Bank Austria
UniCredit Group

Interim Report at 30 September 2008

Bank Austria at a Glance

Income statement figures

(€ m)	Q3 2008	Q3 2007	+/–
Net interest income	3,615	2,857	26.5 %
Net fees and commissions	1,559	1,574	–1.0 %
Net trading, hedging and fair value loss/income	–278	180	–
Operating income	5,057	4,783	5.7 %
Operating expenses	–2,894	–2,405	20.3 %
Operating profit	2,163	2,377	–9.0 %
Profit before tax	2,052	2,180	–5.9 %
Consolidated profit	1,642	1,751	–6.2 %

Volume figures

(€ m)	30 SEPT. 2008	31 DEC. 2007	+/–
Total assets	229,786	209,170	9.9 %
Loans and receivables with customers	138,877	115,341	20.4 %
Primary funds	137,049	119,699	14.5 %
Shareholders' equity (excluding minority interests)	15,354	14,676	4.6 %
Risk-weighted assets (overall)	136,287	117,993	15.5 %

Key performance indicators

	Q3 2008	2007
Return on equity after tax (ROE)	14.8 %	17.0 %
Return on assets (ROA)	0.99 %	1.18 %
Cost/income ratio	57.2 %	52.2 %
Net interest income/avg. risk-weighted assets (banking book)	3.95 %	4.08 %
Risk/earnings ratio	13.4 %	12.3 %
Provisioning charge/avg. risk-weighted assets (banking book)	0.53 %	0.50 %
Total capital ratio (based on credit risk RWA)	9.3 %	11.4 %
Tier 1 capital ratio (based on credit risk RWA)	7.6 %	8.8 %

Staff*)

	30 SEPT. 2008	31 DEC. 2007	+/–
Bank Austria (full-time equivalent)	67,377	54,387	23.9 %
Central and Eastern Europe	56,198	43,648	28.8 %
Austria and other subsidiaries	11,179	10,739	4.1 %

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

Offices*)

	30 SEPT. 2008	31 DEC. 2007	+/–
Bank Austria	3,054	2,343	30.3 %
Central and Eastern Europe	2,718	1,977	37.5 %
Austria and other subsidiaries	336	366	–8.2 %

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

C

Contents

Preface by Erich Hampel	**4**
Interim Report at 30 September 2008	**6**
Banking environment in the first nine months of 2008	6
Bank Austria in the first nine months of 2008	8
Outlook	24
Consolidated Financial Statements in accordance with IFRSs	**26**
Income statement for the first nine months of 2008	26
Income statement by quarter	27
Balance sheet at 30 September 2008	28
Statement of changes in equity	29
Notes to the Consolidated Financial Statements	30
Statement by Management on the Interim Report	47
Additional Information	**48**
Income statement/CEE banks	48
Ratings, Investor Relations	50
Imprint, notes	51

Preface by Erich Hampel

"A financial system for tangible business."

Ladies and Gentlemen,

The escalation of the financial market crisis and the rapidly deteriorating economic outlook have been the main points on our agenda over the past few months. Bank Austria coped well with the turbulent third quarter and generated further revenue growth (+7% over the preceding quarter). Our customer-oriented business model, the cross-regional bundling of resources in the Divisions and our extensive regional network within UniCredit Group, one of the leading European banking groups, have proved to be impressively successful over these difficult weeks.

On this basis we achieved a profit of € 1.6 bn for the first nine months of 2008 – more or less matching the performance for the same period of the previous year – and absorbed the impact of the negative result from trading activities.

Central and Eastern Europe continued to drive our growth throughout the year to date. Profits from CEE operations for January to September 2008 exceeded the previous year's figure by one half. Even without our recent acquisitions in Kazakhstan and Ukraine, the CEE business segment improved its profit contribution by one-third. In line with UniCredit Group strategy, we also invested in further enhancing our market position during the year: opening 325 new branches, we have brought the number of branches within our CEE network in 18 countries to a total of 2,718.

Our results from business in Austria failed to match the level achieved in the previous year. Profit before tax for the first nine months of 2008 was about 10% lower than for the same period of 2007. An increase in lending volume and deposits led to significant growth of net interest income, despite the strained situation in short-term market rates and despite higher liquidity costs. Net fees and commissions, on the other hand, were lower as higher credit spreads, downward stock market trends and general uncertainty caused by events in the banking sector led to a sharp fall in demand for capital market-related financing instruments, derivatives and also mutual funds during the year – the very product groups which were very popular with customers in previous years.

At present the market environment remains difficult, so it is too early to sound the all clear. Yet I am convinced that within UniCredit Group and in Bank Austria we will continue to effectively handle the repercussions of the recent turmoil. We are very well positioned to do so with our strong equity capital base of € 16.1 bn, equivalent to 7 % of the balance sheet total, and thanks to the high level of profitability. The capital increase of UniCredit Group also has positive effects on our Group's risk-bearing capacity.

There will be a lot of discussion on how the unusual crisis of confidence came about in the autumn of 2008 – and how such situations can be prevented in the future. Hyman P. Minsky, a student of Joseph A. Schumpeter, said, "stability creates instability". What he meant was that excesses over many years and subsequent turbulence in financial markets from time to time are normal phenomena. The opposite is also true: "instability creates stability" – we can learn from crises and avoid excesses without turning to the other extreme. Central banks' liquidity management, stability packages put in place by governments, and public programmes to support economic activity have helped avoid a systemic crisis.

While it is clear that there were undesirable developments in the past, we should not forget the enormous progress made by the global economy in the past decade, and the rise in prosperity we achieved through the integration of emerging markets … and the banks' essential contribution to this process.

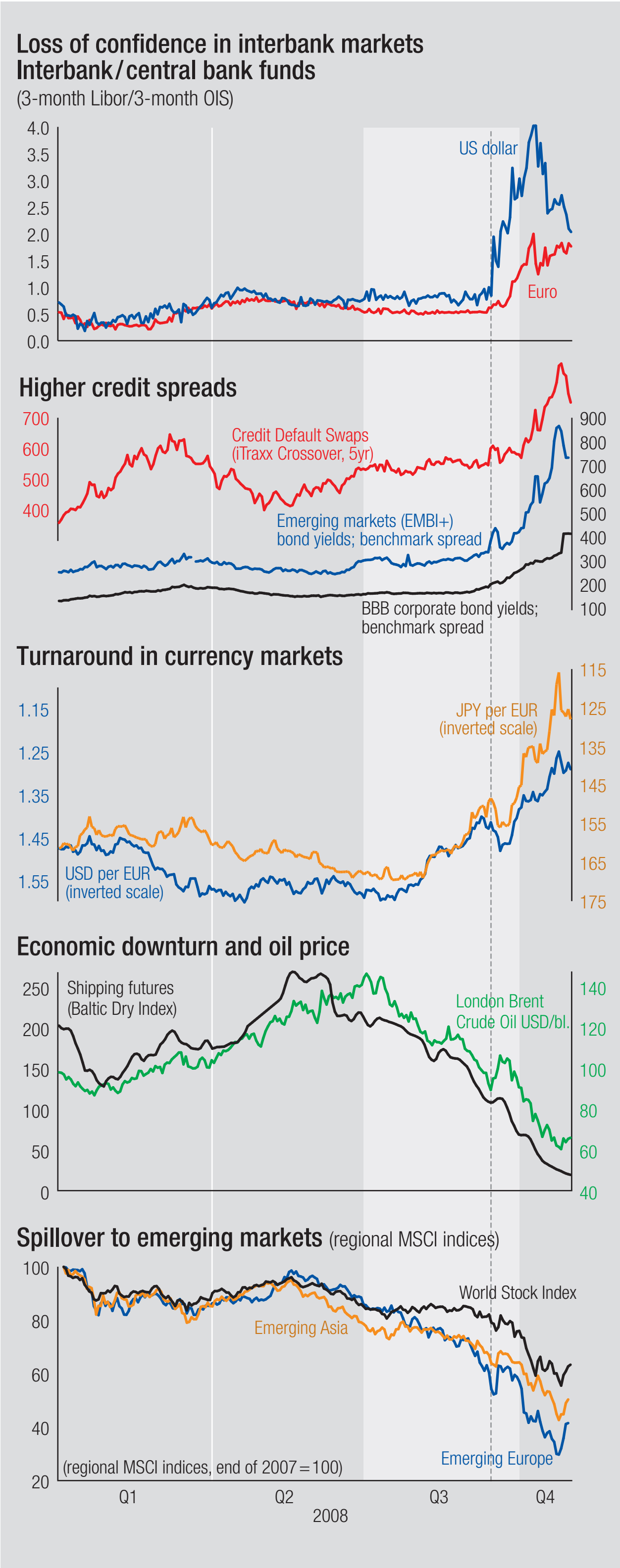
In our immediate environment, this applies especially to convergence between the mature markets and the growth markets in Central and Eastern Europe, which we support through our European network.

Let us now redirect more of our energy to the highly promising long-term perspectives! Let us look ahead with an entrepreneurial spirit instead of trying to make others believe that a downturn is imminent. This economic slowdown will be temporary just like any other before it. If we gear our financial system to the underlying tangible business again – moving it closer to the real economy as has always been our business policy within Bank Austria –, confidence will grow again.

Yours sincerely,
Erich Hampel
Chairman of the Management Board
Bank Austria

Interim Report at 30 September 2008

Banking environment in the first nine months of 2008



While the global economy was still supported in the first half of 2008 by the waning momentum of multi-year growth, the smouldering financial market crisis started to have an adverse impact on all segments of global capital markets in the third quarter of 2008, culminating in a banking crisis that suddenly threatened the entire financial system in October 2008. In the course of the third quarter, the shock emanating from the financial sector finally spread to the real economy and the world's major regions, thereby also affecting emerging markets which had proved to be resilient until then. A severe recession starting at the beginning of November is very likely, at least in the industrial countries. As the quarter progressed, the financial market crisis spilled over to banking business in Bank Austria's perimeter of operations, via different transmission paths and at various levels: first, through direct effects on trading and capital markets, in the form of valuation adjustments and the drying up of market segments; second, via the demand response of customers in commercial banking business, and decisions made by investors in particular; and third, via the macroeconomic consequences, seen in September / October, of more expensive borrowing in our core markets.

Over a period of twelve months, efforts to deal with the financial market crisis included the workout of a broad range of structured capital market products as well as the recapitalisation and bail-out of banks and insurance companies. The collapse of Lehman Brothers, one of the systemically important market participants with links throughout the world, on 15 September 2008 marked a turning point for the global banking sector, leading to an unprecedented loss of confidence in interbank business. Notwithstanding large-volume, globally coordinated intervention by central banks, interbank rates – especially in the US dollar but also in the euro – rose sharply, temporarily exceeding the rates on 3-month central bank funds by 4 and 2 percentage points, respectively. In view of counterparty risks, the liquidity balance was no longer assured via banks but through the central bank. Moreover, credit spreads rose sharply from an already very high level (CDS spreads; iTraxx Crossover from 530 at the end of June to 877 in the middle of October). Investors moved faster to exit all high-yield and risk-carrying asset classes (deleveraging) and this made it increasingly more expensive also for emerging markets and companies across all rating classes to raise funds. Reductions of key interest rates and various countermeasures taken by central banks failed to improve the situation to any great extent. Global investors' flight to quality favoured the US dollar: from a low of 1.6038 on 21 July, it appreciated against the euro by 30 % to reach a high in the middle of October. Similar developments were seen in low-interest currencies such as the Japanese yen (+ 47 %) and the Swiss franc (15 %), which until then had been attractive borrowing currencies. The reduction of investment positions, temporarily in panic reactions, also impacted the gold price and commodity prices in the course of the third quarter. After reaching an all-time high of 147.50 US dollars per barrel on 11 July 2008, crude oil prices fell by 60 % to a level of 58.30 US dollars per barrel most recently. Major factors in this context were the gloomy outlook and, later on, the expected sharp decline in global economic activity (see crude oil prices and shipping futures index). World stock markets (MSCI World), which had slightly recovered in the spring, fell by more than 40 % from May to the middle of October. Share prices in emerging markets, both Asia and Europe, were particularly hard hit, after many years that saw an upward trend. This illustrates the global spread of the financial and economic crisis.

● The **Austrian** economy was losing momentum in the course of the year to date. While growth in the first six months averaged 2.4 %, the rate slowed down in the third quarter to an estimated 0.2 % over the preceding quarter and 1.9 % year on year. Order levels fell significantly as incoming orders started to decline in April. Industrial output weakened from the summer onwards. Export demand slackened, which has a particularly strong impact on Austria's export-oriented economy, and consumption showed a weak trend reflecting the absorption of purchasing power by energy price increases. As private individuals and companies displayed a preference for liquidity, bank deposits continued to grow strongly, by almost 9 %, over the previous year. Securities investments focused on classic bonds. Credit demand in Austria accelerated to about 6 % in the third quarter compared with the previous year's level. Both housing loans to individuals (+ 8 %) and corporate loans (+ 9 %) rose strongly in the course of the year to date; this may be explained by the high level of activity which continued in some sectors into the autumn, and by the use of available credit lines. The total volume of mutual funds was 15 % lower than at year-end 2007, mainly due to valuation effects; outflows accounted for some 6 percentage points of the decrease.

● The economic momentum with which the **CEE countries** had started the year gradually weakened later than in western countries; it took some time to realise that the possibility of a decoupling from economic trends in highly industrialised countries was an illusion. In the first half of 2008, the CEE countries – like other emerging markets – were regarded as a mainstay of global economic growth, as can be seen from the rise in the prices for raw materials for which they displayed strong demand. Real growth declined moderately, from over 7 % to over 5.5 %, moving towards the trend rate. Currently available indicators show that economic growth achieved by countries in the CEE region in a wider sense was only slightly lower in the third quarter, with the exception of some countries where special factors apply (Baltic states, Hungary).

The economic slowdown in West European countries had an impact especially on the Central European economies which have close industrial links. Moreover, several other factors that have been at work for some time have confronted the CEE countries with growing problems: the inflationary impact of commodity prices multiplied home-made inflation in most countries, leading to restrictive measures, higher interest rates and a lower level of domestic economic activity. Added to this was the fact that global investors exited high-yield investments, including emerging markets investments, in the third quarter. Stock market performance and credit spreads deteriorated dramatically in the autumn, the latter especially for those countries which depended on direct investment and a steady inflow of portfolio investment. In the wake of these developments, domestic financing conditions also tightened. Countries in South-East Europe as well as Kazakhstan and Ukraine were particularly affected in this context. As many CEE countries have exchange rate regimes linked to hard currencies, or even currency boards, foreign currency financing at low interest rates within the countries was a factor that contributed to the credit boom in past years. This has now started to falter.

From the middle of September, the world changed also for CEE markets. Today, the overall picture is determined by balance-of-payments problems which became apparent in some countries in October and by the IMF's assistance programmes. These developments occurred at the end of the reporting period and by the time this report was completed. In the first nine months of 2008, the banking sector continued to grow strongly in almost all countries until recently. Banks operating in the larger economies benefited from significant revenues generated in the third quarter against the background of volatility in capital markets, yet fee-based business and subsequently also lending business started to weaken. While business is still growing at high rates, trends are similar to those in mature markets, with a significant time lag.

Bank Austria in the first nine months of 2008

Overview

Although the escalating financial market crisis had direct and indirect impacts on results and economic growth weakened significantly in the year to date, Bank Austria achieved a profit before tax of € 748 m for the third quarter of 2008, a figure that was only 5 % lower than the very strong performance in the preceding quarter. The increase over the third quarter of 2007 was 15 %.

Profit before tax – year-on-year comparison

	Q3 2008			JANUARY TO SEPTEMBER 2008		
	€ M	+/– € M	+/– %	€ M	+/– € M	+/– %
As reported	748	+96	+15 %	2,052	–128	–6 %
Adjusted*)	742	+90	+14 %	2,088	+58	+3 %
Adjusted, without net trading, hedging and fair value result	837	+141	+20 %	2,418	+568	+31 %

*) 2008 figures without profit contributions from ATF (Kazakhstan), USB (Ukraine), Aton and iT Austria, funding costs taken into account. Comparison with 2007 without one-off effect from the release of pension provisions (ASVG equivalent) in Q2 2007.

Profit before tax for the period January to September 2008 was well in excess of € 2 bn and only slightly lower (–6 %) than in the first nine months of the previous year. If the one-off effect of € 150 m relating to the release of pension provisions (ASVG equivalent) in the second quarter of 2007 is excluded, profit before tax was 1 % higher than in the same period of the previous year, which included two quarters preceding the onset of the credit market crisis. Without the net trading, hedging and fair value result, which reflects the primary effects of the crisis that started over a year ago, profit improved by 31 %.

The quarter-on-quarter and year-on-year trend in profits for the first nine months was mainly due to the expansion and performance of our CEE banking subsidiaries. In the third quarter of 2008 (without the funding costs related to the most recent acquisitions, which are reflected in the Corporate Center), they achieved their best results ever, with profit before tax up by 76 % (or 50 %, excluding the banks newly consolidated in 2008); profit before tax generated by the CEE business segment in the first nine months exceeded the figure for the same period of the previous year by one half – or by one-third, without newly consolidated banks.

Business development by quarter

Against the background of the unfavourable environment, Bank Austria still achieved a sound overall operating performance in the **quarters** since the middle of 2007, with double-digit revenue growth. Operating income rose more or less steadily, by 18 % compared with the previous year (to € 1.8 bn in the third quarter of 2008; see table below). However, the credit market crisis gradually started to have an impact on the various revenue components, affecting them to a varying extent, with partly counterbalancing effects. The rapid deterioration in the economic environment started to spread to our two core regions with some delay and varying intensity.

Operating performance by quarter / Bank Austria as a whole (€ m)

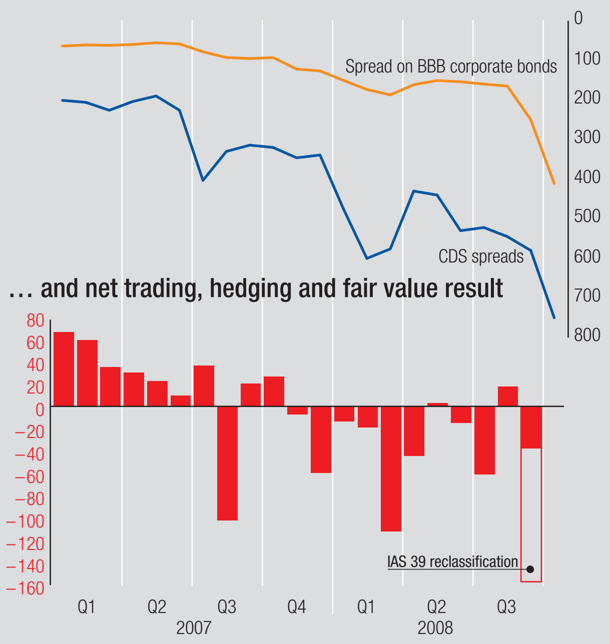
	Q3 07	Q4 07	Q1 08	Q2 08	Q3 08	+/– PREV. YEAR	+/– ADJ.*)
Operating income	1,541	1,632	1,543	1,700	1,814	+18 %	+6 %
of which:							
Net interest income	1,019	1,079	1,125	1,183	1,306	+28 %	+21 %
Net fees and commissions	520	550	519	518	522	+0 %	–6 %
Net trading, hedging and fair value result	–44	–39	–143	–55	–80		
Operating expenses	821	941	941	951	1,003	+22 %	+5 %
Operating profit	720	691	603	750	811	+13 %	+7 %

*) see footnote in the table above

Among the various **revenue components**, net interest income rose steadily from quarter to quarter to reach € 1.3 bn, an increase of 28 % over the previous year (or 21 %, adjusted for the additions to the group of consolidated companies) making the strongest contribution to revenue growth. Growth was driven primarily by business expansion in CEE, where **net interest income** (+50 %) rose in line with risk-weighted assets, with deposits also recording strong growth; Markets & Investment Banking also achieved high net interest income. In the three Austrian customer business segments (Retail, Private Banking & Asset Management, Corporates), lending business expanded until recently, and strong growth was also seen in time deposits as investors switched from securities investments to classic bank deposits in view of the worsening crisis. Most recently, however, the trend in margins led to a decline (–5 % compared with the previous year) as the bank could adjust terms and conditions to reflect the sharp rise in market interest rates and liquidity costs only with some delay. Demand adjustments to changes in market conditions had a positive effect on net interest income and a negative effect on fee-based business across all regions. There was a significant decline in **net fees and commissions**, especially in the mature Austrian market (–15 % in Q3 2008 compared with Q3 2007). Demand for capital market-related financing instruments, structured investment products and derivatives in business with corporate customers – i.e., those groups of products which Bank Austria had successfully promoted in past years – fell sharply as the year progressed, reflecting ongoing media reports on the financial market crisis, the weak stock market performance and the darkening economic outlook. The low level of fee and commission income in the MIB business segment was mainly due to the languishing advisory business related to M&A and corporate securities issues. Expansion in CEE, including progressive market penetration with modern services, more or less offset these demand-related shortfalls and helped to maintain overall net fees and commissions at the level achieved in the first nine months of the previous year.

The strongest impact and direct repercussions of the crisis were seen – from the very outset – in a negative and volatile **net trading, hedging and fair value result**. In the third and fourth quarters of the previous year, the repricing of risk and global trends in interest rates and economic activity started to have an impact on operating performance. The net trading, hedging and fair value result for the first quarter of 2008 was a substantial loss of € 143 m, which was mainly due to significant fair value adjustments in respect of debt instruments held for trading (marking to market in the Structured Credit sector). In the second quarter of 2008, the situation improved somewhat, with some ground gained by the middle of September. When Lehman Brothers collapsed on 15 September 2008, the crisis came to a head: there was a complete loss of confidence among market participants, funding costs and credit spreads soared to unprecedented levels, prices for almost all classes of investments plummeted to new lows, and currency markets saw a dramatic change in trends; turnover in some market segments virtually dried up. In these circumstances we identified those financial assets held for trading for which market prices were not available because of their illiquidity or for which a sale was not considered an option because market prices had fallen to levels far below their intrinsic value. We reclassified € 2.4 bn worth of such assets into loans and receivables with customers (and € 1 m to held-to-maturity investments), a move which reflects the intention to hold them for the foreseeable future. Amendments to IAS 39 and IFRS 7 adopted by the European Union in October introduced this possibility to reclassify financial assets with a view to stopping the downward spiral of marking-to-market adjustments, emergency sales and further price declines. As a result of this measure, we avoided valuation losses of € 120 m and limited the net trading, hedging and fair value loss in the third quarter to € 80.1 m (see note 1 on page 30 of this report).

Credit market: crisis indicators …

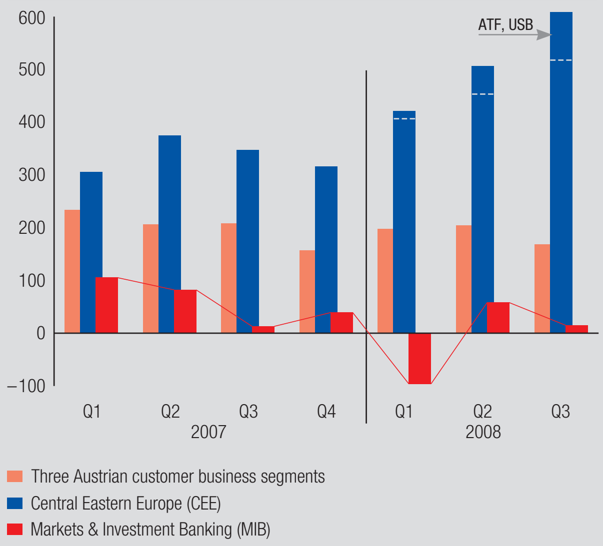


Operating expenses increased roughly in line with revenue growth, by 22 % (5 % on an adjusted basis). All of the increase in costs was related to business expansion in CEE, partly in connection with investment (branch opening programme and staff increases). Despite the impact of the negative net trading, hedging and fair value result, Bank Austria's **operating profit** rose significantly in the second and third quarters; the figure of € 811 m for the third quarter of 2008 exceeded the Q3 2007 level by 13 % (7 % on an adjusted basis).

An analysis by **business segment** and region (see chart on page 10) shows that profits generated by Central Eastern Europe (CEE) rose strongly, though growth rates declined slightly: after jumping by 33 % (an increase that was also driven by the newly added banks) profit before tax continued to grow by 20 % each in the second and third quarters. Risk-weighted assets also expanded at double-digit rates from quarter to quarter, with growth weakening to 10 % in the third quarter, after 13 % in the second quarter and 17 % in the first quarter of 2008. Foreign currency financing became more expensive, leading to balance-of-payments problems in some countries. The economic downturn spread to other regions, coupled with a decline in commodity prices.These developments started to make themselves felt towards the end of the period under review and afterwards, and will have a significant impact in the fourth quarter.

Operating income in the three segments of **Austrian customer business** stagnated in the first six months of 2008 and declined slightly in the third quarter (down by 3 % from the preceding quarter); this development was only partly offset by continued cost reductions. Profit before tax was 14 % lower than in the second quarter of 2008 and more or less to the same extent below the figure for the same period of the previous year. Over the past twelve months, the contribution from the **Markets & Investment Banking** (MIB) business segment to overall results has been highly volatile, but in the third quarter of 2008 it generated a profit before tax of € 22 m. This was due to the fact that net interest income matched the very high figure for the second quarter. Besides the negative results from trading activities, MIB's performance in the third quarter of 2008 was affected by a provisioning charge of € 19 m for claims against Lehman Brothers, the investment bank which filed for protection under Chapter 11 in the middle of September.

Profit before tax by business segment and by quarter (€ m)



Income statement for January to September 2008

Bank Austria's profits for the first nine months more or less matched the economic performance in the same period of the previous year, which was not yet strongly affected by the financial market crisis. This means that the significant impact from the negative net trading, hedging and fair value result and the strong demand response to the financial market crisis were offset as the year progressed.

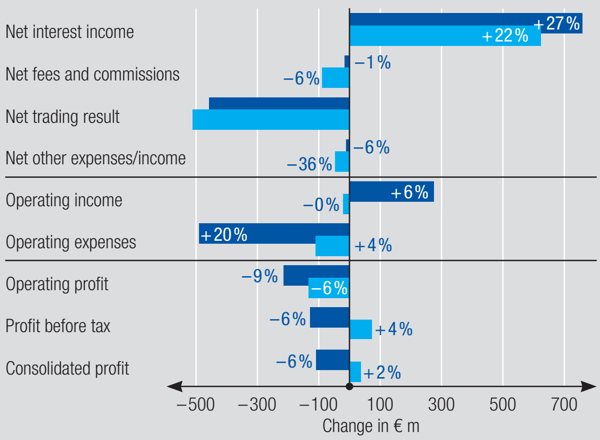
Profit before tax for January to September 2008 was € 2,052 m, down by 6 % from the figure for the same period of the previous year; without the positive one-off effect in 2007 (release of provisions for the ASVG equivalent: € 150 m) profit before tax was 1 % higher than in the first nine months of the previous year. **Consolidated profit** (without minority interests) amounted to € 1,642 m, matching the comparative figure for the previous year without the one-off effect (down by 6 % on an unadjusted basis).

Consolidation effects had a limited impact on results (operating profit, profit before tax, consolidated profit) while being strongly reflected in individual revenue and cost items; their impact on the business segment presentation was also significant, especially in view of the funding function performed by the Corporate Center. To provide additional information, the following analysis of performance is based on figures adjusted for major changes in the group of consolidated companies, i.e. the recent acquisitions in CEE (ATF/Kazakhstan and Ukrsotsbank/Ukraine, Aton/Russia) and the method of accounting for iT Austria in the Corporate Center (using the proportionate consolidation method instead of the cost method applied in the previous year). Profit contributions and funding costs related to equity interest management in the Corporate Center are eliminated. In the first two quarters of 2007, the former BA-CA Leasing GmbH had been consolidated in the Corporates business segment; in the middle of 2007 it was transferred to UniCredit Global Leasing – now number 1 in the European leasing market. Since then, a 32.59 % interest in the results of UniCredit Global Leasing has been accounted for under the equity method, which means that income and expense items in this business segment are not directly comparable with the previous year's figures, but the effect of this change on results is less significant. The ASVG effect in 2007 is also irrelevant for the presentation of economic performance.

The adjusted figures show a 4 % improvement in profit before tax and a 2 % increase in consolidated profit compared with the previous year.

This is a notable performance against the economic background:
▶ Supported by the strategic business expansion in CEE, revenues were maintained (+ 6 % as reported, + 0 % on an adjusted basis), though the individual components showed varying trends.
▶ Costs remained under control – up by 4 % on an adjusted basis – and rose only in line with external and organic growth (+ 20 %).
▶ Net writedowns of loans and provisions for guarantees and commitments rose by 3 % (adjusted), while the unadjusted increase reflects the initial consolidation of the new banks (+ 36 %).
▶ Net income from investments was up by € 192 m (adjusted and unadjusted) on the figure for January to September 2007, offsetting cost growth and the higher provisioning charge.

Income statement for January to September 2008 compared with January to September 2007



As reported (not adjusted)
Adjusted for one-off effects and changes in consolidation perimeter: 1 – 9 2007: release of pension provisions (ASVG effect) / 1 – 9 2008: pro forma without ATF (Kazakhstan), USB (Ukraine), Aton, IT Austria (funding costs taken into account); in both years without leasing business

● **Net interest income** in January to September 2008 rose by 27 % or € 758 m to € 3,615 m compared with the first nine months of the previous year; adjusted for the above-mentioned changes in the consolidation perimeter, the increase was € 624 m or 22 %. Growth was mainly driven by the CEE business segment. Along with the long-term expansion of lending business, our local banking subsidiaries recently attracted large volumes of deposits. The expansion of business volume in the three Austrian customer business segments was accompanied by stronger pressure on margins, partly due to the sharp rise in funding and liquidity costs in lending business, and partly because the strong increase in deposits concerned the short-term deposit segments characterised by narrow margins, a fiercely contested area. The Markets & Investment Banking (MIB) business segment achieved a favourable level of net interest income and benefited from the allocation of capital to UniCredit CAIB, which is an independent legal entity but fully consolidated. The level of net interest income was offset to a corresponding extent by the higher interest payments burdening the Corporate Center through equity funding operations.

While **net fees and commissions** were weak in the period under review, at € 1,559 m they more or less remained at the level of the previous year (– 1 %; – 6 % on an adjusted basis). In CEE net fees and commissions recorded double-digit growth (+ 26 %; + 12 % on an adjusted basis); the strongest increases were achieved in Turkey (+ 32 %), supported by strong expansion of fee-based business, and in Russia, Slovakia and Croatia, where net fees and commissions grew by about 20 %. The structure of this income item varied considerably: significant turnover in securities in customer business in some countries compared with high net fees and commissions from commercial services in other countries, e.g. in Turkey. As a proportion of operating income, however, net fees and commissions in CEE as a whole grew at a disproportionately weak rate; they accounted for a relatively low proportion of 25 % of total revenues. In the mature Austrian market the contribution of net fees and commissions to total revenues rose to over 40 % as a result of the strong expansion of fee-based business in recent years. In January to September 2008 net fees and commissions declined for the first time, by 17 % (– € 134 m to € 655 m; on an adjusted basis the decrease was a little lower, at 15 %). Besides the current downturn in securities business – reflected in turnover and capital market issues – this development is attributable to the scepticism in all customer segments towards derivative instruments and the difficult market position concerning structured products. In MIB, net fees and commissions amounted to € 57 m, half the amount reported for the first nine months of 2007.

The **net trading, hedging and fair value result** (discussed in the section dealing with quarterly trends) for January to September 2008 was a loss of € 278 m; the comparative figure for the same period of the previous year, which covers the last two quarters before the onset of the credit market crisis and the first quarter after the crisis broke out, was net income of € 180 m; this means that there was a negative swing of € 457 m. A loss of € 379 m recorded in the MIB Division compared with a positive net trading result of € 207 m in the CEE business segment (with the newly added banks alone accounting for € 46 m of the total), to which our subsidiaries in Romania, Slovakia, Croatia and Turkey made the largest contributions, in this order. The figure for the Corporate Center (– € 103 m) reflects the negative performance of our banking subsidiary in the Cayman Islands and hedging costs related to expected profits for the year; such costs rose substantially as a result of exchange-rate and interest-rate volatility from the middle of September onwards. The major part of losses recorded in the MIB business segment in the current year resulted from marking to market, i.e. adjustments to market prices, which were not sufficiently offset by the current other components of the net trading, hedging and fair value result. Mark-to-market adjustments were required mainly in the Credit Structured Products and Credit Trading sectors in the first quarter of 2008 and to a lesser extent in the second quarter. The third quarter of 2008 saw the collapse of Lehman Brothers, an event that led to a situation never experienced before, in which market participants started to see themselves faced with unprecedented counterparty risks and credit spreads on all asset classes widened dramatically. Applying the rules in the amendments to IAS 39 issued in October 2008, which permit the retroactive reclassification of illiquid instruments from financial assets held for trading into other categories not requiring measurement at fair value, we reclassified ABS portfolio instruments as described before (largely into loans and receivables with customers), thereby avoiding further book losses of € 120 m in the net trading, hedging and fair value result.

Operating expenses rose strongly in the first nine months of 2008 (+ 20 %); however, three-quarters of the € 489 m increase is related to changes in the group of consolidated companies. On an adjusted basis, cost growth was 4 %, considerably lower than the growth of sustainable revenues (11 % without net trading, hedging and fair value result).

Cost trends (operating expenses)

€ M	1 – 9 2008	1 – 9 2007	+/– %	+/– % ADJ.*)
Bank Austria as a whole	2,894	2,405	+ 20 %	+ 4 %
Austrian customer business	912	1,048	– 13 %	– 6 %
CEE	1,620	1,204	+ 35 %	+ 18 %

*) Adjusted for the above-mentioned changes in the group of consolidated companies and the one-off effect in 2007 (ASVG), both years without leasing.

Both adjusted and unadjusted figures for operating expenses indicate that costs in the three Austrian customer business segments were further reduced (see table). The savings programme for non-staff costs, pursued along even stricter lines in the third quarter, and the decline in staffing levels (especially in the MIB segment) helped to reduce costs. We also achieved a 10 % reduction (on an adjusted basis) of non-staff and staff costs in the Corporate Center, which includes back-office and administrative services as well as ICT expenses. Costs in CEE, on the other hand, grew by 18 % (apart from first-time consolidation of the banks in Kazakhstan and Ukraine), reflecting organic growth (RWA also up by 18 % on an adjusted basis) and investment. Our network expansion programme will be carried out this year as planned, despite the ad-hoc measures taken: in the first nine months we opened 325 branches, most of them in Turkey, Romania and Hungary (see the CEE business segment section).

Cost / income ratio

	AS REPORTED		ADJUSTED	
	1 – 9 2008	1 – 9 2007	1 – 9 2008	1 – 9 2007
Austrian customer business	53.9 %	55.3 %	55.2 %	55.0 %
CEE	47.5 %	49.8 %	48.5 %	49.8 %

Figures for the bank as a whole not meaningful because of loss of revenue in the net trading, hedging and fair value result.

The cost / income ratio in Austria was kept at a stable level although revenues declined. In CEE, despite investment in business expansion, revenue growth helped to improve the cost / income ratio, which is still well below the average of 57.2 % for the bank as a whole (incl. MIB and Corporate Center).

● **Net writedowns of loans and provisions for guarantees and commitments** for January to September 2008 (€ 483 m) were up by € 128 m or 36 % from the previous year's level. Most of the increase was related to the CEE business segment (+ € 174 m); two-thirds (€ 126 m) of this figure was accounted for by the two newly added banks in Ukraine (€ 41 m) and Kazakhstan (€ 85 m).

Net writedowns of loans and provisions for guarantees and commitments

€ M	1 – 9 2008	1 – 9 2007	+/– %	+/– % ADJ.*)
Bank Austria as a whole	483	355	+ 36 %	+ 3 %
Austrian customer business	141	206	– 31 %	– 28 %
CEE	323	149	>100 %	32 %
MIB	20	1	>100 %	

The provisioning charge for Ukrsotsbank and even more so for ATF Bank is disproportionately large, with risk / earnings ratios of 22.5 % and 52.5 %, respectively; measured against average lending volume it is 229 basis points and 133 basis points, respectively. The large net writedowns of loans and provisions for guarantees and commitments are related to integration activities involving the initial application of Group-wide risk definitions, methods and valuation parameters at Ukrsotsbank and ATF Bank. Loan portfolios were scrutinised, which resulted in a decline in volume in both countries. Moreover, the international repricing of risk led to a significant widening of spreads especially for these countries. In the old perimeter, the current provisioning charge was in line with volume expansion: the cost of risk (which from now on is measured against average lending volume instead of risk-weighted assets) was 52 basis points, not higher than a year ago; if ATF and USB are included, the cost of risk was 74 basis points). In the Austrian customer business, net writedowns of loans and provisions for guarantees and commitments declined by 31 % to € 141 m. In the Retail Division, early identification and management measures helped to keep additions to non-performing loans at a significantly lower level in business with both private individuals and small and medium-sized enterprises; but the main contribution to the decrease came from the Corporates Division, in which a large-volume loan loss provision for a liquidated financial investment was released. Moreover, portfolio management activities (including loans placed in the market in the fourth quarter of 2007) effectively improved credit quality compared with the previous year. In the MIB Division we made a provision of € 19 m for claims against Lehman Brothers, the investment bank which filed for protection under Chapter 11.

Overall, 1.58 % of on-balance sheet lending volume was classified as non-performing at the end of September 2008 (compared with 1.80 % at the end of 2007), the coverage ratio was more or less unchanged at 58.4 %. The cost of risk of the bank as a whole was 41 basis points, lower than at year-end 2007 (47 basis points).

● **Net income from investments** for the first nine months of 2008 was € 411 m, a significantly higher net figure than for the same period of the previous year (€ 219 m). The largest component within the total figure was the share of current profits of the Polish banking subsidiaries, which is defined in the terms and conditions of the sale of Bank BPH and amounted to € 221 m (first nine months of 2007: € 165 m). Moreover, we realised capital gains on the sale of equity interests which we sold in line with our strategy of concentrating on our core business: in the nine months to September, these included the sale of the equity interest in the Czech bank Hypo Stavebni Bank (capital gain: € 26 m); the sale of our shareholding interest in BPH TFI Fund, the asset management business of Bank BPH, to GE Money (profit: € 92 m); and the sale of the equity interest in the Budapest Stock Exchange (€ 41 m). The sale of the properties Am Hof and Vordere Zollamtsstrasse resulted in a profit of € 47 m. Net income from investments reflected an impairment loss of € 59 m on an investment vehicle (see comments on the Corporates business segment, page 20).

➔ Operating profit reached € 2,163 m (– 9 %) and the balance of items not related to operations was a net expense of € 111 m (first nine months of 2007: a net expense of € 198 m). On this basis, **profit before tax** for January / September 2008 was € 2,052 m (– 6 %). Income tax payable on that amount is € 312 m; at 15.2 %, the effective tax rate was slightly lower than in the previous year (15.9 %). Minority interests in net income, which amounted to € 1,740 m, rose by 21 % to € 99 m – mainly on account of the disproportionately strong profit performance of the unit in Turkey. **Consolidated profit** was € 1,642 m, down by 6 % from the figure for the same period of the previous year. Adjusted for the above-mentioned consolidation and one-off effects, consolidated profit exceeded the previous year's performance by 2 %. On an annualised basis, this gives **earnings per share** of € 10.84 after € 12.30 for the first nine months of 2007 (based on the number of shares after the capital increase). Return on equity (ROE after tax) for January to September 2008 declined compared with the first nine months of the previous year, from 17.9 % in 2007 to 14.8 %, as profit was slightly lower and equity increased.

Value creation and capital allocation

The key indicators and performance data for the first nine months of 2008 reflect the unusual situation in the MIB business segment, which leads to high percentage shares for the commercial banking business segments and our two core markets in a long-term comparison. Moreover, when comparing the three Austrian customer business segments with the CEE business segment, one should note that the weaker trend became increasingly discernible in Austria from quarter to quarter, while the CEE countries started to be affected by the deterioration in the market environment only towards the end of the reporting period.

If these factors are taken into account, the most recent key indicators confirm that Bank Austria, as an Austrian bank and the sub-holding company for CEE operations, is continuing its performance along its strategic lines under the current exceptional circumstances: in Austria, Bank Austria is maintaining its leading market position and profitability levels while employing its resources sparingly; in Central and Eastern Europe, Bank Austria is taking advantage of the region's continued, disproportionately strong growth. In Austria, business volume expanded at a very moderate pace typical for a mature market, while revenues contracted as a result of the tighter margins referred to above and of the current tendency to focus more on business reflected in the balance sheet. In CEE, revenue growth fell only slightly short of the strong external and internal volume growth of around 50 %. In the CEE region, marginal **Economic Value Added** (mEVA), which measures value creation beyond the cost of capital (net operating profit after tax less minimum return required by the market on equity capital employed, excluding goodwill impairment), increased by 32 % to almost € 600 m. In the first nine months of 2008 the mEVA generated by Bank Austria in CEE was about double the figure in Austria, where it contracted by 5 %. We increased the capital allocated to our banking subsidiaries in CEE by an additional 35 % to safeguard our growth prospects in the region. The capital is intended for the acquisitions mentioned above, and for supporting organic growth.

RARORAC, risk-adjusted return on risk-adjusted capital, is 12.6 % in the Austrian customer business, and therefore close to that of the CEE Division (14.3 %), fully confirming the performance of this core market.

Resources and profitability

JANUARY TO SEPTEMBER 2008	AUSTRIAN CUSTOMER BUSINESS*)	CENTRAL AND EASTERN EUROPE (CEE)
Relative size		
Share of average risk-weighted assets	39 %	52 %
Share of operating income	33 %	67 %
Growth		
Average risk-weighted assets, % over prev. year	+ 5 %	+ 49 %
Operating income, % over previous year	– 11 %	+ 41 %
Value creation		
Marginal EVA, € m	**290**	**599**
RARORAC	**12.6 %**	**14.3 %**
Capital allocation		
Share of equity	23 %	61 %
Equity, % over previous year	+ 4 %	+ 35 %

*) Retail Division, PB&AM Division and Corporates Division

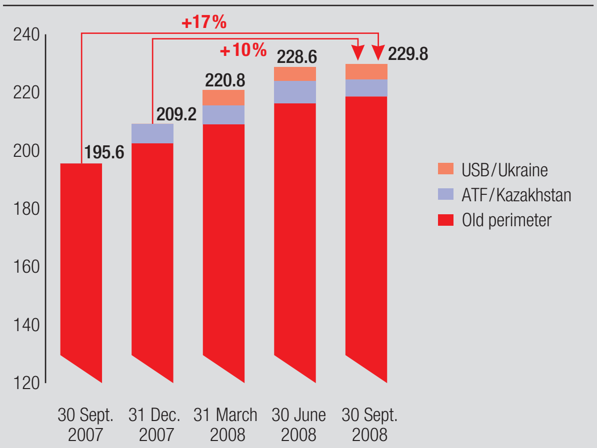
Balance sheet

Changes in the balance sheet total in the first nine months of 2008 were mainly due to two factors: first, growth of customer business on both sides of the balance sheet was stronger in the third quarter than in the preceding quarters. And second, the financial market crisis was increasingly reflected in a sharp decline in interbank business since the spring – also on both sides of the balance sheet – and in a reduction of financial assets and financial liabilities held for trading. These movements resulted from the behaviour of customers, who currently display a strong preference for on-balance sheet products, and from adjustments made by the bank in line with its universal banking strategy. Consolidation effects and special influences did not have a significant impact on the overall picture.

As at 30 September 2008, Bank Austria's consolidated **total assets** were **€ 229.8 bn**. The small increase of € 1.1 bn compared with mid-year 2008 reflects the counterbalancing influences mentioned above, i.e. expansion of customer business, inactive money markets and reduced trading activities. The increase in total assets over year-end 2007 was € 20.6 bn or 10 %. Without Ukrsotsbank / Ukraine (total assets: € 5.4 bn), a bank included in the group of consolidated companies as from the beginning of 2008, total assets grew by 7 % (ATF Bank / Kazakhstan, with total assets of most recently € 5.8 bn, was included in the consolidation perimeter as from December 2007). A comparison with September 2007 shows balance sheet growth of 17 %.

● On the **assets side, loans and receivables with customers** (€ 138.9 bn) rose by € 10.5 bn or 8 % in the third quarter of 2008, exceeding the year-end 2007 figure by 20 % (without Ukrsotsbank, by 17 %). The strongest increase in absolute terms (+ € 5.4 bn / + 8 %) came from UniCredit Bank Austria AG (without UniCredit CAIB), i.e. customer business in Austria; in percentage terms, the strongest expansion was achieved by the banking subsidiaries in Russia (+ 43 %), Bulgaria (+ 36 %), Turkey (+ 21 %), the Czech Republic (+ 20 %) and Croatia (+ 15 %). **Loans and receivables with banks** (€ 40.4 bn) declined by 11 % from the second to the third quarter; due to the significant increase in the first six months of 2008, they were 6 % higher than at the end of 2007. **Financial assets held for trading** were reduced by € 5.8 bn to € 13.3 bn. It should be noted in this context that Bank Austria made use of reclassifications permitted under amendments to IAS 39: we reclassified illiquid assets of € 2.4 bn for which market prices were no longer satisfactory out of financial assets held for trading into loans and receivables with customers. These reclassifications had no impact on major balance sheet trends (increasing customer business / reduction of financial assets held for trading).

Development of total assets (€ bn)

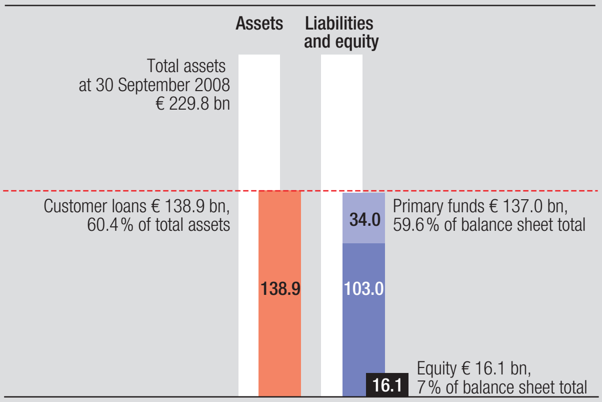


● The **liabilities side** shows similar developments: deposits from customers (€ 103.0 bn) and debt securities in issue (€ 34.0 bn) continued to grow by a further 4 % and 12 %, respectively, compared with the preceding quarter, reaching levels that were 11 % and 28 %, respectively, higher than at year-end 2007. **Primary funds** – the sum total of deposits from customers and debt securities in issue, representing funds entrusted to Bank Austria in its commercial banking business – totalled € 137.0 bn, exceeding the year-end 2007 figure by € 17.3 bn or 14 % (without Ukrsotsbank, by 12 %). **Deposits from banks** (€ 57.1 bn) declined by € 5.2 bn, a figure almost matching the decrease of loans and receivables with banks. **Financial liabilities held for trading** were reduced by € 2.7 bn or almost one-third to € 5.9 bn.

At the end of September 2008, **equity** amounted to € 16.1 bn, equity without minority interests was € 15.4 bn. The increase in equity over year-end 2007 was 5 % or € 765 m, resulting from income and expenses of € 1,451 m recognised in equity (including net profit and changes in reserves in accordance with IAS 39 and in foreign currency translation), the dividend paid (– € 829 m) and other changes (+ € 135 m).

➔ Commercial banking business with customers now again accounts for a larger proportion of the **balance sheet total**: at the end of September 2008, loans and receivables with customers represented 60.4 % of total assets (end of 2007: 55.1 %), more or less matching primary funds (59.6 % after 57.2 %). Despite external and organic growth, and thanks to current profits, equity still accounts for 7 % of the balance sheet total.

Balance sheet structure (€ bn)



Customer loans/primary funds: 101 %
Total assets/equity (leverage): 14.3

Net capital resources and capital requirements pursuant to the Austrian Banking Act

On 1 January 2008, the calculations required under regulatory standards pursuant to the Austrian Banking Act were converted to the Basel II rules. The main changes in respect of (net) capital resources result from differences in taking account of deductions and from the lower net Tier 3 capital (to meet – lower – capital requirements for market risks in the trading book). In addition to the changed rules for determining the assessment basis for credit risk, the provisions in Section 22 of the Austrian Banking Act concerning the minimum capital requirements now comprise the calculation of capital requirements for operational risk and changes in the rules for capital to be held against parts of the trading book (in particular, Tier 3 capital can no longer be used to meet the capital requirements for counterparty default risk).

From March 2008, UniCredit Bank Austria AG applies the advanced internal ratings-based approach for credit risk. The subsidiaries are taken into account by applying the standardised approach for credit risk. As at 30 September 2008, operational risk is determined in UniCredit Bank Austria AG and in Zagrebačka banka d.d. using the advanced approach, while the other subsidiaries use the standardised or basic-indicator approach.

The comparison of 30 September 2008 (new presentation pursuant to Basel II) with the calculation as at the end of 2007 (old method pursuant to Basel I) shows a decline of 5.0 % in net capital resources to € 12.5 bn, most of which is due to the new supervisory rules. On the other hand, risk-weighted assets rose by 15.5 % to € 136.3 bn as a result of the regulatory changes and the bank's underlying business development. The largest contribution to this development came from expansion in the CEE business segment. The capital requirement for credit risk increased by 11.3 % to € 9.8 bn, and together with the other risk types it rose by 15.5 % to € 10.9 bn. The Tier 1 capital ratio – based on credit risk pursuant to Basel II – on 30 September 2008 was 7.59 % after 8.76 % at the end of 2007 (Basel I); the total capital ratio – also based on credit risk – was 9.31 % after 11.37 % (see note 34, page 46).

Development of business segments

Retail Division

(€ m)	1–9 08	1–9 07	CHANGE	
Net interest income	541	572	– 31	– 5 %
Net non-interest income	335	393	– 57	– 15 %
Operating income	877	965	– 88	– 9 %
Operating expenses	– 646	– 698	52	– 7 %
Operating profit	231	267	– 36	– 14 %
Net writedowns of loans	– 160	– 166	7	– 4 %
Net income from investments	1	14	– 13	– 92 %
Profit before tax	**72**	**117**	**– 45**	**– 38 %**
Risk-weighted assets (avg.) 1)	15,694	16,294	– 600	– 4 %
Average equity 2)	977	1,024	– 47	– 5 %
Cost / income ratio	73.7 %	72.3 %		
Risk / earnings ratio	29.5 %	29.1 %		
ROE before tax	9.9 %	15.3 %		

1) Average risk-weighted assets for credit and market risk under Basel I.
2) Equity allocated as defined in note 33 on page 42, IAS capital for subsidiaries.
This information applies to all business segment tables.

In the first nine months of 2008, retail banking business was impacted by the dramatic events in the financial sector in the same way as the other business segments. While the economic environment in Austria was still relatively robust, and credit demand and savings deposits expanded until recently, though at declining growth rates, expectations of recession started to become more pronounced from September onwards. The escalating crisis was transmitted through two indirect channels:

▶ First, via the **demand reaction**. The shocks emanating from financial markets became more tangible as the year progressed: from the relatively distant sub-prime crisis to the technical credit market crisis, via the sharp increase in commodities prices and related fears of inflation to the abrupt trend reversal in commodities prices since May / June, to the slump in stock markets and finally the banking crisis with support measures taken by governments and the general loss of confidence. Private customers responded to these developments in the same manner as professional investors, institutional customers and large companies. They exited risk-bearing investments, most recently emerging markets investments which were previously thought to be resistant to the crisis. Customers switched to bank deposits, which they spread across a number of banks.

The Retail Division with its product offering of a universal bank handled these structural shifts well. However, **net fees and commissions**, which accounted for 43 % of operating income from retail banking operations in 2007, declined from quarter to quarter; in the third quarter, they were 15 % lower than in the previous year. Net fees and commissions for the first nine months were € 361 m, down by 13 % from the same period of the previous year, which was largely characterised by normal conditions. This decline was the main adverse impact (– € 55 m) on the income statement of the Retail Division.

▶ Second, via changes in the **interest rate environment**; these confronted the banks with difficult funding conditions and unprecedented high credit spreads, with an adverse effect on margins. On the assets side, the shifts in on-balance sheet business were reflected in short-term financing business (volume down by 12 % most recently), where margins narrowed much more significantly than in other areas, while medium-term to long-term housing finance remained robust; on the liabilities side, low-margin time deposits (including capital savings accounts) benefited most, with an increase of almost one-quarter compared with a year earlier. The volume of savings deposits was maintained in the course of the year, as savings deposits are safe and simple forms of investment and the bank offered attractive interest rates. However, the narrower margins (due to the delay in interest rate adjustments and the higher interest rates offered to compete with other banks) had a particularly pronounced effect in this area. Shifts in investments and margin developments were the main reasons why **net interest income** (€ 541 m) rose only slightly, despite the favourable volume trend in the course of the year. In the first nine months, net interest income was 5 % below the high level of the previous year.

Operating income for the first nine months of 2008 declined by 9 % compared with the same period of the previous year, mainly because of the loss of income from fee-based business. Developments in the three sub-segments of the Retail Division – Mass Market, Affluent Customers and Small Businesses – differed only slightly. We see this as a temporary phenomenon in connection with the currently prevailing uncertainty. The big success achieved in placing the investment product Investitions-Garantie-Anleihe, for example, proves that investor restraint with regard to structured products is not an underlying trend but a response to current market conditions.

In view of the current revenue gap we have intensifed Group-wide cost reduction programmes. **Operating expenses** of the Retail Division for January to September 2008 were down by € 52 m or 7 % from the previous year. This significant reduction resulted from efforts to lower non-staff expenses and enhance efficiency in cooperation with Administration Services, Bank Austria's provider of back-office services.

Net writedowns of loans and provisions for guarantees and commitments developed as planned and amounted to € 160 m for the first nine months of 2008, after € 166 m in the previous year. The risk / earnings ratio was 29.5 %, only slightly higher than in the previous year; as a proportion of average lending volume, the cost of risk was also only slightly higher, at 104 basis points (first nine months of 2007: 101 basis points). The quality of the portfolio improved thanks to the sale of problem loans to the market in the fourth quarter of 2007. This was one of the factors contributing to the year-on-year reduction of 4 % in risk-weighted assets to € 15.7 bn.

Following the upward trend in the first two quarters of 2008, **profit before tax** declined in the third quarter, affected by the unusual market conditions. The figure for January to September 2008 was **€ 72 m** compared with € 117 m a year earlier (– 38 %). The comparative figure for net income from investments in the first nine months of 2007 included one-off gains of € 12 m on the sale of shares in CA Immobilien AG; without this one-off effect, profit before tax was 30 % lower. Card Complete (the former VISA Service GmbH) contributed € 26 m (11 % less than in the first nine months of 2007) to profit before tax. The decline in ROE before tax from the second to the third quarter was due to a market-related loss of income; for January to September 2008, ROE before tax was again below 10 %. RARORAC in the Retail business segment was again slightly below zero (– 1.3 %) for the first nine months. However, the turnaround from the high losses seen in previous years has been confirmed; revenues are 7.45 % of risk-weighted assets, still above the average for the bank, making the Retail business attractive. Based on the efficiency enhancement that has been achieved, and as soon as the currently difficult market environment improves, the Retail segment is expected again to make a positive contribution to value creation beyond the cost of capital.

Private Banking & Asset Management

(€ m)	1 – 9 08	1 – 9 07	CHANGE	
Net interest income	15	13	2	15 %
Net non-interest income	102	124	– 21	– 17 %
Operating income	118	137	– 19	– 14 %
Operating expenses	– 72	– 74	2	– 3 %
Operating profit	45	63	– 17	– 28 %
Net writedowns of loans	0	1	– 1	n.m.
Net income from investments	8	2	7	>100 %
Profit before tax	**54**	**64**	**– 10**	**– 15 %**
Risk-weighted assets (avg.)	447	454	– 7	– 2 %
Average equity	189	194	– 5	– 3 %
Cost / income ratio	61.4 %	54.3 %		
ROE before tax	38.1 %	43.7 %		

n.m. = not meaningful

The Private Banking & Asset Management (PB&AM) business segment is a customer segment which – as the year progressed – was particularly affected by developments in credit and financial markets, and the subsequent banking crisis. PB&AM took advantage of the shift by investors from investments with high and medium risk to highly-rated investment alternatives offering high liquidity, and further strengthened its market position among customers with a view to benefiting from a future improvement in the investment climate.

▶ In 2008, the **situation changed from quarter to quarter**: after an excellent fourth quarter in 2007, operating income declined at the beginning of the year when hopes that the credit market crisis could be overcome in the current year were dashed (– 38 %). The situation improved somewhat in the second quarter in line with stock market developments and the upward trend in markets for commodities and precious metals, coupled with the – still good – performance of investments in emerging markets; operating income remained stable (– 1 %), and profit before tax improved (+ 18 %). However, in the third quarter the remaining asset classes which were still turning in a positive performance were also adversely affected by the crisis. Responding to the slump in market prices, investors increasingly shifted their funds to liquid bank deposits. In the wake of the uncertainty triggered by the shock of the collapse of Lehman Brothers, investors spread their deposits across a number of banks. The decline of the PB&AM Division's **operating income** nevertheless remained moderate in the third quarter of 2008 (– 5 %), especially as the contraction of fee-based business was partly offset by an increase in interest income-related business. In the third quarter of 2008, operating income and profit before tax were below the level of the third quarter of 2007, by 13 % and 12 %, respectively.

▶ In the **first nine months of 2008**, the PB&AM Division achieved a profit before tax of € 54 m. This represents a decline of 15 % over the same period of 2007, which included two quarters before the onset of the sub-prime crisis. Operating income was down by 14 %, with net fees and commissions contracting by 21 % and net interest income (not so significant in this business segment) rising by 15 %. The cost-cutting programme was stepped up, which lowered operating expenses by 3 %. Net income from investments was € 8.3 m after € 1.6 m; the figure includes realised gains on investments. PB&AM generated a profit before tax of € 54 m, return on equity was 38.1 % (first nine months of 2007: 43.7 %). Given the high proportion of fee-based business and advisory services – which keeps capital allocation at a low level – the return beyond the cost of capital (marginal RARORAC) is far above average, at 24.3 %.

Change in value of asset classes

IN PER CENT OVER YEAR-END 2007 (END OF MONTH)	JUNE 08	SEPT. 08	OCT. 08
MSCI World Stock Index	–14.0 %	–24.1 %	–36.6 %
… Emerging Europe	–11.5 %	–40.4 %	–58.5 %
… BRIC	–16.3 %	–39.6 %	–55.4 %
Austrian shares (ATX)	–12.6 %	–38.7 %	–55.7 %
Emerging markets bonds 1)	–0.6 %	–5.2 %	–18.2 %
Commodities (Rogers, €)	+30.2 %	–6.3 %	–29.4 %
Gold price (US$/oz)	+10.9 %	+4.4 %	–13.2 %
Money market euro 2)	+2.6 %	+3.9 %	+4.7 %
Austrian government bonds (7–10yr) 3)	–1.3 %	+3.1 %	+2.4 %

1) JP Morgan EMBI+; 2) 6-month money, cumulative (JP Morgan Eurocash Index);
3) Austrian government bonds, 7-10 years, SSB Return Index.

▶ The performance of the **Private Banking** sub-segment in the first nine months of 2008 was better than originally planned. **Bank Privat** generated net inflows of € 455 m, notwithstanding a slight decline in the total volume of managed funds (€ 6.4 bn) following the slide in financial markets. In the third quarter, demand focused on government securities across all maturities. Bank Privat placed customised, highly-rated interest-rate products especially for this risk-averse customer segment; net inflows in the third quarter alone totalled € 170 m. In the year to date, **Schoellerbank** recorded net inflows of € 686 m, with new customers accounting for about one half of this amount. Despite the sharp fall in stock prices and the growing tendency of customers to distribute their deposits among different banks, volume exceeded the level recorded at year-end 2007, totalling € 6.8 bn at the end of the third quarter of 2008. Both banks are taking advantage of the current situation of the market to draw their clients' attention to the long-term benefits of diversifying away from the current preference for liquid investments in favour of bonds and anti-cyclical investments, thereby preparing for times when the market is in better condition. **AMG** was faced with the return of some asset management products, but it recorded a significant rise in turnover from brokerage activities. In AMG's statistics, net inflows were offset by double-digit losses in value as a result of market price developments, especially towards the end of the reporting period (see the above table). On 30 September, **total financial assets** in Private Banking amounted to € 14.8 bn, which is only 4.2 % below the level at year-end 2007.

▶ In **Asset Management**, an area of the Division which includes **Pioneer Investments Austria** (PIA), we increased our Austrian market share (by 0.5 percentage points to 15.7 %). The entire investment sector was however affected by both the adverse development of market prices for underlying instruments and the withdrawal from high and medium-risk investments, and the return of products by anxious customers. This reduced PIA's **fund volume** by 8.9 % from January to August, and by a further 4.5 % in September to a total of € 20.5 bn on 30 September 2008 (down by 13.0 % over year-end 2007). With 66 guarantee funds with a total volume of € 3.3 bn, PIA has a market share of about 60 % in this segment. This product, designed especially for difficult market conditions, was also affected by downward pressure on stock markets. The PIA – Trend Bond (volume of € 650 m), an investment product designed to embrace the current trend of investors looking for a strong performance in turbulent times, found a ready sale. Pioneer Investments has been nominated for the Feri EuroRating Awards with three top products: Pioneer Funds – Emerging Europe and Mediterranean Equity, the Pioneer Funds Austria – Trend Bond mentioned above, and in the category "Innovations" with the Pioneer Funds – Commodity Alpha … so that it can offer highly-rated funds as soon as customer restraint in the area of securities investments starts to ease again.

Corporates

(€ m)	1–9 08	1–9 07	CHANGE		WITHOUT LEASING*)
Net interest income	480	483	–3	–1 %	8 %
Net non-interest income	217	311	–95	–30 %	–15 %
Operating income	697	794	–98	–12 %	–1 %
Operating expenses	–194	–276	82	–30 %	–2 %
Operating profit	503	519	–16	–3 %	0 %
Net writedowns of loans	19	–40	59	>100 %	n.m.
Net loss/income from investments	–70	–12	–59	>100 %	n.m.
Profit before tax	**451**	**466**	**–16**	**–3 %**	**–2 %**
Risk-weighted assets (avg.)	33,568	30,816	2,752	9 %	
Average equity	2,467	2,267	200	9 %	
Cost/income ratio	27.8 %	34.7 %			
Risk/earnings ratio	n.m.	8.3 %			
ROE before tax	24.4 %	27.4 %			

*) Leasing business not included because of different accounting methods used in 2007 and 2008.

Corporate customer business in Austria temporarily reflected almost excessive security considerations and scepticism about complex products. Quite generally, companies responded to changes in the market situation in a professional manner. The Austrian economy had entered 2008 with a strong momentum which gradually weakened as the year progressed; it was relatively late, in September/October, that corporate customers started to feel the impact of the deterioration in the international business climate. Customers responded flexibly to changes in interest rates and showed stronger demand for traditional on-balance sheet banking products.

● In the unusual market conditions prevailing in the **year to date**, the Corporates Division benefited from its market position and the broad range of its products and services. As in the other Divisions, the various product groups showed different trends. Interest-based business volume rose strongly while fee-earning business reflected customers' restraint, especially in securities transactions and commercial derivatives – the very products which the bank as market leader and innovator promoted strongly in recent years. While **net fees and commissions** recovered in the first quarter of 2008 (+24 %), they declined by 8 % in the second quarter and by 14 % in the third quarter; most recently they were 12 % lower than in the previous year. In the third quarter of 2008, increasingly unfavourable funding conditions and rising liquidity costs impacted **interest margins**, primarily on the deposits side, with net interest income receding to the previous year's level (–1 %). **Profit before tax** in the third quarter of 2008, though weaker than the very good performance in the first six months, remained at a high level (down by 2 % from Q3 2007); this is not a sign of a crisis.

Given the different methods used in accounting for leasing business (consolidation of BA-CA Leasing until and including the first half of 2007, since then shareholding interest in UniCredit Global Leasing S.p.A., accounted for under the equity method, see note on page 10), a comparison of specific income and expense items with the previous year does not provide meaningful information. For this reason the following comments also include performance figures adjusted for this structural effect.

● In the **first nine months of 2008**, the Corporates Division more or less maintained its performance at the previous year's level: at € 451 m, profit before tax was only 3 % (€ 16 m) lower although the first half of 2007 (one of the best half-years before the onset of the credit market crisis) is included in the comparative figure. **Net interest income** (without the leasing effect) rose by 8 % compared with the same period of the previous year. By far the largest contribution to growth came from lending business, with volume (except for mortgage loans) increasing by almost 9 % while spreads remained stable overall. Medium-term and long-term loans as well as trade finance accounted for a large part of the increase. On the liabilities side, the Corporates Division achieved 22 % growth in deposits, mostly in time deposits (+49 %); however, the decline in interest rate spreads offset a significant part of this development. **Net fees and commissions** (€ 218 m) were 17 % lower (on an adjusted basis) than in the same period of the previous year, reflecting the unusual development of demand; if leasing business is included, the decrease was 21 %. All of the revenue decline resulted from securities business and commercial derivatives; the latter products were consciously avoided by all customer groups (except international corporates, and also small caps) in new business. The increase in net interest income (on an adjusted basis) offset the sharp decline in net fees and commissions. Therefore **operating income** more or less matched the (adjusted) figure for the first nine months of the previous year (–1 %).

Costs in the Corporates Division have declined significantly over the past quarters. Operating expenses in January to September 2008 were slightly reduced from the previous year's level (–2 %; if leasing business is included, down by 30 %). The cost/income ratio thus improved to 29.5 % from 30.0 % in the previous year (1–9 2007, unadjusted basis: 34.7 %). It should be noted that the Corporates Division has not yet made full use of adjustments to staffing numbers, which increased in connection with the regional business initiatives in Western Austria. Non-staff expenses fell significantly in connection with the ad-hoc measures taken in the third quarter.

➔ **Operating profit** matched the previous year's level (on an adjusted basis), reflecting the sustained income trend and slightly declining costs (including leasing business, operating profit was down by 3 %). The following non-operating items more or less offset each other:

Net writedowns of loans and provisions for guarantees and commitments reflected the release of provisions as portfolio quality improved over the past few quarters; for January to September 2008, this resulted in net income of € 19 m being shown in this item (compared with a provisioning charge of € 40 m for the first nine months of the previous year). The coverage ratio of non-performing loans (which account for only 1.2 % of total exposure) remains high. In the first half of 2008 (before this measure), net additions to loan loss provisions fell to a very low level (risk / earnings ratio: 7.3 %); the current allocation to provisions in the first nine months was more than offset by the above-mentioned release of provisions.

The item **net income / loss from investments** for January to September 2008 was a net loss of € 70 m, compared with a net loss of € 12 m in the previous year. The figure reflects the impairment loss of € 59 m on an investment vehicle (SIGMA) which included structured investments that had to be liquidated in view of the sharp fall in market prices.

Based on a profit before tax of € 451 m, the Corporates business segment achieved a **return on equity** before tax of **24.4 %** after 27.4 % in the same period of the previous year. The market position supported by the cross-regional network of UniCredit Group, the level of cost efficiency now achieved and – not least – the currently still favourable risk profile have enabled the Corporates Division to make a substantial contribution to **value creation** in Austria, with a marginal EVA of € 278 m in January to September 2008 (up by 7 % on the previous year). RARORAC (risk-adjusted return on risk-adjusted capital) was 16.8 %.

Markets & Investment Banking (MIB)

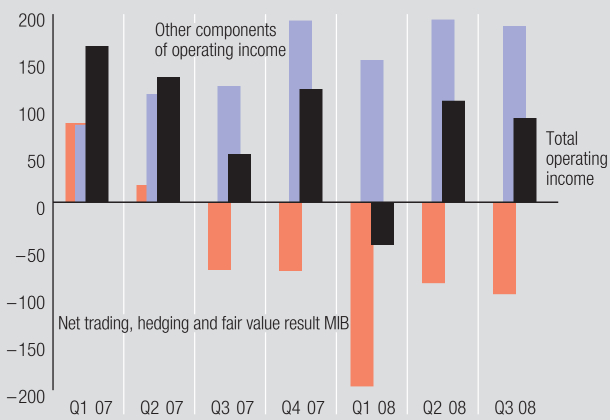
(€ m)	1 – 9 08	1 – 9 07	CHANGE	
Net interest income	477	195	282	> 100 %
Net non-interest income	– 325	155	– 480	n. m.
Operating income	152	350	– 198	– 57 %
Operating expenses	– 149	– 154	5	– 3 %
Operating loss / profit	3	196	– 193	n. m.
Net writedowns of loans	– 20	– 1	– 19	n. m.
Net income from investments	1	3	– 2	– 69 %
Profit before tax	**– 15**	**198**	**– 213**	**n. m.**
Risk-weighted assets (avg.)	6,729	4,853	1,876	39 %
Average equity	4,908	914	3,995	> 100 %
Cost / income ratio	n. m.	44.0 %		
ROE before tax	n. m.	28.9 %		

For the MIB business segment, which is mainly represented by our wholly-owned subsidiary UniCredit CAIB, the turbulent market environment in the third quarter of 2008 presented the biggest challenge since the credit market crisis broke out in the middle of 2007. MIB coped well with the renewed escalation and closed the third quarter with positive results. Benefiting from proximity to the universal banking operations of UniCredit Group and Bank Austria, and despite the currently prevailing customer restraint, our trading teams won new customers for financial and risk management, preparing the ground for future activities in a more favourable capital market environment.

As described in several sections of this report, the crisis came in several waves, affecting almost all market segments in the past quarters until the middle of September. Originating from the US sub-prime segment, the crisis spread to the entire credit market via structured securitisations, spilling over into the corporate sector and emerging markets as the year progressed. The collapse of the US investment bank Lehman Brothers on 15 September 2008 marked a decisive point for the industry: in addition to continued falls in market prices for troubled assets, the rise in spreads and the sharp downturn in stock markets, counterparty risk became an essential argument – suddenly and without precedent – which brought trading and, above all, the primary market to a virtual standstill. Many market participants, including prominent names, were faced with an accelerating downward spiral of fair value adjustments, deleveraging, recapitalisation needs and funding problems in September/October. Large-volume central bank actions and government intervention has recently pointed to a fundamental change in competitive conditions.

The MIB Division's **operating income** in the third quarter of 2008 (see the chart below) was € 89 m (Q3 2007: € 51 m), after a pronounced swing from the first to the second quarter (from minus € 45 m to plus € 108 m). This reflects the volatile development of the net trading, hedging and fair value result, which reached a low in the first quarter of 2008 due to significant mark-to-market adjustments. The valuation result also had a negative impact on the subsequent quarters, though to a lesser extent, while trading in credit market instruments deteriorated in the course of the year to date. In the third quarter, we applied the rules in the amendments to IAS 39 and reclassified the ABS portfolio (as explained in the comments on the income statement on page 9 of this report) out of financial assets held for trading into loans and receivables with customers, thereby avoiding further valuation losses of € 120 m in the net trading, hedging and fair value result.

Net trading, hedging and fair value result easily balanced by other income components (€ m)



The other income components developed favourably in the first nine months of 2008, more than offsetting the negative net trading, hedging and fair value result in the past two quarters. In the third quarter they did not match the figure for the preceding quarter as net fees and commissions declined significantly on account of the low level of activity in advisory services and in the primary market. However, at € 187 m, they exceeded the figure for the third quarter of the previous year by more than one half. Net interest income rose to a new record level.

Operating income generated by the MIB Division in the first nine months of 2008 was € 152 m, down by 57 % from the same period of the previous year because of the negative net trading, hedging and fair value result; the first nine months of the previous year included two quarters before the onset of the sub-prime crisis. Net interest income reached € 477 m, more than double the figure a year earlier.

An analysis of performance by market segment and business areas provides more meaningful information in economic terms than the analysis of items in the income statement. In the **Markets** area, the classic trading operations comprising FIC (Fixed Income, Currencies) made the strongest contribution (€ 191 m). This shows that interest rate management and the Emerging Markets team as well as Custody are the mainstay of our markets operations; these units are particularly close to customers and are capable of delivering a sustained contribution to value creation even in such volatile periods as the third quarter of 2008. Within the Equity sector, Sales and Structuring focused on customers in CEE, thereby helping to somewhat offset the otherwise very low level of market activity. September was also a good month for our brokerage business, as new market participants were attracted. The above-mentioned losses in credit-related areas were offset by current operating activities with a focus on customer business. On balance, the Markets area made a positive contribution to overall performance (€ 45 m). **Investment Banking**, the other MIB area, generated revenues that reached a similar level in January to September 2008. While many M&A projects were postponed until further notice, Corporate Solutions/Austria achieved very good results in the Financing sector, benefiting from its excellent customer relationships. Corporate Finance Emerging Europe also made a good contribution to revenues.

The MIB Division intensified its cost-cutting programme in view of the difficult revenue situation and outlook. Operating expenses declined by 3 % to € 149 m. If the Aton Group added to the consolidation perimeter is not included in the calculation, the decrease was 21 %. Contributions to this improvement came from lower provisions for performance-related remuneration components and a significant reduction of non-staff expenses (–10 %). Net writedowns of loans and provisions for guarantees and commitments (€ 20 m) included provisions of € 19 m for the Lehman exposure. Net income from investments was almost balanced. The MIB Division's result before tax for the first nine months of 2008 was a loss of € 15 m; without the Aton effect it generated a profit before tax of € 9 m. Given the unusual earnings position, the key indicators do not provide meaningful information.

Regardless of the current market situation, we continue to pursue the objective of building a strong, cross-regional network of Markets & Investment Banking activities in line with the Restated Bank of the Regions Agreement (REBORA) of March 2006. In 2007, we combined the relevant trading operations in UniCredit CAIB. In the third quarter of 2008, the hive-down of Bank Austria's trading activities to UniCredit CAIB AG as "Steuerlicher Teilbetrieb" was approved by the supervisory authorities and registered. Following the segregation of those systems and processes which support the trading activities of UniCredit CAIB AG, the newly implemented IT landscape was consolidated at the end of September. This means that from now on, trading in the fixed income, currency, credit and equity markets will be performed by UniCredit CAIB AG, replacing Bank Austria as legal entity for such trading activities.

Investors and customers benefit from this pooling of activities because the entire range of services in the areas of trading and investment banking can now be provided more effectively. In addition to the trading activities mentioned above, UniCredit CAIB performs institutional equity business, research, M&A advisory, equity capital markets as well as merchant banking business in Austria and Emerging Europe. Core strengths include unmatched local expertise, an extensive on-the-ground presence, excellent placement capabilities, as well as a proven track record and substantial experience in implementing cross-border transactions. Clients benefit from cooperation across locations, combining international investment banking knowledge at our hubs in Vienna and London with local expertise – a network of 15 offices, 12 of them in Emerging Europe. Bundling these forces under one roof is essential for offering our clients coverage across all asset classes traded in capital markets. The local set-up under UniCredit CAIB is an integral part of UniCredit Group's Markets & Investment Banking Division as well as of Bank Austria. This combination enables our customers to benefit from our position as a European specialist with a global product range and know-how.

Central Eastern Europe (CEE)

(€ m)	1–9 08	1–9 07	CHANGE		ADJ.*)
Net interest income	2,249	1,518	732	48 %	26 %
Net non-interest income	1,163	899	264	29 %	14 %
Operating income	3,412	2,417	994	41 %	21 %
Operating expenses	– 1,620	– 1,204	– 416	35 %	18 %
Operating profit	1,791	1,213	578	48 %	24 %
Net writedowns of loans	– 323	– 149	– 174	117 %	32 %
Net income from investments	109	25	84	> 100 %	> 100 %
Profit before tax	**1,534**	**1,027**	**507**	**50 %**	**34 %**
Risk-weighted assets (avg.)	67,052	45,123	21,928	49 %	18 %
Average equity	9,397	6,960	2,437	35 %	…
Cost / income ratio	47.5 %	49.8 %			48.5 %
Risk / earnings ratio	14.4 %	9.8 %			10.3 %
ROE before tax	21.8 %	19.7 %			…

*) January to September 2008 without ATF and Ukrsotsbank.

The economic environment has increasingly deteriorated also for the CEE countries; the widening of credit spreads, the withdrawal of short-term portfolio investments, the darkening outlook for exports of the convergence countries, the sharp decline in commodities prices having an impact on exporters of raw materials – all these developments became more pronounced towards the end of the reporting period and revealed internal structural problems. Yet our banking subsidiaries in CEE, not really affected by the above developments, have continued their strong upward trend in the year to date:

▶ Profit before tax rose sharply in the first quarter, by 33 %, reflecting the consolidation of the two new banking subsidiaries in Ukraine and Kazakhstan, and continued to grow by 20 % each in the second and third quarters. In Q3 2008, profit before tax was 75 % – adjusted for the two acquisitions, 50 % – higher than for the same period of the previous year. Overall, profit before tax for January to September 2008 exceeded the figure for the same period of the previous year by one half; even the adjusted figure shows an increase of over one-third (34 %).

▶ Operating income was up by 41 %, or 21 % on an adjusted basis. Contributions to the increase came from all operations in our perimeter, both country groups and individual countries, although the economies in this region vary widely with regard to the degree of banking sector convergence and in structural respects. The countries also differ in size and in the respective market position of our local banking subsidiaries:

Operating income for January to September 2008 by country group			
€ M	1–9 2008	+/–	+/– %
CEE business segment[1]	3,412	+ 996	+ 41 %
Central Europe[2]	647	+ 89	+ 16 %
SEE[3]	1,043	+ 151	+ 17 %
Other countries ("Broader Europe")[4]	1,202	+ 264	+ 28 %
Acquisitions[5]	486	+ 486	new

1) Difference in total: CEE headquarters, Vienna. 2) Slovakia, Czech Republic, Hungary, Slovenia.
3) Romania, Bulgaria, Croatia, Serbia and Baltic countries. 4) Russia and Turkey (proportionate share).

▶ A **breakdown by revenue component** indicates a steady trend: while the profile already shows similar developments to those in the Group's mature core markets (strong net interest income, weak net fees and commissions), the increases reflect growth of over one-quarter. Operating income in the old perimeter rose by 21 %, almost as strongly as volume (+ 27 %, measured by average risk-weighted assets). Margins, though slightly narrower, still compare well with those in West European markets. Within operating income, **net interest income** (+ 26 %) rose in line with volume, with growth rates between 24 % and 27 % in all country groups. **Net fees and commissions** grew at a disproportionately low rate, but still expanded by 12 %. The largest contributions to growth came from Turkey (+ € 59 m / + 32 %) and Russia (+ € 17 m / + 21 %). The **net trading, hedging and fair value result** for January to September 2008 was positive and showed an increase, though developments varied from country to country: the best performance (€ 92 m) with the strongest growth was achieved in Romania, followed by Slovakia, Croatia and Turkey; the net trading, hedging and fair value result in Russia was a small net loss of € 2 m, while the largest negative trading performance was seen in Bulgaria with a net loss of € 7 m; in this context, valuation adjustments also had an impact.

Revenue components for the first nine months of 2008 compared with the same period of the previous year (€ m)				
	OLD PERIMETER			ACQUISITIONS
	1–9 08	+/–	+/– %	
Net interest income	1,904	+ 387	+ 26 %	345
Net fees and commissions	764	+ 83	+ 12 %	93
Net trading, hedging and fair value result	161	+ 36	+ 29 %	46

▶ **Costs** in the first nine months of 2008 grew at a lower rate than revenues, both in the new consolidation perimeter (+ 35 %) and in the old perimeter (+ 18 %) so that the cost / income ratio improved on both definitions; at 48.5 % (old) and 47.5 % (new), it was significantly lower than the average for the bank as a whole (57.2 %). This is to be seen against the background of our ongoing **branch network expansion programme**, investments aimed at unlocking further cross-regional synergies, and the rebranding process. In our Three-Year Plan presented in the middle of 2008, we announced the opening of about 1,200 new branches, depending on future economic developments. In September 2008 we therefore put the plan on hold for 2009 until further notice. The 2008 programme is still under way: by September 2008, we opened **325 new branches**, expanding the network to a total of 2,718 branches. The programme concentrates on growth markets: we opened 163 new branches in Turkey, where a new branch reaches the break-even point in less than one year, on average. Romania is in second place, with 68 new branches opened in the year to date, followed by Russia (16), Serbia (14) and Bulgaria (10) as well as the promising markets Ukraine (13) and Kazakhstan (15).

▶ **Net writedowns of loans and provisions for guarantees and commitments** for January to September 2008 were € 323 m (first nine months of 2007: € 149 m). Most of the increase resulted from initial inclusion of ATF / Kazakhstan (€ 85 m) and USB / Ukraine (€ 41 m) in UniCredit's strict risk management methodologies. In the old consolidation perimeter, net writedowns of loans and provisions for guarantees and commitments were € 197 m, significantly higher than a year earlier (€ 149 m, but reflecting positive one-off effects). However, the increase in the provisioning charge is well in line with general expansion and the focus on retail banking and business with small and medium-sized companies. On this basis, the risk / earnings ratio is low on all definitions: 14.4 % including Kazakhstan and Ukraine, and 10.3 % in the old perimeter. The cost of risk, i.e. the provisioning charge measured against average lending volume, was 74 basis points in the CEE business segment (new), while remaining more or less unchanged at 52 basis points (first nine months of 2007: 53 basis points) in the old consolidation perimeter.

➔ **Net profit** generated in the CEE business segment in the first nine months of 2008 rose by 47 % to € 1,228 m. While RWA productivity (revenues as a percentage of risk-weighted assets) was slightly lower than in the first nine months of the previous year (6.78 percentage points compared with 7.14 percentage points), volume expansion was achieved on the basis of improved capital efficiency. Average equity increased by 35 % to € 9.4 bn. **Value creation** beyond the cost of capital (marginal Economic Value Added) was € 599 m, up by 32 % on the previous year. RARORAC was 14.3 %.

Outlook

Economic environment

▶ In the coming months, economies will cope with the shock wave sent by financial market turbulence in October and with the repercussions of inflationary pressure in the first half of 2008. The risk of global recession has increased. World economic growth will reach an annual average of just over 2 % in real terms and weighted by purchasing power parities – the lowest rate seen since 2001, though after years of exceptionally strong growth (2008: 3.75 %, 2007: 4.75 %). In contrast to previous periods of economic weakness, this time the slowdown is abrupt rather than prolonged, and it occurs more or less simultaneously around the world. While the factors triggering the downturn hit all global regions at once, monetary and fiscal measures to support the economy are also being taken synchronously. This suggests a V-shaped development rather than a U-shaped or W-shaped pattern. The global economy continues to be supported by emerging markets, with China in a prominent position, where slowdown still means growth of about 7 %.

After three years of sustained expansion, economic growth in the euro area in 2008 as a whole will fall to a level well below the potential growth rate (2008: 1.0 % after 2.7 % in the previous year). The euro area is sliding into recession, with the economy shrinking by 0.7 % in the coming year. Responding to the outlook, and in view of the continued significant decline in commodity prices, the European Central Bank initiated a series of interest rate reductions at the beginning of October; we expect that the key interest rate will be 2 % in the middle of 2009.

▶ The international economic environment has deteriorated rapidly and now also affects the business outlook in **Austria**. Uncertainty caused by the escalating financial market crisis has sent all available indicators of business confidence to multi-year lows. Exporting companies, which have so far strongly supported economic growth, are facing a particularly difficult time, all the more so as demand from trading partners in both Western countries and growth markets in Central and Eastern Europe will be considerably lower in the coming months. As a consequence, Austrian companies are beginning to reduce investment in equipment and to a lesser extent investment in construction, which benefits from government assistance. Based on strong financial performance in previous years and improved balance sheets, many companies still enjoy a good financial position. For this reason, the decline in investments will be limited. Private consumption will fail to fully offset the impact of the international economic environment, and will grow only slightly, despite fiscal measures including the introduction of parts of the income tax reform earlier than planned. While inflation has fallen below the 3 % mark relatively fast and on a sustainable basis before the year-end, this will currently hardly stimulate consumption. The labour market is characterised by a turnaround with a significant rise in the unemployment rate. In the final quarter of 2008, the Austrian economy is on the verge of stagnation. Yet, economic growth for 2008 as a whole will still reach 1.9 %, supported by the good start to the year. 2009 will see a mild recession, with the economy reaching the cyclical low in the first half of the year. Based on the easing of the ECB's policy, and in combination with government measures to support the economy and with a stabilisation in financial markets, this will lead to a very moderate upward economic trend in the second half of 2009. We have reduced our growth forecast for 2009 to an annual average of 0.1 %.

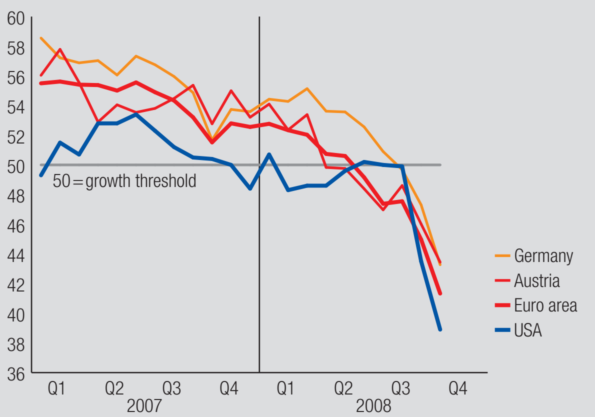
Lending growth will slow down in the next few months. Demand for corporate loans in particular, though weakening in view of the less favourable outlook, will continue to grow. Growth of personal loans will also lose some of its momentum, especially in housing finance. Deposits will continue to grow at slightly lower rates in the next few months, with growth of deposits from private individuals remaining relatively robust.

▶ The combination of the downturn in Europe, the reassessment of emerging markets risks and internal problems such as inflation and structural deficits has also changed the outlook for the CEE region. Convergence will advance and the long-term growth trend will continue, but these developments need not necessarily proceed along linear or even exponential lines. According to our forecast, average economic growth in the region will decline from 6.5 % in 2007 to 5.5 % in 2008 and 3 % in 2009. This may imply a weaker first half of 2009, and negative quarterly rates in some countries during the year.

The partly strong dependence on capital imports and the recent significant rise in related costs – especially after the jump in credit spreads in September and October, which has not yet reversed to any great extent – have become the main channel via which the international crisis has spread: the level of domestic savings is too low in most CEE countries – a phenomenon typical of young growth markets – so that growth must be driven by capital imports in the form of direct investment or public and private borrowing. The local banking systems were among the drivers of the boom in consumption, construction and investment, with credit expansion funded from external sources. The general reassessment of risk has made borrowing much more expensive, and this will curb monetary expansion and lending. The Baltic states, Ukraine, Kazakhstan and South-East Europe (Serbia, Romania, Bulgaria) are among the countries which are in a particularly exposed position in this respect. While the EU member states in Central Europe are least affected by these developments, the weakening of export activity has the strongest impact on these countries because their industrial sector is closely integrated and manufacturing focuses on cyclical industries such as cars and electric/optical equipment.

Credit expansion in the CEE region has continued at a lower rate in the current year (over 20 % in all countries combined) than in 2007 (close to 40 %). From a current perspective, under a basic scenario, we expect that growth in this area will reach 13 % next year, with the rate for the Central European countries close to 5 %, for SEE about 10 % and for Russia and Turkey still around 20 %. Bank deposits will grow at a rate that will only be one percentage point lower than the growth of loans (with all country groups showing the same profile). This means that the gap between deposits and loans will continue to exist.

Sharp decline in economic activity from the middle of 2008



Monthly survey among purchasing managers in industrial companies (PMI). Figures below 50 indicate a decline in output.

Outlook for Bank Austria's performance

In the remaining months of the year, financial markets will digest the effects of the stress period that lasted from the middle of September to the middle of October. These effects will have a direct impact on positions and current business in capital markets, which make a reversal in the net trading, hedging and fair value result look unlikely. Adjustments to the new situation will also be required in commercial banking business in Austria and, above all, in the exposed CEE countries. The major risk in this area is now a movement away from the credit boom seen in the past years. The market price structure (interest rates, credit spreads, exchange rates) has again changed markedly and abruptly. On the other hand, the stability packages put in place by governments have created a sound basis for the financial markets to stabilise soon. Moreover, short-term interest rates continue to move downwards, and mutual confidence in the financial sector is gradually returning. This development may cushion the rise in credit spreads that has recently also impacted the corporate sector. Nevertheless, for the next few months we do not yet expect a sustained reversal of stock market sentiment and a growing risk appetite among investors. This will have a continued impact on fee-based business. On this basis, developments in Austria will be moderate in the fourth quarter of 2008. The growth momentum in Central and Eastern Europe will continue to weaken while volume and revenues will remain robust.

➔ In most of 2008 we generated sound revenues in commercial banking business. It is still possible to achieve revenue growth compared with the previous year, despite the impact of the negative net trading, hedging and fair value result. We have invested in the expansion of our market position in CEE, and this is reflected in higher administrative expenses, despite the cost reduction in Austria. In the medium term, developments in the fourth quarter of 2008 and the subsequent six months will again to a greater extent reflect the current stage of the business cycle, i.e. the real economic environment.

Income statement of the Bank Austria Group

for the first nine months of 2008

(€ m)

	(Notes)	1 JAN.– 30 SEPT. 2008	1 JAN.– 30 SEPT. 2007	CHANGE € M	CHANGE IN %
Net interest	(4)	3,375	2,638	737	28.0
Dividend income	(5)	118	107	12	11.0
Other income from equity investments	(5)	121	113	9	7.6
Net interest income		**3,615**	**2,857**	**758**	**26.5**
Net fees and commissions	(6)	1,559	1,574	–16	–1.0
Net trading, hedging and fair value loss/income	(7)	–278	180	–457	–
Net other expenses/income	(8)	161	171	–10	–5.9
Net non-interest income		**1,442**	**1,925**	**–483**	**–25.1**
OPERATING INCOME		**5,057**	**4,783**	**275**	**5.7**
Payroll costs	(9)	–1,688	–1,331	–357	26.8
Other administrative expenses	(10)	–978	–873	–105	12.1
Recovery of expenses		3	2	–	11.7
Amortisation, depreciation and impairment losses on tangible and intangible assets		–231	–204 *)	–27	13.3
OPERATING EXPENSES		**–2,894**	**–2,405**	**–489**	**20.3**
OPERATING PROFIT		**2,163**	**2,377**	**–214**	**–9.0**
Goodwill impairment		–	–	–	–
Provisions for risks and charges	(11)	–39	–41	3	–7.1
Restructuring costs		–	–20	20	–
Net writedowns of loans and provisions for guarantees and commitments	(12)	–483	–355	–128	36.1
Net income from investments	(13)	411	219	192	87.6
PROFIT BEFORE TAX		**2,052**	**2,180**	**–128**	**–5.9**
Income tax		–312	–348 *)	36	–10.3
NET PROFIT		**1,740**	**1,832**	**–92**	**–5.0**
Minority interests		–99	–82	–17	20.8
CONSOLIDATED PROFIT		**1,642**	**1,751**	**–109**	**–6.2**

*) Result of purchase price allocation (PPA) relating to Aton not included in the previous year (€ 2.7 m amortisation, € 0.6 m taxes).

Key figures

	1 JAN.– 30 SEPT. 2008	1 JAN.– 30 SEPT. 2007
Earnings per share (in €, basic and diluted)	8.13	9.22
ROE before tax	17.7%	21.2%
ROE after tax	14.8%	17.9%
Cost/income ratio	57.2%	50.3%
Risk/earnings ratio	13.4%	12.4%

Income statement of the Bank Austria Group

by quarter

(€ m)	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Net interest	1,192	1,107	1,075	1,015	903
Dividend income	77	30	11	17	64
Other income from equity investments	37	46	39	47	52
Net interest income	**1,306**	**1,183**	**1,125**	**1,079**	**1,019**
Net fees and commissions	522	518	519	550	520
Net trading, hedging and fair value loss/income	–80	–55	–143	–39	–44
Net other expenses/income	65	54	42	42	47
Net non-interest income	**507**	**517**	**418**	**553**	**522**
OPERATING INCOME	**1,814**	**1,700**	**1,543**	**1,632**	**1,541**
Payroll costs	–586	–551	–551	–505	–479
Other administrative expenses	–334	–327	–316	–370	–284
Recovery of expenses	–	2	–	1	1
Amortisation, depreciation and impairment losses on tangible and intangible assets	–83	–75	–73	–67 *)	–60 *)
OPERATING EXPENSES	**–1,003**	**–951**	**–941**	**–941**	**–821**
OPERATING PROFIT	**811**	**750**	**603**	**691**	**720**
Goodwill impairment	–	–	–	–	–
Provisions for risks and charges	–27	–5	–7	–34	5
Restructuring costs	–2	6	–5	–13	–12
Net writedowns of loans and provisions for guarantees and commitments	–155	–156	–173	–128	–148
Net income from investments	121	190	101	49	87
PROFIT BEFORE TAX	**748**	**785**	**520**	**565**	**652**
Income tax	–125	–101	–86	–34 *)	–88 *)
NET PROFIT	**622**	**684**	**434**	**531**	**564**
Minority interests	–42	–33	–24	–24	–21
CONSOLIDATED PROFIT	**580**	**651**	**410**	**507**	**543**

*) Result of purchase price allocation (PPA) relating to Aton not included in the third and fourth quarters of 2007 (€ 2.7 m amortisation, € 0.6 m taxes per quarter).

Key figures	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Earnings per share (in €, basic and diluted)	2.87	3.22	2.03	2.51	2.69
ROE before tax	18.6%	20.4%	13.9%	15.5%	18.6%
ROE after tax	15.1%	17.7%	11.5%	14.5%	16.2%
Cost/income ratio	55.3%	55.9%	60.9%	57.7%	53.3%
Risk/earnings ratio	11.8%	13.2%	15.4%	11.8%	14.5%

Balance sheet of the Bank Austria Group

at 30 September 2008

(€ m)					
				CHANGE	
Assets	(Notes)	30 SEPT. 2008	31 DEC. 2007	€ M	IN %
Cash and cash balances		2,765	2,967	–202	–6.8
Financial assets held for trading	(14)	13,333	19,092	–5,759	–30.2
Financial assets at fair value through profit or loss	(15)	851	935	–84	–9.0
Available-for-sale financial assets	(16)	11,930	10,864	1,066	9.8
Held-to-maturity investments	(17)	5,996	7,623	–1,627	–21.3
Loans and receivables with banks	(18)	40,354	38,007	2,347	6.2
Loans and receivables with customers	(19)	138,877	115,341	23,537	20.4
Hedging derivatives		2,456	1,147	1,310	>100
Changes in fair value of portfolio hedged items (+/–)		–	–	–	–
Investments in associates and joint ventures		2,278	2,281	–3	–0.1
Property, plant and equipment	(20)	2,403	2,003	400	20.0
Intangible assets	(21)	5,914	4,258	1,655	38.9
of which: goodwill		*5,530*	*3,886*	*1,644*	*42.3*
Tax assets		1,194	1,007	187	18.6
a) current tax assets		179	151	28	18.5
b) deferred tax assets		1,015	856	159	18.6
Non-current assets and disposal groups classified as held for sale	(22)	1	1,727	–1,726	–100.0
Other assets		1,434	1,918	–485	–25.3
TOTAL ASSETS		**229,786**	**209,170**	**20,616**	**9.9**
Liabilities and equity	(Notes)				
Deposits from banks	(23)	57,110	52,445	4,665	8.9
Deposits from customers	(24)	103,040	93,203	9,837	10.6
Debt securities in issue	(25)	34,009	26,496	7,513	28.4
Financial liabilities held for trading	(26)	5,901	7,442	–1,541	–20.7
Financial liabilities at fair value through profit or loss	(27)	2,196	2,386	–191	–8.0
Hedging derivatives		2,927	1,638	1,289	78.7
Changes in fair value of portfolio hedged items (+/–)		–	–	–	–
Tax liabilities		704	616	88	14.3
a) current tax liabilities		219	125	95	75.9
b) deferred tax liabilities		485	492	–7	–1.4
Liabilities included in disposal groups classified as held for sale	(29)	–	1,247	–1,247	–100
Other liabilities		3,447	3,574	–127	–3.6
Provisions for risks and charges	(28)	*4,187*	*4,611*	–424	–9.2
a) post-retirement benefit obligations		3,614	4,088	–474	–11.6
b) other provisions		573	523	50	9.5
Insurance reserves		166	178	–12	–6.5
Equity		16,098	15,334	765	5.0
of which: Minorities (+/–)		744	658	*87*	*13.2*
TOTAL LIABILITIES AND EQUITY		**229,786**	**209,170**	**20,616**	**9.9**

Cash flow statement

(€ m)		
	1 JAN. –30 SEPT. 2008	1 JAN. –30 SEPT. 2007
CASH AND CASH EQUIVALENTS AT END OF PREVIOUS PERIOD	**2,967**	**1,584**
Cash flows from operating activities	1,283	1,989
Cash flows from investing activities	–659	553
Cash flows from financing activities	–830	–944
Effects of exchange rate changes	4	3
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**2,765**	**3,185**

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[1]	ACTUARIAL LOSSES IN ACCORDANCE WITH IAS 19	SHARE-HOLDERS' EQUITY	MINORITY INTERESTS	EQUITY
As at 1 January 2007	**1,069**	**2,859**	**6,482**	**–73**	**347**	**–757**	**9,927**	**213**	**10,140**
Capital increase	400	2,463					2,863	320	3,183
Changes in the group of consolidated companies							–		–
Shares in controlling companies			1				1		1
Recognised income and expenses			1,751	53	175		1,979	84	2,064
Dividend paid			–588				–588		–588
Other changes		3	–12				–9		–9
AS AT 30 SEPT. 2007	**1,469**	**5,324**	**7,635**	**–20**	**523**	**–757**	**14,173**	**618**	**14,791**

1) Reserves in accordance with IAS 39

	1 Jan. 2007	30 Sept. 2007
Cash flow hedge reserve	–175	–134
Available-for-sale reserve	522	657
Total	347	523

	SUB-SCRIBED CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION	RESERVES IN ACCORDANCE WITH IAS 39[1]	ACTUARIAL LOSSES IN ACCORDANCE WITH IAS 19	SHARE-HOLDERS' EQUITY	MINORITY INTERESTS	EQUITY
As at 1 January 2008	**1,469**	**5,323**	**8,118**	**–31**	**397**	**–600**	**14,676**	**658**	**15,334**
Capital increase							–	–	–
Changes in the group of consolidated companies							–	7	7
Shares in controlling companies							–	–	–
Recognised income and expenses			1,642	270	–561		1,351	100	1,451
Dividend paid			–808				–808	–21	–829
Other changes		4	131				135	–	135
AS AT 30 SEPT. 2008	**1,469**	**5,327**	**9,083**	**239**	**–164**	**–600**	**15,354**	**744**	**16,098**

1) Reserves in accordance with IAS 39

	1 Jan. 2008	30 Sept. 2008
Cash flow hedge reserve	–119	–200
Available-for-sale reserve	516	36
Total	397	–164

Statement of income and expenses recognised in equity (€ m)

	1 JAN.–30 SEPT. 2008	1 JAN.–30 SEPT. 2007
Gains/losses on assets held for sale (available-for-sale reserve)	–622	195
Gains/losses on cash flow hedges (cash flow hedge reserve)	–112	54
Changes at companies accounted for under the equity method	–19	1
Foreign currency translation – exchange differences	270	61
Foreign currency translation relating to assets held for sale	–	–
Actuarial losses on defined-benefit plans	–	–
Taxes on items directly recognised in equity	194	–81
Recognised directly in equity	**–289**	**231**
Net profit	**1,740**	**1,833**
TOTAL OF INCOME AND EXPENSES RECOGNISED IN THE REPORTING PERIOD	**1,451**	**2,064**
Shareholders' equity	1,351	1,979
Minority interests	100	84

Notes to the Consolidated Financial Statements of the Bank Austria Group

(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 nine months of 2008 (1 January 2008 to 30 September 2008) and compares this period with the same period of the previous year.

In January 2008, the IASB published a revised IFRS 3, "Business Combinations" ("IFRS 3 R"), and an amended IAS 27, "Consolidated and Separate Financial Statements" ("IAS 27 R"). IFRS 3 R and IAS 27 R will become effective for business combinations in business years beginning on or after 1 July 2009. They may be applied for earlier periods if both Standards are applied simultaneously. The Bank Austria Group is examining the possible application from 2009.

Results for the third quarter of 2008 were significantly influenced by the application of the amendments to IAS 39 and IFRS 7, "Reclassification of Financial Assets", which were approved by the IASB and adopted by the European Union in October 2008. In accordance with the provisions in the amendments to IAS 39, reclassifications were effected as from 1 July 2008 at the fair values determined at that date. The following table shows the effects related to the reclassifications:

Reclassifications in accordance with IAS 39

	(€ m)
Financial assets held for trading	–2,433
Held-to-maturity investments	1
Loans and receivables with customers	2,556
Deferred tax liabilities	–31

Effects on the income statement	
Interest income	40
Interest expense	–35
Net trading, hedging and fair value loss/income	120
Income tax	31

(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, earnings per share for the first nine months of 2008 were € 8.13 (comparative figure for the same period of the previous year: € 9.22).

The Management Board proposed to the Supervisory Board a dividend payment of € 4.00 per share. The Supervisory Board approved the Management Board's proposal in its meeting on 11 March 2008. The dividend was paid on 4 August 2008.

(3) Changes in the group of consolidated companies in 2008

The following subsidiaries were included in the group of consolidated companies as from 1 January 2008:

- Factorbank AG
- HYPERION Immobilienvermietungsgesellschaft m. b. H.
- Teledata Consulting und Systemmanagement Gesellschaft m. b. H.
- Treuconsult Beteiligungsgesellschaft m. b. H.
- Informations Technologie Austria GmbH (accounted for under the proportionate consolidation method)

On 25 June 2007, the Management Board of BA-CA AG ("Bank Austria") approved the acquisition of Joint Stock Commercial Bank for Social Development Ukrsotsbank, Kiev, Ukraine, (Ukrsotsbank). On 21 January 2008, the bank acquired a 94.20% shareholding interest for € 1,526.9 m. A shareholding interest of 8.05% with a book value of € 131.7 m was acquired directly by Bank Austria, and 86.15% with a book value of € 1,395.2 m was acquired indirectly through Private Joint Stock Company "Ferrotrade International" (a wholly-owned subsidiary of Bank Austria), which has its headquarters in Kiev. The two companies have been included in the group of consolidated companies of the Bank Austria Group as from 1 January 2008. The preliminary goodwill resulting from the transaction is € 1,167.7 m.

In July 2008, Bank Austria acquired a further shareholding interest of 4.30 % in Ukrsotsbank through a capital increase and now holds a direct interest of 12.35 % and an indirect interest of 82.12 %.

Two of Bank Austria's Bosnian banking subsidiaries, HVB Central Profit Banka and UniCredit Zagrebačka banka, were integrated to form the new UniCredit Bank d. d. on 1 March 2008.

In March 2008, our equity interest in the Czech banking subsidiary Hypo Stavebni Sporitelna was sold for CZK 1.2 bn.

In the course of the new corporate branding process, the banking subsidiary International Moscow Bank (IMB) was renamed UniCredit Bank in the first quarter of 2008; it is now operating under the name of ZAO UniCredit Bank.

The following subsidiaries were included in the group of consolidated companies as from 1 April 2008:

- Artist Marketing GmbH
- MY Beteiligungs GmbH
- MC Marketing GmbH
- MC Retail GmbH

The Bosnian banking subsidiary Nova banjalučka banka was renamed UniCredit Bank a. d. Banjaluka in June 2008.

In July 2008, the Kazakh ATF Bank sold OJSC Sohibkorbank, its banking subsidiary in Tajikistan, for US$ 3.6 m.

On 2 September 2008, Bank Austria sold a shareholding interest of 4.65 % in UniCredit Tiriac Bank S. A. for € 45 m, thereby reducing its shareholding interest from 55.21 % to 50.56 %. This measure was a contractual part of the agreement with Ion Tiriac on the merger of HVB Tiriac Bank S. A. with UniCredit Romania S. A. from the year 2007.

In the third quarter of 2008 the hive-down of Bank Austria's trading activities to UniCredit CAIB AG was approved by the supervisory authorities and entered in the Austrian Register of Firms. Following the segregation of those systems and processes which support the trading activities of UniCredit CAIB AG, the newly implemented IT landscape was consolidated. This means that with effect from 1 October 2008 trading in the fixed income, currency, credit and equity markets is performed by UniCredit CAIB AG, replacing Bank Austria as legal entity for such trading activities.

The purchase transaction concerning Aton International Limited, Nicosia, a company acquired in the previous year, was completed in the third quarter of 2008. The resulting goodwill is € 172.8 m. In addition to goodwill, amortisable intangible assets of € 21.1 m were recognised. Goodwill in Aton Broker, Moscow, remained unchanged at € 43.7 m.

On 27 September 2008, the name of Bank Austria Creditanstalt AG was changed to UniCredit Bank Austria AG. This change has no effect on the "Bank Austria" brand name.

Notes (CONTINUED)

Notes to the income statement

(4) Net interest

		(€ m)
	1 JAN.– 30 SEPT. 2008	1 JAN.– 30 SEPT. 2007
Interest income	**9,570**	**7,475**
Financial assets held for trading	389	409
Financial assets designated at fair value through profit or loss	33	12
Available-for-sale financial instruments	375	309
Held-to-maturity investments	389	506
Loans and receivables with banks	1,601	1,459
Loans and receivables with customers	6,687	4,488
Hedging derivatives	93	266
Assets sold but not derecognised	–	–
Other assets	4	26
Interest expense	**–6,195**	**–4,837**
Deposits from banks	–2,113	–1,798
Deposits from customers	–2,936	–2,122
Debt securities in issue	–1,060	–825
Financial liabilities held for trading	–33	–24
Financial liabilities designated at fair value through profit or loss	–27	–29
Assets sold but not derecognised	–3	–
Other liabilities	–18	–9
Hedging derivatives	–5	–30
TOTAL	**3,375**	**2,638**

(5) Dividends and other income from equity investments

		(€ m)
	1 JAN.– 30 SEPT. 2008	1 JAN.– 30 SEPT. 2007
Income from dividends	**118**	**107**
Investments	10	13
Available-for-sale financial assets	100	93
Financial assets designated at fair value through profit or loss	8	–
Income from investments valued at equity	**121**	**113**
TOTAL	**240**	**220**

(6) Net fees and commissions

Fee and commission income / expense	(€ m)	
	1 JAN.– 30 SEPT. 2008	1 JAN.– 30 SEPT. 2007
Fee and commission income	**1,908**	**1,892**
Management, brokerage and consultancy services	582	648
Collection and payment services	728	639
Other services	598	604
Fee and commission expense	**–350**	**–318**
Management, brokerage and consultancy services	–94	–83
Collection and payment services	–149	–139
Other services	–107	–95
TOTAL	**1,559**	**1,574**

Net fees and commissions	(€ m)	
	1 JAN.– 30 SEPT. 2008	1 JAN.– 30 SEPT. 2007
Management, brokerage and consultancy services	489	565
Collection and payment services	579	500
Other services	491	509
TOTAL	**1,559**	**1,574**

(7) Net trading, hedging and fair value loss / income

		(€ m)
	1 JAN.– 30 SEPT. 2008	1 JAN.– 30 SEPT. 2007
Financial assets held for trading	**–475**	**–52**
Debt securities	–523	–156
Equity instruments	113	30
Units in investment funds	–77	39
Loans	–	–
Other	12	35
Financial liabilities held for trading	**–1**	**–18**
Debt securities	–	–3
Deposits	1	–
Other	–2	–15
Other financial investments	**55**	**99**
Derivatives	**172**	**137**
Financial derivatives	38	139
Credit derivatives	134	–2
Trading income from assets and liabilities designated at fair value through profit or loss	**–33**	**12**
Dividends from trading assets	**4**	**2**
TOTAL	**–278**	**180**

Notes (CONTINUED)

Notes to the income statement (CONTINUED)

(8) Net other expenses/income

		(€ m)
	1 JAN.– 30 SEPT. 2008	1 JAN.– 30 SEPT. 2007
Other income	271	271
Other expenses	–110	–99
TOTAL	**161**	**171**

(9) Payroll costs

		(€ m)
	1 JAN.– 30 SEPT. 2008	1 JAN.– 30 SEPT. 2007
Employees	**–1,640**	**–1,295**
Wages and salaries	–1,112	–1,020
Social charges	–229	–193
Severance pay	–10	–4
Social security costs	–38	–39
Allocation to employee severance pay provision	–25	–14
Provision for retirement payments and similar provisions	–146	5
Payments to external pension funds	–24	–19
Costs related to share-based payments	–5	–2
Other employee benefits	–60	–42
Recovery of compensation	11	33
Others	**–48**	**–36**
TOTAL	**–1,688**	**–1,331**

(10) Other administrative expenses

		(€ m)
	1 JAN.– 30 SEPT. 2008	1 JAN.– 30 SEPT. 2007
Indirect taxes and duties	**–27**	**–19**
Miscellaneous costs and expenses	**–951**	**–854**
Fees paid to external professionals	–48	–52
Insurance	–22	–15
Advertising	–123	–116
Premises surveillance and cash transportation	–32	–21
Supply and miscellaneous services rendered by third parties	–181	–202
Property related expense	–213	–174
Maintenance and lease rentals for plant and equipment	–65	–42
Postage, telephone, printed materials and other office expenses	–115	–101
Hire charges and other expenses	–41	–37
Other costs	–111	–93
TOTAL	**–978**	**–873**

(11) Provisions for risks and charges

(€ m)	1 JAN.– 30 SEPT. 2008	1 JAN.– 30 SEPT. 2007
Increase	**–67**	**–89**
Legal disputes	–5	–24
Reserves for advisory services	–62	–65
Decrease	**28**	**47**
Legal disputes	14	27
Reserves for advisory services	14	20
TOTAL	**–39**	**–41**
Net provisions		
Legal disputes	9	3
Reserves for advisory services	–48	–44
TOTAL	**–39**	**–41**

(12) Net writedowns of loans and provisions for guarantees and commitments

(€ m)	1 JAN.– 30 SEPT. 2008	1 JAN.– 30 SEPT. 2007
Impairment losses on loans and receivables	**–484**	**–366**
Loans and receivables with banks	**–17**	**3**
writedowns	–17	–
writebacks	–	4
payments received for written-off loans	–	–
Loans and receivables with customers	**–467**	**–370**
writedowns	–835	–660
writebacks	339	290
payments received for written-off loans	28	–
Impairment losses on other transactions	**1**	**11**
TOTAL	**–483**	**–355**

(13) Net income from investments

(€ m)	1 JAN.– 30 SEPT. 2008	1 JAN.– 30 SEPT. 2007
Income	563	323
Expense	–151	–104
NET INCOME FROM INVESTMENTS	**411**	**219**

Notes (CONTINUED)

Notes to the balance sheet

(14) Financial assets held for trading

	30 SEPT. 2008			31 DEC. 2007
(€ m)	LISTED	UNLISTED	TOTAL	TOTAL
Financial assets (non-derivatives)	**4,796**	**1,190**	**5,986**	**11,491**
Debt securities	4,634	757	5,391	10,416
Equity instruments	149	382	531	808
Units in investment funds	10	41	51	42
Loans	–	–	–	214
Impaired assets	2	10	13	10
Assets sold but not derecognised	–	–	–	–
Positive fair values of derivative financial instruments	**4**	**7,343**	**7,347**	**7,601**
Financial derivatives	4	6,705	6,709	7,489
Credit derivatives	–	638	638	112
TOTAL	**4,800**	**8,533**	**13,333**	**19,092**

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

	30 SEPT. 2008			31 DEC. 2007
(€ m)	LISTED	UNLISTED	TOTAL	TOTAL
Debt securities	483	33	517	577
Equity instruments	8	19	26	31
Units in investment funds	–	292	292	306
Loans	–	17	17	20
TOTAL	**491**	**360**	**851**	**935**

In the first nine months of 2008, the negative effect in the Bank Austria Group's income statement from financial assets at fair value through profit or loss was € 23.3 m.

(16) Available-for-sale financial assets

	30 SEPT. 2008			31 DEC. 2007
(€ m)	LISTED	UNLISTED	TOTAL	TOTAL
Debt securities	6,068	2,677	8,745	7,521
Equity instruments	52	1,939	1,990	2,185
Units in investment funds	16	1,169	1,185	1,159
Impaired assets	9	–	9	–
TOTAL	**6,145**	**5,785**	**11,930**	**10,864**

(17) Held-to-maturity investments

	30 SEPT. 2008	31 DEC. 2007
		(€ m)
Debt securities		
Structured securities	7	70
Other securities	5,988	7,553
Impaired assets	1	–
TOTAL	**5,996**	**7,623**

(18) Loans and receivables with banks

	30 SEPT. 2008	31 DEC. 2007
		(€ m)
Loans to central banks	**6,771**	**5,365**
Time deposits	12	289
Compulsory reserves	4,759	3,573
Repos	1,952	1,120
Other	49	382
Loans to banks	**33,583**	**32,642**
Current accounts and demand deposits	4,320	7,527
Time deposits	12,775	11,689
Other loans	16,459	13,397
Debt securities	–	–
Impaired assets	29	28
TOTAL	**40,354**	**38,007**
Loan loss provisions deducted from loans and receivables	51	33

(19) Loans and receivables with customers

	30 SEPT. 2008	31 DEC. 2007
		(€ m)
Other transactions	86,166	72,641
Current accounts	18,800	15,824
Mortgages	19,745	15,506
Credit cards and personal loans, incl. loans guaranteed by salary	11,215	8,559
Impaired assets	2,165	2,071
Finance leases	787	740
Assets sold but not derecognised	–	–
TOTAL	**138,877**	**115,341**
Loan loss provisions deducted from loans and receivables	3,780	3,570

Notes (CONTINUED)

Notes to the balance sheet (CONTINUED)

(20) Property, plant and equipment

		(€ m)
	30 SEPT. 2008	31 DEC. 2007
Assets for operational use	**2,150**	**1,751**
Owned	**2,090**	**1,698**
Land	203	185
Buildings	1,392	1,088
Equipment	159	152
Electronic systems	182	131
Other	154	142
Leased	**61**	**53**
Land	–	–
Buildings	55	53
Equipment	–	–
Electronic systems	6	–
Other	–	–
Held-for-investment assets	**253**	**252**
Owned	**253**	**252**
Land	197	197
Buildings	56	55
Other	–	–
TOTAL	**2,403**	**2,003**

(21) Intangible assets

		(€ m)
	30 SEPT. 2008	31 DEC. 2007
Goodwill	**5,530**	**3,886**
Other intangible assets	**384**	**373**
Intangible assets generated internally	149	153
Other assets	236	220
TOTAL	**5,914**	**4,258**

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

(€ m)	30 SEPT. 2008	31 DEC. 2007
Individual non-current assets	**–**	**535**
Asset groups classified as held for sale		
Financial assets held for trading	–	–
Financial assets at fair value through profit or loss	–	–
Available-for-sale financial assets	–	557
Held-to-maturity investments	–	407
Loans and receivables with banks	–	65
Loans and receivables with customers	–	95
Equity investments	–	–
Property, plant and equipment	–	3
Intangible assets	–	3
Other assets	–	62
Total	**–**	**1,192**
TOTAL ASSETS	**1**	**1,727**

(23) Deposits from banks

(€ m)	30 SEPT. 2008	31 DEC. 2007
Deposits from central banks	**7,370**	**5,448**
Deposits from banks	**49,741**	**46,997**
Current accounts and demand deposits	7,419	6,933
Time deposits	22,360	21,473
Other liabilities	19,961	18,591
TOTAL	**57,110**	**52,445**

(24) Deposits from customers

(€ m)	30 SEPT. 2008	31 DEC. 2007
Current accounts and demand deposits	41,017	34,439
Time deposits	55,482	35,323
Other liabilities	6,541	23,441
TOTAL	**103,040**	**93,203**

From 2008, savings deposits with fixed deposit periods have been included in time deposits.

Notes (CONTINUED)

Notes to the balance sheet (CONTINUED)

(25) Debt securities in issue

(€ m)	30 SEPT. 2008	31 DEC. 2007
Listed securities	**12,115**	**12,329**
Bonds	11,706	11,923
Other securities	408	406
Unlisted securities	**21,895**	**14,167**
Bonds	19,150	11,663
Other securities	2,745	2,504
TOTAL	**34,009**	**26,496**

(26) Financial liabilities held for trading

(€ m)	30 SEPT. 2008			31 DEC. 2007
	LISTED	UNLISTED	TOTAL	TOTAL
Financial liabilities	**160**	**8**	**169**	**1,248**
Deposits from banks	–	–	–	1,109
Deposits from customers	152	5	157	114
Debt securities	8	3	11	25
Derivatives	**7**	**5,725**	**5,732**	**6,194**
Financial derivatives	7	5,282	5,289	6,120
Credit derivatives	–	443	443	74
TOTAL	**167**	**5,734**	**5,901**	**7,442**

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

(€ m)	30 SEPT. 2008			31 DEC. 2007
	LISTED	UNLISTED	TOTAL	TOTAL
Deposits from banks	–	12	12	12
Deposits from customers	–	–	–	–
Debt securities	180	2,003	2,183	2,374
TOTAL	**180**	**2,016**	**2,196**	**2,386**

On balance, a positive change of € 221.1 m in the fair values of other debt securities totalling € 2,196 m was recognised in the income statement. In the first nine months of 2008, changes in fair values resulting from changes in our own funding costs (debt securities in issue, and financial liabilities at fair value through profit or loss) were € 81.7 m (same period of the previous year: € 18.5 m).

(28) Provisions

	30 SEPT. 2008	31 DEC. 2007
		(€ m)
Pensions and other post-retirement benefit obligations	**3,614**	**4,088**
Other provisions for risks and charges	**573**	**523**
Legal disputes	150	181
Other	422	341
TOTAL	**4,187**	**4,611**

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

	30 SEPT. 2008	31 DEC. 2007
		(€ m)
Liabilities associated with assets classified as held for sale		
Deposits	–	–
Securities	–	–
Other liabilities	–	103
Total	**–**	**103**
Liabilities included in disposal groups classified as held for sale		
Deposits from banks	–	–
Deposits from customers	–	1,143
Debt securities in issue	–	–
Financial liabilities held for trading	–	–
Financial liabilities at fair value through profit or loss	–	–
Other liabilities	–	1
Total	**–**	**1,144**
TOTAL LIABILITIES	**–**	**1,247**

Notes (CONTINUED)

Additional IFRS disclosures

(30) Contingent liabilities and commitments

		(€ m)
	30 SEPT. 2008	31 DEC. 2007
Financial guarantees given to:	**9,820**	**8,228**
Banks	375	1,697
Customers	9,445	6,531
Commercial guarantees given to:	**12,926**	**12,768**
Banks	2,888	2,825
Customers	10,037	9,943
Other irrevocable commitments	**16,800**	**14,224**
Credit derivatives: sales of protection	**954**	**969**
Other commitments	**7,164**	**5,731**
TOTAL	**47,664**	**41,919**

(31) 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 UniCredito Italiano 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 nine months of 2008 is € 5 m.

Employees	FIRST NINE MONTHS OF 2008	H1 2008	Q1 2008	2007
Salaried staff	66,841	67,303	60,478	44,542
Other employees	88	90	94	98
TOTAL*)	**66,929**	**67,253**	**60,572**	**44,640**
of which: in Austria	*10,454*	*10,408*	*10,255*	*10,558*
of which: abroad	*56,475*	*56,845*	*50,317*	*34,082*

*) Average full-time equivalents of staff employed in the Bank Austria Group (employees of companies accounted for under the proportionate consolidation method are included at 100 %), excluding apprentices and employees on unpaid sabbatical or maternity/paternity leave.

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

On 16 October 2008, Bank Austria and four other Austrian banks agreed to provide adequate liquidity to Constantia Privatbank AG (CPAG), a bank faced with a liquidity squeeze. For this purpose the five leading banks make available € 400 m under a guarantee of the Republic of Austria. Oesterreichische Nationalbank (OeNB), Austria's central bank, provides another € 50 m. Moreover, this consortium of banks took over all shares in CPAG; Bank Austria holds an equity interest of 24.99 %.

In October, the Austrian parliament passed legislation to strengthen the liquidity of banks by providing support to the extent of € 75 billion. A clearing agency (Oesterreichische Clearing-Bank AG) with a full banking licence was established under a partial guarantee of the Republic of Austria to handle the provision of liquidity. Bank Austria will probably take an equity interest of just under 20 % in Oesterreichische Clearing-Bank AG.

In its meeting on 6 November 2008, the Supervisory Board of Bank Austria passed a resolution to make the following change in the Management Board: Stephan Winkelmeier will succeed Thomas Gross as a member of the Management Board and will be responsible for risk management.

(33) Segment reporting

As in previous periods, the primary segment reporting format is based on the internal reporting structure of business segments, which reflects management responsibilities in the Bank Austria Group in 2008. The business segments are presented as independent units with their own capital resources and responsibility for their own results. This also complies with the requirements of IFRS 8.

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

Retail
Responsibility for the Retail Division covers Bank Austria's business with private customers and small businesses and the credit card business.

Private Banking & Asset Management
The Private Banking & Asset Management Division comprises the subsidiaries Bank Privat, Schoellerbank AG, Asset Management Gesellschaft AMG and Pioneer Investments Austria.

Corporates
The Corporates Division covers the sub-segment Large Corporates (multinational corporates, financial institutions, public sector) and Real Estate, business with medium-sized companies and customers using specific products (e. g. derivatives) as well as the activities of BA-CA Wohnbaubank AG and the BA-CA Real Invest Group. The leasing business of the Bank Austria Creditanstalt Leasing Group was transferred to UniCredit Global Leasing with effect from July 2007. In exchange, Bank Austria received a 32.59 % shareholding interest in that company which is accounted for under the equity method.

CEE
The CEE business segment includes the commercial banking units of the Bank Austria Group in the region of Central and Eastern Europe. From 2007, the CEE segment also includes the units in Central and Eastern Europe and in Turkey which were transferred from UniCredit and HVB to the Bank Austria Group. Corporate finance business for CEE customers was transferred to the Markets & Investment Banking Division. JSC ATF Bank was included in the group of consolidated companies as from December 2007 and Ukrsotsbank was included as from January 2008.

Markets & Investment Banking
The Markets & Investment Banking Division essentially comprises the treasury activities of the Bank Austria Group; the trading activities were hived down by Bank Austria to UniCredit CAIB AG. The equity interests in Aton International Limited and Aton Broker were included in the group of consolidated companies and allocated to the MIB Division as from August 2007.

Corporate Center
"Corporate Center" covers all equity interests that are not assigned to other segments. 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 earned by the respective segment. In addition to the cost/income ratio, the return on equity is one of the key ratios used for controlling the business segments. The segment reporting data also show the net profit after tax.

The interest rate applied to investment of equity allocated to the business segments corresponds to the 3-month EURIBOR plus a margin of the average 5-year UniCredit credit spread. The rate applied to the business segments for investment of equity is determined for one year as part of the budgeting process. A uniform rate of 3.8 % is applied to loans on which interest is not accrued and to writedowns.

Overhead costs are allocated proportionately to direct and indirect costs of the business segments.

Capital allocated to the business segments in Bank Austria is based on the Core Tier 1 capital ratio on the basis of planned risk-weighted assets. The bank uses differentiated percentage rates according to the individual business segments:

Retail	6.00 %
Private Banking & Asset Management	5.90 %
Corporates	6.45 %
CEE	6.45 %
Markets & Investment Banking	6.45 %
Corporate Center	6.80 %

Capital allocation to subsidiaries reflects actual IFRS capital. In the CEE Division and in the MIB Division, the IFRS capital of subsidiaries exceeds the capital calculated on the basis of risk-weighted assets. This effect is reflected in the Corporate Center, leading to a negative amount being shown as average equity for the Corporate Center.

Notes (CONTINUED)

Additional IFRS disclosures (CONTINUED)

Segment reporting 1–9 2008 / 1–9 2007 (€ m)

		RETAIL DIVISION	PBAM DIVISION	CORPORATES DIVISION	CEE DIVISION	MIB DIVISION	CORPORATE CENTER	BANK AUSTRIA GROUP
Net interest income	**1–9 2008**	**541**	**15**	**480**	**2,249**	**477**	**–147**	**3,615**
	1–9 2007	**572**	**13**	**483**	**1,518**	**195**	**76**	**2,857**
Net fees and commissions	1–9 2008	361	76	218	857	57	–10	1,559
	1–9 2007	416	96	277	681	115	–11	1,574
Net trading, hedging and fair value loss/income	1–9 2008	–3	1	–	207	–379	–103	–278
	1–9 2007	3	1	–	125	31	21	180
Net other expenses/income	1–9 2008	–22	26	–2	99	–2	63	161
	1–9 2007	–26	27	34	93	10	33	171
Net non-interest income	**1–9 2008**	**335**	**102**	**217**	**1,163**	**–325**	**–50**	**1,442**
	1–9 2007	**393**	**124**	**311**	**899**	**155**	**43**	**1,925**
OPERATING INCOME	**1–9 2008**	**877**	**118**	**697**	**3,412**	**152**	**–197**	**5,057**
	1–9 2007	**965**	**137**	**794**	**2,417**	**350**	**119**	**4,783**
OPERATING EXPENSES	**1–9 2008**	**–646**	**–72**	**–194**	**–1,620**	**–149**	**–213**	**–2,894**
	1–9 2007	**–698**	**–74**	**–276**	**–1,204**	**–154**	**–**	**–2,405**
OPERATING PROFIT	**1–9 2008**	**231**	**45**	**503**	**1,791**	**3**	**–410**	**2,163**
	1–9 2007	**267**	**63**	**519**	**1,213**	**196**	**120**	**2,377**
Goodwill impairment	1–9 2008	–	–	–	–	–	–	–
	1–9 2007	–	–	–	–	–	–	–
Provisions for risks and charges	1–9 2008	–	–	–	–44	–	5	–39
	1–9 2007	3	–1	–1	–45	–	2	–41
Restructuring costs	1–9 2008	–	–	–	1	–	–1	–
	1–9 2007	–	–1	–	–18	–	–1	–20
Net writedowns of loans and provisions for guarantees and commitments	1–9 2008	–160	–	19	–323	–20	–	–483
	1–9 2007	–166	1	–40	–149	–1	–	–355
Net income from investments	1–9 2008	1	8	–70	109	1	362	411
	1–9 2007	14	2	–12	25	3	187	219
PROFIT BEFORE TAX	**1–9 2008**	**72**	**54**	**451**	**1,534**	**–15**	**–44**	**2,052**
	1–9 2007	**117**	**64**	**466**	**1,027**	**198**	**308**	**2,180**
Income tax	1–9 2008	–16	–14	–95	–305	6	113	–312
	1–9 2007	–26	–15	–94	–189	–41	18	–348
NET PROFIT	**1–9 2008**	**56**	**41**	**356**	**1,228**	**–9**	**69**	**1,740**
	1–9 2007	**92**	**48**	**372**	**837**	**158**	**325**	**1,832**
RWA credit and market risk	**1–9 2008**	**15,694**	**447**	**33,568**	**67,052**	**6,729**	**4,884**	**128,374**
	1–9 2007	**16,294**	**454**	**30,816**	**45,123**	**4,853**	**4,009**	**101,549**
Average equity[1)]	1–9 2008	977	189	2,467	9,397	4,908	–2,469	15,468
	1–9 2007	1,024	194	2,267	6,960	914	2,351	13,709
ROE before tax in %	*1–9 2008*	*9.9*	*38.1*	*24.4*	*21.8*	*–0.4*	*n. m.*[2)]	*17.7*
	1–9 2007	*15.3*	*43.7*	*27.4*	*19.7*	*28.9*	*n. m.*	*21.2*
ROE after tax in %	*1–9 2008*	*7.7*	*28.6*	*19.2*	*17.4*	*–0.3*	*n. m.*	*15.0*
	1–9 2007	*11.9*	*33.2*	*21.9*	*16.0*	*23.0*	*n. m.*	*17.8*
Cost/income ratio in %	*1–9 2008*	*73.7*	*61.4*	*27.8*	*47.5*	*97.7*	*n. m.*	*57.2*
	1–9 2007	*72.3*	*54.3*	*34.7*	*49.8*	*44.0*	*n. m.*	*50.3*
Risk/earnings ratio in %	*1–9 2008*	*29.5*	*n. m.*	*3.9*	*14.4*	*4.1*	*n. m.*	*13.4*
	1–9 2007	*29.1*	*n. m.*	*8.3*	*9.8*	*0.5*	*n. m.*	*12.4*

1) Total of IFRS capital for the subsidiaries allocated to the respective Division and standardised capital for the rest of the respective Division / 2) Not meaningful

Segment reporting Q1 2008 / Q2 2008 / Q3 2008

(€ m)

		RETAIL DIVISION	PBAM DIVISION	CORPORATES DIVISION	CEE DIVISION	MIB DIVISION	CORPORATE CENTER	BANK AUSTRIA GROUP
Net interest income	**Q3/2008**	**184**	**6**	**163**	**814**	**176**	**–37**	**1,306**
	Q2/2008	**184**	**5**	**166**	**731**	**173**	**–76**	**1,183**
	Q1/2008	**173**	**5**	**151**	**704**	**127**	**–34**	**1,125**
Net fees and commissions	Q3/2008	113	24	64	315	11	–4	522
	Q2/2008	119	26	74	282	23	–4	518
	Q1/2008	129	27	81	261	23	–2	519
Net trading, hedging and fair value loss/income	Q3/2008	–1	–	–	98	–98	–79	–80
	Q2/2008	–2	–	–	78	–86	–46	–55
	Q1/2008	–	–	–	31	–196	22	–143
Net other expenses/income	Q3/2008	–8	8	–	40	–	25	65
	Q2/2008	–8	9	–1	34	–2	21	54
	Q1/2008	–7	8	–	24	–	16	42
Net non-interest income	**Q3/2008**	**104**	**32**	**63**	**452**	**–87**	**–58**	**507**
	Q2/2008	**109**	**35**	**73**	**394**	**–65**	**–29**	**517**
	Q1/2008	**123**	**36**	**80**	**316**	**–172**	**36**	**418**
OPERATING INCOME	**Q3/2008**	**288**	**38**	**227**	**1,267**	**89**	**–95**	**1,814**
	Q2/2008	**293**	**40**	**239**	**1,125**	**108**	**–105**	**1,700**
	Q1/2008	**296**	**40**	**231**	**1,020**	**–45**	**2**	**1,543**
OPERATING EXPENSES	**Q3/2008**	**–214**	**–23**	**–64**	**–564**	**–48**	**–91**	**–1,003**
	Q2/2008	**–217**	**–24**	**–67**	**–544**	**–50**	**–49**	**–951**
	Q1/2008	**–215**	**–26**	**–63**	**–513**	**–50**	**–73**	**–941**
OPERATING PROFIT	**Q3/2008**	**74**	**15**	**163**	**703**	**42**	**–186**	**811**
	Q2/2008	**76**	**15**	**172**	**582**	**57**	**–153**	**750**
	Q1/2008	**81**	**15**	**168**	**506**	**–96**	**–72**	**603**
Goodwill impairment	Q3/2008	–	–	–	–	–	–	–
	Q2/2008	–	–	–	–	–	–	–
	Q1/2008	–	–	–	–	–	–	–
Provisions for risks and charges	Q3/2008	–3	–	–2	–22	–	–	–27
	Q2/2008	4	–	1	–15	–	5	–5
	Q1/2008	–	–	1	–7	–	–	–7
Restructuring costs	Q3/2008	–	–	–	–2	–	–1	–2
	Q2/2008	–	–	–	7	–	–	6
	Q1/2008	–	–	–	–4	–	–1	–5
Net writedowns of loans and provisions for guarantees and commitments	Q3/2008	–53	–	42	–124	–20	–	–155
	Q2/2008	–51	–	–9	–96	–	–	–156
	Q1/2008	–56	–	–15	–103	–	–	–173
Net income from investments	Q3/2008	–	2	–61	52	–	128	121
	Q2/2008	–	4	–9	29	1	164	190
	Q1/2008	1	2	–	28	–	70	101
PROFIT BEFORE TAX	**Q3/2008**	**17**	**17**	**141**	**608**	**22**	**–58**	**748**
	Q2/2008	**29**	**20**	**155**	**506**	**58**	**16**	**785**
	Q1/2008	**26**	**17**	**154**	**420**	**–96**	**–2**	**520**
Income tax	Q3/2008	–4	–4	–29	–121	–6	39	–125
	Q2/2008	–6	–5	–34	–90	–14	48	–101
	Q1/2008	–6	–4	–33	–94	26	26	–86
NET PROFIT	**Q3/2008**	**14**	**13**	**112**	**486**	**16**	**–19**	**622**
	Q2/2008	**23**	**15**	**122**	**416**	**44**	**64**	**684**
	Q1/2008	**20**	**13**	**122**	**326**	**–70**	**24**	**434**
RWA credit and market risk	**Q3/2008**	**15,397**	**395**	**34,199**	**73,648**	**5,944**	**5,155**	**134,737**
	Q2/2008	**15,966**	**465**	**34,370**	**67,731**	**7,850**	**5,494**	**131,876**
	Q1/2008	**15,719**	**481**	**32,135**	**59,776**	**6,392**	**4,004**	**118,507**
Average equity[1)]	Q3/2008	968	189	2,526	10,580	6,043	–4,207	16,100
	Q2/2008	989	178	2,540	9,510	4,267	–2,081	15,403
	Q1/2008	975	199	2,335	8,100	4,415	–1,120	14,903
ROE before tax in %	*Q3/2008*	*7.2*	*36.9*	*22.3*	*23.0*	*1.5*	*n. m.*[2)]	*18.6*
	Q2/2008	*11.8*	*44.5*	*24.5*	*21.3*	*5.5*	*n. m.*	*20.4*
	Q1/2008	*10.6*	*33.7*	*26.5*	*20.8*	*–8.7*	*n. m.*	*13.9*
ROE after tax in %	*Q3/2008*	*5.6*	*28.2*	*17.8*	*18.4*	*1.1*	*n. m.*	*15.5*
	Q2/2008	*9.4*	*32.6*	*19.1*	*17.5*	*4.2*	*n. m.*	*17.8*
	Q1/2008	*8.0*	*25.4*	*20.9*	*16.1*	*–6.3*	*n. m.*	*11.6*
Cost/income ratio in %	*Q3/2008*	*74.4*	*59.6*	*28.2*	*44.5*	*53.4*	*n. m.*	*55.3*
	Q2/2008	*74.0*	*61.0*	*28.1*	*48.3*	*46.8*	*n. m.*	*55.9*
	Q1/2008	*72.7*	*63.6*	*27.1*	*50.3*	*–111.5*	*n. m.*	*60.9*
Risk/earnings ratio in %	*Q3/2008*	*28.9*	*n. m.*	*25.7*	*15.2*	*n. m.*	*n. m.*	*11.8*
	Q2/2008	*27.6*	*n. m.*	*5.2*	*13.2*	*n. m.*	*n. m.*	*13.2*
	Q1/2008	*32.2*	*n. m.*	*9.7*	*14.6*	*n. m.*	*n. m.*	*15.4*

1) Total of IFRS capital for the subsidiaries allocated to the respective Division and standardised capital for the rest of the respective Division / 2) Not meaningful

Information required under Austrian law

(34) Consolidated capital resources and regulatory capital requirements

Net capital resources of the Bank Austria group of credit institutions		(€ m)
	30 SEPT. 2008 BASEL II	31 DEC. 2007 BASEL I
Paid-in capital (less own shares)	1,469	1,468
Reserves and minority interests	9,370	8,912
Intangible assets	–791	–702
Core capital (Tier 1, under Basel I)	**10,048**	**9,678**
Deductions from Tier 1 capital (in particular 50 % deduction pursuant to Section 23 (13) 3 to 4d of the Austrian Banking Act)[3]	–718	
Core capital (Tier 1, under Basel II)	**9,329**	**9,678**
Net subordinated liabilities	3,623	3,893
Revaluation reserves and undisclosed reserves	132	141
Supplementary capital resources (Tier 2, under Basel I)	**3,754**	**4,034**
Deductions from Tier 2 (50 % deduction pursuant to Section 23 (13) 3 to 4d)[3]	–698	
Supplementary capital resources (Tier 2, under Basel II)	**3,057**	**4,034**
Deductions from Tier 1 and Tier 2 (under Basel II only deduction pursuant to Section 23 (13) 4a)[4]	–148	–1,153
Net capital resources (excl. Tier 3)	**12,238**	**12,559**
Tier 3 (re-assigned subordinated capital)	274	606
NET CAPITAL RESOURCES (INCL. TIER 3)	**12,512**	**13,165**

Capital requirements of the Bank Austria group of credit institutions		(€ m)
	30 SEPT. 2008 BASEL II	31 DEC. 2007 BASEL I
Basel I		
Banking book		8,833
Trading book		606
Basel II		
a) Credit risk pursuant to standardised approach	7,621	
b) Credit risk pursuant to internal ratings-based (IRB) approach	2,207	
Credit risk	9,828	
Operational risk	796	
Position risk – debt instruments, equities, foreign currencies and commodities	274	
Settlement risk	5	
CAPITAL REQUIREMENT	**10,903**	**9,439**
Total RWA	136,287	117,993

Capital ratios		
	30 SEPT. 2008 BASEL II	31 DEC. 2007 BASEL I
Tier 1 capital ratio, based on all risks	6.85 %	8.20 %
Total capital ratio, based on all risks[1]	9.18 %	11.16 %
Tier 1 capital ratio, based on credit risk	7.59 %	8.76 %
Total capital ratio, based on credit risk[2]	9.31 %	11.37 %

1) Net capital resources (incl. Tier 3) as a percentage of the risk-weighted assessment basis for all risks
2) 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
3) Capital components in non-consolidated companies and "shortfall"
4) Capital components in insurance companies

Statement by Management on the Interim Report

We confirm to the best of our knowledge that the interim 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 nine months gives a true and fair view of important events that have occurred during the first nine months of the financial year and their impact on the interim financial statements and of the principal risks and uncertainties for the remaining three months of the financial year.

Vienna, 3 November 2008

The Management Board

Erich Hampel
(Chairman)

Helmut Bernkopf

Federico Ghizzoni

Werner Kretschmer

Ralph Müller

Carlo Vivaldi

Robert Zadrazil

Additional Information

Income statement of the consolidated banking subsidiaries in CEE

(€ m)	TURKEY*)			RUSSIA			CROATIA		
	1–9 08	1–9 07	%	1–9 08	1–9 07	%	1–9 08	1–9 07	%
Net interest income	**436.6**	**373.6**	**+17%**	**362.0**	**255.7**	**+42%**	**278.3**	**208.8**	**+33%**
Net fee and commission income	241.8	182.6	+32%	97.7	80.5	+21%	100.7	86.4	+17%
Net trading, hedging and fair value income	18.8	20.6	–9%	–2.0	–9.1	–78%	19.0	15.6	+22%
Net other income/expenses	40.9	31.0	+32%	7.3	4.1	+77%	40.4	54.5	–26%
Net non-interest income	**301.4**	**234.3**	**+29%**	**102.9**	**75.5**	**+36%**	**160.2**	**156.5**	**+2%**
OPERATING INCOME	**738.0**	**607.9**	**+21%**	**464.9**	**331.3**	**+40%**	**438.5**	**365.4**	**+20%**
OPERATING EXPENSES	**–348.6**	**–302.8**	**+15%**	**–177.3**	**–124.6**	**+42%**	**–215.0**	**–186.2**	**+15%**
OPERATING PROFIT	**389.3**	**305.1**	**+28%**	**287.6**	**206.7**	**+39%**	**223.5**	**179.1**	**+25%**
Provisions for risks and charges	–42.4	–43.6	–3%	0.0	–0.7	n. m.	–0.2	–0.4	–50%
Net writedowns on loans	–29.2	–33.4	–13%	–61.1	–31.7	+93%	–1.2	3.5	–>100%
Net income from investments	11.6	10.0	+15%	2.5	0.0	–	10.5	–0.3	n. m.
Integration costs	0.0	0.0	–	0.0	0.0	–	–0.1	0.0	n. m.
PROFIT BEFORE TAX	**329.3**	**238.1**	**+38%**	**228.9**	**174.3**	**+31%**	**232.6**	**182.0**	**+28%**
Cost/income ratio	47.6%	51.0%		38.1%	37.6%		49.0%	51.0%	
Exchange rate	1.866	1.807		36.573	34.792		7.240	7.341	
Appreciation/depreciation against the euro	–3.2%			–4.9%			+1.4%		

(€ m)	CZECH REPUBLIC			SLOVAKIA			SLOVENIA		
	1–9 08	1–9 07	%	1–9 08	1–9 07	%	1–9 08	1–9 07	%
Net interest income	**196.5**	**147.9**	**+33%**	**78.4**	**60.9**	**+29%**	**33.4**	**25.5**	**+31%**
Net fee and commission income	81.0	83.1	–2%	22.4	17.9	+25%	15.1	13.2	+15%
Net trading, hedging and fair value income	2.1	3.4	–38%	19.1	18.7	+2%	–0.4	2.3	–>100%
Net other income/expenses	0.1	0.0	>100%	1.3	2.2	–41%	2.6	0.3	>100%
Net non-interest income	**83.3**	**86.5**	**–4%**	**42.8**	**38.8**	**+11%**	**17.2**	**15.8**	**+9%**
OPERATING INCOME	**279.7**	**234.3**	**+19%**	**121.2**	**99.7**	**+22%**	**50.6**	**41.3**	**+22%**
OPERATING EXPENSES	**–120.6**	**–107.8**	**+12%**	**–56.0**	**–48.3**	**+16%**	**–25.5**	**–21.4**	**+19%**
OPERATING PROFIT	**159.2**	**126.5**	**+26%**	**65.2**	**51.3**	**+27%**	**25.1**	**19.9**	**+26%**
Provisions for risks and charges	0.3	0.2	+64%	1.0	–0.4	n. m.	0.0	–0.1	–92%
Net writedowns on loans	–23.3	–13.5	+73%	–3.7	–4.3	–13%	–4.5	–3.4	+33%
Net income from investments	25.8	0.1	>100%	0.9	–1.6	n. m.	1.4	–0.6	n. m.
Integration costs	–4.3	–5.7	–24%	0.0	–0.3	–100%	–1.1	–0.9	+25%
PROFIT BEFORE TAX	**157.7**	**107.7**	**+46%**	**63.3**	**44.8**	**+41%**	**21.0**	**15.0**	**+39%**
Cost/income ratio	43.1%	46.0%		46.2%	48.5%		50.4%	51.8%	
Exchange rate	24.814	28.080		31.566	33.892		1.000	1.000	
Appreciation/depreciation against the euro	+13.2%			+7.4%			0.0%		

*) pro quota
n. m. = not meaningful

	BULGARIA			ROMANIA			HUNGARY			KAZAKHSTAN	UKRAINE
	1–9 08	1–9 07	%	1–9 08	1–9 07	%	1–9 08	1–9 07	%	1–9 08	1–9 08
	172.4	**144.2**	**+19%**	**78.8**	**69.9**	**+13%**	**121.3**	**113.4**	**+7%**	**162.6**	**181.8**
	57.9	55.1	+5%	45.8	64.6	−29%	66.3	59.1	+12%	34.1	59.1
	−6.8	−0.7	>100%	96.7	59.5	+63%	7.8	11.1	−30%	19.2	26.8
	0.3	1.8	−84%	0.4	−2.6	n.m.	0.4	−0.3	n.m.	0.1	1.3
	51.4	**56.1**	**−9%**	**142.9**	**121.5**	**+18%**	**74.6**	**69.9**	**+7%**	**53.4**	**87.1**
	223.7	**200.4**	**+12%**	**221.7**	**191.3**	**+16%**	**195.8**	**183.3**	**+7%**	**216.0**	**268.9**
	−95.5	**−79.3**	**+20%**	**−112.2**	**−97.3**	**+15%**	**−102.3**	**−89.9**	**+14%**	**−82.6**	**−118.2**
	128.2	**121.1**	**+6%**	**109.5**	**94.0**	**+17%**	**93.5**	**93.4**	**+0%**	**133.4**	**150.7**
	0.1	0.6	−78%	−0.6	−0.6	−7%	0.1	0.0	–	0.0	−1.8
	−18.2	−19.5	−7%	−24.3	−12.8	+90%	−15.4	−14.2	+8%	−85.4	−40.9
	4.1	7.0	−41%	4.3	−0.5	n.m.	44.4	12.6	>100%	1.3	−0.2
	9.2	−3.0	n.m.	0.0	−3.4	n.m.	−1.1	−3.2	−65%	0.0	0.0
	123.5	**106.1**	**+16%**	**88.9**	**76.7**	**+16%**	**121.5**	**88.6**	**+37%**	**49.4**	**107.8**
	42.7%	39.6%		50.6%	50.9%		52.2%	49.1%		38.2%	43.9%
	1.956	1.956		3.638	3.297		247.562	250.847		183.147	7.428
	+0.0%			−9.4%			+1.3%				

	BOSNIA			SERBIA			BALTICS			CEE BANKS TOTAL		
	1–9 08	1–9 07	%	1–9 08	1–9 07	%	1–9 08	1–9 07	%	1–9 08	1–9 07	%
	57.4	**56.7**	**+1%**	**37.6**	**25.9**	**+45%**	**16.0**	**10.7**	**+50%**	**2,212.8**	**1,493.3**	**+48%**
	22.6	23.7	−5%	14.8	12.9	+15%	0.6	0.3	+84%	860.0	679.5	+27%
	4.5	2.7	+64%	4.3	4.1	+4%	−1.3	−2.1	−36%	207.7	126.2	+65%
	1.8	−0.1	n.m.	−0.6	−0.1	>100%	1.2	−0.1	n.m.	97.6	90.7	+8%
	28.9	**26.4**	**+10%**	**18.5**	**16.9**	**+10%**	**0.6**	**−1.8**	**n.m.**	**1,165.2**	**896.4**	**+30%**
	86.3	**83.1**	**+4%**	**56.1**	**42.8**	**+31%**	**16.6**	**8.9**	**+86%**	**3,378.0**	**2,389.7**	**+41%**
	−59.1	**−54.6**	**+8%**	**−24.1**	**−21.1**	**+14%**	**−10.1**	**−6.3**	**+59%**	**−1,546.9**	**−1,139.8**	**+36%**
	27.3	**28.5**	**−4%**	**32.0**	**21.7**	**+48%**	**6.5**	**2.6**	**>100%**	**1,831.1**	**1,249.8**	**+47%**
	−0.6	−0.2	>100%	0.0	−0.2	−100%	0.0	0.0	–	−44.1	−45.3	−3%
	−5.3	0.8	n.m.	−4.3	−2.0	>100%	−2.4	0.6	n.m.	−319.2	−129.9	>100%
	2.2	0.7	>100%	0.0	0.2	−100%	0.0	0.2	−100%	108.7	27.8	>100%
	−2.0	−1.6	+28%	0.0	0.0	–	0.0	0.0	–	0.6	−18.0	n.m.
	21.5	**28.2**	**−24%**	**27.8**	**19.6**	**+41%**	**4.1**	**3.4**	**+21%**	**1,577.3**	**1,084.5**	**+45%**
	68.4%	65.7%		42.9%	49.4%		61.0%	71.4%		45.8%	47.7%	
										14.4%	8.70%	
	1.956	1.956		80.233	80.389		0.701	0.700				
	+0.0%			+0.2%			−0.1%					

Ratings, Investor Relations

Ratings	LONG-TERM	SUBORDINATED LIABILITIES	SHORT-TERM
Moody's[1)]	Aa2	Aa3	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 rating remain rated AA+.

Investor Relations of UniCredit Bank Austria AG	
Am Hof 2, 1010 Vienna, Austria	
Tel: (+ 43) (0)5 05 05-527 74	Fax: (+ 43) (0)5 05 05-500 32
e-mail: IR@unicreditgroup.at	Internet: http://ir.bankaustria.at
Günther Stromenger Tel: (+ 43) (0)5 05 05-872 30	
Thomas Kirin Tel: (+ 43) (0)5 05 05-527 74	

Financial calendar	
Middle of March 2009	Full-year results for 2008
All information is available electronically at http://ir.bankaustria.at	

Published by
UniCredit Bank Austria AG
A-1010 Vienna, Schottengasse 6 – 8
Telephone within Austria: 05 05 05-0; from abroad: (+ 43) 5 05 05-0
Fax within Austria: 05 05 05-56155; from abroad: (+ 43) 5 05 05-56155
Internet: www.bankaustria.at
e-mail: info@unicreditgroup.at
BIC: BKAUATWW
Austrian routing code: 12000
Austrian Register of Firms: FN 150714p
VAT registration number: ATU 51507409

Editor: Identity & Communications,
Michael Trischler

Photographs: UniCredit Group; Wilke, Vienna

Basic design: Mercurio S.r.L., Milan

Graphics: Horvath, Leobendorf

Printed by: Gutenberg Druck GmbH, A-2700 Wr. Neustadt

The Interim Report is available from
Bank Austria
Identity & Communications
P. O. Box 22.000
A-1011 Vienna, Austria
Telephone within Austria: 05 05 05-56148;
from abroad: + 43 5 05 05-56148 (telephone answering machine)
Fax within Austria: 05 05 05-56945; from abroad: + 43 5 05 05-56945
e-mail: pub@unicreditgroup.at
Switchboard: within Austria: 05 05 05-0; from abroad + 43 5 05 05-0

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 mentioned in the Interim 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 the Interim 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.

Disclaimer