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Interim Report at 30 September 2010

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Bank Austria at a Glance

Income statement figures

(€ m)	1–9 2010	1–9 2009	+/–
Net interest income	3,513	3,743	–6.2%
Net fees and commissions	1,480	1,335	10.8%
Net trading, hedging and fair value income	277	237	16.6%
Operating income	5,406	5,506	–1.8%
Operating expenses	–2,782	–2,693	3.3%
Operating profit	2,623	2,813	–6.8%
Profit before tax	1,094	1,224	–10.6%
Net profit without minorities	761	972	–21.8%

Volume figures

(€ m)	30 SEPT. 2010	31 DEC. 2009	+/–
Total assets	191,491	194,459	–1.5%
Loans and receivables with customers	127,663	123,602	3.3%
Primary funds	125,596	125,863	–0.2%
Shareholders' equity (excluding minorities)	17,302	13,849	24.9%
Risk-weighted assets (overall, Basel II)	127,110	114,386	11.1%

Key performance indicators

	1–9 2010	2009
Return on equity after tax (ROE)	6.20%	8.10%
Cost/income ratio	51.50%	49.90%
Risk/earnings ratio	37.40%	46.50%
Provisioning charge/avg. lending volume (cost of risk)	1.39%	1.78%
Marginal Economic Value Added	€ 210 m	€ 268 m
Marginal RARORAC	3.3%	3.3%
Total capital ratio (based on all risks, end of period)	11.76%	10.92%
Tier 1 capital ratio	9.95%	8.68%
Core Tier 1 capital ratio (Tier 1 capital ratio without hybrid capital)	9.63%	8.33%

Staff*)

	30 SEPT. 2010	31 DEC. 2009	+/–
Bank Austria (full-time equivalent)	59,462	60,594	–1.9%
Central Eastern Europe business segment	51,641	52,332	–1.3%
Other business segments	7,821	8,262	–5.3%
Austria	*7,680*	*7,992*	*–3.9%*

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

Branches*)

	30 SEPT. 2010	31 DEC. 2009	+/–
Bank Austria	3,026	3,098	–2.3%
Central Eastern Europe business segment	2,728	2,770	–1.5%
Other business segments	298	328	–9.1%
Austria	*298*	*318*	*–6.3%*

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

Interim Report at 30 September 2010

The Banking Environment

▶ In line with expectations, the dynamic catching-up process of the **global economy** in the wake of the deep recession was followed by a more moderate growth rate in the summer of 2010. World trade in industrial goods still provided a strong impetus for economic growth, driven by continued strong expansion in Asia's emerging markets. These developments benefited primarily the export-oriented economies, especially Germany and Austria, as well as the CEE countries whose economies are characterised by a high degree of integration. In these countries the upturn gradually started to spread from industry to domestic demand as employment levels improved. The first signs of a slowdown were reflected in the leading indicators in the middle of 2010. Besides the inventory cycle and the tapering off of the economic support programmes, the slowdown is a result of the need to place public finances on a sound footing. This will entail austerity measures which will curtail economic growth. In **Europe** the "public debt crisis" of the so-called peripheral countries was frequently a topic of discussion, despite the IMF's loan programmes and the support provided by the EU. Yields on government bonds again showed divergent trends: the yield on 10-year euro benchmark government bonds had fallen to a low of 2.11 % p.a. by the end of August. Despite support operations by the ECB, the risk premiums paid by debtor countries in September were higher than those paid in the dramatic weeks in May (Greece again up to 9.74 percentage points, Ireland and Portugal up to 4.70 percentage points and 4.40 percentage points at the end of September, and even higher in October). In the third quarter it was becoming increasingly evident in the **US** that neither the recovery in industrial output nor the fiscal impetus were sufficient to assure sustainable growth that would reduce unemployment. In August, the Federal Reserve responded by announcing a new phase of monetary expansion via the purchase of bonds, which led to renewed fears, but also hopes, on financial markets: the fears led to a further increase in the price of gold, which recently reached a new high of over US$ 1,400/oz., while the hopes resulted in a much stronger performance of equity markets for the first time this year (MSCI World most recently +14 % since mid-June, therefore +5 % ytd). Interest rate expectations fell sharply; the **US dollar**, which had benefited from the tarnished image of the euro (debt crisis) until the middle of the year, again depreciated by 16 % from the beginning of June (1.1875 USD/EUR) until the middle of October (1.4157 USD/EUR), returning close to levels seen at the beginning of the year. The Swiss franc, like the gold price, appreciated against the euro (by 16 % in the course of the year, to 1.2757 on 8 September) … the yen followed a similar course, appreciating by 26 % against the euro in the course of the year, to reach 105.35 on 24 August.

▶ The boost from foreign demand, which spurred economic activity in **Austria** in the second quarter of 2010 to quarter-on-quarter growth of 1.2 %, remained intact in the third quarter: we again expect growth of up to 1 % compared with the preceding quarter. In addition to the unabated demand for exports, domestic economic activity has gathered momentum. Retail sales have risen sharply, supported by an almost 1.5 % decline in unemployment over the preceding quarter and a 1/3 per cent rise in employment. The buoyant sentiment in industry, whose capacity utilisation of 82 % – unparalleled in the euro area – is above the multi-year average, has recently resulted in stronger investment activity. In Austria, lending volume – adjusted for the appreciation of the Swiss franc – stagnated in the summer. Personal loans declined slightly, while demand for business loans accelerated somewhat. Interest rates on new business have remained relatively stable in 2010, which resulted in a slight narrowing of margins in lending business as reference rates rose slowly, but steadily. Deposit volume has been stagnating (both retail and corporate deposits), and sharp declines are particularly apparent in the area of short-term deposits in light of the low interest rates. Mutual funds are again recording net inflows. In general terms, however, monetary wealth formation by private households was weak. This is attributable to two factors: the decline of the savings ratio (forecast for 2010: below 10 % after 11.1 % in the previous year), and some private households are switching from bullet maturity loans to loans with regular repayments, with a dampening impact on lending volume and monetary wealth.

▶ The upturn under way in **Central and Eastern Europe** (CEE) continued in the third quarter of 2010, supported by foreign trade, export-oriented industry and more buoyant domestic economic activity in some of the key economies. The Purchasing Managers' Index for the CEE region most recently climbed to its highest level since the second quarter of 2007, although there are significant regional variations. The countries leading the cycle were the large economies which are characterised by a high degree of autonomy, with Turkey in first place: Turkey's GDP has again exceeded the pre-crisis level, and asset quality in the country has even improved. Among the export-oriented countries, the industrial sectors of the Czech Republic and Slovakia experienced strong growth, while Hungary is an exception due to the long time taken to reduce the public budget deficit. The adjustment recession was still under way in Romania, and non-performing loans increased (foreign currency loans). In Bulgaria, the business sector is highly indebted and impacted by business operations in Greece. Croatia has more or less emerged from the downturn, but the extent of the upswing depends on the progress made in negotiations for EU accession. – The CEE region again began to record capital inflows during the year. This was achieved through the countries' relatively low debt levels and the timely implementation of austerity measures. CEE was not affected by the "debt crisis", and was targeted for extensive portfolio investments, in some cases more than was desirable. Moreover, CEE currencies came under pressure to appreciate. Weighted by the contribution to Bank Austria's operating profit, currencies appreciated by 5 % in average terms (first nine months compared to the same period of 2009). Currency appreciation was most pronounced in Russia (+11.5 %), followed by Turkey (+7.5 %), Ukraine (4.8 %) and the Czech Republic (4.5 %). The standby facilities of the IMF provided countries with high foreign debt with sufficient leeway for internal adjustments. Kazakhstan's economic growth data, which are supported by exports and infrastructure improvements, are favourable (about 8 %). The country is again benefiting from the influx of direct investments, but completing the restructuring of its banking sector will take time and resources.

Bank Austria in the first nine months of 2010

Overview

The steady upward trend seen in Bank Austria's performance since the middle of 2009 continued in the third quarter of 2010. A year ago – in the third and fourth quarters of 2009 – volume, revenues and profits fell to low levels in the wake of the global financial market crisis and the deep recession. Since then operating performance has improved in both Austria and CEE; however, the dynamic pace and the levels achieved in pre-crisis years are out of reach in the foreseeable future. The non-operating components of the income statement, mainly net writedowns of loans and provisions for guarantees and commitments, have also clearly recovered from the negative impacts in the second half of 2009 but they have not yet returned to their normal levels. Regional differences among operations in the 18 countries for which we are responsible have widened. Most recently, a particularly strong contribution to the upswing has come from the larger countries, where economic developments show a relatively high degree of autonomy; in some CEE countries, on the other hand, the restructuring process in the banking sector is still under way. Over the past few quarters we have achieved further improvements in the structure of the income statement and the balance sheet; they now exclusively reflect commercial banking business with customers and the related overall bank functions. UniCredit has significantly strengthened Bank Austria's capital base through a capital increase without recourse to state aid programmes. This means that Bank Austria is well placed for further targeted expansion and for meeting the forthcoming stricter regulatory requirements.

● **Favourable trend from quarter to quarter: profit before tax** for the third quarter of 2010 was € 450 m, up by 27 % on the second quarter. At this level, profit before tax was more than two and a half times the figure for the third quarter of the previous year (Q3 2009: € 176 m). Consolidated profit (net profit attributable to the owners of Bank Austria) for Q3 2010 reached € 302 m, an increase of 39 % over the preceding quarter and more than double the figure recorded a year earlier (Q3 2009: € 139 m). This was the best quarterly performance since Q1 2009, a period in which the strong reduction of interest rates and the performance from fixed-income and foreign-exchange trading produced exceptionally high revenues in CEE.

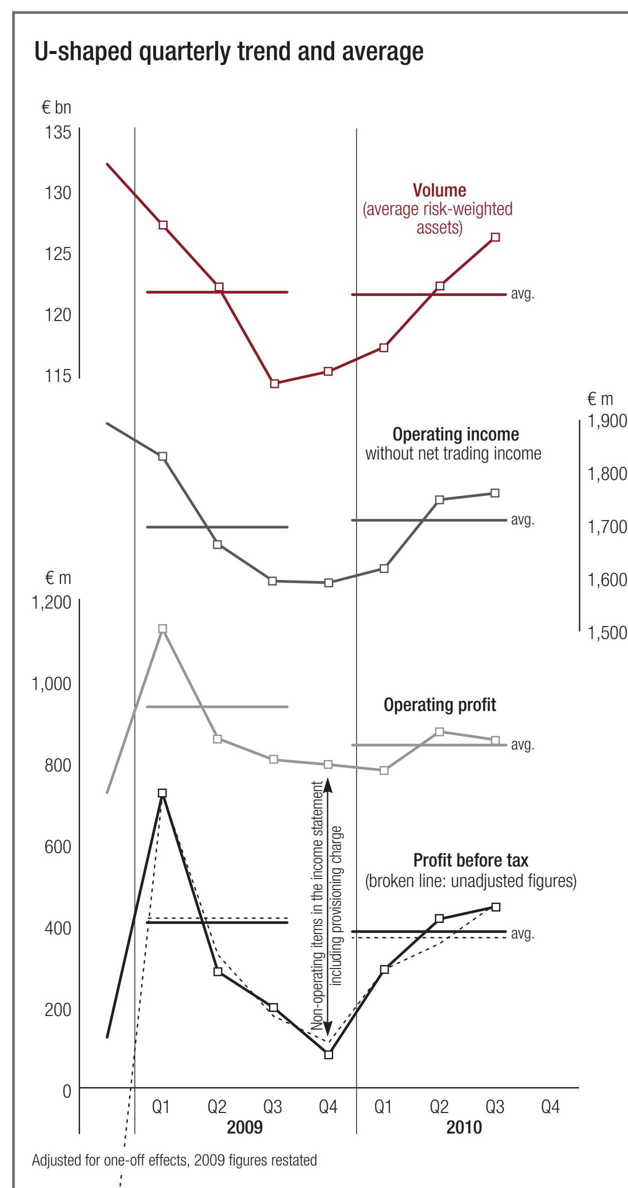
(€ m)	Q3 2010	CHANGE OVER Q2 2010	CHANGE OVER Q3 2009	1–9 2010	CHANGE OVER 1–9 2009
Operating income	1,804	–5%	+7%	5,406	–2%
Operating profit	863	–12%	+10%	2,623	–7%
Profit before tax	450	+27%	>100%	1,094	–11%
Consolidated profit*)	302	+39%	>100%	761	–22%

*) Net profit attributable to the owners of Bank Austria (net profit less minorities)

● **Comparison of the first nine months of 2010 with the same period of the previous year:** profit before tax for the first nine months exceeded one billion euros. At **€ 1,094 m**, it was 11 % lower than the figure for the same period of 2009. **Consolidated profit** for the first nine months of 2010 was **€ 761 m**, down by 22 % from the comparable period of the previous year.

● **Special effects:** When comparing the first nine months of 2010 with the same period of the previous year, one should note the favourable base effect resulting from high trading-related interest income in the first quarter of 2009 (and to a lesser extent also in the second quarter of 2009). The trading activities of the former UniCredit CAIB, which are now included in "Counterparts" following organisational changes, account for a decline of € 360 m in net interest income; excluding this effect, profit before tax rose strongly, by 19 %, compared with the first nine months of the previous year. Moreover, the CEE business segment generated a particularly strong

U-shaped quarterly trend and average



Adjusted for one-off effects, 2009 figures restated

trading performance in the first few months of the previous year, driven by temporarily high volatility in interest rates and exchange rates in Central and Eastern Europe.

Also to be noted is the charge for goodwill impairment (a substantial € 167 m in Q2 2010, € 3 m in Q3 2010); without these valuation-induced adjustments, profit before tax would have increased even more strongly compared with the previous year.

● Apart from these special effects, the **U-shaped quarterly trend in 2009/2010** was the main reason why the major income items and profits (on a cumulative basis for the first nine months) were lower than in the previous year although they improved strongly in the past three or four quarters (see chart on page 5).

● **Higher revenues, lower provisioning charge:** the upward trend from quarter to quarter over the past year is attributable to operating performance – i.e. volume, net interest income and net fees and commissions – and declining net writedowns of loans and provisions for guarantees and commitments.

▶ **Operating income** has shown a rising trend since the third quarter of 2009: in Q3 2010 it was 7% higher than a year earlier. Operating income in the first nine months of 2010 was only 2% lower than in the same period of the previous year, which was characterised by a strong revenue performance driven by exceptionally high income in the first few months of 2009. The appreciation of important CEE currencies (Russia, Turkey, Ukraine) had a positive effect on growth rates in a year-on-year comparison of third-quarter figures and figures for the first nine months, without changing the overall picture. Adjusted for exchange rate effects from the translation of CEE income statement figures, operating income in the first nine months was about 4% below the previous year's level.

The upward trend in quarterly performance was supported by a steady increase in **net interest** in a narrower sense (Q3 2010/Q3 2009: +4%). Volume recovered in line with the U-shaped time profile described above (risk-weighted assets up by 10%, lending volume up by 4%), reaching the level seen at the beginning of 2009. The interest margin (net interest/average lending volume) also improved, mainly in CEE and in the Corporate Center (lower expense for funding and liquidity). In CEE, this helped to offset the temporary downturn in the first half of 2010, when credit spreads for CEE were at high levels. In Austria, the situation was different: the exceptionally good result at the beginning of 2009 was followed by a return to normal levels, with a subsequent moderate recovery of volume and margins. As economic growth slowed to a moderate rate in summer 2010, the growth momentum weakened in Q3 compared with the preceding quarter. **Net non-interest income** rose more strongly (Q3 figure up by 19% on a year earlier/figure for the first nine months up by 7% on the same period of the previous year). This was mainly due to net fees and commissions, which recovered in all regions and in commercial banking business from the low level to which it had fallen in the past two years (+13% in a Q3 comparison/+11% in a comparison of figures for the first nine months). The swing of the net trading result into positive territory – valuation results led to a negative net trading performance in the third quarter of 2009 – also contributed to revenue growth from Q3 2009 to Q3 2010.

After significant cost savings in 2008 and 2009, **costs** remained under control in 2010 (Q3 2010 up by 5% on Q3 2009; first nine months of 2010 up by 3% on the same period of the previous year). **Operating profit** for the third quarter of 2010 was 10% higher than in Q3 2009, while the figure for the first nine months of 2010 was down by 7%, reflecting a strong performance in the early part of 2009.

▶ **Lower burdens arising from non-operating items:** Most of the improvement in profits came from the non-operating items between operating profit and profit before tax: in the third quarter of 2010, the net impact of these items was about one-third lower than a year earlier (down by € 197 m) as the provisioning charge moved to a high level in the third quarter of 2009 (to peak in the fourth quarter of 2009). The decline in the net figure for non-operating items in the first nine months of 2010 compared with the same period of the previous year was less pronounced (down by € 60 m). Net writedowns of loans and provisions for guarantees and commitments decreased by € 299 m, but this was partly offset by other charges in 2010, especially goodwill impairment and additions to provisions for risks and charges in the first half of 2010.

Net writedowns of loans and provisions for guarantees and commitments remained high, absorbing 48% of operating profit in the third quarter of 2010 and 50% in the first nine months of 2010. The cost of risk (provisioning charge measured as a proportion of average loans to customers) was 130 basis points in the third quarter of 2010 and 139 basis points in the first nine months of 2010. In Central and Eastern Europe as a whole, asset quality did not improve to any significant extent but did not deteriorate as in the previous year. The overall picture reflects regional divergence: in some countries which are far ahead in the credit cycle, the current provisioning charge declined considerably; in Turkey, where large additions to provisions were made in the previous year, there was even a net release of provisions in the first nine months of 2010. In South-East Europe, the cost of risk has risen this year, though at average rates. Kazakhstan and Ukraine (including the guarantees booked in the Vienna-based CEE headquarters) still account for one half of the high net writedowns of loans and provisions for guarantees and commitments, even if net additions to provisions declined (–13%).

● **Moderate upswing, weak demand, profitability still below multi-year standards:** Bank Austria's business in the past quarters has developed largely in line with the economic environment. The sharp economic downturn in 2009 was followed by a pronounced countermovement and subsequently, around the middle of 2010, by a moderate upward trend though growth rates appeared to be relatively high. Credit demand in Austria is stagnating, the savings ratio is declining

and risk tolerance is low. The momentum of revenue growth has thus weakened from the second to the third quarter. In CEE, too, business is not yet expanding at the usual pace, reflecting domestic demand trends and the adjustment of external trade. Interest margins have recently narrowed again in Austria and CEE. At the same time, there is a need to strengthen the capital base to take account of rising risk and stricter regulatory requirements. This means that banks' return on equity – including that of Bank Austria – is under pressure: in the foreseeable future it will be below the pre-crisis levels demanded by investors and delivered by banks. In the third quarter of 2010, ROE after tax (without minorities) was 7.1 % p.a. compared with 4.1 % a year earlier; ROE for the first nine months of 2010 was 6.2 % after 9.6 %. This compares with a multi-year average (2005 to 2009) of 14 %.

● **Improvement of balance sheet structure, strong capital base:** The sale of UniCredit CAIB is reflected in the balance sheet. Total assets were € 191.5 bn, down by 1.5 % from the year-end 2009 level. Interbank business and trading positions on both sides of the balance sheet were further reduced. Loans and receivables with customers accounted for 66.7 % of total assets, up from 63.6 %, primary funds (deposits from customers and debt securities in issue) represented 65.6 % of the balance sheet total, rising from 64.7 %. This shows that the balance sheet is dominated by customer business. The **leverage** ratio (total assets/equity) continued to decline from 13.5 to 10.7; at the end of 2008 it stood at 15.6. IFRS **equity** increased by 24 % to € 17.9 bn, driven by the capital increase, current profits and the favourable development of foreign currency translation and reserves in accordance with IAS 39 in the first nine months of 2010. The bank's **capital resources** (in accordance with the Austrian Banking Act without profits generated during the current year) also rose strongly compared with the end of 2009: Tier 1 capital increased by 27 % to € 12.6 bn; this growth rate was significantly higher than that of risk-weighted assets (+ 11 %). The Tier 1 capital ratio based on all risks under Basel II was **9.95 %** at the end of September 2010, up from 8.68 % at the end of 2009; the total capital ratio reached **11.76 %** after 10.92 %.

Condensed income statement of Bank Austria*)

(€ m)

	Q3 2010	Q3 2009	CHANGE € M	CHANGE IN %	1–9 2010	1–9 2009	CHANGE € M	CHANGE IN %
Net interest	1,183	1,137	+46	+4%	3,401	3,642	–241	–7%
Dividend income	4	6	–3	–43%	16	36	–20	–54%
Other income from equity investments	26	43	–17	–40%	95	65	+30	+47%
Net interest income	**1,212**	**1,186**	**+26**	**+2%**	**3,513**	**3,743**	**–231**	**–6%**
Net fees and commissions	492	436	+56	+13%	1,480	1,335	+145	+11%
Net trading, hedging and fair value income	43	–34	+77	n.m.	277	237	+39	+17%
Net other expenses/income	57	95	–37	–40%	136	191	–54	–28%
Net non-interest income	**592**	**496**	**+96**	**+19%**	**1,893**	**1,763**	**+130**	**+7%**
OPERATING INCOME	**1,804**	**1,683**	**+121**	**+7%**	**5,406**	**5,506**	**–101**	**–2%**
Payroll costs	–493	–464	–28	+6%	–1,441	–1,430	–11	+1%
Other administrative expenses	–371	–355	–16	+5%	–1,106	–1,020	–86	+8%
Recovery of expenses	1	0	+0	+82%	1	1	+0	+34%
Amortisation, depreciation and impairment losses on tangible and intangible assets	–79	–79	+0	–0%	–237	–244	+7	–3%
OPERATING EXPENSES	**–942**	**–898**	**–44**	**+5%**	**–2,782**	**–2,693**	**–89**	**+3%**
OPERATING PROFIT	**863**	**785**	**+77**	**+10%**	**2,623**	**2,813**	**–190**	**–7%**
Goodwill impairment	–3	–1	–2	>100%	–170	–1	–169	>100%
Provisions for risks and charges	–13	–27	+14	–52%	–103	–50	–53	>100%
Restructuring costs	–1	–1	+0	–31%	–3	–5	+2	–39%
Net writedowns of loans and provisions for guarantees and commitments	–418	–603	+185	–31%	–1,314	–1,612	+299	–19%
Net income from investments	22	23	–1	–5%	61	79	–18	–23%
PROFIT BEFORE TAX	**450**	**176**	**+274**	**>100%**	**1,094**	**1,224**	**–130**	**–11%**
Income tax	–131	–17	–114	>100%	–296	–204	–92	+45%
NET PROFIT	**319**	**159**	**+160**	**+100%**	**798**	**1,020**	**–221**	**–22%**
Net profit attributable to the parent company	302	139	+163	+117%	761	972	–212	–22%
Minorities	17	20	–3	–16%	38	47	–9	–20%

n.m. = not meaningful

*) Bank Austria's income statement as presented in this table is a reclassified format corresponding to the format used for segment reporting.
See notes (38) and (39) on pages 49 to 56 of this report.

Details of the income statement

Quarter-to-quarter developments in the past year showed a relatively steady upward trend. The first nine months of 2010 were, however, characterised by divergent scenarios.

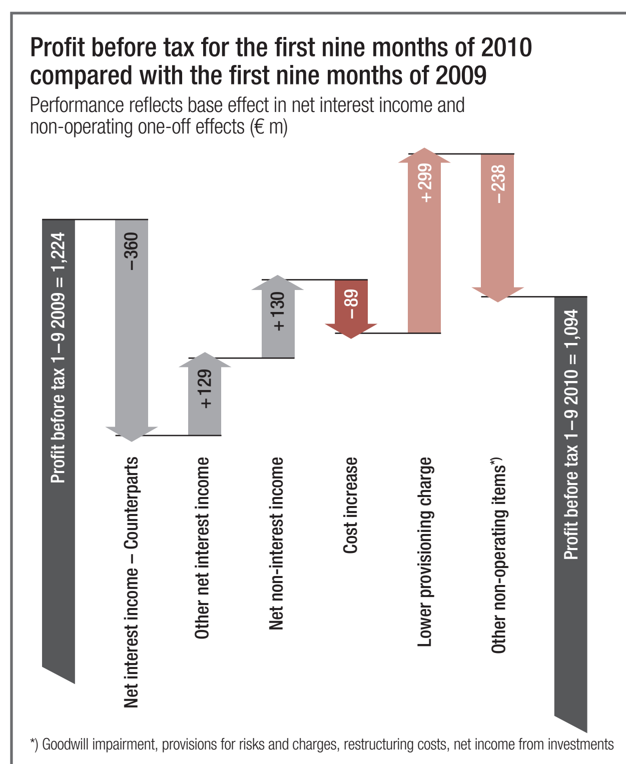
▶ A **comparison with 2009** highlights the partly dramatic events of that year and the improvement in the current year. A year ago, the economy was in the trough of the deepest recession in the past six decades. Moreover, there were doubts about the resilience of the young economies in Central and Eastern Europe which are within the perimeter of Bank Austria's operations. Excessive scepticism temporarily led to wide credit spreads and external financing problems in CEE – high levels of activity in money/currency, interest rate and derivatives markets made great demands on international banks in particular. In this situation, substantial interest rate reductions and liquidity guarantees by central banks supported the banking sector's risk-bearing capabilities, giving it the strength required to cope with the lagging credit cycle. Unexpectedly high loan loss rates and provisioning charges started to have a strong impact from the third quarter of 2009 onwards.

▶ After the dynamic export-driven countermovement subsided, the **first nine months of 2010** were characterised by stabilisation in several respects. It was important to manage the repercussions and side effects of the previously expansionary economic policy (in the context of the public debt crisis in the so-called euro peripheral countries, and the reduction of the external financing gap in CEE economies). In view of the need for austerity measures (deleveraging the private sector), domestic demand in the countries within the perimeter of our operations remained weak, with low credit demand, low growth of savings and persistently high risk aversion of investors. As a result of restructuring efforts, and after the significant additions to loan loss provisions and writedowns of loans made in the second half of 2009, the current provisioning charge declined. To be precise, asset quality of the loan portfolio continued to deteriorate – but not to the significant extent seen earlier, and with wide regional variations.

➔ Overall, **profit before tax** for the first nine months of 2010 was **€ 1,094 m**. The decrease of € 130 m or 11 % compared with the previous year is due, on the operating side, to the base effect (€ 360 m) caused by exceptionally high, trading-induced net interest income a year earlier, while the other income components improved (by a combined € 259 m) and cost growth remained moderate (up by € 89 m). For these reasons, operating profit was down by € 190 m or 7 % from the figure for the first nine months of the previous year. Among the non-operating items, net writedowns of loans and provisions for guarantees and commitments in the first nine months of 2010 were down by € 299 m from the same period of 2009. This positive effect was partly offset by impairment losses on goodwill in the amount of € 170 m – a consequence of the restructuring efforts in Kazakhstan – and higher provisions for risks and charges; on balance, the negative impact of non-operating items of the income statement was € 60 m lower than in the previous year (see chart and table on page 7).

Profit before tax for the first nine months of 2010 compared with the first nine months of 2009

Performance reflects base effect in net interest income and non-operating one-off effects (€ m)



*) Goodwill impairment, provisions for risks and charges, restructuring costs, net income from investments

● Among the **income components, net interest income** for the first nine months of 2010 was € 3,513 m. The decrease of € 231 m was due to the fact that net interest income generated by Austrian customer business*) was down by € 426 m or 26 % from the same period of the previous year. Of this figure, the major portion (–€ 360 m) was accounted for by international financial market trading activities and Treasury – represented by the former Markets & Investment Banking (MIB) business segment, and now by **Counterparts** of the new CIB Division. Most of these activities were handled via our former subsidiary **UniCredit CAIB AG**, which was sold in June. This means that the decrease was also due to the reduction of proprietary trading and the reorganisation of CAIB while it was being held for sale. Without CAIB, net interest income would have increased by 4 % over the previous year (and operating income would also have been higher than a year earlier). Although business improved from quarter to quarter, average volume and interest margins in the Austrian business segments were still lower than a year earlier, also on an adjusted basis. In the Central Eastern Europe (CEE) business segment, net interest income rose by 9 % or € 212 m; adjusted for

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

exchange rate movements, the increase was about 5 %. Average volume in CEE in the first nine months of 2010 exceeded the previous year's level; in some countries, support came also from credit spreads which narrowed compared with the critical months in early 2009. The strongest (double-digit or even triple-digit) improvement in net interest income was seen in Russia, Romania, Hungary and Croatia, also in local currency. Interest expenses of the Corporate Center (primarily costs associated with the funding of companies in which the bank has shareholding interests, liquidity costs, asset/liability management) were significantly reduced (by € 158 m) in the wake of stabilisation in money and financial markets. Dividend income and other income from equity investments, which are included in net interest income, contributed a combined € 112 m (+11 % over the previous year) to net interest income.

● The increase of 11 % in **net fees and commissions** to € 1,480 m in the first nine months of 2010 underlines the higher activity levels in commercial banking business, even though volume growth is still moderate. Net fees and commissions generated in Austrian customer business were 12 % higher than in the previous year, with contributions to growth coming from all Divisions. In the F&SME Division, securities business started to pick up, though not in the form of turnover on safe-custody accounts but in connection with the successful placement of capital-guaranteed investment products and standard issues. In the CIB business segment, commitment fees (in business with large corporates and for project finance) and fees generated by Group Transaction Banking (GTB), including foreign payments, cash management and custody, more than offset the continued moderate level of fee and commission income from derivatives business. Private Banking also recorded growth although developments in summer 2010 were very weak for seasonal reasons and investors continued to adopt a wait-and-see attitude. In Central and Eastern Europe, net fees and commissions were 11 % up on the previous year (or 8 % if adjusted for exchange rate movements). The Turkish unit in which Bank Austria has a shareholding interest once again made a significant contribution to growth (+18 %), mainly through the credit card business, and net fees and commissions rose at double-digit rates also in Russia, the Czech Republic, Slovakia and Croatia. In the bank as a whole, net fees and commissions accounted for 27.4 % of operating income in the first nine months of 2010, which is still a low level compared with one-third in the five years before 2009 (average for the period from 2004 to 2008: 33.5 %) as securities business remains weak.

● **Net trading, hedging and fair value income** amounted to € 277 m in the first nine months of 2010, up by 17 % or € 39 m on the comparable period of the previous year. This is the result of three factors: first, a sharp decline in CEE compared with an exceptionally strong net trading performance in the first few months of the previous year; second, a turnaround in the CIB Division – after a valuation-related net loss on trading activities in the previous year; and, last but not least, the reorganisation of investment banking activities which has been implemented within UniCredit Group. In Central and Eastern Europe, net trading income reached a very high level of € 427 m in the first nine months of 2009. In the early part of the previous year, in an environment characterised by temporary uncertainty about CEE, strong demand for hedging transactions led to high turnover in currency and money market trading. Together with technical effects in connection with temporary currency depreciation, this resulted in large trading profits. In the meantime, the monetary situation and the external environment have stabilised, and net trading performance in CEE for the first nine months of 2010 has returned to a normal level of € 77 m. The net trading result of the Corporate & Investment Banking Division (including CAIB's performance in the first five months, in line with the adjusted segment reporting figures) was negative (– € 84 m) in the first nine months of 2009, reflecting the repercussions of the financial market crisis (valuation result of synthetic ABSs in the second quarter of 2009). These developments resulted in a positive swing of € 116 m, from a net loss in the previous year to net income of € 33 m in the first nine months of 2010. The restructuring of UniCredit CAIB to concentrate on financial market trading activities and its sale in the middle of 2010 to bundle investment banking operations at the higher Group level involved a decline in volume and revenues which is offset by a participation in global trading profit of Markets, a Global Product Line of the UniCredit CIB Division (pursuant to the terms and conditions of the sale of CAIB; see page 7 of Bank Austria's half-yearly financial report 2010). In the reporting period this participation was the reason for the increase in net trading, hedging and fair value income over the previous year. Bank Austria – more specifically, the CIB business segment – continues to offer its corporate customers all products and capital market-related services. For this purpose it uses the portal function of UniCredit's cross-regional units, in which proprietary trading activities have also been combined, and the former UniCredit CAIB, now a branch of Munich-based UniCredit Bank AG (the former Bayerische Hypo- und Vereinsbank AG) in Vienna. The structure of revenues, balance sheet and risk-weighted assets has thus continued to shift towards commercial banking business without changing the range of products and services.

➔ The balance of other operating income and expenses was € 136 m (1–9 2009: € 191 m), giving total **operating income of € 5,406 m** for the first nine months of 2010, a small decrease of 2 % from the comparable figure for the previous year.

Operating income in the first nine months of 2010 compared with the first nine months of 2009 (€ m)

	1–9 2010	1–9 2009	CHANGE	
Austrian customer business	1,908	2,146	–238	–11 %
… of which: CIB/Counterparts	*293*	*495*	*–202*	*–41 %*
Central Eastern Europe	3,434	3,498	–65	–2 %
Corporate Center	64	–188	+251	n.m.
Operating income	5,406	5,506	–101	–2 %

Differences between totals (– € 49 m in the previous year and in changes) are due to the adjustment of segment reporting for 2009 to the current consolidation perimeter, see note (39) on pages 51 to 56.

n.m. = not meaningful

● **Operating expenses** in the first nine months of 2010 totalled € 2,782 m. Costs rose moderately compared with the previous year, by € 89 m or 3 %. The slight increase in the cost/income ratio from 48.9 % to 51.5 % mainly reflects lower net interest income. In Austria (including the Corporate Center, which also comprises internal services for Global Banking Services and administrative expenses as well as settlement of accounts with near-shoring service providers) costs declined slightly, by 1 %. In CEE, operating expenses rose by 9 %; at constant exchange rates, the increase was only 5 %. The business-policy focus in CEE cost management is on selective organic expansion and on synergies through the cross-regional bundling of product development and back-office functions. In specific cases, attention is given to removing inefficiencies when restructuring branch networks which have grown over many years, e. g. in Russia, or when redimensioning administrative structures which are too large, e. g. in Kazakhstan and Ukraine. Operating expenses in Turkey rose by 15 % in euro terms or 7 % in local currency; this cost increase is justified because the operations in Turkey achieved the strongest business expansion (customer loans up by 31 %, total assets up by 24 % from September 2009 to September 2010) and it also reflects investment in expanding the branch network. Moreover, one-off effects including the new branch tax payable in Turkey also had an impact. Hungary is a special case with cost growth of 23 %, mainly due to the levy on banks, which is included in other administrative expenses (without the levy on banks, costs would have increased by only 7 %, or 4 % in local currency). In Russia, currency appreciation was the main factor (+ 12 %, in rouble terms: 0 %). In Ukraine (+ 12 %/+ 8 %) training costs relating to IT modernisation were a significant item, and costs in Kazakhstan (+ 15 %/+ 11 %) also reflected special effects resulting from the reform of the deposit guarantee scheme. The expansion of CEE sub-holding functions and Vienna-based divisional head offices for the CEE subsidiaries (+ 13 %) had no significant impact on costs. The cost/income ratio in CEE (45.6 %) continued to be below the average for the bank as a whole.

➔ As costs remained more or less stable, the change in operating profit resulted from revenue trends. **Operating profit** for the first nine months of 2010 was down by € 190 m or 7 % from the comparable period of the previous year. As mentioned before, in Austria this reflects the decline from the good performance in the first nine months of the previous year (operating profit generated by Austrian customer business segments down by € 243 m or 21 %, of which CIB down by € 221 m or 24 %), while all of the decrease of € 191 m or 9 % in the CEE business segment's operating profit was caused by the fact that net trading income in CEE (down by € 350 m) returned to a more normal level.

● Against the background of a more or less stable operating performance, the provisioning charge was the main factor that had an impact on the income statement in the past two years, which were marked by the crisis. Following the strong increase in 2009, **net writedowns of loans and provisions for guarantees and commitments** (additions to and releases from loan loss provisions, and direct write-offs less recoveries of loans previously written off) in the first nine months of 2010 were € 1,314 m, down by € 299 m or 19 % from the same period of the previous year. The cost of risk (provisioning charge measured as a proportion of average loans to customers) declined from 169 basis points (bp) to 139 bp. At this level, the provisioning charge is still high, absorbing one half (50.1 %) of operating profit. Although the continued increase in impaired loans does not indicate any easing of the situation, the growth of non-performing loans (NPLs) has weakened.

Net writedowns of loans and provisions for guarantees and commitments (€ m)

(Provisioning charge, minus = improvement)	1 – 9 2010	1 – 9 2009	CHANGE	
Bank Austria as a whole	1,314	1,612	– 299	– 19 %
… Austria	302	391	– 89	– 23 %
… CEE	1,010	1,217	– 207	– 17 %
Cost of risk (basis points)*)				
Bank Austria as a whole	139 bp	169 bp	– 30 bp	
… Austria	62 bp	77 bp	– 16 bp	
… CEE	221 bp	270 bp	– 49 bp	

*) Provisioning charge/average loans to customers (net)

The Austrian business segments as a whole have so far held their ground in the credit cycle. In the reporting period, net writedowns of loans and provisions for guarantees and commitments in these business segments totalled € 302 m, after € 391 m in the first nine months of the previous year. Measured as a proportion of average loans to customers (net, based on balance sheet figures) the cost of risk fell from 77 basis points (bp) to 62 bp. In the Family & SME Banking Division, where loan loss rates are relatively high across the cycle for structural reasons, the cost of risk in the first nine months of 2010 was 116 bp, lower than in the same period of 2009 (135 bp). In the Corporate & Investment Banking Division, domestic demand remained weak, affecting smaller companies in the corporate banking sector; a big difference compared with previous cycles is the fact that the bank has so far not been affected by major insolvencies. This may be due to the strong export performance – and the stronger export orientation – of industrial companies. Moreover, provisions for a large-volume risk position in Markets was released in the second quarter. The cost of risk in the CIB Division was reduced from 55 bp to 38 bp.

Central Eastern Europe (CEE) accounted for about three-quarters (77 %), or over € 1 bn, of the provisioning charge in the first nine months of 2010. It should be noted, however, that this business segment achieved an operating profit of € 1.9 bn, double the figure generated in Austria. While there are wide regional variations, the overall situation is improving: in the first nine months of 2010,

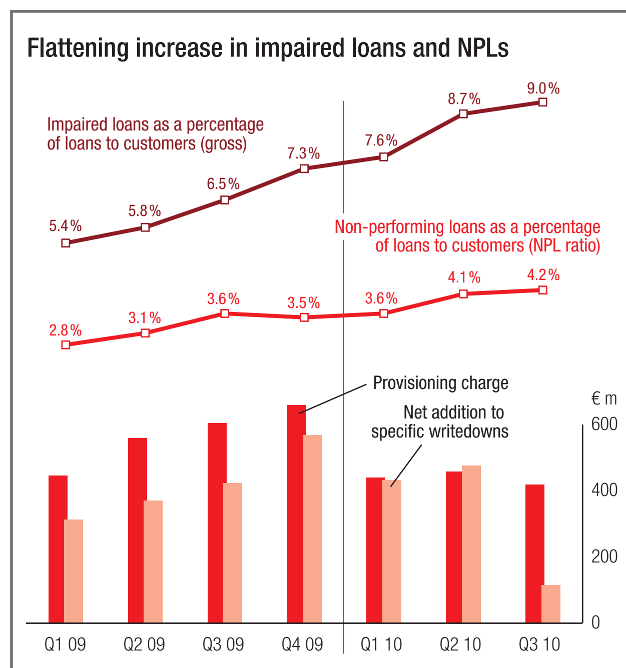
net writedowns of loans and provisions for guarantees and commitments were down by a substantial € 207 m or 17 % from the figure for the comparable period of 2009. Turkey, which is far ahead of other countries in the credit cycle, accounted for most (€ 205 m) of this decrease as asset quality in the country improved in the past few quarters, supported by a strong economic recovery. Successful debt collection efforts enabled the bank in Turkey to release loan loss provisions, to which large additions had been made in previous years. A securitisation transaction in the retail banking sector had an additional positive effect. In Russia, too, the provisioning charge declined significantly (by € 38 m), after an extended period in which the bank dealt with negative impacts of the credit boom. The provisioning charge from operations in Kazakhstan and, to a lesser extent, Ukraine and the Baltic states also declined (by a total of close to € 70 m, including the charge for guarantees in the Vienna-based CEE headquarters). The situation in SEE deteriorated, especially in Romania and in Bulgaria and Croatia. In the first nine months of 2010, the cost of risk in the CEE business segment averaged 221 basis points (after 270 bp in the previous year); the figure for the third quarter of 2010 was 203 bp. The cost of risk had peaked at 345 basis points in the third and fourth quarters of 2009. (For further information on the loan portfolio and the cost of risk by country, see the CEE segment report.)

The **low provisioning charge** in the first nine months of 2010 is mainly a positive effect of the additions to loan loss provisions made in the second half of 2009, and this development is due to countries which are ahead in the credit cycle. Asset quality in the bank as a whole has not yet improved to any significant extent. At the end of September 2010, impaired loans accounted for 9.0 % of gross loans to customers (before writedowns), up from 7.3 % at year-end 2009. The increase was seen in the "relatively better" risk categories (past-due, restructured and doubtful exposures). Having become impaired more recently, writedowns on such loans represent a lower proportion of the gross amount than for "old" impaired loans and non-performing loans. As a result of this structural effect, the coverage ratio of impaired loans declined from 51.9 % at the end of 2009 to 48.9 % in September 2010. The NPL ratio, i. e. non-performing loans as a percentage of gross loans to customers, rose more slowly (see chart). At the end of September 2010, the NPL ratio was 4.2 %, slightly exceeding the figure at the end of June 2010 (4.1 %). As a result of continued net additions to loan loss provisions, 70.2 % of NPLs were covered by specific writedowns in September 2010, after 69.8 % in December 2009 (without taking collateral into account), which means that the coverage ratio has improved significantly.

Asset quality (€ bn or %)

END OF PERIOD	SEPT. 2010	JUNE 2010	DEC. 2009	… DEC. 2008
Loans to customers (gross)	134.3	136.3	129.3	135.8
Writedowns (incl. portfolio adjustments)	6.7	6.6	5.7	3.9
Impaired loans	12.1	11.9	9.4	6.5
as a percentage of loans to customers	9.0 %	8.7	7.3 %	4.8 %
… covered by specific writedowns	48.9 %	48.7	51.9 %	49.4 %
of which: non-performing loans	5.7	5.5	4.5	3.9
as a percentage of loans to customers (NPL ratio)	4.2 %	4.1	3.5 %	2.9 %
… covered by specific writedowns	70.2 %	69.1	69.8 %	63.5 %

The **other "non-operating" items** between operating profit and profit before tax include a technical one-off effect related to equity interest management which has a strong impact on results for the first nine months of 2010: in the interim financial statements for the first half of 2010, an impairment loss of € 162 m was recognised on goodwill relating to our banking subsidiary in Kazakhstan. Together with the effect of the sale of CAIB, impairment losses on goodwill



affected the results for the first nine months of 2010 with a total charge of € 170 m. In the reporting period, net income from investments was positive, at € 61 m, but lower than in the equivalent period of the previous year (€ 79 m). This was mainly due to the expiry of Bank Austria's participation in current profits of the Polish UniCredit banking subsidiary at the end of 2009; income from this item amounted to € 74 m in the first nine months of 2009. Allocations to provisions for risks and charges in the reporting period were € 103 m after € 50 m in the comparable period of 2009.

➔ As a result of the special effects from the other non-operating items (a combined charge of € 238 m), profit before tax did not exceed the level of the previous year; such an increase would have resulted from the improvement in the provisioning charge (down by € 299 m) despite the lower operating profit (down by € 190 m for the reasons mentioned above). Profit before tax reached € 1,094 m, with the CEE Division contributing € 863 m and the Austrian business segments € 621 m. The Corporate Center result reflects liquidity/funding costs, exceptional charges such as impairment losses on goodwill (equity interest management) and various provisions. The gap between operating profit and profit before tax, which widened significantly until the end of 2009, is beginning to narrow again: after the non-operating items, profit before tax was 42% of total operating profit in the first nine months, and 52% in the third quarter of 2010.

Profit before tax by business segment (€ m)

	1–9 2010	1–9 2009	CHANGE	
Bank Austria as a whole	1,094	1,224	–130	–11%
… Austrian customer business	621	741	–119	–16%
CIB/Counterparts	*196*	*427*	*–231*	*–54%*
… Central Eastern Europe	863	827	+36	+4%
… Corporate Center	–390	–362	–28	+8%

➔ In the first nine months of 2010, profit before tax of € 1,094 m required income tax of € 296 m to be stated in the income statement. The effective tax rate on the basis of the consolidated financial statements rose from 16.7% in the first nine months of 2009 to 27.0% in the reporting period, partly on account of special charges in connection with the sale of CAIB. The **net profit** of € 798 m (–22% compared with the first nine months of 2009) includes minority interests of € 38 m (–20%). **Consolidated profit** (net profit attributable to the owners of Bank Austria) for the first nine months of 2010 was **€ 761 m**, 22% lower than in the comparable period of 2009 (€ 972 m).

Volume, profitability and resources

Average **loans and receivables with customers** (net of loan loss provisions, based on balance sheet figures) were slightly lower than in the first nine months of the previous year (–0.5% to € 126.4 bn) although they rose by 4.3% from Q3 2009 to Q3 2010. The development in Austria and CEE reflects the U-shaped trend already referred to earlier in the Interim Report, which reached a low level in the second half of 2009. In Austria, lending volume – in average terms for the first nine months – was 2.7% below the level of the previous year; in CEE (supported by the appreciation of CEE currencies in recent months) lending volume expanded fairly rapidly from quarter to quarter in the current year (most recently 7% up on the comparable period for 2009) and – in average terms – exceeded the level of the previous year (+1%). The bank's (unweighted) lending volume is of more or less equal significance in both of its key regions, Austria and CEE.

Average **risk-weighted assets** (€ 121.6 bn, RWAs under Basel II) showed a similar trend from quarter to quarter. The U-shaped trend was more pronounced: in the third quarter of 2010, risk-weighted assets in Austria and CEE exceeded the Q3 2009 level by over 10%. In average terms for the first nine months, they were 2% below (Austria) and 3% above (CEE) the level of the same period of the previous year. The divergent trends are partly explained by the restructuring of investment banking activities: in Austria, market risk declined by some 60%, and in the bank overall, including CEE, it decreased from almost € 4.8 bn to € 2.8 bn (–41%). Risk-weighted lending volume increased by an average 1.7% in Austria (this was influenced by a special effect induced by the appreciation of the Swiss franc; see the Family & SME Banking segment report). In CEE, average RWAs rose by 2%. In terms of absolute size, the RWAs of the CEE business segment are about 1.7 times those of Austria-based business, reflecting the different level of risk associated with the more or less equally large loan exposure in both regions.

Average **equity** rose by 19% to € 16.8 bn in the first nine months of 2010, largely as a result of the capital increase at the beginning of 2010, and of profit generated in this period. **Return on equity** (ROE before tax) was 8.7%, once again lower than for 2009 as a whole (9.4%) and also below long-term averages (2005–2009: 14.0%). The decline was due to the increase in equity and to the weak profit performance reflecting the high non-operating items to be deducted from operating profit.

Marginal **Economic Value Added***) (EVA) continues to be shown in difficult times. In the year to date it has improved, reaching € 210 m in the bank as a whole (2009: € 333 m). Marginal **RARORAC** was

*) EVA measures value creation beyond the cost of capital. In more precise terms, EVA is defined as net operating profit after tax, adjusted for one-off effects, less minimum return required by the market on equity capital employed (marginal refers to the exclusion of goodwill impairment).

3.26% compared with 5.38% in the same period of 2009. Both in Austria and in CEE, value creation declined significantly due to the combination of several factors: weak profitability, an increase in the cost of capital (especially in volatile phases) and the stronger capital base, which is expected to yield a return. But business in CEE nevertheless again generated a positive EVA despite the high risks and the increased capital backing.

The number of **employees** (full-time equivalent – FTE) declined from 60,594 at the end of 2009 to 59,462 FTEs at the end of September 2010 (–1,132 FTEs, or –1.9%). In Austria (defined in geographical terms), staffing levels declined by 312 FTEs or 3.9% to 7,680 FTEs. In business segment terms (Bank Austria without the CEE business segment), staffing levels were down by 441 FTEs or 5.3% to 7,821 FTEs. This decrease was due to the sale of the catering services provider DOMUS Bistro (–94 FTEs) in the first quarter of 2010, the sale of UniCredit CAIB (–150 FTEs) and the transfer of the company's CEE activities to the CEE business segment (–40 FTEs), and to reorganisation measures within service providers (including the split-up of IT-Austria in the third quarter of 2010/–257 FTEs). The lower staffing levels in CEE (–695 FTEs) are explained by the centralisation of the administrative network in Kazakhstan and the sale of a pension fund there (together –492 FTEs). The reduction of 424 FTEs in Ukraine, too, is a result of organisational alignment with the Group structure. Units in most CEE countries are either increasing or reducing staffing levels, which is linked to the optimisation of the branch network. The number of employees at the Vienna-based CEE headquarters was increased according to plan. Together with employees working in affiliated companies (including Administration Services, UGIS, Pioneer Investments, UniCredit Leasing, CAIB …) UniCredit Group has 10,739 employees (FTEs) in Austria.

At the end of September 2010, the number of Bank Austria's **branches** was **3,026**, down by 62 from year-end 2009. The number of branches in the Austrian business segments was 298. A reduction of 20 units in the year to date resulted from the sale of CAIB and from the transfer of CAIB subsidiaries to management responsibility of the CEE business segment. Two branches were closed and their business was transferred to branches located in their vicinity to ensure a more even distribution of units. The expansion of specialised SME service centres throughout the Austrian regions does not constitute the establishment of branches because these are – in legal terms – integrated and are accommodated in existing F&SME branches. In CEE, the number of branches declined by 42 to 2,728 as a result of 33 new branches and 75 closures. (In 2009 as a whole, 98 new branches were opened and 152 branches were closed). Parallel measures that reflected streamlining (in urban centres where the bank maintains a multiple presence) and targeted expansion in growth regions were implemented in all countries, e.g. in Turkey 29 branches were opened and 11 were closed.

Resources and profitability in the first nine months of 2010

	BANK AUSTRIA	AUSTRIA [1]	CEE
Relative size			
Average loans to customers (€ bn)	126.4	65.6	61.0
Average RWAs under Basel II (€ bn)	121.6	43.0	73.3
Operating income (€ m)	5,406	1,908	3,434
Change over previous year			
Average loans to customers (€ bn)	–0%	–3%	+1%
Average RWAs under Basel II (€ bn)	–0%	–2%	+2%
Operating income (€ m)	–2%	–11%	–2%
Profitability and value creation			
ROE before tax [2]	8.7%	17.3%	10.4%
marginal EVA, € m [3]	210	232	35
marginal RARORAC	3.26%	9.9%	0.7%
Equity			
Average equity (€ bn) [4]	16.8	4.8	11.0
% over previous year	+19%	+9%	+12%
Employees (full-time equivalents)			
End of September 2010	59,462	5,697	51,641
End of December 2009	60,594	5,933	52,332
Branches			
End of September 2010	3,026	298	2,728
End of December 2009	3,088	318	2,770

1) Family & SME Banking, Private Banking and Corporate & Investment Banking (CIB) Divisions, difference in aggregate amount = Corporate Center and restatement difference (see note (39) on segment reporting on pages 51 to 56 of this interim report).
2) ROE = profit before tax/institutional capital
3) Calculated on the basis of capital allocated under Basel II.
4) Subsidiaries are included at actual IFRS capital. The adjustment item with respect to the consolidated IFRS capital is shown in the Corporate Center.

Balance Sheet and Capital Resources

Balance sheet developments

● As at 30 September 2010, Bank Austria's consolidated total assets were **€ 191.5 bn**, down by € 2.9 bn or 1.5 % on year-end 2009. Loans and receivables with customers continued to increase, albeit at a moderate rate, deposits remained stable, and equity rose strongly as a result of the capital increase in March 2010. – The sale of UniCredit CAIB in June 2010 and the subsequent impact of the transaction had a strong effect on the balance sheet.

In the balance sheets as at 31 December 2009 (and most recently as at 31 March 2010), the investment bank UniCredit CAIB AG and the brokerage firm UniCredit CAIB Securities UK Ltd. were contained in the items "Non-current assets and disposal groups classified as held for sale" and "Liabilities included in disposal groups classified as held for sale" in accordance with IFRS 5 (€ 13.2 bn and € 10.5 bn, respectively). Nevertheless, as at 30 June 2010, the deconsolidation of UniCredit CAIB and its London-based subsidiary did not result in the strong reduction of total assets which may have been expected: the former UniCredit CAIB is now a branch of UniCredit Bank AG (the former Bayerische Hypo- und Vereinsbank AG), Munich. With the deconsolidation of these companies, receivables and liabilities between Bank Austria units and CAIB, which were previously offset as intercompany items for consolidation purposes, became external receivables and liabilities.

This is why a number of asset and liability items rose strongly as a result of the transaction in the middle of the year – and therefore also in a comparison of the end of September 2010 with the end of the previous year. The increase was particularly pronounced in the case of hedging derivatives (+€ 3.5 bn on the assets side and +€ 2.7 bn on the liabilities side), and, to a lesser extent, in the case of trading-related items on both sides of the balance sheet; interbank receivables/liabilities were thereby supported. The proceeds from the sale of CAIB in accordance with the contract of sale was the main factor for the strong increase of € 4.8 bn to € 5.8 bn in the balance-sheet item "Other assets" as at 30 June 2010. The receivable has been settled in the meantime, thus contributing to a marked increase in the bond portfolio (available-for-sale financial assets) in the balance sheet as at 30 September 2010; this reinvestment largely explains why the combined figure for financial market investments (€ 21.3 bn) was € 5.2 bn up on the year-end 2009 figure. The marked changes resulting from the reorganisation of investment banking activities across UniCredit Group become apparent if the amounts previously classified as held for sale of the former UniCredit CAIB are again assigned to the items from which they originated (last column of the table): the trading-related items have contracted by € 11.2 bn (–71 %) on the assets side and by € 6.9 bn (–72 %) on the liabilities side, despite the fact that Bank Austria partly continued to hold such positions. "Other assets" and "Other liabilities"

Development of major balance sheet items (€ bn)

	30 SEPT. 2010	30 JUNE 2010	31 MARCH 2010	*31 MARCH 2010 CAIB reintegr.[1)]*	31 DEC. 2009	*31 DEC. 2009 CAIB reintegr.[1)]*
ASSETS						
Financial assets held for trading	**4.5**	**5.6**	**4.8**	*16.4*	**4.1**	*15.7*
Other financial assets[2)]	**21.3**	**18.5**	**17.8**	*17.9*	**16.1**	*16.4*
Loans and receivables with banks	**20.7**	**24.6**	**23.4**	*24.6*	**23.1**	*23.1*
Loans and receivables with customers	**127.7**	**129.7**	**126.5**	*126.6*	**123.6**	*123.6*
Hedging derivatives	**3.6**	**3.2**	**0.2**	*0.2*	**0.2**	*0.2*
Other assets[3)]	**1.1**	**5.8**	**1.0**	*2.2*	**0.9**	*2.3*
Non-current assets and disposal groups classified as held for sale	**0.0**	**0.0**	**14.6**	↑	**13.2**	↑
Total assets	**191.5**	**200.5**	**201.0**	*201.0*	**194.5**	*194.5*
LIABILITIES AND EQUITY						
Financial liabilities held for trading	**2.7**	**3.7**	**1.2**	*10.9*	**0.9**	*9.6*
Deposits from banks	**32.6**	**38.0**	**32.0**	*33.8*	**33.4**	*33.4*
Primary funds	**125.6**	**127.4**	**127.3**	*127.4*	**125.9**	*125.9*
Hedging derivatives	**2.9**	**3.5**	**0.3**	*0.3*	**0.2**	*0.2*
Equity	**17.9**	**17.9**	**17.4**	*17.4*	**14.4**	*14.4*
Other liabilities[3)]	**3.0**	**3.1**	**2.8**	*4.2*	**2.4**	*4.2*
Liabilities included in disposal groups classified as held for sale	**0**	**0**	**13.2**	↑	**10.5**	↑
Total liabilities and equity	**191.5**	**200.5**	**201.0**	*201.0*	**194.5**	*194.5*

1) For analytical purposes, Non-current assets and disposal groups classified as held for sale, and Liabilities included in disposal groups classified as held for sale were again assigned to the original balance-sheet items from which they originated. / 2) Sum total of the following items: Financial assets at fair value through profit or loss, Available-for-sale financial assets, and Held-to-maturity investments. / 3) Other assets/Other liabilities represent the balance-sheet item according to the IAS structure, not the residual amount of the items shown here in respect of total assets/total liabilities and equity (which include cash and cash balances, equity interests, property, plant and equipment, tax assets, etc.).

also declined, by € 1.2 bn and € 1.1 bn, respectively. From a longer term perspective, the structure of the balance sheet has thus changed considerably to reflect commercial banking as the bank's core business.

● Among the items reflecting the bank's core business on the **assets side**, loans and receivables with customers (net of loan loss provisions, which also increased) rose by 3.3% or € 4.1 bn to € 127.7 bn from the end of 2009 to the end of September 2010; they accounted for 67% of total assets (year-end 2009: 64%). Loans to customers in Austria remained more or less unchanged (–0.5%) in the first nine months of the current year (year-end 2009 to the end of September 2010). In CEE, loans and receivables with customers grew by 7.6% during the same period, supported by currency appreciation (at constant exchange rates by 4.2%).

● On the **liabilities side**, deposits from customers (€ 97.7 bn) declined slightly compared with June 2010; at the end of September they were therefore only 0.7% above the level at year-end 2009. Debt securities in issue declined by 3.1% to € 27.9 bn in the first nine months of 2010. Primary funds – the sum total of deposits from customers and debt securities in issue – have thus remained stable since the end of 2009 (–0.2%) at € 125.6 bn. Expressed as a proportion of the balance sheet total, they rose by one percentage point to 65.6%. This means that primary funds covered loans and receivables with customers to the extent of 98%.

At the end of September 2010, **equity** amounted to € 17.9 bn, an increase of € 3.5 bn or 24.1% over the year-end 2009 level. As a proportion of the balance sheet total, equity rose from 7.4% to 9.3% most recently. The **leverage ratio** declined from 13.5 to 10.7 (based on the definition excluding intangible assets, leverage declined from 18.2 to 13.4). The increase of € 3,473 m in equity was mainly due to the € 2,000 m capital increase, and to income and expenses recognised directly in equity in the amount of € 1,516 m. In addition to current profit (€ 798 m), the latter item mainly reflects the development of foreign currency translation (+€ 454 m) and the positive valuation result (+€ 252 m). No dividend payments were made in the current year. As at 30 September 2010, equity without minority interests was € 17.3 bn, up by € 3.5 bn or 24.9% on year-end 2009.

Capital resources pursuant to the Austrian Banking Act

Risk-weighted assets (RWAs) as at 30 September 2010 were € 127.1 bn, up by € 12.7 bn (+11.1%) on year-end 2009. The increase resulted from an adjustment of risk parameters required in view of economic developments and from the higher exchange rates of most CEE currencies as at 30 September 2010. As a result of higher RWAs, the capital requirement for credit risk increased to € 9.2 bn (+12.7%) and the capital requirement for all types of risk was € 10.2 bn (+11.1%).

Net capital resources as at 30 September 2010 were € 14.9 bn, up by € 2.4 bn or 19.6% on the year-end 2009 level. The increase resulted mainly from the capital increase of € 2.0 bn at UniCredit Bank Austria AG in the first quarter of 2010, and partly also from exchange rate movements.

Capital ratios as at 30 September 2010 improved significantly compared with the end of 2009. The Tier 1 capital ratio based on all risks rose from 8.68% to 9.95%. The Tier 1 capital ratio based on credit risk rose from 9.76% to 11.04%.

Capital ratios

	30 SEPT. 2010	31 DEC. 2009
based on all risks [1]		
Tier 1 capital ratio	9.95%	8.68%
... without hybrid capital (Core Tier 1 capital ratio)	9.63%	8.33%
Total capital ratio	11.76%	10.92%
based on credit risk [2]		
Tier 1 capital ratio	11.04%	9.76%
... without hybrid capital (Core Tier 1 capital ratio)	10.69%	9.37%
Total capital ratio	12.17%	11.29%

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

Based on its capital resources, which have been strengthened out of funds raised through UniCredit's capital increase in 2010, Bank Austria is well placed for further business expansion and for meeting the forthcoming stricter regulatory requirements.

Development of Business Segments

Family & SME Banking (F&SME)

(€ m)	1–9 10	1–9 09[1]	CHANGE	
Net interest income	489	516	–27	–5%
Net non-interest income	306	294	+13	+4%
Operating income	795	809	–14	–2%
Operating expenses	–595	–593	–2	+0%
Operating profit	200	216	–16	–7%
Net writedowns of loans	–171	–190	+19	–10%
Other non-operating items	12	7	+6	+85%
Profit before tax	**42**	**33**	**+8**	**+26%**
Loans to customers (avg.)	19,607	18,710	+896	+5%
Risk-weighted assets (avg.)[2]	12,343	10,659	+1,684	+16%
Average equity[3]	741	832	–91	–11%

1) For segment reporting purposes, the comparative figures for 2009 were restated to reflect the structure and methodology of the reporting period 2010 (see note 39 on pages 51 to 56 of this report). / 2) Average risk-weighted assets under Basel II (all risks). / 3) Standardised capital; capital allocation to subsidiaries reflects actual IFRS capital. The difference compared to the consolidated equity of the Bank Austria Group is shown in the Corporate Center. See note (39).

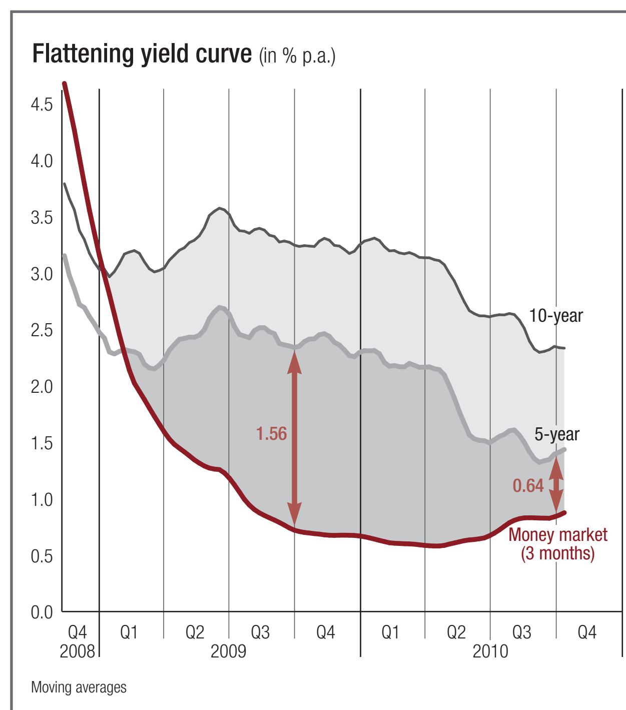
This information applies to all business segment tables.

Compared to the other Divisions, the “Family & SME Banking Division” (F&SME)*) was not seriously affected by the financial market crisis. Nevertheless, business with private customers continues to be characterised by sluggish credit demand, with customers responding very sensitively to interest rate movements in the area of short-term loans. Deposit business reflected continued strong preference for liquidity – the other side of risk aversion –, and the situation has only started to ease gradually in the last few weeks. In this stagnating market environment, the performance of this large-volume business segment is significantly influenced by interest rate movements, which are reflected in the reference rates applied by the bank, and in customer margins. In light of the strong appreciation of the Swiss franc (and the yen) we have moreover in the last few months focused on supporting our customers with risk management services to help them with their foreign currency loans. → After four consecutive good quarters, these factors led to a slight decline in the F&SME Division’s operating income, which was however offset by a more favourable development of net writedowns of loans and provisions for guarantees and commitments, resulting in a profit before tax for the third quarter of 2010. In the first nine months of 2010, the **profit before tax** of the F&SME Division was **up by 26% to € 42 m**, thanks to the good trend of preceding quarters and the stabilisation of asset quality.

*) With the implementation of the “One4C” programme, the former Retail Division has been renamed “Family & SME Banking Division” (F&SME). The new name reflects a number of measures taken to target specific customer groups and their needs by adopting customer service models. During 2009 the top segment of retail banking customers was transferred to the Private Banking (PB) business segment with a view to providing these customers with specialised services. For segment reporting purposes (see table above) the related figures have been restated to reflect the changes. Conversely, the customer sub-segment comprising small and medium-sized businesses will be transferred from the CIB Division to the F&SME Division at the beginning of 2011.

Net interest income developed steadily quarter by quarter. At € 489 m for the first nine months of 2010, it was still 5% below the level of the same period of the previous year, which partly reflects the good result at the beginning of 2009. In addition, developments in deposit-taking business and lending business varied considerably. Lending volume increased, despite a significant reduction of short-term loans (overdrafts, consumer/instalment loans), due to a rise in real estate financing at business segment level, with margins improving slightly. On the deposit side, the situation was quite different: ample market liquidity and current interest rate trends for short-term deposits led to a sharp narrowing of interest rate margins which had a particularly strong impact on results in light of the surplus of deposits over lending volume. (The loan/deposit ratio was 76% in 2009 and 92% in the current year). **Net fees and commissions** discontinued their structural downward trend around the middle of 2009 and are again an important income component, accounting for 38% of operating income. This item totalled € 306 m in the first nine months of 2010, up by 8% on the level of the same period of the previous year. Securities business picked up during 2010, a development which was above all reflected in the placement of mutual funds, guarantee products and our structured interest rate products, as well as in safe-custody business, and to a lesser extent, in the sale of insurance products. Loan commissions remained stable, while income from payment services and account maintenance fees fell only slightly.

Flattening yield curve (in % p.a.)



Moving averages

Overall, **operating income** in the first nine months of 2010 totalled € 795 m, just 2 % short of the previous year's level. **Costs** remained more or less unchanged (–0 %), despite the addition of two subsidiaries to the group of consolidated companies: Bank Austria Finanzservice, which is responsible for mobile sales partners, and the Slovakian subsidiary of Card Complete, which is included in the consolidated companies in this business segment. The increase in the cost/income ratio (+1.5 percentage points to 74.8 %) thus only reflects the income side.

Net writedowns of loans and provisions for guarantees and commitments for the first nine months of 2010 were still high at € 171 m, but nevertheless € 19 m or 10 % below the level of the same period of the previous year. The cost of risk was 116 basis points of average lending volume after 135 basis points in the previous year. The current provisioning charge for consumer loans and in the area of small businesses was reduced.

Net income from investments was up € 5 m to reach € 13 m, partly due to the sale of shares from the financial assets of the subsidiary company Card Complete (formerly VISA).

Overall, **non-operating** items improved by € 24 m to minus € 158 m, which more than offset the decline in operating profit (–€ 16 m or –7 % to € 200 m), resulting in an € 8 m or 26 % rise in **profit before tax** to € 42 m. Return on equity before tax improved from 5.3 % in the first nine months of the previous year to 7.5 % in 2010, supported by the higher profit and the lower equity allocated to the Division.

Risk-weighted assets (RWAs) rose by 16 % in the first nine months of 2010, while average **loans to customers** were up by 5 % on the same period of the previous year. These developments reflect especially the appreciation of the Swiss franc and the yen. Direct and indirect currency appreciation effects have a stronger impact on the calculation of risk-weighted assets under the Basel II rules than on unweighted lending volume.

Private Banking

(€ m)	1–9 10	1–9 09	CHANGE	
Net interest income	31	44	–13	–29 %
Net non-interest income	70	61	+9	+14 %
Operating income	101	105	–4	–4 %
Operating expenses	–74	–71	–3	+4 %
Operating profit	27	34	–7	–19 %
Net writedowns of loans	0	0	+0	n.m.
Other non-operating items	0	0	+0	n.m.
Profit before tax	**27**	**34**	**–6**	**–18 %**
Total financial assets (avg.)	16,390	16,890	–500	–3 %
Loans to customers (avg.)	371	342	+29	+9 %
Risk-weighted assets (avg.)	526	647	–120	–19 %
Average equity	124	156	–32	–20 %

n.m. = not meaningful

In a medium-term perspective, developments in Private Banking follow commercial banking activities with some time lag: 2008, the year in which the financial market crisis escalated, marked a very low level for private banking operations generally. In 2009, revenues and investment performance improved significantly (whereas the recession had a strong adverse impact on other banking activities). New factors creating uncertainty have resulted in pronounced restraint on the part of investors in the current year. These developments are also reflected in a comparison with the previous year and in quarter-on-quarter trends.

Over extended stretches in the first nine months of 2010, the **market environment** did not offer any particular incentive for sales from or additions to securities portfolios or new investments; the seasonal lull in the summer months of this year was particularly pronounced, with market volatility subsiding. World stock markets started to rally on several occasions but then fell back again, with correlations between regions and industries remaining high. As bonds rose strongly, yields fell to historically low levels, and credit spreads on corporate bonds and emerging market bonds narrowed. The price of gold, on the other hand, rose significantly, reflecting fears in the market – see the table on page 18. The debt crisis haunting the markets has not yet been resolved; almost all governments are planning fiscal policy measures; and global economic policy and even some central banks have broken taboos: all these factors have prompted widespread fears of new bubbles.

Total financial assets in the Private Banking Division (Schoellerbank and Bank Austria Private Banking) did not change significantly compared with the end of 2009, reaching **€ 16.4 bn** (–1.1 %) at the end of September 2010. A comparison of average figures for the first nine months with the same period of the previous year also shows a

slight decline of 3 %. Customers continued to hold a large portion of their portfolio in direct deposits, and they are still very reluctant to switch investments into securities and asset management. Direct deposits as a percentage of total investment volume declined from 33.4 % to 31.6 % in the course of the first nine months of 2010.

Operating income (€ 101 m) was down by 4 % from the previous year's figure. Net fees and commissions – which are the main revenue component (69 % of operating income) in Private Banking, reflecting the nature of its business – rose by only 3 % to € 68 m in the first nine months of 2010 as the third quarter was weak. In addition to the up-front fees from the Division's continued success in placing its products, a new insurance product launched by Schoellerbank met with a favourable response from international clients. This was not sufficient to offset the 29 % decline in net interest income, which remained stable from quarter to quarter and rose slightly most recently, but in the first few months of 2010 did not reach the high levels of the previous year. The most recent development of money market rates was a decisive factor in this context.

Operating expenses were more or less stable, at € 74 m after € 71 m in the previous year, if the first-time consolidation of the "Schoellerbank Invest" investment management company in June 2010 is taken into account. **Non-operating items** were close to nil, which is a characteristic feature of this business segment. **Profit before tax** decreased by € 6 m to € 27 m, reflecting the decline of € 7 m in operating profit. As allocated equity decreased by 20 % compared with the previous year, return on equity before tax improved from 28.8 % to 29.6 % in the first nine months of 2010.

Performance of selected asset classes since the beginning of 2010[1)]

% ytd	UNTIL 30 SEPT. 2010	UNTIL 5 NOV. 2010[2)]
World stock index (MSCI World, local currency)	+1.0%	+6.5%
… of which: BRIC	+3.1%	+9.5%
Stocks in the euro area (EuroStoxx)	−3.8%	+0.5%
Bonds: 10-year € benchmark	+12.6%	+11.5%
10-year Greek bonds	−22.7%	−26.2%
Corporate bonds (non-financial, BBB, 10-year; iboxx)	+9.5%	+9.5%
Emerging Europe bonds (JPM EMBI Europe, €)	+7.6%	+9.0%
Money market (direct investment, JPM Euro Cash 6-month)	+1.1%	+1.2%
Commodities (Rogers, €)	+2.8%	+12.9%
Gold price (London bln, $/oz.)	+19.4%	+26.7%
Swiss franc/euro	+10.7%	+10.2%
US dollar/euro	+5.1%	+2.6%

1) Performance indicators, e.g. for bonds: price + coupon

Corporate & Investment Banking (CIB)

(€ m)	1–9 10	1–9 09	CHANGE	
Net interest income	707	1,093	−386	−35%
Net non-interest income	305	138	+167	>100%
Operating income	1,012	1,231	−219	−18%
Operating expenses	−331	−329	−1	+0%
Operating profit	681	902	−221	−24%
Net writedowns of loans	−132	−201	+70	−35%
Other non-operating items	3	−27	+30	n.m.
Profit before tax	**552**	**674**	**−121**	**−18%**
Loans to customers (avg.)	45,645	48,415	−2,771	−6%
Risk-weighted assets (avg.)	30,124	32,604	−2,480	−8%
Average equity	3,933	3,395	+539	+16%

n.m. = not meaningful

Over the past two years, the Corporate & Investment Banking (CIB) business segment has taken various steps to create the structure which was defined as a target when the segment was established. CIB accomplished this while continuing to conduct its customer business in a narrower sense. The integration of corporate banking with the range of capital market products offered to customers, the bundling of trading activities in international financial markets at UniCredit level and the establishment of appropriate interfaces have largely been completed. The changes involved the reorientation and subsequent sale of UniCredit CAIB in the middle of 2010 (in the segment reporting figures, CAIB is included for the first five months of 2009 and 2010 and allocated to the Counterparts sub-segment). The income statement, and a comparison of performance with the previous year in particular, thus reflects various structural factors and the good performance of current business activities.

CIB has recorded a steady upward trend in revenues over the past four quarters. The "sustainable" income components (net interest and net fees and commissions) have risen slightly since the fourth quarter of 2009 (Q3 2010 up by a combined 5 % on Q3 2009); however, the usual fluctuations of the net trading result led to weaker total revenues in the third quarter of 2010. After a good Q1, a very strong Q2 and a slack Q3 2010, results stabilised at a level significantly above that of the second half of 2009, as in the other business segments.

Profit before tax generated by the CIB business segment in the first nine months of 2010 was **€ 552 m**, accounting for 37 % of the figure for the bank as a whole (without the Corporate Center). ROE, at 18.7 %, far exceeded the average for the bank (13.0 %). The year-on-year decline of € 121 m or 18 % is to be seen in the context of the exceptionally strong trading-induced net interest performance in the first few months of the previous year, which was achieved in the Counterparts sub-segment (to be more precise, in UniCredit CAIB allocated to that sub-segment), when market interest rates fell signifi-

cantly. Revenues in this sector therefore declined from € 495 m in the previous year to a still good € 293 m in the first nine months of 2010 – a decline of € 202 m which fed through to the bottom line. Without Counterparts – the sub-segment on which the above-mentioned reorganisation of investment banking activities (reduction of proprietary trading) had the strongest effect – the performance for the first nine months of 2010 declined by only 2% compared with the same period of the previous year and **profit before tax** rose by **13%**.

Operating income matrix: product view and network view
1–9 2010 € m

	Finance & Advisory	Markets	Group Transaction Banking	Total
Network	420	55	243	719
Counterparts	18	275	…	293
Total	438	330	243	**1,012**

Operating income in the first nine months of 2010 was € 1,012 m. Within the total figure, the Network sub-segment, which represents corporate banking activities in Austria, achieved revenue growth of 5%. Lending business was characterised by declining volume, but this development was offset by slightly improved interest rate spreads (not least as a result of lower liquidity costs). On the liabilities side, volume was more or less unchanged while margins narrowed significantly compared with the previous year, due to declining interest rates in customer business, competition for deposits and reference rate movements. Dividend income and other income from equity investments was negative in the previous year (–€ 3 m) but positive in the first nine months of 2010 (+€ 31 m). The reversal is explained by an improvement in the real estate sector and by the equity interest held in Oesterreichische Kontrollbank AG. Overall, including the Counterparts sub-segment – which also comprises Credit Treasury, position management and Bank Austria's Treasury as well as consolidated subsidiaries – net interest income amounted to € 707 m, down by 35% from the previous year because of the above-mentioned base effect a year earlier. Since the middle of 2009, **net fees and commissions** have been gradually moving up from the low level reached in the aftermath of the financial market crisis and as a result of the recession; the figure for the first nine months of 2010 was € 256 m, up by 20% on the previous year. Higher commission income came mainly from one-time loan commissions and from fees for safe-custody services, while net fees and commissions from securities business including derivatives were still lower than in the previous year. Group Transaction Banking services in connection with foreign trade services increased and other revenues generated by GTB services remained stable. The **net trading result** was positive in the first nine months (1–9 2010: +€ 33 m) after the net loss recorded in the same period of the previous year (1–9 2009: –€ 84 m, mainly due to the valuation of synthetic ABSs); nevertheless, the net trading result for the third quarter of 2010 – following the sale of CAIB – was negative. Revenues in the first nine months compared with the previous year improved by € 116 m as a result of the reversal in the net trading result.

Operating expenses in the first nine months of 2010 matched the previous year's level (the figures for both years include CAIB for five months according to the restatement for segment reporting purposes). The cost/income ratio was 32.7% (previous year: 26.8%). **Operating profit** for the first nine months of 2010 was € 681 m.

Net writedowns of loans and provisions for guarantees and commitments in the period from January to September 2010 was reduced by € 70 m or 35% to € 132 m. The cost of risk thus declined to 38 basis points (bp) from 55 bp in the previous year. This was partly due to the release of a provision for a large loan in the Counterparts sub-segment in June 2010, without detracting from the favourable overall picture. Economic trends have without doubt supported the activities of export-oriented industrial companies and their suppliers. In business with medium-sized companies, the early identification of problems, the use of analysis tools such as WorkingCapitalCheck or VerschuldungsKapazitätsRechner (a borrowing capacity calculator) and restructuring efforts proved to be effective. At the end of September 2010, 3.7% of gross exposure was impaired; within that figure, non-performing loans (NPLs) were only 1.3% of gross loans.

Non-operating items including net income from investments were –€ 129 m after –€ 228 m in the previous year. The decrease of operating profit – which was down by € 221 m for the reasons explained above – was thereby mitigated to the extent of about € 100 m. **Profit before tax** came to € 552 m, down by € 121 m or 18% from the same period of the previous year.

Average **risk-weighted assets** (restated) under Basel II (€ 30.1 bn) were 8% down from the previous year. Most of this decrease related to the restructuring of trading activities and changes in the division of labour within UniCredit Group – market risk in CIB was reduced by 59%. In connection with capital reallocation following the capital increase, **equity capital employed** in CIB rose by 16%, and this is one of the reasons why ROE before tax declined to 18.7% (previous year: 26.5%). Allocated equity in the first quarter of 2010 also included the institutional capital of UniCredit CAIB and thus amounted to € 7,550 m; this also translates into an increase in average allocated equity (€ 3,933 m). (The figures for the previous year were restated accordingly.) In the second and third quarters of 2010, average equity of the CIB Division – without the CAIB effect – was € 2,125 m and € 2,075 m, respectively. If return on equity is calculated on the basis of the CIB Division's profit before tax for the first nine months and average equity of the second and third quarters, which is closer to economic capital, ROE reached 35%.

Central Eastern Europe (CEE)

(€ m)	1–9 10	1–9 09	CHANGE		ADJ.*)
Net interest income	2,443	2,231	+212	+9%	+5%
Net non-interest income	990	1,267	–277	–22%	–24%
Operating income	3,434	3,498	–65	–2%	–5%
Operating expenses	–1,566	–1,440	–126	+9%	+5%
Operating profit	1,867	2,058	–191	–9%	–13%
Net writedowns of loans	–1,010	–1,217	+207	–17%	–17%
Other non-operating items	6	–14	+20	n.m.	n.m.
Profit before tax	**863**	**827**	**+36**	**+4%**	**–5%**
Loans to customers (avg.)	61,040	60,196	+844	+1%	–2%
Risk-weighted assets (avg.)	73,334	71,557	+1,778	+2%	–3%
Average equity	11,026	9,886	+1,140	+12%	...

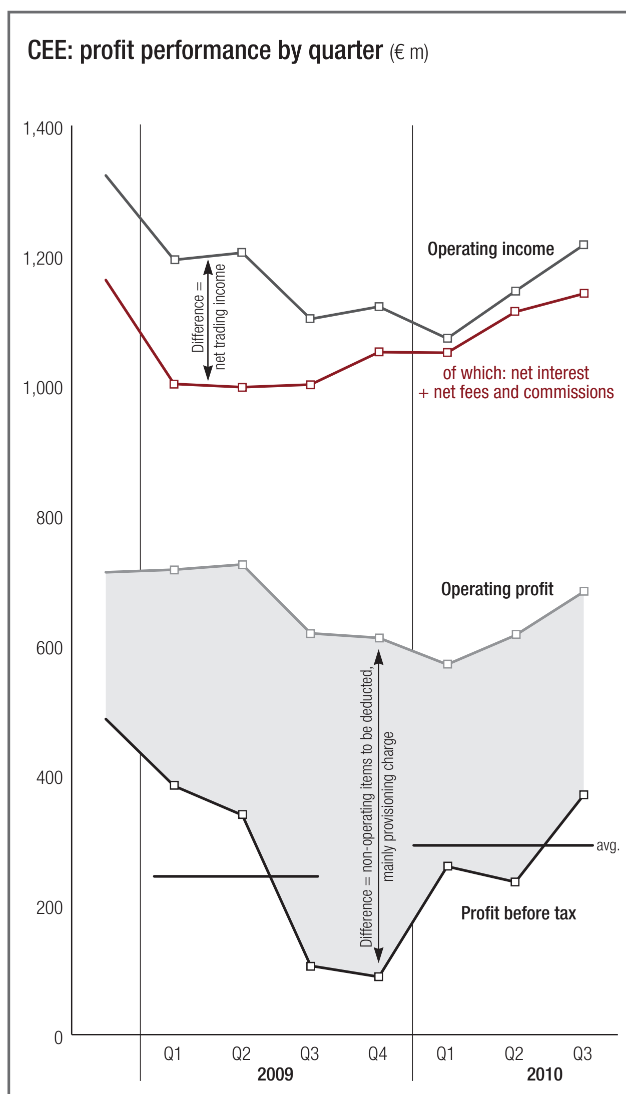
*) at constant exchange rates prevailing at year-end 2008
n.m. = not meaningful

● In the **third quarter of 2010** the Central Eastern Europe (CEE) business segment continued the impressive upswing from the low point of the recession, with improvements achieved across the entire region (with few exceptions, which are not significant). Average lending volume and risk-weighted assets have increased strongly over the past year, to levels which were up by 7% (lending volume) and 13% (RWAs) on the previous year. The "sustainable" income components – i.e. net interest and net fees and commissions – started to rise in spring 2009; in the third quarter of 2010 they significantly (+14%) exceeded the figure a year earlier. Net trading, hedging and fair value income was exceptionally high in the first two quarters of 2009, due to high volatility in foreign exchange and interest rate markets in those periods; in the subsequent quarters, net trading performance quickly returned to more normal levels. Operating income as a whole nevertheless rose by 6% from the second quarter to the third quarter of 2010, exceeding the Q3 2009 figure by 10%.

While operating income showed an upward trend and operating profit increased, the main contribution to the improvement in profits came from the non-operating items in the income statement. From the fourth quarter of 2009, net writedowns of loans and provisions for guarantees and commitments have been steadily reduced, most recently to a level which was down by € 191 m or 38% from a year earlier. Profit before tax thus improved, supported by current operations and by the lower provisioning charge, to reach € 369 m in the third quarter of 2010, a figure which is substantially higher than the low levels of € 106 m and € 89 m recorded in the third and fourth quarters of 2009, respectively (for quarterly trends see the chart and the segment tables in the notes to the consolidated financial statements). CEE currencies appreciated by about 4.5% (unweighted) compared with a year earlier, contributing to the increase in aggregate figures in the income statement without changing the favourable picture to any significant exent.

● In the **first nine months of 2010**, CEE generated a profit before tax of **€ 863 m**, with an upward trend seen during 2010; the figure was up by 4% on the first nine months of 2009, a year in which the trend was downward (see chart below). The CEE business segment accounted for 58% of Bank Austria's overall profit before tax (without the Corporate Center), again underlining its role as the main driver of the bank's growth and the strongest contributor to overall profits.

Commercial banking operations developed favourably: **net interest income** was € 2,443 m, up by 9% on the previous year (adjusted for exchange rate movements, the increase was 5%). Compared with the critical period of uncertainty experienced in spring 2009, when credit spreads widened significantly for some time, funding conditions have also improved in most countries. The net interest margin (net interest/average loans to customers) rose from 491 basis points



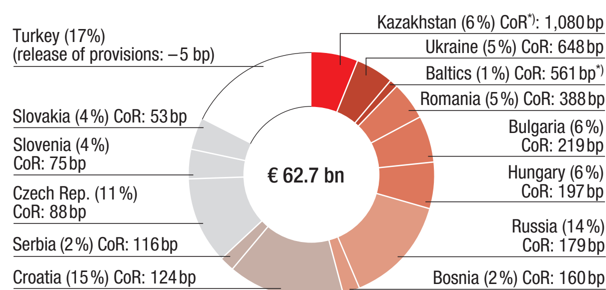
to 532 basis points, and underlying volume exceeded the previous year's level by 1.4% on the average for the period. Net interest income showed particularly strong growth in Russia due to the improved balance sheet structure, and in Romania and Hungary, while net interest income in Turkey declined, reflecting pressure on margins in an environment of low interest rates, despite double-digit volume growth on both sides of the balance sheet. **Fee-earning** business continued to develop favourably, indicating that market penetration with modern banking products and services is regaining momentum. In the first nine months of 2010, net fees and commissions were up by 12% on the previous year; adjusted for exchange rate movements, the increase was 8%. Assets under management and safe-custody business have not yet reached the pre-crisis levels; but commission income from commercial banking – including credit card business, currency management and commitment fees – increased in almost all countries. The largest contribution to growth came from Turkey, where Yapı Kredi holds leading positions in a number of banking services (including credit cards and factoring).

The "sustainable" income components improved (net interest and net fees and commissions totalled € 3,304 m) by 10% or € 305 m, and total **operating income** for the reporting period reached € 3,434 m; the decrease of 2% (adjusted for exchange rate movements, 5%) from the same period of the previous year was due to lower **net trading income**. The decline in revenues compared with the previous year thus reflects the completely different environment prevailing in financial markets in 2010: while net trading income for the first nine months of 2009 was € 427 m, it returned to a more normal level of € 77 m in the same period of 2010. The exceptionally strong trading performance a year earlier was due to high volatility and strong trading activity as well as demand for hedging transactions in an environment characterised by scepticism about CEE and temporarily wide credit spreads. This development was seen in almost all countries, with the strongest decline recorded in Russia (– € 153 m), Croatia (– € 41 m) and Kazakhstan (– € 35 m).

Costs amounted to € 1,566 m in the first nine months of 2010, an increase of € 126 m or 9% (adjusted for exchange rate movements, 5%) over the previous year. The cost/income ratio therefore rose by 4.5 percentage points to 45.6%, but remained significantly lower than the average for the bank as a whole (51.5%). Staffing levels in September 2010 were down by 695 full-time equivalents from the end of 2009 and 1,085 FTEs lower than a year earlier. Cost growth reflects salary increases (e.g. in Turkey) and training costs (e.g. in Ukraine) as well as special effects in non-staff costs including the branch tax payable in Turkey (€ 8 m) and the levy on banks (€ 15 m) in Hungary, in addition to the opening of branches in Turkey, Croatia, Bulgaria and the Czech Republic. The restructuring and expansion of central and divisional management and control functions in the Vienna-based CEE headquarters as well as the transfer of the former CEE subsidiaries of UniCredit CAIB also contributed to cost growth.

The main factor reflecting the improvement in the economic environment in CEE, with the above-mentioned regional differences, was the decline in **net writedowns of loans and provisions for guarantees and commitments**. Overall, the provisioning charge for the first nine months of 2010 still exceeded one billion euros (€ 1,010 m). Thanks to positive trends in countries which are ahead in the business cycle and the credit cycle, net additions to loan loss provisions were lower than a year earlier (and especially in the second half of 2009). The provisioning charge for the first nine months was thus down by € 207 m or 17% from the figure for the same period of the previous year. In line with regional economic trends, Turkey and Russia benefited from the strongest improvements, whereas the provisioning charge in South-East Europe (Bulgaria, Romania and Croatia) increased. In Turkey, based on successful debt collection efforts, there was a net release of loan loss provisions following the large additions made in the previous year. A large securitisation transaction additionally reduced the provisioning charge, resulting in an improvement of € 205 m. The situation in Russia stabilised, reducing net writedowns of loans by € 38 m. Kazakhstan, Ukraine and the Baltic states (including the guarantees by UniCredit Bank Austria booked in the Vienna-based CEE headquarters) still accounted for 52% of net writedowns of loans and provisions for guarantees and commitments in the first nine months of 2010, though the provisioning charge for these countries also declined (by € 70 m). The **cost of risk** (provisioning charge/average net loans to customers) in CEE as a whole fell to 221 basis points (bp); the comparative figure for the previous year was 270 bp. The chart shows that the portfolio is widely diversified in cost-of-risk terms: the countries with the highest cost of risk – Kazakhstan, Ukraine and the Baltic states – account for only one-eighth (12%) of the total exposure. But three-quarters (74%) of the portfolio is in countries where the cost of risk is below 200 bp.

CEE loan portfolio: exposure by cost of risk



Loan portfolio: end of September 2010; cost of risk (CoR): 1–9 2010

*) including guarantees by UniCredit Bank Austria AG in the CEE headquarters

Operating profit declined by € 191 m or 9 % to € 1,867 m as the net trading result returned to a normal level from the high figure of the previous year (down by € 350 m), a development which was more than offset by the improvement in non-operating items (+€ 227 m). The **profit before tax** generated by the CEE business segment came to € 863 m, an increase of € 36 m or 4 %. Average **equity** allocated to the CEE business segment rose by € 1.1 bn or 12 % to € 11.0 bn in the first nine months of 2010 compared with the same period of the previous year. This provides a good base for taking advantage of the still intact medium to long-term outlook in Central and Eastern Europe. The higher capital allocation explains why the **return on equity** (ROE before tax) declined from 11.2 % to 10.4 %.

● Although country groups do not really reflect the major differences which characterise specific countries, the following table provides an overview of the size of relevant amounts and of the major changes over the previous year. The **Central European** countries show the strongest revenue performance, which is commensurate with the economic environment of these export-oriented and integrated countries. The steep rise in costs includes the levy on banks in Hungary. The units in these countries have reduced their net writedowns of loans and provisions for guarantees and commitments, and together with an improved operating performance this resulted in a solid profit before tax. Although **South-East Europe** (SEE) is not a cohesive region, there are some features which are common to all countries in the region due to their economic position: operating profit improved but asset quality in this group of countries deteriorated until most recently, and profit before tax thus also declined. **Turkey** has a strong impact on results on account of its size. The moderate operating profit is explained by the special developments in the net trading result mentioned above. But the decline in the provisioning charge has caused profit before tax to increase by almost one half, which is reflected in results up to business segment level. Of the other countries (including the Vienna-based CEE headquarters), **Kazakhstan** sustained a loss and **Ukraine** ended the reporting period with a moderate profit before tax. The operating income and operating profit of these countries declined. While the reduction of the provisioning charge (including the guarantees booked in the Vienna-based CEE headquarters) compared with the substantial figure for the first nine months of the previous year was positive, it was not sufficient to offset these declines. Although overall results were more strongly impacted by these factors than in the previous year, the business segment as a whole has seen a positive development: profit before tax improved by € 38 m or 4 % over the same period of the previous year.

An analysis **by country** shows that our unit in Turkey, and our banks in Russia and Croatia (in Croatia above all due to the strong market position) account for over 90 % of the profit before tax of all banking subsidiaries (80 % if the loss incurred in Kazakhstan is not included).

Turkey – or, in more precise terms, our equity interest in the KFS Group with its banking subsidiary Yapı Kredi – generated a profit before tax of € 464 m or 54 % of the overall result for the CEE business segment in the first nine months of 2010. In a comparison with the same period of the previous year, the weaker operating profit was easily more than offset by the net release of loan loss provisions mentioned earlier, which resulted in a 48 % increase in profit before tax. In **Russia**, the swing in the net trading result, accompanied by slightly higher costs, pushed operating profit to a level that was slightly below that of the previous year. But this, too, was more than offset by a lower provisioning charge. Profit before tax for the first nine months of 2010 was 30 % higher than the figure for the same period of the previous year, and at € 195 m it accounted for 23 % of the overall result for CEE.

Profit before tax by country group

(€ m, +/– € m)

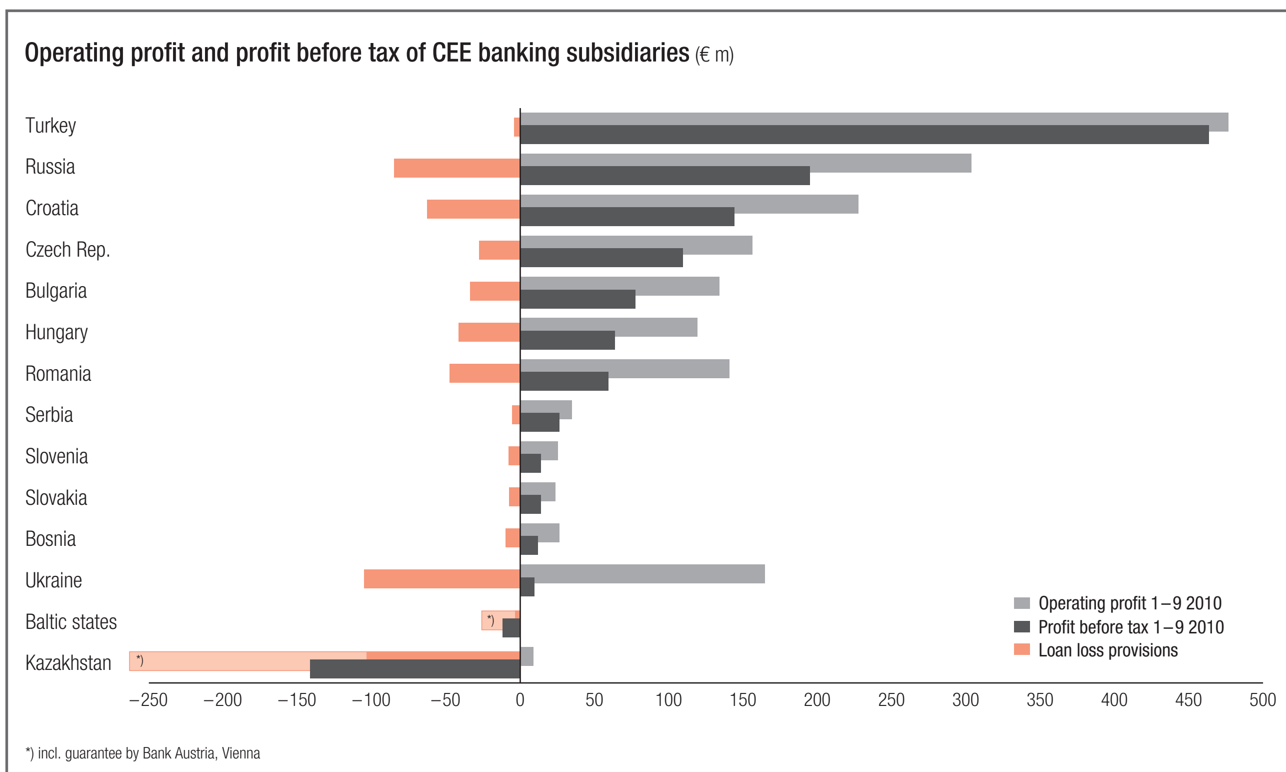
		CENTRAL EUROPE[1]	SOUTH-EAST EUROPE[2]	TURKEY[3]	RUSSIA & UKRAINE	KAZAKHSTAN, BALTICS, VPC[4]	CEE DIVISION
Profit before tax 1–9 2009		**170**	**406**	**312**	**173**	**–235**	**827**
Change	+/– operating income	+48	+44	–16	–6	–135	–65
Change	+/– operating expenses	–28	–4	–45	–31	–18	–126
Change	=+/– operating profit	+19	+40	–61	–38	–153	–191
Change	+/– provisioning charge	+15	–119	+205	+59	+49	+207
Change	+/– other non-operating items	–3	–7	+7	+10	+13	+20
Profit before tax 1-9 2010		**202**	**320**	**464**	**205**	**–327**	**863**
…% over previous year		+18 %	–21 %	+48 %	+19 %	39 %	+4 %
…% adj. for exchange rate movements		+15 %	–21 %	+38 %	+9 %	45 %	–4 %

1) Czech Republic, Slovakia, Hungary and Slovenia. 2) Croatia, Bosnia, Serbia, Bulgaria, Romania. 3) On a proportionate basis
4) VPC= Vienna profit centre, headquarters of CEE Division includes guarantees by UniCredit Bank Austria AG

In **Croatia**, net interest income and net fees and commissions rose strongly, but the decline in the net trading result led to a slight decline in operating profit. A late interest rate cycle also had an adverse impact, resulting in a 30% decline in profit before tax to € 144 m. The situation was similar in **Romania**, with a significant improvement in operating profit but a higher provisioning charge, and in **Bulgaria**, where the improvement in operating performance was also absorbed by additions to loan loss provisions. In both countries profit before tax failed to match the level of the previous year.

In Central Europe, the unit in the **Czech Republic** improved its profit before tax; in terms of operating performance this was primarily due to satisfactory income from net fees and commissions, supported by a decline in net writedowns of loans and provisions for guarantees and commitments. Profit before tax was up 18% to € 110 m. The performance of our unit in **Hungary** is impressive in light of the challenging environment in the banking sector. The significant increase in net interest income, in particular, easily offset the decline in the net trading result and the sharp rise in costs. The latter is explained by the levy on banks, which is responsible for most of the rise. Together with a lower provisioning charge, these factors led to a 24% increase in profit before tax to € 64 m.

In **Ukraine**, operating profit of our banking subsidiary contracted as a result of the difficult conditions faced by the country's banking sector. As the provisioning charge was not quite as high as in the previous year, the banking subsidiary succeeded in achieving a profit before tax. In **Kazakhstan**, all revenue components contracted sharply compared with the same period of the previous year (by a combined 67%), resulting in a very small operating profit (€ 9 m). Net write-downs of loans and provisions for guarantees and commitments of € 157 m had to be deducted from this amount (together with the guarantee of the Vienna-based CEE headquarters, the amount would have been double this figure), so that the unit again posted a loss. Kazakhstan (– € 141 m), and to a lesser extent the Baltic states (– € 12 m), are the only countries with a negative result.



Income statement of the consolidated banking subsidiaries in CEE

(€ m)

	CEE BANKS TOTAL [1]		CZECH REPUBLIC		SLOVAKIA		HUNGARY	
	1–9 10	1–9 09	1–9 10	1–9 09	1–9 10	1–9 09	1–9 10	1–9 09
Net interest income	**2,362.8**	**2,180.8**	**177.8**	**182.3**	**53.2**	**58.4**	**157.1**	**108.6**
Net fee and commission income	803.6	786.2	84.8	71.3	20.4	17.4	69.2	67.9
Net trading, hedging and fair value income	105.2	395.0	7.6	3.1	3.3	5.0	–2.7	21.5
Net other income/expenses	47.5	59.1	0.5	0.3	0.9	0.8	4.7	0.0
Net non-interest income	**956.3**	**1,240.3**	**92.9**	**74.6**	**24.7**	**23.1**	**71.2**	**89.4**
OPERATING INCOME	**3,319.1**	**3,421.1**	**270.6**	**256.9**	**77.8**	**81.6**	**228.3**	**198.0**
OPERATING EXPENSES	**–1,476.5**	**–1,358.8**	**–114.5**	**–106.3**	**–54.2**	**–56.2**	**–109.0**	**–88.5**
OPERATING PROFIT	**1,842.7**	**2,062.3**	**156.2**	**150.6**	**23.6**	**25.4**	**119.3**	**109.6**
Provisions for risks and charges	–29.8	–22.3	–0.9	0.0	0.3	0.0	–3.7	0.9
Net writedowns on loans	–812.0	–1,167.0	–43.7	–56.3	–10.0	–6.2	–57.6	–63.1
Net income from investments	38.5	11.4	0.6	0.9	0.2	–0.1	5.9	4.2
Integration costs	–2.8	–3.0	–2.6	–2.7	0.0	0.0	0.0	–0.3
PROFIT BEFORE TAX	**1,036.4**	**881.3**	**109.6**	**92.5**	**14.0**	**19.1**	**63.9**	**51.3**
Cost/income ratio	44.5%	39.7%	42.3%	41.4%	69.7%	68.9%	47.7%	44.7%
Risk/earnings ratio	34.4%	53.5%	24.6%	30.9%	18.8%	10.6%	36.7%	58.1%
Exchange rate			25.454	26.609	Euro	Euro	275.382	283.544
Appreciation/depreciation against the euro			+4.5%				+3.0%	

(€ m)

	SLOVENIA		BULGARIA		ROMANIA		BALTICS	
	1–9 10	1–9 09	1–9 10	1–9 09	1–9 10	1–9 09	1–9 10	1–9 09
Net interest income	**40.9**	**29.4**	**161.9**	**157.4**	**141.5**	**102.4**	**9.8**	**11.0**
Net fee and commission income	16.5	13.8	58.6	58.5	39.8	40.3	–3.2	0.3
Net trading, hedging and fair value income	–3.2	3.0	3.4	0.4	62.1	66.6	3.6	8.1
Net other income/expenses	–0.2	0.2	0.4	0.1	0.9	0.4	0.0	–0.1
Net non-interest income	**13.0**	**17.0**	**62.4**	**59.0**	**102.8**	**107.4**	**0.4**	**8.2**
OPERATING INCOME	**53.9**	**46.4**	**224.3**	**216.5**	**244.3**	**209.8**	**10.3**	**19.2**
OPERATING EXPENSES	**–28.5**	**–26.8**	**–90.2**	**–92.7**	**–103.4**	**–101.1**	**–10.4**	**–10.3**
OPERATING PROFIT	**25.5**	**19.6**	**134.1**	**123.8**	**140.9**	**108.6**	**–0.1**	**8.9**
Provisions for risks and charges	0.0	–0.1	0.0	6.3	1.1	0.1	0.0	0.0
Net writedowns on loans	–12.4	–12.7	–61.8	–41.9	–83.9	–40.1	–11.5	–5.8
Net income from investments	1.0	0.4	5.2	6.0	1.3	0.3	0.0	0.0
Integration costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PROFIT BEFORE TAX	**14.1**	**7.2**	**77.6**	**94.2**	**59.5**	**68.9**	**–11.9**	**3.1**
Cost/income ratio	52.8%	57.8%	40.2%	42.8%	42.3%	48.2%	101.2%	53.4%
Risk/earnings ratio	30.2%	43.1%	38.2%	26.6%	59.3%	39.2%	116.8%	52.9%
Exchange rate	Euro	Euro	1.956	1.956	4.186	4.230	0.708	0.705
Appreciation/depreciation against the euro			–0.0%		+1.1%		–0.5%	

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

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

(€ m)

	TURKEY 2)		RUSSIA		KAZAKHSTAN		UKRAINE	
	1–9 10	1–9 09	1–9 10	1–9 09	1–9 10	1–9 09	1–9 10	1–9 09
Net interest income	**503.7**	**548.5**	**415.3**	**249.7**	**106.2**	**166.4**	**210.6**	**218.2**
Net fee and commission income	280.6	237.6	97.1	84.4	–28.1	30.4	33.5	36.3
Net trading, hedging and fair value income	25.5	37.7	–33.1	119.5	15.1	49.7	4.7	20.3
Net other income/expenses	22.6	24.3	–6.1	–0.1	–13.9	–3.8	–0.9	–1.4
Net non-interest income	**328.7**	**299.6**	**57.9**	**203.7**	**–26.8**	**76.4**	**37.3**	**55.2**
OPERATING INCOME	**832.4**	**848.1**	**473.2**	**453.4**	**79.4**	**242.8**	**247.9**	**273.4**
OPERATING EXPENSES	**–355.7**	**–310.6**	**–169.4**	**–147.5**	**–70.6**	**–61.3**	**–83.0**	**–74.2**
OPERATING PROFIT	**476.7**	**537.6**	**303.8**	**306.0**	**8.8**	**181.5**	**164.9**	**199.3**
Provisions for risks and charges	–24.2	–30.1	–0.8	0.0	0.0	0.0	0.0	–0.2
Net writedowns on loans	3.9	–200.9	–116.0	–153.8	–157.0	–359.1	–155.8	–176.7
Net income from investments	7.3	5.8	8.1	–2.0	6.7	–5.9	0.6	0.2
Integration costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PROFIT BEFORE TAX	**463.6**	**312.4**	**195.1**	**150.1**	**–141.5**	**–183.5**	**9.7**	**22.6**
Cost/income ratio	42.7%	36.6%	35.8%	32.5%	89.0%	25.2%	33.5%	27.1%
Risk/earnings ratio	–0.8%	36.6%	27.9%	61.6%	147.8%	215.8%	74.0%	81.0%
Exchange rate	1.999	2.150	39.762	44.329	193.653	200.830	10.450	10.856
Appreciation/depreciation against the euro	+7.5%		+11.5%		+3.7%		+3.9%	

(€ m)

	CROATIA		BOSNIA		SERBIA	
	1–9 10	1–9 09	1–9 10	1–9 09	1–9 10	1–9 09
Net interest income	**282.0**	**253.4**	**56.4**	**56.1**	**46.4**	**39.0**
Net fee and commission income	99.9	92.3	22.2	21.7	12.1	14.1
Net trading, hedging and fair value income	12.8	54.0	4.5	3.9	1.6	2.2
Net other income/expenses	38.9	38.9	0.2	–0.1	–0.4	–0.4
Net non-interest income	**151.6**	**185.2**	**26.9**	**25.5**	**13.3**	**15.9**
OPERATING INCOME	**433.6**	**438.6**	**83.3**	**81.6**	**59.7**	**54.9**
OPERATING EXPENSES	**–206.0**	**–199.8**	**–56.9**	**–59.1**	**–24.7**	**–24.6**
OPERATING PROFIT	**227.6**	**238.8**	**26.4**	**22.5**	**35.0**	**30.3**
Provisions for risks and charges	–1.2	–0.1	–0.3	0.8	–0.1	0.0
Net writedowns on loans	–83.4	–35.0	–14.8	–8.7	–8.0	–6.7
Net income from investments	1.4	1.6	0.7	–0.1	–0.4	0.0
Integration costs	–0.1	–0.1	0.0	0.0	0.0	0.0
PROFIT BEFORE TAX	**144.3**	**205.2**	**12.0**	**14.4**	**26.5**	**23.6**
Cost/income ratio	47.5%	45.6%	68.3%	72.5%	41.4%	44.8%
Risk/earnings ratio	29.6%	13.8%	26.3%	15.6%	17.2%	17.1%
Exchange rate	7.262	7.362	1.956	1.956	101.842	93.782
Appreciation/depreciation against the euro	+1.4%		0.0%		–7.9%	

2) pro quota

Outlook

● Global economic growth accelerated until well into spring 2010. Since the middle of the year it has slowed down without returning to recession. We expect the **world economy** to grow by 4.6% in 2010 and by 4.0% in 2011. Emerging Asia and China will continue to provide strong impetus, with growth rates of between 9% and 10%, while the combined GDP of industrialised countries will grow at disproportionately low rates of 2.4% in the current year and 1.8% next year. We think that commodity prices and inflation will not change to any significant extent, which means we will see a scenario often described as "the new normal". Given unusually weak economic growth in the US (2.7% → 1.9%, with the population growing by about 1.5% p.a.), monetary policy is set to remain on an expansionary path, entirely on its own, thereby stimulating demand while also distorting the structure of interest rates and exchange rates. This suggests that policymakers will not abandon the zero rate policy (current target rate: 0% to 0.25%) before the beginning of 2012. The US dollar will tend to remain weak in the months around the turn of the year, following the announcement of additional purchases of US bonds by the Federal Reserve System (for the time being, a gross amount of about US$ 850 to 900 billion by the end of the second quarter of 2011) and given that US interest rates will be low. This weakness will probably continue until spring 2011 when either the measures taken in the US will start to have the desired effect and/or weaker growth in the euro area will become apparent.

In the **euro area** – as in the US – we see no risk of recession returning. We expect that the differences prevailing within the euro area will lead to lower growth in the current year (1.6%) and a less pronounced slowdown to 1.3% in 2011. Recent surveys and leading indicators suggest that the German economy is still benefiting from a robust upswing, with growth rates of 3.2% and 2.5%, respectively, clearly exceeding the average figures; there are hopes that this development will also benefit Austria and CEE. The debt crisis continues to haunt the euro area economy, international doubts about the banking system persist, the prolonged discussions about the reform of the Stability and Growth Pact are creating uncertainty, and economic trends in southern Europe are weak. In these circumstances, the ECB will probably not raise its refinancing rate until late in 2011, and it will further reduce excess liquidity in the Eurosystem without barring the peripheral countries from access to central bank funding. We expect that interest rates at the long end will be around 2.75%, only slightly lower than US levels (3.0%).

● In **Austria**, the significant momentum of economic recovery will more or less continue until the turn of the year. Buoyant sentiment in the industrial sector, continued strong growth of new business and rising order levels suggest that Austria's export industry will experience dynamic growth also in the fourth quarter of 2010. As capacity bottlenecks are already evident, it may be expected that investment in equipment, which has been delayed for a long time, will finally pick up. The budget consolidation measures which have been announced will, however, increasingly affect private consumption. The favourable trend in the labour market will weaken only slightly, making it possible nevertheless to achieve moderate growth of consumption. For 2010 as a whole, real GDP may now be expected to grow by 1.9 per cent. Given the moderate international environment and the tighter fiscal constraints for the domestic economy, the Austrian economy will probably grow by 1.7% in 2011, a slightly lower rate than in the current year. Credit demand from companies should accelerate somewhat in the final months of 2010, though remaining moderate compared with pre-crisis years. Demand for personal loans will also remain low. Deposits are not expected to show significant growth as interest rates persist at low levels. Companies will finance growing investment demand out of their cash flow, and this will have an impact on loans and deposits.

● The countries in **Central and Eastern Europe (CEE)** will also continue to achieve growth. But the upswing will not accelerate in the region as a whole, and in some countries it will certainly slow down. Overall, industry will continue to make a positive contribution, and the lower momentum of foreign demand will be offset by stronger domestic demand in a number of countries. Having increased for seven successive quarters, unemployment receded from the middle of 2010, to a level of 12.3% most recently. New lending is no longer reduced as strongly as before. After a significant contraction of 5.9% in 2009, we expect the CEE economy to grow by 3.4% in 2010 and by 3.7% in 2011. This means that the CEE region will grow at a rate double or triple that in Western Europe. Behind the overall picture, 2010 is marked by wide regional variations which will continue to have an impact in 2011. Quite generally, large and relatively autonomous economies benefit from stronger growth, led by the top performer Turkey (+7.0%/ +4.1%) and by Russia (+3.4%/+4.2%), whereas countries whose economies were characterised by overheating before the crisis now have to consolidate and expand at lower rates (see table on page xx). As far as public finance is concerned, the CEE countries will continue to move along the consolidation path: on the average for CEE as a whole, the public sector deficit will probably decline from 7.0% in 2009 to 5.4% in 2010 and 4.5% next year, helped by higher nominal growth. (Inflation rates will, however, rise on account of special factors including the drought in Russia and increases in value-added tax rates in several countries). Most recently, those countries which took advantage of IMF support programmes (Hungary, Romania, Ukraine, Serbia, Bosnia, Latvia) have experienced political problems in pushing through the required measures, but these problems remain manageable. In these countries, led by Hungary and Romania, the external financing gap will have an adverse impact in the medium to long term in connection with the rollover of the relatively large public debt, which urgently calls for an extension of the IMF agreement. Convergence-related expectations have largely ended with the narrowing of the interest rate spreads of countries where capital markets have reached an advanced stage of development. Nevertheless, there has been a strong increase in capital inflows from international bond investors until recently, creating additional pressure for CEE currencies to appreciate. Countries like Turkey, Poland and the Czech Republic will find it easier than others to cope with currency appreciation as these countries are ahead in the interest rate cycle.

The respective position of CEE countries in the credit cycle also differs in line with economic variations. Apart from the impressive improvement in asset quality and volume growth in Turkey, the banking sector in most countries is still affected by weak credit demand accompanied by strong competition and pressure on margins; the decisive factor is weak demand rather than the supply side (shortage of equity capital). Deleveraging and efforts to increase local funding were successful, yet there is still a strong dependence on external funding in many cases. In Kazakhstan and Ukraine, the economic outlook has improved significantly, with higher growth rates of about 5% to 6%, the balance of payments in equilibrium and continued trends for currencies to appreciate. However, the restructuring process of the banking sector in these countries is still under way, there is still poor asset quality in both countries, and lending by local banks continues to decline.

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

	WEIGHTED BY					
	GDP	BANK AUSTRIA*)	2008	2009	2010	2011
World (purchasing power parities)			+2.7	−0.7	+4.6	+4.0
USA			+0.0	−2.6	+2.7	+1.9
Euro area			+0.3	−4.0	+1.6	+1.3
… Austria			**+2.2**	**−3.9**	**+1.9**	**+1.7**
Czech Republic	5.8%	8.1%	+2.5	−4.1	+2.0	+1.9
Slovakia	2.5%	3.6%	+6.2	−4.7	+4.3	+3.1
Hungary	4.2%	5.6%	+0.6	−6.3	+1.0	+2.5
Slovenia	1.5%	1.3%	+3.7	−8.1	+1.2	+2.1
Central Europe	**14.0%**	**18.6%**	**+2.7**	**−5.3**	**+2.0**	**+2.3**
Poland			*+5.1*	*+1.8*	*+3.3*	*+3.7*
Bulgaria	1.4%	6.5%	+6.2	−4.9	−0.5	+2.2
Romania	5.4%	6.5%	+7.1	−7.1	−2.5	+1.7
Croatia	1.9%	12.0%	+2.4	−5.8	−1.5	+1.6
Bosnia and Herzegovina	0.5%	2.4%	+5.4	−2.9	+0.5	+1.8
Serbia	1.3%	1.7%	+5.5	−3.0	+1.5	+2.7
Estonia	0.6%	0.2%	−3.6	−14.1	+2.4	+3.9
Latvia	0.9%	0.2%	−4.6	−18.0	−0.9	+3.9
Lithuania	1.3%	0.2%	+2.8	−15.0	+0.9	+3.3
SEE and Baltic states	**13.3%**	**29.5%**	**+4.4**	**−8.0**	**−1.0**	**+2.2**
Russia	44.7%	15.6%	+5.2	−7.9	+3.4	+4.2
Turkey	19.6%	20.7%	+0.7	−4.7	+7.0	+4.1
Russia and Turkey	**64.4%**	**36.3%**	**+3.8**	**−6.9**	**+4.5**	**+4.2**
Kazakhstan	3.5%	6.9%	+3.3	+1.2	+6.3	+4.5
Ukraine	4.9%	8.7%	+2.1	−15.1	+3.5	+5.0
Kazakhstan and Ukraine	**8.4%**	**15.6%**	**+2.6**	**−8.2**	**+4.7**	**+4.8**
CEE (with Poland, GDP-weighted)			+3.8	−5.9	+3.4	+3.7
CEE (without Poland, GDP-weighted)			+3.6	−6.9	+3.4	+3.7
CEE (Bank Austria-weighted)*)			+3.2	−6.1	+2.7	+3.2
Bank Austria market (GDP-weighted)			+3.5	−6.6	+3.3	+3.5
Bank Austria market (Bank Austria-weighted)			+2.9	−5.4	+2.5	+2.7

*) weighted by contribution of Bank Austria's subsidiaries to operating income in CEE region
Source: UniCredit Research. Forecasts as at 13 October 2010

➔ In line with the outlook for the economic environment, we also expect a moderate, overall favourable, scenario for **Bank Austria's future performance**. The trends which started to emerge in **Austria** in summer 2010 will be confirmed: demand for products on both sides of the balance sheet will remain slack; in combination with a flatter euro yield curve and persistent pressure on margins in Austria, this will result in a sideways trend in net interest income. The outlook for fee-earning business is better as large companies will probably make more intensive use of capital markets and demand for more sophisticated investments will increase. The robust economy has already permitted a reduction of the provisioning charges. In **CEE** overall, the reduction of external and internal financing deficits and stronger growth will again accelerate the monetary convergence process. Our banks in economies which are at an advanced stage in the business cycle, as well as our subsidiaries in the highly integrated Central European economies will make essential contributions to a favourable profit performance in the current year. The recent decline in the provisioning charge and the improvement in portfolio quality, though with wide regional variations, have shown that the credit cycle is following the business cycle with a time lag. This means that loan loss ratios in most CEE countries may already have moved past their peak, but in Kazakhstan and Ukraine the restructuring process in the banking sector is still under way.

All in all, macro risks have declined and credit spreads in the corporate sector have receded. Market risk relates primarily to exchange rate volatility, including the extreme of a global currency depreciation race. There is also a risk that the European debt crisis may come to a head again. Regulatory risk is one of the imponderable factors in the medium to long term. If the approach is not coordinated, the burdens arising from capital adequacy requirements (Basel III), the new deposit guarantee scheme, the levies on banks and possible structural restrictions may accumulate and affect the banks' economic function.

Regardless of the subdued short-term outlook, our strategic focus – supported by our stronger capital base – is on expanding classic customer business. In Austria we are working to refine the target group-specific customer service approach within the framework of the One4C project and to strengthen the range of products and services we offer to small and medium-sized businesses. In CEE, the medium-term to long-term outlook for the convergence process is intact. While the boom years are over, we will use the available potential by investing in promising regions and product areas, swiftly implementing our business model and continuing to organise production and settlement activities on a cross-regional basis.

The first nine months have provided a good basis for the full year 2010. It is not possible to draw conclusions as to the final quarter of the year from the upswing which has been seen from quarter to quarter since the end of 2009. However, only a small additional contribution to profits is needed to exceed the previous year's performance.

Statement of Comprehensive Income

of the Bank Austria Group for the first nine months of 2010

Consolidated income statement

(€ m)

	(Notes)	1 JAN.– 30 SEPT. 2010	1 JAN.– 30 SEPT. 2009
Interest income and similar revenues	(4)	6,301	7,845
Interest expense and similar charges	(4)	–2,900	–4,203
Net interest margin		**3,401**	**3,642**
Fee and commission income	(5)	1,827	1,639
Fee and commission expense	(5)	–348	–304
Net fees and commissions		**1,480**	**1,335**
Dividend income and similar revenue	(6)	17	38
Gains and losses on financial assets and liabilities held for trading	(7)	268	216
Fair value adjustments in hedge accounting	(8)	–14	–
Gains and losses on disposal of:	(9)	27	80
a) loans		–11	5
b) available-for-sale financial assets		38	76
c) held-to-maturity investments		–	–2
d) financial liabilities		–	–
Gains and losses on financial assets/liabilities at fair value through profit or loss	(10)	22	20
OPERATING INCOME		**5,201**	**5,331**
Impairment losses on:	(11)	–1,301	–1,627
a) loans		–1,297	–1,618
b) available-for-sale financial assets		2	–9
c) held-to-maturity investments		–	–
d) other financial assets		–6	1
Net income from financial activities		**3,900**	**3,704**
Premiums earned (net)		84	71
Other income (net) from insurance activities		–73	–59
Net income from financial and insurance activities		**3,911**	**3,717**
Administrative costs:		–2,550	–2,455
a) staff expense	(12)	–1,441	–1,431
b) other administrative expense	(13)	–1,109	–1,023
Provisions for risks and charges	(14)	–103	–50
Impairment/write-backs on property, plant and equipment	(15)	–154	–161
Impairment/write-backs on intangible assets	(16)	–84	–84
Other net operating income	(17)	127	178
OPERATING COSTS		**–2,763**	**–2,571**
Profit (loss) of associates		95	69
Gains and losses on tangible and intangible assets measured at fair value		–1	–
Impairment of goodwill		–170	–1
Gains and losses on disposal of investments	(18)	22	10
TOTAL PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS		**1,094**	**1,224**
Tax expense (income) related to profit or loss from continuing operations		–296	–204
NET PROFIT		**798**	**1,020**
Net profit attributable to the parent company		761	972
Minorities		38	47
Earnings per share (annualised in €, basic and diluted)		4.51	6.42

Statement of income and expenses recognised directly in equity

(€ m)

	1 JAN.– 30 SEPT. 2010	1 JAN.– 30 SEPT. 2009
Gains/losses on assets held for sale (available-for-sale reserve)	131	144
Gains/losses on cash flow hedges (cash flow hedge reserve)	121	99
Changes at companies accounted for under the equity method	17	5
Foreign currency translation – exchange differences	454	–564
Foreign currency translation relating to assets held for sale	–	–
Actuarial losses on defined-benefit plans	–	1
Taxes on items directly recognised in equity	–61	–54
Other changes	57	–499
Recognised directly in equity	**718**	**–867**
Net profit	**798**	**1,019**
TOTAL OF INCOME AND EXPENSES RECOGNISED IN THE REPORTING PERIOD	**1,516**	**152**
Shareholders' equity	1,473	323
Minority interests	44	–171

Consolidated Balance Sheet

of the Bank Austria Group at 30 September 2010

Assets

(€ m)

	(Notes)	30 SEPT. 2010	31 DEC. 2009
Cash and cash balances		2,442	3,213
Financial assets held for trading	(19)	4,497	4,137
Financial assets at fair value through profit or loss	(20)	347	235
Available-for-sale financial assets	(21)	16,574	10,826
Held-to-maturity investments	(22)	4,416	5,067
Loans and receivables with banks	(23)	20,748	23,076
Loans and receivables with customers	(24)	127,663	123,602
Hedging derivatives		3,624	151
Changes in fair value of portfolio hedged items (+/–)		–	–
Investments in associates and joint ventures		2,499	2,426
Insurance reserves attributable to reinsurers		1	–
Property, plant and equipment	(25)	2,360	2,273
of which held for investment		*462*	*369*
Intangible assets	(26)	3,913	3,938
of which goodwill		*3,407*	*3,415*
Tax assets		1,282	1,330
a) current tax assets		287	309
b) deferred tax assets		995	1,021
Non-current assets and disposal groups classified as held for sale	(27)	10	13,210
Other assets		1,115	975
TOTAL ASSETS		**191,491**	**194,459**

Liabilities and equity

(€ m)

	(Notes)	30 SEPT. 2010	31 DEC. 2009
Deposits from banks	(28)	32,614	33,362
Deposits from customers	(29)	97,675	97,041
Debt securities in issue	(30)	27,921	28,822
Financial liabilities held for trading	(31)	2,679	915
Financial liabilities at fair value through profit or loss	(32)	1,741	1,967
Hedging derivatives		2,908	219
Changes in fair value of portfolio hedged items (+/–)		–	–
Tax liabilities		657	552
a) current tax liabilities		155	96
b) deferred tax liabilities		503	456
Liabilities included in disposal groups classified as held for sale	(33)	–	10,492
Other liabilities		3,049	2,372
Provisions for risks and charges	(34)	4,206	4,167
a) post-retirement benefit obligations		3,679	3,677
b) other provisions		527	490
Insurance reserves		181	162
Equity		17,861	14,388
of which Minorities (+/–)		*559*	*539*
TOTAL LIABILITIES AND EQUITY		**191,491**	**194,459**

Statement of changes in equity

of the Bank Austria Group

(€ m)

	SUBSCRIBED CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION	RESERVES IN ACCORDANCE WITH IAS 39*)	ACTUARIAL LOSSES IN ACCORDANCE WITH IAS 19	SHAREHOLDERS' EQUITY	MINORITY INTERESTS	EQUITY
As at 1 January 2009	**1,469**	**5,327**	**8,425**	**–1,175**	**16**	**–558**	**13,504**	**733**	**14,237**
Changes in the group of consolidated companies							–	10	10
Recognised income and expenses		2	740	–602	182	1	323	–171	152
Dividend paid							–	–33	–33
AS AT 30 SEPTEMBER 2009	**1,469**	**5,329**	**9,165**	**–1,777**	**198**	**–557**	**13,828**	**538**	**14,366**

*) Reserves in accordance with IAS 39	1 Jan. 2009	30 Sept. 2009
Cash flow hedge reserve	29	65
Available-for-sale reserve	–13	133
Total	16	198
of which reserves of companies classified as held for sale		*–63*

	SUBSCRIBED CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION	RESERVES IN ACCORDANCE WITH IAS 39*)	ACTUARIAL LOSSES IN ACCORDANCE WITH IAS 19	SHAREHOLDERS' EQUITY	MINORITY INTERESTS	EQUITY
As at 1 January 2010	**1,469**	**5,325**	**9,295**	**–1,727**	**148**	**–660**	**13,849**	**539**	**14,388**
Capital increase	212	1,788					2,000		2,000
Transaction costs of capital increase		–20					–20		–20
Changes in the group of consolidated companies							–	1	1
Shares in controlling companies		–1					–1		–1
Recognised income and expenses			831	452	190	–	1,473	44	1,516
Dividend paid							–	–24	–24
AS AT 30 SEPTEMBER 2010	**1,681**	**7,092**	**10,125**	**–1,275**	**337**	**–660**	**17,301**	**559**	**17,861**

*) Reserves in accordance with IAS 39	1 Jan. 2010	30 Sept. 2010
Cash flow hedge reserve	62	179
Available-for-sale reserve	86	158
Total	148	337

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

Cash flow statement

of the Bank Austria Group

(€ m)

	1 JAN.– 30 SEPT. 2010	1 JAN.– 30 SEPT. 2009
CASH AND CASH EQUIVALENTS AT END OF PREVIOUS PERIOD	**3,244**	**3,929**
Cash flows from operating activities	–3,747	–1,802
Cash flows from investing activities	1,262	656
Cash flows from financing activities	1,624	–184
Effects of exchange rate changes	59	–11
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**2,442**	**2,588**

Notes to the Consolidated Financial Statements

of Bank Austria

(1) Significant accounting policies

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

Effects of amendments to IAS 39 and IFRS 7

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

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

TYPES OF INSTRUMENTS	ACCOUNTING PORTFOLIO BEFORE RECLASSIFICATION	ACCOUNTING PORTFOLIO AFTER RECLASSIFICATION	CARRYING AMOUNT AS AT 30 SEPT. 2010	FAIR VALUE AS AT 30 SEPT. 2010	INCOME/EXPENSES ABSENT RECLASSIFICATION (BEFORE TAXES)		INCOME/EXPENSES RECOGNISED DURING THE PERIOD (BEFORE TAXES)	
					FROM MEASUREMENT	OTHER	FROM MEASUREMENT	OTHER
A. Debt securities			**–1,631**	**–1,441**	**84**	**59**	**–8**	**38**
	HFT	AFS	–20	–20	1	1	1	1
	HFT	HTM	–42	–45	1	2	–	2
	HFT	Loans to banks	–	–	–	–	–	–
	HFT	Loans to customers	–1,568	–1,376	82	56	–9	35
	AFS	Loans to banks	–	–	–	–	–	–
	AFS	Loans to customers	–	–	–	–	–	–
B. Equity instruments			**–**	**–**	**–**	**–**	**–**	**–**
C. Loans			**–**	**–**	**–**	**–**	**–**	**–**
D. Units in investment funds			**–**	**–**	**–**	**–**	**–**	**–**
TOTAL			**–1,631**	**–1,441**	**84**	**59**	**–8**	**38**

Impairment test

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

Following the additional impairment test performed at the end of the first half of 2010, there are currently no indications of an impairment of goodwill as at 30 September 2010.

Notes (CONTINUED)

(2) Earnings per share / dividend

During the reporting period, no financial instruments with a dilutive effect on the bearer shares were outstanding. Therefore basic earnings per share in accordance with IAS 33 equal diluted earnings per share in accordance with IAS 33. Based on the average number of shares outstanding (224.7 million shares), earnings per share for the first nine months of 2010 were € 3.38 (comparative figure for the same period of the previous year: € 4.81, based on 202.0 million shares).

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

The following companies were included in the group of consolidated companies of the Bank Austria Group as from 1 January 2010:

- ATF Finance JSC
- ATF Inkassatsiya Ltd
- BA Betriebsobjekte GmbH
- BA Betriebsobjekte GmbH & Co Beta Vermietungs OG
- BA Betriebsobjekte Praha, spol. s. r. o.
- Bank Austria Finanzservice GmbH
- Bank Austria Real Invest Immobilien-Kapitalanlage GmbH
- "Cafu" Vermögensverwaltung GmbH & Co OG
- Diners Club Slovakia s. r. o.
- Europe Investment Fund Budapest
- KLEA ZS-Immobilienvermietung G. m. b. H.
- KLEA ZS-Liegenschaftsvermietung G. m. b. H.
- KSG Karten-Verrechnungs- und Servicegesellschaft m. b. H.
- M. A. I. L Finanzberatung Gesellschaft m. b. H.
- Real Invest Immobilien GmbH
- Sas-Real Ingatlanüzemelteto es Kezelo Kft.
- Schoellerbank Invest AG
- UniCredit CAIB Securities Romania SA

The following companies have been accounted for under the equity method since 1 January 2010:

- Anger Machining GmbH
- Credanti Holding Limited
- Forstinger Handels und Service GmbH
- Multiplus Card d. o. o.
- Papcel a. s.
- Wien Mitte Immobilien GmbH

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

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

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

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

Since 1 July 2010 the subsidiaries UCTAM (UniCredit Turn Around Management) upravljanje d. o. o. in Slovenia and UCTAM Baltics SIA in Latvia, which commenced operations in the third quarter of 2010, have been included in the consolidated financial statements of the Bank Austria Group. The objects of the companies are to acquire, manage, administer and sell equity interests, properties and other business assets, especially of or from real estate projects and other business undertakings, deriving from debt restructuring.

Notes to the income statement

(4) Interest income/Interest expense

Interest income and similar revenues

(€ m)

	1 JAN.–30 SEPT. 2010				1 JAN.–30 SEPT. 2009
	DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	TOTAL	TOTAL
Financial assets held for trading	95	–	84	180	175
Financial assets at fair value through profit or loss	6	–	–	6	16
Available-for-sale financial assets	365	–	–	365	320
Held-to-maturity investments	230	–	–	230	354
Loans and receivables with banks	–	217	–	217	504
Loans and receivables with customers	47	4,829	–	4,876	5,934
Hedging derivatives	X	X	425	425	538
Other assets	X	X	3	3	4
TOTAL	**743**	**5,046**	**512**	**6,301**	**7,845**

Interest expense and similar charges

(€ m)

	1 JAN.–30 SEPT. 2010				1 JAN.–30 SEPT. 2009
	DEPOSITS	SECURITIES	OTHER TRANSACTIONS	TOTAL	TOTAL
Deposits from central banks	–2	X	–	–2	n.a.
Deposits from banks	–527	X	–	–527	–918
Deposits from customers	–1,595	X	–	–1,595	–2,298
Debt securities in issue	X	–598	–	–598	–884
Financial liabilities held for trading	–	–	–118	–118	–62
Financial liabilities at fair value through profit or loss	–	–20	–	–20	–26
Other liabilities	X	X	–2	–2	–2
Hedging derivatives	X	X	–37	–37	–13
TOTAL	**–2,124**	**–619**	**–157**	**–2,900**	**–4,203**

Notes to the income statement (CONTINUED)

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

Fee and commission income

(€ m)

	1 JAN.– 30 SEPT. 2010	1 JAN.– 30 SEPT. 2009
Guarantees given	**151**	**144**
Credit derivatives	**3**	**4**
Management, brokerage and consultancy services:	**617**	**520**
securities trading	56	31
currency trading	193	185
portfolio management	109	111
custody and administration of securities	89	75
custodian bank	43	27
placement of securities	20	22
reception and transmission of orders	7	13
advisory services	14	7
distribution of third party services	87	49
Collection and payment services	**575**	**656**
Securitisation servicing	**–**	**–**
Factoring	**27**	**22**
Tax collection services	**–**	**–**
Management of multilateral trading facilities	**–**	**–**
Management of current accounts	**157**	**87**
Other services	**298**	**206**
TOTAL	**1,827**	**1,639**

Fee and commission expense

(€ m)

	1 JAN.– 30 SEPT. 2010	1 JAN.– 30 SEPT. 2009
Guarantees received	**–27**	**–22**
Credit derivatives	**–29**	**–33**
Management, brokerage and consultancy services:	**–89**	**–49**
trading in financial instruments	–7	–8
currency trading	–1	–3
portfolio management	–16	–11
custody and administration of securities	–40	–27
placement of financial instruments	–1	–2
off-site distribution of financial instruments, products and services	–23	–
Collection and payment services	**–166**	**–142**
Other services	**–38**	**–58**
TOTAL	**–348**	**–304**

(6) Dividend income and similar revenue

(€ m)

	1 JAN.–30 SEPT. 2010		1 JAN.–30 SEPT. 2009	
	DIVIDENDS	INCOME FROM UNITS IN INVESTMENT FUNDS	DIVIDENDS	INCOME FROM UNITS IN INVESTMENT FUNDS
Financial assets held for trading	–	–	2	–
Available-for-sale financial assets	12	1	21	–
Financial assets at fair value through profit or loss	–	–	–	8
Investments	3	X	7	X
TOTAL	**15**	**2**	**30**	**8**

Notes to the income statement (CONTINUED)

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

(€ m)

	1 JAN.–30 SEPT. 2010					1 JAN.– 30 SEPT. 2009
	UNREALISED PROFITS	REALISED PROFITS	UNREALISED LOSSES	REALISED LOSSES	NET PROFIT	NET PROFIT
Financial assets held for trading	**282**	**386**	**–91**	**–234**	**342**	**238**
Debt securities	31	105	–24	–14	98	172
Equity instruments	67	19	–66	–18	2	26
Units in investment funds	–	–	–	–	–	7
Loans	–	–	–	–	–	–
Other	184	261	–1	–202	242	33
Financial liabilities held for trading	**–**	**3**	**–6**	**–7**	**–10**	**–12**
Debt securities	–	–	–	–	–	–
Deposits	–	–	–	–	–	1
Other	–	3	–6	–7	–10	–13
Other financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**97**	**–29**
Derivatives	**378**	**274**	**–392**	**–333**	**–161**	**19**
Financial derivatives	378	263	–362	–332	–142	–17
on debt securities and interest rates	*366*	*238*	*–334*	*–299*	*–30*	*–362*
on equity securities and share indices	*4*	*3*	*–21*	*–8*	*–22*	*22*
on currency and gold	*X*	*X*	*X*	*X*	*–89*	*307*
other	*8*	*21*	*–6*	*–24*	*–1*	*16*
Credit derivatives	–	11	–29	–1	–19	36
TOTAL	**660**	**663**	**–489**	**–574**	**268**	**216**

(8) Fair value adjustments in hedge accounting

(€ m)

	1 JAN.– 30 SEPT. 2010	1 JAN.– 30 SEPT. 2009
Gains on:		
Fair value hedging instruments	33	3
Hedged asset items (in fair value hedge relationship)	6	1
Hedged liability items (in fair value hedge relationship)	–	–
Cash-flow hedging derivatives	–	–
Total gains on hedging activities	**39**	**5**
Losses on:		
Fair value hedging instruments	–39	–4
Hedged asset items (in fair value hedge relationship)	–6	–2
Hedged liability items (in fair value hedge relationship)	–7	–
Cash-flow hedging derivatives	–1	–
Total losses on hedging activities	**–52**	**–5**
NET HEDGING RESULT	**–14**	**–0**

Notes to the income statement (CONTINUED)

(9) Gains and losses on disposals/repurchases

(€ m)

	1 JAN.–30 SEPT. 2010			1 JAN.–30 SEPT. 2009		
	GAINS	LOSSES	NET PROFIT	GAINS	LOSSES	NET PROFIT
Financial assets						
Loans and receivables with banks	–	–	–	–	–	–
Loans and receivables with customers	9	–20	–11	7	–2	5
Available-for-sale financial assets	49	–11	38	182	–106	76
Debt securities	*22*	*–11*	*11*	*46*	*–47*	*–1*
Equity instruments	*27*	*–1*	*27*	*134*	*–50*	*84*
Units in investment funds	*–*	*–*	*–*	*2*	*–9*	*–7*
Loans	*–*	*–*	*–*	*–*	*–*	*–*
Held-to-maturity investments	–	–	–	–	–2	–2
TOTAL ASSETS	**58**	**–31**	**27**	**190**	**–110**	**80**
Financial liabilities						
Deposits from banks	–	–	–	–	–	–
Deposits from customers	–	–	–	–	–	–
Debt securities in issue	–	–	–	–	–	–
TOTAL LIABILITIES	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL	**58**	**–31**	**27**	**190**	**–110**	**80**

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

(€ m)

	1 JAN.–30 SEPT. 2010					1 JAN.–30 SEPT. 2009
	UNREALISED PROFITS	REALISED PROFITS	UNREALISED LOSSES	REALISED LOSSES	NET PROFIT	NET PROFIT
Financial assets	**18**	**19**	**–2**	**–1**	**33**	**21**
Debt securities	4	1	–	–1	4	28
Equity securities	–	–	–	–	–	–
Units in investment funds	14	18	–2	–1	30	–7
Loans	–	–	–	–	–	–
Financial liabilities	**27**	**2**	**–33**	**–4**	**–8**	**–190**
Debt securities	27	2	–33	–4	–8	–190
Deposits from banks	–	–	–	–	–	–
Deposits from customers	–	–	–	–	–	–
Financial assets and liabilities in foreign currency: exchange differences	**X**	**X**	**X**	**X**	**–**	**–**
Credit and financial derivatives	**33**	**4**	**–38**	**–2**	**–4**	**189**
TOTAL	**78**	**24**	**–74**	**–7**	**22**	**20**

Notes to the income statement (CONTINUED)

(11) Impairment losses

Impairment losses on loans and receivables

(€ m)

	1 JAN.–30 SEPT. 2010						1 JAN.–30 SEPT. 2009
	WRITE-DOWNS			WRITE-BACKS			
	SPECIFIC						
	WRITE-OFFS	OTHER	PORTFOLIO	SPECIFIC	PORTFOLIO	TOTAL	TOTAL
Loans and receivables with banks	–	–2	–	9	–	7	5
Loans and receivables with customers	–37	–2,009	–45	679	108	–1,304	–1,623
TOTAL	**–37**	**–2,012**	**–45**	**688**	**108**	**–1,297**	**–1,618**

Impairment losses on available-for-sale financial assets

(€ m)

	1 JAN.–30 SEPT. 2010				1 JAN.–30 SEPT. 2009
	WRITE-DOWNS		WRITE-BACKS		
	SPECIFIC				
	WRITE-OFFS	OTHER	SPECIFIC	TOTAL	TOTAL
Debt securities	–	–	2	2	–6
Equity instruments	–2	–	x	–2	–1
Units in investment funds	–	–	2	2	–2
Loans to banks	–	–	–	–	–
Loans to customers	–	–	–	–	–
TOTAL	**–2**	**–0**	**4**	**2**	**–9**

Impairment losses on other financial transactions

(€ m)

	1 JAN.–30 SEPT. 2010						1 JAN.–30 SEPT. 2009
	WRITE-DOWNS			WRITE-BACKS			
	SPECIFIC						
	WRITE-OFFS	OTHER	PORTFOLIO	SPECIFIC	PORTFOLIO	TOTAL	TOTAL
Guarantees given	–	–33	–1	25	5	–3	–1
Credit derivatives	–	–	–	–	–	–	–
Commitments to disburse funds	–	–3	–2	1	1	–2	2
Other transactions	–	–5	–	4	1	–1	–
TOTAL	**0**	**–40**	**–3**	**30**	**7**	**–6**	**1**

(12) Payroll

(€ m)

	1 JAN.–30 SEPT. 2010	1 JAN.–30 SEPT. 2009
Employees	**–1,413**	**–1,394**
Wages and salaries	–1,029	–1,017
Social charges	–207	–203
Severance pay	–	–3
Social security costs	–36	–31
Allocation to employee severance pay provision	–	–22
Provision for retirement payments and similar provisions	–182	–164
Payments to external pension funds	–23	–22
Costs related to share-based payments	–1	–2
Other employee benefits	–39	–42
Recovery of compensation*)	104	113
Others	**–27**	**–37**
TOTAL	**–1,441**	**–1,431**

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

Notes to the income statement (CONTINUED)

(13) Other administrative expenses

(€ m)

	1 JAN.– 30 SEPT. 2010	1 JAN.– 30 SEPT. 2009
Indirect taxes and duties	**–52**	**–22**
Miscellaneous costs and expenses	**–1,057**	**–1,001**
Advertising, marketing and communication	–86	–75
Expenses related to credit risk	–25	–12
Expenses related to personnel	–42	–37
Information and communication technology expenses	–286	–313
Consulting and professional services	–36	–39
Real estate expenses	–246	–244
Other functioning costs	–336	–282
TOTAL	**–1,109**	**–1,023**

(14) Net provisions for risks and charges

(€ m)

	1 JAN.–30 SEPT. 2010			1 JAN.– 30 SEPT. 2009
	PROVISIONS	REALLOCATION SURPLUS	TOTAL	TOTAL
Other provisions				
Legal disputes	–75	4	–71	–10
Staff costs	–	–	–	–
Other	–34	2	–32	–40
TOTAL	**–108**	**5**	**–103**	**–50**

(15) Impairment on property, plant and equipment

(€ m)

	1 JAN.–30 SEPT. 2010				1 JAN.–30 SEPT. 2009
	DEPRECIATION	IMPAIRMENT LOSSES	WRITE-BACKS	NET PROFIT	NET PROFIT
Property, plant and equipment					
Owned	**–153**	**–1**	**1**	**–153**	**–157**
used in the business	–148	–1	1	–148	–154
held for investment	–5	–	–	–5	–3
Finance lease	**–1**	**–**	**–**	**–1**	**–3**
used in the business	–1	–	–	–1	–2
held for investment	–	–	–	–	–1
TOTAL	**–154**	**–1**	**1**	**–154**	**–161**

(16) Impairment on intangible assets

(€ m)

	1 JAN.–30 SEPT. 2010				1 JAN.–30 SEPT. 2009
	AMORTISATION	IMPAIRMENT LOSSES	WRITE-BACKS	NET PROFIT	NET PROFIT
Intangible assets					
Owned	**–85**	**–**	**1**	**–84**	**–84**
generated internally by the company	–4	–	–	–4	–27
other	–80	–	1	–79	–57
Finance leases	**–**	**–**	**–**	**–**	**–**
TOTAL	**–85**	**–0**	**1**	**–84**	**–84**

Notes to the income statement (CONTINUED)

(17) Other net operating income

Other operating expenses

(€ m)

	1 JAN.–30 SEPT. 2010	1 JAN.–30 SEPT. 2009
Costs for operating leases	–	–
Reclassification of gains/losses associated with cash flow hedges of non-financial assets or liabilities from equity to profit or loss (IAS 39, paragraph 98a)	–	–
Non-deductible tax and other fiscal charges	–1	–1
Writedowns on improvements of goods owned by third parties	–1	–1
Costs related to the specific service of financial leasing	–	–
Other	–73	–44
TOTAL OTHER OPERATING EXPENSES	**–75**	**–46**

Other operating income

(€ m)

	1 JAN.–30 SEPT. 2010	1 JAN.–30 SEPT. 2009
Recovery of costs	**1**	**1**
Other income	**201**	**223**
Revenue from administrative services	92	132
Reclassification of valuation reserve relating to cash-flow hedging of non-financial assets/liabilities	–	–
Revenues from rentals of real estate investments (net of direct operating costs)	12	11
Revenues from operating leases	2	1
Recovery of miscellaneous costs paid in previous years	2	3
Revenues from finance lease activities	–	–
Other	94	77
TOTAL OTHER OPERATING INCOME	**202**	**224**
OTHER NET OPERATING INCOME	**127**	**178**

(18) Gains and losses on disposal of investments

(€ m)

	1 JAN.–30 SEPT. 2010	1 JAN.–30 SEPT. 2009
Property		
Gains on disposal	8	6
Losses on disposal	–	–
Other assets		
Gains on disposal	17	6
Losses on disposal	–2	–1
TOTAL	**22**	**10**

Notes to the balance sheet

(19) Financial assets held for trading

(€ m)

	30 SEPT. 2010				31 DEC. 2009
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	TOTAL
Financial assets (non-derivatives)	**862**	**862**	**16**	**1,741**	**2,503**
Debt securities	836	861	15	1,713	2,292
Structured securities	*9*	–	–	*9*	*6*
Other debt securities	*827*	*861*	*15*	*1,703*	*2,286*
Equity instruments	15	–	1	16	14
Units in investment funds	11	1	–	12	197
Loans	–	–	–	–	–
Repos	–	–	–	–	–
Other	–	–	–	–	–
Derivative instruments	**5**	**2,724**	**27**	**2,757**	**1,634**
Financial derivatives	5	2,723	25	2,753	1,632
Trading	*5*	*2,723*	*25*	*2,753*	*1,630*
Related to fair value option	–	–	–	–	–
Other	–	–	–	–	*2*
Credit derivatives	–	1	2	3	1
Trading	–	*1*	*2*	*3*	*1*
Related to fair value option	–	–	–	–	–
Other	–	–	–	–	–
TOTAL	**868**	**3,586**	**44**	**4,497**	**4,137**

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

(€ m)

	30 SEPT. 2010				31 DEC. 2009
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	TOTAL
Debt securities	*12*	88	59	159	176
Structured securities	–	–	–	–	–
Other debt securities	*12*	*88*	*59*	*159*	*176*
Equity securities	*18*	1	–	19	18
Units in investment funds	–	–	168	169	34
Loans	–	–	–	–	6
Structured	–	–	–	–	–
Other	–	–	–	–	*6*
TOTAL	**29**	**89**	**228**	**347**	**235**

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

Notes to the balance sheet (CONTINUED)

(21) Available-for-sale financial assets

(€ m)

	30 SEPT. 2010				31 DEC. 2009
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	TOTAL
Debt securities	4,006	10,159	1,712	15,878	10,111
Structured securities	–	*1*	*419*	*420*	*424*
Other	*4,006*	*10,158*	*1,293*	*15,457*	*9,687*
Equity instruments	54	146	296	496	485
Measured at fair value	*54*	*146*	*280*	*481*	*476*
Carried at cost	–	–	*16*	*16*	*9*
Units in investment funds	20	103	78	200	230
Loans	–	–	–	–	–
TOTAL	**4,080**	**10,408**	**2,086**	**16,574**	**10,826**

(22) Held-to-maturity investments

(€ m)

	30 SEPT. 2010					31 DEC. 2009	
	CARRYING AMOUNT	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Debt securities	4,416	2,803	1,659	182	4,645	5,067	5,195
Structured securities	–		*27*	–	*27*	–	–
Other securities	*4,416*	*2,803*	*1,633*	*182*	*4,618*	*5,067*	*5,195*
Loans	–	–	–	–	–	–	–
TOTAL	**4,416**	**2,803**	**1,659**	**182**	**4,645**	**5,067**	**5,195**

(23) Loans and receivables with banks

(€ m)

	30 SEPT. 2010	31 DEC. 2009
Loans to central banks	**4,839**	**5,225**
Time deposits	1,161	292
Compulsory reserves	3,604	4,426
Repos	35	464
Other	39	43
Loans to banks	**15,909**	**17,851**
Current accounts and demand deposits	4,089	2,315
Time deposits	8,492	10,908
Other loans	3,328	4,628
Repos	*548*	*1,773*
Finance leases	–	–
Other	*2,780*	*2,855*
Debt securities	–	–
Structured	–	–
Other	–	–
TOTAL (CARRYING AMOUNT)	**20,748**	**23,076**
TOTAL (FAIR VALUE)	**20,832**	**23,305**
Loan loss provisions deducted from loans and receivables	62	99

Notes to the balance sheet (CONTINUED)

(24) Loans and receivables with customers

(€ m)

	30 SEPT. 2010			31 DEC. 2009
	PERFORMING	IMPAIRED	TOTAL	TOTAL
Current accounts	12,306	156	12,461	12,934
Repos	48	–	48	203
Mortgages	23,017	1,445	24,462	22,971
Credit cards and personal loans, including wage assignment loans	8,608	182	8,791	8,392
Finance leases	374	25	399	407
Factoring	930	8	938	784
Other transactions	74,452	4,286	78,738	75,876
Debt securities	1,766	61	1,826	2,034
Structured securities	–	–	–	–
Other debt securities	*1,766*	*61*	*1,826*	*2,034*
TOTAL (CARRYING AMOUNT)	**121,501**	**6,162**	**127,663**	**123,602**
TOTAL (FAIR VALUE)	**122,518**	**6,185**	**128,703**	**125,891**
Loan loss provisions deducted from loans and receivables	767	5,901	6,667	5,691

(25) Property, plant and equipment

(€ m)

	30 SEPT. 2010	31 DEC. 2009
Assets for operational use	**1,898**	**1,904**
Owned	**1,849**	**1,852**
Land	188	179
Buildings	1,255	1,226
Office furniture and fittings	140	155
Electronic systems	168	180
Others	97	111
Leased	**49**	**52**
Land	–	–
Buildings	48	49
Office furniture and fittings	–	–
Electronic systems	–	2
Others	1	1
Held-for-investment assets	**462**	**369**
Owned	**462**	**369**
Land	265	214
Buildings	197	155
Leased	**–**	**–**
Land	–	–
Buildings	–	–
TOTAL	**2,360**	**2,273**

Notes to the balance sheet (CONTINUED)

(26) Intangible assets

(€ m)

	30 SEPT. 2010	31 DEC. 2009
Goodwill	**3,407**	**3,415**
Other intangible assets	**506**	**523**
Assets carried at cost	506	523
Intangible assets generated internally	*32*	*46*
Other assets	*474*	*477*
Assets valued at fair value	–	–
Intangible assets generated internally	–	–
Other assets	–	–
TOTAL	**3,913**	**3,938**

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

(€ m)

	30 SEPT. 2010	31 DEC. 2009
Individual assets		
Financial assets	–	–
Equity investments	–	–
Property, plant and equipment	10	46
Intangible assets	–	–
Other non-current assets	–	–
Total	**10**	**46**
Asset groups classified as held for sale		
Financial assets held for trading	–	11,557
Financial assets at fair value through profit or loss	–	25
Available-for-sale financial assets	–	259
Held-to-maturity investments	–	1
Loans and receivables with banks	–	11
Loans and receivables with customers	–	–
Equity investments	–	–
Property, plant and equipment	–	–
Intangible assets	–	–
Other assets	–	1,311
Total	**–**	**13,164**
ASSETS	**10**	**13,210**

(28) Deposits from banks

(€ m)

	30 SEPT. 2010	31 DEC. 2009
Deposits from central banks	**702**	**4,355**
Deposits from banks	**31,912**	**29,007**
Current accounts and demand deposits	3,033	2,863
Time deposits	13,042	9,456
Loans	15,545	16,226
Reverse repos	*926*	*1,126*
Other	*14,618*	*15,101*
Liabilities in respect of commitments to repurchase treasury shares	–	–
Other liabilities	293	461
TOTAL	**32,614**	**33,362**
FAIR VALUE	**33,198**	**33,588**

Notes to the balance sheet (CONTINUED)

(29) Deposits from customers

(€ m)

	30 SEPT. 2010	31 DEC. 2009
Current accounts and demand deposits	43,105	39,368
Time deposits	47,917	50,149
Loans	690	669
Reverse repos	*341*	*395*
Other	*349*	*274*
Liabilities in respect of commitments to repurchase treasury shares	557	529
Other liabilities	5,406	6,327
TOTAL	**97,675**	**97,041**
FAIR VALUE	**98,064**	**97,407**

(30) Debt securities in issue

(€ m)

	30 SEPT. 2010					31 DEC. 2009	
	CARRYING AMOUNT	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Securities							
Bonds	25,618	2,006	23,118	399	25,523	26,764	26,576
Structured	*110*	–	–	*110*	*110*	*99*	*99*
Other	*25,508*	*2,006*	*23,118*	*288*	*25,413*	*26,666*	*26,477*
Other securities	2,303	27	839	839	1,704	2,058	2,057
Structured	*27*	*27*	–	–	*27*	*27*	*27*
Other	*2,275*	–	*839*	*839*	*1,677*	*2,030*	*2,030*
TOTAL	**27,921**	**2,034**	**23,957**	**1,237**	**27,228**	**28,822**	**28,633**

(31) Financial liabilities held for trading

(€ m)

	30 SEPT. 2010				31 DEC. 2009
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	TOTAL
Financial liabilities	**6**	**16**	**–**	**22**	**37**
Deposits from banks	**–**	**–**	**–**	**–**	**–**
Deposits from customers	**6**	**16**	**–**	**22**	**37**
Debt securities	**–**	**–**	**–**	**–**	**–**
Bonds	–	–	–	–	–
Structured	–	–	–	–	–
Other	–	–	–	–	–
Other securities	–	–	–	–	–
Structured	–	–	–	–	–
Other	–	–	–	–	–
Derivative instruments	**22**	**2,575**	**60**	**2,657**	**878**
Financial derivatives	**22**	**2,512**	**40**	**2,574**	**878**
Trading	5	2,512	39	2,556	874
Relating to fair value option	14	–	–	14	–
Other	4	–	1	4	5
Credit derivatives	**–**	**63**	**20**	**83**	**–**
Trading derivatives	–	63	20	83	–
Relating to fair value option	–	–	–	–	–
Other	–	–	–	–	–
TOTAL	**28**	**2,591**	**60**	**2,679**	**915**

Notes to the balance sheet (CONTINUED)

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

(€ m)

	30 SEPT. 2010				31 DEC. 2009
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	TOTAL
Deposits from banks	–	–	–	–	–
Structured	–	–	–	–	–
Others	–	–	–	–	–
Deposits from customers	–	–	–	–	–
Structured	–	–	–	–	–
Others	–	–	–	–	–
Debt securities	–	1,741	–	1,741	1,967
Structured	–	*1,741*	–	*1,741*	*1,967*
Others	–	–	–	–	–
TOTAL	**0**	**1,741**	**0**	**1,741**	**1,967**

This item shows liabilities in respect of which Bank Austria used the option to designate financial instruments as at fair value through profit or loss in order to avoid inconsistencies in the valuation of assets and liabilities which are connected with each other. Most of these liabilities are debt securities and complex structures with embedded derivatives. In the first nine months of 2010, changes in fair values resulting from changes in our own funding costs were € 25.6 m (same period of the previous year: – € 72.5 m).

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

(€ m)

	30 SEPT. 2010	31 DEC. 2009
Liabilities associated with assets classified as held for sale		
Deposits	–	–
Securities	–	–
Other liabilities	–	–
Total	**–**	**–**
Liabilities included in disposal groups classified as held for sale		
Deposits from banks	–	–
Deposits from customers	–	–
Debt securities in issue	–	–
Financial liabilities held for trading	–	8,663
Financial liabilities at fair value through profit or loss	–	35
Provisions	–	–
Other liabilities	–	1,794
Total	**–**	**10,492**
LIABILITIES	**0**	**10,492**

(34) Provisions for risks and charges

(€ m)

	30 SEPT. 2010	31 DEC. 2009
Pensions and other post-retirement benefit obligations	**3,679**	**3,677**
Other provisions for risks and charges	**527**	**490**
Legal disputes	176	147
Staff expenses	5	4
Other	347	339
TOTAL	**4,206**	**4,167**

Additional IFRS disclosures

(35) Guarantees given and commitments

(€ m)

	30 SEPT. 2010	31 DEC. 2009
Financial guarantees given to:	**6,095**	**7,911**
Banks	416	618
Customers	5,679	7,293
Commercial guarantees given to:	**14,515**	**12,518**
Banks	2,882	1,948
Customers	11,633	10,570
Other irrevocable commitments to disburse funds	**15,570**	**12,971**
Banks	1,069	292
Usage certain	*62*	*49*
Usage uncertain	*1,007*	*242*
Customers	14,500	12,680
Usage certain	*6,835*	*6,205*
Usage uncertain	*7,666*	*6,475*
Underlying obligations for credit derivatives: sales of protection	**899**	**927**
Assets used to guarantee others' obligations	**–**	**–**
Other commitments	**3,446**	**3,587**
TOTAL	**40,525**	**37,915**

(36) Employees

Share-based payments

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

UniCredit calculates the economic value of the share-based payment arrangements on a uniform basis for the entire Group and provides the Group companies with the relevant information. In the Bank Austria Group, the total amount recognised in the income statement for the first nine months of 2010 is € 810 thsd.

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

Employees

	FULL-TIME EQUIVALENTS			
	Q1 – Q3 2010	H1 2010	Q1 2010	31 DEC. 2009
Salaried staff	*59,298*	59,806	60,043	61,920
Other employees	*104*	105	105	139
TOTAL[*)]	**59,402**	**59,911**	**60,148**	**62,059**
of which: in Austria	*7,657*	*7,913*	*7,871*	*8,146*
of which: abroad	*51,745*	*51,998*	*52,277*	*53,913*

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

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

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

Additional IFRS disclosures (CONTINUED)

(38) Reconciliation of reclassified accounts to mandatory reporting schedule

(€ m)

	1 JAN.– 30 SEPT. 2010	1 JAN.– 30 SEPT. 2009
Net interest	3,401	3,642
Dividends and other income from equity investments	112	101
Dividend income and similar revenue	17	38
minus: dividends from equity instruments held for trading	–	*–2*
Profit (loss) of associates – of which: Income (loss) from equity investments valued at net equity	95	65
Net interest income	**3,513**	**3,743**
Net fees and commissions	1,480	1,335
Net trading, hedging and fair value income	277	237
Gains (losses) on financial assets and liabilities held for trading	268	216
plus: dividends from equity instruments held for trading	–	*2*
Fair value adjustments in hedge accounting	*–14*	–
Gains (losses) on disposal or repurchase of financial liabilities	–	–
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss	*22*	*20*
Net other expenses/income	137	191
Gains (losses) on disposals/repurchases of loans and receivables – not impaired	–	1
Premiums earned (net)	84	71
Other income (net) from insurance activities	–73	–59
Other net operating income	127	178
minus: other operating income – of which: recovery of expenses	*–1*	*–1*
plus: Gains (losses) on disposals of investments – assets leasing operation	–	–
Net non-interest income	**1,893**	**1,763**
OPERATING INCOME	**5,406**	**5,506**
Payroll costs	–1,441	–1,430
Administrative costs – staff expenses	–1,441	–1,431
minus: integration costs	–	*1*
Other administrative expenses	–1,106	–1,020
Administrative costs – other administrative expenses	–1,109	–1,023
minus: integration costs	*3*	*3*
Recovery of expenses = Other net operating income – of which: Operating income – recovery of costs	1	1
Amortisation, depreciation and impairment losses on intangible and tangible assets	–238	–244
Impairment/Write-backs on property, plant and equipment	–154	–161
minus: impairment losses/write-backs on property owned for investment	–	–
minus: integration costs	–	–
Impairment/Write-backs on intangible assets	–84	–84
minus: integration costs	–	–
OPERATING EXPENSES	**–2,783**	**–2,693**
OPERATING PROFIT	**2,623**	**2,813**

Additional IFRS disclosures (CONTINUED)

	1 JAN.– 30 SEPT. 2010	1 JAN.– 30 SEPT. 2009
Impairment of goodwill	–170	–1
Provisions for risks and charges	–103	–50
Integration costs	–3	–5
Net impairment losses on loans and provisions for guarantees and commitments	–1,314	–1,612
Gains (losses) on disposal and repurchase of loans	–11	5
minus: gains (losses) on disposals/repurchases of loans and receivables – not impaired	–	*–1*
Impairment losses on loans	–1,297	–1,618
Impairment losses on other financial assets	–6	1
Net income from investments	61	79
Gains (losses) on disposal and repurchase of available-for-sale financial assets	38	76
Gains (losses) on disposal and repurchase of held-to-maturity investments	–	–2
Impairment losses on available-for-sale financial assets	2	–9
Impairment losses on held-to-maturity investments	–	–
plus: Impairment losses/write-backs on property owned for investment	–	–
Profit (loss) of associates	95	69
minus: Profit (loss) of associates – Income (loss) from equity investments valued at net equity	*–95*	*–65*
Gains and losses on tangible and intangible assets	*–1*	–
Gains (losses) on disposal of investments	22	10
minus: gains (losses) on disposals of investments – assets leasing operation	–	–
PROFIT BEFORE TAX	**1,094**	**1,224**
Income tax for the period = Tax (income) expense related to profit or loss from continuing operations	–296	–204
NET PROFIT	**798**	**1,020**
Net profit attributable to the parent company	761	973
Minorities	38	47

Additional IFRS disclosures (CONTINUED)

(39) Segment reporting

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

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

Family & SME Banking

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

Private Banking

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

Corporate & Investment Banking

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

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

CEE

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

Corporate Center

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

Methods

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

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

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

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

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

Additional IFRS disclosures (CONTINUED)

Restatements for 2009:

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

The main pro-forma adjustments are as follows:

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

Additional IFRS disclosures (CONTINUED)

Segment reporting Q1–Q4 2009/Q1–Q3 2010

(€ m)

		FAMILY & SME BANKING DIVISION	PRIVATE BANKING DIVISION	CORPORATE & INVESTMENT BANKING DIVISION	CENTRAL EASTERN EUROPE DIVISION	CORPORATE CENTER	RESTATEMENT DIFFERENCES [1]	BANK AUSTRIA GROUP
Net interest income	**Q3 2010**	**158**	**10**	**234**	**842**	**–32**	**–**	**1,212**
	Q2 2010	**166**	**11**	**248**	**819**	**–61**	**–**	**1,183**
	Q1 2010	**164**	**10**	**226**	**781**	**–64**	**–**	**1,118**
	Q4 2009	**172**	**13**	**241**	**772**	**–106**	**42**	**1,133**
	Q3 2009	**171**	**16**	**254**	**739**	**–108**	**115**	**1,186**
	Q2 2009	**165**	**16**	**373**	**737**	**–125**	**56**	**1,222**
	Q1 2009	**180**	**12**	**466**	**756**	**–83**	**4**	**1,335**
Net fees and commissions	Q3 2010	96	19	84	303	–11	–	492
	Q2 2010	109	25	92	297	–4	–	518
	Q1 2010	101	25	80	270	–6	–	470
	Q4 2009	102	24	82	281	–8	16	497
	Q3 2009	93	23	62	265	–10	2	436
	Q2 2009	94	23	64	263	–4	3	442
	Q1 2009	97	21	86	254	–3	1	457
Net trading, hedging and fair value income/loss	Q3 2010	–1	–	–24	42	25	–	43
	Q2 2010	–	1	28	14	114	–	158
	Q1 2010	–	–	28	20	28	–	76
	Q4 2009	–	–	6	69	31	–17	89
	Q3 2009	–1	–	3	68	14	–117	–34
	Q2 2009	–8	1	–89	183	5	–12	81
	Q1 2009	10	–	2	176	2	–	190
Net other expenses/income	Q3 2010	–1	–	12	28	19	–	57
	Q2 2010	1	1	3	15	29	–	48
	Q1 2010	2	–	2	1	27	–	31
	Q4 2009	–7	–2	2	–1	27	1	21
	Q3 2009	3	–1	2	31	56	4	95
	Q2 2009	2	–1	4	21	34	–	60
	Q1 2009	3	–4	3	6	34	–7	36
Net non-interest income	**Q3 2010**	**94**	**19**	**71**	**373**	**34**	**–**	**592**
	Q2 2010	**109**	**26**	**123**	**326**	**139**	**–**	**723**
	Q1 2010	**103**	**25**	**111**	**291**	**49**	**–**	**577**
	Q4 2009	**95**	**22**	**89**	**349**	**50**	**–**	**606**
	Q3 2009	**95**	**22**	**67**	**363**	**60**	**–111**	**496**
	Q2 2009	**88**	**22**	**–21**	**467**	**34**	**–8**	**584**
	Q1 2009	**110**	**17**	**91**	**437**	**33**	**–6**	**683**
OPERATING INCOME	**Q3 2010**	**252**	**30**	**305**	**1,216**	**1**	**–**	**1,804**
	Q2 2010	**276**	**37**	**370**	**1,145**	**78**	**–**	**1,906**
	Q1 2010	**267**	**35**	**337**	**1,072**	**–16**	**–**	**1,695**
	Q4 2009	**267**	**35**	**330**	**1,121**	**–56**	**42**	**1,739**
	Q3 2009	**266**	**38**	**321**	**1,102**	**–47**	**4**	**1,683**
	Q2 2009	**253**	**38**	**353**	**1,204**	**–91**	**48**	**1,805**
	Q1 2009	**290**	**29**	**558**	**1,193**	**–49**	**–3**	**2,018**
OPERATING EXPENSES	**Q3 2010**	**–202**	**–25**	**–112**	**–534**	**–69**	**–**	**–942**
	Q2 2010	**–198**	**–25**	**–96**	**–530**	**–75**	**–**	**–924**
	Q1 2010	**–194**	**–24**	**–122**	**–503**	**–73**	**–**	**–916**
	Q4 2009	**–187**	**–27**	**–88**	**–511**	**–92**	**–17**	**–922**
	Q3 2009	**–194**	**–24**	**–94**	**–484**	**–78**	**–23**	**–898**
	Q2 2009	**–198**	**–23**	**–120**	**–479**	**–79**	**–3**	**–904**
	Q1 2009	**–200**	**–23**	**–115**	**–477**	**–79**	**3**	**–892**
OPERATING PROFIT	**Q3 2010**	**50**	**5**	**193**	**682**	**–68**	**–**	**863**
	Q2 2010	**77**	**11**	**274**	**615**	**3**	**–**	**982**
	Q1 2010	**73**	**11**	**214**	**570**	**–89**	**–**	**778**
	Q4 2009	**80**	**9**	**242**	**611**	**–148**	**25**	**817**
	Q3 2009	**71**	**13**	**227**	**618**	**–125**	**–20**	**785**
	Q2 2009	**55**	**15**	**232**	**724**	**–169**	**45**	**902**
	Q1 2009	**90**	**6**	**443**	**716**	**–129**	**–**	**1,126**

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

Additional IFRS disclosures (CONTINUED)

		FAMILY & SME BANKING DIVISION	PRIVATE BANKING DIVISION	CORPORATE & INVESTMENT BANKING DIVISION	CENTRAL EASTERN EUROPE DIVISION	CORPORATE CENTER	RESTATEMENT DIFFERENCES [1]	BANK AUSTRIA GROUP
Goodwill impairment	Q3 2010	–	–	–	–	–3	–	–3
	Q2 2010	–	–	–	–	–167	–	–167
	Q1 2010	–	–	–	–	–	–	–
	Q4 2009	–	–	–	–	–18	–	–18
	Q3 2009	–	–	–	–1	–	–	–1
	Q2 2009	–	–	–	–	–	–	–
	Q1 2009	–	–	–	–	–	–	–
Provisions for risks and charges	Q3 2010	1	–	–	–13	–	–	–13
	Q2 2010	–1	–	–	–11	–8	–	–19
	Q1 2010	–	–	–	–6	–65	–	–71
	Q4 2009	–1	–	–41	–24	–	2	–64
	Q3 2009	–	–	–10	–5	–9	–2	–27
	Q2 2009	–1	–	–	–13	–5	–	–20
	Q1 2009	–	–	–	–3	–	–	–4
Restructuring costs	Q3 2010	–	–	–	–1	–	–	–1
	Q2 2010	–	–	–	–1	–	–	–1
	Q1 2010	–	–	–	–1	–	–	–1
	Q4 2009	–	–	–1	–1	–	–2	–4
	Q3 2009	–	–	–	–1	–	–	–1
	Q2 2009	–	–	–1	–1	–	–	–2
	Q1 2009	–	–	–	–1	–	–	–1
Net writedowns of loans and provisions for guarantees and commitments	Q3 2010	–52	–	–48	–319	–	–	–418
	Q2 2010	–57	–	–22	–377	–1	–	–457
	Q1 2010	–63	–	–62	–314	–	–	–439
	Q4 2009	–53	–	–105	–501	–	4	–655
	Q3 2009	–63	–	–31	–510	–	1	–603
	Q2 2009	–72	–	–111	–376	–	–4	–563
	Q1 2009	–55	–	–60	–331	–	–1	–446
Net income from investments	Q3 2010	1	–	1	19	–	–	22
	Q2 2010	1	–	–	8	6	–	16
	Q1 2010	10	–	2	11	–	–	22
	Q4 2009	2	–	–5	4	33	–	34
	Q3 2009	1	–	–11	5	27	–	23
	Q2 2009	5	–	–3	4	3	–	9
	Q1 2009	2	–	–2	2	45	–	47
PROFIT BEFORE TAX	**Q3 2010**	**1**	**5**	**146**	**369**	**–71**	**–**	**450**
	Q2 2010	**21**	**11**	**252**	**235**	**–166**	**–**	**354**
	Q1 2010	**20**	**11**	**154**	**259**	**–154**	**–**	**290**
	Q4 2009	**28**	**9**	**90**	**89**	**–134**	**29**	**111**
	Q3 2009	**9**	**13**	**175**	**106**	**–107**	**–21**	**176**
	Q2 2009	**–13**	**15**	**118**	**338**	**–172**	**41**	**326**
	Q1 2009	**37**	**6**	**381**	**383**	**–83**	**–1**	**722**
Income tax	Q3 2010	–	–1	–44	–77	–9	–	–131
	Q2 2010	–9	–3	–53	–55	–10	–	–130
	Q1 2010	–1	–3	–34	–40	43	–	–34
	Q4 2009	–2	–7	–21	–20	42	30	22
	Q3 2009	–1	–1	–31	–21	24	14	–17
	Q2 2009	5	–	–49	–51	–18	75	–38
	Q1 2009	–10	–1	–102	–76	40	–1	–150
NET PROFIT	**Q3 2010**	**1**	**4**	**102**	**291**	**–79**	**–**	**319**
	Q2 2010	**12**	**8**	**199**	**180**	**–176**	**–**	**224**
	Q1 2010	**18**	**8**	**121**	**219**	**–110**	**–**	**255**
	Q4 2009	**26**	**1**	**69**	**69**	**–92**	**59**	**133**
	Q3 2009	**8**	**12**	**145**	**85**	**–83**	**–7**	**159**
	Q2 2009	**–8**	**14**	**69**	**286**	**–189**	**116**	**288**
	Q1 2009	**28**	**4**	**279**	**306**	**–43**	**–2**	**572**

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

Additional IFRS disclosures (CONTINUED)

		FAMILY & SME BANKING DIVISION	PRIVATE BANKING DIVISION	CORPORATE & INVESTMENT BANKING DIVISION	CENTRAL EASTERN EUROPE DIVISION	CORPORATE CENTER	RESTATEMENT DIFFERENCES 1)	BANK AUSTRIA GROUP
Risk-weighted assets (RWA)	**Q3 2010**	**14,576**	**556**	**29,459**	**76,249**	**5,427**	**–**	**126,267**
	Q2 2010	**11,613**	**534**	**30,842**	**74,338**	**5,120**	**–**	**122,446**
	Q1 2010	**10,110**	**497**	**30,789**	**70,420**	**5,226**	**–115**	**116,927**
	Q4 2009	**9,392**	**492**	**30,182**	**69,049**	**5,502**	**–230**	**114,386**
	Q3 2009	**10,171**	**607**	**29,595**	**67,761**	**5,650**	**799**	**114,583**
	Q2 2009	**10,888**	**667**	**32,985**	**72,056**	**5,498**	**827**	**122,921**
	Q1 2009	**10,919**	**666**	**35,232**	**74,853**	**5,633**	**596**	**127,898**
Equity (avg.) 2)	Q3 2010	740	125	2,075	11,171	3,452	–	17,562
	Q2 2010	737	128	2,175	10,968	3,307	–	17,316
	Q1 2010	747	119	7,550	10,938	–3,718	–	15,635
	Q4 2009	806	111	1,045	10,255	1,988	–	14,204
	Q3 2009	805	162	1,248	10,151	1,754	20	14,140
	Q2 2009	811	153	1,402	9,999	1,753	21	14,139
	Q1 2009	880	152	7,533	9,507	–3,899	21	14,194
Cost/income ratio in %	*Q3 2010*	*80.0*	*82.8*	*36.8*	*43.9*	*n.m.*	*n.m.*	*52.2*
	Q2 2010	*71.9*	*68.7*	*26.0*	*46.3*	*n.m.*	*n.m.*	*48.5*
	Q1 2010	*72.8*	*69.0*	*36.3*	*46.9*	*n.m.*	*n.m.*	*54.1*
	Q4 2009	*70.1*	*75.2*	*26.7*	*45.5*	*n.m.*	*n.m.*	*53.0*
	Q3 2009	*73.2*	*64.5*	*29.3*	*43.9*	*n.m.*	*n.m.*	*53.3*
	Q2 2009	*78.4*	*61.5*	*34.1*	*39.8*	*n.m.*	*n.m.*	*50.1*
	Q1 2009	*69.0*	*79.5*	*20.6*	*40.0*	*n.m.*	*n.m.*	*44.2*
Risk/earnings ratio in %	*Q3 2010*	*32.7*	*n.m.*	*20.5*	*37.8*	*n.m.*	*n.m.*	*34.5*
	Q2 2010	*34.0*	*n.m.*	*8.7*	*46.0*	*n.m.*	*n.m.*	*38.6*
	Q1 2010	*38.2*	*n.m.*	*27.5*	*40.2*	*n.m.*	*n.m.*	*39.3*
	Q4 2009	*30.9*	*n.m.*	*43.5*	*64.9*	*n.m.*	*n.m.*	*57.8*
	Q3 2009	*36.9*	*n.m.*	*12.3*	*69.0*	*n.m.*	*n.m.*	*50.8*
	Q2 2009	*43.6*	*n.m.*	*29.6*	*51.1*	*n.m.*	*n.m.*	*46.1*
	Q1 2009	*30.4*	*n.m.*	*12.8*	*43.8*	*n.m.*	*n.m.*	*33.4*

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

2) Total IFRS capital for the subsidiaries allocated to the respective Division together with standardised capital for the rest of the respective Division. The difference compared to the consolidated equity of the Bank Austria Group is shown in the Corporate Center. Allocated average capital adjusted due to the sale of CAIB in Q2 2010; previous year restated accordingly, difference allocated to the Corporate Center.

n.m. = not meaningful

Additional IFRS disclosures (CONTINUED)

Segment reporting for the first nine months of 2010/2009

(€ m)

		FAMILY & SME BANKING DIVISION	PRIVATE BANKING DIVISION	CORPORATE & INVESTMENT BANKING DIVISION	CENTRAL EASTERN EUROPE DIVISION	CORPORATE CENTER	RESTATEMENT DIFFERENCES [1]	BANK AUSTRIA GROUP
Net interest income	**1–9 2010**	**489**	**31**	**707**	**2,443**	**–158**	**–**	**3,513**
	1–9 2009	**516**	**44**	**1,093**	**2,231**	**–316**	**175**	**3,743**
Net fees and commissions	1–9 2010	306	68	256	870	–21	–	1,479
	1–9 2009	284	66	213	782	–17	7	1,335
Net trading, hedging and fair value income/loss	1–9 2010	–1	1	33	77	167	–	277
	1–9 2009	1	1	–84	427	21	–129	237
Net other expenses/income	1–9 2010	1	–	16	44	75	–	136
	1–9 2009	8	–6	9	58	125	–3	191
Net non-interest income	**1–9 2010**	**306**	**70**	**305**	**990**	**221**	**–**	**1,893**
	1–9 2009	**294**	**61**	**138**	**1,267**	**128**	**–125**	**1,763**
OPERATING INCOME	**1–9 2010**	**795**	**101**	**1,012**	**3,434**	**64**	**–**	**5,406**
	1–9 2009	**809**	**105**	**1,231**	**3,498**	**–188**	**49**	**5,506**
OPERATING EXPENSES	**1–9 2010**	**–595**	**–74**	**–331**	**–1,566**	**–217**	**–**	**–2,782**
	1–9 2009	**–593**	**–71**	**–329**	**–1,440**	**–235**	**–24**	**–2,693**
OPERATING PROFIT	**1–9 2010**	**200**	**27**	**681**	**1,867**	**–153**	**–**	**2,623**
	1–9 2009	**216**	**34**	**902**	**2,058**	**–423**	**26**	**2,813**
Goodwill impairment	1–9 2010	–	–	–	–	–170	–	–170
	1–9 2009	–	–	–	–1	–	–	–1
Provisions for risks and charges	1–9 2010	–	–	–	–30	–73	–	–103
	1–9 2009	–1	–	–10	–22	–15	–2	–50
Restructuring costs	1–9 2010	–	–	–	–3	–	–	–3
	1–9 2009	–	–	–2	–3	–	–	–5
Net writedowns of loans and provisions for guarantees and commitments	1–9 2010	–171	–	–132	–1,010	–1	–	–1,314
	1–9 2009	–190	–	–201	–1,217	–	–4	–1,612
Net income from investments	1–9 2010	13	–	3	39	6	–	61
	1–9 2009	8	–	–16	11	76	–	79
PROFIT BEFORE TAX	**1–9 2010**	**42**	**27**	**552**	**863**	**–390**	**–**	**1,094**
	1–9 2009	**33**	**34**	**674**	**827**	**–362**	**19**	**1,224**
Income tax	1–9 2010	–10	–7	–131	–173	25	–	–296
	1–9 2009	–5	–3	–181	–149	46	89	–204
NET PROFIT	**1–9 2010**	**32**	**20**	**421**	**691**	**–365**	**–**	**798**
	1–9 2009	**28**	**31**	**492**	**677**	**–316**	**107**	**1,020**
Risk-weighted assets (RWA)	**1–9 2010**	**12,343**	**526**	**30,124**	**73,334**	**5,327**	**–58**	**121,597**
	1–9 2009	**10,659**	**647**	**32,604**	**71,557**	**5,594**	**741**	**121,801**
Equity (avg.) [2]	1–9 2010	741	124	3,933	11,026	1,014	–	16,838
	1–9 2009	832	156	3,395	9,886	–131	21	14,158
Cost/income ratio in %	*1–9 2010*	*74.8*	*72.9*	*32.7*	*45.6*	*n. m.*	*n. m.*	*51.5*
	1–9 2009	*73.3*	*67.6*	*26.8*	*41.2*	*n. m.*	*n. m.*	*48.9*
Risk/earnings ratio in %	*1–9 2010*	*35.0*	*n. m.*	*18.6*	*41.3*	*n. m.*	*n. m.*	*37.4*
	1–9 2009	*36.7*	*n. m.*	*18.4*	*54.5*	*n. m.*	*n. m.*	*43.1*

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

2) Total IFRS capital for the subsidiaries allocated to the respective Division together with standardised capital for the rest of the respective Division. The difference compared to the consolidated equity of the Bank Austria Group is shown in the Corporate Center. Allocated average capital adjusted due to the sale of CAIB in Q2 2010; previous year restated accordingly, difference allocated to the Corporate Center.

n. m. = not meaningful

Information required under Austrian law

(40) Consolidated capital resources and regulatory capital requirements

Net capital resources of the Bank Austria group of credit institutions (€ m)

	30 SEPT. 2010	31 DEC. 2009
Paid-in capital (less own shares)	1,681	1,469
Reserves and minority interests	12,388	9,708
Intangible assets	–564	–579
Deductions from Tier 1 capital (in particular 50% deduction pursuant to Section 23 (13) 3 to 4d of the Austrian Banking Act) 1)	–859	–675
Core capital (Tier 1)	**12,645**	**9,923**
Net subordinated liabilities	2,921	3,004
Revaluation reserves and undisclosed reserves	184	139
Deductions from Tier 2 (50% deduction pursuant to Section 23 (13) 3 to 4d) 1)	–859	–675
Supplementary capital resources (Tier 2)	**2,245**	**2,468**
Deductions from Tier 1 and Tier 2 (deduction pursuant to Section 23 (13) 4a) 2)	–143	–138
Net capital resources (excl. Tier 3)	**14,747**	**12,253**
Tier 3 (re-assigned subordinated capital)	198	243
NET CAPITAL RESOURCES (INCL. TIER 3)	**14,945**	**12,496**

Capital requirements of the Bank Austria group of credit institutions (€ m)

	30 SEPT. 2010	31 DEC. 2009
Capital requirements of		
a) Credit risk pursuant to standardised approach	6,101	5,846
b) Credit risk pursuant to internal ratings-based (IRB) approach	3,062	2,285
Credit risk	9,162	8,131
Operational risk	809	777
Position risk – debt instruments, equities, foreign currencies and commodities	198	243
Settlement risk	–	–
CAPITAL REQUIREMENT	**10,169**	**9,151**
Total RWA	127,110	114,386

Capital ratios

	30 SEPT. 2010	31 DEC. 2009
Tier 1 capital ratio, based on all risks	9.95%	8.68%
Total capital ratio, based on all risks 3)	11.76%	10.92%
Tier 1 capital ratio, based on credit risk	11.04%	9.76%
Total capital ratio, based on credit risk 4)	12.17%	11.29%

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

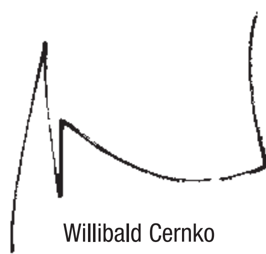
Statement by Management

on the Interim Report

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

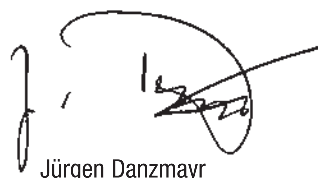
Vienna, 27 October 2010

The Management Board



Willibald Cernko
(Chairman)

Helmut Bernkopf



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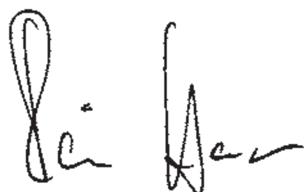
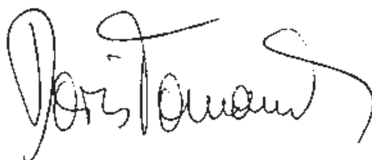


Rainer Hauser



Doris Tomanek

Carlo Vivaldi

Investor Relations

UniCredit Bank Austria AG / Corporate Relations

Lassallestrasse 5, A-1020 Vienna, Austria	
Tel: (+43) (0) 5 05 05-872 30	Fax: (+43) (0) 5 05 05-876 22
e-mail: investor.relations@unicreditgroup.at	Internet: http://ir.bankaustria.at
Günther Stromenger, Head of Corporate Relations Tel: (+43) (0) 5 05 05-872 30	
Thomas Kirin Tel: (+43) (0) 5 05 05-527 74	
Andreas Petzl Tel: (+43) (0) 5 05 05-595 22	

Ratings

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

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

Financial calendar

Middle of March 2011	Full-year results for 2010
All information is available electronically at http://ir.bankaustria.at	

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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
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Contact:
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 – such as those mentioned in this report – materialise to an extent not anticipated, actual results may vary from those expected at present. Market share data are based on the most recent information available at the editorial close of this report.

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

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

Disclaimer

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