ANNUAL REPORT 2006

BTV
3 Banken Gruppe

SHAREHOLDERS AND BUSINESS PARTNERS, ESTEEMED CLIENTS OF BTV,

the concluded financial year saw the Bank für Tirol und Vorarlberg involved in targeted expansion. For the first time in its 102-year history, BTV is represented and is working in four countries: Austria, Germany, Switzerland and Italy. In addition, the new headquarters in the heart of the Alps, BTV Stadtforum in Innsbruck, shows that the work of BTV is clearly oriented towards its customers and employees, and that people are the focal point of our company.

The BTV Stadtforum, opened in September 2006, is a place that offers the best opportunities for personal care of BTV customers. The Stadtforum is the new heart of the bank, which offers innovative and tailor-made financial products in eight markets – Tyrol, Vorarlberg, Vienna, Eastern Switzerland, the Veneto, South Tyrol, Baden-Württemberg and Bavaria. The Stadtforum stands out thanks to its timeless architecture and the use of fewer and more natural materials, which are found throughout the entire building. We are running a bank that defines tradition, security, discretion and consistency as its key values.

This is symbolised by the large stainless steel entry, which invites our customers and employees through its double doors during opening hours, making them feel welcome in the building. Based in Tyrol, we are surrounded by stunning natural scenery and this can be seen in many reflections and light effects in the Stadtfo rum, which faces the Nordkette mountains. These are clever, natural effects that are often only recognised when you take a closer look. Also, the central garage put in place by BTV has meant that traffic has been banished from the Stadtforum and forced to go underground, leaving the beautiful forecourt as a car-free pedestrian paradise.

In 2006 three new German branches were opened in Augsburg, Memmingen and Ravensburg/Weingarten. In addition, BTV has further strengthened its market position in the Veneto by opening a consultancy office in Verona in September. We will continue this expansion in 2007 and create simpler processes for our customers: Plans are in place to open new branches in Rosenheim and Bolzano in the first quarter of 2007.

BTV has produced very pleasing annual results for 2006 – the key business figures were dominated by the number 5: For the first time amounts receivable exceeded € 5 billion, and primary funds were also above this level. Deposits managed by BTV also increased to above € 5 billion, meaning that we were able to easily surpass the boundary of more than € 10 billion of managed customer funds. The equity of the Bank für Tirol und Vorarlberg also rose above the level of € 500 million for the first time. A particularly pleasing result is that: the annual income before tax increased to more than € 50 million, meaning that it was almost 28% higher than the comparable value from the previous year. As a result of this BTV is one of the top banks is Austria, and has the highest revenue of any bank in western Austria. BTV will consequently remain self-sufficient and independent, even in the future.

The profits figures reflect BTV's high level of cost consciousness, and show that customer funds are handled with the greatest possible care and responsibility. BTV's cost-income ratio lies at only 52% for 2006. This is one of the leading values in Austria, and means that BTV is not just at the top of its field in its native region, but also in all four of the markets where it is represented. BTV has achieved all of this without any acquisitions, instead preferring to rely on high levels of expertise, quality, and first-class service, which focuses on customer satisfaction.

Our staff are the basis of these excellent figures. All BTV employees have a solid understanding of their field and can thus focus entirely on our customers and their needs. High-quality service and a friendly customer rapport are not empty words for BTV. Taking time to perform comprehensive analyses and jointly developing tailored services is the key to success. Our new slogan – "BTV: your personal bank" – reflects these key skills, thus benefiting our customers.

We would like to take this opportunity to thank you for your confidence in us, and to assure you that we will continue to do everything we can to extend your enthusiasm. The results from 2006 give us the strength and energy to be able to promise good profits to our shareholders over the coming years. You will be able to cash in on this.

Yours

Peter Gaugg | Mag. Matthias Moncher

2006 consolidated financial statements prepared pursuant to the International Financial Reporting Standards (IFRS)

Content

Business over the year

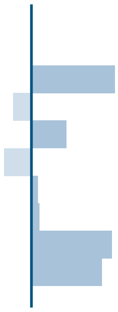
BTV looks back on a successful financial year in 2006. Highly motivated emplo-yees are the foundation for achieving satisfying annual results.

IFRS consolidated financial statement
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 (Austrian Banking Act) taken together with section 245a UGB (Austrian Corporate Code), remove the need to prepare any other consolidated financial statements. The present consolidated 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, will not be used prematurely.

Profit development
BTV saw pleasing developments in this reporting year. The annual income after tax rose by 27.7% to € 44.5 million. The year-on-year results for individual income statement items were as follows: The net interest income increased by 11.5% to € 110.9 million, and commission income increased by 11.7% to € 45.6 million. Trading income in the reporting year declined, reaching a value of € 2.5 million. During the reporting year operating expenses decreased by 0.5% to € 82.7 million. This development resulted in a distinct improvement in the cost-income ratio to 52.0% (56.7% in the previous year). Credit funds were approximately 9.3% higher than they had been in the previous year. Remaining operating income increased from € 3.2 million to € 3.9 million, meaning that the annual income before tax rose by 27.7% to € 50.9 million.

Change in earnings
in thousands of €

Interest	11.449
Loan loss provisions	– 2.497
Commission income	4.791
Trading	– 3.785
Operating expenses	434
Other operating profit	659
Pre-tax profit	11.051
After-tax profit	9.648



Interest income
Despite cutthroat competition and high pressure on profit margins in the core markets, the interest income rose by 11.5% to € 110.9 million. The interest margin decreased slightly from 1.59% in the previous year to 1.56% in the reporting year. However, the high volume of growth meant that considerable compensation could be made for this decline in the interest margin by the increase in earnings.

Loan loss provisions
The need for loan loss provisions for credit transactions lay at € 29.4 million in the reporting year, meaning that it was 9.3% above the level of the previous year, and was in line with expectations. Detailed explanations on risk management and on the risk situation can be found in the risk report.

Commission income
Securities trading, the results of which increased by € 4.1 million/18.4% to € 26.4 million, acted as a significant growth driver in 2006. Further growth contributions were made by loans, with a growth of € 0.5 million, and currency transactions, which had a € 0.4 million increase in revenue. Only the other services division produced a decrease in profits, with its contribution to annual results falling from € 0.9 million to € 0.8 million. Commission transactions show a net increase of 11.7% to € 45.6 million.

Trading income
With a level of € 2.5 million, the trading income was significantly below the result in the previous year. This development was considerably influenced by the decreased profits in securities trading and currency trading. On the other hand, the received derivative items show a profit increase of € 0.3 million.

Operating expenses
In the reporting year, operating expenses (personnel and materials expenses, amortisations) decreased by 0.5%, from € 83.1 million to € 82.7 million. Personnel expenses in particular reduced by 2.4% to € 53.9 million. The fact that there were considerably higher expenses for long-term payroll reserves and provisions in the previous year is particularly responsible for this decrease. Wages and salaries, on the other hand, rose by 2.8% to € 37.5 million. However it must be considered that on average over the year there were 15 more employees working for associated companies, whose wage and salary expenses have been calculated under the item "Personnel expenses". This results in an expense adjustment of € 1.4 million between personnel and material expenses. There were 18 additional members of staff in comparison with the previous year, making a total of 860 employees (weighted according to their level of employment). Materials expenses increased, primarily due to the abovementioned expense adjustment, by 8.0%/€ 1.6 million to € 22.1 million. Lower amortisations for intangible assets and operational equipment and office furniture led to a 10.4% reduction of the depreciation to € 6.7 million.

Other operating income
Profits have improved from € 3.2 million in the previous year to € 3.9 million. A pivotal role in this was played by the success of sales of securities not classed as part of trading, which increased by € 1.6 million. The result of the dividend income was positively influenced in 2005 by an exceptional circumstance. The sale of the share in APSS GmbH resulted in a one-off sales profit of € 1.3 million. Furthermore, the balance of other profits/other expenses increased by € 0.3 million. These developments led to an annual income before tax of € 50.9 million, which was 27.7% above the level in the previous year.

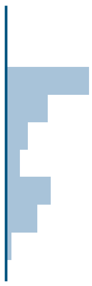
Tax situation
The 2005 Tax Reform Law passed by the Austrian National Council on 6 May 2004 led to consolidation being replaced by a group taxation concept. On the basis of this, BTV AG formed a taxation group with Leasing GmbH and its Austria subsidiaries on 1 January 2005. BTV acted as the supporting organisation for the group. In 2006, this group was extended to include Stadtforum Tiefgaragenzufahrt GmbH. The figures listed under the item "Income and profits tax" are related to the assets and liabilities limits for deferred taxes that have to be carried out according to the IFRS, in addition to the current charges imposed through Austrian corporate income tax. In 2006, the BTV had a tax rate of 12.5% (previous year 12.4%).

Annual group income
The annual income before taxes amounted to € 50.9 million, compared with € 39.8 million in the previous year. After the deduction of taxes from the annual income, the group income amounted to € 44.5 million. This meant there was an increase of 27.7% in comparison with the previous year. The return on equity (RoE) on the basis of the group income before tax was 10.4%, having been 8.8% in the previous year. After tax, the RoE in the reporting year was 9.1%, having been 7.7% in the previous year. The profit per share rose from € 7.04 in the previous year to a current level of € 8.99. The Management Board will propose a dividend of € 1.40 per share for the financial year 2006. This is unchanged from the previous year.

Balance sheet development
In the past year the total assets of the BTV group have risen by 10.2% to € 7,458.3 million. Client business played a large part in the growth of total assets, in terms of both assets and liabilities.

Total change in millions of euro and %

Total assets	693
Loans and advances to customers after credit risk	347
Loans and advances to banks	183
Other current assets	115
Liabilities to banks	371
Primary funds inc. supplementary capital	261
Equity	43



In the area of assets, loans and advances to customers have been extended by 7.2% to € 5,261.4 million. The demand focused on both short-term financing and on financing with medium- and long-term maturity. As a result of current euro interest rates, Austrian and German customers mainly took out credit in their native currencies. The proportion of new loans made in foreign currencies was below 10.0%.
In the case of loan loss provisions, in 2006 the accruals were largely compensated by the releases and expenditures, meaning that the status of cumulative value adjustments increased slightly by 3.1% to € 152.4 million. Please refer to the risk report (page 12) for matters of risk management aims and methods, and statements on existing loss and market risks.
The € 114.8 million growth of other liquid assets can be divided into € 89.0 million for fixed-interest securities and € 25.2 million for shares and other variable-interest securities. A further € 0.6 million was gained from the growth of positive market values resulting from interest-related derivative business. In the case of financial assets, there was an increase of 3.9% to € 621.3 million. A decline of € 11.5 million in fixed asset securities was offset by a growth of € 35.0 million in shares assessed at equity.
Customer deposits increased by 4.3% to € 4,285.4 million. Within this amount savings deposits totalled € 1,094.0 million, an increase of 3.4% in comparison to the level of the previous year. As in previous years, in 2006 there was again a significant increase in refinancing using own issues. The total debt evidenced by securitised debt and subordinated capital rose by 7.3%/€ 83.6 million to € 1,222.9 million.
Balance-sheet equity (including the annual group income) increased by 9.1%/€ 42.8 million to € 512.4 million. The increase was largely due to the result of the 2006 financial year.
The accountable capital resources of the credit institution group pursuant to the BWG amounted to € 618.1 million on the balance sheet date (previous year: € 555.3 million). On 31 December 2006 the legal minimum requirement was € 413.9 million. This corresponds to a liquidity ratio of 149.3% (previous year 144.3%).
The core capital of the credit institution group pursuant to the BWG reached a level of € 363.7 million as of 31 December 2006 (previous year € 339.8 million). The resulting core capital ratio calculated on the balance sheet date reached a value of 7.04%, which corresponds to a drop of 8 base points in comparison to the previous year. The capital resources ratio, at 11.95%, was 32 base points above that of the previous year and thereby also considerably above the legal requirement of 8.0%.

Sustainability report

Working with a view to the future and trading responsibly are the foundations for operational success at BTV.

In the age of globalisation it is important for companies that operate successfully in the market to work in a sustainable manner. At BTV, supporting developments which meet the requirements of the current generation, without damaging opportunities for future generations, has been part of corporate policy and strategic work for many years. BTV operates in a challenging environment and is closely interdependent on many social groups, which present BTV with the most diverse demands. BTV is aware of its responsibility to both the environment and society, and takes these expectations very seriously.
BTV, which is privately run, places a high value on sustainability in terms of its shareholders, customers and employees, and in terms of future generations. Solid results on the basis of cost efficiency through optimum use of resources and socially-oriented trading allow for sustainable economic development. BTV sees its commitment to sustainability as the basis for lasting economic success. In striving to achieve a balance between economy, ecology and social issues in daily business, BTV makes a positive contribution for customers, employees, the environment and society, and creates long-term added value for the company. More and more companies are recognising the significance of this integral concept by adjusting their corporate policies according to the aims of sustainable development, and are thereby contributing to the increase of economic growth.
An innovative range of products and services, observance of duties of care, efficient use of resources, and responsible interaction with employees are of central importance for BTV. Employees are the most important factor in bringing about company success. In terms of sustainability, BTV is strongly committed to the use of comprehensive measures to satisfy the social needs of its employees (e.g. with Merkur private health insurance) in the core and expansion markets. Strengthening important training focal points for sales is also one of our aims, as are the guarantee of basic training and the inclusion of employees in the company. The fact that BTV received over 1,300 job applications in 2006 shows how attractive an employer the company is.

The “Dr. Gerhard Moser going Europe private foundation” will support the development of talent in Tyrol and Vorarlberg over a long period of time. To date, this foundation has given sponsorship amounting to more than € 120,000 to talented students taking courses at commercial academies to fund apprenticeships in Europe.
The BTV has been working to reduce the environmental impact of its own business for many years. The focal point of this work is, above all, decreasing energy consumption and using resources sparingly. In the area of purchasing, emphasis is placed on environmentally sound, recyclable products. Considerable savings will be made by using energy efficient products when carrying out renovations and new constructions (e.g. heating, lighting, heat insulation etc.). All in all, these measures result in conscientious, foresighted and efficient use of natural resources and, by making cost savings, also contribute to the operational success of BTV.
At BTV, the principle of sustainability can also be seen in our bank products. More than ever, companies must be aware of the needs of the market and must offer the correct services. For instance, the 3 Banken investment company offers an equity fund based on consideration of sustainability. This fund is requested by those who want to invest in ecological, ethical, social and sustainable facilities. In addition, the range of services and products is constantly being adapted and further developed according to the needs of the customer.

Compliance and money laundering

BTV employees follow the Standard Compliance Code of the Austrian credit services sector. State-of-the-art systems are used to eliminate money laundering as far as possible.

Compliance
When they start work, employees undertake to work in accordance with the provisions of the BTV's compliance regulations. These regulations are based on the Standard Compliance Code of the Austrian credit services sector and on the provisions of the Issuers Compliance Regulation. Compliance with these rules is checked and documented daily. The confidential areas of BTV have been adapted to the new structure on the basis of the Issuers Compliance Regulation. The employees concerned have also been given detailed information about the changes. New employees will be given instructions on the compliance regulation as part of the BTV basic training.

Money laundering
In the 2006 reporting period, BTV was constantly carrying out comprehensive measures to ensure compliance with all money laundering regulations. In addition to using automation-supported systems, based on databases containing suspects from around the world, random samples were regularly taken of conspicuous transactions, which were then thoroughly inspected.
In order to recognise suspicious transactions in advance, employees were constantly kept up-to-date on the latest money laundering typologies.

Code of Corporate Governance

BTV published a Code of Corporate Governance regarding aims and principles, which are given in their entirety on our website at www.btv.at.

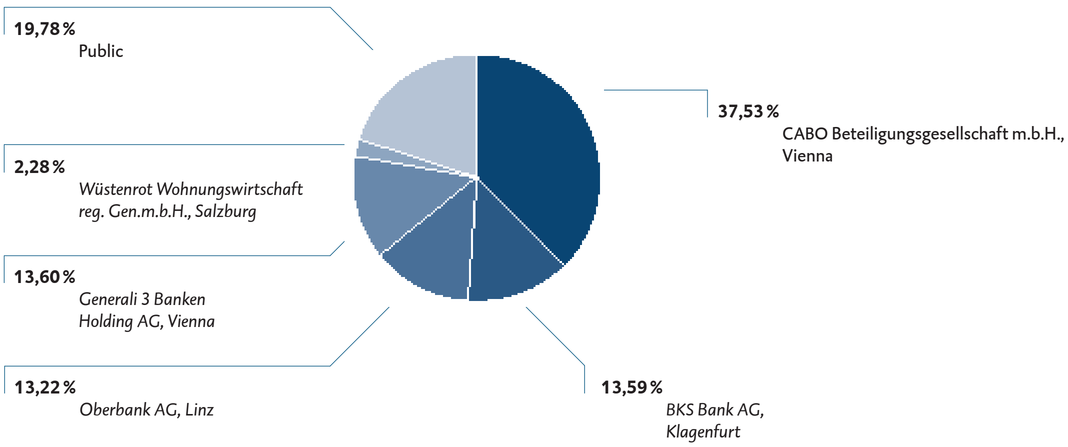
The company has observed the code last year and will keep to it during the current business year.

BTV shares and sharholders

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 10 November 2007 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 102 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.

BTV is expecting further positive developments in 2007 in both its corporate and retail business. Market share gains in the key markets, Tyrol and Vorarlberg, and in the expansion markets, Vienna, Eastern Switzerland, Southern Germany, South Tyrol and the Veneto, combined with the positive economic environment, are the key growth factors.
At the start of February this year BTV opened its fourth branch subsidiary in the market sector Bavaria and Baden-Württemberg in Rosenheim. This means that the market offensive in Southern Germany has been further intensified. In the medium-term BTV expects lasting annual result contributions from these regions.

In 2007 we are aiming to achieve a group income before tax of roughly € 55 million. This means that the equity yield rate will improve to 11%, and the cost-income ratio will be approximately 52%.
There were no significant events relevant to operations in the time between the end of the financial year and the issuing/confirmation of the annual accounts by the auditor.

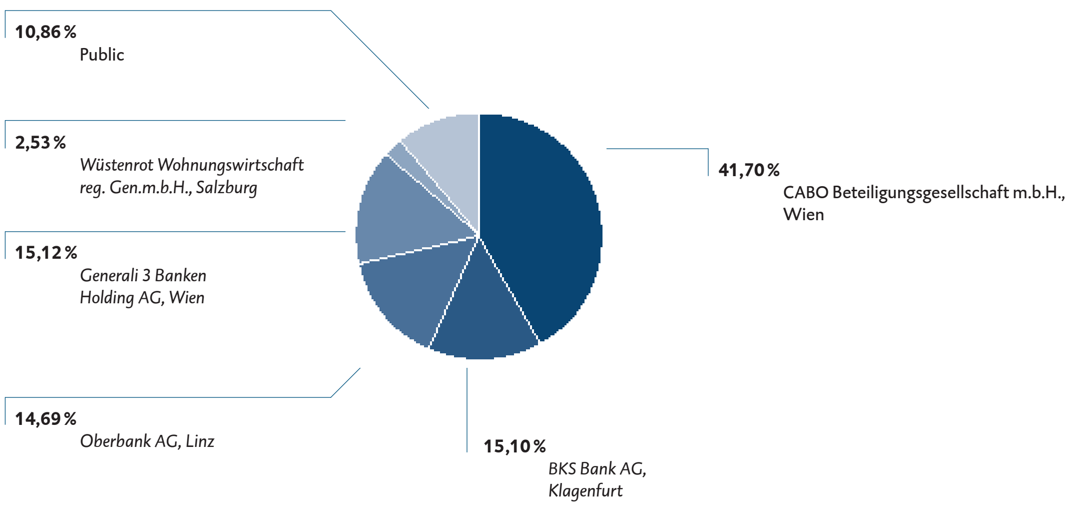
Innsbruck, 27 February 2007

The Managing Directors

Peter Gaugg

Mag. Matthias Moncher

Shareholders BTV according to votes



The above italicised shareholders have concluded syndicate agreements.

Risk report

BTV is focusing on a highly-developed active risk management system and has the best possible control of the numerous risks.

In previous years, considerable resources have been used to increase the standard of the BTV risk management system yet further. The technical requirements for continuous measurement and inspection of the risk have been expanded and the processes have been adapted to be able to cope with the risks. The need for active risk management is constantly being stressed by the Executive Board, and employees are therefore well aware of its importance.
The tasks of the BTV group risk management system is to identify all potential risks, carry out quantitative measurements of them, and regulate them using risk limits. Well-established financial sector techniques and procedures are used for internal risk control and for measurements according to legal requirements. Riskpro, the internationally used risk controlling system, is used for the calculation of market risks and from now on also the calculation of credit risks.
In order to be able to measure BTV's ability to deal with risks, there is a schedule for comparing the risks throughout the bank with the available risk coverage measures. The BTV development body is responsible for determining the limits on a bank-wide level and for the continuous control of risks. This body is made up of the entire Management Board and the heads of department of credit management, finances and financial controlling, treasury, and the divisions. The risks calculated and limited for the ability to deal with risks are divided as follows:

– Credit risk
– Market risk: Interest rate risk, Equity price risk, Currency risk
– Liquidity risk
– Operating risk
– Other

Total credit risk volumes
– The credit risk volume is made up of the balance sheet amounts receivable from credit institutes, amounts receivable from customers, all fixed-interest securities and the contract bonds. According to the new guidelines of IAS 39, payment guarantees to development banks and notifications of credits are no longer considered in the credit risk volumes. The comparative numbers for the previous year have been adjusted.
– The entire credit volume of the BTV group increased by 9.3% (+ € 603.8 million) in comparison with the previous year to € 7,068.8 million. Of this increase, € 612.6 million came from BTV AG, as the 100% subsidiary BTV Leasing yielded a decrease of € 8.8 million.
– The increase in the credit risk was largely in the best risk category (without noticeable contingency risk) and the "in need of comment" category, whilst the increased contingency risk was proportionately slightly lower. The amounts receivable classified as non-performing were proportionately the same as before, or in some cases slightly lower than before.
– As a result of this 86.2% (previous year 85.6%) of the credit volume fell into the best risk category. This represents an increase of € 542.1 million / 9.8%.

National
– The representation takes places according to the country of the borrower / issuer.
– In Austria the entire credit volume risk increased by € 103.1 million / 2.4% in comparison with the previous year.

International
– Internationally, the credit risk volume increased by € 500.7 million / 24.0%.
– The international proportion of the credit risk increased from 32.2% to 36.6% in 2006.

Asset quality in thousand €

Total

Balance-sheet-date	Items	No expectation of default	Credit watch	Higher risk of default	Non-performing	Total
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 %
31.12.2005	Total Assets	5.550.155	412.211	278.493	224.083	6.464.942
	Percentage	85,85 %	6,38 %	4,31 %	3,47 %	100,00 %
	Provisions	2.342	1.274	15.545	128.717	147.879
	Perventage cover	0,04 %	0,31 %	5,58 %	57,44 %	2,29 %
Change	Total Assets	542.106	40.849	18.795	2.058	603.808
	Percentage	9,8 %	9,9 %	6,7 %	0,9 %	9,3 %
	Provisions	73	263	4.430	– 206	4.560
	Perventage cover	3,1 %	20,7 %	28,5 %	– 0,2 %	3,1 %

Austria

Balance-sheet-date	Items	No expectation of default	Credit watch	Higher risk of default	Non-performing	Total
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 %
31.12.2005	Total Assets	3.616.234	348.534	221.469	194.105	4.380.342
	Percentage	82,56 %	7,96 %	5,06 %	4,43 %	100,00 %
	Provisions	1.835	1.082	12.292	114.136	129.346
	Perventage cover	0,05 %	0,31 %	5,55 %	58,80 %	2,95 %
Change	Total Assets	61.890	25.834	25.563	– 10.176	103.110
	Percentage	1,7 %	7,4 %	11,5 %	– 5,2 %	2,4 %
	Provisions	– 33	199	4.552	– 8.592	– 3.874
	Perventage cover	– 1,8 %	18,4 %	37,0 %	– 7,5 %	– 3,0 %

Abroad

Balance-sheet-date	Items	No expectation of default	Credit watch	Higher risk of default	Non-performing	Total
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 %
31.12.2005	Total Assets	1.933.921	63.678	57.024	29.978	2.084.601
	Percentage	92,77 %	3,05 %	2,74 %	1,44 %	100,00 %
	Provisions	507	192	3.253	14.581	18.532
	Perventage cover	0,03 %	0,30 %	5,70 %	48,64 %	0,89 %
Change	Total Assets	480.217	15.016	– 6.768	12.234	500.698
	Percentage	24,8 %	23,6 %	– 11,9 %	40,8 %	24,0 %
	Provisions	105	64	– 122	8.386	8.434
	Perventage cover	20,8 %	33,5 %	– 3,7 %	57,5 %	45,5 %

Asset quality according to country

- Approximately 63.4% of the credit risk volume is related to Austrian borrowers. The proportions accounted for by the expansion markets Germany and Switzerland are 13.9% and 7.4% respectively. The remaining 15.3% can be divided up between borrowers in the United States, Italy and other countries. These items are mainly dominated by loans and advances to banks and/or by securities in treasury.

Risk structure according to sectors

- The main branch areas are the same as they were in previous years, i.e. retail business, the credit and insurance sector and the production of real assets.
- The sectors of real estate management, services, public authorities, trade, tourism and construction follow in that order. The proportions of the other sectors were below 4.0 %.
- This produced a balanced mixture of sectors with appropriate risk control.
- In volume expansion by a total of € 603.8 million, the increase in sectors of credit and insurance, production of real assets, real estate management, private, energy and water supply, services, cable cars and tourism amounted to a total of € 720.9 million.
- The amounts receivable from borrowers in the sectors transport and telecommunication, trade, public authorities and others reduced in total by € 117.1 million.

Asset quality in thousand €

Asset quality by country

Country	No expectation of default	Credit watch	Higher risk of default	Non-performing	Total	Percentage
Austria	3.678.124	374.367	247.033	183.929	4.483.452	63,4 %
Germany	893.180	51.725	22.902	17.228	985.034	13,9 %
Switzerland	457.596	18.041	24.493	20.018	520.147	7,4 %
USA	258.542	0	305	393	259.240	3,7 %
Italy	221.287	1.262	1.424	3.966	227.938	3,2 %
Other	583.534	7.666	1.131	607	592.939	8,4 %
Total	6.092.261	453.061	297.288	226.141	7.068.751	100,0 %

Asset quality total

Branches total	No expectation of default	Credit watch	Higher risk of default	Non-performing	Total	Percentage
Building industry	270.870	22.042	13.221	10.986	317.120	4,0 %
Services	455.066	78.796	34.267	30.874	599.004	8,5 %
Power/water supply	173.699	0	0	0	173.699	2,5 %
Tourism	210.441	30.617	24.223	28.419	293.700	4,2 %
Trade	347.040	39.366	74.810	34.978	496.193	7,0 %
Financing and Insurance	1.234.005	0	0	0	1.234.005	17,5 %
State	550.586	1	0	0	550.587	7,8 %
Private enterprises	1.198.444	110.022	85.593	72.051	1.466.110	20,7 %
Real estate industry	529.459	57.831	17.966	15.289	620.545	8,8 %
Production of material goods	801.740	76.496	35.071	25.817	939.124	13,3 %
Cable cars	154.309	13.621	1.421	0	169.351	2,4 %
Other	36.376	7.000	8.277	3.291	59.944	0,8 %
Traffic and telecommunication	130.225	17.268	2.438	4.436	154.368	2,2 %
Total	6.092.261	453.061	297.288	226.141	7.068.751	100,0 %

Asset quality in Austria

Branches total	No expectation of default	Credit watch	Higher risk of default	Non-performing	Total	Percentage
Building industry	191.674	20.198	11.614	10.771	234.257	5,2 %
Services	348.460	69.613	29.092	25.937	473.102	10,6 %
Power/water supply	113.901	0	0	0	113.901	2,5 %
Tourism	206.138	30.143	23.195	21.386	280.863	6,3 %
Trade	222.094	30.867	74.266	33.916	361.143	8,1 %
Financing and Insurance	228.044	0	0	0	228.044	5,1 %
State	434.206	1	0	0	434.207	9,7 %
Private enterprises	760.032	79.598	51.454	44.052	935.136	20,9 %
Real estate industry	406.620	53.358	10.883	14.878	485.739	10,8 %
Production of material goods	467.522	55.906	34.491	25.367	583.287	13,0 %
Cable cars	154.309	11.888	1.421	0	167.618	3,7 %
Other	23.859	5.693	8.276	3.185	41.013	0,9 %
Traffic and telecommunication	121.265	17.101	2.338	4.436	145.141	3,2 %
Total	3.678.124	374.367	247.033	183.929	4.483.452	100,0 %

Asset quality abroad

Branches total	No expectation of default	Credit watch	Higher risk of default	Non-performing	Total	Percentage
Building industry	79.196	1.844	1.607	216	82.863	3,2 %
Services	106.606	9.183	5.175	4.937	125.901	4,9 %
Power/water supply	59.797	0	0	0	59.797	2,3 %
Tourism	4.303	473	1.028	7.033	12.837	0,5 %
Trade	124.946	8.499	544	1.062	135.051	5,2 %
Financing and Insurance	1.005.961	0	0	0	1.005.961	38,9 %
State	116.380	0	0	0	116.380	4,5 %
Private enterprises	438.412	30.424	34.140	27.998	530.974	20,5 %
Real estate industry	122.839	4.473	7.082	411	134.805	5,2 %
Production of material goods	334.218	20.590	579	450	355.837	13,8 %
Cable cars	0	1.733	0	0	1.733	0,1 %
Other	12.518	1.308	1	106	13.932	0,5 %
Traffic and telecommunication	8.960	167	100	0	9.227	0,4 %
Total	2.414.138	78.693	50.255	42.213	2.585.299	100,0 %

Risk structure according to segments

– The proportion of corporate business in the total credit risk volume amounts to 45.8%. Private customers accounted for 22.3%; the remaining 30.9% can be attributed to the treasury segment.

Control of the credit risk

The risks are limited to individual and portfolio levels. BTV measures risk using rating-based, unexpected losses according to the Basel II Accord with a holding period of one year and a confidence level of 99.9%. The risk reduction techniques on an individual level include asset quality testing, integration of securities, constant monitoring of account movements and scheduled inspection of the rating and the recoverability of the security.
The risk of foreign currency financing is simulated both on the level of individual credits and on the portfolio level using stress scenarios. Country risks are also defined by limits.
An automated rating programme is in use for both retail and corporate business. This rates the credit risks on a scale with ten available levels. The first assessment of the customer rating is carried out by the account manager on site. The definitive credit rating is approved after assessment by the credit management. A scoring procedure is in use in the retail business. This supports a substantiated assessment of the credit customer.
The price calculation in the credit business takes place under observance of the ratings based additional risk charges and the costs for the securitisation with regulatory capital according the Basel II Accord. The control of the credit risk on a portfolio level is based in the sectors, currencies and asset quality classes. The scheduled credit risk report for different summarisation levels is the central control and monitoring mechanism for the decision makers. Constant analysis and the initiation of any required measures ensure that the business policy aims are achieved.

Market risks

Market risks are caused by changing interest rates, share prices and exchange rates. The control of these risks is carried out on a bank-wide level. The value-at-risk concept used for the determination of all market prices risks is a statistical procedure, which calculates the maximum loss of a portfolio within a specific time scale based on the changes in value in the last 200 days with a predetermined probability.
Interest change risks are caused by the changes in the market value on the basis of changes in the market interest rates. This risk is calculated from the interest commitment incongruence of all asset and liability items (including business not included in the balance sheet). The interest change risk is simulated in BTV in accordance with the Basel II Accord with an adjustment of the interest rate curve by 200 base points. Furthermore, the bank also determines an interest-value-at risk with a confidence level of 99.0% and 30 days holding period. BTV customers mainly have funds in EUR and CHF.
The interest commitment gaps in these currencies that are relevant for the BTV are shown in the following table:

Open interest items

31.12.2006 in thousands of €	**1 – 3 years**	**3 – 5 years**	**5 – 7 years**	**7 – 10 years**	**>10 years**
Pegging EUR	– 275.780	– 42.687	7.917	39.629	16.864
Pegging CHF	45.701	14.657	6.259	1.988	2.009

Interest change risk in thousands of €	**Previous year**	**Max.**	**Average**	**Last trading day**
Interest change risk	44.030	47.068	43.253	45.044
As a % of equity capital	7,9 %	8,3 %	7,7 %	7,3 %

Asset quality in thousand €

Segments

Asset quality by segment		No expectation of default	Credit watch	Higher risk of default	Non-performing	Total
Corporate	Total Assets	2.580.162	317.534	197.774	143.352	3.238.823
	Provisions	1.948	1.183	14.017	84.278	101.427
	Percentage cover	0,08 %	0,37 %	7,09 %	58,79 %	3,13 %
Retail	Total Assets	1.326.525	135.526	98.840	82.770	1.643.662
	Provisions	466	355	5.958	44.233	51.012
	Percentage cover	0,04 %	0,26 %	6,03 %	53,44 %	3,10 %
Treasury	Total Assets	2.185.573	0	674	19	2.186.266
	Provisions	0	0	0	0	0
	Percentage cover	0,00 %	0,00 %	0,00 %	0,00 %	0,00 %
Total	Total Assets	6.092.261	453.061	297.288	226.141	7.068.751
	Provisions	2.414	1.538	19.975	128.511	152.439
	Percentage cover	0,0 %	0,3 %	6,7 %	56,8 %	2,2 %

In accordance with the internal capital adequacy assessment processes (ICAAP) required in the Basel II Accord, the share price risk and the exchange rate risk are determined and monitored in the trade and bank book using a 99% 30 day value-at-risk process. As a result of the low significance of the trade book, this is simply defined with a volume limit and a stop-loss limit for individual securities. This is constantly monitored.

Share price risk * in thousand €	Previous year	Max.	Average	Last trading day
VaR shares	4.758	11.541	7.262	6.565
VaR shares in % of own funds	0,9 %	2,0 %	1,3 %	1,1 %

VALUE AT RISK

Foreign currency risk * in thousand €	Previous year	Max.	Average	Last trading day
VaR foreign currency	964	1.250	594	683
VaR foreign currency in % of own funds	0,2 %	0,2 %	0,1 %	0,1 %

* 99,0 % reliability over 30 daysr

Liquidity risk
The short-term liquidity risk represents the danger, that the bank cannot meet the demands of their due payment obligations on time, or not in their full extent. The liquidity regulations intended to deal with this in the Austrian Banking Act are complied with by BTV at all times. The refinancing risk represents the danger that additional refinancing resources can only be obtained at increased market interest rates. The risk of increased refinancing costs is simulated for BTV using a stress scenario related to the change of the interest rate curve and an increase of the additional risk charge, and is allowed for in the total bank risk.

Operational risk
All risks are recorded per sector in their own risk catalogue. BTV has a reporting system for cases of loss resulting from the inadequacy or failure of internal procedures. All cases of loss are registered in the loss database and analysed, and then corresponding measures are taken to minimise future risk of loss. The decision makers are informed of the operational risk in a quarterly report. This means that a control system is created consisting of risk identification, risk quantification and risk control.

Other risk
BTV understands this to mean the operational and fixed-cost risks, which could lead to an unexpected decrease in profits due to flawed strategic adjustment. These are recorded and analysed as part of the strategic financial controlling, and corresponding control measures are then put in place.

Outlook for 2007
BTV will continue to use its cautious risk strategy in the coming year. BTV places great emphasis on active monitoring of the credit risk, and on constant monitoring and controlling of the market risks. Part of this work is scheduled back testing and methodical development of internal models. In 2007 the legal guidelines concerning the Basel II Accord will also be implemented. These include the calculation of own fund securitisation after standard inclusion, the adjustment of the reporting system and the adaptation of the related internal processes.

Balance Sheet as at 31 December 2006

Assets in thousands of €	2006	2005	Change total	Change in %
Cash reserves [1] [Notes]	126.973	123.564	3.409	2,8 %
Loans and advances to credit institutions [2]	299.158	116.510	182.648	> 100,0 %
Loans and advances to customers [3]	5.261.368	4.910.087	351.281	7,2 %
Loan loss provisions [4]	– 152.439	– 147.879	– 4.560	3,1 %
Trading [5]	107	11.807	– 11.700	– 99,1 %
Other current assets [6]	1.097.868	983.100	114.768	11,7 %
Long-term investments and loans [7]	621.253	598.089	23.164	3,9 %
Intangible fixed assets [8a]	1.481	1.834	– 353	– 19,2 %
Property, plant and equipment [8b]	122.445	97.976	24.469	25,0 %
Other assets [9, 10]	80.061	70.294	9.767	13,9 %
Total assets	**7.458.275**	**6.765.382**	**692.893**	**10,2 %**

Liabilities in thousands of €	2006	2005	Change total	Change in %
Banks [11]	1.259.102	887.870	371.232	41,8 %
Customer accounts [12]	4.285.439	4.108.226	177.213	4,3 %
Securitised debt [13]	882.869	847.625	35.244	4,2 %
Reserves and provisions [14]	67.550	67.531	19	0,0 %
Other liabilities [15]	110.956	92.891	18.065	19,4 %
Subordinated capital [16]	339.985	291.621	48.364	16,6 %
Equity [17]	512.374	469.618	42.756	9,1 %
Total liabilities	**7.458.275**	**6.765.382**	**692.893**	**10,2 %**

Profit and Loss Account 2006

thousands of €	2006	2005	Veränd. absolut	Veränd. in %
Interest and similar income	290.327	232.668	57.659	24,8 %
Interest and similar expenses	–179.429	–133.219	46.210	34,7 %
Net interest income [18]	110.898	99.449	11.449	11,5 %
Loan loss provisions [19]	–29.427	–26.930	2.497	9,3 %
Commission income	53.763	48.790	4.973	10,2 %
Commission expense	–8.129	–7.947	182	2,3 %
Net commission income [20]	45.634	40.843	4.791	11,7 %
Trading income [21]	2.540	6.325	–3.785	–59,8 %
Operating expenses [22]	–82.664	–83.098	–434	–0,5 %
Other operating income [23]	3.892	3.233	659	20,4 %
Net profit for the year before tax	50.873	39.822	11.051	27,7 %
Income and profits tax [24]	–6.334	–4.931	1.403	28,5 %
Net profit for the year after tax	**44.539**	**34.891**	**9.648**	**27,7 %**

Indicators	2006	2005
EPS in € [17]	8,99	7,04
RoE before tax	10,4 %	8,8 %
RoE after tax	9,1 %	7,7 %
Cost/income ratio	52,0 %	56,7 %
Risk/earnings ratio	26,5 %	27,1 %

Statement of change in Equity

thousands of €	Subscribed capital	Retained earnings	Revenue reserves	Depreciation reserves	Total equity
Equity at 01.01.2005	50.000	59.096	306.276	16.492	431.864
Capital increases	0	0	0	0	0
Net income for the year	0	0	34.892	0	34.892
Distributions	0	0	–6.500	0	–6.500
Exchange differentials	0	0	–11	0	–11
Treasury shares	0	–303	0	0	–303
Other changes	0	–15	5.414	4.277	9.676
– of which deferred tax	0	0	–2.769	0	–2.769
– of which from at equity assessment	0	0	8.137	0	8.137
Equity at 31.12.2005	**50.000**	**58.778**	**340.071**	**20.769**	**469.618**

thousands of €	Subscribed capital	Retained earnings	Revenue reserves	Depreciation 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**

Cash Flow Statement 2006

thousands of €	31.12.06	31.12.05
Net income for the year	44.539	34.891
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	11.154	10.930
– Accruals and appropriations to/releases of reserves and provisions and loan loss provisions	25.412	15.112
– Gains/losses on the disposal of long-term assets and loans and on property, plant and equipment	–3.830	2.544
– Other adjustments	–17.190	–11.992
Sub-total	**60.085**	**51.485**
Change in operating assets and liabilities after adjustments for items without effect on payments		
– Loans and advances to banks	–181.348	–28.143
– Loans and advances to customers	–380.295	–318.500
– Trading	–11.531	–11.543
– Other current assets	–155.643	–37.408
– Other operating assets	–9.357	–3.092
– Liabilities to banks	374.324	–70.303
– Customer accounts	205.016	358.515
– Securitised debt	43.573	41.291
– Other operating liabilities	–2.565	7.470
Operating cash flow	–34.679	–10.228
Inflows from the disposal of:		
– Property, plant and equipment and intangible assets	339	2.256
– Long-term investments and loans	8.817	29.158
Outflows through investments in:		
– Property, plant and equipment	–6.259	–12.283
– Long-term investments and loans	–8.624	–15.021
Investment cash flow	–5.727	4.110
Dividend payments	–7.000	–6.500
Subordinated debt and other financing	50.816	31.703
Financing cash flow	43.816	25.203
Cash position at the end of the previous period	123.564	104.479
Operating cash flow	–34.679	–10.228
Investment cash flow	–5.727	4.110
Financing cash flow	43.816	25.203
Cash position at end of period	126.974	123.564
Interest income	270.240	217.210
Dividend income	20.087	15.458
Interest expenses	–179.429	–133.219
Income tax payments	–7.119	–2.549

Accounting and valuation principles
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 (Austrian Banking Act) taken together with section 245a UGB (Austrian Corporate Code), remove the need to prepare any other consolidated financial statements. The present consolidated 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, were not used prematurely.
Provided that BTV has already examined the standards, no material changes will be expected. However, IFRS 7 will bring in a number of changes in its appendices, and will lead to an altered balance sheet format.
The uniform accounting and valuation methods used throughout the group comply with European regulations, meaning that the present consolidated financial statement is as reliable as if it had been prepared pursuant to the Austrian Commercial Code, taken together with the Austrian Banking Act. 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 amounts are given in thousands of euro unless stated otherwise. 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 will be converted at average spot rates on the balance-sheet date. Currency futures will be valued at the current forward rate applicable to their remaining terms.
The conversion of the accounts of the Swiss subsidiary branch takes place according to the closing rate method. Conversion differences of the accumulated profits/losses are recorded in the equity.

Financial instrument classes
Under IAS 39 all financial assets and liabilities including derivatives must be recognised on 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: these are primarily intended to generate profits from short-term price changes or trading margins. They are recognised at fair value in profit or loss.

b | Structured products containing embedded derivatives that must be separated out: these are accounted for at fair value under IAS 39. BTV also includes financial instruments measured at fair value through profit & loss to remove, or significantly reduce, carrying values or accounting mismatches. These assets and liabilities are recognised at fair value in profit or loss.

c | Investments and loans held to maturity are fixed-payment and fixed-maturity assets that BTV can and will hold until they mature. They are measured at historic cost with an agio or disagio released until maturity based on the effective rate method.

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 class mainly includes loans and advances to credit institutions credit institutions and customers. They are measured at historic costs.

e | Financial assets available for sale which have a fair value change that is recognised in equity either under the available for sale or amortisation headings constitute residual volumes, i.e. all financial assets that do not fall into any of the above classes must be recognised under this heading.

Unless fair value can be determined based on market price or a recognised valuation model, investments in equity instruments (e.g. in GmbHs or KGs [private limited companies or limited partnerships]) are measured at purchase cost.
BTV holds financial instruments denominated not only in the functional currency but also in Swiss francs, US dollars and Japanese yen.
The balancing of financial guarantees takes place according to IAS 39. The net principle is used for the entry in the balance sheet. Using this method, the premium cash value and the liability cash value resulting from the financial guarantee are offset against each other.

Derivatives
Derivatives are shown with their market value as the difference between the nominal value and the fair value.
Normally changes in the values are recorded according to profit and loss in the income statement.
BTV hedges to protect net interest income and to safeguard against market risk. Fair value hedges are used to reduce interest-rate risks and market risks.
Fair value hedges are operated by swapping fixed-interest business with money market transactions. Most own offerings are hedged in this way. Fair value hedge accounting deals mainly with interest rate swaps. Offerings are regularly accompanied by the purchase of options to protect fair value.

Consolidation principles
All material subsidiaries over which BTV AG has management control have been consolidated. Material participations with a 20 - 50 % holding ("associates") have been consolidated at equity. Other participations have been consolidated on the basis of their materiality.
The fully consolidated companies under IAS 27 include, in addition to BTV AG, the following companies. The consolidation of investment in these companies takes place according to IFRS 3 principles. BTV Leasing Deutschland GmbH, founded in 2006, was fully consolidated for the first time in the reporting year.

Fully consolidated companies:	share in %
BTV Leasing GmbH, Innsbruck	100,00 %
BTV Real-Leasing GmbH, Wien	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 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 Fahrzeug-Leasing GmbH, Innsbruck	100,00 %
BTV Leasing Deutschland, GmbH, Memmingen	100,00 %
Bauprojekt Langer Weg GmbH, Innsbruck	100,00 %

According to the equity method, the following participations were included:

at equity consolidated companies:	share in %
BKS Bank AG, Klagenfurt	18,57 %
Oberbank AG, Linz	14,06 %
Alpenländische Garantie-GmbH, Linz	25,00 %
Drei-Banken-Versicherungs AG, Linz	20,00 %

Despite the fact that the stakes in Oberbank AG and BKS Bank AG do not reach the 20% threshold, they have been consolidated for the following reasons:
For the shares in Oberbank AG there is a syndicate agreement between BTV AG, BKS Bank AG and the Wüstenrot Wohnungswirtschaft registered Gen.m.b.H.; a similar agreement exists between BTV AG, Oberbank AG and Generali 3 Banken Holding AG for the share in BKS Bank AG. The purpose of these agreements is to maintain the independence of the institutions. This presents the opportunity to have a decisive influence in both of the listed companies.
The leasing companies are consolidated on the basis of their financial statements as at 30 September, due to the fact that they have a different financial year.
Intercompany liabilities and receivables, expenses and profits are eliminated, unless they are not of subsidiary importance. There was no intermediary result elimination because there were no significant intermediary results available.

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

Amounts receivable
Loans and advances to credit institutions and customers are balances according to adjusted purchase costs. If direct amortisation has taken place, this reduces the amounts receivable. Cumulative value adjustments are publicly declared as loan loss provisions. Interest receivables are not carried as income if an existing claim is very unlikely to be recovered.

Loan loss provisions
Banking risk is accounted for by BTV using appropriate amortisation and provisions. Counterparty risk is covered through group-wide assessment procedures and appropriate hedging. The total amount of loan loss provisions that takes the form of balance-sheet receivables is posted as deductions on the asset side of the balance sheet after loans and advances to banks and loans and advances to customers.
Loan loss provisions for non-balance sheet transactions (mainly contract bonds) are recognised under reserves and provisions.
Flat-rate value adjustments are formed for portfolio losses that have occurred as of the balance-sheet date, but have not yet been identified on the basis of the historic probability and level of loss of the portfolio for which provisions have not otherwise been formed. The amount of the adjustment will take account of the economic environment and current events.

Trading assets/liabilities
Securities, derivatives and other financial instruments held for trading are recognised at fair value on the balance sheet at the balance-sheet date. Negative market values are posted under "Other Liabilities" on the balance sheet. Valuations are made using market prices, if available, otherwise recognised methods, such as discounted cash flow analysis or options pricing, will be applied to obtain fair value.
All realised and unrealised profits from this kind of item are shown in the income statement in the trading income statement. This statement also includes interest and dividend income from assets held for trading and any refinancing interest thereon.

Other liquid assets
Securities not classed as held for trading or long-term investments and loans under internal group regulations fall under this heading. Disposal gains of this portfolio are included under the heading "Other operating income". Depending on their allocation, valuation gains are included in equity either under other operating income (fair value through profit & loss) or under provisions for assets available for sale.

Financial assets
This balance sheet item includes the debenture bonds, which are intended for long-term holding or holding until due date, and other fixed-interest securities, as long as these have a final due date. These all form part of the held to maturity portfolio. The heading also covers participations and shares in associates and equity interests in unconsolidated companies.

Intangible fixed assets
This item primarily includes rights to tenancy. The valuation takes place according to historic purchase cost minus regular amortisation. Regular amortisation takes place proportionately on the basis of estimated useful life.

Property, plant and equipment
Property, plant and equipment includes land and buildings, including office furniture and equipment, and they are measured at purchase or development cost and depreciated over their projected useful working lives, which for buildings are 33 1/3 years to 50 years and for office furniture and equipment are 4 to 10 years. IAS 40 requires buildings to be measured on the basis of historic purchase or construction cost.

Leasing
BTV group leases are mainly finance leases, in which all risk associated with the leased assets is assumed by the lessee. Under IAS 17, lessors must issue a payment request to the lessee in the cash amount of the contractually agreed payments that takes into account any residual value that might exist.
In the case of operating leases (in which all ownership-associated risk remains with the lessor) the lessor recognises the leased item under "Property, plant and equipment", and regular amortisation takes place in line with applicable principles. Leasing payments are recognised in the income statement according to the right of use.

Liabilities

Liabilities to customers and credit institutions and securitised debt are measured together with their repayment costs or nominal amounts. Agios/disagios are allocated as income or expense pro rata. Securitised debt is set against production cost for treasury issues.

Reserves and provisions

Long-term payroll reserves and provisions (pensions, severance pay, anniversary bonuses and quarterly death liabilities) are recognised in accordance with IAS 19 ("Employee Benefits") using the projected unit credit method. Future liabilities are assessed using actuarial reports. This means that in addition to the pay-outs known on the balance-sheet date, future expected increments in this figure are also taken into account.
The main parameters used in the actuarial calculation of pension liabilities are the 4.0% p. a. discount rate (long-term capital market rate) plus a 3.25% p. a. pay rise for employees in active service. The parameters applied to pension reserves for existing pensioners are a 4.0 % p. a. discount rate and an expected 3.0 % p. a. collective agreement rise in pensions. Severance pay and anniversary bonuses are also calculated on the basis of a 4.0% p. a. discount rate and an average 3.25% p. a. pay rise. The age at which people start to receive their pension is considered individually. Long-term payroll provisions (pension, severance pay and anniversary bonus liabilities) took place according to the current AVO 1999 P – Rechnungsgrundlagen für die Pensionsversicherung (Basis of calculation for pension insurance) – mortality tables issued by Pagler & Pagler.
In comparison with the previous year, calculations have changed with respect to the discount rate, which has been adjusted from 3.5% to 4.0% according to capital market developments, and the collective agreement increases. On the basis of the 2006 collective agreement financial statement, these are increased from 2.5% to 3.25% for shareholders, and from 2.25% to 3.0% for pensioners.
The differences resulting from the change of the calculation parameters are listed under the actuarial profits/losses.
The opportunity to present actuarial gains and losses using the corridor method, or to list these in the equity, has not been used.
Reserves and provisions are formed in accordance with IAS 37, if the group has legal or effective 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 assessment of the extent of the commitment is possible. Reserves and provisions are subject to annual audit and reassessment.

Income tax

Income tax assets and liabilities are presented under either "Other assets" or "Reserves and provisions". Current income tax assets and liabilities are assessed with the tax values, which will be provided by the corresponding tax authorities. Deferred tax assets arising on unused tax losses are stated in the balance sheet if it is likely that taxable profits in the appropriate amount will be posted in future by the same company. The bank used the possibility to apply group taxation.

Net interest income
Interest yield and interest paid are deferred on an accrual basis. The net interest income includes proceeds and expenses, which represent remuneration for the surrender of capital. This item also includes the proceeds from shares, other equity interests and any remaining variable-interest securities, unless these are proceeds from securities which must be assigned to the trading assets. Proceeds from participations and shares in associates are also included under this item, so long as they are not consolidated because they are of subsidiary importance. Profits from companies consolidated at equity are also listed under this item.

Loan loss provisions
The item "Loan risk provisioning" contains accruals of cumulative value adjustments and reserves and provisions and/or profits from the release of cumulative value adjustments, reserves and provisions, and direct amortisation and subsequent income from any written-off amounts receivable that are related to loans.

Commission income
The commission income is the balance of profits and expenses resulting from the service business.

Trading income
This item contains profits and losses from the sales of securities and other financial instruments held for trading, valuation profits and losses from the market valuation of securities and other financial instruments held for trading, accrued interest from fixed-interest securities held for trading and dividend profits from shares held for trading, as well as the refinancing expenses for these securities.

Balance Sheet – Assets

1 Cash reserves in thousands of €	31.12.06	31.12.05
Cash	35.280	29.213
Central bank credit balances	91.693	94.351
Cash reserves	**126.973**	**123.564**

2 Loans and advances to banks in thousands of €	31.12.06	31.12.05
Austrian banks	98.022	88.991
Foreign banks	201.136	27.519
Loans and advances to banks	**299.158**	**116.510**

3 Loans and advances to customers in thousands of €	31.12.06	31.12.05
Austrian	3.888.579	3.684.152
Foreign	1.372.789	1.225.935
Loans and advances to customers	**5.261.368**	**4.910.087**

Loans and advances to customers include finance lease agreements with a net investment value of € 356.8 million (previous year € 364.7 million). The corresponding gross investment on these leasing agreements is € 434.2 million (previous year € 431.7 million), the related amount still outstanding amounts to € 77.4 million (previous year € 67.1 million). The residual value of all leasing assets was guaranteed in the financial year, as it had been in the previous year. On the balance-sheet date, a € 5.1 million provision (previous year € 4.2 million) had been formed for unrealisable leasing receivables.

Maturities for finance lease receivables in thousands of €	< 1 year	1 – 5 years	> 5 years	Total
Gross investment	68.044	194.552	171.601	434.197
Outstanding lease income	13.506	46.246	17.649	77.401
Net investment outstanding	54.538	148.307	153.952	356.797

4 | Loan loss provisions in thousands of €	2006	2005
Opening balance at 1 January	147.879	145.541
– Releases	–7.778	–4.559
+ Allocation	29.728	23.516
– Application	–17.390	–16.619
Loan loss provisions at 31 December	152.439	147.879
Opening balance commitments at 1 January	181	241
– Releases	–89	–140
+ Allocation	127	80
– Application	0	0
Reserves and provisions commitments at 31 December	219	181
Total loan loss provisions commitments at 31 December	**152.658**	**148.060**

5 | Trading assets in thousands of €	31.12.06	31.12.05
Debenture bonds and other fixed-interest securities	12	304
– Quoted	0	0
– Not quoted	12	304
Equities and other variable-interest securities	0	11.478
– Quoted	0	11.478
– Not quoted	0	0
Positive market values arising from derivative transactions	95	25
– Interest-rate contracts	95	25
Trading assets	**107**	**11.807**

6 Other current assets in thousands of €	31.12.06	31.12.05
Debenture bonds and other fixed-interest securities	987.300	898.343
– Quoted	983.679	889.796
– Not quoted	3.621	8.547
Equities and other variable-interest securities	109.968	84.757
– Quoted	109.968	84.757
– Not quoted	0	0
Positive market values arising from derivative transactions	600	0
– Interest-rate contracts	600	0
Total current assets *	**1.097.686**	**983.100**
* of which fair value	39.638	38.654

7 Long-term investments and loans in thousands of €	31.12.06	31.12.05
Securities held as current assets/HTM		
Debenture bonds and other fixed-interest securities	330.595	342.135
– Quoted	310.766	322.225
– Not quoted	19.829	19.910
Interim securities held as current assets	330.595	342.135
Participations/associates		
Other participations	20.062	20.594
– Banks	13.533	13.512
– Non-banks	6.529	7.082
Other associates	70.400	70.161
Participations consolidated at equity	200.196	165.199
– Banks	196.717	161.784
– Non-banks	3.479	3.415
Interim participations/associates	290.658	255.954
Total long-term investments and loans	**621.253**	**598.089**

Barring the participations assessed at equity, the item "Participations/associates" only contains the financial instruments assessed on their purchase costs (at cost).

8 Statement of accessions and disposals – 31.12.2006 in thousands of €	Purchase value 01.01.06	Additions	Disposals
Intangible fixed assets	7.829	73	– 481
Land and buildings	102.640	24.623	– 2.225
Office furniture and equipment	52.106	6.627	– 3.368
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**

Statement of accessions and disposals – 31.12.2005 in thousands of €	Purchase value 01.01.05	Additions	Disposals
Intangible fixed assets	10.739	38	– 2.948
Land and buildings	78.255	27.357	– 1.059
Office furniture and equipment	54.351	4.406	– 4.374
Other participations	21.062	67	– 350
Other associates	70.089	76	0
Participations consolidated at equity	145.494	19.705	0
Total	**379.990**	**51.649**	**– 8.731**

On the reporting date, a carrying value of € 18.8 million was calculated for the non-operational assets entered in the balance sheet on the basis of the historic purchase costs (carrying value method). The amount in the previous year was € 5.0 million, meaning that regular amortisation was calculated to be € 0.9 million (previous year € 0.2 million). In comparison, there was a fair value of € 19.0 million on 31 December 2006. The comparative value for the previous year was € 5.1 million. The item "Land and buildings" contains carrying values from operating lease agreements of € 5.0 million (previous year € 5.2 million). The current value is € 5.1 million. No contingent rental income was recognised in the reporting year.

Operating lease maturities thousands of €	< 1 year	1 – 5 years	> 5 years	Total
Future minimum rental payments	331	1.326	3.530	5.187

Reclassification	Group change	Value change	Purchase value 31.12.06	Cumulative amortisation	Balance sheet value 31.12.06	Amortisation	Balance sheet value 31.12.05
0	0	0	7.421	–5.940	1.481	–426	1.834
1.037	0	0	126.075	–20.387	105.688	–2.204	83.705
–1.037	0	–31	54.297	–37.540	16.757	–4.045	14.271
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**

Reclassification	Group change	Value change	Purchase value 31.12.05	Cumulative amortisation	Balance sheet value 31.12.05	Amortisation	Balance sheet value 31.12.04
0	0	0	7.829	–5.995	1.834	–722	4.332
2.269	–4.182	0	102.640	–18.935	83.705	–2.019	33.548
–2.269	0	–8	52.106	–37.835	14.271	–4.706	46.515
0	0	0	20.779	–185	20.594	0	20.937
0	0	0	70.165	–4	70.161	0	70.085
0	0	0	165.199	0	165.199	0	145.494
0	**–4.182**	**–8**	**418.718**	**–62.954**	**355.764**	**–7.447**	**320.911**

8a Intangible fixed assets in thousands of €	31.12.06	31.12.05
Intangible fixed assets	1.481	1.834
Intangible fixed assets	**1.481**	**1.834**

8b Property, plant and equipment in thousands of €	31.12.06	31.12.05
Land and buildings	105.688	83.705
Office furniture and equipment	16.757	14.271
Property, plant and equipment	**122.445**	**97.976**

9 Other assets in thousands of €	31.12.06	31.12.05
Deferred tax assets	1.126	1.280
Positive market values arising from derivative transactions	17.521	15.871
Other	61.414	53.143
Other assets	**80.061**	**70.294**

10 Deferred tax assets and liabilities in thousands of €	31.12.06	31.12.05
Securities	–6.670	–8.930
Derivatives	–877	–537
Long-term payroll provisions	6.687	6.537
Bad debt provision	5.982	4.767
Revaluations of finance leases and other items	–3.995	–5.747
Deferred tax assets and liabilities	**–1.126**	**–3.910**

Balance Sheet – Liabilities

11 | Banks in thousands of €	31.12.06	31.12.05
Austrian	759.042	670.387
Foreign	500.060	217.483
Liabilities to banks	**1.259.102**	**887.870**

12 | Customer accounts in thousands of €	31.12.06	31.12.05
Savings deposits		
Austrian	970.563	949.854
Foreign	123.471	108.439
Sub-total savings deposits	1.094.034	1.058.293
Other deposits		
Austrian	2.820.707	2.804.708
Foreign	370.698	245.225
Sub-total other deposits	3.191.405	3.049.933
Customer accounts	**4.285.439**	**4.108.226**

13 | Securitised debt in thousands of €	31.12.06	31.12.05
Debentures	741.147	681.293
Domestic bonds (including medium-term cash deposit)	141.722	166.332
Securitised debt	**882.869**	**847.625**

14 | Reserves and provisions in thousands of €	31.12.06	31.12.05
Long-term payroll reserves	63.118	61.212
Other Reserves and provisions	4.432	6.319
Reserves and provisions	**67.550**	**67.531**

14a | Long-term payroll reserves in thousands of €	Pensions.	Severance pay	Anniversary bonus	Other	Total current payroll reserves
At 01.01.2005	38.857	12.580	3.723	1.850	57.010
Interest	1.405	491	140	73	2.109
Length of service expenses	122	762	249	0	1.133
Disbursements	– 2.733	– 704	– 164	– 9	– 3.610
Actuarial gain/loss	3.584	732	32	222	4.570
At 31.12.2005	**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**

Profits and losses resulting from the change in calculation parameters are included in the actuarial profits/losses listed above.

14b | Other reserves and provisions in thousands of €	31.12.2005	Accruals	Applications	Releases	Reclassi-fications	31.12.2006
Tax	5.327	1.836	– 106	– 1.529	– 3.661	1.867
Other	992	1.662	0	– 89	0	2.565
Other reserves and provisions	**6.319**	**3.498**	**– 106**	**– 1.618**	**– 3.661**	**4.432**

15 | Other liabilities in thousands of €	31.12.06	31.12.05
Trading – interest-rate transactions	122	43
Negative market values arising from derivative transactions	31.023	19.074
Other	79.811	73.774
Other liabilities	**110.956**	**92.891**

16 | Subordinated capital in thousands of €	31.12.06	31.12.05
Supplementary capital	339.985	291.621
Subordinated capital	**339.985**	**291.621**

17 | Equities

On 31 December 2006 subscribed capital amounted to € 50.0 million (previous year: € 50.0 million). The share capital is represented by 4,500,000 individual voting share certificates registered to the owner (ordinary shares). In addition, 500,000 individual non-voting share certificates registered to the owner (preference shares) were issued, which have a minimum dividend of 6% (to be paid in the case of a dividend suspension). The historic cash value of individual held shares on the balance-sheet date is € 2.4 million (previous year: € 2.5 million).

Equities	**2006**	**2005**
Equity float at 1 January	4.955.303	4.958.427
Treasury shares purchased	– 241	– 3.031
Treasury shares sold	1.284	93
Equity float at 31 December	4.956.346	4.955.303
plus treasury shares held by Group	43.654	44.697
Equities issued at 31 December	5.000.000	5.000.000

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

Consolidated own funds of the BTV banking group in millions of €	**31.12.06**	**31.12.05**
Share capital	50,0	50,0
Minus treasury shares	– 2,4	– 2,5
General reserves	307,1	285,4
Consolidation pursuant to section 24(2) BWG	10,3	8,6
Minus intangible assets	– 1,3	– 1,7
Core capital (Tier 1)	**363,7**	**339,8**
Supplementary own funds (Tier 2)	352,9	304,3
Valuation items	– 99,2	– 88,8
Eligible own funds (excluding Tier 3)	**617,4**	**555,3**
Own funds applied pursuant to section 23(14 Z 7) BWG (Tier 3)	0,7	0,0
Eligible own funds pursuant to section 23(14) BWG	**618,1**	**555,3**
Capital adequacy - own fund requirement	413,2	381,8
Securities trading book and general currency position - own fund requirement	0,7	3,0
Own fund requirement pursuant to section 22(1) BWG	413,9	384,8
Excess	**204,2**	**170,5**
Core capital ratio	7,04 %	7,12 %
Attributable own funds	11,95 %	11,63 %

Income Statement

18 | Net interest income in thousands of €	2006	2005
Interest and similar income from		
lending and money market transactions with banks	36.892	28.977
lending and money market transactions with customers	177.718	138.245
debenture bonds and fixed-interest securities	48.066	42.125
equities and variable-rate securities	4.173	3.750
other participations	2.058	1.149
participations carried at equity	18.029	14.309
other	3.391	4.113
Sub-total interest and similar income	290.327	232.668
Interest and similar expenses on		
bank deposits	–28.316	–12.377
client deposits	–105.210	–81.819
securitised debt	–27.530	–21.738
subordinated capital	–13.443	–11.943
other	–4.930	–5.342
Sub-total interest and similar expenses	–179.429	–133.219
Net interest income	**110.898**	**99.449**

19 | **Loan loss provisions in thousands of €**	**2006**	**2005**
On-balance sheet	–29.728	–23.516
Off-balance sheet	–127	–80
Loan loss insurance premiums	–4.310	–4.388
Release of on-balance sheet provisions	7.778	4.559
Release of off-balance sheet provisions	89	140
Direct amortisation	–3.510	–4.195
Income from amortised receivables	381	550
Loan loss provisions	**–29.427**	**–26.930**

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

20 | **Commission in thousands of €**	**2006**	**2005**
Lending	2.869	2.405
Payment transactions	12.537	12.521
Securities trading	26.430	22.316
Currency, foreign exchange and precious metals trading	3.036	2.672
Other	762	929
Commission income	**45.634**	**40.843**

21 Trading income in thousands of €	2006	2005
Derivatives	869	556
Securities	685	4.653
Foreign currency	986	1.116
Trading income	**2.540**	**6.325**

22 Operating expenses in thousands of €	2006	2005
Payroll	–53.873	–55.178
Materials	–22.116	–20.473
Amortisation	–6.672	–7.447
Operating expenses	**–82.664**	**–83.098**

Personnel expenses include expenses for defined contributions pension schemes amounting to € 934.8 thousand (previous year: € 909.6 thousand).

22a | Payroll	2006	2005
White collar	835	820
Blue collar	25	22
Payroll	**860**	**842**

In the reporting year the listed number of employees included an average of 30 blue-collar workers (previous year 10 blue-collar workers) working for associated companies.
Loans and advances to members of the Board at 31 December 2006 totalled € 16 thousand (previous year € 21 thousand). In the case of members of the Supervisory Board, loans and advances totalled € 39,345 thousand (previous year € 39,536 thousand). Interest and other conditions (term and security) were in line with the market. In the case of loans to members of the Board, in the current financial year repayments amounting to € 5 thousand (previous year € 5 thousand) were made. In the case of loans to members of the Supervisory Board, in 2006, as in 2005, no repayments were made. It should also be noted that loans amounting to € 39,091 thousand had been amortised in February 2007. Loans at normal market rates and with normal market conditions were given to associates and relatives of members of the Supervisory Board in the 2006 financial year.

The members of the Management Board with key positions in the financial year (12 people, 1 more than in the previous year) received payments (including payments in kind) of € 1,614 thousand for their services throughout 2006. (previous year: € 1,518 thousand). This represents 3.0% of total personnel costs for the BTV group. Of these, € 484 thousand (previous year € 471 thousand €) were variable remunerations. Payments of € 513 thousand were made to former members of the Board and their surviving dependents in the reporting year (previous year € 498 thousand). The pension reserves and provisions for the stated group of people on 31 December 2006 amounted to € 11,571 thousand (previous year € 10,650 thousand). Reserves and provisions for severance pay amounted to € 812 thousand (previous year € 674 thousand).
Active members of the BTV AG Supervisory Board were given annual payments of € 105 thousand for their services in the reporting year (previous year € 121 thousand).

23 | Other operating income in thousands of €	2006	2005
Securities and derivatives	2.403	841
Participations	– 10	1.195
Sundry other operating income	6.154	6.368
Sundry other operating expenses	– 4.655	– 5.171
Other operating income	**3.892**	**3.233**

As a rule, the accounts attributable to the normal business of a banking group (e.g. renting revenues, operating costs of buildings not used in operations, goods and materials used, sales revenues, and revenues from non-banking business such as insurance) are not usually included under other operating income.

24 | Income and profits tax in thousands of €	2006	2005
Current tax expense	– 7.119	– 2.549
Deferred tax expense/income (-/+)	785	– 2.382
Income tax	**– 6.334**	**– 4.931**

Adjustments in thousands of €	**31.12.06**	**2005**
Net profit for the year before tax	50.873	39.822
Calculated tax expense	– 12.718	– 9.956
Deductible tax-free participation income and other tax-free income	2.455	3.245
Additional taxable expense	– 66	– 736
Other	820	– 234
Non-regular tax expense	– 596	405
Change in tax rate	0	– 47
Tax-free at-equity income	3.771	2.392
Income and profits tax	**– 6.334**	**– 4.931**

Income taxes include the current income taxes calculated for the individual companies of the group on the basis of the fiscal results, income tax adjustments for the previous year and the change in the latent deferred taxes.

25 | EPS (ordinary und preference shares)	31.12.06	31.12.05
Equities at 31 December (ordinary und preference shares)	5.000.000	5.000.000
Average float	4.955.228	4.956.793
Net Group income for the year (thousands of e)	44.539	34.891
EPS in € (ordinary und preference shares)	8,99	7,04
Diluted gain per share in € (ordinary und preference shares)	8,99	7,04
Dividend per share in € (ordinary und preference shares)	1,40	1,40

Since no financial instruments with diluting effect on ordinary or preference shares were in circulation over the period, the values of "gain per share" and "diluted gain per share" are equal.

26 | Allocation of profits

Profits suitable for distribution are calculated using the BTV AG annual financial statement. Net income produced in the financial year 2006 amounted to € 29.2 million (previous year: € 21.8 million). After accruals of € 22.3 million and retained earning, accumulated profit was € 7.1 million. At the AGM the Management Board proposed that a dividend of € 1.40 per share should be distributed for the 2006 financial year (previous year € 1.40). This distribution will require a total of € 7.0 million. Pursuant to section 65 paragraph 5 of the Equities Act, the remaining profit should be carried forward.

27 | Segment reporting

The basis of the segment report is the internal divisions report, which shows management responsibility within BTV in 2006. The divisions are treated as individual companies with their own capital endowment and responsibility for their own results.
The criterion for the boundaries of the divisions is, primarily, the personal responsibility for their clients. Changes in the areas of responsibility can lead to changes in the segment allocation within a financial year. These effects must be taken into consideration when comparing with unadjusted figures for the previous year.

BTV currently has the following divisions:
The corporate clients division is responsible for the customer groups small, medium and large enterprises, and tax consultants. The activities of all leasing subsidiaries also fall into this division.
The retail clients division is responsible for the market segments retail customers, freelancers and the smallest businesses.
The treasury division (previously institutional customers and banks) mainly carries out BTV's treasury and trading business, in addition to the income from BTV participations.

Corporate clients
The result showed a 14.1% increase in comparison to the previous year, with an annual income before tax of € 21.0 million. Volume expansions in both the lending business and in deposits led to a € 3.7 million/7.3% improvement in the interest income. The growth in the commission income is primarily due to the positive development in credit and currency transactions. Increased personnel costs due to our expansion in Eastern Switzerland, Bavaria and Baden-Württemberg led to a € 2.2 million/9.9% increase in operating expenses. The costs/returns ratio was therefore 38.5%, and the equity yield rate was 8.8%.

Retail clients
This client sector was dominated by a pleasing development in securities trading. The total commission income rose by 7.9 % to € 31.7 million. Interest income increased by 8.6% in comparison with the previous year, to approximately € 49.0 million. Declining margins in the lending business could be more than compensated for by new business, in particular in the residential construction sector, and margin improvements in deposit transactions. Operating expenses (plus 6.5%) were dominated by our expansion activities. The annual income before taxes reached a value of € 19.7 million in 2006. The costs/returns ratio improved to 64.3% due to the positive returns development. The equity yield rate was 15.5% above its level in the previous year.

Treasury
Rising dividend and share income had a positive effect on the net interest income in the treasury segment. The trading result significantly reduced due to the lower returns from proprietary securities trading. Annual income before tax amounted to € 14.3 million, and was therefore 25.5% higher than in the previous year.

Segment reporting inthousands of €	Year	Corporate	Retail	Treasury	Other	Total
Net interest income	2006	53.665	49.011	8.223	0	110.898
	2005	50.000	45.125	4.324	0	99.449
Loan loss provisions	2006	–20.043	–9.384	0	0	–29.427
	2005	–19.238	–7.692	0	0	–26.930
Commission	2006	10.570	31.660	3.404	0	45.634
	2005	10.084	29.340	1.419	0	40.843
Trading income	2006	0	0	2.540	0	2.540
	2005	0	0	6.325	0	6.325
Operating expenses	2006	–24.700	–51.881	–2.235	–3.849	–82.664
	2005	–22.476	–48.733	–2.682	–9.207	–83.098
Other operating income	2006	1.503	295	2.403	–309	3.892
	2005	30	1.061	2.036	106	3.233
Net profit for the year before tax	2006	20.996	19.701	14.335	–4.158	50.873
	2005	18.400	19.101	11.422	–9.101	39.822
Segment income	2006	3.336.129	1.624.803	2.028.163	0	6.989.095
	2005	2.839.433	1.590.239	1.933.965	0	6.363.637
Segment liabilities	2006	1.332.829	1.734.935	3.699.632	0	6.767.396
	2005	796.923	1.663.025	3.675.395	0	6.135.343
Ø Lending and market risk equivalent pursuant to section 22 BWG	2006	2.998.549	1.584.979	301.190	84.491	4.969.209
	2005	2.719.716	1.527.611	252.532	80.819	4.580.678
Ø Allocated equity	2006	239.884	126.798	24.095	100.219	490.996
	2005	217.577	122.209	20.203	90.752	450.741
Cost/income ratio (%)	2006	38,5%	64,3%	15,8%	0	52,0%
	2005	37,4%	65,4%	22,2%	0	56,7%
RoE (basis net profit for the year before tax) in %	2006	8,8%	15,5%	59,5%	0	10,4%
	2005	8,5%	15,6%	56,5%	0	8,8%

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 attributed are recognised under "Others". The decrease in operating expenses in the "Other" segment is largely a result of the omission of the special factor in the previous year in the calculation parameters for social capital. Since allocations to pension reserves mainly concern pensioners of the bank, this additional expense is not attributed to the segments.
Segment receivables include "Loans and advances to banks", "Loans and advances to customers", "Trading assets" and "Securities classified under other current assets and non-current assets". Segment liabilities fall under the headings of "Liabilities against banks", "Liabilities against clients", "Securitised debts" and "Supplementary capital". Division performance is measured from the net segment pre-tax profit for the year.
Equity performance is deduced from the ratio between annual income before tax and equity. Capital is allocated as required by law. It is based on the own funds requirements of the various divisions and, together with the appropriate reference rate for long-term investments, is reported as assessed equity under net interest income.
The cost/income ratio is calculated as a proportion of operating expenses and total net interest income, commissi-on and trading income.

Balance sheet data – Additional and supplementary data

28 Other information in thousands of €	31.12.06	31.12.05
a | Non-interest bearing receivables	53.792	50.204
Assets given as security:		
– Debenture bonds and other fixed-interest securities	53.056	58.448
– Loans and advances to banks	565	58
– Loans and advances to customers	90.954	99.663
b | Assets given as security	144.575	158.169
Liabilities for which security has been given:		
– Eligible securities	9.326	9.934
– Loans to credit institutions	91.519	99.721
c | Liabilities for which security has been given	100.845	109.655
Subordinated assets:		
Debenture bonds and other fixed-interest securities	26.530	26.725
d | Subordinated assets	26.530	26.725
Foreign currency items:		
– Receivables	1.942.214	2.045.875
– Liabilities	525.574	318.935
e | Foreign currency items		
Foreign items:		
– Assets	2.620.129	2.150.911
– Liabilities	998.205	673.426
f | Foreign items		
Trust transactions:		
Receivables:		
– Banks	47.896	42.111
– Non-Bank clients	0	0
Trust liabilities		
– Banks	29.952	22.921
– Customer accounts	17.944	19.190
g | Trust transactions	47.896	42.111
h | Securities repos	132.000	170.000
Contract bonds and Credit risks		
– Contract bonds	201.119	197.250
– Credit risks	725.759	846.410
i | Contract bonds/Credit risks	926.878	1.043.660

29 | Transactions with related parties

As part of normal business activities, transactions are carried out with associates and individuals under normal market conditions. The scope of these transactions is as follows:

29a | Unconsolidated companies and subsidiaries loans and advances and liabilities in thousands of €

	31.12.06	31.12.05
Loans and advances to banks	0	0
Loans and advances to customers	12.387	6.573
Total receivables	12.387	6.573
Liabilities to banks	0	0
Customer accounts	0	5.978
Total liabilities	0	5.978

The income statement shows profits of € 582.0 thousand (previous year € 1,174.7 thousand and expenses of € 346.8 thousand (previous year € 187.0 thousand) for transactions with the parent company and its subsidiaries.

29b | Associates and participations loans and advances and liabilities in thousands of €

	31.12.06	31.12.05
Loans and advances to banks	3.829	106
Loans and advances to customers	6.042	6.745
Total receivables	9.871	6.851
Liabilities to banks	59.882	190.659
Customer accounts	5.498	4.745
Total liabilities	65.380	195.404

The income statement shows profits of € 2,206.4 thousand (previous year € 600.7 thousand and expenses of € 175.5 thousand (previous year € 123.1 thousand) for transactions with the parent company and its associates.
The fair value of listed companies consolidated at equity at the balance sheet date was € 216.2 million (previous year € 183.9 million). The temporary differences as per IAS 12.87 amounted to € 159.6 million (previous year € 132.9 million) on the balance sheet date.

The number of own shares held via associates amounted to 1,340,423 (previous year: 1,320,423).

29c | The associates included in the consolidated financial statements produced the following values on the balance sheet date: (in thousands of €)	31.12.06	31.12.05
Assets	18.327.030	17.189.168
Liabilities	17.100.374	16.112.545
Revenue	915.837	776.079
Accounting profits/losses	124.030	92.509

29d | The associates not included in the consolidated financial statements produced the following values on the balance sheet date: (in thousands of €)	31.12.06	31.12.05
Assets	135.809	134.268
Liabilities	57.980	61.514
Revenue	63.636	59.358
Accounting profits/losses	5.672	5.181

The most recent annual financial statements were taken as the basis of calculations to determine the values in tables 29c and 29d.

According to the underlying financial instrument, the volume of transactions is divided into interest-rate, exchange-rate and securities-related transactions. The decision to divide them according to term is in line with international recommendations, as is the division into interest-rate, exchange-rate and securities-related transactions. As of the end of 2006 BTV had only OTC (over the counter) transactions on its books. Derivatives not held for trading in interest-rate contracts primarily result from client business. Cross-currency swaps and interest rate options were in demand from clients, in addition to interest-rate swaps. BTV hedges these positions with contra transactions with other banks and accepts no risk onto its books. BTV itself mainly uses interest-rate swaps to manage its own general banking interest-rate risk, and currency swaps to hedge its exchange-rate risk. Securities-related transactions concern only structured issued index options. The options needed for this are bought from foreign banks.

Total unliquidated derivatives as of 31.12.2006		**Contract volumes/Time to maturity**			**Market value**	
in thousands of €	**< 1 year**	**1 – 5 years**	**> 5 years**	**Total**	**Positive**	**Negative**
Interest-rate contracts						
Interest-rate swaps	155.383	633.361	671.078	1.459.822	12.261	– 25.463
– Acquisition	14.727	160.724	303.369	478.819	11.014	– 2.240
– Sales	140.656	472.637	367.710	981.002	1.246	– 23.223
Interest options	330.530	6.000	0	336.530	1.368	– 1.365
– Acquisition	165.265	3.000	0	168.265	0	– 1.365
– Sales	165.265	3.000	0	168.265	1.368	0
Interest-rate contracts	**485.913**	**639.361**	**671.078**	**1.796.351**	**13.629**	**– 26.828**
Interest-rate contracts						
Currency swaps	137.844	28.322	9.968	176.134	5.371	– 4.877
– Acquisition	67.377	14.159	4.977	86.513	5.299	– 5
– Sales	70.467	14.163	4.991	89.621	71	– 4.872
Currency futures	1.473.390	396	0	1.473.786	302	– 31
Exchange-rate contracts	**1.611.234**	**28.718**	**9.968**	**1.649.920**	**5.673**	**– 4.908**
Securities-related transactions						
Options for assets values and other security price related index options	18.436	120.721	50.275	189.432	21.874	0
– Acquisition	18.436	120.721	50.275	189.432	21.874	0
Securities-related transactions	**18.436**	**120.721**	**50.275**	189.432	**21.874**	**0**
Total bank book	**2.115.583**	**788.800**	**731.321**	**3.635.703**	**41.175**	**– 31.736**
Interest-rate contracts						
Interest-rate options – Trading book	18.426	0	0	18.426	95	– 122
– Acquisition	10.344	0	0	10.344	0	– 122
– Sales	8.082	0	0	8.082	95	0
Interest-rate contracts	**18.426**	**0**	**0**	**18.426**	**95**	**– 122**
Total trading book	**18.426**	**0**	**0**	**18.426**	**95**	**– 122**
Total unliquidated derivatives	**2.134.009**	**788.800**	**731.321**	**3.654.129**	**41.270**	**– 31.858**

31 | Fair Value of financial instruments

In the following table, the balance sheet item is compared to the attributed current value taken from the carrying value. The market value is the amount which could be expected to be achieved in an active market from the sale of a financial instrument, or that could be expected to be paid for a corresponding acquisition.

For items without a contractually fixed maturity, the respective carrying value was decisive. In the absence of market prices, recognised valuation models were used, in particular discounted cash flow analysis or options pricing.

Assets in thousands of €	**Fair Value 31.12.06**	**Carrying value 31.12.06**	**Fair Value 31.12.05**	**Carrying value 31.12.05**
Cash reserves	126.973	126.973	123.564	123.564
Loans and advances to banks	298.268	299.158	116.606	116.510
Loans and advances to customers	5.286.412	5.261.368	4.944.874	4.910.087
Loan loss provisions	–152.439	–152.439	–147.879	–147.879
Trading	107	107	11.807	11.807
Other current assets	1.097.868	1.097.868	983.100	983.100
Long-term investments and loans	621.908	621.253	611.195	598.089
Intangible fixed assets	1.481	1.481	1.834	1.834
Property, plant and equipment	122.745	122.445	97.976	97.976
Other assets	80.061	80.061	70.294	70.294
Total assets	**7.483.384**	**7.458.275**	**6.813.371**	**6.765.382**

Liabilities in thousands of €	**Fair Value 31.12.06**	**Carrying value 31.12.06**	**Fair Value 31.12.05**	**Carrying value 31.12.05**
Banks	1.261.421	1.259.102	888.081	887.870
Customer accounts	4.291.854	4.285.439	4.108.787	4.108.226
Securitised debt	887.219	882.869	862.524	847.625
Reserves and provisions	67.550	67.550	67.531	67.531
Other Liabilities	110.956	110.956	92.891	92.891
Subordinated capital	341.660	339.985	296.659	291.621
Total liabilities	**6.960.660**	**6.945.901**	**6.316.473**	**6.295.764**

31a | Breakdown of fair value and carring value of financial instruments

in thousands of €	Fair Value 31.12.06	Carrying value 31.12.06	Fair Value 31.12.05	Carrying value 31.12.05
Held to maturity	621.908	621.253	611.195	598.089
Available for sale	1.058.229	1.058.229	944.446	944.446
Fair Value through profit and loss – Aktiva	57.345	57.345	65.117	65.117
Fair Value through profit and loss – Passiva	15.198	15.198	12.438	12.438
Loans and Receivables	5.620.627	5.596.473	5.090.308	5.055.425
Liabilities	6.861.966	6.847.207	6.229.825	6.209.116

There was a cumulative loss of € 6,667.1 thousand in the reporting period resulting from financial assets available for sale (in the previous year there was a profit of € 6,505.5 thousand). This was recorded in the equity. Also, in the reporting year profits of € 2,978.1 thousand resulting from sales/amortisation from AfS valuation reserves (previous year € 2,228.1 thousand) were transferred to other operational profit. In 2006 an accumulated interest profit of € 171.3 thousand was recorded for devalued financial assets (previous year € 183.6 thousand).

32 | Maturities

Assets in thousands of €	Daily	< 3 mon.	3 mon. – 1 y.	1 – 5 years	> 5 years	Total
Loans and advances to banks	38.919	109.329	49.300	30	101.581	299.158
Loans and advances to customers	850.026	620.948	806.917	834.407	2.149.070	5.261.368
Trading	0	95	0	12	0	107
Amortisation of securities held as current assets	97.753	17.914	119.806	628.338	194.418	1.058.229
Fair value of securities held as current assets	10.130	0	940	8.684	19.884	39.638
Securities held as long-term investments	0	0	69.009	173.419	88.167	330.595
Total	**996.828**	**748.286**	**1.045.973**	**1.644.890**	**2.553.119**	**6.989.096**

Liabilities in thousands of €	Daily	< 3 mon.	3 mon. – 1 y.	1 – 5 years	> 5 years	Total
Banks	102.491	1.119.255	8.403	19.726	9.227	1.259.103
Customer accounts	1.465.208	1.744.504	802.005	273.291	431	4.285.439
Securitised debt	0	54.891	105.648	559.633	162.697	882.869
Subordinated capital	0	0	11.054	134.690	194.241	339.985
Total	**1.567.699**	**2.918.650**	**927.110**	**987.339**	**366.597**	**6.767.395**

33 | BTV AG Officers

The following members of the Management and Supervisory Boards were in post with BTV in 2006:

Managing Directors

Managing Directors

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

Supervisory Board

Honorary President

Dr. Heinrich Treichl, Vienna
Konsul Kommerzialrat Honorary Senator Dkfm. Dr. Hermann Bell, Linz (from 01.07.2006)

Chairman

Konsul Kommerzialrat Honorary Senator Dkfm. Dr. Hermann Bell, Linz (until 10.05.2006)
Generaldirektor Dr. Franz Gasselsberger, MBA, Linz (from 10.05.2006)

Alternates

Kommerzialrat Generaldirektor i. R. Dr. Gerhard Moser, Innsbruck
Konsul Kommerzialrat Generaldirektor Dkfm. Dr. Heimo Penker, Klagenfurt
Dr. Guido N. Schmidt-Chiari, Vienna

Members

Konsul Kommerzialrat Honorary Senator Dkfm. Dr. Hermann Bell, Linz (10.05.2006 – 30.06.2006)
Mag. Pascal Broschek, Fieberbrunn (from 10.05.2006)
Dipl.-Ing. Johannes Collini, Hohenems
Vorstandsdirektor Willibald Cernko, Wien (until 10.05.2006)
Generaldirektor Dr. Franz Gasselsberger, MBA, Linz (until 10.05.2006)
Kommerzialrat Dkfm. Dr. Hansjörg Jäger, Innsbruck (until 10.05.2006)
Dr. Dietrich Karner, Vienna
RA Dr. Andreas König, Innsbruck (from 10.05.2006)
Kommerzialrat Dkfm. Dr. Johann F. Kwizda, Vienna
Dr. Edgar Oehler, Balgach (CH)
Direktor Dkfm. Heinz Öhler, Innsbruck
Dipl.-Ing. Albert Pietsch, Reutte (until 10.05.2006)
Kommerzialrat Direktor Karl Samstag, Vienna
Konsul Dipl.-Ing. Paul Senger-Weiss, Lauterach
Direktor Dr. Johann Strobl, Vienna (until 10.05.2006)

Employee representatives

Andrea Abenthung-Müller, Betriebsratsobmann, Götzens
Alfred Fabro, Betriebsratsobmann-Stellvertreter, Wattens
Harald Handle, Betriebsratsobmann-Stellvertreter, Oberperfuß
Stefan Abenthung, Götzens
Birgit Fritsche, Nüziders (from 10.05.2006)
Herbert Kärle, Stanzach
Dietmar Rädler, Innsbruck
Walter Theurl, Gaimberg
Herlinde Tiefenthaler, Hard (until 10.05.2006)

State commissioners

State commissioners

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

Company name and registered office	Holding total	Holding direct	Equity (€ million)	Profit (loss) (€ thousands) **	Balance-sheet date
a | Associates:					
1. Austrian financial institutions:					
BTV Leasing GmbH, Innsbruck	100,00 %	100,00 %	24,7	1.059	30.09.2006
BTV Real-Leasing GmbH, Wien	100,00 %	5,00 %	9,9	281	30.09.2006
BTV Real-Leasing I GmbH, Innsbruck	100,00 %	5,00 %	23,2	1.088	30.09.2006
BTV Real-Leasing II GmbH, Innsbruck	100,00 %	4,26 %	29,7	838	30.09.2006
BTV Real-Leasing III Nachfolge GmbH & Co KG, Innsbruck	100,00 %		5,0	–198	30.09.2006
BTV Mobilien Leasing GmbH, Innsbruck	100,00 %		–2,4	–48	30.09.2006
BTV M1/92 Leasing GmbH, Innsbruck	100,00 %		–1,4	–27	30.09.2006
BTV Anlagenleasing 1 GmbH, Innsbruck	100,00 %		6,2	1.364	30.09.2006
BTV Anlagenleasing 2 GmbH, Innsbruck	100,00 %		5,7	372	30.09.2006
BTV Anlagenleasing 3 GmbH, Innsbruck	100,00 %		–0,2	89	30.09.2006
BTV Fahrzeug-Leasing GmbH, Innsbruck	100,00 %		–0,1	–4	30.09.2006
BTV Leasing Deutschland GmbH, Memmingen	100,00 %		0,5	–30	30.09.2006
2. Other Austrian companies:					
Bauprojekt Langer Weg GmbH, Innsbruck	100,00 %		–1,3	109	30.09.2006
BTV Beteiligungsholding GmbH, Innsbruck	100,00 %	100,00 %	71,6 *	44	31.12.2006
BTV 2000 Beteiligungsverwaltungs GmbH, Innsbruck	100,00 %		69,1 *	580	31.12.2006
BTV Anteilsholding GmbH, Innsbruck	100,00 %	100,00 %	0,1 *	–6	31.12.2006
BTV 3000 Beteiligungsverwaltung GmbH, Innsbruck	100,00 %		0,1 *	–13	31.12.2006
Stadtforum Tiefgaragenzufahrt GmbH, Innsbruck	100,00 %	100,00 %	0,0 *	23	31.12.2006
3. Foreign financial institutions:					
Privatinvest Staad AG in Liquidation, Staad (vorm. Privatinvest Zürich AG)	100,00 %	100,00 %	1,2 *	3	18.12.2006
BTV Leasing Schweiz AG, Staad	100,00 %		0,4 *	42	31.12.2006
SAGEV AG, Staad	100,00 %		0,0 *	–14	31.12.2006
b | Other companies					
1. Austrian banks and financial institutions:					
Alpenländische Garantie-GmbH, Linz	25,00 %	25,00 %	2,6 *	41	31.12.2006
2. Other Austrian companies:					
Beteiligungsverwaltung GmbH, Linz	30,00 %	30,00 %	13,5 *	416	31.12.2006
BKS-Zentrale-Errichtungs- und Vermietungsgesellschaft mbH, Klagenfurt	25,00 %	25,00 %	0,8 *	160	31.12.2006
Mayrhofner Bergbahnen AG, Mayrhofen	25,46 %		37,7 *	4.489	30.11.2005
DREI-BANKEN-EDV Gesellschaft mbH, Linz	30,00 %	30,00 %	3,2 *	–67	31.12.2006
Drei-Banken Versicherungs AG, Linz	20,00 %	20,00 %	17,4 *	769	31.12.2006
Vorarlberger Regionalradio GmbH, Bregenz	31,00 %		–0,3 *	26	31.12.2005
SHS Schatz, Humer, Satke & Partner GmbH, Innsbruck	20,00 %		0,5 *	305	31.12.2005
Drei-Banken Beteiligung GmbH, Linz	30,00 %		21,9 *	313	31.12.2006
LVM Leasing-Versicherungsmakler GmbH, Linz	39,20 %		0,0 *	–3	31.12.2006
Alpbacher Bergbahn GmbH, Alpbach	21,43 %	21,43 %	0,4 *	31	30.11.2005
3. Other foreign companies:					
AG für energiebewusstes Bauen AGEB, Staad	50,00 %		0,1 *	1	30.06.2006

* Equity within the meaning of section 229 HGB plus untaxed provisions and reserves

** Net income(loss) for the year after income tax, before accruals and appropriations and application of profits.

Participations

Details of the consolidation scope are given at the beginning of the notes to the financial statements. The equity and profits stated have been determined by the Austrian leasing companies, the German leasing companies and by Bauprojekt Langer Weg GmbH according to IFRS rules and may therefore differ from the figures published according to national regulations in the ordinary financial statements of these companies. In the case of all other companies, ordinary financial statements prepared under national accounting rules were used. The results stated reflect net income (loss) for the year after tax but before accruals and appropriations and, in the case of taxable affiliates and partnerships, net profit for the year before tax.

Innsbruck, 27 February 2007

The Managing Directors

Peter Gaugg

Mag. Matthias Moncher

Audit Report

We have examined the enclosed consolidated financial statement for the Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck, Austria, for the financial year from 1 January to 31 December 2006. The consolidated financial statement includes the consolidated balance sheet from 31 December 2006, the group income statement, the group cash flow analysis and the consolidated statement of group equity for the financial year which ended on 31 December 2006, in addition to a summary of the main accounting and analysis methods used and other appendices.

Responsibility of the statutory representatives for the consolidated financial statement
The statutory representatives of the company are responsible for the presentation of the consolidated financial statements, which must present a true and fair representation of the situation of the group's assets, finances and profits in accordance with International Financial Reporting Standards (IFRSs) as they are used in the EU. This responsibility comprises: Configuration, implementation and maintenance of an internal monitoring system, to the extent required for the presentation of a consolidated financial statement and the determination of a true and fair representation of the situation of the group's assets, finances and profits, so that this consolidated financial statement does not contain any significant errors, whether they be intentional or unintentional errors; selection and use of suitable accounting and analysis methods; execution of estimations which are appropriate in accordance with the stated framework conditions.

Responsibility of the auditor of annual accounts
It is our duty to give an opinion on the consolidated financial statements based on our audit. We have performed our audit in compliance with valid Austrian legal requirements and the International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). These standards require that we comply with the rules of professional conduct, and plan and perform an audit that will enable us to form a sufficiently reliable judgement on whether the consolidated financial statements are 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 consolidated financial statements. The selection of audit procedures is at the obligatory discretion of the auditor of annual accounts, and must be carried out under observance of his/her assessment of the risk that there will be material errors, whether they be intentional or unintentional errors. When carrying out this assessment of risk, the auditor of annual accounts takes into account the internal monitoring system, to the extent required for the presentation of a consolidated financial statement and the determination of a true and fair representation of the situation of the group's assets, finances and profits, in order to determine suitable audit procedures based on the framework conditions, without giving a judgement on the effectiveness of the group's internal monitoring system. The audit also involves giving an opinion on the adequacy of accounting and assessment methods used, and on the material valuations performed by the statutory representatives, and an assessment of the general presentation of the consolidated financial statements.
We are of the opinion that we have gained sufficient, appropriate auditory proof to ensure that our audit is a suitable reliable basis for us to be able to form our judgement.

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 statements comply with statutory requirements and offer a true and fair view of the assets and financial position of the group as at 31 December 2006, and of its income and cash flow positions for the financial year 1 January to 31 December 2006 in accordance with the International Financial Reporting Standards (IFRS), as they are applied in the EU.

Report on the consolidated management report
In accordance with Austrian legal requirements, the consolidated management report must be inspected to see that it is consistent with the consolidated financial statements, and to ensure that any other information given in the consolidated management report does not give a false impression of the position of the group.
In our opinion, the consolidated management report is consistent with the consolidated financial statement.

Innsbruck, 27 February 2007

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Rudolf Kraus
Mag. Michael Ahammer

Supervisory Board Report

The Supervisory Board has inspected the annual financial statement and the management report of BTV AG and the BTV Group, and has approved the profit distribution proposal.

The Supervisory Board has approved the annual accounts of BTV AG prepared in compliance with section 125 paragraph 2 of the Equities Act.

Innsbruck, March 2007

The Supervisory Board

Dr. Franz Gasselsberger, MBA, Vorsitzender

The BTV Group over 3 years

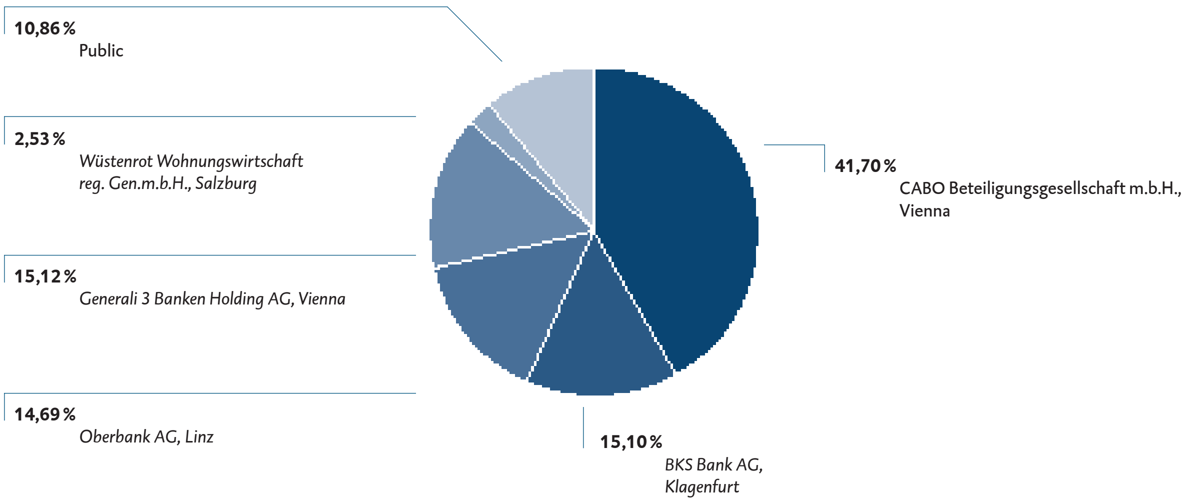
Balance sheet figures in millions of €	2006	2005	2004
Total assets	7.458	6.765	6.331
Loans and advances to banks	299	116	118
Loans and advances to customers	5.261	4.910	4.561
Loan loss provisions	–152	–148	–145
Other liquid assets	1.098	983	946
Financial assets	621	598	598
Loans to credit institutions	1.259	888	959
Liabilities to customers	4.285	4.108	3.731
Securitised debt	883	847	809
Subordinated capital	340	292	260
Equity	512	470	432
Primary funds	5.508	5.248	4.800
Volume of securities in deposit facilities	5.101	5.042	4.246
Profit and loss in millions of €			
Net interest income	110,9	99,4	94,6
Loan loss provisions	–29,4	–26,9	–25,5
Commission income	45,6	40,8	39,4
Trading income	2,5	6,3	–0,3
Operating expenses	–82,7	–83,1	–76,7
Other operating income	3,9	3,2	2,2
Profit of the year before tax	50,9	39,8	33,7
Group profit for the year	44,5	34,9	27,1
BTV AG dividends	7,0	7,0	6,5

The BTV Group over 3 years

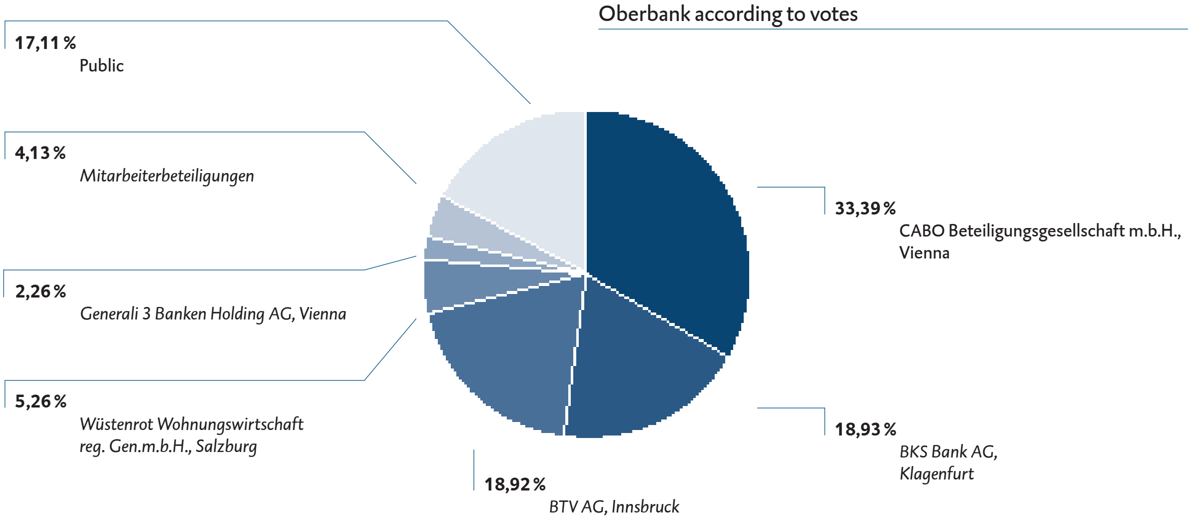
Equity (under Austrian law - BWG) in millions of €	2006	2005	2004
Risk-weighted assets	5.165	4.773	4.388
Own funds (not inc. Tier 3)	617	555	554
Core capital ratio	7,04 %	7,12 %	7,53 %
Total capital ratio	11,95 %	11,63 %	12,63 %
Surplus own funds	204	171	203
Companies			
IFRS EPS in €	8,99	7,04	5,46
Return on equity before tax	10,36 %	8,83 %	8,03 %
Return on equity after tax	9,07 %	7,74 %	6,47 %
Cost/income ratio	52,0 %	56,7 %	57,3 %
Risk/earnings ratio	26,5 %	27,1 %	27,0 %
Average no. of employees	846	820	829
Number of branches	40	37	37

Shareholders 3 Banken Gruppe

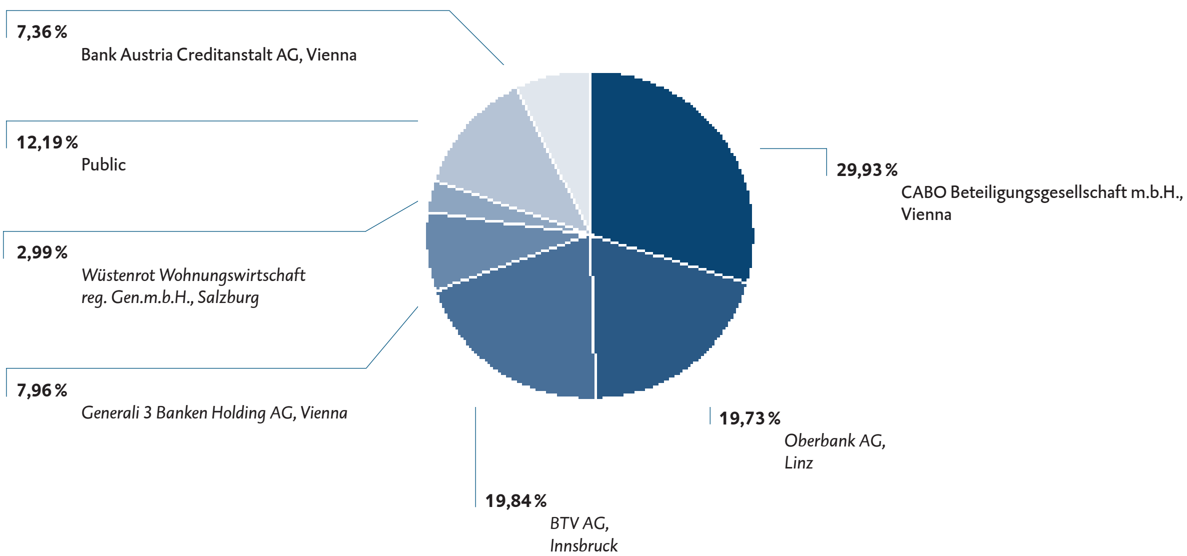
BTV according to votes



Oberbank according to votes



BKS Bank according to votes



The above italicised shareholders have concluded syndicate agreements.

3 Banken Gruppe – Overview Group Information

	BKS Bank		Oberbank		BTV	
Profit and loss in millions of €	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
Net interest income	94,1	86,7	241,2	211,5	110,9	99,4
Loan loss provisions	– 20,0	– 18,0	– 56,3	– 51,0	– 29,4	– 26,9
Commission income	41,0	40,0	94,9	90,5	45,6	40,8
Operating expenses	– 75,6	– 78,0	– 193,8	– 191,5	– 82,7	– 83,1
Net profit for the year before tax	44,8	33,5	93,5	79,2	50,9	39,8
Attributable net income for the year	39,0	29,6	83,2	69,2	44,5	34,9
Balance sheet figures in millions of €						
Total assets	5.145,4	4.719,0	13.221,8	12.251,6	7.458,3	6.765,4
Loans and advances to customers after loan loss provisions	3.206,3	2.922,0	7.969,3	7.227,0	5.109,0	4.762,2
Primary funds	3.009,1	2.633,7	7.605,4	7.268,4	5.508,3	5.247,5
– of which savings deposits	1.382,5	1.246,8	2.633,5	2.523,3	1.094,0	1.058,3
– of which securitisied debt inc. subordinated capital	425,6	363,8	1.494,7	1.297,3	1.222,9	1.139,2
Equity	416,4	385,0	831,7	693,3	512,4	469,6
Managed deposits	9.320,4	8.861,9	15.304,3	14.456,6	10.608,9	10.289,6
– of which client deposits	6.311,3	6.228,2	7.698,9	7.188,2	5.100,6	5.042,1
BWG own funds in millions of €						
Measurement basis	3.598,5	3.292,6	9.457,6	8.461,5	5.165,3	4.773,1
Own funds	396,3	335,4	1.204,6	1.065,4	617,4	555,3
– of which core capital (Tier I)	241,8	227,5	669,4	575,9	363,7	339,8
Surplus	108,4	72,0	446,0	387,6	204,2	170,5
Core capital ratio	6,72 %	6,91 %	7,08 %	6,81 %	7,04 %	7,12 %
Total capital ratio	11,01 %	10,19 %	12,74 %	12,59 %	11,95 %	11,63 %
Subsidiaries						
RoE before tax	11,17 %	9,21 %	12,37 %	12,42 %	10,36 %	8,83 %
RoE after tax	9,74 %	8,15 %	11,01 %	10,85 %	9,07 %	7,74 %
Cost/income ratio	54,7 %	59,4 %	56,4 %	59,5 %	52,0 %	56,7 %
Risk/earnings ratio	21,3 %	20,7 %	23,4 %	24,1 %	26,5 %	27,1 %
Resources						
Average no. of employees	755	744	1.738	1.702	846	820
Number of branches	50	50	117	111	40	37

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

Design conception German edition
Bohatsch Visual Communication, Wien
www.bohatsch.at

Typesetting english and
adaption English edition
BTV Marketing & Kommunikation
Mag. Daniel Stöckl

Photos
Adolf Bereuter (Chair man)
Bank für Tirol und Vorarlberg AG