Bank Austria
UniCredit Group

Half-Yearly Financial Report 2010

Contents

Bank Austria at a Glance

Income statement figures

(€ m)	H1 2010	H1 2009	+/–
Net interest income	2,301	2,557	–10.0 %
Net fees and commissions	988	899	9.9 %
Net trading, hedging and fair value income	234	271	–13.9 %
Operating income	3,601	3,823	–5.8 %
Operating expenses	–1,841	–1,795	2.5 %
Operating profit	1,761	2,028	–13.2 %
Profit before tax	644	1,048	–38.5 %
Net profit without minorities	459	833	–44.9 %

Volume figures

(€ m)	30 JUNE 2010	31 DEC. 2009	+/–
Total assets	200,461	194,459	3.1 %
Loans and receivables with customers	129,730	123,602	5.0 %
Primary funds	127,365	125,863	1.2 %
Shareholders' equity (excluding minorities)	17,397	13,850	25.6 %
Risk-weighted assets (overall, Basel II)	125,424	114,386	9.6 %

Key performance indicators

	H1 2010	2009
Return on equity after tax (ROE)	5.80 %	8.10 %
Cost/income ratio	51.10 %	49.90 %
Risk/earnings ratio	38.90 %	46.50 %
Provisioning charge/avg. lending volume (cost of risk)	1.42 %	1.78 %
Marginal Economic Value Added	€ 154 m	€ 268 m
Marginal RARORAC	3.7 %	3.3 %
Total capital ratio (based on all risks, end of period)	12.16 %	10.92 %
Tier 1 capital ratio	10.17 %	8.68 %
Core Tier 1 capital ratio (Tier 1 capital ratio without hybrid capital)	9.85 %	8.33 %

Staff*)

	30 JUNE 2010	31 DEC. 2009	+/–
Bank Austria (full-time equivalent)	59,635	60,594	–1.6 %
Central Eastern Europe business segment	51,733	52,332	–1.1 %
Other business segments	7,902	8,262	–4.4 %
Austria	*7,767*	*7,992*	*–2.8 %*

*) Employees of companies accounted for under the proportionate consolidation method are included at 100 %.

Branches*)

	30 JUNE 2010	31 DEC. 2009	+/–
Bank Austria	3,020	3,098	–2.5 %
Central Eastern Europe business segment	2,720	2,770	–1.8 %
Other business segments	300	328	–8.5 %
Austria	*300*	*318*	*–5.7 %*

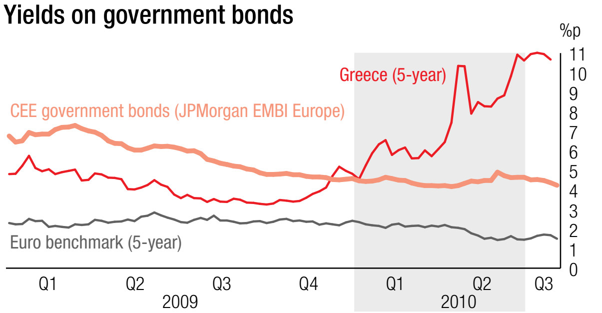
*) Branches of companies accounted for under the proportionate consolidation method are included at 100 %.

Interim Management Report at 30 June 2010

The Banking Environment

▶ Emerging from the deep recession which impacted the previous year, the **global economy** gained momentum in the first half of 2010. World trade in industrial goods had recovered strongly by the middle of the year, supported by inventory replenishment and additionally driven by continued expansion in emerging markets. In Europe, these developments benefited primarily Germany but also Austria and CEE countries whose economies are characterised by a high degree of integration. Growth in the euro area as a whole varied in the individual countries and sectors; in the second quarter of 2010 it reached an estimated 2.4 % (on an annualised basis). In the first six months, GDP was up by 1 % on the previous year, which means that growth is still moderate in a longer term comparison. World stock markets declined in the course of the first six months of 2010 (MSCI World: –8 %), despite economic recovery and rising corporate profits. Yields on benchmark government bonds continued to fall, with the 10-year euro benchmark declining to a historic low of 2.499 % in June. Triggered by the crisis in Greece, discussion in Europe focused on the inevitable reduction of public debt after the support measures taken by governments in the past years. This discussion caused uncertainty in financial markets and among private households. The US dollar, credited with being a safe haven, appreciated by 17.0 % against the euro (end of June 2010 / year-end 2009). The performance of government bonds shows that CEE countries remained virtually unaffected by scepticism about the “peripheral countries” of the euro area.

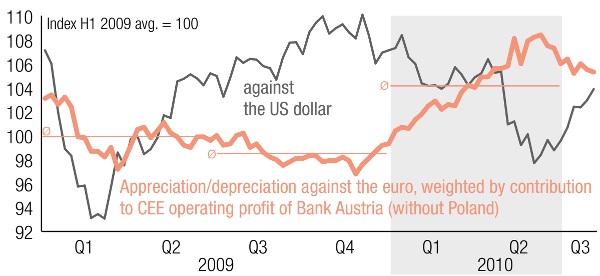
Yields on government bonds



▶ After stagnating in the early part of 2010, the **Austrian** economy achieved significant growth in the second quarter. We estimate that GDP increased by at least 0.7 % over the preceding quarter (giving an annualised rate of between 2.8 % and 3.0 %). For the first half of 2010, this translates into growth of 1 % over the same period of the previous year, while the economy shrank by 3.9 % in 2009 as a whole. Industrial output accelerated perceptibly in the summer months. The Bank Austria Purchasing Managers’ Index rose to an all-time high in Q2 2010. Investment activity remained weak as capacity utilisation was below 80 per cent. Export growth increased towards the middle of the year, driven by strong demand, especially from Asia, and supported by the weaker euro. Retail statistics for April and May indicated a decline, suggesting that private consumption is beginning to lose momentum in view of discussion about austerity programmes, weak labour market data and slightly stronger price increases. Demand for corporate and personal loans in the first half of 2010 was weak. The slight increase in total loans in the first six months reflects an exchange rate effect resulting from the strong Swiss franc, public sector borrowing, and the very low lending volume at year-end 2009. Interest rates on new business declined further although reference rates were slightly up after a trend reversal. Bank deposits continued to increase, but the growth rates of retail and corporate deposits may be weakening. Interest rates on short-term deposits remained constant, and deposit rates for long maturities again declined slightly.

▶ In **Central and Eastern Europe (CEE)** the upswing, with considerable regional differences, has now become clearly noticeable – growth rates have returned to levels significantly above those for Western Europe. Economic recovery was strongest in Turkey; Russia and export-oriented countries like Slovakia also recorded favourable trends. Countries whose economies showed signs of overheating before the crisis are now lagging somewhat behind. Following the successful reduction of external financing deficits, the CEE region is gradually beginning to record capital inflows again. Almost all countries made efforts to reduce public deficits in order to keep the public debt ratio at its comparatively low level. These measures had dampening effects on domestic economic activity and consumption, aggravating the adverse impact of high unemployment and – compared with the boom years – low income growth. While corporate banking business started to emerge from recession, lending to private individuals stagnated. Divergent trends were also seen in asset quality. The credit cycle in Turkey, for example, improved and in most countries it is shortly before or past its peak; however, the restructuring process in problem countries will take more time to complete. CEE currencies within the perimeter of our operations appreciated significantly against the euro in the course of the first six months. Weighted by the respective share of Bank Austria’s operating profit, these currencies appreciated by about 4 % on the average for the first six months of 2010; the strongest contribution to currency appreciation came from countries for which currency movements against both the euro and the US dollar are of relevance. In almost all countries, short-term interest rates were significantly reduced. This proves that the CEE region has regained confidence compared with the scepticism which prevailed a year ago.

Movements in CEE exchange rates



Bank Austria in the first half of 2010

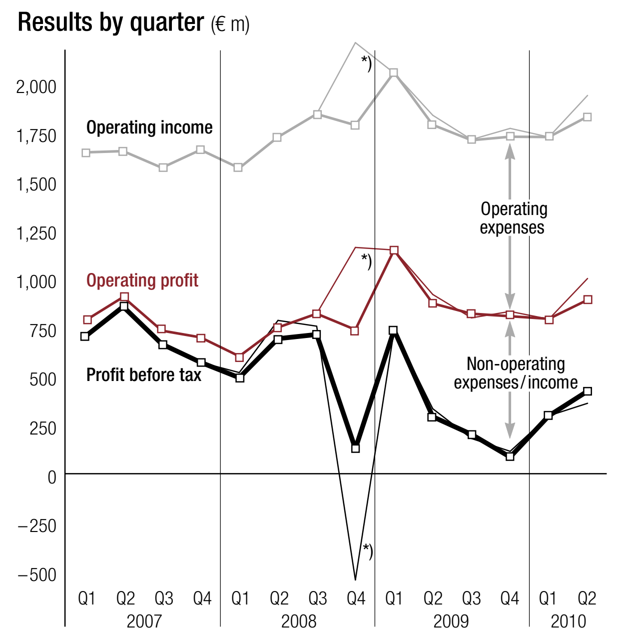
Overview

● Since the middle of 2009, revenue trends at Bank Austria have improved with only minor fluctuations from quarter to quarter. This development is increasingly reflected in profits. The strong improvement in current operating performance in the second quarter of 2010 more than offset the continued adverse impact of developments in problem countries in Central and Eastern Europe. **Profit before tax** rose by **22%** from the first to the second quarter, to **€ 354 m**. Given the persistently difficult banking environment in Austria and in CEE countries, these are good results, exceeding the average for the past two years (€ 348 m over the past 9 quarters).

(€ m)	Q2 2010	CHANGE OVER Q1 2010	CHANGE OVER Q2 2009	H1 2010	CHANGE OVER H1 2009
Operating income	1,906	+12%	+6%	3,601	−6%
Operating profit	982	+26%	+9%	1,761	−13%
Profit before tax	354	+22%	+9%	644	−39%
Consolidated profit*)	217	−10%	−24%	459	−45%

Operating income in the **second quarter of 2010** was 12% up on the preceding quarter and 6% higher than in the same period of the previous year. Contributions to the quarter-on-quarter improvement came from all components of income in Austria and in CEE. Net interest income, though growing by 6% compared with Q1 2010, was 3% lower than the – very high – Q2 2009 figure. As volume (measured by average loans to customers or by risk-weighted assets) increased again this year, already exceeding the level seen a year earlier, the decline in net interest income was due to margin compression over the past 12 months, which were characterised by low interest rates. A gratifying feature is the increase in net fees and commissions (up by 10% on the preceding quarter, 17% higher than in the second quarter of the previous year) to € 518 m, a level last seen in the final quarter of 2008. Again, operations in Austria and CEE made more or less equal contributions to this development. Net trading, hedging and fair value income (€ 158 m) was also higher than in Q1 2010 and in Q2 2009, though the increase partly reflects special factors and the usual quarterly fluctuations. Costs rose moderately (by just under 1% compared with the preceding quarter, and by over 2% compared with the second quarter of the previous year) and the cost/income ratio was about 50%. On this basis, operating profit in the second quarter of 2010 increased more strongly than revenues, by 26% quarter-on-quarter and by 9% when compared with the second quarter of the previous year.

Operating profit rose significantly, by € 204 m, from the first to the second quarter. As non-operating items to be deducted from operating profit were higher in Q2 2010, only a portion of the increase fed through to bottom-line profits. The provisioning charge in the second quarter of 2010 was € 457 m, slightly higher than in Q1 2010 (€ 439 m). While this figure is considerably below the crisis levels of the third and fourth quarters of 2009 (€ 603 m and € 655 m, respectively), it is still very high. An additional significant factor was the impairment loss of € 167 m on goodwill, which had to be recognised mainly because the valuation scenario for our banking subsidiary in Kazakhstan was updated. Profit before tax thus rose by only € 64 m compared with the preceding quarter, which still translates into a 22% increase (or 9% over the Q2 2009 figure). The increase in profit before tax over the weak performance in the third and fourth quarters of 2009 was even more pronounced. This can be seen from the U-shaped trend line (see chart) of revenues and volume in the past one and a half years, starting from the very good results achieved in the early part of 2009.



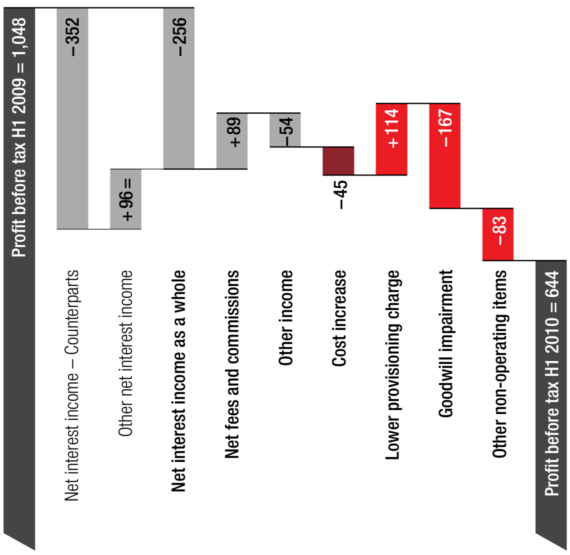
*) Figures adjusted for one-off effects; thin lines represent unadjusted figures.

● These developments – falling from very high levels in the first few months of 2009 to very weak quarterly results from the middle to the end of 2009 and recently leading to a moderate recovery in the current year – also explain why results for the **first half of 2010** still show negative growth rates in a year-on-year comparison despite the recent improvement.

Bank Austria's **profit before tax** for the first six months of 2010 was **€ 644 m**. In the prevailing environment, this is a good result, more than double (+124%) the figure of € 287 m for the second half of 2009, though 39% lower than the level of € 1,048 m achieved in the first half of 2009. The main reason for the decline compared with the same period of the previous year is a base effect, actually to be seen in a favourable light, namely the excellent net interest income generated in the first few months of 2009, which cannot be matched in the current environment characterised by low interest rates. The decrease of € 287 m (–11.5 %) in net interest in a narrower sense compared with the first half of the previous year reflects the exceptional market situation a year earlier, especially the initial impetus given by the quick reduction of interest rates around the turn of the year 2008/2009; but this does not mean that the net interest performance in the current year is poor. On the contrary, it should be noted that the current level of net interest (€ 2,218 m) is higher than in the first half of 2008 – before Lehman Brothers collapsed! – when it reached € 2,183 m. The decline of € 256 m in net interest income as a whole has an impact at all levels down to the bottom line and was only partly offset by a favourable trend in net non-interest income (+3 % to € 1,301 m). Total operating income in the first six months of 2010 was € 3,601 m, down by only 6 % from the first half of 2009 – a lower rate than the decrease in net interest income – mainly because net fees and commissions rose by € 89 m or 10 %. Operating expenses in the first half of 2010 were only 2.5 % higher than in the same period of the previous year. In Austria they declined, while in the CEE Division they rose by 8.0 %, or by only 4.4 % if adjusted for exchange rate movements. Operating profit thus amounted to € 1,761 m; the decrease of € 267 m from the figure for the first half of the previous year was more or less equal to the decline in net interest income.

In the first half of 2010, net writedowns of loans and provisions for guarantees and commitments were € 896 m, down by more than one-quarter (29 %) from the critical second half of 2009 (€ 1,258 m) and also lower than the provisioning requirement in

Profit before tax for H1 2010 compared with H1 2009:
Performance reflects base effect in net interest income and non-operating one-off effects (€ m)



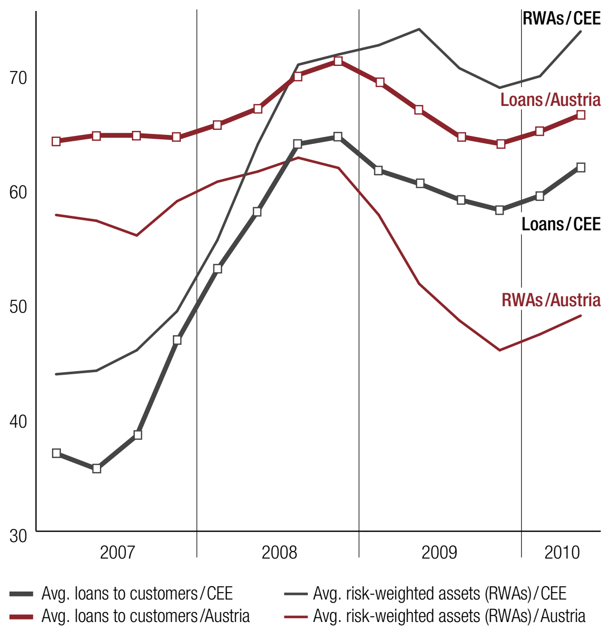
the comparable period of the previous year (€ 1,009 m). Yet the cost of risk is still very high, at 142 basis points of average lending volume, and the provisioning charge absorbs one half (51 %) of operating profit (H1 2010). The gap between operating profit and profit before tax, which widened considerably until the end of 2009 as a result of “extraordinary” effects is nevertheless beginning to narrow again. The € 114 m decrease in the provisioning charge in the first half of 2010 was more than offset by the impairment loss on goodwill, by higher allocations to provisions for risks and charges and by a decline in net income from investments (following the expiry of the participation in current profits of the UniCredit banking subsidiary in Poland). As a result, the net amount of items to be deducted from operating profit to arrive at profit before tax in the first half of 2010 was up by € 136 m on the previous year.

Profit before tax for the first half of 2010 was € 644 m, down by 39 % or € 404 m from the comparative figure for the previous year. Two-thirds of the decrease, i. e. € 267 m, related to components of operating profit (mainly the base effect in net interest income) and the remaining one-third (€ 136 m) resulted from “non-operating” items to be deducted from operating profit. The effective income tax rate based on the interim consolidated financial statements rose from 17.9 % in the first half of 2009 to 25.5 % in 2010 (as a result of the sale of UniCredit CAIB AG, among other factors). The decline in **consolidated profit** (net profit attributable to the owners of Bank Austria) was therefore even more pronounced than before tax. At € 459 m, consolidated profit was 45 % lower than the strong performance in the first half of the previous year, though 71 % above the weak result achieved in the second half of 2009 (€ 268 m).

● The moderate upward trend in customer business – in both Austria and Central and Eastern Europe (CEE) – is reflected in revenues and **volume**. Average loans to customers have grown since the end of 2009 (see chart on page 7), the average figure for the first half of 2010 was only 2 % lower than in the previous year. Risk-weighted assets (RWAs) present a similar picture. Average RWAs in the first six months of 2010 were down by 4.5 % from the same period of the previous year, though rising recently. The decline was mainly due to developments in Austria (–7.7 %), where the – strategically desirable – reduction of 61 % in market risk was the decisive factor.

Balance sheet figures also point to a **structural improvement**: although UniCredit CAIB was deconsolidated, total assets rose by 3.1 % to **€ 200.5 bn** from year-end 2009 to 30 June 2010, partly because CEE currencies appreciated against the euro. Total assets were 3.5 % lower than at the end of June 2009; the decline was mainly due to a reduction of proprietary trading activities in financial markets and the related interbank business (mainly in CAIB, classified as held for sale). As at the end of June 2010, 98 % of lending

Volume trends: Austria[*] and CEE (€ bn)



*) Austria: F&SME, Private Banking, CIB and Corporate Center.
Loans to customers based on unit granting the loan (partly also to international customers).

volume was funded by primary funds, i.e. customer deposits and debt securities in issue (year-end 2009: 100%). This reflects the fact that loans to customers in CEE countries rose more strongly than deposits. **Equity** increased by 25% to **€ 17.9 bn** on account of the capital increase, current profits and reserves in accordance with IAS 39. The **leverage** ratio (ratio of total assets to equity) was reduced from 14.7 at the end of June 2009 to 13.5 at year-end 2009 and most recently to 11.2 as at 30 June 2010. (Based on the definition excluding intangible assets, the leverage ratio declined from 19.8 to 18.2 to 14.2). In a parallel move, the bank's **capital base** (as defined in the Austrian Banking Act) improved. Tier 1 capital rose by 29% to € 12.8 bn. The Tier 1 capital ratio based on credit risk improved from 8.58% (end of June 2009) to 9.76% (year-end 2009) and most recently to 11.32% (end of June 2010). The total capital ratio as at the relevant dates rose from 10.02% to 11.29% to 12.63%.

● In the first half of 2010 we made good progress in implementing additional components of the "**One4C**" (One for Clients) programme which is being realised throughout UniCredit Group. This programme comprises many projects that focus on customer centricity, including the fine-tuning of sales operations as a starting point for customer service models geared to meeting customers' specific needs. The process of capturing the target group of the top private customer segment and the transfer of top customers from other divisions to the Private Banking Division has been completed. We are now focusing on serving medium-sized businesses (defined by quality criteria and/or turnover of between € 3 m and € 50 m) through a separate sub-division. The "SME sub-segment" is to be serviced on a local and decentralised basis. For this reason, from the beginning of 2011, we will assign customers in this sub-segment to the Retail Division – which we have meanwhile renamed **Family & SME Banking Division** to take account of this addition – while taking care to maintain the business relationships that have developed over the years.

The most significant change in the past few quarters concerned **investment banking activities**, which have been realigned within the entire UniCredit Group to focus on customer-driven business and on the related trading sub-segments. In accordance with the agreement reached at the time of the business combination which resulted in the creation of UniCredit Group in 2005, UniCredit Bank AG (the former Bayerische Hypo- und Vereinsbank AG), Munich, is responsible for this cross-border competence centre which conducts operations in a number of different locations. In June, following extensive preparations, we sold UniCredit CAIB AG, until then a consolidated company of the Bank Austria Group, to UniCredit Bank AG, Munich. We paved the way for this transaction by focusing operations of this banking subsidiary on trading activities outside customer-driven business, and by reintegrating customer-driven investment banking activities in Bank Austria, alongside the bank's treasury and liquidity management activities. The **sale of UniCredit CAIB AG** and of its subsidiary UniCredit CAIB Securities UK Ltd. to Munich-based UniCredit Bank AG represents a transfer of business interests under common control, so that IFRS 3, Business Combinations, was not applied. UniCredit CAIB UK Ltd. was wound up as of 31 May 2010. Pursuant to the extensive contract details, Bank Austria now uses the services and products of UniCredit Bank AG, Munich, instead of CAIB. Continuity is assured, as in the case of other transfers within the Group, by the fact that Bank Austria will participate in the performance of "Markets", a Global Product Line of the UniCredit CIB Division, for a period of five years. For accounting purposes, claims to future revenues represent a derivative and the valuation results will be recognised in net trading, hedging and fair value income. As from June 2010 these claims have been reported in the Corporate Center. The sales price, which may be reviewed at the end of the contract period, is recognised as a receivable under the balance sheet item "Other assets"; a low gain on the sale was recognised directly in equity. The fundamental principle of UniCredit's business model – cross-border bundling of production/local customer centricity – is of particular relevance for customers served by the CIB Division. It gives them easier access to international financial markets and enhances their competitiveness, while retaining the principle of "one face to the customer" – integrated local customer services from a single source.

Details of the income statement

When interpreting the rates of change in the income statement tables, it should be noted that results for the first six months of 2010 were generated in an environment that was completely different from that prevailing in the same period of the previous year: a year ago, the economy reached the bottom of the deepest recession in the past six decades. Moreover, there were doubts about the resilience of the young economies in Central and Eastern Europe which are within the perimeter of Bank Austria's operations. Excessive scepticism led to wide credit spreads and external financing problems in CEE – high levels of activity in money/currency, interest rate and derivatives markets made great demands on international banks in particular. The top priority in economic policy a year ago was crisis management to stabilise economic conditions and the banking sector. Substantial interest rate reductions and subsequent liquidity guarantees provided by central banks supported the banking sector's risk-bearing capabilities before the lagging credit risk cycle took its toll in the second half of 2009.

➔ In Bank Austria's income statement, the comparative period of the first half of 2009 therefore saw high net interest income in treasury and customer-driven interest-earning business as well as a strong trading performance in a number of CEE countries.

Today it is important to manage the repercussions and side effects of the expansionary policy (in the context of the public debt crisis in the so-called euro peripheral countries). As the dynamic countermovement is subsiding, the upswing is moderate, with credit demand still at a low level. Credit risk is lower than in the second half of 2009 but still significantly higher than in the first six months of the previous year, with marked differences among the various countries. Margins on interest-related business on both sides of the balance sheet remained under pressure, especially in Austria. In CEE, the banks' local funding costs improved compared with the crisis period experienced a year ago, but they are still high.

● These various factors are also reflected in the development of **net interest income** compared with the previous year. Volume and net interest income started to rise recently, by 6% from Q1 to Q2 2010. In the first half of 2010, net interest income reached € 2,301 m, accounting for 64% of total operating income. The decrease of 10% from the high comparative figure for the previous year is due to the reasons explained above. The decline of € 256 m in net interest income was due to the fact that net interest income in Austrian customer business*) was down by € 388 m or one-third from the first half of the previous year. Of this decrease, international financial market trading and treasury activities – represented by the former Markets & Investment Banking (MIB) business segment, and now by **Counterparts** of the new CIB Division – accounted for a substantial € 352 m. Most of these activities were handled via our former subsidiary **UniCredit CAIB AG**, which was sold in June. This means that for analysis purposes, one should also take into account the reduction of proprietary trading and the reorganisation of CAIB while it was being held for sale. Without CAIB, net interest income would have increased by € 292 m or 15% over the previous year (and operating profit would also have been higher than a year earlier). In the Central Eastern Europe (CEE) business segment, net interest income rose by 7% or € 108 m, or by about 3% adjusted for exchange rate movements. Average volume in CEE almost matched the previous year's level; in some countries, credit spreads narrowed compared with the previous year. The strongest improvement in net interest income was seen in Russia, Croatia and Romania, also in local currency. Dividend income and other income from equity investments, which are included in net interest income, grew by a combined € 31 m and accounted for 3.6% of net interest income.

Net fees and commissions developed better than net interest income. This indicates that we are at an early stage of the business cycle (export-driven upswing, weak domestic business activity, low rate of capacity utilisation …), in which turnover and services are expanding faster than volume. From the low level in the second quarter of 2009, net fees and commissions increased (particularly strongly in the second quarter of 2010) to reach € 988 m for the first six months, an increase of 10% over the same period of the previous year. Net fees and commissions generated in Austrian customer business in the first half of 2010 were 12% higher than in the previous year; this growth was supported by all Divisions. In the F&SME Division, securities business started to pick up, though not in the form of turnover on safe-custody accounts but in connection with the successful placement of capital-guaranteed investment products and standard issues. In the CIB business segment, commitment fees (in business with large corporates and for project finance) and fees generated by Group Transaction Banking (GTB), including foreign payments, cash management and custody, more than offset the persistent decline in fee and commission income from derivatives business. In Central and Eastern Europe, net fees and commissions were 10% up on the previous year (or 4% if adjusted for exchange rate movements). The Turkish unit in which Bank Austria has a shareholding interest once again made a significant contribution to growth (+17%), and net fees and commissions increased strongly also in Russia and Croatia. In the bank as a whole, net fees and commissions accounted for 27% of operating income in the first six months of 2010, which is a low level compared with one-third in the five years before 2009 (average for the period from 2004 to 2008: 33.5%).

*) In this report "Austrian customer business" comprises the F&SME Banking, Private Banking (PB) and Corporate & Investment Banking (CIB) Divisions. This corresponds to the region of Austria without the Corporate Center, which performs important management and support functions also for the CEE Division.

Net trading, hedging and fair value income in the first half of 2010 amounted to € 234 m, down by 14% from the first six months of the previous year. The year-on-year decline of € 38 m resulted from developments which moved in opposite directions: the net trading performance of the Corporate & Investment Banking Division in the first half of 2009 (in accordance with the restated segment reporting figures including the results of CAIB for five months) was a loss of € 87 m, reflecting the impact of the financial market crisis. In the first half of 2010 there was a swing of € 143 m into net income of € 56 m. In Central and Eastern Europe, on the other hand, net trading income peaked at € 359 m in the first half of 2009. A year ago, in an environment characterised by scepticism about CEE, strong demand for hedging transactions led to high turnover in currency and money market trading. Together with technical effects in connection with temporary currency depreciation, this resulted in large trading profits. In the meantime, the monetary situation and the external environment have stabilised, and net trading performance in CEE for the first half of 2010 returned to a level of € 34 m. This resulted in a negative swing of € 325 m in CEE, which was not fully offset by the other business segments and by the share of the trading profit of the "Markets" Global Product Line of the UniCredit CIB Division, which is included in net trading, hedging and fair value income of the Corporate Center from June 2010 (pursuant to the terms and conditions of the sale of CAIB).

Operating income for the first half of 2010 was **€ 3,601 m**, including net other operating income of € 79 m (– € 17 m/–17%). The decrease of 6% or € 222 m compared with the first six months of the previous year reflects the above-mentioned base effect of about € 203 m resulting from the strong trading performance in H1 2009. Positive effects also came from the turnaround in the Corporate Center in connection with better refinancing and liquidity results compared with the difficult market situation experienced by the banking sector in the early part of 2009 and with the above-mentioned profit contribution related to the Group-wide restructuring of investment banking.

Operating income in the first half of 2010 compared with the first half of 2009

(€ m)

	H1 2010	H1 2009	CHANGE	
Austrian customer business	1,321	1,522	–201	–13%
… of which: CIB/Counterparts	*223*	*426*	*–203*	*–48%*
Central Eastern Europe	2,218	2,396	–179	–7%
Corporate Center	63	–140	+203	n.m.
Operating income	3,601	3,823	–222	–6%

Differences in totals (– € 45 m) are due to the adjustment of segment reporting for 2009 to reflect the current consolidation perimeter, see note (41) on pages 53 to 57.
n.m. = not meaningful

After significant cost savings achieved in late 2008/early 2009, **operating expenses** have shown a flat trend over the past few quarters, with only minor fluctuations. In the first half of 2010, operating expenses totalled € 1,841 m, a low increase of € 45 m or 2.5% over the first half of 2009. In Austria (including the Corporate Center, which includes internal services for Global Banking Services and administrative expenses), costs were 6% lower. The strongest decline was seen in the CIB Division, mainly in staff expenses, in connection with the creation of a Global Product Factory in financial market activities (CIB/Markets) at UniCredit Group level. Operating expenses in CEE rose by 8% in the first half of 2010 compared with the previous year; in local currency terms, the increase was as low as 5%. It should be noted in this context that the Vienna-based divisional CEE management functions (CEE sub-holding function) were expanded. All countries maintain strict cost discipline. Turkey was the only country where operating expenses rose significantly, by 15% in euro terms and by 8% in local currency; this cost increase is justified because the Turkish operations achieved the strongest business expansion (customer loans up by 34%, total assets up by 30% from June 2009 to June 2010) and it also reflects investment in expanding the branch network. The restructuring of administrative functions in Ukraine and Kazakhstan (where regional administrative centres were concentrated) had positive effects. In the first half of 2010, the number of employees in CEE declined by 599 full-time equivalents to 51,733 (Turkey counted at 100%). As costs remained stable, trends in the cost/income ratio reflect the more volatile revenue side: the ratio for the first half of 2010 was 51.1%; in the second quarter it declined to 48.5%. The figure for the first half of 2009 was 47.0%, reflecting the good revenue performance, and for the full year 2009 it was 49.9%. For the bank as a whole, the cost/income ratio is around 50%, across all revenue fluctuations. The cost/income ratio in the CEE business segment is still disproportionately low, at 46.6%.

➔ As costs remained stable, the change in operating profit resulted from revenue trends. **Operating profit** for the first half of 2010 was down by € 267 m or 13% from the same period of the previous year. In Austria, this reflects the decline from the good performance in the first six months of 2009 (operating profit generated by Austrian customer segments down by € 180 m or 21%, of which CIB down by € 187 m or 28%), while the decrease of € 255 m or 18% in the CEE business segment's operating profit was caused by the fact that net trading income in CEE returned to a more normal level (down by € 325 m).

● The main factor determining performance in the past one and a half years was **credit risk**. The sharp downturn into deep recession resulted, with the usual time lag, in a strong rise in the provisioning charge and a deterioration in **portfolio quality** in 2009. Most recently, in the second quarter of 2010 in particular, net writedowns of loans and provisions for guarantees and commitments declined noticeably. But this does not mean that the situation has eased to any great extent. Asset quality has not yet significantly improved, especially in CEE. While the situation in respect of the worst risk categories (non-performing loans) is stabilising, the second quarter of 2010 saw a larger number of new cases sliding down the rating classes into the category of impaired loans.

Net writedowns of loans and provisions for guarantees and commitments (allocations to and releases from loan loss provisions and direct write-offs less recoveries of loans previously written off) in the first half of 2010 were € 896 m, down by 11% from the first half of 2009, when the provisioning charge exceeded one billion euros for the first time, and down by 29% from the second half of 2009, when allocations to loan loss provisions reached a very high level (€ 1.3 bn). The cost of risk (provisioning charge measured as a proportion of average loans to customers) declined from 156 basis points (bp) to 142 bp.

Net writedowns of loans and provisions for guarantees and commitments

(€ m)

	H1 2010	H1 2009	CHANGE	
Bank Austria as a whole	896	1,009	–114	–11%
… Austria [1]	205	297	–92	–31%
… CEE	691	707	–16	–2%
Cost of risk (basis points)[2]				
Bank Austria as a whole	142 bp	156 bp	–14 bp	
… Austria [1]	63 bp	88 bp	–25 bp	
… CEE	228 bp	232 bp	–4 bp	

1) Including the Corporate Center
2) Provisioning charge/average loans to customers (net)

In Austria, net writedowns of loans and provisions for guarantees and commitments increased and decreased from quarter to quarter, peaking in Q2 2009 (€ 182 m) and in Q4 2009 (€ 158 m); in the course of 2010, the provisioning charge declined significantly. Net writedowns of loans in Austria (including the Corporate Center) in the first half of 2010 were € 205 m, after € 297 m in the previous year. Measured as a proportion of average loans to customers (net, based on balance sheet figures) the cost of risk fell from 88 basis points (bp) to 63 bp. In the Family & SME Banking Division, where loan loss rates are relatively high across the cycle for structural reasons, the cost of risk in the first half of 2010 was 122 bp, slightly lower than in the first six months of 2009 (135 bp). In the CIB Division, domestic demand remained weak, affecting smaller companies in the corporate banking sector while having virtually no impact on export-oriented large corporates. As advisory and risk management programmes proved effective at an early stage and restructuring efforts were successful, the cost of risk in Austrian corporate banking was reduced: at 37 bp after 69 bp, the cost of risk in Austria is under control.

The provisioning charge in the Central Eastern Europe (CEE) business segment peaked at over € 500 m in the third and fourth quarters of 2009, respectively. In the first quarter of 2010, the situation improved considerably (€ 314 m); in the second quarter of 2010, the provisioning charge for Kazakhstan in particular (locally and in the Vienna-based CEE headquarters) was higher again. Net writedowns of loans and provisions for guarantees and commitments in the CEE business segment in the first half of 2010 were only 2% lower than in the previous year, but down by € 319 m or 32% from the second half of 2009. Developments still varied by country and country group, underlining the positive diversification effects. Turkey accounted for the major part of the decrease as asset quality in the country improved, supported by a strong economic recovery and successful debt collection efforts of the bank. There was a large release of loan loss provisions, benefiting from a securitisation transaction in the retail banking sector. As a result, the provisioning charge in Turkey fell from € 141 m to a very low level of € 4 m. In Russia, too, provisions were released after the credit boom ended, and net writedowns of loans and provisions for guarantees and commitments declined from € 122 m to € 85 m. In the first half of 2010, the cost of risk in the CEE business segment was 228 basis points (after 232 bp in H1 2009 and 345 bp in H2 2009).

The lower provisioning charge for the first half of 2010 is a positive effect of the additions to loan loss provisions made in 2009. Asset quality in the entire bank has not yet improved to any significant extent. At the end of June 2010, impaired loans accounted for 8.7% of gross loans to customers (before writedowns), up from 7.3% at year-end 2009. The increase was seen in the "relatively better" risk categories (past-due, restructured and doubtful exposures). Having become impaired more recently, writedowns on such loans represent a lower proportion of the gross amount than for "old" impaired loans and non-performing loans. As a result of this structural effect, the coverage ratio of impaired loans declined to 48.7%, while remaining more or less stable for non-performing loans. The NPL ratio, i.e. non-performing loans as a percentage of gross loans to customers, rose more slowly, from 3.5% to 4.1%. Without taking collateral into account, specific provisions covered 69.1% of NPLs in June 2010, after 69.8% in December and 69.9% in June 2009.

Asset quality

END OF PERIOD	JUNE 2010	DEC. 2009	JUNE 2009
Loans to customers (gross), € bn	136.3	129.3	131.7
Writedowns, € bn	6.6	5.7	4.6
Impaired loans, € bn	11.9	9.4	7.6
as a percentage of loans to customers	8.7%	7.3%	5.8%
… covered by specific writedowns	48.7%	51.9%	51.2%
of which: non-performing loans, € bn	5.5	4.5	4.1
as a percentage of loans to customers	4.1%	3.5%	3.1%
… covered by specific writedowns	69.1%	69.8%	69.9%

The **other "non-operating" items** between operating profit and profit before tax include a technical one-off effect which has a strong impact on results for the first half of 2010: the divergence of performance from original budget estimates for the current year prompted an impairment test that was carried out in respect of goodwill allocated to the relevant "cash-generating units"; the impairment test is usually performed at the end of each year (cf. page 94 of Bank Austria's Annual Report for 2009). Based on the results of the impairment test, it was necessary to recognise an impairment loss of € 162 m on goodwill related to ATF Bank in Kazakhstan. This adjustment above all takes into account the current performance of our banking subsidiary in the context of the ongoing restructuring of the local banking sector. The long-term prospects for our operations in Kazakhstan are intact. Together with the effect of the sale of CAIB, impairment losses on goodwill affect results with a charge of € 167 m.

In the first six months of 2010, net income from investments was positive at € 39 m, but lower than in the equivalent period of the previous year (€ 56 m). This was mainly due to the expiry of Bank Austria's participation in current profits of the Polish UniCredit banking subsidiary at the end of 2009; income from this item amounted to € 48 m in H1 2009. Allocations to provisions for risks and charges in the reporting period were € 90 m after € 23 m in the first half of 2009.

Condensed income statement of Bank Austria*)

(€ m)

	H1 2010	H1 2009	CHANGE € M	CHANGE IN %
Net interest	2,218	2,506	–287	–11%
Dividend income	13	30	–17	–57%
Other income from equity investments	69	22	+48	>100%
Net interest income	**2,301**	**2,557**	**–256**	**–10%**
Net fees and commissions	988	899	+89	+10%
Net trading, hedging and fair value income	234	271	–38	–14%
Net other expenses/income	79	96	–17	–17%
Net non-interest income	**1,301**	**1,266**	**+35**	**+3%**
OPERATING INCOME	**3,601**	**3,823**	**–222**	**–6%**
Payroll costs	–948	–965	+17	–2%
Other administrative expenses	–735	–665	–70	+10%
Recovery of expenses	1	1	+0	+8%
Amortisation, depreciation and impairment losses on tangible and intangible assets	–158	–165	+7	–4%
OPERATING EXPENSES	**–1,841**	**–1,795**	**–45**	**+3%**
OPERATING PROFIT	**1,761**	**2,028**	**–267**	**–13%**
Goodwill impairment	–167	0	–167	+100%
Provisions for risks and charges	–90	–23	–67	>100%
Restructuring costs	–2	–3	+1	–42%
Net writedowns of loans and provisions for guarantees and commitments	–896	–1,009	+114	–11%
Net income from investments	39	56	–17	–31%
PROFIT BEFORE TAX	**644**	**1,048**	**–404**	**–39%**
Income tax	–165	–187	+23	–12%
NET PROFIT	**480**	**860**	**–381**	**–44%**
Net profit attributable to the parent company	459	833	–375	–45%
Minorities	21	27	–6	–23%

*) Bank Austria's income statement as presented in this table is a reclassified format corresponding to the format used for segment reporting.
See notes (40) and (41) on pages 51 to 57 of this report.

➔ In the first half of 2010, **non-operating items to be deducted from operating profit** (items between operating profit and profit before tax) amounted to over one billion euros (€ 1,116 m), which corresponds to 63% of operating profit. Within the total figure, net writedowns of loans and provisions for guarantees and commitments, accounting for € 896 m or over 50% of operating profit, are closely linked to Bank Austria's current commercial banking business.

Profit before tax by business segment (€ m)

	H1 2010	H1 2009	CHANGE	
Bank Austria total	644	1,048	–404	–39%
… Austrian customer business	469	543	–74	–14%
CIB/Counterparts	*196*	*351*	*–155*	*–44%*
… Central Eastern Europe	495	720	–226	–31%
… Corporate Center	–320	–255	–65	25%

Profit before tax for the first half of 2010 was impacted by the charges mentioned above. Operating performance nevertheless improved from quarter to quarter, although it was below the favourable level achieved in the first half of 2009 for the reasons stated above. The Austrian business segments and the CEE business segment contributed in more or less equal measure to the profit before tax of € 644 m, particularly if results from financial market trading activities, which were recently restructured with the sale of CAIB, are excluded. The Corporate Center reflects liquidity and funding costs, and exceptional charges such as impairment losses on goodwill (equity interest management) and provisions for risks and charges, which accounts for the negative results.

➔ In the first half of 2010, profit before tax of € 644 m required income tax of € 165 m to be stated in the income statement. The effective tax rate based on the consolidated financial statements rose from 17.9% in the first six months of 2009 to 25.5% in the reporting period, partly on account of the sale of CAIB. The **net profit** totalling € 480 m (–44% compared to H1 2009) includes minority interests of € 21 m (–23%). **Consolidated profit** was **€ 459 m**, 45% lower than in H1 2009 (€ 833 m).

Volume, profitability and resources

Average **loans and receivables with customers** (net, based on balance sheet figures) declined slightly, by 2.1% to € 126.0 bn, in the first six months of 2010 over the same period of the previous year. The comparison with 2009 is characterised by a U-shaped development from quarter to quarter which reached a low in autumn 2009, but the decline was almost entirely offset by the end of the first half of 2010. While the trend was similar in Austria and CEE, lending volume – in average terms for H1 2010 – was in Austria still 4.1% below the level of H1 2009; in CEE (supported by the appreciation of CEE currencies in recent months) lending volume had almost returned to the level of the first half of 2009 (–0.6%).

Average **risk-weighted assets** (€ 119.8 bn, RWAs under Basel II) showed a similar trend from quarter to quarter, but were altogether 4.5% below the level of H1 2009. The fact that risk-weighted assets declined more strongly than average lending volume in a comparison with H1 2009 reflects – in line with strategy – the reduction of market risk, which declined to about one half of the previous year's level (–47%).

Average **equity** rose by 16% to € 16.5 bn in the first half of 2010 compared with the same period of 2009. The rise was largely a result of the capital increase, and of the retention of profit for H1 2010. **Return on equity** (ROE before tax) was 7.8%, lower than for 2009 as a whole (9.4%) and also below long-term averages (2005 – 2009: 14.0%). The decline was due to the increase in equity and to the weak profit performance reflecting the high non-operating items to be deducted from operating profit. The comparative figure of 14.8% before tax for the first half of 2009 reflects the exceptional situation in the initial months of 2009 (net interest income and net trading result from financial market trading activities).

Marginal **Economic Value Added** (EVA) measures value creation beyond the cost of capital. In more precise terms, EVA is defined as net operating profit after tax, adjusted for one-off effects, less minimum return required by the market on equity capital employed; marginal refers to the exclusion of goodwill impairment. Revenue shortfalls experienced in the financial market crisis and during the recession, the increase in equity capital and a temporarily higher cost of capital have reduced Bank Austria's EVA in the last one and a half years. In the reporting period, EVA was positive at € 154 m. This compares with € 348 m in the first half of 2009. Marginal RARORAC was 3.66% in H1 2010. In regard to business in Austria, EVA fell by 16% to € 210 m in H1 2010 compared with H1 2009. In the CEE business segment it was negative, at – € 20 m, after € 183 m.

This reflected the 35 % decline in net operating profit after tax and the increase of over 10 % in the cost of capital (measured by equity capital employed, the cost of capital rose to 11.2 %).

The number of **employees** (full-time equivalent – FTE) declined from 60,594 at the end of 2009 to 59,635 FTEs at the end of June 2010 (– 959 FTEs). The 360 FTE decrease in Austria was largely due to the sale of UniCredit CAIB (– 150 FTEs) and of the catering services provider DOMUS Bistro (– 94 FTEs). The decline in the Family & SME Banking business segment (– 21 FTEs) was not yet offset by the planned hiring of new employees. The lower staffing levels in CEE (– 599 FTEs) are explained by the centralisation of the administrative network in Kazakhstan and the sale of a pension fund there (together – 528 FTEs). The reduction of 298 FTEs in Ukraine, too, is a result of organisational alignment with the Group structure. Among the other countries, staff numbers rose appreciably in Croatia (+ 82 FTEs) and Turkey (+ 79 FTEs), while declining in Russia (– 51 FTEs). Changes in the remaining countries are to be seen in connection with normal staff turnover. Staffing levels at the Vienna-based CEE headquarters were increased, partly through the transfer of the employees who previously worked in the former head office of the CEE subsidiaries of UniCredit CAIB; these are now assigned to the CEE Division. Together with employees working in affiliated companies (including Administration Services, UGIS, Pioneer Investments, UniCredit Leasing, CAIB …) UniCredit Group has 10,891 employees (FTEs) in Austria.

At the end of June 2010, the number of Bank Austria's **branches** was 3,020, down by 68 from year-end 2009. The number of branches in the Austrian business segments was 300. A reduction of 18 units resulted from the sale of CAIB (two units) and from the transfer of 8 CAIB subsidiaries to management responsibility of the CEE business segment; the remaining reduction of the number of branches reflects the streamlining of the Austrian branch network to ensure a more even distribution of units. In CEE, the number of branches declined by 50 to 2,720. This is the net effect of two factors: firstly, continued structural adjustments in the course of the integration of recently acquired banking subsidiaries (Kazakhstan and Ukraine) and a streamlining of the branch networks in Bulgaria and Romania, and secondly the opening of new branches under the branch network expansion programme often entails closures in urban centres where the bank maintains a multiple presence, such as in Russia or Turkey. 20 of the planned 100 new branches (gross) have been opened.

Resources and profitability in the first half of 2010

	BANK AUSTRIA	AUSTRIA [1]	CEE
Relative size			
Average loans to customers (€ bn)	126.0	65.7	60.6
Average RWAs under Basel II (€ bn)	119.8	42.0	72.6
Operating income (€ m)	3,601	1,321	2,218
Growth over previous year			
Average loans to customers (€ bn)	–2 %	–4 %	–1 %
Average RWAs under Basel II (€ bn)	–5 %	–8 %	–1 %
Operating income (€ m)	–6 %	–13 %	–7 %
Profitability and value creation			
ROE before tax [2]	7.8 %	10.6 %	9.0 %
marginal EVA, € m [3]	154	210	–20
marginal RARORAC	3.66 %	14.4 %	–0.6 %
Equity			
Average equity (€ bn) [4]	16.5	8.9	11.0
% over previous year	+ 16 %	+ 3 %	+ 12 %
Employees (full-time equivalents)			
End of June 2010	59,635	5,666	51,733
End of December 2009	60,594	5,933	52,332
Branches			
End of June 2010	3,020	300	2,720
End of December 2009	3,088	318	2,770

1) Family & SME Banking, Private Banking, and Corporate & Investment Banking (CIB) Divisions, difference in aggregate amount = Corporate Center and restatement difference (see note (41) on segment reporting on pages 53 to 57 of this interim report).

2) ROE = profit before tax / institutional capital.

3) Calculated on the basis of capital allocated under Basel II.

4) Subsidiaries are included at actual IFRS capital. The adjustment item with respect to the consolidated IFRS capital is shown in the Corporate Center.

Balance Sheet and Capital Resources

Balance sheet developments

● As at 30 June 2010, Bank Austria's consolidated total assets were **€ 200.5 bn**, up by € 6.0 bn or 3.1 % on year-end 2009. Customer business on both sides of the balance sheet grew at moderate rates. Equity rose strongly, mainly on account of the capital increase. – The sale of UniCredit CAIB in June 2010, carried out after long preparations, had a strong effect on the balance sheet.

In the balance sheets as at 31 December 2009 and as at 30 June 2009 (see table below), the investment bank UniCredit CAIB AG and the brokerage firm UniCredit CAIB Securities UK Ltd. were contained in the items "Non-current assets and disposal groups classified as held for sale" and "Liabilities included in disposal groups classified as held for sale" in accordance with IFRS 5. Ahead of the sale, the business volume of these companies declined – from € 28.2 bn (30 June 2009) to € 13.2 bn (31 December 2009) on the assets side and from € 24.5 bn to € 10.5 bn on the liabilities side – as UniCredit CAIB was made to focus on proprietary trading and a number of customer business functions were gradually taken over by Bank Austria. (In 2009, disposal groups classified as held for sale still included card complete Service Bank AG, a company providing card services whose total assets are very low and which has been reintegrated in the meantime.) In the balance sheet as at 30 June 2010, disposal groups classified as held for sale declined to zero, and individual non-current assets shown in the item "Non-current assets and disposal groups classified as held for sale" amounted to only € 25 m. Nevertheless, the deconsolidation of UniCredit CAIB and its London-based subsidiary UniCredit CAIB Securities UK Ltd. did not result in the strong reduction of total assets which may have been expected: the former UniCredit CAIB is now a branch of UniCredit Bank AG (the former Bayerische Hypo- und Vereinsbank AG), Munich. With the deconsolidation of these companies, receivables and liabilities between Bank Austria units and CAIB, which were previously offset as intercompany items for consolidation purposes, became external receivables and liabilities – to the extent they continue to exist –, be it vis-à-vis the legal successors to UniCredit CAIB or vis-à-vis UniCredit Bank AG, Munich, with which financial market trading activities will be conducted from now on. This is why a number of asset and liability items rose strongly as a result of the transaction, mainly interbank business, trading portfolios and hedging positions. Thus hedging derivatives rose strongly, by € 3.0 bn on the assets side and by € 3.3 bn on the liabilities side. The receivable recognised in respect of the sales price is the main factor for the strong increase of € 4.8 bn to € 5.8 bn in the balance sheet item "Other assets". The low gain on the sale was recognised directly in equity.

● On the **assets side**, loans and receivables with customers (net of loan loss provisions, which also increased) rose by 5.0% or € 6.1 bn to € 129.7 bn from the end of 2009 to the end of June 2010; they accounted for 65% of total assets. Loans to customers in Austria expanded only slightly, by 1.2%, in the first six months of the current year (year-end 2009 to the end of

Development of major balance sheet items (€ bn)

	30 JUNE 2010	31 DEC. 2009	CHANGE		30 JUNE 2009	CHANGE	
ASSETS							
Financial assets held for trading	**5.6**	**4.1**	+1.5	+35.5%	**3.6**	+2.0	+55.1%
Other financial assets *)	**18.5**	**16.1**	+2.4	+14.8%	**15.7**	+2.8	+18.2%
Loans and receivables with banks	**24.6**	**23.1**	+1.5	+6.5%	**18.6**	+6.0	+32.1%
Loans and receivables with customers	**129.7**	**123.6**	+6.1	+5.0%	**127.1**	+2.7	+2.1%
Hedging derivatives	**3.2**	**0.2**	+3.0	>100%	**0.2**	+3.0	>100%
Non-current assets and disposal groups classified as held for sale	**0.0**	**13.2**	−13.2	−99.8%	**28.2**	−28.2	−99.9%
Total assets	**200.5**	**194.5**	+6.0	+3.1%	**207.6**	−7.2	−3.5%
LIABILITIES AND EQUITY							
Financial liabilities held for trading	**3.7**	**0.9**	+2.7	>100%	**1.1**	+2.6	>100%
Deposits from banks	**38.0**	**33.4**	+4.6	+13.9%	**31.0**	+7.0	+22.6%
Primary funds	**127.4**	**125.9**	+1.5	+1.2%	**127.4**	−0.0	−0.0%
Hedging derivatives	**3.5**	**0.2**	+3.3	>100%	**0.2**	+3.4	>100%
Equity	**17.9**	**14.4**	+3.6	+24.7%	**14.3**	+3.8	+27.0%
Liabilities included in disposal groups classified as held for sale	**0**	**10.5**	−10.5	−100%	**24.5**	−24.5	−100%
Total liabilities and equity	**200.5**	**194.5**	+6.0	+3.1%	**207.6**	−7.2	−3.5%

*) Sum total of the following items: financial assets at fair value through profit or loss, available-for-sale financial assets, and held-to-maturity investments.

June 2010), mainly supported by the F&SME Division (+3.9%). In CEE, loans and receivables with customers grew by 8.8% during the same period, supported by moderate currency appreciation. Financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments rose strongly, by a combined 14.8%, mainly because of growth in available-for-sale financial assets in CEE. The substantial increase in financial assets held for trading and in hedging derivatives is to be seen in connection with the fact that, as mentioned above, receivables are no longer offset as intercompany items with the former CAIB and its legal successors.

● **On the liabilities side**, deposits from customers grew at a low rate in the first six months (+2.9% to € 99.8 bn as at the end of June 2010). At this level they were 3.8% higher than a year earlier. Debt securities in issue declined by 4.5% to € 27.5 bn in the course of the first half of 2010. Primary funds – the sum total of deposits from customers and debt securities in issue – thus increased by 1.2% from the end of 2009, reaching € 127.4 bn. This means that primary funds covered loans and receivables with customers to the extent of more than 98%. Interbank deposits, hedging derivatives on the liabilities side and financial liabilities held for trading also increased strongly for the reasons mentioned above in connection with the CAIB transaction.

At the end of June 2010, **equity** amounted to € 17.9 bn, an increase of € 3.6 bn or 24.7% over the year-end 2009 level and 27.0% higher than at the end of June 2009. As a proportion of the balance sheet total, equity rose from 6.6% as at 30 June 2009 to 7.4% at the end of 2009 to 9.0% as at 30 June 2010, with **leverage** declining from 14.7 to 13.5 and most recently 11.2. (Based on the definition excluding intangible assets, leverage declined from 19.8 to 18.2 to 14.2). The increase of € 3,560 m in equity was mainly due to the € 2,000 m capital increase, and to income and expenses recognised directly in equity in the amount of € 1,601 m. In addition to current profit (+€ 480 m), the latter item mainly reflects the positive development of foreign currency translation (+€ 879 m) and reserves in accordance with IAS 39 (+€ 267 m). No dividend payments were made in the first half of 2010. As at 30 June 2010, equity without minority interests was € 17.4 bn, up by € 3.5 bn or 25.6% on year-end 2009.

Capital resources pursuant to the Austrian Banking Act

Risk-weighted assets (RWAs) as at 30 June 2010 were € 125.4 bn, up by € 11.0 bn (+9.6%) on year-end 2009. The increase resulted from an adjustment of risk parameters required in view of economic developments and from the higher exchange rates of most CEE currencies as at 30 June 2010. As a result of higher RWAs, the capital requirement for credit risk increased to € 9.0 bn (+10.8%) and the capital requirement for all types of risk was € 10.0 bn (+9.6%). **Net capital resources** as at 30 June 2010 were € 15.3 bn, up by € 2.8 bn or 22.0% on the year-end 2009 level. The increase resulted mainly from the capital increase of € 2.0 bn at UniCredit Bank Austria AG in the first quarter of 2010, and partly also from exchange rate movements.

Capital ratios as at 30 June 2010 improved significantly compared with the end of 2009. The Core Tier 1 capital ratio (Tier 1 capital ratio without hybrid capital) based on all risks rose from 8.33% to 9.85%. The Core Tier 1 capital ratio based on credit risk improved from 9.37% to 10.97%.

Capital ratios

	30 JUNE 2010	31 DEC. 2009
based on all risks [1]		
Tier 1 capital ratio	10.17%	8.68%
... without hybrid capital (Core Tier 1 capital ratio)	9.85%	8.33%
Total capital ratio	12.16%	10.92%
based on credit risk [2]		
Tier 1 capital ratio	11.32%	9.76%
... without hybrid capital (Core Tier 1 capital ratio)	10.97%	9.37%
Total capital ratio	12.63%	11.29%

1) Credit risk, operational risk, position risk and settlement risk.
2) Capital resources less requirement for trading book, commodities risk, exchange rate risk and operational risk as a percentage of the risk-weighted assessment basis for credit risk.

Development of Business Segments

Family & SME Banking (F&SME)

(€ m)	H1 10	H1 09 1)	CHANGE	
Net interest income	331	345	−14	−4%
Net non-interest income	212	199	+13	+7%
Operating income	543	543	−1	−0%
Operating expenses	−393	−399	+6	−1%
Operating profit	150	145	+5	+4%
Net writedowns of loans	−119	−126	+7	−6%
Other non-operating items	10	6	+4	+76%
Profit before tax	**41**	**24**	**+17**	**+70%**
Loans to customers (avg.)	19,588	18,781	+807	+4%
Risk-weighted assets (avg.) 2)	10,872	10,903	−31	−0%
Average equity 3)	742	845	−104	−12%

1) For segment reporting purposes, the comparative figures for 2009 were restated to reflect the structure and methodology of the reporting period (see note 41 on pages 53 to 57 of this report). / 2) Average risk-weighted assets under Basel II (all risks). / 3) Capital allocation to subsidiaries reflects actual IFRS capital (see note 41).
This information applies to all business segment tables.

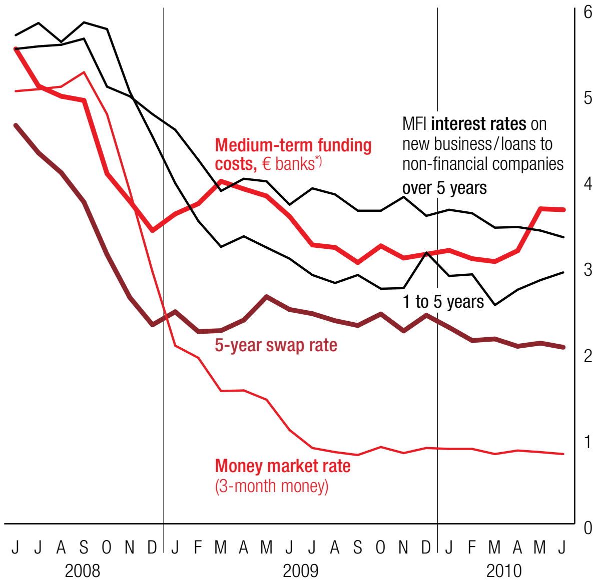
As part of the **One4C** project we renamed the previous Retail business segment "Family & SME Banking" (F&SME), a name used in UniCredit Group. The new name reflects a number of measures taken to enhance customer centricity by adopting customer service models that are targeted at specific customer groups and their needs. During 2009 the top segment of retail banking customers was transferred to the Private Banking (PB) business segment with a view to providing these customers with specialised services. For segment reporting purposes (see table above) the related figures have been restated to reflect the changes and make the two periods (H1 2010 and H1 2009) comparable. Conversely, with the objective of providing decentralised customer services via our branch network, preparations are under way to transfer the customer segment comprising small and medium-sized businesses from the CIB Division to the F&SME Division; the transfer will take place at the beginning of 2011.

Against the background of extreme fluctuations in the economic environment over the past one and a half years, the F&SME business segment presents a stable picture and has recently benefited from a more favourable development. Developments in business with private customers and, to an even greater extent, small businesses are lagging the business cycle. For this reason weak domestic trends, insolvencies and investors' strong preference for liquidity impacted these sub-segments more strongly than other customer segments. Nevertheless, **operating income** grew by 3% from Q1 to Q2 2010 and was thus up by 9% on a year earlier. In the first six months of 2010, average loans to customers were 4.3% higher than in the same period of the previous year. **Net interest income** (€ 331 m) was 4% lower than in the previous year as a slight increase in interest income from lending business was more than offset by a decline on the deposit side. There was hardly any change in the volume of sight deposits and savings deposits compared with the previous year, but interest rate spreads over reference rates declined significantly in these areas; this is in contrast to time deposits – a category for which there was strong competition a year ago in an environment characterised by a liquidity shortage – where spreads and volume were down by up to one half on the previous year, reflecting low levels of interest rates and the intermediate ample supply of liquidity. Generally, customers are sensitive to interest rates and reduce short-term deposits and loans.

In the first half of 2010, **net fees and commissions** rose by a strong 10% to € 210 m (39% of operating income). The strongest contribution to growth came from up-front fees, due to the successful placement of our guarantee products, e.g. PIA China Garantie or PIA Global Emerging Markets Garantie. – Securities business intensified, with investors acting defensively and taking a long-term view with a focus on special theme funds (partly with a capital guarantee) and our own issues (structured interest rate products). Other fee and commission income remained stable compared with the previous year. While turnover on safe-custody accounts increased and the conversion of foreign currency loans supported loan commissions, account maintenance fees and fees for payment transactions (about 40% of total net fees and commissions) continued to decline.

Operating expenses in the first half of 2010 were lower than in the previous year, the cost/income ratio was down by 1 percentage point to 72.4%. Operating profit amounted to € 150 m, an increase of 4% over the figure for the first six months of the previous year. Net writedowns of loans and provisions for guarantees and commitments were € 119 m in the first half of 2010, more or less matching the

Interest rates



*) Medium-term funding costs = 5-year benchmark yield plus CDS spread on bank issues (senior debt, €)

level of the second half of 2009 (€ 116 m), but € 7 m or 6% lower than in the first six months of 2009, the period when the crisis started to spread to small businesses. The cost of risk was 122 basis points of average lending volume, after 135 bp in the previous year. Net income from investments improved by € 4 m to € 11 m, as a result of the sale of shares from the Division's investments.

The performance of the Family & SME Banking Division improved on all sides: revenues, costs and non-operating items. **Profit before tax** for the first half of 2010 was € 41 m, up by 70% on the previous year (€ 21 m). Return on equity before tax increased to 11.0%, partly as a result of the higher profit and partly due to lower equity allocated to the Division (average figure down by 12%).

Private Banking

(€ m)	H1 10	H1 09	CHANGE	
Net interest income	21	28	–7	–26%
Net non-interest income	51	40	+11	+28%
Operating income	71	68	+4	+6%
Operating expenses	–49	–47	–2	+5%
Operating profit	22	21	+2	+8%
Net writedowns of loans	0	0	+0	–66%
Other non-operating items	0	0	+0	–85%
Profit before tax	**22**	**20**	**+2**	**+9%**
Total financial assets (end of period)	16,385	16,115	+270	2%
Loans to customers (avg.)	371	322	+48	+15%
Risk-weighted assets (avg.)	520	666	–146	–22%
Average equity	123	153	–29	–19%

The restructuring of the newly-defined Private Banking (PB) business segment was completed following the transfer of customers from the other divisions at the end of 2009 (the figures for H1 2009 in the income statement and the volume-related data have been restated to reflect the consequent business structure and perimeter of customers). This means that we can offer the specific, customised services of a private bank to a homogeneous target group. In June "Schoellerbank Invest", an investment management company, was added to the group of consolidated companies, which affected the results generated by the PB business segment in the first six months of 2010 to the extent of about € 1 m on the revenue side and on the cost side.

In the first half of 2010, the **market environment** was much more favourable compared with the economic downturn and the need to work through the aftermath of the financial market crisis a year earlier. But the later repercussions of the financial market crisis and the global recession, which were still apparent (Greek crisis, fiscal outlook, contradictory reports on the global economy, exchange rate developments) prompted customers to act with great restraint. Stock market performance declined in all sectors in local currency in H1 2010 (MSCI World: –7.8%, BRIC –8.2%, S&P500: –7.6%, EuroStoxx –10.3%, ATX: –8.7%). Benchmark government bonds, whose performance (10-year euro benchmark +8.8%, not annualised) exceeded the total return of corporate bonds (+3.7%, ibox non-financial BBB), benefited from the debt crisis of the European "peripheral countries". Performance was driven by the US dollar in particular (+17.0%), a development – which has in the meantime partially subsided – that reflected the uncertainty prevailing at the time, as did the 13.3% rise of the gold price to US$ 1,241 per ounce as of the end of June.

While customers continued to invest a substantial proportion of their portfolio in direct deposits, they showed a preference for securities and managed portfolios compared with March 2010. Direct deposits as a percentage of total investment volume declined from 39% to 32%. Our new Bank Austria Private Portfolio PREMIUM service package – a transparent flat fee model – is an initiative taken to stimulate investment activity. An initial favourable response to the initiative is already discernible. In the context of asset management advisory services, the service package links in-depth analysis and advice with a custom-tailored investment strategy, and is available for portfolios with a minimum value of € 50,000. Customers can choose from five types of investment of varying risk intensity and respond to the current proposals of their relationship manager.

Total financial assets of the Division (Schoellerbank and Bank Austria Private Banking) hardly changed over year-end 2009 and were **€ 16.4 bn** at the end of June 2010. **Operating income** (€ 71 m) was 6% up on the figure for the first half of 2009. In line with the nature of private banking business, net fees and commissions (accounting for 69% of operating income) made the main contribution to overall results of the PB Division, rising by 13% or € 6 m to € 49 m. In addition to the up-front fees from the Division's continued success in placing its products, a new insurance product launched by Schoellerbank met with a favourable response from international customers. Net interest income (€ 21 m) declined by about one-quarter compared with the first half of 2009, reflecting the shift in portfolio investments at the expense of liquidity.

At € 49 m in the first half of 2010 after € 47 m in the equivalent period of the previous year, **operating expenses** remained stable apart from the consolidation effect mentioned above. Non-operating items were close to nil, again reflecting the nature of this business segment. **Profit before tax**, like operating profit, showed a marked improvement over H1 2009, rising by 9% to € 22 m. In the first half of 2010, the development of risk-weighted assets and capital allocated to the Division reflected the change in the Division's responsibilities (transfer of previous production functions for the bank to other Divisions and to PIA). Return on equity before tax improved, both as a result of the revenue increase and the lower level of capital allocated to the Division (–19%), to 36.0% per annum (H1 2009: 26.7%).

Corporate & Investment Banking (CIB)

(€ m)	H1 10	H1 09	CHANGE	
Net interest income	474	840	−366	−44%
Net non-interest income	233	71	+163	+230%
Operating income	707	910	−204	−22%
Operating expenses	−218	−235	+17	−7%
Operating profit	488	675	−187	−28%
Net writedowns of loans	−84	−170	+86	−51%
Other non-operating items	2	−6	+8	−125%
Profit before tax	**406**	**498**	**−92**	**−18%**
Loans to customers (avg.)	45,722	49,383	−3,661	−7%
Risk-weighted assets (avg.)	30,622	34,108	−3,486	−10%
Average equity	8,006	7,623	+383	+5%

The overall performance of the Corporate & Investment Banking Division improved markedly in the course of the first six months of 2010: revenues, operating profit and profit before tax were well up from the low levels of Q4 2009. This is attributable to a successful second quarter of 2010, which saw a rise in revenues, declining costs and a fall in the provisioning charge. Profit before tax for the second quarter of 2010 was € 252 m; this was 64% up on the previous quarter, 1.8 times the figure for Q4 2009, and more than double the Q2 2009 result. **Profit before tax** for the first half of 2010 came to **€ 406 m**, € 92 m or 18% below the exceptionally good result for the first six months of 2009. This reflects the base effect mentioned several times in this report, especially as the comparison with the first half of 2009 includes very high net interest income from trading activities in the early part of 2009. Based on this high level of net interest income, interest income from treasury activities and interest rate management (interest-based products), the “Counterparts” Product Line achieved a profit before tax of € 351 m in the first six months of 2009, compared with a figure of € 196 m in the first half of 2010. This contraction of € 155 m explains the entire decline of € 92 m in profit before tax at divisional level compared with H1 2009. The decline was accentuated by the reduction, in line with strategy, of proprietary trading activities.

UniCredit CAIB, which was sold within UniCredit Group in June, represented a key component of the “Counterparts” Product Line (see page 7 of the report). The comparative income statement of the business segment for H1 2009 was restated and thus adjusted to the group of consolidated companies in the reporting period. UniCredit CAIB is consequently included in the data for the first five months for 2009 and 2010, respectively (see note (41) on pages 53 to 57 of the report).

Net interest of the CIB Division for the first half of 2010 amounted to € 449 m, with the “Network” sub-segment, which represents commercial banking business, accounting for € 300 m (4% up on H1 2009). Corporate banking business in Austria (Network Austria) was characterised by weaker demand for credit; the slight improvement in interest spreads was insufficient to offset this trend. The trend in deposits was just the opposite: average volume of sight and time deposits was higher in H1 2010 compared with H1 2009 (up by 3%), while interest spreads narrowed by more than one-quarter over the previous year due to a decline in interest rates on customer business and reference rate developments. The contribution to net interest from deposit business contracted in line with this trend. Dividend income and other income from equity interests was negative in the first six months of 2009 (−€ 22 m) but positive in H1 2010 (+25%). The reversal is explained by an improvement in the real estate sector and by the equity interest held in Oesterreichische Kontrollbank AG. Overall, net interest income for the first half of 2010 amounted to € 474 m, down by 44% on H1 2009. **Net fees and commissions** rose sharply in the second quarter of 2010 (+14%), gradually moving up from the low level reached in the aftermath of the financial market crisis and as a result of the recession in the middle of 2009. In the first half of 2010, net fees and commissions amounted to € 172 m, 14% up on the level of the previous year. The increase was mostly generated by one-time loan commissions in business with large corporate customers, and by fees for safe-custody services, while net fees and commissions from securities business and business with derivatives were still lower than in the previous year. Following the net losses seen in 2009, the **net trading, hedging and fair value result** was again positive in the first six months of 2010, at € 56 m. The reversal represents an improvement of € 143 m. In the first half of 2010, **operating expenses** were 7% lower than in the same period of the previous year. The decline is partly a result of reduced payroll costs. The cost/income ratio was 20.9% (H1 2009: 25.8% due to high revenues). **Operating profit** for the first six months of 2010 was € 488 m.

In the first half of 2010, **net writedowns of loans and provisions for guarantees and commitments** declined to € 84 m from € 170 m in the previous year. The cost of risk was 37 basis points (bp) for H1 2010, down from 69 bp in H1 2009. The reduction is partly explained (to the extent of less than one half) by the release of a provision for a large loan, which does not diminish the favourable picture. Economic trends have without doubt supported the activities of Austria’s export-oriented industrial companies and their suppliers. In business with medium-sized companies, the early identification of problems, the use of analysis tools such as WorkingCapitalCheck or VerschuldungsKapazitätsRechner (a borrowing capacity calculator), and restructuring efforts proved to be effective. In the first half of 2010, the CIB Division achieved a profit before tax of € 406 m. This corresponds to 42% of the business segment results without the Corporate Center.

Average **risk-weighted assets** (restated) under Basel II (€ 30.6 bn) were 10% lower than a year earlier. This decline resulted mostly from the restructuring of trading activities and from changes in the division of labour within UniCredit Group, with market risk in CIB being reduced by 61%. In accordance with the dual methodology applied by UniCredit, equity contains the actual IFRS capital of the subsidiaries allocated to this business segment; this results in a significant overcapitalisation compared with equity calculated on the basis of risk-weighted assets. Based on equity calculated on the basis of RWAs, the Division generated a return on equity before tax of 40.6%.

Central Eastern Europe (CEE)

(€ m)	H1 10	H1 09	CHANGE		ADJ.*)
Net interest income	1,601	1,492	+108	+7%	+3%
Net non-interest income	617	904	−287	−32%	−36%
Operating income	2,218	2,396	−179	−7%	−11%
Operating expenses	−1,033	−956	−77	+8%	+4%
Operating profit	1,185	1,440	−255	−18%	−22%
Net writedowns of loans	−691	−707	+16	−2%	−4%
Other non-operating items	1	−13	+14	n. m.	n. m.
Profit before tax	**495**	**720**	**−226**	**−31%**	**−38%**
Loans to customers (avg.)	60,564	60,937	−373	−1%	−4%
Risk-weighted assets (avg.)	72,575	73,454	−880	−1%	−5%
Average equity	10,953	9,753	+1,200	+12%	+8%

*) at constant exchange rates prevailing at year-end 2008
n. m. = not meaningful

The Central Eastern Europe (CEE) business segment coped well with exceptional challenges in the previous year and underlined its role as Bank Austria's major revenue-earner even though the repercussions of the crisis are still weighing down results: in the first half of 2010, the Division accounted for almost two-thirds (64%) of operating profit and – despite large net writedowns of loans – contributed more than one half (51%) to profit before tax of Bank Austria as a whole (without the Corporate Center).

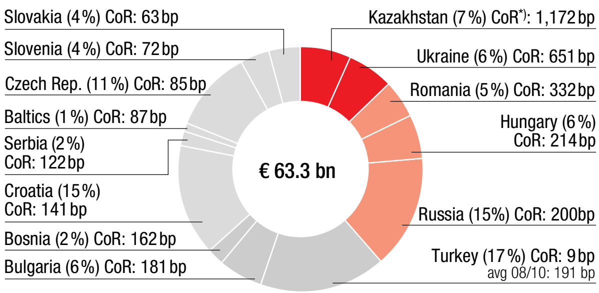
Developments **from quarter to quarter** show an upward trend in operating activities: average risk-weighted assets, which declined by 9.7% from the peak in the first quarter of 2009 to the third quarter of 2009, have increased since then, reaching a level in Q2 2010 which almost matched the figure more than a year ago (–0.7%). Lending volume developed in a similar manner. Net interest income and net fees and commissions – the "sustainable" income components – have risen steadily since the second quarter of 2009; the combined figure for Q2 2010 was € 1,116 m, up by 12% on a year earlier and just below the peak levels seen at the end of 2008. The provisioning charge reached highs in Q3 (€ 510 m) and Q4 (€ 501 m) of the previous year, reflecting the credit cycle lag; in the current year, it declined considerably, to € 314 m and € 377 m in the first and second quarters of 2010, respectively, and was thus lower than in the same periods of the previous year. Yet net writedowns of loans and provisions for guarantees and commitments are still very high, absorbing between 50% and 60% of operating profit.

In the **first half of 2010**, profit before tax generated by the CEE business segment was € 495 m, down by 31% from H1 2009. The € 226 m decrease compared with the same period of the previous year was caused by developments in net non-interest income (–€ 287 m), especially net trading performance. This decline resulted from the differences in the financial market environment prevailing in the first half of 2010 compared with H1 2009: the CEE Division's net trading income returned to a normal level of € 34 m in the first half of 2010; the comparative performance of € 359 m in H1 2009 was exceptionally strong due to high volatility, strong trading activity and demand for hedging transactions in an environment characterised by scepticism about CEE and temporarily wide credit spreads. This development was seen in most CEE countries, with the strongest decline recorded in Russia, Romania and Turkey from very high levels achieved in the previous year. Commercial banking operations made good progress, both quarter-on-quarter and compared with the first half of 2009: net interest income was 7% higher than in the same period of the previous year (or up by 3% if adjusted for exchange rate movements); in Q2 2010, the figure was 12% higher than a year earlier. Compared with the critical period of uncertainty experienced in spring 2009, when credit spreads widened significantly for some time, funding conditions have also improved in most countries. The net interest margin (net interest/average loans to customers) rose from 486 basis points to 527 basis points. Fee-earning business developed satisfactorily, indicating that market penetration with modern banking products and services in CEE is regaining momentum. In Q2 2010, net fees and commissions were 10% higher than in the preceding quarter and up by 13% on the second quarter of the previous year; the figure for the first six months of 2010 was 10% (on a like-for-like exchange rate basis, 4%) higher than in the previous year. Again, the largest contribution to growth came from Turkey, where Yapi Kredı holds leading positions in a number of banking services (including credit cards, factoring). Operating income as a whole for the second quarter of 2010 matched the figure for the same period of the previous year; in the first half of 2010, it totalled € 2,218 m, down by 7% (or 11% if adjusted for exchange rate changes) from H1 2009 because net trading income declined.

Non-operating items in the income statement improved somewhat compared with the previous year (+€ 30 m), but net writedowns of loans were still substantial. The provisioning charge for the first six months of 2010 amounted to € 691 m; just under one half (48%) of the total amount related to Kazakhstan and Ukraine, where the provisioning charge rose by a combined 45% over the previous year (including UniCredit Bank Austria guarantees booked in the Vienna-based CEE headquarters). This compares with an improvement in the other countries. The positive trend in Turkey was a major factor in this context: the credit cycle reached its peak in that country in 2009, when additions to loan loss provisions were substantial; on the other hand, successful debt collection activities and a large securitisation transaction were among the reasons why net allocations to loan loss provisions in the first six months of 2010 were very low.

The cost of risk (provisioning charge/average net loans to customers) in CEE as a whole declined to 228 basis points (bp) after 232 bp in the same period of the previous year. The chart below shows that the portfolio is widely diversified in terms of cost of risk; in other words, the problem countries Kazakhstan and Ukraine account for only one-eighth of the total exposure. Countries where the cost of risk is below 200 bp account for more than 60% of the portfolio.

CEE loan portfolio: regional diversification and cost of risk



Loan portfolio: end of June 2010; cost of risk (CoR): H1 2010

*) including guarantee in Vienna-based CEE headquarters

Profit before tax for the first half of 2010 was € 495 m after € 720 m in H1 2009 (down by 31% or – adjusted for exchange rate movements – by 38%). The € 226 m decrease at this level of the income statement again reflects the decline of € 287 m in net non-interest income for the reasons explained above. An analysis by country shows that operations in Kazakhstan made a double-digit loss, and the result before tax of UniCredit Bank in the three Baltic countries was slightly below zero.

In average terms, equity allocated to the CEE business segment rose by € 1.2 bn from H1 2009 to H1 2010, or by 12%, to € 11.0 bn. This provides a good base for taking advantage of the still intact medium to long-term outlook in Central and Eastern Europe and using opportunities in the entire perimeter of operations.

CEE countries in detail

The Central Eastern Europe (CEE) business segment of Bank Austria comprises banking subsidiaries in eighteen countries. These countries differ according to their progress in the convergence process, the structural focus of their domestic economy, and the condition of their banking sector. In this context, our units in Turkey, Russia and Croatia play a key role in the performance of the CEE business segment as a whole on account of the respective country's size and/or market share achieved by our local bank. The three countries, which together account for 45% of risk-weighted assets, generate more than one half of the total operating income and operating profit achieved in CEE.

● In **Turkey**, together with strong signs of economic recovery, Koç Financial Services (KFS) recorded increased profitability in the first half of 2010 on the back of strong volume growth, cost control and further improvement of asset quality, while maintaining a sound equity, funding and liquidity position.

In H1, Yapı Kredi, the main subsidiary of KFS, achieved consolidated net income of TRY 1,171 m, an increase of 26% y/y. Return on equity was 28% (compared with 27% in H1 2009). Continued strict cost management resulted in a cost/income ratio of 40%. The bank effectively managed its loans to deposits ratio to achieve a level of below 100% and recorded a capital adequacy ratio of 15.3% at group level. As the fourth largest private bank by total assets, Yapı Kredi is one of the leading banks in credit card business (20.1% outstanding market share), leasing (leader with a 20.5% market share) and factoring (leader with a 29.9% market share).

In H1, Yapı Kredi recorded revenues of TRY 3,127 m, impacted by net interest margin compression (mostly in the area of commercial banking business), partially offset by robust growth in fees; the fees/revenues ratio rose to 27% (compared to 23% in H1 2009).

As of the end of June 2010, Yapı Kredi's lending volume grew by 21% ytd. Activities focused on local currency lending (+24% ytd). Yapı Kredi maintained its leading position in credit card business in the sector, supported by the solid performance of new products, with 8% ytd growth in outstanding volume.
In terms of asset gathering, Yapı Kredi recorded strong growth in total deposits (13% ytd), which was mainly driven by local currency deposits (21% ytd). In asset management Yapı Kredi maintained its position in second place with an 18% market share.

The strong improvement in asset quality continued in Q2, driven by a further slowdown in the number of non-performing loans (NPL), effective debt collections and an NPL sale. In June 2010, the bank finalised an NPL portfolio sale of corporate and commercial loans amounting to a total of TRY 299 m. As a result of positive developments in terms of asset quality and the impact of the NPL sale, Yapı Kredi's NPL ratio declined to 4.1% (compared with 6.3% at the end of 2009).

The bank continued to implement its branch expansion plan in H1, opening 9 new units to reach over 845 branches. Yapı Kredi is planning to open a total of 60 new branches in 2010. The strong focus on alternative delivery channels (ADCs) also continued in H1. In June, Yapı Kredi introduced ATMs with keyboards, a premiere in Turkey, allowing customers to enter instructions in ATMs for deposit and money transfer transactions. The bank also opened a second call centre. As of June 2010, Yapı Kredi has the fourth largest branch network in Turkey with a 9.3% market share, the fifth largest ATM network with more than 2,350 ATMs and a 9.3% market share as well as an award-winning internet branch and call centre.

● In **Russia** the consolidation process in the banking sector is likely to continue after Russia's central bank tightened minimum capital requirements and applied stricter criteria to the reporting quality of financial organisations. Thus the number of banks is expected to decline by some 60–70 by the end of the year.

ZAO UniCredit Bank is among the top Russian universal banks offering a comprehensive product range to retail, affluent, corporate and institutional customers through its widespread branch network and to a growing extent through alternative channels. With a market share of 1.85% (as of 1 June 2010), ZAO UniCredit Bank is the largest foreign bank in Russia and ranks in eighth place by total assets. The bank currently maintains a countrywide network of 105 outlets plus one Representative Office in Minsk, Belarus, and serves around 785,000 individual and SME clients and about 5,200 corporate clients.

In the first half of 2010 the bank posted a net profit for the period of RUR 3.5 billion, which is nearly 11% up on the result for the same period of the previous year. This development was primarily due to lower risk costs, which offset a lower level of revenue caused by shortfalls from trading activities. During the first six months, besides maintaining strict cost management and improving asset quality, the bank focused on optimising its balance sheet structure. Among other factors, this contributed significantly to the increase in net interest income of 35% compared to the previous year. Fees and commissions rose by more than 3% compared with the previous year, driven by sustained flows of commission from foreign exchange business. Comprehensive cost containment measures proved highly efficient; overall costs showed a flat trend, resulting in an excellent cost/income ratio of below 37%. Net writedowns on loans remained around 37% below the level of the previous year, supported by considerable loan repayments primarily in the first quarter, allowing the release of related loan loss provisions.

● Challenged by the still recessionary environment in **Croatia**, Zagrebačka banka Group (ZABA Group) in H1 underpinned its leading market position with steady progress in operating activity and business volumes. Satisfactory growth compared with H1 2009 was achieved in net interest income which increased by more than 12%, driven by lower interest expense (deposit down-pricing and lower overall funding costs) and by fees and commissions that increased by 7% primarily due to income from investment and money market funds and arrangement fees. H1 gross operating profit of HRK 984 m was 6.6% down on the H1 2009 figure, mostly due to trading results that decreased significantly (by 79% y/y), reflecting low market liquidity, stable exchange rates and a fall of HRK interest rates. Operating expenses increased in Q2 compared to Q1 2010 due to stronger business activity (marketing campaigns and projects aimed at further enhancing efficiency), leading to a slight 2.9% increase in operating expenses in H1 y/y. Net profit decreased by 36% due to a substantial increase in loan loss provisions, reflecting the adverse market conditions and an improved provisioning policy.

Zagrebačka banka is the leading bank in Croatia's banking sector for retail, Private and SME customers. In the first half of 2010 the bank saw further market share gains to 24.6% (loans) and 25.8% (deposits) in retail business, and 25.7% and 31.3%, respectively, in business with corporate customers. 24% of Croatia's small and medium-sized enterprises are customers of the bank.

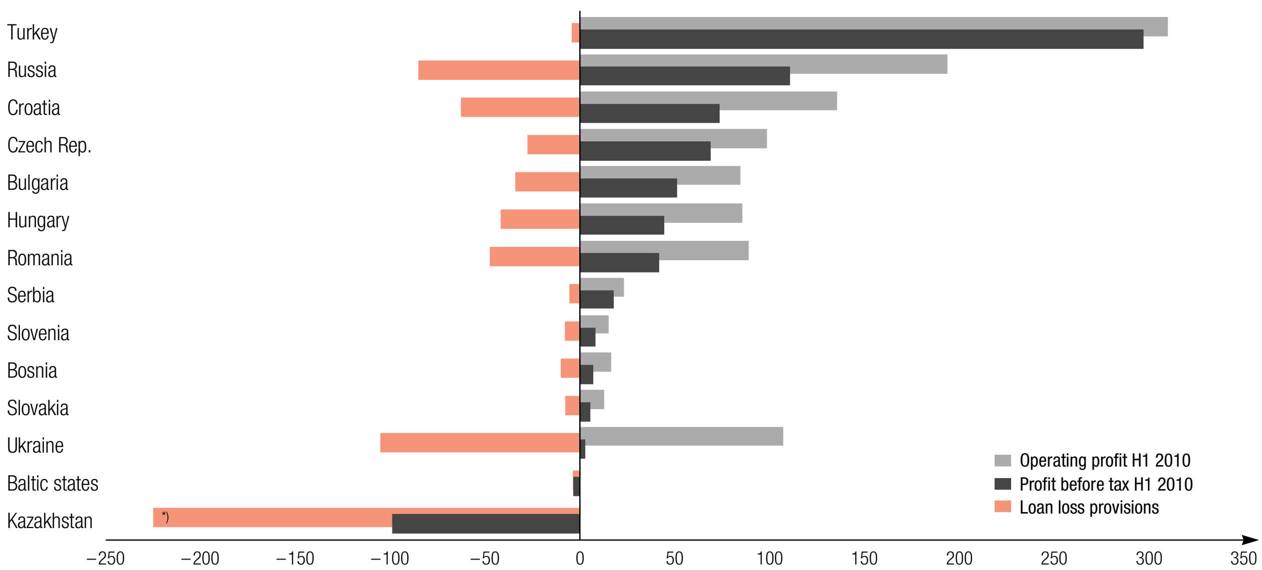
Compared with year-end 2009, total retail loans increased by 1.2% to € 4.4 bn in the first half of 2010, while retail deposits increased by 2.6% to € 4.8 bn, driven by 3.5% growth of term deposits. In retail banking, mortgages increased by 8.9% in H1 compared with H1 2009, generating a leading market share in housing loans of 31.6%. In April, the bank launched "Green Loans", an initiative aimed at promoting the construction and purchase of real estate with advanced energy efficiency. In May, Zagrebačka banka – as the first bank in Croatia but also the first in UniCredit Group – launched mobile banking applications for iPhone (m-zaba for individuals and for corporate customers). In the Small Businesses segment, lending showed initial signs of recovery at the end of first quarter of 2010. Funding at reasonable cost was available through MIGA and the EBRD credit lines.

In H1 the bank confirmed its position as the leading corporate bank on the Croatian market. Loans to corporate clients increased from € 4.1 bn at the end of 2009 to € 4.6 bn at the end of June 2010. In H1, the bank further strengthened its leading position as a provider of investment banking services: it acted as joint lead agent and underwriter for government bond issues for an amount of € 1.69 bn, agent for corporate bond issues, joint lead agent for commercial paper issues for an amount exceeding € 20 m, and arranger of syndicated loans, including those for the Republic of Croatia for a total amount of € 1.26 bn. In the corporate finance segment, in H1 2010 the bank acted as a sell-side adviser as well as a buy-side adviser for leading local companies. Corporate Treasury Sales increased foreign exchange volume by 16% compared with H1 2009, concluding a single transaction by selling € 100 m to a road company.

● UniCredit Bank **Czech Republic** closed Q2 2010 on a very successful note, given the difficult macroeconomic environment. Despite very low volume growth in the banking sector the bank increased revenue q/q by 7.8% (at constant rates), with fee and commission income as the main driver. Payment transaction fees, foreign exchange service fees and customer induced derivatives business were the key to revenue growth, signalling a recovery of the Czech economy. With costs under control and loan loss provisions significantly below budget despite a 31.4% q/q increase (at constant rates), the bank recorded a quarterly net profit which is 9.7% above Q1 2010 and 6.5% above the respective quarter in 2009 (both at constant rates). In Q2 2010, the bank continued its preparations for strengthening its position on the retail market via branch expansion and alternative distribution channels.

● Results of **UniCredit Bank Slovakia** are still affected by the low market interest rate environment in the eurozone with an impact on deposit margins and trading results. Positive signs were however discernible in Q2 2010 with a q/q improvement in both interest income and fees and commissions. In particular, interest from lending business in H1 was up on the H1

Operating profit and profit before tax of CEE banking subsidiaries (€ m)



*) Kazakhstan (incl. guarantee by Bank Austria, Vienna)

2009 figure, with expectations of further growth in both retail and corporate banking. Compared to 31 December 2009, the bank also improved its market share in both loans and deposits. Additionally, the bank is continuing to implement measures to contain costs, bringing operating expenses down to levels below those of both the previous year and the preceding quarter.

● With markets still awaiting the turnaround, **UniCredit Bank Hungary** maintained its stable revenue flows and profitability. The former is underlined by revenues exceeding last year's results, while the latter was ensured by strict cost management and efficient processes. Revenues exceeded the level of the previous year by 4%, driven by strong net interest income. With both staff and non-staff costs under control, the bank had an excellent cost/income ratio of 42.8%, one of the best in the country. Risk costs are still higher than in the past, but in line with expectations and with a focus on restructuring and renegotiating impaired loans. As a result, profit before tax increased by 5.5% compared to the previous year. Balance sheet developments were still affected by low credit demand; total assets consequently decreased by 5.4%, although this was partly offset by a higher investment portfolio and higher interbank assets. Customer deposits are down by 7.2% compared to the same period of the previous year. They were impacted by a matured extraordinary non-resident corporate placement, but the decline was partly offset by volumes in the retail segment. As a consequence, the loan/deposit ratio increased to 110% but remained far below the sectoral average of 140%. Assets under management rose by 79% y/y thanks to both stable capital inflows and a good performance of funds.

● In Q2 2010, **UniCredit Banka Slovenia** achieved revenues of € 17.1 m, € 0.5 m more than in Q1 despite a negative trading result influenced by market conditions. The improvement is mainly due to developments in net fee and commission income (€ 1.6 m up on Q1) and high, stable net interest income (€ 0.8 m higher than Q1). Loan loss provisions in Q2 amounted to € 3.8 m, remaining at Q1 levels. Profit before tax for the first half of 2010 amounted to € 8.1 m, a more than threefold increase from H1 2009.

● In **Bosnia and Herzegovina**, UniCredit, represented by UniCredit d.d., Mostar, and UniCredit a.d., Banja Luka, is among the leading banking groups. The two banks serve more than one million customers and operate through a network of 142 branches. In spite of a still difficult economic environment, revenues increased by 3% y/y, expenses were reduced by 4% y/y and operating profit increased significantly by 23% y/y in H1 2010, due to growth in non-interest income, successful interest margin management and cost-cutting measures. In H1, the retail segment improved its business results and is currently developing new products and services. The focus of corporate banking is on a growth strategy by approaching all major industries and supporting their financing needs.

● As of March 2010, **UniCredit Bank Serbia** had reached fourth place in the Serbian market with a market share of 6.9% by total assets. The bank – with y/y profit growth of 29% and improvements in major KPIs – outperformed market profitability. The corporate banking segment increased its market share in deposits in H1 2010. The retail segment's market share also developed positively in the areas of loans and deposits since the beginning of the year. The bank joined the state programme for subsidised housing, consumer and small business loans.

● In a challenging economic environment in Romania, with stagnating investment and low private consumption levels, **UniCredit Tiriac Bank** (UCT) achieved a net operating profit of RON 202 m (€ 49 m) in Q2 2010, 18% higher than in Q1, and RON 373 m (€ 90 m) in H1. Total assets increased by 5% yoy to RON 20.5 bn (€ 4.7 bn). Loans grew by 11% yoy, well above the market rate. H1 revenues were significantly higher yoy. Operating expenses remained at the level of the previous year, resulting in a further improvement in efficiency that was reflected in a cost/income ratio which was below 44%. Risk costs doubled in H1 compared to last year to RON 197 m, but they were easily covered by the net operating profit. The NPL ratio reached 8.6% and provision coverage 6.1% of the on-balance sheet customer loan portfolio. In terms of net profit, Q2 exceeded Q1 by 31%; the H1 result is 18% lower than the previous year's figure due to the higher provisioning requirement. ROE reached 13% and ROA 1.5%, one of the highest profitability ratios in the Romanian market. As of the end of June 2010, UCT met statutory requirements with a sound capital adequacy level of almost 13%.

Despite the ongoing recession, H1 corporate revenues grew by 26% yoy and the growth of its loan portfolio was well above that of the market. Deposits contracted somewhat, mainly due to the repayment of some large-volume deposits. Retail revenues increased by 3% yoy (and by over 11% including the results of UCFin, which provides the Group consumer loans in Romania, using the branch network of the bank). Retail loans and deposits increased slightly, in line with the market.

● As a market leader in Bulgaria, **UniCredit Bulbank** had total assets of € 5.7 bn. Customer deposits grew by 4.1 % y/y to € 3.4 bn, mainly driven by growth in retail deposits. Gross customer loans remained flat y/y, amounting to € 4 bn, with a renewed emphasis on mortgage loans. The loan/deposit ratio decreased by 5.4 percentage points y/y to 118 %, signalling a moderate deleveraging. The capital adequacy of the bank was at a sound 17.5 %. The bank achieved total revenues of € 146 m despite a difficult environment of limited loan growth and pressure on the margins of customer deposits. As a result of various cost cutting measures, net profit exceeded € 45 m, thus accounting for one quarter of the entire banking system. The bank succeeded in achieving this stable position as a result of stable net fee and commission income, improved operating efficiency and lower-than-average loan loss provisions.

● The further stabilisation of the macroeconomic situation in Ukraine in Q2 had a positive impact on both the country's banking system as a whole and on **Ukrsotsbank** in particular. The bank increased its customer deposits by 14.7 % q/q, with corporate deposits growing more strongly than retail deposits. The bank improved its market share in corporate deposits to 3.5 %. Despite a gradual decrease in interest rates for retail deposits in 2010, Ukrsotsbank was able to increase deposit volume by 10.8 % and improve market share in retail deposits to 3.8 %. The loan/deposit ratio of the bank improved to 232 % (–43.2 percentage points q/q). Ukrsotsbank continued its conservative risk approach to new lending in Q2 2010, which, combined with the market trend, resulted in a 1.5 % decline of its customer loan portfolio. Once more, the improvement of asset quality and related restructuring and collection activities were the focus of risk management. Provisioning levels increased further to about UAH 560 m in Q2. As a part of cross-selling activities, a priority for Ukrsotsbank in 2010, in Q2 the Retail Division was running co-brand projects and initiated sales of complementary insurance products to clients of the bank; the Corporates Division developed a new, optimised product scheme for corporate payment cards designed especially for existing clients of the bank.

● The macroeconomic situation in **Kazakhstan** is improving substantially with real GDP expected to grow by 5 % y/y in 2010, which is among the highest in the CEE region. Lending volume in the banking sector is nevertheless still stagnating, driven by banks' aversion to risk and asset quality problems. In line with the market trend, UniCredit's subsidiary **ATF Bank** recorded a 3 % q/q decline in lending volume in Q2, while on the deposit side the bank increased volume by 17 % q/q. The quality of the loan portfolio remained a focus of attention and negatively impacted ATF's overall Q2 financial performance. However, asset quality is expected to improve, thanks to economic recovery and aggressive restructuring workout efforts launched in the bank. The bank's proactive sales efforts to attract new, healthy borrowers, also with a new, enhanced product offer, are expected to support credit growth. Furthermore, the ongoing retail branch optimisation efforts are expected to yield results by year-end through reorganisation and efficiency measures.

● In the first half of 2010, AS UniCredit Bank, active in all 3 **Baltic countries**, faced a persistently difficult economic environment, resulting in negative GDP growth, especially in Latvia and Lithuania, and a contraction of lending volume in the market. The bank had total assets of LVL 700 m (or approx. € 987 m), with loans and deposits decreasing compared to Q1. However, a positive trend from net interest income can be recorded in Q2 with an increase of 34 % compared with Q1, with overall revenues of LVL 5 m. At the same time, the bank is continuing to pursue strict cost management. Loan loss provisions remained at a high level, with a negative impact on the bank's income statement, thus generating a loss of LVL 1.99 m (or approx. € 2.8 m) in H1. In 2010, AS UniCredit Bank increased its capital by LVL 13 m, thereby boosting the bank's capital adequacy ratio to a sound level of more than 12 %.

Income statement of the consolidated banking subsidiaries in CEE

(€ m)

	CEE BANKS TOTAL [1]		CZECH REPUBLIC		SLOVAKIA		HUNGARY	
	H1 10	H1 09	H1 10	H1 09	H1 10	H1 09	H1 10	H1 09
Net interest income	**1,568.1**	**1,460.2**	**115.6**	**124.3**	**34.3**	**41.8**	**104.3**	**65.9**
Net fee and commission income	522.0	520.9	54.4	46.3	13.3	11.5	46.4	44.8
Net trading, hedging and fair value income	32.0	310.6	3.5	–1.7	1.3	3.4	–4.9	23.3
Net other income/expenses	20.9	28.3	0.4	0.2	0.5	0.6	3.3	0.0
Net non-interest income	**574.9**	**859.8**	**58.3**	**44.9**	**15.1**	**15.6**	**44.7**	**68.1**
OPERATING INCOME	**2,142.9**	**2,319.9**	**173.9**	**169.2**	**49.4**	**57.4**	**149.1**	**134.0**
OPERATING EXPENSES	**–972.4**	**–905.8**	**–75.5**	**–70.1**	**–36.8**	**–37.0**	**–63.8**	**–57.4**
OPERATING PROFIT	**1,170.6**	**1,414.2**	**98.4**	**99.1**	**12.6**	**20.3**	**85.3**	**76.6**
Provisions for risks and charges	–16.6	–16.6	–0.9	0.0	0.2	0.0	–0.9	0.0
Net writedowns on loans	–546.0	–670.7	–27.6	–43.4	–7.7	–4.2	–41.7	–38.5
Net income from investments	21.3	5.3	0.6	0.5	0.2	0.0	1.5	1.3
Integration costs	–1.8	–2.1	–1.7	–1.8	0.0	0.0	0.0	–0.2
PROFIT BEFORE TAX	**627.5**	**730.1**	**68.7**	**54.4**	**5.3**	**16.2**	**44.3**	**39.3**
Cost/income ratio	45.4%	39.0%	43.4%	41.4%	74.5%	64.6%	42.8%	42.8%
Risk/earnings ratio	34.8%	45.9%	23.9%	34.9%	22.5%	10.1%	39.9%	58.4%
Exchange rate			25.730	27.144	1.000	1.000	271.687	289.984
Appreciation/depreciation against the euro			+5.5%		0.0%		+6.7%	

(€ m)

	SLOVENIA		BULGARIA		ROMANIA		BALTICS	
	H1 10	H1 09	H1 10	H1 09	H1 10	H1 09	H1 10	H1 09
Net interest income	**25.0**	**18.9**	**104.5**	**107.7**	**115.0**	**59.9**	**5.9**	**7.4**
Net fee and commission income	11.4	8.7	38.0	40.0	25.5	26.5	–1.8	0.6
Net trading, hedging and fair value income	–2.6	2.1	2.8	1.6	17.8	55.5	3.0	3.5
Net other income/expenses	–0.2	0.2	0.5	0.0	0.0	–0.2	0.1	0.0
Net non-interest income	**8.6**	**11.0**	**41.3**	**41.6**	**43.4**	**81.9**	**1.2**	**4.1**
OPERATING INCOME	**33.7**	**29.9**	**145.8**	**149.3**	**158.4**	**141.7**	**7.1**	**11.5**
OPERATING EXPENSES	**–18.7**	**–17.8**	**–61.3**	**–62.7**	**–68.6**	**–67.7**	**–6.9**	**–6.7**
OPERATING PROFIT	**14.9**	**12.1**	**84.5**	**86.6**	**89.8**	**74.0**	**0.2**	**4.8**
Provisions for risks and charges	0.0	0.0	–0.3	6.2	0.1	–1.8	0.0	0.0
Net writedowns on loans	–7.8	–9.7	–33.9	–18.3	–47.5	–23.2	–3.6	–2.7
Net income from investments	1.0	0.1	0.7	5.2	0.0	0.3	0.0	0.0
Integration costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PROFIT BEFORE TAX	**8.1**	**2.5**	**51.1**	**79.8**	**42.5**	**49.3**	**–3.4**	**2.1**
Cost/income ratio	55.7%	59.4%	42.0%	42.0%	43.3%	47.8%	97.9%	58.4%
Risk/earnings ratio	31.1%	51.2%	32.4%	17.0%	41.3%	38.8%	60.6%	36.7%
Exchange rate	1.000	1.000	1.956	1.956	4.149	4.233	0.708	0.706
Appreciation/depreciation against the euro	0.0%		–0.0%		+2.0%		–0.3%	

1) Sum of P/L figures of the individual CEE banks shown in this table. The CEE business segment also includes the Vienna-based CEE profit centre.

Income statement of the consolidated banking subsidiaries in CEE (continued)

(€ m)

	TURKEY [2]		RUSSIA		KAZAKHSTAN		UKRAINE	
	H1 10	H1 09	H1 10	H1 09	H1 10	H1 09	H1 10	H1 09
Net interest income	**340.5**	**371.6**	**262.4**	**171.2**	**70.0**	**120.8**	**137.6**	**147.3**
Net fee and commission income	181.4	155.6	65.0	56.8	–20.3	20.5	21.2	25.9
Net trading, hedging and fair value income	6.2	42.6	–21.3	83.7	11.1	38.6	3.3	17.5
Net other income/expenses	18.9	17.8	–0.2	–0.1	–13.6	–1.5	–0.6	–0.6
Net non-interest income	**206.6**	**216.0**	**43.5**	**140.4**	**–22.7**	**57.6**	**23.9**	**42.8**
OPERATING INCOME	**547.0**	**587.6**	**305.9**	**311.6**	**47.3**	**178.4**	**161.5**	**190.1**
OPERATING EXPENSES	**–237.2**	**–206.5**	**–112.8**	**–99.1**	**–47.1**	**–42.5**	**–54.3**	**–53.4**
OPERATING PROFIT	**309.8**	**381.0**	**193.1**	**212.6**	**0.2**	**135.8**	**107.1**	**136.7**
Provisions for risks and charges	–14.0	–21.7	0.0	0.0	0.0	0.0	0.0	–0.2
Net writedowns on loans	–4.3	–140.7	–85.1	–116.2	–103.7	–109.9	–105.2	–121.0
Net income from investments	5.5	4.4	2.2	–2.0	6.7	–6.9	0.6	0.0
Integration costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PROFIT BEFORE TAX	**297.0**	**223.1**	**110.3**	**94.3**	**–96.8**	**19.1**	**2.6**	**15.5**
Cost/income ratio	43.4%	35.1%	36.9%	31.8%	99.7%	23.8%	33.6%	28.1%
Risk/earnings ratio	1.3%	37.9%	32.4%	67.8%	148.0%	91.0%	76.4%	82.2%
Exchange rate	2.021	2.152	39.886	44.097	195.404	193.007	10.578	10.503
Appreciation/depreciation against the euro	+6.5%		+10.6%		–1.2%		–0.7%	

(€ m)

	CROATIA		BOSNIA		SERBIA	
	H1 10	H1 09	H1 10	H1 09	H1 10	H1 09
Net interest income	**185.6**	**162.6**	**36.8**	**36.6**	**30.6**	**24.2**
Net fee and commission income	65.1	59.9	14.5	14.0	7.9	9.7
Net trading, hedging and fair value income	7.8	37.0	2.7	2.3	1.3	1.3
Net other income/expenses	11.9	12.2	0.2	–0.2	–0.3	–0.3
Net non-interest income	**84.8**	**109.1**	**17.4**	**16.1**	**8.9**	**10.7**
OPERATING INCOME	**270.4**	**271.7**	**54.2**	**52.7**	**39.5**	**34.9**
OPERATING EXPENSES	**–135.0**	**–129.1**	**–37.9**	**–39.5**	**–16.5**	**–16.2**
OPERATING PROFIT	**135.4**	**142.7**	**16.3**	**13.2**	**23.0**	**18.6**
Provisions for risks and charges	–0.5	–0.3	–0.2	1.1	–0.1	0.0
Net writedowns on loans	–62.6	–31.0	–10.0	–7.6	–5.5	–4.3
Net income from investments	1.3	2.3	0.8	0.0	0.1	0.0
Integration costs	–0.1	–0.1	0.0	0.0	0.0	0.0
PROFIT BEFORE TAX	**73.5**	**113.5**	**6.8**	**6.7**	**17.6**	**14.4**
Cost/income ratio	49.9%	47.5%	70.0%	75.0%	41.7%	46.5%
Risk/earnings ratio	33.7%	19.1%	27.2%	20.7%	17.8%	17.8%
Exchange rate	7.266	7.382	1.956	1.956	100.096	93.991
Appreciation/depreciation against the euro	+1.6%		0.0%		–6.1%	

2) pro quota

Outlook

● Surveys, leading indicators and increasingly also hard facts confirm in mid-2010 that the global growth momentum is becoming weaker, as has been expected for some time. The counterreaction in the past four or five quarters to the preceding sharp downturn in economic activity was a "technical factor" supported by the inventory cycle and thus not sustainable; on the other hand, the worldwide economic support programmes could not be maintained, let alone expanded, to provide further stimulation. But now that the impetus provided by these programmes has ended, the global economy shows sound growth driven by intensive world trade in industrial goods and ultimately supported by economic expansion in the Asian and South American emerging markets. The world is now also left with the bill for the support measures in the form of high levels of public debt and deficits.

In the **US** the real estate sector, from which the crisis originated years ago, has not yet returned to normal. Annualised growth rates are weakening towards 2 % in real terms (after about 3 % in the first half of the current year). For 2010 as a whole, this would give growth of 2.8 %. In the **euro area**, economic activity gained surprisingly strong momentum (mainly in manufacturing industry) in the second quarter of 2010 thanks to booming exports and this also has a favourable effect on domestic demand. However, this impetus is waning. For the second half of the current year we expect growth to reach about 1 % (on an annualised basis), half the rate expected in the US, and thus the growth rate for 2010 as a whole should also be 1.0 %. We think that a double-dip recession is unlikely.

The "public debt crisis" which was the main topic of discussion in April/May this year means that no country – neither those on the periphery nor those among the benchmarks – can avoid taking credible measures to slow down the **growth of public debt**. In the meantime, this has led to a myriad of consolidation strategies and measures throughout Europe including CEE – with or without IMF involvement – with a deflationary effect in the short term. The macroeconomic environment suggests that the ECB will maintain its **policy of low interest rates** in the foreseeable future, though reducing the exceptional supply of liquidity. The pattern of supply and demand in bond markets and rising risk/uncertainty premiums (also for the major currencies) may lead to higher volatility and rising interest rates for longer maturities. The crisis in Greece in particular resulted in a depreciation of the **euro**, but other world currencies may also become vulnerable in the context of budget policy. With the strengthening of the euro against the US dollar since the middle of June, another stimulus to growth is gradually weakening.

● In **Austria** the recovery of the industrial sector has further accelerated since spring 2010. The Bank Austria Purchasing Managers' Index shows that sentiment has been very favourable since April. The economic recovery is also reflected in the labour market, though benefiting flexible or reversible working arrangements. Given widespread concern about the sustainability of export demand, industrial companies take a very cautious approach to adjusting their capacity. The currently strong momentum will continue into the autumn, and industrial output will grow by at least 4 % in real terms in 2010. Overall, however, economic growth may have peaked in the second quarter, reaching 0.7 % quarter-on-quarter. Discussion about budget consolidation in particular will increasingly dampen consumer sentiment and consumption. But the Austrian economy will continue to grow. A renewed slide into recession is unlikely. We maintain our growth forecasts, expecting GDP to grow by 1.3 % in 2010 and by 1.4 % in 2011.

● The countries in **Central and Eastern Europe (CEE)** have not only overcome the financial crisis, they have also proved that the widespread fear and scepticism seen a year ago were exaggerated. Production has recovered in the entire – inhomogeneous – region and the CEE countries are again recording capital inflows (though not to the same extent as before). On this basis we have revised our growth forecast for the CEE region upwards from 2.8 % to 3.1 % for 2010. Quite generally, large and relatively autonomous countries benefit from stronger growth, led by Turkey (5.6 %) and Russia (3.4 %), whereas countries whose economies were characterised by overheating before the crisis now have to consolidate and expand at lower rates (see table on page 28). The current phase is marked by booming exports, and this means that open economies with advanced industrial integration are benefiting strongly, e. g. Slovakia (3.5 %). Therefore we will continue to see a two-speed recovery in the CEE region, depending on the degree of integration and the dependence on exports. Most recently, confidence indicators and real output data have shown somewhat divergent trends. The austerity measures and persistently high unemployment will have an adverse impact on private consumption also in the second half of 2010. Wage increases and income growth are slower than before the crisis, and the same applies to financing through loans, which has a further negative impact on the situation of private households. This means that domestic demand will be slack, while exports will remain the mainstay of the economic recovery process. The good news for the private sector is the extensive programmes for infrastructure development currently implemented in some countries. Apart from large-scale projects, co-financing programmes with international institutions and development banks in the SME sector are an important stabilisation factor.

Economic growth (real GDP, % over the previous year)

	WEIGHTED BY GDP	WEIGHTED BY BANK AUSTRIA *)	2008	2009	2010	2011
World (purchasing power parities)			+2.9	−0.6	+4.4	+4.1
USA			0.0	−2.6	+2.9	+2.2
Euro area			+0.4	−4.1	+1.0	+1.3
… Austria			**+2.0**	**−3.5**	**+1.3**	**+1.4**
Czech Republic	5.8%	8.1%	+2.5	−4.1	+1.8	+2.2
Slovakia	2.5%	3.6%	+6.2	−4.7	+3.5	+3.5
Hungary	4.2%	5.6%	+0.6	−6.3	+0.5	+2.2
Slovenia	1.5%	1.3%	+3.5	−7.8	+0.9	+1.9
Central Europe	**14.0%**	**18.6%**	**+2.7**	**−5.2**	**+1.6**	**+2.4**
Poland			*+5.1*	*+1.8*	*+2.6*	*+2.8*
Bulgaria	1.3%	6.5%	+6.0	−5.0	−1.0	+1.8
Romania	5.4%	6.5%	+7.1	−7.1	−0.9	+2.5
Croatia	1.9%	12.0%	+2.4	−5.8	−1.5	+1.6
Bosnia and Herzegovina	0.5%	2.4%	+5.4	−3.5	+0.5	+1.2
Serbia	1.3%	1.7%	+5.5	−3.0	+0.0	+2.2
Estonia	0.6%	0.2%	−3.6	−14.1	+1.2	+3.2
Latvia	0.9%	0.2%	−4.6	−18.0	−1.3	+3.9
Lithuania	1.3%	0.2%	+2.8	−15.0	−0.9	+3.3
SEE and Baltic states	**13.2%**	**29.5%**	**+4.4**	**−8.0**	**−0.8**	**+2.4**
Russia	44.8%	15.6%	+5.6	−7.9	+3.4	+5.0
Turkey	19.6%	20.7%	+0.7	−4.7	+5.6	+5.2
Russia and Turkey	**64.4%**	**36.3%**	**+4.1**	**−6.9**	**+4.1**	**+5.1**
Kazakhstan	3.5%	6.9%	+3.3	+1.2	+5.0	+6.0
Ukraine	4.9%	8.7%	+2.1	−15.1	+3.0	+4.0
Kazakhstan and Ukraine	**8.4%**	**15.6%**	**+2.6**	**−8.2**	**+3.8**	**+4.8**
CEE (with Poland, GDP-weighted)			+4.0	−5.9	+3.0	+4.1
CEE (without Poland, GDP-weighted)			+3.8	−6.9	+3.1	+4.3
CEE (Bank Austria-weighted)*)			+3.3	−6.1	+2.3	+3.6
Bank Austria market (GDP-weighted)			+3.6	−6.6	+2.9	+4.0
Bank Austria market (Bank Austria-weighted)			+2.9	−5.3	+2.0	+2.9

*) weighted by contribution of Bank Austria's subsidiaries to operating income in CEE region
Source: UniCredit Research. Forecasts as at June 2010

The appreciation of CEE currencies in the course of the first six months of 2010 (especially in the second quarter) reflected the euro's weakness. This can be seen from the fact that exchange rate movements in CEE currencies have reversed again since the end of June, and the euro has been more or less stable against the US dollar (or a weighted basket like the Special Drawing Right) since then. Currencies which are not just moving in line with the euro (Russia, Kazakhstan, Ukraine and Turkey) are also weighty factors. However, this development is not only an arithmetic phenomenon, it also reflects a gain in confidence: almost all countries were able to strongly reduce local interest rates. And the credit spreads on CEE investments (with CDS premiums and bond spreads serving as guides) have narrowed further, underlining regained stability.

The banking sector in the various countries is still affected by weak credit expansion accompanied by strong competition and pressure on margins; the decisive factor is weak demand rather than the supply side (shortage of equity capital). Deleveraging and efforts to increase local funding were successful, yet there is still a strong dependence on external funding (about 17% of liabilities). In the problem countries Kazakhstan and Ukraine, the economic outlook has improved significantly, with higher growth rates (5% and 3%, respectively), the balance of payments in equilibrium and continued trends for currencies to appreciate. However, the restructuring process of the banking sector in these countries is still under way, and there is still poor asset quality in both countries.

➔ Bank Austria's future performance will depend – to a greater extent than in the past – on the macroeconomic environment, which suggests weaker expansion with regional divergences. The upward trend in business in the first six months of 2010 has provided Bank Austria with a good basis for the full year. This will now be followed by a moderate scenario, in line with economic developments. We expect that lending and transaction volume in Austria will stagnate and growth in CEE will be moderate. Trends in interest rates and margins – and possibly also adverse influences from exchange rate movements – will affect revenues. We will therefore continue to focus on cost efficiency and enhance our competitiveness through intensive cooperation in UniCredit Group. We expect a sideways movement in operating profit. Recent developments in the provisioning charge and in portfolio quality have shown that the credit cycle is following the business cycle with a significant time lag. Economic analyses give us reason to hope that most CEE countries will see loan loss rates moving past their peak in the second half of 2010, but in problem countries the restructuring process in the banking sector is still under way.

Imponderable factors in the medium to long term include possible regulatory changes and fiscal intervention. These could have a cumulative and prohibitive impact if the approach is not coordinated internationally. This would affect the economic function of banks. Regardless of the subdued short-term outlook, we will focus on our core business as lender operating on a capital base which has been strengthened. In Austria, we are working to refine the target group-specific customer service approach within the framework of the One4C project, and to strengthen the range of products and services we offer to small and medium-sized businesses. In CEE, the medium-term to long-term outlook for the convergence process is intact. While the boom years are over, we will steadily use the available potential by selectively expanding our sales network, swiftly implementing our divisional business model and further pursuing integration in our Group.

Statement of Comprehensive Income

of the Bank Austria Group for the first half of 2010

Consolidated income statement

(€ m)

	(Notes)	1 JAN.– 30 JUNE 2010	1 JAN.– 30 JUNE 2009
Interest income and similar revenues	(4)	4,146	5,497
Interest expense and similar charges	(4)	–1,928	–2,991
Net interest margin		**2,218**	**2,506**
Fee and commission income	(5)	1,222	1,097
Fee and commission expense	(5)	–234	–197
Net fees and commissions		**988**	**899**
Dividend income and similar revenue	(6)	13	31
Gains and losses on financial assets and liabilities held for trading	(7)	237	275
Fair value adjustments in hedge accounting	(8)	–13	–
Gains and losses on disposal of:	(9)	18	60
a) loans		–2	5
b) available-for-sale financial assets		20	57
c) held-to-maturity investments		–	–2
d) financial liabilities		–	–
Gains and losses on financial assets/liabilities at fair value through profit or loss	(10)	9	–5
OPERATING INCOME		**3,471**	**3,766**
Impairment losses on:	(11)	–894	–1,025
a) loans		–882	–994
b) available-for-sale financial assets		–	–10
c) held-to-maturity investments		–	–
d) other financial assets		–11	–20
Net income from financial activities		**2,577**	**2,741**
Premiums earned (net)		53	47
Other income (net) from insurance activities		–44	–39
Net income from financial and insurance activities		**2,586**	**2,749**
Administrative costs:		–1,685	–1,634
a) staff expense	(12)	–948	–966
b) other administrative expense	(13)	–737	–668
Provisions for risks and charges	(14)	–90	–23
Impairment/write-backs on property, plant and equipment	(15)	–104	–109
Impairment/write-backs on intangible assets	(16)	–55	–57
Other net operating income	(17)	71	88
OPERATING COSTS		**–1,863**	**–1,735**
Profit (loss) of associates		69	25
Gains and losses on tangible and intangible assets measured at fair value		–1	–
Impairment of goodwill		–167	–
Gains and losses on disposal of investments	(18)	20	9
TOTAL PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS		**644**	**1,048**
Tax expense (income) related to profit or loss from continuing operations		–165	–187
NET PROFIT		**480**	**860**
Net profit attributable to the parent company		459	833
Minorities		21	27
Earnings per share (in €, basic and diluted)		4.14	8.25

Statement of income and expenses recognised directly in equity

(€ m)

	1 JAN.– 30 JUNE 2010	1 JAN.– 30 JUNE 2009
Gains/losses on assets held for sale (available-for-sale reserve)	67	–78
Gains/losses on cash flow hedges (cash flow hedge reserve)	200	89
Changes at companies accounted for under the equity method	11	11
Foreign currency translation – exchange differences	879	–467
Foreign currency translation relating to assets held for sale	–	–
Actuarial losses on defined-benefit plans	–	1
Taxes on items directly recognised in equity	–66	3
Other changes	31	–494
Recognised directly in equity	**1,121**	**–935**
Net profit	**480**	**860**
TOTAL OF INCOME AND EXPENSES RECOGNISED IN THE REPORTING PERIOD	**1,601**	**–75**
Shareholders' equity	1,570	108
Minority interests	31	–183

Consolidated Balance Sheet

of the Bank Austria Group at 30 June 2010

Assets

(€ m)

	(Notes)	30 JUNE 2010	31 DEC. 2009
Cash and cash balances		2,621	3,213
Financial assets held for trading	(19)	5,607	4,137
Financial assets at fair value through profit or loss	(20)	469	235
Available-for-sale financial assets	(21)	12,841	10,826
Held-to-maturity investments	(22)	5,210	5,067
Loans and receivables with banks	(23)	24,575	23,076
Loans and receivables with customers	(24)	129,730	123,602
Hedging derivatives	(25)	3,199	151
Changes in fair value of portfolio hedged items (+/–)		–	–
Investments in associates and joint ventures		2,472	2,426
Insurance reserves attributable to reinsurers		–	–
Property, plant and equipment	(26)	2,429	2,273
of which held for investment		*470*	*369*
Intangible assets	(27)	4,156	3,938
of which goodwill		*3,616*	*3,415*
Tax assets		1,374	1,330
a) current tax assets		329	309
b) deferred tax assets		1,045	1,021
Non-current assets and disposal groups classified as held for sale	(28)	25	13,210
Other assets		5,752	975
TOTAL ASSETS		**200,461**	**194,459**

Liabilities and equity

(€ m)

	(Notes)	30 JUNE 2010	31 DEC. 2009
Deposits from banks	(29)	37,998	33,362
Deposits from customers	(30)	99,845	97,041
Debt securities in issue	(31)	27,520	28,822
Financial liabilities held for trading	(32)	3,653	915
Financial liabilities at fair value through profit or loss	(33)	1,797	1,967
Hedging derivatives	(34)	3,534	219
Changes in fair value of portfolio hedged items (+/–)		–	–
Tax liabilities		657	552
a) current tax liabilities		125	96
b) deferred tax liabilities		532	456
Liabilities included in disposal groups classified as held for sale	(35)	–	10,492
Other liabilities		3,116	2,372
Provisions for risks and charges	(36)	4,209	4,167
a) post-retirement benefit obligations		3,674	3,677
b) other provisions		536	490
Insurance reserves		184	162
Equity		17,948	14,388
of which Minorities (+/–)		*551*	*539*
TOTAL LIABILITIES AND EQUITY		**200,461**	**194,459**

Statement of changes in equity

of the Bank Austria Group

(€ m)

	SUB-SCRIBED CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION	RESERVES IN ACCORDANCE WITH IAS 39*)	ACTUARIAL LOSSES IN ACCORDANCE WITH IAS 19	SHARE-HOLDERS' EQUITY	MINORITY INTERESTS	EQUITY
As at 1 January 2009	**1,469**	**5,327**	**8,425**	**–1,175**	**16**	**–558**	**13,504**	**733**	**14,237**
Changes in the group of consolidated companies							–	8	8
Shares in controlling companies							–	–	–
Recognised income and expenses		2	604	–506	7	1	108	–183	–75
Dividend paid							–	–38	–38
AS AT 30 JUNE 2009	**1,469**	**5,329**	**9,029**	**–1,681**	**22**	**–557**	**13,612**	**520**	**14,133**

*) Reserves in accordance with IAS 39	1 Jan. 2009	30 June 2009
Cash flow hedge reserve	29	–38
Available-for-sale reserve	–13	60
Total	16	22
of which reserves of companies classified as held for sale		*–70*

	SUB-SCRIBED CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION	RESERVES IN ACCORDANCE WITH IAS 39*)	ACTUARIAL LOSSES IN ACCORDANCE WITH IAS 19	SHARE-HOLDERS' EQUITY	MINORITY INTERESTS	EQUITY
As at 1 January 2010	**1,469**	**5,325**	**9,295**	**–1,727**	**148**	**–660**	**13,849**	**539**	**14,388**
Capital increase	212	1,788					2,000		2,000
Transaction costs of capital increase		–20					–20		–20
Changes in the group of consolidated companies							–	2	2
Shares in controlling companies		–2					–2		–2
Recognised income and expenses			501	870	199	–	1,570	31	1,601
Dividend paid							–	–20	–20
AS AT 30 JUNE 2010	**1,681**	**7,091**	**9,795**	**–857**	**347**	**–660**	**17,398**	**551**	**17,948**

*) Reserves in accordance with IAS 39	1 Jan. 2010	30 June 2010
Cash flow hedge reserve	62	239
Available-for-sale reserve	86	108
Total	148	347

At an Extraordinary General Meeting on 4 March 2010, a resolution was adopted to increase the share capital of UniCredit Bank Austria AG by € 212,262,771.60 to a total nominal amount of € 1,681,033,521.40. The issue of 29,197,080 no-par value shares at the price of € 68.50 has increased equity by € 2 bn.

Cash flow statement

of the Bank Austria Group

(€ m)

	1 JAN.– 30 JUNE 2010	1 JAN.– 30 JUNE 2009
CASH AND CASH EQUIVALENTS AT END OF PREVIOUS PERIOD	**3,246**	**3,929**
Cash flows from operating activities	–1,636	–320
Cash flows from investing activities	–684	362
Cash flows from financing activities	1,730	–502
Effects of exchange rate changes	–34	–2
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**2,622**	**3,467**

Notes to the Consolidated Financial Statements

of Bank Austria

(1) Significant accounting policies

The interim report of the Bank Austria Group has been prepared in accordance with International Financial Reporting Standards (IFRSs). IAS 34 was applied to the interim report. The interim report covers the first six months of 2010 (1 January 2010 to 30 June 2010) and compares this period with the same period of the previous year.

Effects of amendments to IAS 39 and IFRS 7

In accordance with the amendments to IAS 39 and IFRS 7, "Reclassification of Financial Assets", published in October 2008, specific financial assets were reclassified in the balance sheet from the category "measured at fair value" into "loans and receivables with customers" in the second half of 2008.

Reclassified financial assets: carrying amount, fair value and effects on comprehensive income (€ m)

TYPES OF INSTRUMENTS	ACCOUNTING PORTFOLIO BEFORE RECLASSIFICATION	ACCOUNTING PORTFOLIO AFTER RECLASSIFICATION	CARRYING AMOUNT AS AT 30 JUNE 2010	FAIR VALUE AS AT 30 JUNE 2010	INCOME/EXPENSES ABSENT RECLASSIFICATION (BEFORE TAXES)		INCOME/EXPENSES RECOGNISED DURING THE PERIOD (BEFORE TAXES)	
					FROM MEASUREMENT	OTHER	FROM MEASUREMENT	OTHER
A. Debt securities			**–1,764**	**–1,553**	**92**	**38**	**–**	**24**
	HFT	AFS	–20	–20	1	1	1	1
	HFT	HTM	–45	–46	3	2	–	1
	HFT	Loans to banks	–	–	–	–	–	–
	HFT	Loans to customers	–1,699	–1,487	88	36	–1	22
	AFS	Loans to banks	–	–	–	–	–	–
	AFS	Loans to customers	–	–	–	–	–	–
B. Equity instruments			**–**	**–**	**–**	**–**	**–**	**–**
C. Loans			**–**	**–**	**–**	**–**	**–**	**–**
D. Units in investment funds			**–**	**–**	**–**	**–**	**–**	**–**
TOTAL			**–1,764**	**–1,553**	**92**	**38**	**–0**	**24**

Impairment test

In Bank Austria the impairment test in respect of goodwill allocated to each cash-generating unit was performed as at 31 December 2009.

A higher provisioning requirement for loans compared with the original budget estimates, which were the basis for the impairment test performed at the end of 2009, has resulted in an impairment loss of € 162 m for goodwill of JSC ATF Bank in Kazakhstan as at June 2010.

Notes (CONTINUED)

(2) Earnings per share / dividend

During the reporting period, no financial instruments with a dilutive effect on the bearer shares were outstanding. Therefore basic earnings per share in accordance with IAS 33 equal diluted earnings per share in accordance with IAS 33. Based on the average number of shares outstanding (211.5 million shares), earnings per share for the first six months of 2010 were € 2.07 (comparative figure for the same period of the previous year: € 4.12, based on 202.0 million shares).

(3) Changes in the group of consolidated companies in 2010

The following companies were included in the group of consolidated companies of the Bank Austria Group as from 1 January 2010:
- BA Betriebsobjekte GmbH
- BA Betriebsobjekte GmbH & Co Beta Vermietungs OG
- BA Betriebsobjekte Praha, spol. s. r. o.
- Bank Austria Finanzservice GmbH
- Bank Austria Real Invest Immobilien-Kapitalanlage GmbH
- Europe Investment Fund Budapest
- KSG Karten-Verrechnungs- und Servicegesellschaft m. b. H.
- Schoellerbank Invest AG

The following companies have been accounted for under the equity method since 1 January 2010:
- Anger Machining GmbH
- Credanti Holding Limited
- Forstinger Handels und Service GmbH
- Multiplus Card d. o. o.
- Papcel a. s.
- Wien Mitte Immobilien GmbH

On 1 January 2010, UniCredit Bank Austria AG sold 100 % of Domus Bistro GmbH to VIVAT Beteiligungs GmbH for € 73,559.03.

On 15 January 2010, the Ukrainian company CA IB Securities AT (Kiev), a wholly-owned subsidiary of UniCredit CAIB AG, was transferred to Tovarystvo Z Obmezhenoyu Vidpovidalnistyu "KPD Consulting".

In Kazakhstan, the Open saving pension fund OTAN JSC was sold to JSC "SAT & Company" for KZT 3,608,920,928.00 (€ 18 m) on 15 March 2010.

In the course of the reorganisation of Markets & Investment Banking business within UniCredit Group, the companies UniCredit CAIB and UniCredit CAIB Securities UK Ltd. were sold to UniCredit Bank AG (the former Bayerische Hypo- und Vereinsbank AG), Germany, in the second quarter of 2010. This transaction was carried out within UniCredit Group, IFRS 3 was therefore not applied. The results generated by the two subsidiaries until 31 May 2010 are included in the Bank Austria Group's results. The gain on the sale is recognised directly in equity. UniCredit CAIB UK Ltd. was wound up as at 31 May 2010.

Notes to the income statement

(4) Interest income / Interest expense

Interest income and similar revenues

(€ m)

	1 JAN.–30 JUNE 2010				1 JAN.– 30 JUNE 2009
	DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	TOTAL	TOTAL
Financial assets held for trading	72	–	53	125	158
Financial assets at fair value through profit or loss	4	–	–	4	9
Available-for-sale financial assets	229	–	–	229	216
Held-to-maturity investments	160	–	–	160	207
Loans and receivables with banks	–	110	–	110	383
Loans and receivables with customers	30	3,211	–	3,241	4,145
Hedging derivatives	X	X	275	275	374
Other assets	X	X	2	2	3
TOTAL	**496**	**3,321**	**330**	**4,146**	**5,497**

Interest expense and similar charges

(€ m)

	1 JAN.–30 JUNE 2010				1 JAN.– 30 JUNE 2009
	DEPOSITS	SECURITIES	OTHER TRANSACTIONS	TOTAL	TOTAL
Deposits from central banks	–17	X	–	–17	n.a.
Deposits from banks	–306	X	–	–306	–694
Deposits from customers	–1,078	X	–	–1,078	–1,596
Debt securities in issue	X	–402	–	–402	–639
Financial liabilities held for trading	–	–	–76	–76	–29
Financial liabilities at fair value through profit or loss	–	–13	–	–13	–19
Other liabilities	X	X	–1	–1	–3
Hedging derivatives	X	X	–34	–34	–11
TOTAL	**–1,401**	**–416**	**–111**	**–1,928**	**–2,991**

Notes to the income statement (CONTINUED)

(5) Fee and commission income / Fee and commission expense

Fee and commission income

(€ m)

	1 JAN.– 30 JUNE 2010	1 JAN.– 30 JUNE 2009
Guarantees given	**100**	**93**
Credit derivatives	**4**	**2**
Management, brokerage and consultancy services:	**424**	**354**
securities trading	32	21
currency trading	133	133
portfolio management	94	74
custody and administration of securities	64	48
custodian bank	27	17
placement of securities	11	15
reception and transmission of orders	6	8
advisory services	11	4
distribution of third party services	46	32
Collection and payment services	**374**	**433**
Securitisation servicing	**–**	**–**
Factoring	**20**	**16**
Tax collection services	**–**	**–**
Management of multilateral trading facilities	**–**	**–**
Management of current accounts	**101**	**62**
Other services	**199**	**137**
TOTAL	**1,222**	**1,097**

Fee and commission expense

(€ m)

	1 JAN.– 30 JUNE 2010	1 JAN.– 30 JUNE 2009
Guarantees received	**–13**	**–12**
Credit derivatives	**–22**	**–22**
Management, brokerage and consultancy services:	**–63**	**–31**
trading in financial instruments	–5	–5
currency trading	–1	–2
portfolio management	–8	–7
custody and administration of securities	–33	–16
placement of financial instruments	–	–1
off-site distribution of financial instruments, products and services	–16	–
Collection and payment services	**–107**	**–94**
Other services	**–29**	**–40**
TOTAL	**–234**	**–197**

(6) Dividend income and similar revenue

(€ m)

	1 JAN.–30 JUNE 2010		1 JAN.–30 JUNE 2009	
	DIVIDENDS	INCOME FROM UNITS IN INVESTMENT FUNDS	DIVIDENDS	INCOME FROM UNITS IN INVESTMENT FUNDS
Financial assets held for trading	1	–	2	–
Available-for-sale financial assets	9	1	16	–
Financial assets at fair value through profit or loss	–	–	–	8
Investments	3	X	5	X
TOTAL	**12**	**1**	**23**	**8**

Notes to the income statement (CONTINUED)

(7) Gains and losses on financial assets and liabilities held for trading

(€ m)

	1 JAN.–30 JUNE 2010					1 JAN.–30 JUNE 2009
	UNREALISED PROFITS	REALISED PROFITS	UNREALISED LOSSES	REALISED LOSSES	NET PROFIT	NET PROFIT
Financial assets held for trading	**165**	**270**	**–90**	**–166**	**179**	**164**
Debt securities	44	72	–24	–8	84	158
Equity instruments	65	17	–66	–14	1	8
Units in investment funds	–	–	–	–	–	–1
Loans	–	–	–	–	–	–
Other	56	182	–	–143	94	–1
Financial liabilities held for trading	**–**	**3**	**–5**	**–7**	**–9**	**–18**
Debt securities	–	–	–	–	–	–
Deposits	–	–	–	–	–	–1
Other	–	3	–5	–7	–9	–17
Other financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**344**	**20**
Derivatives	**317**	**410**	**–332**	**–281**	**–277**	**109**
Financial derivatives	317	398	–332	–232	–240	80
on debt securities and interest rates	*302*	*270*	*–320*	*–190*	*63*	*74*
on equity securities and share indices	*7*	*110*	*–6*	*–22*	*89*	*16*
on currency and gold	*X*	*X*	*X*	*X*	*–390*	*–27*
other	*8*	*18*	*–7*	*–20*	*–2*	*17*
Credit derivatives	–	11	–	–49	–37	29
TOTAL	**482**	**683**	**–428**	**–454**	**237**	**275**

(8) Fair value adjustments in hedge accounting

(€ m)

	1 JAN.–30 JUNE 2010	1 JAN.–30 JUNE 2009
Gains on:		
Fair value hedging instruments	17	3
Hedged asset items (in fair value hedge relationship)	7	1
Hedged liability items (in fair value hedge relationship)	–	–
Total gains on hedging activities	**24**	**3**
Losses on:		
Fair value hedging instruments	–25	–2
Hedged asset items (in fair value hedge relationship)	–6	–1
Hedged liability items (in fair value hedge relationship)	–7	–
Total losses on hedging activities	**–37**	**–4**
NET HEDGING RESULT	**–13**	**–0**

Notes to the income statement (CONTINUED)

(9) Gains and losses on disposals/repurchases

(€ m)

	1 JAN.–30 JUNE 2010			1 JAN.–30 JUNE 2009		
	GAINS	LOSSES	NET PROFIT	GAINS	LOSSES	NET PROFIT
Financial assets						
Loans and receivables with banks	–	–	–	–	–	–
Loans and receivables with customers	5	–8	–3	6	–1	5
Available-for-sale financial assets	29	–9	20	94	–37	57
Debt securities	*13*	*–9*	*4*	*14*	*–14*	*–1*
Equity instruments	*16*	*–*	*16*	*79*	*–22*	*57*
Units in investment funds	*–*	*–*	*–*	*1*	*–*	*1*
Loans	*–*	*–*	*–*	*–*	*–*	*–*
Held-to-maturity investments	–	–	–	–	–2	–2
TOTAL ASSETS	**35**	**–17**	**18**	**100**	**–40**	**60**
Financial liabilities						
Deposits from banks	–	–	–	–	–	–
Deposits from customers	–	–	–	–	–	–
Debt securities in issue	–	–	–	–	–	–
TOTAL LIABILITIES	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL	**35**	**–17**	**18**	**101**	**–40**	**60**

(10) Net change in financial assets and liabilities at fair value through profit or loss

(€ m)

	1 JAN.–30 JUNE 2010					1 JAN.–30 JUNE 2009
	UNREALISED PROFITS	REALISED PROFITS	UNREALISED LOSSES	REALISED LOSSES	NET PROFIT	NET PROFIT
Financial assets	**43**	**3**	**–2**	**–1**	**43**	**–5**
Debt securities	2	–	–	–	2	2
Equity securities	–	–	–	–	–	–
Units in investment funds	41	2	–2	–1	41	–8
Loans	–	–	–	–	–	–
Financial liabilities	**35**	**2**	**–21**	**–2**	**13**	**–100**
Debt securities	35	2	–21	–2	13	–100
Deposits from banks	–	–	–	–	–	–
Deposits from customers	–	–	–	–	–	–
Financial assets and liabilities in foreign currency: exchange differences	**X**	**X**	**X**	**X**	**–**	**–**
Credit and financial derivatives	**21**	**2**	**–69**	**–2**	**–48**	**100**
TOTAL	**99**	**7**	**–92**	**–5**	**9**	**–5**

Notes to the income statement (CONTINUED)

(11) Impairment losses

Impairment losses on loans and receivables

(€ m)

	1 JAN.–30 JUNE 2010						1 JAN.– 30 JUNE 2009
	WRITE-DOWNS			WRITE-BACKS			
	SPECIFIC						
	WRITE-OFFS	OTHER	PORTFOLIO	SPECIFIC	PORTFOLIO	TOTAL	TOTAL
Loans and receivables with banks	–	–2	–	9	–	7	–8
Loans and receivables with customers	–20	–1,447	–18	439	157	–889	–987
TOTAL	**–20**	**–1,449**	**–18**	**447**	**157**	**–882**	**–994**

Impairment losses on available-for-sale financial assets

(€ m)

	1 JAN.–30 JUNE 2010				1 JAN.– 30 JUNE 2009
	WRITE-DOWNS		WRITE-BACKS		
	SPECIFIC				
	WRITE-OFFS	OTHER	SPECIFIC	TOTAL	TOTAL
Debt securities	–	–	1	1	–8
Equity instruments	–2	–	x	–2	–
Units in investment funds	–	–	–	–	–3
Loans to banks	–	–	–	–	–
Loans to customers	–	–	–	–	–
TOTAL	**–2**	**–**	**1**	**–0**	**–10**

Impairment losses on other financial transactions

(€ m)

	1 JAN.–30 JUNE 2010						1 JAN.– 30 JUNE 2009
	WRITE-DOWNS			WRITE-BACKS			
	SPECIFIC						
	WRITE-OFFS	OTHER	PORTFOLIO	SPECIFIC	PORTFOLIO	TOTAL	TOTAL
Guarantees given	–	–23	–2	12	2	–12	–19
Credit derivatives	–	–	–	–	–	–	–
Commitments to disburse funds	–	–1	–1	1	1	–	–
Other transactions	–	–3	–	3	–	–	–
TOTAL	**–**	**–27**	**–3**	**16**	**3**	**–11**	**–20**

(12) Payroll

(€ m)

	1 JAN.– 30 JUNE 2010	1 JAN.– 30 JUNE 2009
Employees	**–932**	**–939**
Wages and salaries	–677	–686
Social charges	–138	–138
Severance pay	–	–2
Social security costs	–26	–22
Allocation to employee severance pay provision	–	–13
Provision for retirement payments and similar provisions	–111	–104
Payments to external pension funds	–14	–15
Costs related to share-based payments	–	–3
Other employee benefits	–41	–28
Recovery of compensation*)	75	70
Others	**–16**	**–27**
TOTAL	**–948**	**–966**

*) This includes recovery of staff costs relating to Bank Austria employees who are not active within the Group.

Notes to the income statement (CONTINUED)

(13) Other administrative expenses

(€ m)

	1 JAN.– 30 JUNE 2010	1 JAN.– 30 JUNE 2009
Indirect taxes and duties	**–23**	**–15**
Miscellaneous costs and expenses	**–714**	**–653**
Advertising, marketing and communication	–59	–52
Expenses related to credit risk	–16	–7
Expenses related to personnel	–28	–25
Information and communication technology expenses	–190	–209
Consulting and professional services	–23	–23
Real estate expenses	–163	–165
Other functioning costs	–233	–172
TOTAL	**–737**	**–668**

(14) Net provisions for risks and charges

(€ m)

	1 JAN.–30 JUNE 2010			1 JAN.– 30 JUNE 2009
	PROVISIONS	REALLOCATION SURPLUS	TOTAL	TOTAL
Other provisions				
Legal disputes	–73	3	–70	–2
Staff costs	–	–	–	–
Other	–21	1	–20	–21
TOTAL	**–94**	**4**	**–90**	**–23**

(15) Impairment on property, plant and equipment

(€ m)

	1 JAN.–30 JUNE 2010				1 JAN.–30 JUNE 2009
	DEPRECIATION	IMPAIRMENT LOSSES	WRITE-BACKS	NET PROFIT	NET PROFIT
Property, plant and equipment					
Owned	**–103**	**–**	**1**	**–102**	**–107**
used in the business	–101	–	1	–101	–105
held for investment	–1	–	–	–1	–3
Finance lease	**–1**	**–**	**–**	**–1**	**–1**
used in the business	–1	–	–	–1	–1
held for investment	–	–	–	–	–
TOTAL	**–104**	**–**	**1**	**–104**	**–109**

(16) Impairment on intangible assets

(€ m)

	1 JAN.–30 JUNE 2010				1 JAN.–30 JUNE 2009
	AMORTISATION	IMPAIRMENT LOSSES	WRITE-BACKS	NET PROFIT	NET PROFIT
Intangible assets					
Owned	**–56**	**–**	**1**	**–55**	**–57**
generated internally by the company	–2	–	–	–2	–18
other	–54	–	1	–53	–39
Finance leases	**–**	**–**	**–**	**–**	**–**
TOTAL	**–56**	**–**	**1**	**–55**	**–57**

Notes to the income statement (CONTINUED)

(17) Other net operating income

Other operating expenses

(€ m)

	1 JAN.–30 JUNE 2010	1 JAN.–30 JUNE 2009
Costs for operating leases	–	–
Reclassification of gains/losses associated with cash flow hedges of non-financial assets or liabilities from equity to profit or loss (IAS 39, paragraph 98a)	–	–
Non-deductible tax and other fiscal charges	–1	–1
Writedowns on improvements of goods owned by third parties	–1	–
Costs related to the specific service of financial leasing	–	–
Other	–51	–27
TOTAL OTHER OPERATING EXPENSES	**–52**	**–28**

Other operating income

(€ m)

	1 JAN.–30 JUNE 2010	1 JAN.–30 JUNE 2009
Recovery of costs	**1**	**1**
Other income	**122**	**116**
Revenue from administrative services	61	102
Reclassification of valuation reserve relating to cash-flow hedging of non-financial assets/liabilities	–	–
Revenues from rentals of real estate investments (net of direct operating costs)	7	8
Revenues from operating leases	–	1
Recovery of miscellaneous costs paid in previous years	2	2
Revenues from finance lease activities	–	–
Other	52	3
TOTAL OTHER OPERATING INCOME	**123**	**117**
OTHER NET OPERATING INCOME	**71**	**88**

(18) Gains and losses on disposal of investments

(€ m)

	1 JAN.–30 JUNE 2010	1 JAN.–30 JUNE 2009
Property		
Gains on disposal	6	6
Losses on disposal	–	–
Other assets		
Gains on disposal	16	4
Losses on disposal	–2	–1
TOTAL	**20**	**9**

Notes to the balance sheet

(19) Financial assets held for trading

(€ m)

	30 JUNE 2010				31 DEC. 2009
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	TOTAL
Financial assets (non-derivatives)	**1,859**	**775**	**44**	**2,677**	**2,503**
Debt securities	1,822	774	43	2,639	2,292
Structured securities	*5*	–	–	*5*	*6*
Other debt securities	*1,817*	*774*	*43*	*2,634*	*2,286*
Equity instruments	26	–	1	27	14
Units in investment funds	11	–	–	11	197
Loans	–	–	–	–	–
Repos	–	–	–	–	–
Other	–	–	–	–	–
Derivative instruments	**3**	**2,882**	**44**	**2,929**	**1,634**
Financial derivatives	3	2,880	44	2,926	1,632
Trading	*3*	*2,773*	*44*	*2,819*	*1,630*
Related to fair value option	–	–	–	–	–
Other	–	*107*	–	*107*	*2*
Credit derivatives	–	2	1	3	1
Trading	–	*2*	*1*	*3*	*1*
Related to fair value option	–	–	–	–	–
Other	–	–	–	–	–
TOTAL	**1,862**	**3,657**	**88**	**5,607**	**4,137**

(20) Financial assets at fair value through profit or loss

(€ m)

	30 JUNE 2010				31 DEC. 2009
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	TOTAL
Debt securities	*11*	129	57	197	176
Structured securities	–	–	–	–	–
Other debt securities	*11*	*129*	*57*	*197*	*176*
Equity securities	*17*	–	–	18	18
Units in investment funds	–	–	253	253	34
Loans	–	–	1	1	6
Structured	–	–	–	–	–
Other	–	–	*1*	*1*	*6*
TOTAL	**29**	**129**	**311**	**469**	**235**

This item shows assets in respect of which Bank Austria used the option to designate financial instruments as at fair value through profit or loss in order to avoid inconsistencies in the valuation of assets and liabilities which are connected with each other. Most of these assets are complex structures with embedded derivatives.

Notes to the balance sheet (CONTINUED)

(21) Available-for-sale financial assets

(€ m)

	30 JUNE 2010				31 DEC. 2009
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	TOTAL
Debt securities	3,825	6,609	*1,700*	12,133	10,111
Structured securities	*–*	*1*	*419*	*420*	*424*
Other	*3,825*	*6,608*	*1,281*	*11,713*	*9,687*
Equity instruments	54	195	*264*	513	485
Measured at fair value	*54*	*195*	*254*	*503*	*476*
Carried at cost	*–*	*–*	*10*	*10*	*9*
Units in investment funds	20	98	*76*	194	230
Loans	–	–	–	–	–
TOTAL	**3,899**	**6,902**	**2,040**	**12,841**	**10,826**

(22) Held-to-maturity investments

(€ m)

	30 JUNE 2010					31 DEC. 2009	
	CARRYING AMOUNT	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Debt securities	5,210	3,025	1,919	401	5,345	5,067	5,195
Structured securities	–	–	–	–	–	–	–
Other securities	*5,210*	*3,025*	*1,919*	*401*	*5,345*	*5,067*	*5,195*
Loans	–	–	–	–	–	–	–
TOTAL	**5,210**	**3,025**	**1,919**	**401**	**5,345**	**5,067**	**5,195**

(23) Loans and receivables with banks

(€ m)

	30 JUNE 2010	31 DEC. 2009
Loans to central banks	**5,065**	**5,225**
Time deposits	849	292
Compulsory reserves	3,970	4,426
Repos	111	464
Other	134	43
Loans to banks	**19,511**	**17,851**
Current accounts and demand deposits	6,999	2,315
Time deposits	8,722	10,908
Other loans	3,790	4,628
Repos	*761*	*1,773*
Finance leases	*–*	*–*
Other	*3,029*	*2,855*
Debt securities	–	–
Structured	–	–
Other	–	–
TOTAL (CARRYING AMOUNT)	**24,575**	**23,076**
TOTAL (FAIR VALUE)	**24,860**	**23,305**
Loan loss provisions deducted from loans and receivables	67	99

Notes to the balance sheet (CONTINUED)

(24) Loans and receivables with customers

(€ m)

	30 JUNE 2010			31 DEC. 2009
	PERFORMING	IMPAIRED	TOTAL	TOTAL
Current accounts	13,014	188	13,202	12,934
Repos	105	–	105	203
Mortgages	22,885	1,428	24,313	22,971
Credit cards and personal loans, including wage assignment loans	8,851	158	9,008	8,392
Finance leases	375	31	406	407
Factoring	803	6	809	784
Other transactions	75,661	4,219	79,880	75,876
Debt securities	1,954	52	2,006	2,034
Structured securities	–	–	–	–
Other debt securities	*1,954*	*52*	*2,006*	*2,034*
TOTAL (CARRYING AMOUNT)	**123,646**	**6,083**	**129,730**	**123,602**
TOTAL (FAIR VALUE)	**124,310**	**6,185**	**130,495**	**125,891**
Loan loss provisions deducted from loans and receivables	790	5,786	6,576	5,691

(25) Hedging derivatives

(€ m)

	30 JUNE 2010				31 DEC. 2009
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	TOTAL
Financial derivatives	**2**	**3,197**	**1**	**3,199**	**151**
Fair value	2	612	–	614	38
Cash flows	–	2,584	1	2,585	114
Net investment in foreign subsidiaries	–	–	–	–	–
Credit derivatives	**–**	**–**	**–**	**–**	**–**
Fair value	–	–	–	–	–
Cash flows	–	–	–	–	–
TOTAL	**2**	**3,197**	**1**	**3,199**	**151**

(26) Property, plant and equipment

(€ m)

	30 JUNE 2010	31 DEC. 2009
Assets for operational use	**1,959**	**1,904**
Owned	**1,910**	**1,852**
Land	188	179
Buildings	1,297	1,226
Office furniture and fittings	145	155
Electronic systems	179	180
Others	101	111
Leased	**48**	**52**
Land	–	–
Buildings	47	49
Office furniture and fittings	–	–
Electronic systems	1	2
Others	1	1
Held-for-investment assets	**470**	**369**
Owned	**470**	**369**
Land	235	214
Buildings	235	155
Leased	**–**	**–**
Land	–	–
Buildings	–	–
TOTAL	**2,429**	**2,273**

Notes to the balance sheet (CONTINUED)

(27) Intangible assets

(€ m)

	30 JUNE 2010	31 DEC. 2009
Goodwill	**3,616**	**3,415**
Other intangible assets	**541**	**523**
Assets carried at cost	541	523
Intangible assets generated internally	*32*	*46*
Other assets	*508*	*477*
Assets valued at fair value	–	–
Intangible assets generated internally	–	–
Other assets	–	–
TOTAL	**4,156**	**3,938**

(28) Non-current assets and disposal groups classified as held for sale

(€ m)

	30 JUNE 2010	31 DEC. 2009
Individual assets		
Financial assets	24	–
Equity investments	–	–
Property, plant and equipment	1	46
Intangible assets	–	–
Other non-current assets	–	–
Total	**25**	**46**
Asset groups classified as held for sale		
Financial assets held for trading	–	11,557
Financial assets at fair value through profit or loss	–	25
Available-for-sale financial assets	–	259
Held-to-maturity investments	–	1
Loans and receivables with banks	–	11
Loans and receivables with customers	–	–
Equity investments	–	–
Property, plant and equipment	–	–
Intangible assets	–	–
Other assets	–	1,311
Total	**–**	**13,164**
ASSETS	**25**	**13,210**

(29) Deposits from banks

(€ m)

	30 JUNE 2010	31 DEC. 2009
Deposits from central banks	**3,855**	**4,355**
Deposits from banks	**34,143**	**29,007**
Current accounts and demand deposits	4,307	2,863
Time deposits	13,271	9,456
Loans	16,148	16,226
Reverse repos	*1,124*	*1,126*
Other	*15,024*	*15,101*
Liabilities in respect of commitments to repurchase treasury shares	–	–
Other liabilities	417	461
TOTAL	**37,998**	**33,362**
FAIR VALUE	**38,563**	**33,588**

Notes to the balance sheet (CONTINUED)

(30) Deposits from customers

(€ m)

	30 JUNE 2010	31 DEC. 2009
Current accounts and demand deposits	42,543	39,368
Time deposits	49,548	50,149
Loans	643	669
Reverse repos	*282*	*395*
Other	*361*	*274*
Liabilities in respect of commitments to repurchase treasury shares	547	529
Other liabilities	6,564	6,327
TOTAL	**99,845**	**97,041**
FAIR VALUE	**100,022**	**97,407**

(31) Debt securities in issue

(€ m)

	30 JUNE 2010					31 DEC. 2009	
	CARRYING AMOUNT	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Securities							
Bonds	25,661	1,931	20,595	379	22,905	26,764	26,576
Structured	*113*	–	–	*113*	*113*	*99*	*99*
Other	*25,548*	*1,931*	*20,595*	*266*	*22,792*	*26,666*	*26,477*
Other securities	1,859	27	999	832	1,859	2,058	2,057
Structured	*27*	*27*	–	–	*27*	*27*	*27*
Other	*1,832*	–	*999*	*832*	*1,831*	*2,030*	*2,030*
TOTAL	**27,520**	**1,959**	**21,594**	**1,211**	**24,764**	**28,822**	**28,633**

(32) Financial liabilities held for trading

(€ m)

	30 JUNE 2010				31 DEC. 2009
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	TOTAL
Financial liabilities	**128**	**31**	**–**	**159**	**37**
Deposits from banks	**16**	**–**	**–**	**16**	**–**
Deposits from customers	**112**	**31**	**–**	**143**	**37**
Debt securities	**–**	**–**	**–**	**–**	**–**
Bonds	–	–	–	–	–
Structured	–	–	–	–	–
Other	–	–	–	–	–
Other securities	–	–	–	–	–
Structured	–	–	–	–	–
Other	–	–	–	–	–
Derivative instruments	**39**	**3,379**	**75**	**3,493**	**878**
Financial derivatives	**39**	**3,306**	**48**	**3,393**	**878**
Trading	2	3,303	48	3,354	874
Relating to fair value option	37	–	–	37	–
Other	–	3	–	3	5
Credit derivatives	**–**	**73**	**27**	**100**	**–**
Trading derivatives	–	73	27	100	–
Relating to fair value option	–	–	–	–	–
Other	–	–	–	–	–
TOTAL	**167**	**3,410**	**75**	**3,653**	**915**

Notes to the balance sheet (CONTINUED)

(33) Financial liabilities at fair value through profit or loss

(€ m)

	30 JUNE 2010				31 DEC. 2009
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	TOTAL
Deposits from banks	–	–	–	–	–
Structured	–	–	–	–	–
Others	–	–	–	–	–
Deposits from customers	–	–	–	–	–
Structured	–	–	–	–	–
Others	–	–	–	–	–
Debt securities	–	1,797	–	1,797	1,967
Structured	–	*1,797*	–	*1,797*	*1,967*
Others	–	–	–	–	–
TOTAL	**–**	**1,797**	**–**	**1,797**	**1,967**

This item shows liabilities in respect of which Bank Austria used the option to designate financial instruments as at fair value through profit or loss in order to avoid inconsistencies in the valuation of assets and liabilities which are connected with each other. Most of these liabilities are debt securities and complex structures with embedded derivatives. In the first six months of 2010, changes in fair values resulting from changes in our own funding costs were € 38.1 m (same period of the previous year: –€ 22.4 m).

(34) Hedging derivatives

(€ m)

	30 JUNE 2010				31 DEC. 2009
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	TOTAL
Financial derivatives	**–**	**3,506**	**28**	**3,534**	**219**
Fair value	–	131	–	131	76
Cash flows	–	3,375	28	3,403	143
Net investment in foreign subsidiaries	–	–	–	–	–
Credit derivatives	**–**	**–**	**–**	**–**	–
Fair value	–	–	–	–	–
Cash flows	–	–	–	–	–
TOTAL	**–**	**3,506**	**28**	**3,534**	**219**

Notes to the balance sheet (CONTINUED)

(35) Liabilities included in disposal groups classified as held for sale

(€ m)

	30 JUNE 2010	31 DEC. 2009
Liabilities associated with assets classified as held for sale		
Deposits	–	–
Securities	–	–
Other liabilities	–	–
Total	**–**	**–**
Liabilities included in disposal groups classified as held for sale		
Deposits from banks	–	–
Deposits from customers	–	–
Debt securities in issue	–	–
Financial liabilities held for trading	–	8,663
Financial liabilities at fair value through profit or loss	–	35
Provisions	–	–
Other liabilities	–	1,794
Total	**–**	**10,492**
LIABILITIES	**–**	**10,492**

(36) Provisions for risks and charges

(€ m)

	30 JUNE 2010	31 DEC. 2009
Pensions and other post-retirement benefit obligations	**3,674**	**3,677**
Other provisions for risks and charges	**536**	**490**
Legal disputes	183	147
Staff expenses	4	4
Other	348	339
TOTAL	**4,209**	**4,167**

Additional IFRS disclosures

(37) Guarantees given and commitments

(€ m)

	30 JUNE 2010	31 DEC. 2009
Financial guarantees given to:	**6,240**	**7,911**
Banks	537	618
Customers	5,704	7,293
Commercial guarantees given to:	**14,779**	**12,518**
Banks	2,887	1,948
Customers	11,892	10,570
Other irrevocable commitments to disburse funds	**16,083**	**12,971**
Banks	1,914	292
Usage certain	*50*	*49*
Usage uncertain	*1,864*	*242*
Customers	14,170	12,680
Usage certain	*6,744*	*6,205*
Usage uncertain	*7,425*	*6,475*
Underlying obligations for credit derivatives: sales of protection	**921**	**927**
Assets used to guarantee others' obligations	**–**	**–**
Other commitments	**3,750**	**3,587**
TOTAL	**41,774**	**37,915**

(38) Employees

Share-based payments

The Management Board and selected key management personnel of Bank Austria participate in UniCredit Group's incentive scheme for share-based payments. The share-based payment arrangements relate to Stock Options, Performance Shares and Restricted Shares based on shares in the parent company UniCredit S.p.A. (UCI).

UniCredit calculates the economic value of the share-based payment arrangements on a uniform basis for the entire Group and provides the Group companies with the relevant information. In the Bank Austria Group, the total amount recognised in the income statement for the first six months of 2010 is € 357 thsd.

No new Stock Option Plans have been granted since 2009. A cash-based payment model was adopted.

Employees

	FULL-TIME EQUIVALENTS		
	H1 2010	Q1 2010	2009
Salaried staff	*59,806*	60,043	61,920
Other employees	*105*	105	139
TOTAL*)	**59,911**	**60,148**	**62,059**
of which: in Austria	*7,913*	*7,871*	*8,146*
of which: abroad	*51,998*	*52,277*	*53,913*

*) Average full-time equivalents of staff employed in the Bank Austria Group (consolidated companies), excluding apprentices and employees on unpaid sabbatical or maternity/paternity leave.

(39) Events after the date of the interim financial statements

After the balance sheet date of the interim report there were no events that are required to be mentioned in this interim report.

Additional IFRS disclosures (CONTINUED)

(40) Reconciliation of reclassified accounts to mandatory reporting schedule

(€ m)

	1 JAN.– 30 JUNE 2010	1 JAN.– 30 JUNE 2009
Net interest	2,218	2,506
Dividends and other income from equity investments	82	51
Dividend income and similar revenue	13	31
minus: dividends from equity instruments held for trading	*–*	*–1*
Profit (loss) of associates – of which: Income (loss) from equity investments valued at net equity	69	22
Net interest income	**2,301**	**2,557**
Net fees and commissions	988	899
Net trading, hedging and fair value income	234	271
Gains (losses) on financial assets and liabilities held for trading	237	275
plus: dividends from equity instruments held for trading	*–*	*1*
Fair value adjustments in hedge accounting	*–13*	*–*
Gains (losses) on disposal or repurchase of financial liabilities	*–*	*–*
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss	*9*	*–5*
Net other expenses/income	79	96
Gains (losses) on disposals/repurchases of loans and receivables – not impaired	–	–
Premiums earned (net)	53	47
Other income (net) from insurance activities	–44	–39
Other net operating income	71	88
minus: other operating income – of which: recovery of expenses	*–1*	*–1*
plus: Gains (losses) on disposals of investments – assets leasing operation	*–*	*–*
Net non-interest income	**1,301**	**1,266**
OPERATING INCOME	**3,601**	**3,823**
Payroll costs	–948	–966
Administrative costs – staff expenses	–948	–966
minus: integration costs	*–*	*–*
Other administrative expenses	–735	–665
Administrative costs – other administrative expenses	–737	–668
minus: integration costs	*2*	*3*
Recovery of expenses = Other net operating income – of which: Operating income – recovery of costs	1	1
Amortisation, depreciation and impairment losses on intangible and tangible assets	–159	–165
Impairment/Write-backs on property, plant and equipment	–104	–109
minus: impairment losses/write-backs on property owned for investment	*–*	*–*
minus: integration costs	*–*	*–*
Impairment/Write-backs on intangible assets	–55	–57
minus: integration costs	*–*	*–*
OPERATING EXPENSES	**–1,841**	**–1,795**
OPERATING PROFIT	**1,761**	**2,028**

Additional IFRS disclosures (CONTINUED)

	1 JAN.– 30 JUNE 2010	1 JAN.– 30 JUNE 2009
Impairment of goodwill	–167	–
Provisions for risks and charges	–90	–23
Integration costs	–2	–3
Net impairment losses on loans and provisions for guarantees and commitments	–896	–1,009
Gains (losses) on disposal and repurchase of loans	–2	5
minus: gains (losses) on disposals/repurchases of loans and receivables – not impaired position	–	–
Impairment losses on loans	–882	–994
Impairment losses on other financial assets	–11	–20
Net income from investments	39	56
Gains (losses) on disposal and repurchase of available-for-sale financial assets	20	57
Gains (losses) on disposal and repurchase of held-to-maturity investments	–	–1
Impairment losses on available-for-sale financial assets	–	–2
Impairment losses on held-to-maturity investments	–	–10
plus: Impairment losses/write-backs on property owned for investment	–	–
Profit (loss) of associates	69	25
minus: Profit (loss) of associates – Income (loss) from equity investments valued at net equity	*–69*	*–22*
Gains and losses on tangible and intangible assets	*–1*	–
Gains (losses) on disposal of investments	20	9
minus: gains (losses) on disposals of investments – assets leasing operation	–	–
PROFIT BEFORE TAX	**644**	**1,048**
Income tax for the period = Tax (income) expense related to profit or loss from continuing operations	–165	–187
NET PROFIT	**480**	**860**
Net profit attributable to the parent company	459	833
Minorities	21	27

Additional IFRS disclosures (CONTINUED)

(41) Segment reporting

As in previous periods, the segment reporting format is based on the internal reporting structure of business segments, which reflects management responsibilities in the Bank Austria Group in 2010. The business segments are presented as independent units with their own capital resources and responsibility for their own results. This also meets the requirements of IFRS 8.

The definition of business segments is primarily based on organisational responsibility for customers.

Family & SME Banking

Responsibility for the Family & SME Banking Division covers Bank Austria's business with private customers (except Private Banking customers) and small businesses and the credit card business.

Private Banking

Private Banking has responsibility for private customers with investments exceeding € 500,000. Schoellerbank AG and various other small subsidiaries are also included in the Private Banking Division.

Corporate & Investment Banking

The Corporate & Investment Banking segment covers the sub-segments large customers (international corporates, financial institutions, public sector) and real estate, business with medium-sized companies and customers using specific products as well as treasury activities. The Corporate & Investment Banking Division includes, beside others, Bank Austria Wohnbaubank AG and the Bank Austria Real Invest Group as consolidated companies. The CAIB subsidiaries in the CEE countries are allocated to the CEE business segment as from the first quarter of 2010.

UniCredit CAIB and UniCredit CAIB Securities UK Ltd. are included in the consolidated results of the Bank Austria Group until the end of May 2010. After the integration of customer-driven investment banking activities of UniCredit CAIB into Bank Austria, proprietary trading activities remaining within CAIB and UniCredit CAIB Securities UK Ltd. were sold to UniCredit Bank AG (the former Bayerische Hypo- und Vereinsbank AG), Munich, in June 2010.

CEE

The CEE business segment includes the commercial banking units of the Bank Austria Group in the region of Central and Eastern Europe (including Turkey and Kazakhstan). The CAIB subsidiaries in the CEE countries are also allocated to the CEE business segment as from the first quarter of 2010.

Corporate Center

Corporate Center covers all equity interests that are not assigned to other segments and it also includes the contribution from UniCredit Global Leasing, in which Bank Austria has a shareholding interest of 31.01 % accounted for under the equity method. Also included are inter-segment eliminations and other items which cannot be assigned to other business segments.

Methods

Net interest income is split up according to the market interest rate method. Costs are allocated to the individual business segments from which they arise.

The result of each business segment is measured by the profit before tax and the net profit after tax, before deduction of minority interests, earned by the respective segment.

The interest rate applied to investment of equity allocated to the business segments is determined for one year in advance as part of the budgeting process. It is composed of a "risk-free" interest rate plus a margin of the average 5-year CDS spread of UniCredit.

Overhead costs are allocated to the business segments according to a key of distribution applied within the Group on a uniform basis (50 % costs, 20 % revenues, 20 % FTEs and 10 % proportionately).

In 2010, capital allocated to the business segments in UniCredit Bank Austria AG, based on the Tier 1 capital ratio, is 6.7 % of planned risk-weighted assets under the Basel II rules. Capital allocation to subsidiaries reflects actual IFRS capital. The adjustment item with respect to the consolidated IFRS capital of the Bank Austria Group is reflected in the Corporate Center.

Additional IFRS disclosures (CONTINUED)

Restatements for 2009:

In 2010, a number of structural changes took place within the business segments and in the group of consolidated companies. This means that results for 2010 are not fully comparable with those for 2009. For this reason, the segment results for 2009 have been restated. The difference compared with Bank Austria's results for 2009 is presented in a separate column showing "Restatement differences".

The main pro-forma adjustments made to the figures for 2009 are as follows:

- UniCredit CAIB and UniCredit CAIB Securities UK Ltd. were sold to UniCredit Bank AG (the former Bayerische Hypo- und Vereinsbank AG), Munich, in June 2010. They are therefore also included for only 5 months in the 2009 restated figures. The restated figures for 2009 also reflect the integration into UniCredit Bank Austria AG of customer-driven investment banking activities.
- In line with segment reporting for 2010, the CAIB subsidiaries in CEE countries were transferred from Corporate & Investment Banking to the CEE business segment.
- The reorganisation of the Private Banking segment in the fourth quarter of 2009, the transfer of customers from Retail to Private Banking in particular, is reflected in the figures for all quarters of 2009.
- WAVE was sold to UGIS (UniCredit Global Information Services S.p.A.) in May 2009 and is therefore no longer included in the restated figures for 2009.
- The allocation of overhead costs was changed as from 2010, and the changes were also applied to 2009.
- From 2010, income from custodian bank services is no longer allocated to the sales divisions but exclusively to the department responsible for settlement in Corporate & Investment Banking. The relevant comparative figures for 2009 were also restated.

Additional IFRS disclosures (CONTINUED)

Segment reporting Q1–Q4 2009/Q1–Q2 2010

(€ m)

		FAMILY & SME BANKING DIVISION	PRIVATE BANKING DIVISION	CORPORATE & INVESTMENT BANKING DIVISION	CENTRAL EASTERN EUROPE DIVISION	CORPORATE CENTER	RESTATEMENT DIFFERENCES [1]	BANK AUSTRIA GROUP
Net interest income	**Q2 2010**	**166**	**11**	**248**	**819**	**–61**	**–**	**1,183**
	Q1 2010	**164**	**10**	**226**	**781**	**–64**	**–**	**1,118**
	Q4 2009	**172**	**13**	**241**	**772**	**–106**	**42**	**1,133**
	Q3 2009	**171**	**16**	**254**	**739**	**–108**	**115**	**1,186**
	Q2 2009	**165**	**16**	**373**	**737**	**–125**	**56**	**1,222**
	Q1 2009	**180**	**12**	**466**	**756**	**–83**	**4**	**1,335**
Net fees and commissions	Q2 2010	109	25	92	297	–4	–	518
	Q1 2010	101	25	80	270	–6	–	470
	Q4 2009	102	24	82	281	–8	16	497
	Q3 2009	93	23	62	265	–10	2	436
	Q2 2009	94	23	64	263	–4	3	442
	Q1 2009	97	21	86	254	–3	1	457
Net trading, hedging and fair value income/loss	Q2 2010	–	1	28	14	114	–	158
	Q1 2010	–	–	28	20	28	–	76
	Q4 2009	–	–	6	69	31	–17	89
	Q3 2009	–1	–	3	68	14	–117	–34
	Q2 2009	–8	1	–89	183	5	–12	81
	Q1 2009	10	–	2	176	2	–	190
Net other expenses/income	Q2 2010	1	1	3	15	29	–	48
	Q1 2010	2	–	2	1	27	–	31
	Q4 2009	–7	–2	2	–1	27	1	21
	Q3 2009	3	–1	2	31	56	4	95
	Q2 2009	2	–1	4	21	34	–	60
	Q1 2009	3	–4	3	6	34	–7	36
Net non-interest income	**Q2 2010**	**109**	**26**	**123**	**326**	**139**	**–**	**723**
	Q1 2010	**103**	**25**	**111**	**291**	**49**	**–**	**577**
	Q4 2009	**95**	**22**	**89**	**349**	**50**	**–**	**606**
	Q3 2009	**95**	**22**	**67**	**363**	**60**	**–111**	**496**
	Q2 2009	**88**	**22**	**–21**	**467**	**34**	**–8**	**584**
	Q1 2009	**110**	**17**	**91**	**437**	**33**	**–6**	**683**
OPERATING INCOME	**Q2 2010**	**276**	**37**	**370**	**1,145**	**78**	**–**	**1,906**
	Q1 2010	**267**	**35**	**337**	**1,072**	**–16**	**–**	**1,695**
	Q4 2009	**267**	**35**	**330**	**1,121**	**–56**	**42**	**1,739**
	Q3 2009	**266**	**38**	**321**	**1,102**	**–47**	**4**	**1,683**
	Q2 2009	**253**	**38**	**353**	**1,204**	**–91**	**48**	**1,805**
	Q1 2009	**290**	**29**	**558**	**1,193**	**–49**	**–3**	**2,018**
OPERATING EXPENSES	**Q2 2010**	**–198**	**–25**	**–96**	**–530**	**–75**	**–**	**–924**
	Q1 2010	**–194**	**–24**	**–122**	**–503**	**–73**	**–**	**–916**
	Q4 2009	**–187**	**–27**	**–88**	**–511**	**–92**	**–17**	**–922**
	Q3 2009	**–194**	**–24**	**–94**	**–484**	**–78**	**–23**	**–898**
	Q2 2009	**–198**	**–23**	**–120**	**–479**	**–79**	**–3**	**–904**
	Q1 2009	**–200**	**–23**	**–115**	**–477**	**–79**	**3**	**–892**
OPERATING PROFIT	**Q2 2010**	**77**	**11**	**274**	**615**	**3**	**–**	**982**
	Q1 2010	**73**	**11**	**214**	**570**	**–89**	**–**	**778**
	Q4 2009	**80**	**9**	**242**	**611**	**–148**	**25**	**817**
	Q3 2009	**71**	**13**	**227**	**618**	**–125**	**–20**	**785**
	Q2 2009	**55**	**15**	**232**	**724**	**–169**	**45**	**902**
	Q1 2009	**90**	**6**	**443**	**716**	**–129**	**–**	**1,126**
Goodwill impairment	Q2 2010	–	–	–	–	–167	–	–167
	Q1 2010	–	–	–	–	–	–	–
	Q4 2009	–	–	–	–	–18	–	–18
	Q3 2009	–	–	–	–1	–	–	–1
	Q2 2009	–	–	–	–	–	–	–
	Q1 2009	–	–	–	–	–	–	–
Provisions for risks and charges	Q2 2010	–1	–	–	–11	–8	–	–19
	Q1 2010	–	–	–	–6	–65	–	–71
	Q4 2009	–1	–	–41	–24	–	2	–64
	Q3 2009	–	–	–10	–5	–9	–2	–27
	Q2 2009	–1	–	–	–13	–5	–	–20
	Q1 2009	–	–	–	–3	–	–	–4

1) The segment results for 2009 have been restated. The difference compared with Bank Austria's results for 2009 is presented in a separate column showing "Restatement differences", which mainly relate to changes in the group of consolidated companies (e.g. sale of WAVE and CAIB) and other adjustments.

Additional IFRS disclosures (CONTINUED)

		FAMILY & SME BANKING DIVISION	PRIVATE BANKING DIVISION	CORPORATE & INVESTMENT BANKING DIVISION	CENTRAL EASTERN EUROPE DIVISION	CORPORATE CENTER	RESTATEMENT DIFFERENCES 1)	BANK AUSTRIA GROUP
Restructuring costs	Q2 2010	–	–	–	–1	–	–	–1
	Q1 2010	–	–	–	–1	–	–	–1
	Q4 2009	–	–	–1	–1	–	–2	–4
	Q3 2009	–	–	–	–1	–	–	–1
	Q2 2009	–	–	–1	–1	–	–	–2
	Q1 2009	–	–	–	–1	–	–	–1
Net writedowns of loans and provisions for guarantees and commitments	Q2 2010	–57	–	–22	–377	–1	–	–457
	Q1 2010	–63	–	–62	–314	–	–	–439
	Q4 2009	–53	–	–105	–501	–	4	–655
	Q3 2009	–63	–	–31	–510	–	1	–603
	Q2 2009	–72	–	–111	–376	–	–4	–563
	Q1 2009	–55	–	–60	–331	–	–1	–446
Net income from investments	Q2 2010	1	–	–	8	6	–	16
	Q1 2010	10	–	2	11	–	–	22
	Q4 2009	2	–	–5	4	33	–	34
	Q3 2009	1	–	–11	5	27	–	23
	Q2 2009	5	–	–3	4	3	–	9
	Q1 2009	2	–	–2	2	45	–	47
PROFIT BEFORE TAX	**Q2 2010**	**21**	**11**	**252**	**235**	**–166**	**–**	**354**
	Q1 2010	**20**	**11**	**154**	**259**	**–154**	**–**	**290**
	Q4 2009	**28**	**9**	**90**	**89**	**–134**	**29**	**111**
	Q3 2009	**9**	**13**	**175**	**106**	**–107**	**–21**	**176**
	Q2 2009	**–13**	**15**	**118**	**338**	**–172**	**41**	**326**
	Q1 2009	**37**	**6**	**381**	**383**	**–83**	**–1**	**722**
Income tax	Q2 2010	–9	–3	–53	–55	–10	–	–130
	Q1 2010	–1	–3	–34	–40	43	–	–34
	Q4 2009	–2	–7	–21	–20	42	30	22
	Q3 2009	–1	–1	–31	–21	24	14	–17
	Q2 2009	5	–	–49	–51	–18	75	–38
	Q1 2009	–10	–1	–102	–76	40	–1	–150
NET PROFIT	**Q2 2010**	**12**	**8**	**199**	**180**	**–176**	**–**	**224**
	Q1 2010	**18**	**8**	**121**	**219**	**–110**	**–**	**255**
	Q4 2009	**26**	**1**	**69**	**69**	**–92**	**59**	**133**
	Q3 2009	**8**	**12**	**145**	**85**	**–83**	**–7**	**159**
	Q2 2009	**–8**	**14**	**69**	**286**	**–189**	**116**	**288**
	Q1 2009	**28**	**4**	**279**	**306**	**–43**	**–2**	**572**
Risk-weighted assets (RWA)	**Q2 2010**	**11,613**	**534**	**30,842**	**74,338**	**5,120**	**–**	**122,446**
	Q1 2010	**10,110**	**497**	**30,789**	**70,420**	**5,226**	**–115**	**116,927**
	Q4 2009	**9,392**	**492**	**30,182**	**69,049**	**5,502**	**–230**	**114,386**
	Q3 2009	**10,171**	**607**	**29,595**	**67,761**	**5,650**	**799**	**114,583**
	Q2 2009	**10,888**	**667**	**32,985**	**72,056**	**5,498**	**827**	**122,921**
	Q1 2009	**10,919**	**666**	**35,232**	**74,853**	**5,633**	**596**	**127,898**
Equity (avg.) 2)	Q2 2010	737	128	8,462	10,968	–2,980	–	17,316
	Q1 2010	747	119	7,550	10,938	–3,718	–	15,635
	Q4 2009	806	111	7,480	10,255	–4,447	–	14,204
	Q3 2009	805	162	7,602	10,151	–4,600	20	14,140
	Q2 2009	811	153	7,713	9,999	–4,558	21	14,139
	Q1 2009	880	152	7,533	9,507	–3,899	21	14,194
Cost/income ratio in %	*Q2 2010*	*71.9*	*68.7*	*26.0*	*46.3*	*n.m.*	*n.m.*	*48.5*
	Q1 2010	*72.8*	*69.0*	*36.3*	*46.9*	*n.m.*	*n.m.*	*54.1*
	Q4 2009	*70.1*	*75.2*	*26.7*	*45.5*	*n.m.*	*n.m.*	*53.0*
	Q3 2009	*73.2*	*64.5*	*29.3*	*43.9*	*n.m.*	*n.m.*	*53.3*
	Q2 2009	*78.4*	*61.5*	*34.1*	*39.8*	*n.m.*	*n.m.*	*50.1*
	Q1 2009	*69.0*	*79.5*	*20.6*	*40.0*	*n.m.*	*n.m.*	*44.2*
Risk/earnings ratio in %	*Q2 2010*	*34.0*	*n.m.*	*8.7*	*46.0*	*n.m.*	*n.m.*	*38.6*
	Q1 2010	*38.2*	*n.m.*	*27.5*	*40.2*	*n.m.*	*n.m.*	*39.3*
	Q4 2009	*30.9*	*n.m.*	*43.5*	*64.9*	*n.m.*	*n.m.*	*57.8*
	Q3 2009	*36.9*	*n.m.*	*12.3*	*69.0*	*n.m.*	*n.m.*	*50.8*
	Q2 2009	*43.6*	*n.m.*	*29.6*	*51.1*	*n.m.*	*n.m.*	*46.1*
	Q1 2009	*30.4*	*n.m.*	*12.8*	*43.8*	*n.m.*	*n.m.*	*33.4*

1) The segment results for 2009 have been restated. The difference compared with Bank Austria's results for 2009 is presented in a separate column showing "Restatement differences", which mainly relate to changes in the group of consolidated companies (e.g. sale of WAVE and CAIB) and other adjustments.

2) Total IFRS capital for the subsidiaries allocated to the respective Division together with standardised capital for the rest of the respective Division. The difference compared with the consolidated equity of the Bank Austria Group is shown in the Corporate Center.

n.m. = not meaningful

Additional IFRS disclosures (CONTINUED)

Segment reporting for the first half of 2010 compared with the first half of 2009

(€ m)

		FAMILY & SME BANKING DIVISION	PRIVATE BANKING DIVISION	CORPORATE & INVESTMENT BANKING DIVISION	CENTRAL EASTERN EUROPE DIVISION	CORPORATE CENTER	RESTATEMENT DIFFERENCES 1)	BANK AUSTRIA GROUP
Net interest income	**1–6 2010**	**331**	**21**	**474**	**1,601**	**–125**	**–**	**2,301**
	1–6 2009	**345**	**28**	**840**	**1,492**	**–208**	**60**	**2,557**
Net fees and commissions	1–6 2010	210	49	172	567	–10	–	988
	1–6 2009	191	43	151	517	–8	4	899
Net trading, hedging and fair value income/loss	1–6 2010	–	1	56	34	142	–	234
	1–6 2009	2	1	–87	359	7	–12	271
Net other expenses/income	1–6 2010	2	–	5	16	56	–	79
	1–6 2009	5	–5	7	27	68	–7	96
Net non-interest income	**1–6 2010**	**212**	**51**	**233**	**617**	**188**	**–**	**1,301**
	1–6 2009	**199**	**40**	**71**	**904**	**68**	**–14**	**1,266**
OPERATING INCOME	**1–6 2010**	**543**	**71**	**707**	**2,218**	**63**	**–**	**3,601**
	1–6 2009	**543**	**68**	**910**	**2,396**	**–140**	**45**	**3,823**
OPERATING EXPENSES	**1–6 2010**	**–393**	**–49**	**–218**	**–1,033**	**–148**	**–**	**–1,841**
	1–6 2009	**–399**	**–47**	**–235**	**–956**	**–158**	**–**	**–1,795**
OPERATING PROFIT	**1–6 2010**	**150**	**22**	**488**	**1,185**	**–85**	**–**	**1,761**
	1–6 2009	**145**	**21**	**675**	**1,440**	**–298**	**45**	**2,028**
Goodwill impairment	1–6 2010	–	–	–	–	–167	–	–167
	1–6 2009	–	–	–	–	–	–	–
Provisions for risks and charges	1–6 2010	–1	–	–	–17	–72	–	–90
	1–6 2009	–1	–	–	–17	–5	–	–23
Restructuring costs	1–6 2010	–	–	–	–2	–	–	–2
	1–6 2009	–	–	–1	–2	–	–	–3
Net writedowns of loans and provisions for guarantees and commitments	1–6 2010	–119	–	–84	–691	–1	–	–896
	1–6 2009	–126	–	–170	–707	–	–5	–1,009
Net income from investments	1–6 2010	11	–	2	19	6	–	39
	1–6 2009	7	–	–5	6	48	–	56
PROFIT BEFORE TAX	**1–6 2010**	**41**	**22**	**406**	**495**	**–320**	**–**	**644**
	1–6 2009	**24**	**20**	**498**	**720**	**–255**	**40**	**1,048**
Income tax	1–6 2010	–10	–6	–87	–95	34	–	–165
	1–6 2009	–4	–2	–151	–128	22	75	–187
NET PROFIT	**1–6 2010**	**31**	**16**	**319**	**399**	**–286**	**–**	**480**
	1–6 2009	**20**	**19**	**348**	**592**	**–233**	**114**	**860**
Risk-weighted assets (RWA)	**1–6 2010**	**10,872**	**520**	**30,622**	**72,575**	**5,247**	**–77**	**119,759**
	1–6 2009	**10,903**	**666**	**34,108**	**73,454**	**5,565**	**712**	**125,409**
Equity (avg.) 2)	1–6 2010	742	123	8,006	10,953	–3,349	–	16,475
	1–6 2009	845	153	7,623	9,753	–4,228	21	14,167
Cost/income ratio in %	*1–6 2010*	*72.4*	*68.8*	*30.9*	*46.6*	*n.m.*	*n.m.*	*51.1*
	1–6 2009	*73.4*	*69.4*	*25.9*	*39.9*	*n.m.*	*n.m.*	*47.0*
Risk/earnings ratio in %	*1–6 2010*	*36.1*	*n.m.*	*17.7*	*43.2*	*n.m.*	*n.m.*	*38.9*
	1–6 2009	*36.7*	*n.m.*	*20.3*	*47.4*	*n.m.*	*n.m.*	*39.5*

1) The segment results for 2009 have been restated. The difference compared with Bank Austria's results for 2009 is presented in a separate column showing "Restatement differences", which mainly relate to changes in the group of consolidated companies (e.g. sale of WAVE and CAIB) and other adjustments.

2) Total IFRS capital for the subsidiaries allocated to the respective Division together with standardised capital for the rest of the respective Division. The difference compared with the consolidated equity of the Bank Austria Group is shown in the Corporate Center.

n.m. = not meaningful

Information required under Austrian law

(42) Consolidated capital resources and regulatory capital requirements

Net capital resources of the Bank Austria group of credit institutions

(€ m)

	30 JUNE 2010	31 DEC. 2009
Paid-in capital (less own shares)	1,681	1,469
Reserves and minority interests	12,472	9,708
Intangible assets	–587	–579
Deductions from Tier 1 capital (in particular 50% deduction pursuant to Section 23 (13) 3 to 4d of the Austrian Banking Act) 1)	–813	–675
Core capital (Tier 1)	**12,754**	**9,923**
Net subordinated liabilities	3,044	3,004
Revaluation reserves and undisclosed reserves	191	139
Deductions from Tier 2 (50% deduction pursuant to Section 23 (13) 3 to 4d) 1)	–813	–675
Supplementary capital resources (Tier 2)	**2,423**	**2,468**
Deductions from Tier 1 and Tier 2 (deduction pursuant to Section 23 (13) 4a) 2)	–144	–138
Net capital resources (excl. Tier 3)	**15,033**	**12,253**
Tier 3 (re-assigned subordinated capital)	217	243
NET CAPITAL RESOURCES (INCL. TIER 3)	**15,250**	**12,496**

Capital requirements of the Bank Austria group of credit institutions

(€ m)

	30 JUNE 2010	31 DEC. 2009
Capital requirements of		
a) Credit risk pursuant to standardised approach	6,176	5,846
b) Credit risk pursuant to internal ratings-based (IRB) approach	2,834	2,285
Credit risk	9,010	8,131
Operational risk	807	777
Position risk – debt instruments, equities, foreign currencies and commodities	217	243
Settlement risk	–	–
CAPITAL REQUIREMENT	**10,034**	**9,151**
Total RWA	125,424	114,386

Capital ratios

	30 JUNE 2010	31 DEC. 2009
Tier 1 capital ratio, based on all risks	10.17%	8.68%
Total capital ratio, based on all risks 3)	12.16%	10.92%
Tier 1 capital ratio, based on credit risk	11.32%	9.76%
Total capital ratio, based on credit risk 4)	12.63%	11.29%

1) Capital components in non-consolidated companies and "shortfall"
2) Capital components in insurance companies
3) Net capital resources (incl. Tier 3) as a percentage of the risk-weighted assessment basis for all risks
4) Total capital resources less requirement for trading book, commodities risk, exchange rate risk and operational risk as a percentage of the risk-weighted assessment basis for credit risk

Statement by Management on the Half-Yearly Financial Report 2010

We confirm to the best of our knowledge that the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report for the first six months gives a true and fair view of important events that occurred during the first six months of the financial year and their impact on the interim consolidated financial statements, and of the principal risks and uncertainties for the remaining six months of the financial year.

Vienna, 26 July 2010

The Management Board

Willibald Cernko
(Chairman)

Helmut Bernkopf

Jürgen Danzmayr

Massimiliano Fossati

Federico Ghizzoni

Rainer Hauser

Doris Tomanek

Carlo Vivaldi

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Ratings

	LONG-TERM	SUBORDINATED LIABILITIES	SHORT-TERM
Moody's 1)	A1	A2	P-1
Standard & Poor's 2)	A	A–	A-1

1) Grandfathered debt remains rated Aa2, subordinated debt rating remains Aa3.
2) Grandfathered debt and subordinated debt remain rated AA+.

Financial calendar

10 November 2010	Results for the first nine months of 2010
All information is available electronically at http://ir.bankaustria.at	

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Notes

This report contains forward-looking statements relating to the future performance of Bank Austria. These statements reflect estimates which we have made on the basis of all information available to us at present. Should the assumptions underlying forward-looking statements prove incorrect, or should risks – such as those mentioned in this report – materialise to an extent not anticipated, actual results may vary from those expected at present. Market share data are based on the most recent information available at the editorial close of this report.

"Bank Austria" as used in this report refers to the group of consolidated companies. "UniCredit Bank Austria AG" as used in this report refers to the parent company.

In adding up rounded figures and calculating the percentage rates of changes, slight differences may result compared with totals and rates arrived at by adding up component figures which have not been rounded off.

The Half-Yearly Financial Report at 30 June 2010 was not audited or reviewed by an auditor.

Disclaimer

This edition of our Half-Yearly Financial Report is prepared for the convenience of our English-speaking readers. It is based on the German original which is the authentic version and takes precedence in all legal aspects.