Percentage cover	0,00 %	0,00 %	0,00 %	0,00 %	0,00 %
Total	Total Assets	6.607.212	519.997	228.450	275.545	7.631.204
	Provisions	5.066	9.754	12.388	132.472	159.679
	Percentage cover	0,08 %	1,88 %	5,42 %	48,08 %	2,09 %

Loan risk structure by currencies

About 78.7% of the loan risk volume involves claims in euros. 13.1% is in Swiss francs non-Swiss clients, while claims in other currencies represent 2.4% of the volume of claims.

Asset quality by currency in thousand€	No expectation of default	Credit watch	Higher risk of default	Non-performing	Total	Percentage
EUR	5.236.352	389.348	141.438	237.420	6.004.558	78,7 %
CHF with swiss clients	385.660	18.315	18.206	23.713	445.894	5,8 %
CHF	821.125	101.616	66.058	13.592	1.002.391	13,1 %
USD	102.217	6.708	0	46	108.971	1,4 %
JPY	29.283	3.173	1.562	774	34.792	0,5 %
Other	32.575	837	1.187	0	34.599	0,5 %
Total	6.607.212	519.997	228.450	275.545	7.631.204	100,0 %

Loan risk structure by overdue claims

The following table shows an age analysis of overdue, but unadjusted financial assets. The debtors are in arrears in the payment of interest or of the nominal amount. It is not, however, appropriate on the basis or our assessments of the debtors or the sureties in hand to form specific loan loss allowances in these cases.

Balance-sheet-date	Number of overdue days in thousand€	No expectation of default	Credit watch	Higher risk of default	Total
31.12.2006	30 – 60 days	12.488	6.329	4.716	23.532
	60 – 90 days	1.643	4.451	3.873	9.967
	90 – 180 days	2.122	4.612	4.498	11.233
	> 180 days	2.944	1.093	11.113	15.149
Total 31.12.2006		19.197	16.484	24.200	59.881
31.12.2007	30 – 60 days	6.395	2.567	2.458	11.421
	60 – 90 days	3.307	844	1.343	5.494
	90 – 180 days	3.716	3.374	6.068	13.157
	> 180 days	2.707	2.550	10.439	15.696
Total 31.12.2007		16.125	9.335	20.308	45.768

Loan collateral held

BTV holds loan collateral in the form of mortgages, securities and other assets. In cases of poor credit-worthiness great importance is attached to the collateral. The classes entitled “to be observed” and “enhanced risk of default” are therefore collateralised by more than 50%. The low level of collateralisation on non-performing claims is attributable to some realisation of possible securities having already taken place.

Loan collateral in thousand €	No expectation of default	Credit watch	Higher risk of default	Non-performing	Total
Total Assets	6.607.212	519.997	228.450	275.545	7.631.204
Total loan collateral mortgages	1.051.916	158.657	91.443	50.581	1.352.597
Total loan collateral securities	188.510	16.871	8.505	796	214.681
Other assets	608.502	89.818	21.506	15.746	735.573
Collateralisation in %	28,0 %	51,0 %	53,2 %	24,4 %	30,2 %

Claims arising from derivatives

Assessment of claims arising from derivatives has been undertaken using the riskpro™ software system supplied by the IRIS company. Differences appearing in the market values against what is disclosed in the appendices to the balance sheet arise because currency derivatives were not corrected by the interest included in the figures stated in the risk report.

Risk structure of derivates by segments

There are claims arising from derivatives on the basis of the calculation of market values amounting to €30,856,000. Claims on banks account for 84.2% of them (€25,960,000). Claims on the company clientele account for 14.7% (€4,549,000) and claims on private customers account for 1.1% (€347,000).

Segment in thousand €	No expectation of default	Credit watch	Higher risk of default	Non-performing	Total
Corporate	3.486	1.048	15	0	4.549
Retail	345	2	0	0	347
Treasury	25.960	0	0	0	25.960
Total	29.791	1.050	15	0	30.856

Risk structure of derivates by currencies

About 81.6% of the outstanding claims arising from derivatives are in euros, while 14.2% arise from transactions denominated in Swiss francs. The remaining 4.2% are in Canadian or US dollars and Japanese yen as well as other currencies.

Segments	Currency, in thousand €	No expectation of default	Credit watch	Higher risk of default	Non-performing	Total
Corporate	EUR	2.667	1.021	15	0	3.703
	CHF	82	28	0	0	110
	USD	37	0	0	0	37
	Other	699	0	0	0	699
Retail	EUR	27	2	0	0	29
	CHF	6	0	0	0	6
	USD	0	0	0	0	0
	Other	312	0	0	0	312
Treasury	EUR	21.461	0	0	0	21.461
	CHF	4.279	0	0	0	4.279
	USD	204	0	0	0	204
	Other	16	0	0	0	16
Total		29.791	1.050	15	0	30.856

Risk structure of derivatives by countries

55.3% of the claims are on business partners in Germany, 30.5% on Austrian partners, and 11.1% on Swiss partners.

Country, in thousand €	No expectation of default	Credit watch	Higher risk of default	Non-performing	Total
Germany	16.972	82	0	0	17.053
Austria	8.546	853	15	0	9.414
Switzerland	3.415	0	0	0	3.415
Great Britain	612	0	0	0	612
USA	204	116	0	0	320
France	36	0	0	0	36
Belgium	7	0	0	0	7
Total	29.791	1.050	15	0	30.856

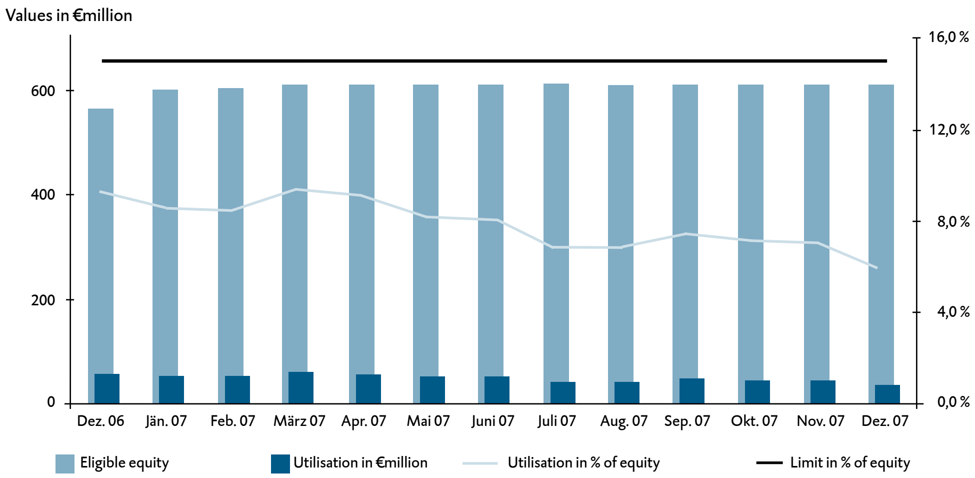
Risk structure on derivatives by types of transaction

61.4% of the claims arise from interest rate swaps, 29.8% from currency derivatives (cross currency swaps, FX swaps and forward exchange deals), the remaining 8.8% of the claims emanate from interest rate option transactions.

Type of transaction, in thousand €	No expectation of default	Credit watch	Higher risk of default	Non-performing	Total
Interest rate swaps	18.718	200	15	0	18.933
Cross currency swaps	4.112	802	0	0	4.913
Forward exchange deals	4.234	49	0	0	4.283
Interest rate options (cap or floor)	1.847	0	0	0	1.847
Interest rate options (collar)	881	0	0	0	881
Total	29.791	1.050	15	0	30.856

Market risks

By market risks BTV means the potential loss that may arise as a result of changes in the prices on financial markets for all the entries on its loan and trading ledgers. The market risk is composed of the interest rate risk, the equity price risk and the currency rate risk, and is managed at a level that involves the bank as a whole.



Market risk in thousand €	Previous year	Max.	Average	Last trading day
Utilisation	52.293	57.810	47.214	36.168
In % of equity	9,3 %	9,5 %	7,8 %	5,9 %

At no point during 2007 was the limit for market risks of 15% of the bank's equity exceeded. The maximum utilisation of the market price risk was achieved in March with 63.33% of the approved limit (€57,810,000).

Measuring methodology

For the purposes of risk measurement and control BTV quantifies the value-at-risk on the basis of a confidence level of 99% and a 30-day holding period. The risk of interest rates changing is simulated, in line with Basel II, with a parallel shift of the interest rate curve of 200 basic points.

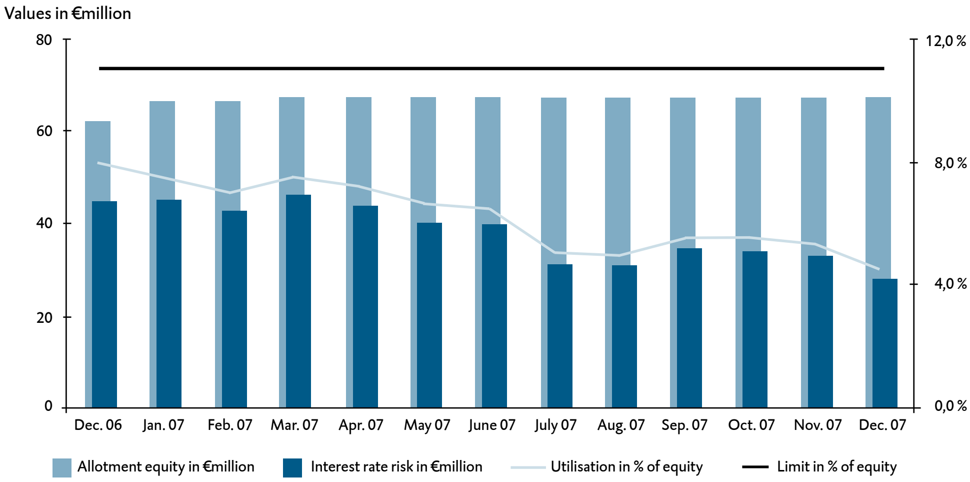
The value-at-risk plan applied to determining all the market price risks is in general defined as the estimated:

- maximum loss in value of an individual position or portfolio,
- that may emerge in normal market conditions
- within a fixed period of time (30 days)
- with a specific probability (99%).

Interest rate risk

The risks of changes in interest rates arise as a result of changes in market value caused by changes in market rates of interest. Such risks arise from mismatched fixed rate agreements of all asset and liability positions (including off balance sheet transactions).

The graph charting the interest rate risk shows that the defined limit of 11% of the equity was kept within at all times, and that there was a sufficient buffer at the limit granted. The bank's overall interest rate risk is down compared with the previous year.



Risk of changes in interest rates, 200 BP shift in th. €	Previous year	Max.	Average	Last trading day
Risk of changes in interest rat.	45.044	46.121	37.193	27.510
in % of equity	8,0 %	7,6 %	6,1 %	4,5 %

In addition to calculation of the interest rate curve (in line with Basel II) by means of the parallel shift by 200 basic points, BTV also calculates an interest-value-at-risk – separated out into the euro and Swiss franc currencies that are vital for it – with a confidence level of 99% and a 30-day holding period.

Interest rate risk in thousands of €	Previous year	Max.	Average	Last trading day
EUR VaR*	3.536	4.753	3.705	4.401
in % of equity	0,63 %	0,78 %	0,61 %	0,72 %
CHF VaR*	1.047	1.378	988	1.378
in % of equity	0,19 %	0,23 %	0,16 %	0,23 %

* Confidence level of 99,0 %, 30-day holding period

BTV customers finance themselves chiefly in euros and Swiss francs. The diagram below shows the interest rate control gap in these BTV-relevant currencies:

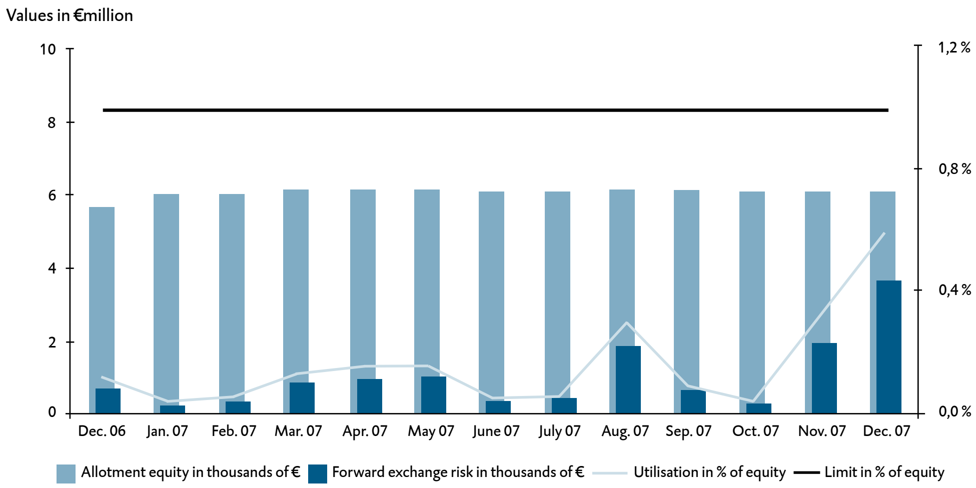
Interest rate control gap

31.12.2007 in thousands of €	1 – 3 years	3 – 5 years	5 – 7 years	7 – 10 years	> 10 years
Interest rate control gap EUR	13.939	100.935	92.626	32.153	19.355
Interest rate control gap CHF	9.097	12.800	6.569	9.306	5.917

Currency risk

The currency risk is defined as the danger of the profit achieved falling short of the results anticipated because of transactions that require transition from one currency to another.

The chart below shows that BTV has set a very low limit of 1% of its equity for the currency risk, and in fact utilises it only very moderately:



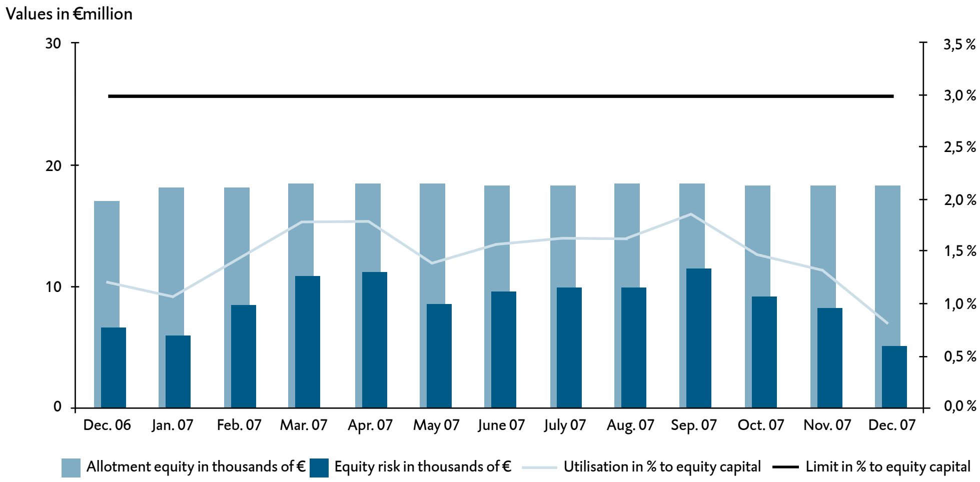
The currency risk is determined on the basis of a 99% value-at-risk, and is monitored every 30 days.

Currency risk in thousands of €	Previous year	Max.	Average	Last trading day
VaR*	683	3.632	1.035	3.632
in % of equity	0,12 %	0,60 %	0,17 %	0,60 %

* Confidence level of 99,0 %, 30-day holding period

Equity risk

BTV's risk awareness also includes taking its risk in equities into account with a maximum equity value-at-risk of €11.3 million (equivalent to 1.85% of the equity). The equity risk, like all market risks, is determined on the basis of a 99% value-at-risk and monitored every 30 days. It is also limited to 3% of the equity. Because of the low importance of the trading ledger at the moment, the equity positions in it are restricted by a volume limit and a stop-loss limit applying to individual shares, compliance with these limits being continuously supervised.



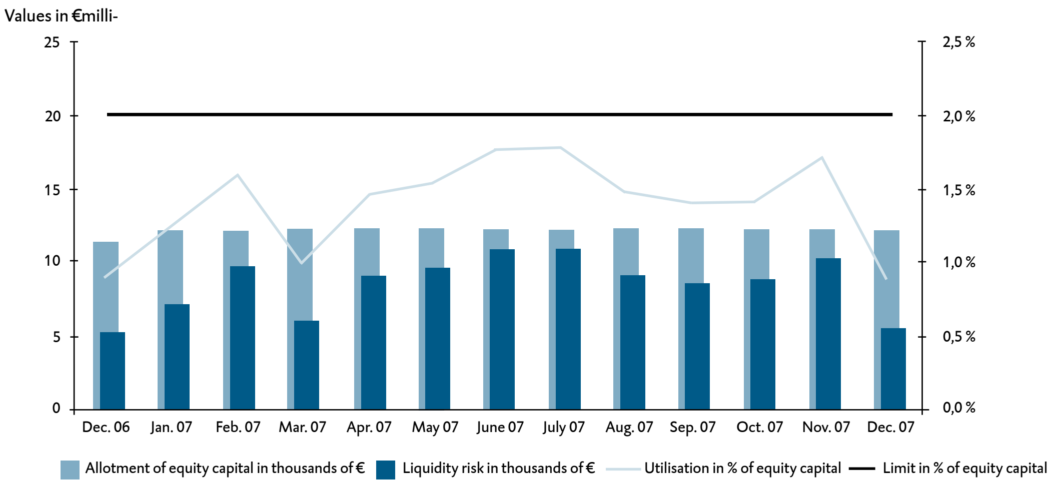
Equity risk in thousands of €	Previous year	Max.	Average	Last trading day
VaR*	6.565	11.323	8.986	5.026
in % to equity capital	1,20 %	1,85 %	1,48 %	0,82 %

* Confidence level of 99,0 %, 30-day holding period

Liquidity risk

The short-term liquidity risk represents the danger of the bank being unable to meet its payment obligations punctually or in full. BTV did at all times in the year reported comply with the liquidity provisions foreseen in the BWG [Austria's Banking Act]. The refinancing risk represents the danger that additional refinancing resources can be obtained only at increased market interest rates. The risk of increased refinancing costs is simulated for BTV using a stress scenario related to changes in the interest rate curve and to an increase in the risk premium, with these simulations being incorporated into the overall bank risk.

The chart and table below show clearly that at no point during 2007 did the liquidity risk exceed or even come close to the limit of 2% of the equity.



Liquidity risk in thousands of €	Previous year	Max.	Average	Last trading day
Liquidity risk*	5.222	10.911	8.747	5.470
in % of equity capital	0,9 %	1,8 %	1,4 %	0,9 %

* Confidence level of 99,0 %, 30-day holding period

Please see the table headed “Breakdown of capital commitments” on Page 115 with respect to the capital commitments included in BTV’s financial liabilities.

The following diagram indicates the payment flows resulting from derivative instruments:

in thousands of €	up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	> 5 years
Receipt of funds	1.021	9.404	51.597	201.543	123.795
Funds disposals	– 1.348	– 9.930	– 57.819	– 202.945	– 121.742
Total	– 327	– 527	– 6.222	– 1.401	2.052

Operational risks

BTV has defined operational risk in line with the requirements of the banking law as the "risk of losses that are incurred as a result of the inadequacy or failure of internal procedures, persons and systems or because of external occurrences". An appropriate risk management procedure has been developed within BTV in order to implement the Basel II requirements, with both quantitative and qualitative methods being applied to identify operational risks. The objective here is to develop such methods to the point that all relevant information can be flagged up for those managing the risks.

Responsibility for managing the operational risks has been decentralised throughout the bank, with all the main risks for each department captured in its own risk catalogue. BTV has established a reporting system for instances of loss owing to the inadequacy or failure of internal procedures. All such instances are assembled into a loss database and analysed, following which appropriate measures are taken to minimise future loss risks. This quantitative approach is supplemented, qualitatively, by carrying out selected risk assessments in the departments concerned.

A quarterly report tells the bank's decision-takers how the operational risks are developing and what measures have been taken. A regular loop is thus created, linking risk identification, quantification and control.

Other risks

BTV includes in these the business and fixed risks that might lead to some unexpected setback in profits owing to its strategic alignment having proved wrong. These are captured and analysed in the course of its strategic controlling processes, and appropriate control activities are put in hand.

Establishing and implementing the Basel II approaches

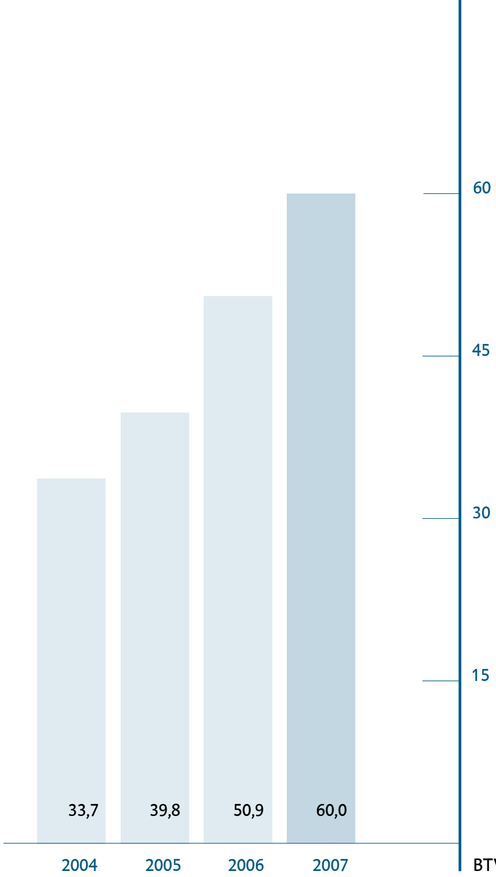
In recent years BTV has, in its own "Basel II" project, created preconditions enabling the new requirements on equity support for assets at risk to be fulfilled. Of the choice of approaches offered by Basel II BTV has plumped for the standard approach and will, from 2008, carry out its equity support calculations under that approach. BTV has also chosen the standard approach in the sphere of operational risk, which has a more detailed basis than the basic indicator approach of gross profits per business field.

Summary and outlook

BTV has taken measures to limit and minimise all main risks. A summary of measurable risks is distributed throughout the bank as part of its risk acceptability analysis. This aggregation is based on the value-at-risk approach and/or other risk figures, and shows that BTV makes only partial use of the concept of risk acceptability and that a major part of its approach serves as a buffer, particularly for risks that are unquantifiable.

BTV will continue its business in the current year in line with its rather conservatively chosen risk strategy. The bank places great emphasis on active monitoring of loan risks and the on-going supervision, management and control of market risks. In 2008 it will focus on progressive refinement of its management tools, on employee training schemes, and on the development and continuous improvement of its internal models.

Net profit for the year before tax in €million



BTV looks back on a successful financial year in 2007. The net profit for the year before tax increased by 9,1 €million or 18,0 %.

Annual Accounts

Balance Sheet as at 31 December 2007

Assets in thousands of €	31.12.07	31.12.06	Change total	Change in %
Cash reserves [1] [Notes]	245.358	126.973	+ 118.385	+ 93,2 %
Loans and advances to credit institutions [2]	547.193	299.158	+ 248.035	+ 82,9 %
Loans and advances to customers [3]	5.319.660	5.261.368	+ 58.292	+ 1,1 %
Loan loss provisions [4]	– 159.679	– 152.439	– 7.240	+ 4,7 %
Trading assets [5]	321	107	+ 214	> + 100,0 %
Financial assets – at fair value through profit or loss [6]	151.032	39.638	+ 111.394	> + 100,0 %
Financial assets – available for sale [7]	1.149.215	1.148.692	+ 523	0,0 %
Financial assets – held to maturity [8]	381.476	330.595	+ 50.881	+ 15,4 %
Shares in at-equity valued companies [9]	212.025	200.196	+ 11.829	+ 5,9 %
Intangible fixed assets [10a]	1.062	1.481	– 419	– 28,3 %
Property, plant and equipment [10b]	93.507	94.051	– 544	– 0,6 %
Properties held as financial investments [10c]	28.256	28.393	– 137	– 0,5 %
Tax claims [11]	6.894	1.126	+ 5.768	> + 100,0 %
Other assets [12]	77.028	78.936	– 1.908	– 2,4 %
Total assets	**8.053.348**	**7.458.275**	**+ 595.073**	**+ 8,0 %**

Liabilities in thousands of €	31.12.07	31.12.06	Change total	Change in %
Banks [13]	1.136.795	1.259.102	– 122.307	– 9,7 %
Customer accounts [14]	4.890.115	4.285.439	+ 604.676	+ 14,1 %
Securitised debt [15]	913.177	882.869	+ 30.308	+ 3,4 %
Trading liabilities [16]	377	122	+ 255	> + 100,0 %
Reserves and provisions [17]	67.813	65.683	+ 2.130	+ 3,2 %
Tax debts [18]	3.321	1.867	+ 1.454	+ 77,9 %
Other liabilities [19]	134.564	110.834	+ 23.730	+ 21,4 %
Subordinated capital [20]	369.860	339.985	+ 29.875	+ 8,8 %
Equity [21]	537.326	512.374	+ 24.952	+ 4,9 %
Total liablities	**8.053.348**	**7.458.275**	**+ 595.073**	**+ 8,0 %**

Profit and Loss Account as at 31 December 2007

Profit and Loss Account in thousands of €	2007	2006	Change total	Change in in %
Interest and similar income	372.170	272.298	+ 99.872	+ 36,7 %
Interest and similar expenses	– 271.767	– 179.429	+ 92.338	+ 51,5 %
Income of at-equity valued companies	22.600	18.029	+ 4.571	+ 25,4 %
Net interest income [22]	123.003	110.898	+ 12.105	+ 10,9 %
Loan loss provisions [23]	– 29.206	– 29.427	+ 221	– 0,8 %
Commission income	55.423	53.763	+ 1.660	+ 3,1 %
Commission expense	– 8.165	– 8.129	– 36	+ 0,4 %
Net commission income [24]	47.258	45.634	+ 1.624	+ 3,6 %
Trading income [25]	2.199	2.540	– 341	– 13,4 %
Operating expenses [26]	– 88.099	– 82.664	– 5.435	+ 6,6 %
Other operating income [27]	1.579	1.325	+ 254	+ 19,2 %
Profit arising from financial assets – at fair value through profit or loss [28]	– 192	– 1.529	+ 1.337	+ 87,4 %
Profit arising from financial assets – available for sale [29]	3.503	4.096	– 593	– 14,5 %
Profit arising from financial assets – held to maturity	0	0	0	0,0 %
Net profit for the year before tax	60.045	50.873	+ 9.172	+ 18,0 %
Income and profits tax [30]	– 6.766	– 6.334	– 432	+ 6,8 %
Net profit for the year after tax	**53.279**	**44.539**	**+ 8.740**	**+ 19,6 %**

Indicators	31.12.07	31.12.06
EPS in € [31]	10,75	8,99
RoE before tax	11,4 %	10,4 %
RoE after tax	10,2 %	9,1 %
Cost-Income-Ratio	51,1 %	52,0 %
Risk-Earnings-Ratio	23,7 %	26,5 %

Statement of change in Equity

Statement of change in Equity in thousands of €	Subscribed capital	Retained earnings	Revenue reserves	Depreciation on reserves	Total equity
Equity at 01.01.2006	50.000	58.778	340.071	20.769	469.618
Capital increases	0	0	0	0	0
Net income for the year	0	0	+ 44.539	0	+ 44.539
Distributions	0	0	– 7.000	0	– 7.000
Exchange differentials	0	0	+ 71	0	+ 71
Treasury shares	0	+ 98	0	0	+ 98
Other changes	0	0	+ 14.693	– 9.645	+ 5.048
– of which deferred tax	0	0	+ 2.867	0	+ 2.867
– of which from at equity assessment	0	0	+ 11.621	0	+ 11.621
Equity at 31.12.2006	**50.000**	**58.876**	**392.374**	**11.124**	**512.374**

Statement of change in Equity in thousands of €	Subscribed capital	Retained earnings	Revenue reserves	Depreciation on reserves	Total equity
Equity at 01.01.2006	50.000	58.876	392.374	11.124	512.374
Capital increases	0	0	0	0	0
Net income for the year	0	0	+ 53.279	0	+ 53.279
Distributions	0	0	– 7.000	0	– 7.000
Exchange differentials	0	0	+ 52	0	+ 52
Treasury shares	0	– 145	0	0	– 145
Other changes	0	0	– 1.171	– 20.063	– 21.234
– of which deferred tax	0	0	+ 6.510	0	+ 6.510
– of which from at equity assessment	0	0	– 7.488	0	– 7.488
Equity at 31.12.2007	**50.000**	**58.731**	**437.534**	**– 8.939**	**537.326**

Cash Flow Statement as at 31 December 2007

Cash Flow Statement in thousands of €	**31.12.07**	**31.12.06**
Net income for the year	53.279	44.539
Items without effect on payments and operating adjustments to cash flow		
– Amortisation/Revaluation of property, plant and equipment and long-term investments and loans and of current assets	16.922	11.154
– Accruals and appropriations to/releases of reserves and provisions and loan loss provisions	20.618	25.412
– Gains/losses on the disposal of long-term assets and loans and on property, plant and equipment	–9.943	–3.830
– Other adjustments	–13.769	–17.190
Sub-total	**67.107**	**60.085**
Change in operating assets and liabilities after adjustments for items without effect on payments		
– Loans and advances to banks	–230.797	–181.348
– Loans and advances to customers	–81.711	–380.295
– Trading	12	11.531
– Other current assets	–195.983	–155.643
– Other operating assets	–6.047	–9.357
– Liabilities to banks	–122.591	374.324
– Customer accounts	676.031	205.016
– Securitised debt	26.048	43.573
– Other operating liabilities	3.891	–2.565
Operating cash flow	135.960	–34.679
Inflows from the disposal of:		
– Property, plant and equipment and intangible assets	1.788	339
– Long-term investments and loans	58.644	8.817
Outflows through investments in:		
– Property, plant and equipment	–6.373	–6.259
– Long-term investments and loans	–99.305	–8.624
Investment cash flow	–45.246	–5.727
Dividend payments	–7.000	–7.000
Subordinated debt and other financing	34.671	50.816
Financing cash flow	27.671	43.816
Cash position at the end of the previous period	126.973	123.563
Operating cash flow	135.960	–34.679
Investment cash flow	–45.246	–5.727
Financing cash flow	27.671	43.816
Cash position at end of period	245.358	126.973
Interest income	368.897	270.240
Dividend income	25.873	20.087
Interest expenses	–271.767	–179.429
Income tax payments	–5.412	–7.119

Accounting and valuation principles
The BTV group's annual accounts have been prepared in accordance with IFRS requirements and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and, pursuant to section 59a BWG [Austria's Banking Act] taken together with section § 245a UGB [Austria's Commercial Code], remove the need to prepare any other group financial statements. The present group financial statements have been prepared in accordance with all standards applicable for the financial years concerned. Standards or interpretations already published or adopted by the EU, which are not yet applicable, have not been applied prematurely.

Insofar as BTV has already examined the standards no changes in any material respect are expected. The uniform accounting and valuation methods used throughout the group are in harmony with European accounting standards, such that BTV's accounts are as informative as if they had been prepared according to Austria's banking law and commercial code. Additional information required under EU regulations is provided in the Appendix.

Spot transactions involving financial assets were recorded or cancelled on the settlement date.

The reference currency is the euro (€). All figures are expressed in thousands of euros, unless otherwise stated. Rounding differences may exist in the following tables.

Currency conversion
Under IAS 21 all assets and liabilities denominated in foreign currencies and all unprocessed spot transactions are converted at the average spot rates of the balance sheet date. Currency futures are valued at the current forward rate applicable to their remaining terms.

The Swiss branch's accounts are converted using the closing rate method. Conversion differences relating to profit or loss carryovers are captured in the equity.

Financial instrument classes
Under IAS 39 all financial assets and liabilities, including all derivatives, must be stated in the balance sheet. The financial instruments must be assessed according to which of the following inventory categories they belong to:

a.) Assets or liabilities held for trading, which serve primarily to generate profits from short-term price fluctuations or trading margins. Trading stocks are valued and stated at fair value.

b.) Structured products containing embedded derivatives that must be separated out are accounted for at fair value-option under IAS 39. BTV also includes financial instruments measured at fair value through profit and loss in order to be able to remove, or significantly reduce mismatches of accounting treatment or approach. Assets and liabilities are assessed and stated at fair value.

c.) Financial investments held to maturity are fixed-payment and fixed-maturity assets that BTV can and wishes to hold until they mature. Valuation is at historic cost, with any possible premium or discount being liquidated on the basis of the effective interest rate method up to maturity.

d.) Loans and receivables with fixed or identifiable payment amounts that are not listed on any active market and are not for trading purposes. This category encompasses in the main claims on banks and on customers. Valuation is at historic cost.

e.) Financial assets available for sale, whose fair value changes are recorded in the valuation reserve in the equity capital, make up the figures - i.e. all financial assets that cannot be classified in the above categories must come under this heading.

Insofar as fair value cannot be determined on the basis of a stock exchange price or a recognised valuation model, financial investments in equity instruments (for example shares in private limited companies or limited partnerships) are valued at (acquisition) cost.

In addition to financial instruments in the functional currency, such investments are mainly in Swiss francs, US dollars and Japanese yen.

Financial guarantees are balanced in accordance with IAS 39. The net principle is applied to their balance sheet presentation. Under this method the premium cash value and the liability value arising from the financial guarantee are offset against each other.

Derivates
Derivatives are stated at their market value as the difference between their nominal and their fair value. Changes in value are in principle captured and recognised in the profit and loss account.

BTV's hedging activities are aimed at protecting its net interest income and offsetting the market risk. Fair value hedges are deployed to minimise the risks of interest rates changing and to lower the market risk.

The hedging of fair value hedge transactions is undertaken by changing fixed interest transactions into transactions that are pegged to the money market. This particularly affects the majority of own issues. Interest rate swaps are overwhelmingly deployed in the course of fair value hedge accounting. In the case of own issues options are also selectively deployed to protect fair value.

Consolidation principles
All the main subsidiaries over which BTV AG has management control have been consolidated. Participations involving shareholdings of between 20% and 50% (associated companies) have been consolidated at equity.

The full consolidation under IAS 27 comprises, in addition to BTV AG, the shareholdings detailed below, whereby the capital consolidation is in accordance with the principles of IFRS 3. The full consolidation for the 2007 financial year was extended to include BTV Leasing Schweiz AG, CH-Staad.

Fully consolidated companies	Share in %
BTV Leasing GmbH, Innsbruck	100,00 %
BTV Real-Leasing GmbH, Vienna	100,00 %
BTV Real-Leasing I GmbH, Innsbruck	100,00 %
BTV Real-Leasing II GmbH, Innsbruck	100,00 %
BTV Real-Leasing III Nachfolge GmbH & Co KG, Innsbruck	100,00 %
BTV Real-Leasing IV GmbH, Innsbruck (in former times: BTV Fahrzeug-Leasing GmbH)	100,00 %
BTV Mobilien Leasing GmbH, Innsbruck	100,00 %
BTV M1/92 Leasing GmbH, Innsbruck	100,00 %
BTV Anlagenleasing 1 GmbH, Innsbruck	100,00 %
BTV Anlagenleasing 2 GmbH, Innsbruck	100,00 %
BTV Anlagenleasing 3 GmbH, Innsbruck	100,00 %
BTV Anlagenleasing 4 GmbH, Innsbruck (in former times: Bauprojekt Langer Weg GmbH)	100,00 %
BTV Leasing Deutschland GmbH, Memmingen	100,00 %
BTV Leasing Schweiz AG, Staad	99,99 %

The following shareholdings have been included at equity:

at-equity consolidated companies	Share in %
BKS Bank AG, Klagenfurt	18,57 %
Oberbank AG, Linz	14,00 %
Alpenländische Garantie GmbH, Linz	25,00 %
Drei-Banken-Versicherungs AG, Linz	20,00 %

The shareholding in Oberbank AG has come down from 14.06% last year to 14.00% because of an increase in its capital that was undertaken to the exclusion of the subscription rights of existing shareholders.

Despite the shareholdings in Oberbank AG and BKS Bank AG not reaching the 20%-threshhold, they were consolidated because of syndicate agreements entered into to maintain their independence.

These agreements are respectively between BTV AG, BKS Bank AG and Wüstenrot Wohnungswirtschaft reg. Gen. m.b.H - for the shareholding in Oberbank AG, and between BTV AG, Oberbank AG and Generali 3 Banken Holding AG for the shareholding in BKS Bank AG. BTV thus has the possibility of exerting some relevant influence on both these banks.

The leasing companies are consolidated on the basis of their accounts as at 30 September, owing to their having a different financial year. The associated companies are also, in each, case taken into account as at 30 September so that the financial statements drawn up are as up-to-date as possible.

Intercompany receivables and liabilities, expenses and profits are eliminated, insofar as they are not of secondary importance. No interim results were eliminated as there were no significant interim results.

Cash reserves
The cash situation and credit balances at central banks are declared as cash reserves.

Amounts receivable
Loans and advances to banks and customers are stated at adjusted acquisition costs. If direct depreciation has been undertaken, that reduces the amounts receivable. Bad debt allowances are openly stated as loan loss provisions. Interest receivables are not recognised as income if – regardless of legal claims – it is highly improbable that the amounts concerned will be recovered.

Loan loss provisions
BTV accounts for banking risk by making loan loss adjustments and provisions on scales that are appropriate. Creditworthiness risks are provided for on the basis of group-wide appraisal standards and by taking any possible collateralisation into consideration. The sum of the loan loss provisions taking the form of balance-sheet receivables is openly stated as an amount of reduction on the asset side of the balance sheet below after loans and advances to banks and customers. The loan loss provisions for off balance sheet transactions (especially settlement guarantees) are contained in the "provisions" entry.

Flat-rate value adjustments are made for loan portfolio losses that have already been incurred by the balance sheet date but have not yet been identified, with their level being based on the historical probabilities of default and loss amounts of loan portfolios for which loan loss provisions have not already otherwise been made. The economic conditions and current events are taken into consideration when stipulating the size of the flat-rate adjustment.

Trading assets/liabilities
Securities, derivatives and other financial instruments held for trading are recognised on the balance sheet at the fair values to be attached to them on the balance sheet date. Providing stock exchange prices exist for valuation, these are used; otherwise recognised methods, such as discount cash-flow analysis or option pricing, are applied to obtain fair value.

All realised and unrealised profits from such entries are shown in the profit and loss account in the trading statement, which also contains the interest and dividend income from assets held for trading and any refinancing interest relating to them.

Financial assets – at fair value through profit or loss
Securities, derivatives and structured products containing embedded derivatives that must be separated out are accounted for at fair value-option under IAS 39. BTV furthermore uses the fair value-option in order to be able to remove, or significantly reduce mismatches of accounting treatment or approach. These assets are assessed and stated at market value. This assessment is shown in the profit and loss position concerned as "profit arising from financial assets – at fair value through profit or loss".

Financial assets – available for sale
Securities that are dedicated to the 'available for sale' [AfS] stock and ownership interests in unconsolidated companies are captured in the "financial assets – available for sale" entry. Changes in the market value of to be attached to securities in the AfS portfolio arising from the assessment are shown with no effect on the profit in the capital account until the asset is sold. Unplanned depreciation because of impairment is fully recognised in the profit and loss entry "profits arising from financial assets".

Financial assets – held to maturity
This balance sheet item includes debentures that are intended for long-term holding or holding until due date, and other fixed-interest securities, providing these have a final due date. These components are allocated to the held-to-maturity portfolio.

Shares in at-equity valued companies
Shareholdings in associated companies are shown in this position.

Intangible fixed assets
This position covers chiefly rights to tenancy. Valuation is at historic acquisition cost, reduced by planned straight-line depreciation on the basis of the asset's estimated useful life.

Tangible assets
Tangible assets – land, buildings and office furniture and equipment – are valued at their acquisition or development cost, reduced by planned depreciation in line with probable useful lives, which are between 33 and 50 years in the case of buildings and between 4 and 10 years in the case of office furniture and equipment.

Properties held as financial investments
Land and buildings that the BTV group holds as financial investments to earn rent and increase in value over the long-term are stated at extrapolated acquisition costs. The rents concerned are shown in the profit and loss position "other operating income".

Leasing
BTV group leases are mainly finance leases under which all the risks and opportunities associated with the leased asset are assumed by the lessee. Under IAS 17 the lessor must issue a claim on the lessee equivalent to the cash value of the contractually agreed payments, taking any possible residual values into consideration.

In the case of operating leases (in which all the ownership-associated risks and opportunities remain with the lessor) the lessor recognises the leased item under "tangible assets" and depreciation is charged in line with whatever principles apply to the fixed asset concerned. Leasing payments are recognised in the income statement according to the terms under which the use and benefit of the asset are surrendered.

Liabilities
Liabilities to customers and banks, and securitised debts, are valued at their repayment costs and/or nominal amounts. Premiums/discounts are recognised on a time-proportion basis. The sum of securitised debts is reduced by the acquisition costs of issues that are still in the bank's ownership.

Provisions
Long-term payroll provisions (pensions, severance pay, anniversary bonuses and quarterly death liabilities) are determined by the projected unit credit method under IAS 19 (Employee benefits). Future liabilities are assessed by means of actuarial surveys. This means that future expected increments in these figures are taken into account in addition to the pension payments known about on the balance sheet date.

The main parameters used in the actuarial calculation of pension liabilities are the 4.25% p.a. assumed rate of interest (the long-term capital market rate) plus a 3.50% p.a. pay rise for employees still working. The corresponding parameters estimated for the pension provision for existing pensioners are a 4.25% p.a. assumed rate of interest and an expected 3.0% p.a. rise in pensions under the collective agreement. An assumed rate of interest of 4.25% p.a. and an average salary increase of 3.50% p.a. are also assumed for calculating severance pay obligations and anniversary bonuses. The age at which people start to receive their pensions has been considered individually. Long-term payroll provisions (Pensions, severance pay and anniversary bonus obligations) have been made in accordance with the current AVÖ 1999-P mortality tables – basis of calculation for pension insurance – published by Pagler & Pagler.

Of the calculation parameters detailed the assumed rate of interest, which has been adjusted from 4.00% to 4.25% in line with the performance of the capital market in 2007, has changed compared with the year before. The BTV group has also taken an improvement in employee qualifications into consideration, and raised the career trend from 0.25% to 0.50%. The calculation parameter for the collective agreement remained unchanged at 3.00% both for those still working and for existing pensioners.

The differences resulting from the changes in the calculation parameters are shown under the actuarial profits/losses in the expenditure on personnel.

No use was made of the option to present actuarial gains and losses using the corridor method or to list these in the equity.

Provisions are formed, in accordance with IAS 37, if the group has existing legal or de facto commitments arising from underlying transactions or events that make it likely that an outflow of economic resources will be needed to fulfil the commitment involved, and if a reliable estimate of the extent of the commitment is possible. Provisions are subject to an annual audit and reassessment. There are uncertainties here about the estimates that might lead to changes in the coming year.

Income tax
Income tax obligations and claims for refund are shown in the entries headed "tax debts" or "tax claims". Current tax obligations and claims are estimated at the tax figures at which settlement with the tax offices concerned is expected. Deferred tax assets arising on unused tax losses are stated in the balance sheet provided it is probable that the same company will, in the future, post taxable profits of the same order. The bank has taken advantage of various group taxation opportunities.

Net interest income
Net interest income and interest paid out are deferred as they accrue. Contained in the net interest income are revenues and expenses representing remuneration for the handing over of capital. Also contained in this entry are revenues arising from equities and other ownership interests and other non-fixed interest securities, providing what is not involved are revenues arising from securities that have to be counted as trading assets. Revenues from shareholdings and shares in affiliated companies – unless these have not been consolidated owing to their secondary importance – are shown under this heading. Revenues from companies included at-equity are also shown in this entry.

Loan loss provisions on lending operations
The “loan loss provision” entry comprises additions to bad debt allowances and provisions and/or revenues arising from the reversal of bad debt allowances and provisions, as well as direct write-downs and subsequent income from claims relating to loans that were already written off in connection with the lending operations.

Commission income
Commission income is the net balance of the revenues and expenses arising from service business.

Trading income
This entry contains profits and losses arising sales of securities, derivatives and other financial instruments held for trading, valuation profits and losses arising from market valuations of securities, derivatives and other financial instruments held for trading, accrued interest on fixed-interest securities held for trading, and dividends on equities held for trading along with refinancing expenses for such securities.

Operating expenses
Shown under operating expenses are personnel costs, the operating expenditure and planned depreciation on tangible assets, on intangible fixed assets and on properties held as financial investments that have been deferred to the period reported.

Recorded in personnel expenditure are wages and salaries, variable components of salary, statutory and voluntary social expenditure, taxes that are dependent on the person as well as expenditure (including any changes in provisions) on severance payments, pensions, anniversary bonuses, and quarterly mortality tables.

Contained in the operating expenditure on top of EDP expenditure, expenditure on premises and on office operations, is the expenditure on promotion and marketing, the outlay for advertising and marketing, and legal and consultancy expenses as well as miscellaneous items of operational expenditure.

Other operating income
All such revenues and expenses of the BTV group as are not to be allocated to on-going business activities must be stated under other operating income. Counted here in particular are the profits arising from the renting/exploitation of property not used operationally and other physical assets, inputs of goods and revenues arising from businesses outside banking, such as insurance. Furthermore, shown in this position - in addition to expenditures arising from other taxes and expenses arising from the provision of funds - are revenues arising from the release of other provisions.

Profit arising from financial assets – at fair value through profit or loss
This entry captures both profits on valuation and realisations of securities, derivatives and loan claims of the fair-value portfolio.

Profit arising from financial assets – available for sale
Recorded in this entry are profits on disposal and impairments of securities and shareholdings from the available-for-sale portfolio.

Profit from financial assets – held to maturity
Contained in this entry are profits from sales and impairments of securities from the held-to-maturity portfolio.

Taxation on income
On-going and deferred income tax is captured in this entry.

Balance Sheet – Assets

1 Cash reserves in thousands of €	31.12.07	31.12.06
Cash	42.177	35.280
Central bank credit balances	203.181	91.693
Cash reserves	**245.358**	**126.973**

2 Loans and advances to banks in thousands of €	31.12.07	31.12.06
Austrian banks	228.501	98.022
Foreign banks	318.692	201.136
Loans and advances to banks	**547.193**	**299.158**

3 Loans and advances to customers in thousands of €	31.12.07	31.12.06
Austrian	3.905.060	3.888.579
Foreign	1.414.600	1.372.789
Loans and advances to customers	**5.319.660**	**5.261.368**
thereof market values (Fair-Value-Option)	2.255	0

The claims on customers contain finance-lease contracts with a net investment value of €416.3 million (previous year €356.8 million). The corresponding gross investment value of these leasing arrangements is €526.7 million (previous year €434.2 million), while the financial profits associated with them but not realised amount to €110.3 million (previous year €77.4 million). The residual figures of the leasing assets as a whole were guaranteed in the financial year, as they were in the previous year. On the balance sheet date there were value adjustments on uncollectable leasing claims totalling €7.4 million (previous year €5.1 million).

Maturities for finance lease receivables in thousands of €	<1 year	1 – 5 years	>5 years	Total
Gross investment	87.427	230.346	208.878	526.651
Outstanding lease income	17.382	47.002	45.923	110.307
Net investment outstanding	70.045	183.344	162.955	416.344

4 Loan loss provisions in thousands of €	2007	2006
Opening balance at 1 January	152.439	147.879
– Releases	–6.126	–7.778
+ Allocation	28.871	29.728
– Application	–15.498	–17.390
Changes due to exchange differentials	–7	0
Loan loss provisions at 31 December	159.679	152.439
Opening balance commitments at 1 January	219	181
– Releases	–11	–89
+ Allocation	65	127
– Application	0	0
Reserves and provisions commitments at 31 December	273	219
Total loan loss provisions commitments at 31 December	**159.952**	**152.658**

5 Trading assets in thousands of €	31.12.07	31.12.06
Debenture bonds and other fixed-interest securities	0	12
– Quoted	0	0
– Not quoted	0	12
Equities and other variable-interest securities	0	0
Positive market values arising from derivative transactions	321	95
– Interest-rate contracts	321	95
Trading assets	**321**	**107**

6 Financial assets – at fair value through profit or loss in thousands of €	31.12.07	31.12.06
Debenture bonds and other fixed-interest securities	130.379	29.170
– Quoted	130.379	29.064
– Not quoted	0	106
Equities and other variable-interest securities	19.856	9.867
– Quoted	19.856	9.867
– Not quoted	0	0
Positive market values arising from derivative transactions	797	600
– Interest-rate contracts	797	600
Financial assets – at fair value through profit or loss	**151.032**	**39.638**

7 Financial assets – available for sale in thousands of €	31.12.07	31.12.06
Debenture bonds and other fixed-interest securities	1.004.344	958.129
– Quoted	1.000.843	954.614
– Not quoted	3.501	3.515
Equities and other variable-interest securities	49.299	100.101
– Quoted	21.090	73.885
– Not quoted	28.209	26.216
	25.715	20.062
Positive market values arising from derivative transactions	12.352	13.533
– Interest-rate contracts	13.363	6.529
Other shareholdings	69.857	70.400
Financial assets – available for sale	**1.149.215**	**1.148.692**

The “other shareholdings” entry involves exclusively financial instruments valued at cost.

8 Financial assets – held to maturity in thousands of €	31.12.07	31.12.06
Debenture bonds and other fixed-interest securities	381.476	330.595
– Quoted	376.425	310.766
– Not quoted	5.051	19.829
Financial assets – held to maturity	**381.476**	**330.595**

9 Shares in at-equity valued companies **in thousands of €**	31.12.07	31.12.06
Banks	208.503	196.717
Non-banks	3.522	3.479
Shares in at-equity valued companies	**212.025**	**200.196**

10 Statement of accessions and disposals – 31.12.2007 in thousands of €	Purchase value 01.01.07	Additions	Disposals
Intangible fixed assets	7.421	+ 2	0
Land and buildings	91.802	+ 587	– 1.592
Office furniture and equipment	54.297	+ 6.068	– 3.134
Properties held as financial investments	34.273	+ 1.195	– 675
Other participations	20.186	+ 6.954	– 124
Other associates	70.509	+ 150	– 693
Participations consolidated at equity	200.196	+ 11.829	0
Total	**478.684**	**+ 26.786**	**– 6.218**

Statement of accessions and disposals – 31.12.2006 in Tsd. €	Purchase value 01.01.06	Additions	Disposals
Intangible fixed assets	7.829	+ 73	– 481
Land and buildings	68.114	+ 24.508	– 1.857
Office furniture and equipment	52.106	+ 6.505	– 3.247
Properties held as financial investments	34.526	+ 236	– 489
Other participations	20.779	0	– 593
Other associates	70.165	+ 344	0
Participations consolidated at equity	165.199	+ 34.997	0
Total	**418.718**	**+ 66.664**	**– 6.667**

Reclassifi-cation	Group change	Value change	Purchase value 31.12.07	Cumulative amortisation	Balance sheet value 31.12.07	Amor-tisation	Balance sheet value31.12.06
0	0	0	7.424	– 6.362	1.062	– 421	1.481
+ 2.173	0	0	92.971	– 16.026	76.944	– 1.995	77.294
– 2.173	0	– 30	55.028	– 38.465	16.563	– 3.938	16.757
0	0	0	34.793	– 6.537	28.256	– 1.022	28.393
0	0	0	27.016	– 1.302	25.715	– 1.204	20.062
0	0	0	69.966	– 109	69.857	0	70.400
0	0	0	212.025	0	212.025	0	200.196
0	**0**	**– 30**	**499.222**	**– 68.800**	**430.422**	**– 8.580**	**414.584**

Reclassifi-cation	Group change	Value change	Purchase value 31.12.06	Cumulative amortisation	Balance sheet value 31.12.06	Amor-tisation	Balance sheet value 31.12.05
0	0	0	7.421	– 5.940	1.481	– 426	1.834
+ 1.037	0	0	91.802	– 14.508	77.294	– 1.053	67.766
– 1.037	0	– 31	54.297	– 37.540	16.757	– 4.045	14.171
0	0	0	34.273	– 5.879	28.393	– 1.150	16.039
0	0	0	20.186	– 124	20.062	0	20.594
0	0	0	70.509	– 109	70.400	– 105	70.161
0	0	0	200.196	0	200.196	0	165.199
0	**0**	**– 31**	**478.684**	**– 64.100**	**414.584**	**– 6.780**	**355.764**

10a Intangible fixed assets in thousands of €	31.12.07	31.12.06
Intangible fixed assets	1.062	1.481
Intangible fixed assets	**1.062**	**1.481**

10b Property, plant and equipment in thousands of €	31.12.07	31.12.06
Land and buildings	76.944	77.294
Office furniture and equipment	16.563	16.757
Property, plant and equipment	**93.507**	**94.051**

10c Properties held as financial investments in thousands of €	31.12.07	31.12.06
Properties held as financial investments	28.256	28.393
Properties held as financial investments	**28.256**	**28.393**

The fair value of the properties held as financial investments is €29.6 million (previous year €29.3 million), and was determined by the property yield calculations that underpinned their agreed rents. The rents were €1.3 million in the year reported (previous year €0.7 million). The expenses that were incurred in obtaining the rents came to €1.4 million, including AfA (previous year €1.3 million).

Operating lease maturities in thousands of €	< 1 Jahr	1 – 5 Jahre	> 5 Jahre	Gesamt
Future minimum of rental payments	381	1.526	3.210	5.117

Contained in the "properties held as financial investments" entry are book values arising from operating-lease contracts of €5.1 million (previous year €5.0 million). The market value is €5.1 million (previous year €5.1 million). No revenues were recovered for contingent rental payments in the year reported.

11 Deferred rax assets and liabilites in thousands of €	31.12.07	31.12.06
Financial assets – at fair value through profit or loss	–233	–2
Financial assets – available for sale	53	–4.888
Long-term payroll provisions	6.325	6.687
Hedge-Accounting and derivates	–786	–878
Bad debt provision	6.744	5.982
Revaluations of finance leases and other items	–5.209	–5.775
Deferred tax assets and liabilities	**6.894**	**1.126**

12 Other assets in thousands of €	31.12.07	31.12.06
Positive market values arising from derivative transactions	25.967	17.521
Other	51.061	61.415
Other assets	**77.028**	**78.936**

Balance Sheet – Liabilities

13 Banks in thousands of €	31.12.07	31.12.06
Austrian	753.280	759.042
Foreign	383.515	500.060
Liabilities to banks	**1.136.795**	**1.259.102**

14 Customer accounts in thousands of €	31.12.07	31.12.06
Savings deposits		
Austrian	991.801	970.563
Foreign	135.052	123.471
Sub-total savings deposits	1.126.853	1.094.034
Other deposits		
Austrian	3.195.098	2.820.707
Foreign	568.164	370.698
Sub-total other deposits	3.763.262	3.191.405
Verbindlichkeiten gegenüber Kunden	**4.890.115**	**4.285.439**

15 Securitised debt in thousands of €	31.12.07	31.12.06
Debentures	772.223	741.147
Domestic bonds (including medium-term cash deposit)	140.954	141.722
Securitised debt	**913.177**	**882.869**

16 Trading liabilities in thousands of €	31.12.07	31.12.06
Negative market values arising from derivative transactions – Interest-rate transactions	377	122
Trading liabilities	**377**	**122**

17 Reserves and provisions in thousands of €	31.12.07	31.12.06
Long-term payroll reserves	63.539	63.118
Other Reserves and provisions	4.274	2.565
Reserves and provisions	**67.813**	**65.683**

17a Long-term payroll reserves in thousands of €	Pensions.	Severance pay	Anniversary bonus	Other	Total current payroll reserves
At 01.01.2006	41.235	13.861	3.980	2.136	61.212
Interest	1.296	462	134	78	1.970
Length of service expenses	153	823	274	0	1.250
Disbursements	–2.522	–677	–144	–23	–3.366
Actuarial gain/loss	1.315	503	97	137	2.052
At 31.12.2006	**41.477**	**14.972**	**4.341**	**2.328**	**63.118**
Interest	1.474	578	167	92	2.311
Length of service expenses	185	819	292	0	1.296
Disbursements	–2.474	–898	–175	–30	–3.578
Actuarial gain/loss	735	–96	–163	–84	392
At 31.12.2007	**41.397**	**15.374**	**4.462**	**2.306**	**63.539**

Profits or losses arising from changes in the calculation parameters are contained in the actuarial profits/losses listed above.

17b Other reserves and provisions in thousands of €	31.12.2006	Accruals	Applications	Releases	Reclassifications	31.12.2007
Other reserves and provisions	2.565	1.792	–428	–120	465	4.274
Other reserves and provisions	**2.565**	**1.792**	**–428**	**–120**	**465**	**4.274**

Provisions arising from income taxes were reclassified into the “tax payable balance sheet entry in the 2007 reporting year.

18 Tax debt in thousands of €	31.12.07	31.12.06
Current tax debts	1.466	624
Deferred tax debts	1.855	1.243
Tax debts	**3.321**	**1.867**

19 Other liabilities in thousands of €	31.12.07	31.12.06
Negative market values arising from derivative transactions	38.554	31.023
Other	96.010	79.811
Other liabilities	**134.564**	**110.834**

20 Subordinated capital in thousands of €	31.12.07	31.12.06
Supplementary capital	369.860	339.985
Subordinated capital	**369.860**	**339.985**

The issues shown under subordinate capital concern supplementary capital with maturities over the financial years from 2008 and 2017 and interest rates between 3.523% and 6.125%.

In the year reported €40,007,600 of supplementary capital (subordinate under § 45 paragraph 4 of BWG) was floated (not through the stock exchange) with final maturities up to 2017, while €5,500,000 of supplementary capital floated on the stock exchange was redeemed, and €391,000 was redeemed that was not so floated. Neither the bank nor the creditors can call in these debentures. Interest can only be paid out if it is covered by the annual income prior to movements in reserves. Repayment at maturity is only possible if losses that have occurred during the term are proportionately deducted.

The total expense for subordinate liabilities in the year reported was €16,790,600. Supplementary capital from outside banks totalling €41,099,000 (previous year €26,530,000) was also in the bank's holdings at the year-end. Issued debentures outstanding with a total nominal value of €33,300,000 become due for payment in the 2008 financial year.

21 Equities

The subscribed capital was €50 million as at 31 December 2007 (unchanged from the same date in 2006). The nominal capital is represented by 4,500,000 units of no par value shares carrying voting rights (ordinary shares) made out to bearer. Also issued were 500,000 units of no par value shares without voting rights (preference shares) bearing a minimum dividend of 6% (to be paid later in the event of a dividend being suspended). The historic redemption value of the own shares held was €2.5 million on the balance sheet date (previous year €2.4 million).

Equities	2007	2006
Equity float at 1 January	4.956.346	4.955.303
Treasury shares purchased	–607	–241
Treasury shares sold	3	1.284
Equity float at 31 December.	4.955.742	4.956.346
plus treasury shares held by Group	44.258	43.654
Equities issued at 31 December	5.000.000	5.000.000

The equity issued by the BTV banking group under the BWG [Austria's banking law] is made up as follows:

Consolidated own funds of the BTV banking group in millions of €	31.12.07	31.12.06
Share capital	50,0	50,0
Minus treasury shares	–2,5	–2,4
General reserves	338,0	307,1
Consolidation pursuant to section 24(2) BWG	9,4	10,3
Minus intangible assets	–0,9	–1,3
Core capital (Tier 1)	**394,0**	**363,7**
Supplementary own funds (Tier 2)	367,6	352,9
Valuation items	–99,3	–99,2
Eligible own funds (exkluding Tier 3)	**662,3**	**617,4**
Own funds applied pursuant to section 23(14 Z 7) BWG (Tier 3)	1,1	0,7
Eligible own funds pursuant to section 23(14) BWG	**663,4**	**618,1**
Capital adequacy - own fund requirement	446,9	413,2
Securities trading book and general currency position - own fund requirement	1,1	0,7
Own fund requirement pursuant to section 22(1) BWG	448,0	413,9
Excess	**215,4**	**204,2**
Core capital ratio	7,05 %	7,04 %
Attributable own funds	11,85 %	11,95 %

22 Net interest income in thousands of €	2007	2006
Interest and similar income from		
lending and money market transactions with banks	60.210	36.892
lending and money market transactions with customers	237.021	177.718
debenture bonds and fixed-interest securities	59.162	48.066
equities and variable-rate securities	4.287	4.173
other participations	3.273	2.058
Other	8.217	3.391
Sub-total interest and similar income	372.170	272.298
Interest and similar expenses on		
bank deposits	–41.595	–28.316
client deposits	–164.921	–105.210
securitised debt	–39.528	–27.530
subordinated capital	–16.502	–13.443
other	–9.221	–4.930
Sub-total interest and similar expenses	–271.767	–179.429
Income of at-equity valued companies	22.600	18.029
Net interest income	**123.003**	**110.898**

Accumulated interest income of €315.500 was recovered on impaired financial assets in 2007 (previous year €171,300).

23 Loan loss provisions in thousands of €	2007	2006
On-balance sheet	– 28.871	– 29.728
Off-balance sheet	– 65	– 127
Loan loss insurance premiums	– 4.545	– 4.310
Release of on-balance sheet provisions	6.126	7.778
Release of off-balance sheet provisions	11	89
Direct amortisation	– 2.008	– 3.510
Income from amortised receivables	146	381
Loan loss provisions	**– 29.206**	**– 29.427**

Additions to and write-backs on provisions for off-balance-sheet loan risks are contained in the above figures.

24 Commission in thousands of €	2007	2006
Lending	3.117	2.869
Payment transactions	12.992	12.537
Securities trading	27.258	26.430
Currency, foreign exchange and precious metals trading	3.148	3.036
Other	743	762
Commission income	**47.258**	**45.634**

25 Trading income in thousands of €	2007	2006
Derivatives	– 17	869
Securities	1.432	685
Foreign currency	784	986
Trading income	**2.199**	**2.540**

26 Operating expenses in thousands of €	2007	2006
Payroll	– 57.113	– 53.873
thereof salaries and wages	– 41.277	– 37.477
thereof legal social contributions	– 11.442	– 10.623
thereof other personnel costs	– 2.689	– 2.471
thereof expenditures for long-term personnel deferrals	– 1.705	– 3.302
Materials	– 23.610	– 22.116
Amortisation	– 7.376	– 6.675
Operating expenses	**– 88.099**	**– 82.664**

Expenditure on contribution-related pension plans of €1,061,700 is contained in the payroll expenditure (previous year €934,800).

26a Payroll	2007	2006
White collar	849	803
Blue collar	27	25
Payroll	**876**	**828**

In the year reported, moreover, an average of 31 employees (32 in the year before) were delegated to associated companies, a point not taken into consideration in the tables set out above.

Loans and advances granted to members of the Management Board totalled €14,000 at the end of 2007 (€16,000 at the end of 2006). Members of the Supervisory Board hold loans totalling €25,717,000 (previous year €39,345,000). The rates of interest and other conditions (terms and collateralisation) are in line with the market.

Repayments of €4,000 were made on loans to members of the Management Board in the current financial year (€5,000 in the year before). Reductions of €25,795,000 were made in the loans to members of the Supervisory Board in 2007 (none the year before). Loans at rates of interest and on conditions in line with the market were made in 2007 to associates and relatives of members of the Supervisory Board.

The members of the Management Board working in key positions in the 2007 financial year (13 persons, compared with 12 the year before) received emoluments (including remuneration in kind) totalling €1,898,000 (€1,614,000 the year before), which was 3.3% of the BTV group's aggregate expenditure on personnel. €578,000 of that was performance-related (€484,000 the year before). €526,000 was paid out to former members of the Management Board and their dependents in the year reported (€513,000 the year before).

Pension provisions for the groups of persons shown amounted on 31 December 2007 to €12,507,000 (previous year €11,571,000), while the provision for severance payments was determined at €958,000 (previous year €812,000).

Annual fees of €152,000 were paid to the active members of BTV AG's Supervisory Board for their services during the year reported (previous year €105,000).

27 Other operating income in thousands of €	2007	2006
Other operating income	7.707	6.154
Other operating expenses	–5.460	–4.655
Income out of Hedge Accounting	–668	–174
Other operating income	**1.579**	**1.325**

28 Income financial assets – at fair value through profit or loss in thousands of €	2007	2006
Income financial assets – at fair value through profit or loss	–192	–1.529
Income financial assets – at fair value through profit or loss	**–192**	**–1.529**

29 Income financial assets – available for sale in thousands of €	2007	2006
Income financial assets – available for sale	3.503	4.096
Income financial assets – available for sale	**3.503**	**4.096**

In the year reported a cumulative loss amounting to €15,057,600 arising from the financial assets available for disposal was taken directly into the equity capital (the year before it was a loss of €6,667,100). During the year reported, moreover, a profit of €5,193,600 (previous year €2,978,100) was entered in the profit and loss entry "profit arising from financial assets – available for sale" as a result of sales and/or redemptions from the available-for-sale valuation reserve. Also contained in this profit position in the 2007 financial year are persistent impairments totalling €1.2 million. The other profit positions work out, when balanced, at an expenditure of €0.5 million.

30 Income and profits tax in thousands of €	2007	2006
Current tax expense	– 5.411	– 7.119
Deferred tax expense/income (-/+)	– 1.355	785
Income tax	**– 6.766**	**– 6.334**

Adjustments in thousands of €	2007	2006
Net profit for the year before tax	60.045	50.873
Calculated tax expense	– 15.011	– 12.718
Deductible tax-free participation income and other tax-free income	6.120	2.455
Additional taxable expense	114	– 66
Other	– 1.234	820
Non-regular tax expense	– 1.584	– 596
Tax-free at-equity income	4.829	3.771
Income and profits tax	**– 6.766**	**– 6.334**

The income tax headings contain the on-going income tax calculated on the taxable profits of the individual group companies, income tax adjustments for previous years, and changes in deferred taxes.

31 EPS (ordinary und preference shares)	31.12.07	31.12.06
Equities at 31 December (ordinary und preference shares)	5.000.000	5.000.000
Average float	4.956.044	4.955.288
Net Group income for the year (thousands of e)	53.279	44.539
EPS in € (ordinary und preference shares)	10,75	8,99
Diluted gain per share in € (ordinary und preference shares)	10,75	8,99
Dividend per share in € (ordinary und preference shares)	1,50	1,40

No financial instruments with diluting effect on the ordinary or preference shares were in circulation over the period reported, such that there is no difference between the figures stated for "profit per share" and "diluted profit per share".

32 Allocation of profits

The distributable profit is determined from BTV AG's annual accounts. The net income generated in the 2007 financial year was €38.3 million (previous year: €29.2 million). After allocations to reserves of €30.9 million and to profit brought forward there results a distributable balance sheet profit of €7.6 million. The Management Board is putting a motion to the AGM that a dividend of €1.50 per share be paid out for the 2007 financial year (compared with €1.40 the previous year). That distribution would thus require a total of €7.5 million while the residual profit would, under § 65 paragraph 5 of Austria's company law, be carried over to the new account.

BTV's divisional accounting, which reflects the way its internal management responsibilities were organised in 2007, forms the basis for drawing up its segment reports. The business sectors are treated as independent companies with their own capital resources and profit responsibility. Responsibility for customer servicing is the main criterion for delineating the business sectors. Changes in such service responsibilities may lead to changes in the way the sectors are delineated between annual reports. Such effects must be taken into consideration when making comparisons with previous years' figures that are unchanged.

BTV currently has the following divisions:
The corporate clients division is responsible for small and medium-size companies, for major enterprises, and for tax consultants. All the business activities of the leasing subsidiaries also fall into this division.

The retail clients division is responsible for private clients, free-lancers and very small business operations.

The treasury division deals predominantly with treasury and trading activities, including the income from BTV's participations.

The business divisions and their performances:

Corporate clients
With a before-tax income for the year of €25.0 million BTV succeeded in increasing its profits by 18.9% over the preceding year. Volume extensions in lending operations of €223 million led to an improvement in interest income of €6.3 million, or 11.7%. Finance volumes were extended above all in the fields of services, real estate, trading and the production of physical goods. On the liability side of the balance sheet gently rising margins in deposit operations had a positive effect on the net interest income. At €21.5 million the loan loss provisions for the company clientele were slightly above the preceding year. The growth in commission income came, on the one hand, from positive developments in the lending and currency operations, while on the other hand it proved possible to improve profits on money transmission.

Increased personnel costs owing to our expansions in Bavaria and Baden-Württemberg and higher costs at BTV Leasing led to an increase in operating costs of €2.3 million, or 9.4%. The cost-income ratio reduced accordingly to 37.9%, while the equity yield rate improved to 9.4%.

Private clients
Although this group managed again to exceed the preceding year's outstanding profits on securities, and although commission income improved to €32.2 million, the before-tax income for the year went up only moderately to €20.0 million. The slightly lower volumes of finance and margins were reflected in the interest income, which fell by €0.6 million, or 1.2%. We were unable to make up for premature redemptions on house building arrangements with new volumes. Operating expenses went up by 3.2% owing to our expansion. The cost-income ratio rose because of this to 66.4%, and the equity yield rate improved to 15.9%.

Treasury
Rising structural results, including rising dividend and share income, had a positive effect on the net interest income in the treasury group. The trading result was lower by 13.4% owing to lower returns from derivatives and own trading in currencies. Annual income before tax was €20.1 million, which was 40.2% up on the previous year.

Segment reporting in thousands of €	Year	Corporate	Retail	Treasury	Other	Total
Net interest income	2007	59.927	48.403	14.673	0	123.003
	2006	53.665	49.011	8.223	0	110.898
Loan loss provisions	2007	–21.531	–7.675	0	0	–29.206
	2006	–20.043	–9.384	0	0	–29.427
Commission	2007	11.478	32.187	3.594	0	47.258
	2006	10.570	31.660	3.404	0	45.634
Trading income	2007	0	0	2.199	0	2.199
	2006	0	0	2.540	0	2.540
Operating expenses	2007	–27.031	–53.548	–2.167	–5.353	–88.099
	2006	–24.700	–51.881	–2.235	–3.849	–82.664
Other operating income	2007	2.112	675	–1.517	309	1.579
	2006	1.503	295	–164	–309	1.325
Financial assets	2007	0	0	3.311	0	3.311
	2006	0	0	2.567	0	2.567
Net profit for the year before tax	2007	24.955	20.041	20.092	–5.044	60.045
	2006	20.995	19.701	14.335	–4.158	50.873
Segment income	2007	3.427.135	1.576.631	2.449.559	0	7.453.325
	2006	3.204.222	1.624.803	2.160.070	0	6.989.095
Segment liabilities	2007	1.244.879	1.959.910	4.105.158	0	7.309.947
	2006	1.332.829	1.734.935	3.699.632	0	6.767.396
Ø BEM 22 BWG	2007	3.306.498	1.575.692	381.890	86.545	5.350.624
	2006	2.998.549	1.584.979	301.190	84.491	4.969.209
Ø Allocated equity in %	2007	264.520	126.055	30.551	103.724	524.850
	2006	239.884	126.798	24.095	100.219	490.996
Cost-Income-ratio in %	2007	37,9 %	66,4 %	10,6 %	0	51,1 %
	2006	38,5 %	64,3 %	15,8 %	0	52,0 %
RoE (basis net profit for the year before tax) in %	2007	9,4 %	15,9 %	65,8 %	0	11,4 %
	2006	8,8 %	15,5 %	59,5 %	0	10,4 %

Net interest income is allocated using the market rate method. Costs are allocated to the appropriate segments using the causality principle. Costs that cannot be directly allocated are shown under „other". Segment receivables include the entries for claims on banks, claims on customers, trading assets, and assets from the "financial assets". Segment liabilities come under the headings of liabilities to banks, liabilities to customers, securitised debts and subordinated capital. Segment performance is measured by its pre-tax profit for the year.

Return on equity is worked out from the ratio of the pre-tax income to the equity. Capital allocation is in accordance with regulatory points of view. It is allocated in proportion to the equity funds needed by the business segment concerned and, together with the appropriate reference rate for long-term investments, is stated as assessed equity under net interest income. The cost-income ratio is calculated as a quotient arising from operating expenses and the total of the interest, commission and trading incomes.

Balance sheet date – Additional and supplementary data

34 Other information in thousands of €	31.12.07	31.12.06
a Non-interest bearing receivables	95.108	53.792
Assets given as security:		
– Debenture bonds and other fixed-interest securities	59.742	53.056
– Loans and advances to banks	425	565
– Loans and advances to customers	90.110	90.954
b Assets given as security	150.277	144.575
Liabilities for which security has been given:		
– Eligible securities	9.375	9.326
– Loans to credit institutions	90.535	91.519
c Liabilities for which security has been given	99.910	100.845
Subordinated assets:		
Debenture bonds and other fixed-interest securities	41.099	26.530
d Subordinated assets	41.099	26.530
Foreign currency items:		
– Receivables	1.724.090	1.942.214
– Liabilities	585.099	525.574
e Foreign currency items		
Foreign items:		
– Assets	2.973.255	2.620.129
– Liabilities	1.100.072	998.205
f Foreign items		
Trust transactions:		
Receivables:		
– Banks	45.681	47.896
Trust liabilities		
– Banks	25.326	29.952
– Customer accounts	20.355	17.944
g Trust transactions	45.681	47.896
h Securities repos	96.000	132.000
Contract bonds and Credit risks		
– Contract bonds	258.888	201.119
– Credit risks	481.119	725.759
i Contract bonds/Credit risks	740.007	926.878

35 Transactions with related parties

Transactions are carried out with associated companies and individuals under normal market conditions as part of normal business activities. The scope of these transactions is as follows:

35a Unconsolidated companies and subsidiaries loans and advances and liabilities in thousands of €	31.12.07	31.12.06
Loans and advances to banks	0	0
Loans and advances to customers	22.529	12.387
Total receivables	22.529	12.387
Liabilities to banks	0	0
Customer accounts	4.203	0
Total liabilities	4.203	0

The income statement shows profits of €2,396,300 (previous year €582,000) and €180,800 expenses (previous year €346,800) on transactions between the parent company and its affiliated companies.

35b Associates and participations loans and advances and liabilities in thousands of €	31.12.07	31.12.06
Loans and advances to banks	60.298	3.829
Loans and advances to customers	44.988	6.042
Total receivables	105.286	9.871
Liabilities to banks	122.788	59.882
Customer accounts	16.669	5.498
Total liabilities	139.457	65.380

The income statement shows profits of €6,099,600 (previous year €2,206,400) and €715,900 expenses (previous year €175,500) on transactions between the parent company and its associated companies.

The fair value of stock-exchange listed companies consolidated at equity at the balance sheet date was €285.7 million (previous year €216.2 million). The temporary differences as per IAS 12.87 amounted to €171.4 million (previous year €159.6 million) on the balance sheet date.

The number of own shares held via associated companies was 1,340,423 (unchanged from the previous year).

35c The associates included in the consolidated financial statements produced the following values on the balance sheet date: (in thousands of €)	31.12.07	31.12.06
Assets	19.996.672	18.327.030
Liabilities	17.905.160	17.100.374
Revenue	1.147.911	915.837
Accounting profits/losses	137.526	124.030

35d The associates not included in the consolidated financial statements produced the following values on the balance sheet date: (in thousands of €)	31.12.07	31.12.06
Assets	181.759	135.809
Liabilities	105.856	57.980
Revenue	76.649	63.636
Accounting profits/losses	– 985	5.672

The most recent annual financial accounts were taken as the basis for the calculations determining the figures in tables 35c and 35d.

36 Total unliquidated derivatives

The volume of transactions is divided into interest-rate, exchange-rate and securities-related transactions, according to the underlying financial instrument. These classifications, and also the decision to divide them according to their terms, is in line with international recommendations.

BTV only had OTC (over the counter) transactions on its books as at the end of 2007. Derivative instruments not held for trading purposes come – in the case of interest rate contracts – predominantly from customers. Cross-currency swaps and interest rate options were in demand from clients. BTV closes such positions with offsetting transactions at other banks and takes no risk onto its books. BTV itself uses mainly interest rate swaps to manage its general banking interest rate risk. To manage the currency rate risk it is chiefly currency swaps that are put to use within BTV. The securities-related transactions affect exclusively structured investment products that have been issued. The options needed for these were bought in from outside banks.

Total unliquidated derivatives as of 31.12.2007		**Contract volumes/Time to maturity**				**Market value**
in €	**< 1 Jahr**	**1 – 5 Jahre**	**> 5 Jahre**	**Total**	**Positive**	**Negative**
Interest-rate contracts						
Interest-rate swaps	275.666	697.776	813.740	1.787.181	18.863	– 30.962
– Acquisition	37.133	238.164	468.121	743.418	17.936	– 3.682
– Sales	238.533	459.612	345.619	1.043.763	927	– 27.281
Interest options	263.388	16.000	0	279.388	2.477	– 2.475
– Acquisition	131.694	8.000	0	139.694	0	– 2.475
– Sales	131.694	8.000	0	139.694	2.477	0
Interest-rate contracts	**539.054**	**713.776**	**813.740**	**2.066.569**	**21.340**	**– 33.438**
Interest-rate contracts						
Currency swaps	65.826	4.000	9.682	79.508	2.548	– 2.335
– Acquisition	32.901	2.000	4.835	39.736	1.507	– 1.007
– Sales	32.925	2.000	4.847	39.772	1.041	– 1.328
Currency futures	1.203.811	0	0	1.203.811	685	– 1.021
Exchange-rate contracts	**1.269.637**	**4.000**	**9.682**	**1.283.318**	**3.233**	**– 3.356**
Securities-related transactions						
Options for assets values and other security price related index options	9.934	181.697	15.275	206.906	13.853	0
– Acquisition	9.934	181.697	15.275	206.906	13.853	0
Securities-related transactions	**9.934**	**181.697**	**15.275**	206.906	**13.853**	**0**
Total bank book	**1.818.624**	**899.473**	**838.696**	**3.556.793**	**38.426**	**– 36.794**
Interest-rate contracts						
Interest-rate options – Trading book	24.564	0	0	24.564	251	– 307
– Acquisition	13.562	0	0	13.562	0	– 307
– Sales	11.002	0	0	11.002	251	0
Interest-rate swaps – Trading book	0	20.000	0	20.000	69	– 69
– Acquisition	0	10.000	0	10.000	0	– 69
– Sales	0	10.000	0	10.000	69	0
Total interest-rate contracts	**24.564**	**20.000**	**0**	**44.564**	**321**	**– 377**
Total trading book	**24.564**	**20.000**	**0**	**44.564**	**321**	**– 377**
Total unliquidated derivates	**1.843.188**	**919.473**	**838.696**	**3.601.357**	**38.747**	**– 37.170**

37 Fair Value of financial instruments

In the table below the market values to be settled are put opposite their book values for each balance sheet entry. The market value is whatever amount might be achieved from the sale of a financial instrument in an active market or would have to be paid for a corresponding acquisition. The book value concerned was definitive for positions without a contractually fixed maturity. In the absence of market prices recognised valuation models have been used, especially discounted cash flow analysis and option pricing models.

Assets in thousands of €	Fair Value 31.12.07	Carrying value 31.12.07	Fair Value 31.12.06	Carrying value 31.12.06
Cash reserves	245.358	245.358	126.973	126.973
Loans and advances to banks	547.087	547.193	298.268	299.158
Loans and advances to customers	5.340.439	5.319.660	5.286.412	5.261.368
Loan loss provisions	–159.679	–159.679	–152.439	–152.439
Trading	321	321	107	107
Financial assets – at fair value through profit or loss	151.032	151.032	39.638	39.638
Financial assets – available for sale	1.149.215	1.149.215	1.148.692	1.148.692
Financial assets – held to maturity	375.215	381.476	331.250	330.595
Shares in at-equity valued companies	289.872	212.025	220.289	200.196
Intangible fixed assets	1.062	1.062	1.481	1.481
Property, plant and equipment	93.507	93.507	94.051	94.051
Properties held as financial investments	29.561	28.256	29.336	28.393
Tax claims	6.894	6.894	1.126	1.126
Other assets	77.028	77.028	78.934	78.934
Total assets	**8.146.912**	**8.053.348**	**7.504.119**	**7.458.275**

Liabilities in thousands of €	Fair Value 31.12.07	Carrying value 31.12.07	Fair Value 31.12.06	Carrying value 31.12.06
Banks	1.139.865	1.136.795	1.261.421	1.259.102
Customer accounts	4.902.667	4.890.115	4.291.854	4.285.439
Securitised debt	898.150	913.177	887.219	882.869
Trading liabilities	377	377	122	122
Reserves and provisions	67.813	67.813	65.683	65.683
Tax debts	3.321	3.321	1.867	1.867
Other liabilities	134.564	134.564	110.834	110.834
Subordinated capital	363.296	369.860	341.660	339.985
Total liabilities	**7.510.053**	**7.516.022**	**6.960.659**	**6.945.900**

38 Maturities

Assets in thousands of €	Daily	< 3 Mon.	3 Mon. – 1 J.	1 – 5 Jahre	> 5 Jahre	Total
Loans and advances to banks	59.017	280.128	104.423	21	103.604	547.193
Loans and advances to customers	464.425	194.105	1.262.938	1.188.515	2.209.677	5.319.660
Trading	0	251	0	70	0	321
Financial assets – at fair value through profit or loss	0	0	19.685	130.971	376	151.032
Financial assets – available for sale	42.323	39.954	54.509	721.631	290.798	1.149.215
Financial assets – held to maturity	0	51.275	10.180	202.334	117.687	381.476
Total	**565.765**	**565.713**	**1.451.735**	**2.243.542**	**2.722.142**	**7.548.897**

Liabilities in thousands of €	Daily	< 3 Mon.	3 Mon. – 1 J.	1 – 5 Jahre	> 5 Jahre	Total
Banks	470.012	583.784	17.605	37.990	27.404	1.136.795
Customer accounts	1.160.772	2.606.895	904.743	217.705	0	4.890.115
Securitised debt	0	25.257	110.544	657.398	119.978	913.177
Subordinated capital	0	21.149	17.531	149.755	181.425	369.860
Total	**1.630.784**	**3.237.085**	**1.050.423**	**1.062.848**	**328.807**	**7.309.947**

Please refer to the risk report with respect to the liquidity risk and/or other risks.

The following members of the Management and
Supervisory Boards were in post with BTV in 2007:

Managing Directors

Managing Directors
Konsul Director Peter Gaugg, Management Board spokesman
Director Mag. Matthias Moncher, director

Supervisory Board

Honorary President
Dr. Heinrich Treichl, Vienna
Kommerzialrat Honorary Senator Dkfm. Dr. Hermann Bell, Linz

Chairman
Konsul General director Dr. Franz Gasselsberger, MBA, Linz
Chairman of Oberbank AG
Vice-Chairman of the Supervisory Board of BKS Bank AG
Member of the Supervisory Board of voestalpine AG
Appointed for the longest term allowed under the articles of incorporation, elected from the first time on 24.04.2002

Alternates
Kommerzialrat General director i. R. Dr. Gerhard Moser, Innsbruck
Appointed for the longest term allowed under the articles of incorporation, elected from the first time on 27.04.1998
Konsul Kommerzialrat General director Dkfm. Dr. Heimo Penker, Klagenfurt
Vice-Chairman of the Supervisory Board of Oberbank AG
Appointed for the longest term allowed under the articles of incorporation, elected from the first time on 07.05.1997
Dr. Guido N. Schmidt-Chiari, Vienna
Chairman of the Supervisory Board of Constantia Packaging AG
Vice-Chairman of the Supervisory Board of Oberbank AG
Member of the Supervisory Board of Immofinanz AG
Appointed for the longest term allowed under the articles of incorporation, elected from the first time on 03.04.1967

Members
Mag. Pascal Broschek, Fieberbrunn
Appointed for the longest term allowed under the articles of incorporation, elected from the first time on 10.05.2006
Dipl.-Ing. Johannes Collini, Hohenems
Appointed for the longest term allowed under the articles of incorporation, elected from the first time on 28.04.2000
Dr. Dietrich Karner, Wien
Member of the Supervisory Board of BKS Bank AG
Member of the Supervisory Board of Oberbank AG
Appointed for the longest term allowed under the articles of incorporation, elected from the first time on 07.05.1997
RA Dr. Andreas König, Innsbruck
Appointed for the longest term allowed under the articles of incorporation, elected from the first time on 10.05.2006
Kommerzialrat Dkfm. Dr. Johann F. Kwizda, Wien
Appointed for the longest term allowed under the articles of incorporation, elected from the first time on 28.04.2005

Supervisory Board

Members (Continuation)

Dr. Edgar Oehler, Balgach (CH)
President of the Advisory Board and delegate of the Advisory Board of AFG Arbonia-Forster Holding AG in Arbon/CH
Appointed for the longest term allowed under the articles of incorporation, elected from the first time on 10.05.2006, departed on 28.04.2005

Director Dkfm. Heinz Öhler, Innsbruck
Member of the Supervisory Board of Wiener Städtischen Versicherung AG
Appointed for the longest term allowed under the articles of incorporation, elected from the first time on 10.05.2006, departed on 06.03.1978

Kommerzialrat Director Karl Samstag, Vienna
Member of the Supervisory Board of Bank Austria Creditanstalt AG
Member of the Supervisory Board of Allgemeine Baugesellschaft A. Porr AG
Member of the Supervisory Board of BKS Bank AG
Vice-Chairman of the Supervisory Board of Flughafen Wien AG
Member of the Supervisory Board of Oberbank AG
Member of the Supervisory Board of Schoeller-Bleckmann Oilfield Equipment AG
Appointed for the longest term allowed under the articles of incorporation, elected from the first time on 10.05.2006, departed on 24.04.2002

Konsul Dipl.-Ing. Paul Senger-Weiss, Lauterach
Appointed for the longest term allowed under the articles of incorporation, elected from the first time on 10.05.2006, departed on 04.03.1988

Director Dr. Johann Strobl, Vienna (bis 03.08.2007)
Member of the Supervisory Board of Bank BPH S.A., Warschau
Appointed for the longest term allowed under the articles of incorporation, elected from the first time on 10.05.2006, departed on 03.08.2007.

Employee representatives

Andrea Abenthung-Müller, Chairwoman of the Central Works Council, Götzens
Harald Handle, Vice-Chairman of the Central Works Council, Oberperfuß
Stefan Abenthung, Götzens
Alfred Fabro, Wattens
Birgit Fritsche, Nüziders
Herbert Kärle, Stanzach
Dietmar Rädler, Innsbruck (until 21.05.2007)
Walter Theurl, Gaimberg

State commissioners

State commissioners

Ministerialrat Mag. Günther Neubauer, Vienna
Alternate: Gerald Bichler, Vienna (until 30.06.2007)
Alternate: HR Dr. Elisabeth Stocker, Vienna (from 01.07.2007 on)

40 Participations at 31 December 2007

Company name and registered office	Holding total	Holding direct	Equity in €million	Profit (loss) in thousands of €[2]	Balance-sheet date	Consolidation of the concern[3]
a Associates:						
1. Austrian financial institutions:						
BTV Leasing GmbH, Innsbruck	100,00 %	100,00 %	35,5	14.044	30.09.2007	V
BTV Real-Leasing GmbH, Wien	100,00 %	5,00 %	9,9	478	30.09.2007	V
BTV Real-Leasing I GmbH, Innsbruck	100,00 %	5,00 %	24,1	815	30.09.2007	V
BTV Real-Leasing II GmbH, Innsbruck	100,00 %	4,26 %	27,6	– 215	30.09.2007	V
BTV Real-Leasing III Nachfolge GmbH & Co KG, Innsbruck	100,00 %		4,7	– 309	30.09.2007	V
BTV Real-Leasing IV GmbH, Innsbruck	100,00 %		– 0,1	– 12	30.09.2007	V
BTV Mobilien Leasing GmbH, Innsbruck	100,00 %		– 2,5	– 74	30.09.2007	V
BTV M1/92 Leasing GmbH, Innsbruck	100,00 %		– 1,5	– 45	30.09.2007	V
BTV Anlagenleasing 1 GmbH, Innsbruck	100,00 %		7,8	1.606	30.09.2007	V
BTV Anlagenleasing 2 GmbH, Innsbruck	100,00 %		6,0	252	30.09.2007	V
BTV Anlagenleasing 3 GmbH, Innsbruck	100,00 %		– 0,3	63	30.09.2007	V
BTV Anlagenleasing 4 GmbH, Innsbruck	100,00 %		– 1,7	– 326	30.09.2007	V
2. Other Austrian companies:						
BTV Beteiligungsholding GmbH, Innsbruck	100,00 %	100,00 %	71,6[1]	69	31.12.2007	A
BTV 2000 Beteiligungsverwaltungs GmbH, Innsbruck	100,00 %		69,1[1]	1.526	31.12.2007	A
BTV Anteilsholding GmbH, Innsbruck	100,00 %	100,00 %	0,1[1]	– 3	31.12.2007	A
BTV 3000 Beteiligungsverwaltung GmbH, Innsbruck	100,00 %		0,1[1]	– 3	31.12.2007	A
Stadtforum Tiefgaragenzufahrt GmbH, Innsbruck	100,00 %	100,00 %	0,0[1]	3	31.12.2007	A
MPR Holding GmbH, Innsbruck	100,00 %	100,00 %	0,2[1]	– 1	31.12.2007	A
Mayrhofner Bergbahnen AG, Mayrhofen	50,52 %		39,1[1]	3.763	30.11.2006	A
KM Immobilienservice GmbH, Innsbruck	100,00 %		0,1[1]	– 28	31.12.2006	A
Hotel Hocheder GmbH, Innsbruck	100,00 %		[4]			A
Objektgesellschaft Tenniscenter Füssen GmbH, Garmisch	94,00 %		– 0,1[1]	– 79	31.12.2006	A
Miniaturpark Bodensee GmbH, Meckenbeuren	100,00 %		[4]			A
3. Foreign financial institutions:						
Privatinvest Staad AG in Liquidation, Staad	100,00 %	100,00 %	1,2[1]	3	18.12.2006	A
BTV Leasing Schweiz AG, Staad	99,99 %		0,4	8	30.09.2007	V
BTV Leasing Deutschland GmbH, Memmingen	100,00 %		– 0,2	– 638	30.09.2007	V
4. Other foreign companies:						
AG für energiebewusstes Bauen AGEB, Staad	50,00 %		0,0[1]	– 13	30.06.2007	A
KM Beteiligungsinvest AG, Staad	100,00 %		20,1[1]	1.300	31.12.2006	A
b Other companies:						
1. Austrian banks and financial institutions:						
Alpenländische Garantie-GmbH, Linz	25,00 %	25,00 %	2,6[1]	0	31.12.2007	E
2. Other Austrian companies:						
Beteiligungsverwaltung GmbH, Linz	30,00 %	30,00 %	13,1[1]	417	31.12.2007	A
DREI-BANKEN-EDV Gesellschaft mbH, Linz	30,00 %	30,00 %	2,8[1]	259	31.12.2007	A
Drei-Banken Versicherungs AG, Linz	20,00 %	20,00 %	18,4[1]	1.291	31.12.2007	E
Drei-Banken Beteiligung GmbH, Linz	30,00 %		21,9[1]	3.327	31.12.2007	A
Vorarlberger Regionalradio GmbH, Bregenz	31,00 %		– 0,2[1]	171	31.12.2006	A
LVM Leasing-Versicherungsmakler GmbH, Linz	39,20 %		0,0[1]	– 4	31.12.2007	A
Alpbacher Bergbahn GmbH, Alpbach	21,43 %	21,43 %	0,5[1]	73	30.11.2006	A
SHS Unternehmensberatung GmbH, Innsbruck	20,00 %		0,5[1]	151	31.12.2006	A
Sitzwohl in der Gilmschule GmbH, Innsbruck	25,71 %		[4]			A
VoMoNoSi Beteiligungs AG, Dornbirn	34,00 %		0,1[1,5]	– 6,2	31.12.2007	A
Silvretta Nova Bergbahnen AG, Gaschurn	29,45 %		30,6[1,5]	– 2.999	30.09.2007	A
Silvretta Nova Gastronomie GmbH, Gaschurn	29,52 %		0,3[1,5]	– 1.329	30.09.2007	A
Muttersberg Seilbahn AG, Bludenz	29,45 %		2,1[1,5]	– 665	30.09.2007	A
Auer Schiliftgesellschaft m.b.H., Schoppernau	29,45 %		0,0[1,5]	4	31.05.2007	A
Auer Schiliftgesellschaft m.b.H. & Co, Schoppernau	29,45 %		0,1[1,5]	15	31.05.2007	A

1 Equity within the meaning of § 229 of the UGB plus untaxed reserves
2 Net income (loss) after income tax, before accruals and profit appropriations
3 V = full consolidation, E = inclusion at-equity, A = unconsolidated
4 Company was formed in 2007; no balance sheet was available at the time of drawing up the Directors' report
5 Voting rights below 20 %

The extent of the consolidation is given at the beginning of the notes to the financial statements. The equity and profits stated were determined by the Austrian leasing companies in accordance with IFRS and may therefore differ from the individual accounts of these companies drawn up and published in accordance with the applicable national requirements. In the case of all other companies their accounts based on their respective national accounting requirements were used. The results stated reflect net income (loss) for the year after tax (but before accruals), in the case of taxable affiliates and partnerships, net profit for the year before tax.

BTV AG's Management Board declares that:

- These annual accounts have been drawn up in harmony with IFRS [International Financial Reporting Standards] – published by the IASM [International Accounting Standards Board] and in force – as they have to be applied in the EU, and with their interpretation by the IFRIC [International Financial Reporting Interpretations Committee] and they convey a true and fair picture of the BTV group's asset, finance and profit situation.

- The Directors' Report portrays the course of the business, its results and the BTV group's situation in such a way that as a true and fair picture arises of its asset, finance and profit situation, and describes the main risks and uncertainties to which it is exposed.

Innsbruck, 20 February 2008

The Managing Directors

Peter Gaugg Management Board spokesman	Mag. Matthias Moncher Director

Audit Report

Report on the group financial statement
We have examined the attached group financial statement of the Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck for the financial year from 1 January to 31 December. This group financial statement encompasses the group balance sheet as at 31 December 2007, the group profit and loss account, the group cash flow statements and the group statement of changes in equity for the financial year ended on 31 December 2007, together with a summary of the main accounting and valuation methods applied and other appendix details.

The statutory representatives' responsibility for the group financial statement
The company's statutory representatives are responsible for drawing up a group financial statement that conveys a true and fair picture of the group's asset, finance and profit situation in harmony with IFRS [International Financial Reporting Standards] as they have to be applied in the EU. This responsibility comprises designing, implementing and maintaining an internal control system, insofar as such is of significance for drawing up a group financial statement and for conveying a true and fair picture of the group's asset, finance and profit situation; ensuring that this statement is free of substantial misrepresentations, whether they be intentional or unintentional errors; selecting and applying appropriate accounting and valuation methods; and making estimates that appear appropriate taking into consideration the existing underlying conditions.

Responsibility of the auditor of the annual accounts
It is our duty to give an opinion on the group financial statements based on our audit. We have carried out our audit in compliance with current Austrian legal requirements and with the ISAs [International Standards on Auditing] issued by the IAASB [International Auditing and Assurance Standards Board] of the IFAC [International Federation of Accountants]. These standards require that we comply with the rules of professional conduct, and plan and carry out an audit that will enable us to form a sufficiently reliable judgement on whether the group financial statement is free of material error.

An audit includes the performance of audit procedures to obtain auditory proof of the amounts and other information contained in the group financial statement. The selection of audit procedures is at the due discretion of the auditors, and must be carried out taking into consideration their assessment of the risk of material errors occurring, whether or not they be intentional. When carrying out this assessment of risk the auditors take into account the internal monitoring system to the extent that it is significant for drawing up a group statement and for conveying a true and fair picture of the asset, finance and profit situation of the group in order to determine suitable audit procedures based on the underlying conditions, but not to submit an opinion on the effectiveness of the group's internal monitoring system. The audit also involves giving an opinion on the adequacy of the accounting and valuation methods applied, and on the material valuations undertaken by the statutory representatives, and an assessment of the general presentation of the group financial statement and of the main estimates given by the statutory representatives together with an appreciation of the group financial statement's overall message.

We are of the opinion that we have gained sufficient, appropriate proof to be sure that our audit is a suitably reliable basis on which we can form our judgement.

Audit judgement
Our audit has not resulted in any objections. Based on the information we have obtained during our audit, it is our opinion that the consolidated financial statement complies with statutory requirements and conveys a true and fair picture of the assets and financial position of the group as at 31 December 2007, and of the income position and cash flows of the group for the financial year 1 January to 31 December 2007, in harmony with IFRS [International Financial Reporting Standards] as they have to be applied in the EU.

Group annual report
The group annual report must be examined on the basis of Austria's current statutory requirements to ensure that it is in harmony with the group financial statement, and that it does not contain any other information about the group's situation, which might be misleading.

It is our judgement that the group annual report is in harmony with the group financial statement.

Innsbruck, 20 February 2008

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Rudolf Kraus
Mag. Michael Ahammer

Supervisory Board Report

The Supervisory Board has performed the duties that are incumbent on it under the law and the bank's articles of incorporation and has complied with the code of Corporate Governance. The Management Board has reported regularly on the course of the business and on the situation of the company and of the group. The Supervisory Board held quarterly meetings during the financial year. The Supervisory Board's working party has regularly examined the business matters that required its approval. Furthermore the committee on the auditing and preparations for drawing up the annual accounts met once. Dr. Johann Strobl vacated his seat on 3 August 2007.

The auditors, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Innsbruck, audited the bookkeeping, the annual accounts and the Director's Report. The audit met the legal requirements and did not lead to any objections. The annual accounts were provided with an unqualified audit certificate. The Supervisory Board concurs with the result of the audit, declares its agreement with the Management Board on the annual accounts presented (including the Directors' Report), and approves the company's 2007 annual accounts, which have thus been established in accordance with § 125 paragraph 2 of Austria's law on companies. The Supervisory Board concurs with the Management Board's proposal to distribute a dividend of €1.50 per share (i.e. €7.5 million) from the 2007 balance sheet profit and to carry the residual profit forward to the new account.

The group financial statements and the group annual report, which were drawn up in harmony with IFRS [International Financial Reporting Standards] and with the requirements of Austria's commercial code were put before the Supervisory Board. The group financial statement conveys a true and fair picture of the group's asset and finance position as at 31 December 2007. The notes on the profit position and cash flow statements, which were also set out in harmony with IFRS, convey an identical picture for the period from 1 January to 31 December 2007. The audit by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Innsbruck, did not lead to any objections. The Supervisory Board concurs with the result of the audit and declares its agreement with the group financial statements and the group annual report presented by the Management Board.

The shareholders shown in blue script have entered into underwriting agreements.

Innsbruck, March 2008

The Supervisory Board

Dr. Franz Gasselsberger, MBA, Vorsitzender

The BTV Group over 4 years

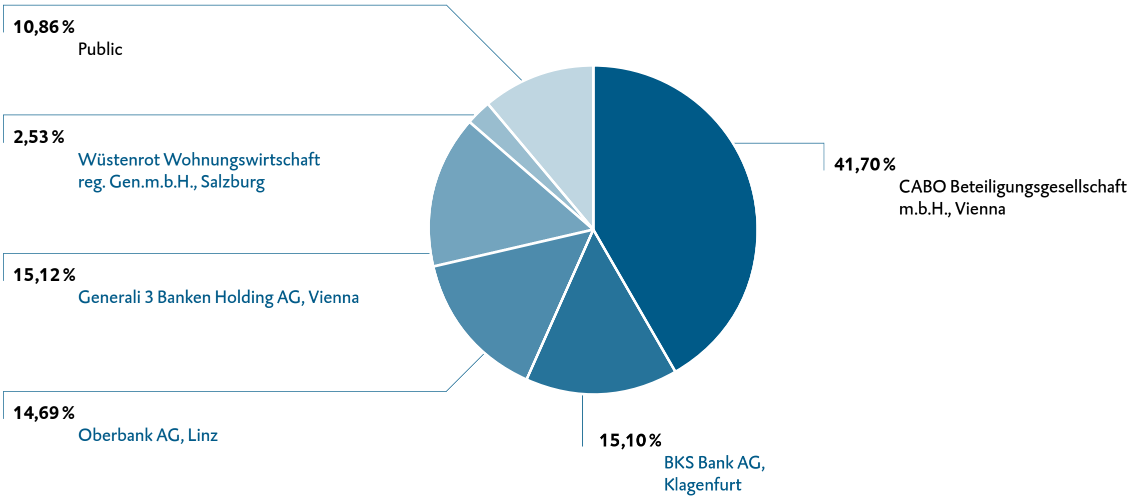
Balance sheet figures in millions of €	2007	2006	2005	2004
Total assets	8.053	7.458	6.765	6.331
Loans and advances to banks	547	299	116	118
Loans and advances to customers	5.320	5.261	4.910	4.561
Loan loss provisions	– 160	– 152	– 148	– 145
Financial assets – at fair value through profit or loss	151	40	39	26
Financial assets – available for sale	1.149	1.149	1.035	1.011
Financial assets – held to maturity	381	331	342	361
Shares in at-equity valued companies	212	200	165	146
Loans to credit institutions	1.137	1.259	888	959
Liabilities to customers	4.890	4.285	4.108	3.731
Securitised debt	913	883	847	809
Subordinated capital	370	340	292	260
Equity	537	512	470	432
Primary funds	6.173	5.508	5.248	4.800
Volume of securities in deposit facilities	4.809	5.101	5.042	4.246
Profit and loss in €million				
Net interest income	123,0	110,9	99,4	94,6
Loan loss provisions	– 29,2	– 29,4	– 26,9	– 25,5
Commission income	47,3	45,6	40,8	39,4
Trading income	2,2	2,5	6,3	– 0,3
Operating expenses	– 88,1	– 82,7	– 83,1	– 76,7
Other operating income	1,6	1,3	1,8	0,7
Financial assets – at fair value through profit or loss	– 0,2	– 1,5	– 0,3	0,1
Financial assets – available for sale	3,5	4,1	1,8	1,4
Financial assets – held to maturity	0,0	0,0	0,0	0,0
Profit of the year before tax	60,0	50,9	39,8	33,7
Group profit for the year	53,3	44,5	34,9	27,1
BTV AG dividends in €	7,50	7,00	7,00	6,50

BTV Group over 4 years

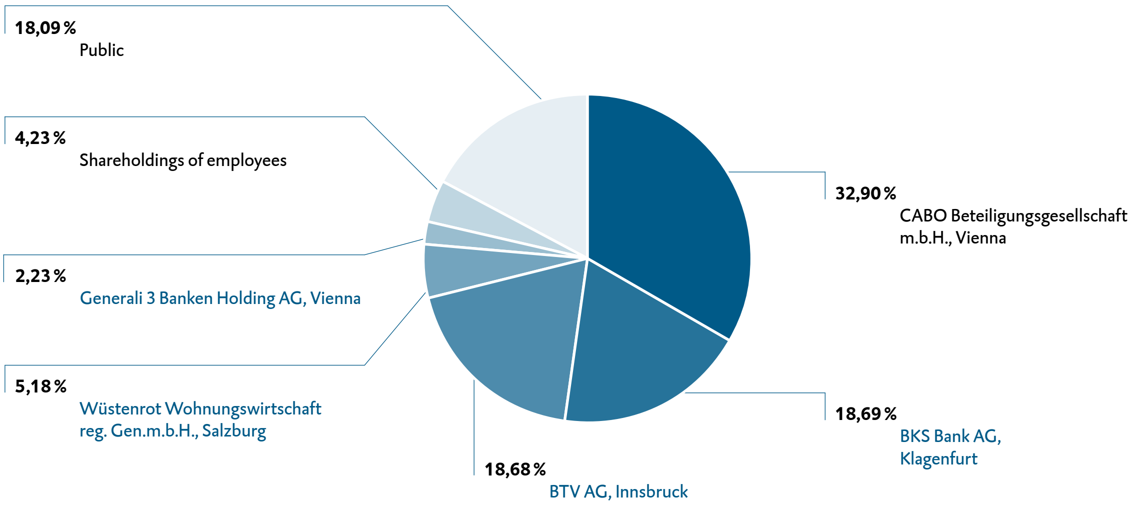
Equity (under Austrian law - BWG) in millions of €	2007	2006	2005	2004
Risk-weighted assets	5.587	5.165	4.773	4.388
Own funds (not inc. Tier 3)	662	617	555	554
Core capital ratio	7,05 %	7,04 %	7,12 %	7,53 %
Total capital ratio	11,85 %	11,95 %	11,63 %	12,63 %
Surplus own funds	215	204	171	203
Companies				
IFRS EPS in €	10,75	8,99	7,04	5,46
Return on equity before tax	11,44 %	10,36 %	8,83 %	8,03 %
Return on equity after tax	10,15 %	9,07 %	7,74 %	6,47 %
Cost/income ratio	51,1 %	52,0 %	56,7 %	57,3 %
Risk/earnings ratio	23,7 %	26,5 %	27,1 %	27,0 %
Average no. of employees	849	803	808	816
Number of branches	42	40	37	37

Shareholders 3 Banken Group

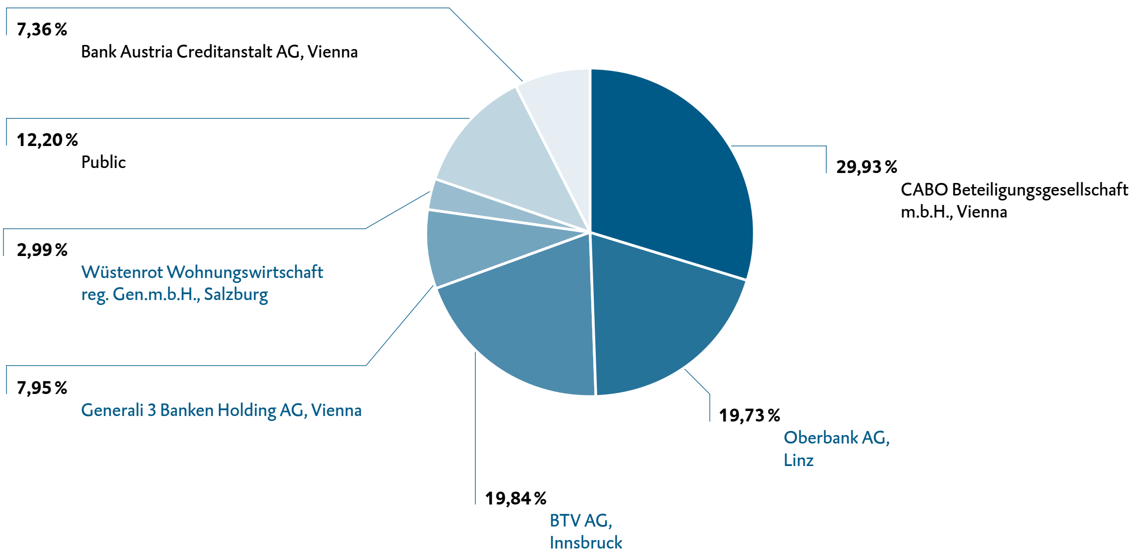
BTV according to votes



Oberbank according to votes



BKS Bank according to votes



The above shareholders in blue letters have concluded syndicate agreements.

3 Banken Group – Overview Group Information

Profit and loss in millions of €	BKS Bank 2007	2006	Oberbank 2007	2006	BTV 2007	2006
Net interest income	108,6	94,6	276,2	241,2	123,0	110,9
Loan loss provisions	–19,2	–20,0	–68,4	–56,3	–29,2	–29,4
Commission income	44,9	41,0	101,8	94,9	47,3	45,6
Operating expenses	–82,8	–75,6	–203,2	–193,8	–88,1	–82,7
Net profit for the year before tax	59,6	44,8	112,9	93,5	60,0	50,9
Attributable net income for the year	50,8	39,0	102,5	83,2	53,3	44,5
Balance sheet figures in millions of €						
Total assets	5.752,7	5.145,4	14.330,8	13.221,8	8.053,3	7.458,3
Loans and advances to customers after loan loss provisions	3.561,6	3.190,1	8.499,2	7.969,3	5.160,0	5.109,0
Primary funds	3.781,8	3.009,1	8.839,6	7.605,4	6.173,1	5.508,3
– of which savings deposits	1.443,7	1.382,5	2.899,2	2.633,5	1.126,9	1.094,0
– of which securitisied debt inc. subordinated capital	451,8	425,6	1.694,8	1.494,7	1.283,0	1.222,9
Equity	450,6	416,4	889,5	831,7	537,3	512,4
Managed deposits	10.057,9	9.320,4	16.887,3	15.304,3	10.982,1	10.608,9
– of which client deposits	6.276,1	6.311,3	8.047,7	7.698,9	4.809,0	5.100,6
BWG own funds in millions of €						
Measurement basis	4.039,2	3.598,5	10.079,1	9.457,6	5.586,9	5.165,3
Own funds	405,1	396,3	1.293,6	1.204,6	662,3	617,4
– of which core capital (Tier I)	235,9	241,8	720,5	669,4	394,0	363,7
Surplus	82,0	108,4	485,2	446,0	215,4	204,2
Core capital ratio	5,84 %	6,72 %	7,15 %	7,08 %	7,05 %	7,04 %
Total capital ratio	10,03 %	11,01 %	12,83 %	12,74 %	11,85 %	11,95 %
Subsidiaries						
RoE before tax	13,74 %	11,17 %	13,21 %	12,37 %	11,44 %	10,36 %
RoE after tax	11,71 %	9,74 %	11,99 %	11,01 %	10,15 %	9,07 %
Cost/income ratio	52,6 %	54,7 %	52,8 %	56,4 %	51,1 %	52,0 %
Risk/earnings ratio	17,7 %	21,3 %	24,8 %	23,4 %	23,7 %	26,5 %
Ressources						
Average no. of employees without employees in subsidiaries	836	721	1.879	1.738	849	803
Number of branches	51	50	126	117	42	40

Bank für Tirol und Vorarlberg
Aktiengesellschaft
Stadtforum
6020 Innsbruck

Phone +43/5 05 333-0
Telefax +43/5 05 333-1180
S.W.I.F.T.: BTVAAT22
Bank code: 16000
DVR.: 0018902
FN.: 32.942w
VAT.: ATU 317 12 304
btv@btv.at
www.btv.at

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

Media owner (Publisher)
Bank für Tirol und Vorarlberg AG
Stadtforum
6020 Innsbruck

Concept
BTV Marketing & Kommunikation
Mag. Susanne Herzog
Mag. Daniel Stöckl

Photos
Arabella Schwarzkopf