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Interim Report at 30 September 2014

15 years UniCredit

Contents

Bank Austria at a Glance

Income statement figures

(€ million)	1–9 2014	1–9 2013 1)	+/–
Net interest	2,592	2,597	–0.2%
Dividend income and other income from equity investments	351	639	–45.1%
Net fees and commissions	1,022	1,008	+1.5%
Net trading, hedging and fair value income	400	471	–15.1%
Operating income	4,461	4,788	–6.8%
Operating costs	–2,471	–2,492	–0.9%
Operating profit	1,990	2,296	–13.3%
Net write-downs of loans and provisions for guarantees and commitments	–501	–777	–35.5%
Net operating profit	1,489	1,519	–2.0%
Profit before tax	1,423	1,362	+4.5%
Net profit attributable to the owners of the parent company	1,192	1,125	+6.0%

Volume figures

(€ million)	30 SEPT. 2014	31 DEC. 2013 1)	+/–
Total assets	189,483	177,857	+6.5%
Loans and receivables with customers	115,167	114,255	+0.8%
Primary funds (deposits from customers and debt securities in issue)	130,536	123,895	+5.4%
Equity	16,157	15,050	+7.4%
Risk-weighted assets (overall) 2)	125,711	118,510	+6.1%

Key performance indicators

	30 SEPT. 2014	2013 1)
Return on equity after tax (ROE)	11.1%	n.m.
Cost/income ratio 3)	52.5%	49.9%
Cost of risk (provisioning charge/avg. lending volume)	0.58%	1.12%
Loans and receivables with customers/primary funds	88.2%	92.2%
Leverage ratio 4)	5.86%	…
Common Equity Tier 1 capital ratio (2013: Core Tier 1 capital ratio) 5)	10.9%	11.3%
Tier 1 capital ratio 5)	10.9%	11.6%
Total capital ratio 5)	13.8%	13.5%

n.m. = not meaningful

Staff

	30 SEPT. 2014	31 DEC. 2013 1)	+/–
Bank Austria (full-time equivalent)	36,341	37,753	–1,412
Central Eastern Europe business segment	24,307	24,453	–147
Ukraine (held for sale)	5,015	6,143	–1,127
Austria (other business segments)	7,019 6)	7,157	–137

Offices

	30 SEPT. 2014	31 DEC. 2013 1)	+/–
Bank Austria	1,688	1,801	–113
Central Eastern Europe business segment	1,132	1,130	+2
Ukraine (held for sale)	309	402	–93
Austria (other business segments)	247	269	–22

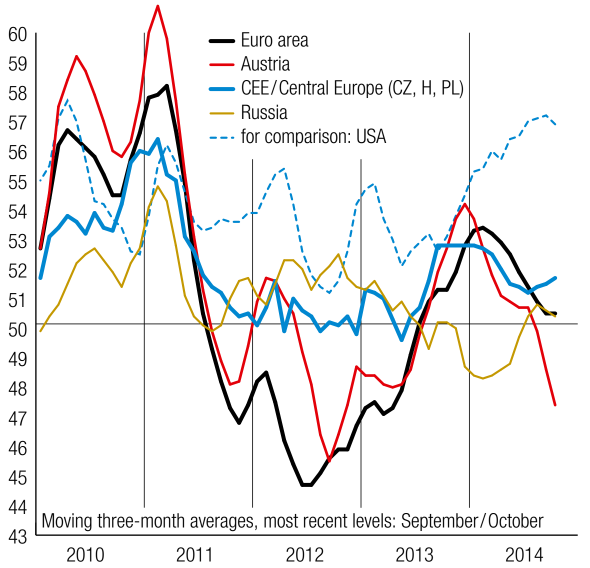
1) Comparative figures for 2013 recast to reflect the current structure and methodology. / 2) Regulatory risk-weighted assets, 2013 not adjusted. / 3) Cost/income ratio without bank levies. / 4) Leverage ratio under Basel 3 based on the current status of transitional arrangements (average figure for Q3 2014). / 5) Capital ratios based on all risks; 2014 under Basel 3 (transitional) and IFRSs, 2013 under Basel 2.5 and Austrian Business Code; end of period. / 6) The figure as at 30 September 2014 includes 258 full-time equivalents (FTEs) resulting from the first-time consolidation of the Immobilien Holding Group as at that date. Adjusted for this effect, FTEs totalled 6,761, down by 395 from year-end 2013.

The banking environment

● Contrary to our expectations, the economic environment gradually deteriorated in all our markets in the third quarter of 2014. The (moderate) recovery seen in the euro area in the first six months came to a standstill in the summer months. Sentiment in the industrial sector, though still buoyant in spring 2014 as measured by Purchasing Managers' Index levels, worsened and finally reflected a trend towards stagnation in September/October 2014.

These developments had several causes which reinforced one another, including geopolitical uncertainty – primarily due to the Ukraine/Russia conflict and mutually imposed sanctions (mid-June and mid-September) – and weakening economic trends in emerging markets (slowdown of growth in China, recession in Brazil). But the strongest impact came from the sharp fall in new orders and production in Germany in August, though this may be partly due to insufficient adjustment for seasonal factors such as holiday shutdowns, and from setbacks in France and Italy. Both of these developments also affected CEE countries, with repercussions on Austria. Recovery came to a halt across all countries just when domestic demand started to pick up. Therefore economic accelerators, investments in particular, failed to produce their expected effects.

Purchasing Managers' Indices (PMI) – EMU/A/CEE



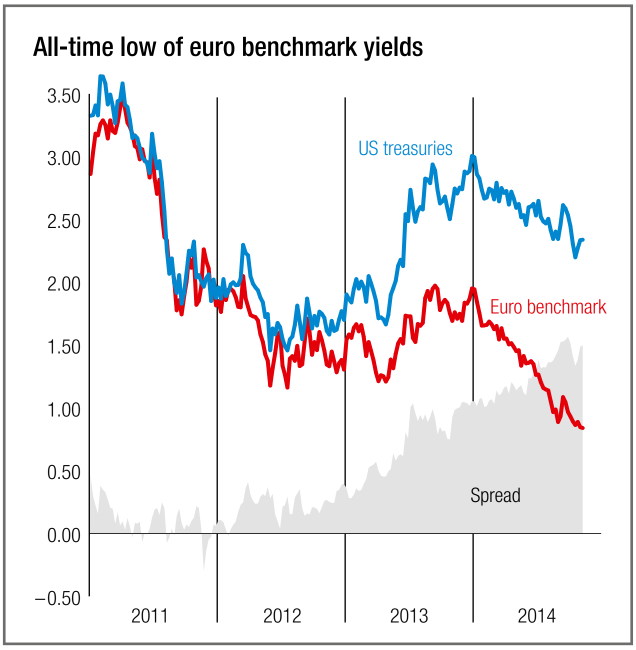
Inflation rates in the euro area and in many CEE countries fell to levels close to or below zero, fuelling fears of a general deflationary trend. This prompted the **European Central Bank** to further reduce key interest rates in early June while also deciding to conduct additional targeted longer-term refinancing operations (TLTROs) linked to banks' lending activities to improve the transmission of the ECB's expansionary monetary policy to the real economy (mainly in countries on the euro area periphery). In early September the ECB lowered its key interest rates further, reducing them to 0.05% (main refinancing operations) and minus 0.20% (deposit facility). Moreover, the ECB announced that it would purchase covered bonds and asset-backed securities to relieve banks' balance sheets, thereby moving to counteract hardening expectations of disinflation. The ECB always stated that these measures were necessary but not sufficient to bring about an upswing and that structural reforms were required to unlock the growth momentum. This confirmed the picture of a growth crisis.

The external and economic risks which were mentioned in the scenario outlined in our 2013 Annual Report thus materialised. But the economic **forecasts** for 2014 had to be significantly reduced, from +1.5% to +0.8% (real GDP) for the euro area, from +1.1% to +0.9% for CEE (Bank Austria perimeter without Ukraine), and on this basis from +2.0% to +0.6% for Austria. (Within the somewhat heterogeneous group of CEE countries, the growth forecast for Central Europe was maintained at +2.4% and the forecast for Turkey was raised from 0.0% to +2.9%.)

● Economic recovery in the US and the UK, on the other hand, became stronger, confirming expectations of a monetary policy turnaround in these countries. As short-term euro interest rates declined to below zero towards the end of the third quarter of 2014, the interest rate gap widened significantly in favour of the US dollar. In the course of the third quarter, the US dollar appreciated by 8.5% against the euro (+9.6% in the year to date, +10.3% to 1.2499 USD/EUR on 3 October). This means that from a euro perspective, the monetary environment continued to ease.

Financial markets were characterised by low volatility in the first nine months of 2014 in response to the central banks' guarantee of low interest rates. This did not change until late September/early October. Share prices continued to rise, driven by liquidity, despite moderate economic growth and the valuation levels reached in stock markets by then (MSCI world share index: +6.7% in the period to mid-September, +4.8% by the end of September). The early part of October saw a sharp correction while the boom in bond markets continued in an unprecedented manner: in August the 10-year euro benchmark yield (end of 2013: 1.94%) fell to a level significantly below 1%, reaching an all-time low of 0.724% on 14 October 2014. Most recently, benchmark yields with residual maturities of up to three years were negative. In addition to the decline in reference rates, credit spreads for corporate bonds and government bonds of euro periphery countries and emerging markets continued to narrow, reflecting the search for additional yield. Performance (price + coupon, 7 to 10-year maturities) of euro government bonds reached +13.0% (end of September 2014/year-end 2013), corporate bonds (non-financial BBB) generated a performance of +12.2%; this compares with +10.4% on mortgage bonds and +8.6% on emerging markets bonds (EMBI global).

The banking environment (CONTINUED)



Disruption caused by geopolitical crises (Russia/Ukraine, IS, Ebola) was mainly reflected in exchange rate movements, apart from a deterioration in sentiment in the export industry. In the third quarter alone, the Russian rouble depreciated by 10.6% against the currency basket (US dollar + euro) and by 7.0% against the euro (–19.8% against the currency basket and –16.9% against the euro in the year to date). Oil prices fell by 16% to 94.67 US$/bl in the third quarter, despite the developments seen in the Middle East; from the beginning of the year to the middle of October 2014, oil prices were down by 25.5% to a low of 82.60 US$/bl (intraday, 16 October). The main reasons for the decline were weak demand, increasing self-sufficiency in the US and, above all, the expansion of Saudi Arabia's production volume. The Swiss franc (end of September 2014: 1.2063 CHF/EUR) moved closer to the intervention threshold of 1.20 CHF/EUR, and currency reserves rose again. The price of gold in US dollar terms remained almost unchanged, at 1,209 US$/oz (+0.3%); in euro terms, it rose only in line with US dollar appreciation.

● In **Austria**, the moderate economic recovery which led to growth of 0.6% in the first six months of 2014 compared with the previous year came to an end in the third quarter. The weak economic activity, which was reflected in stagnation relative to the preceding quarter and in very moderate year-on-year GDP growth of 0.2 per cent, is explained by two factors. The first is the reticent investment propensity: investment in plant and machinery and in construction lost momentum in the summer months. The other factor is the lack of impetus from foreign trade: sluggish recovery in Europe, the Russia/Ukraine crisis and the tense situation in the Middle East have led to a decline in demand for exports. These conditions resulted in a further deterioration of Austria's labour market. The growth in employment has largely come to a standstill, while unemployment is rising again, although the unemployment rate for 2014, at 5% (according to Eurostat criteria), will remain relatively low in an international comparison.

Deflation concerns persist in the euro area while Austria's inflation rate remains well above the euro area average and above the level prevailing in countries with a similar economic trend, such as Germany. This is explained by self-made reasons such as tax increases or rising labour costs which affect the price of services. In the first nine months, Austria's inflation rate averaged 1.7%; it will remain well below 2 per cent until the end of the year. The upward pressure on prices resulting from the weaker euro compares with a decline in crude oil prices and weak demand. Leading indicators such as the Bank Austria Business Indicator and the Bank Austria Purchasing Managers' Index suggest that the Austrian economy will not grow also in the fourth quarter due to the high level of uncertainty. We have therefore lowered our growth forecast to 0.6% for 2014 as a whole.

Weak growth of real incomes, coupled with very low interest rates for long-term maturities and continued dynamic real investment activity (real estate), resulted in a low level of monetary wealth formation by private households also in the second half of the year. Deposits have been stagnating since the beginning of the year, and investment in bank issues has been declining. Activity levels in the area of life assurance policies remained low, while mutual funds recorded net inflows. Demand for consumer loans was persistently weak and 2014 will see a further decline in outstanding volume. Housing construction loans is the only area which experienced some growth. While loans to corporates expanded slightly despite very weak export and investment activity, their growth rate was well below the levels seen in previous years. The net volume of new issues of corporate bonds in Austria has so far been negative despite favourable market conditions; 2014 may even be the weakest year for corporate bonds in over ten years. Interest rates, which have fallen to an all-time low, and the flat yield curve impact the earnings of banks generated from current business. The interest-rate differential between deposits and loans is much smaller than in previous years despite a slight increase in the last few months.

● While it is difficult to make general statements on **Central and Eastern Europe** (CEE), it may be said that strong merchandise exports in the second half of 2013 and the first few months of 2014 also provided impetus to domestic demand, putting growth on a broader basis. Successful exports and growth rates in industry were often the result of new manufacturing capacity put into operation as part of the international production network. Investment activity in a number of countries benefited from foreign direct investment and a better use of funds from EU financial assistance schemes. Private consumption picked up in most economies, supported by increases in real incomes as inflation rates fell significantly. Around the middle of the year, however, the economic slowdown in Western Europe and

The banking environment (CONTINUED)

the sanctions imposed on and by Russia started to affect also CEE countries, with a significant impact on growth and sentiment (PMI). Monetary conditions improved as the year progressed and this was mainly reflected in interest rate reductions. The reduction of (foreign) debt and the strengthening of balance sheets are still important factors also in CEE. With the exception of high-inflation countries, credit demand continued to slow down while deposits increased.

Regional developments in detail: After two years of recession the **Czech Republic** was one of the few CEE countries experiencing an upswing driven by exports and domestic demand. Investment provided strong impetus to growth. At 54.4, the Purchasing Managers' Index (PMI) is at the highest level of any Central European country, indicating further expansion. However, growth of industrial output paused in the summer months, partly due to the holiday season. Yet manufacturing output in the first nine months of 2014 grew by 4.9% year-on-year. For 2014 as a whole we expect GDP to expand by a real 2.4% (previous forecast: +2.8%), with the strong import pull lopping off a few points of growth. The banking system is prospering, capital movements largely reflect the rollover of foreign debt by banks, and domestic lending is expanding. Although currency depreciation in the past year resulted in price increases, the inflation rate in September was as low as 0.7% (after 0.0% in the preceding month). Interest rates in the country hardly differ from euro interest rates (flat yield curve). The Czech crown has been stable against the euro in the year to date, and the central bank intends to keep it at that level until 2016. Domestic demand has become the mainstay of growth in **Slovakia**, too, and exports show a steady increase (+4.5%). Private consumption (Q2: +2.7%/2014: +2.6%) provides significant support, driven by employment growth (although the unemployment rate is still high, at over 12%) and strong wage increases (Q2: +4.9%) while prices are slightly declining (August: –0.2%). In a year preceding general elections, public consumption is expanding but the debt brake proves to be effective (2015). After the downward trend of the past two years, investment is rising again (+2.8%) and FDI inflows are also increasing. Industry is experiencing pressure on prices for its products due to depreciation of the Czech crown (producer prices: –3.7%), but output increased by 5.1% in the period from January to August. Credit demand from companies is at a moderate level (+2.4%) while private households show strong demand for loans (+11.6%); deposits follow a converse trend.

Slovenia has achieved a surprising and broadly-based turnaround in the year to date, with GDP up by 2.5% in the first half of 2014 and industrial output increasing by 6.7% from July to August. The growth forecast for 2014 as a whole was raised by one percentage point to +1.4%, which implies a flattening trend in the remaining part of the year. The contribution from foreign trade shows a favourable development reflecting lively exports and weak imports. The main driver of growth is the positive change in sentiment in the areas of investment (2014: +3.8%) and inventory buildup. The country continues to benefit from an inflow of FDI (2014: +5.1% of GDP). But consumption is still having a negative impact, with private consumption stagnating and public consumption declining because the recapitalisation of the banking sector is still tying up resources. While the primary balance is in equilibrium, there is a need to roll over debt resulting from past rescue programmes. The policy pursued by the government is unclear but privatisation will continue. According to information provided by the central bank, the banking sector as a whole is operating profitably again, one of the reasons being a lower charge for loan loss provisions. Nevertheless, the proportion of impaired loans is still rising (most recently: 15%).

On account of an unusual policy mix, **Hungary** is currently recording the strongest growth among the Central European (CE) countries: at +3.1%, real GDP growth in 2014 will significantly exceed the potential rate (+1.5%). The expansion is driven by industry (July/August: +11.9%, January to August: +9.9% year-on-year). Positive supply-side effects in the automotive industry (new production capacity, including Audi) are still having an effect, which is supported by industrial location policy measures (taxes) and exchange rate advantages. The main factor driving growth is investment (expected to increase by 11% in 2014 as a whole); this reflects an expanding liquidity supply (e.g. Funding for Growth Scheme for loans to small and medium-sized businesses, interest rate swaps to accommodate public debt), foreign direct investment, and especially public investment in infrastructure stretched to the Maastricht limit, partly in connection with the renationalisation of utilities and good use of funds from EU financial assistance schemes. This interventionist economic policy aims at raising the very low labour market participation rate. In combination with improvements in real incomes and zero inflation, this policy is the reason for consumption growth (+2.2%). The banking sector will probably report an overall loss in 2014 as a result of bank levies and the retroactive adjustment, required by regulations, of exchange rate differences between the rates applied when foreign currency loans were granted and when repayment instalments are paid, and on account of changes in market interest rates on consumer loans being passed on to customers. As inflation has fallen to a level near zero, and despite the high level of public debt and the burdens imposed on the banking sector, the key interest rate was lowered in seven steps to the current rate of 2.10% (from 3.00% at the end of 2013 and 5.75% at the end of 2012). By the end of September 2014, the Hungarian forint had depreciated by 4.4% against the euro but firmed against the US dollar.

After strong growth in 2013 (+3.5%), a year which saw record harvests and the start-up of new international production capacity, the upswing in **Romania** became more broadly based in 2014 as private consumption started to increase significantly (expected growth in 2014: +4.9%) on the back of real wage increases. However, economic growth is unlikely to exceed +2.1% in 2014, also because governance problems ahead of the presidential elections (November),

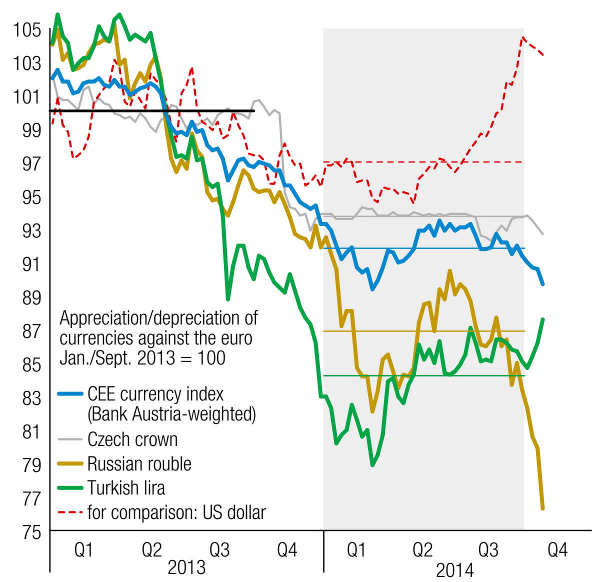
The banking environment (CONTINUED)

tax burdens imposed on commercial construction activity and a very low level of absorption of EU financial assistance caused investment to plunge (forecast for 2014: –2%). The budget for the first nine months of 2014 showed a slight surplus, the basic balance (including EU funds) is almost in equilibrium. Long-term interest rates have declined significantly (from 6.6% two years ago to 5.4% at the beginning of 2014 and most recently to 4.1%), in an environment characterised by a low inflation rate, continued investor interest and currency stability. Given the prevailing political indecision, internal reforms have come to a standstill. An IMF standby agreement could be signed next summer. Lending declined significantly compared with the previous year, one of the reasons being the repayment of foreign currency loans. Permission to derecognise problem loans for which loan loss provisions have been made has led to a significant fall in the impaired loans ratio. **Bulgaria's** currency board is an anchor of stability which ensures monetary and financial policy discipline; the basic balance is positive, public debt is the lowest among CEE countries. Nevertheless, economic performance is the weakest among the EU member states in CEE. Moreover, weak growth (after a good start, industrial output was recently down by 2.1% year-on-year; GDP is expected to grow by 1.3% in 2014) is accompanied by deflation: the inflation rate has been negative for over a year (September 2014: –1.4%). Credit demand is low in this environment. The expansionary policy (public consumption, social transfers and public investment) pursued by the government which was voted out of office at the recent elections has boosted domestic demand and stopped the decline in exports. But the fiscal situation, which was previously under control, has deteriorated dramatically (primary deficit in 2014: over 4%). EU transfers are still partly frozen (in connection with the South Stream project). A lack of governance and opaque interlocking of banking and corporate conglomerates were responsible for the first run on banks since the 1996/97 banking crisis, hitting two local banks in June 2014: First Investment Bank, where deposits were guaranteed by the state, and Corporate Commercial Bank (CCB). CCB was placed under public supervision and insolvency proceedings were subsequently initiated. In these circumstances, banks which are majority-owned by international shareholders (69% of the banking sector) were able to perform their function and gained public confidence.

Industrial output in **Croatia** fell back after a fairly strong first six months, mainly because export demand from EU countries was low during the summer. Results from tourism were also unsatisfactory due to weather conditions. Public finances, with a primary deficit of about 5%, are the main factor burdening the country; major reform projects launched to restructure the public sector have failed due to governance problems (elections scheduled for 2015). EU accession has so far brought a macroeconomic imbalance procedure (MIP) and an excessive deficit procedure (EDP). While the country is already having to make substantial EU contributions, it will not start to benefit from EU funds before 2015. This means that a way out of six years of recession is not yet in sight for Croatia. We expect that GDP will shrink by 1.0% in 2014 and that 2015 will see stagnation at best. On the basis of the most recent data, the inflation rate was –0.2%; this compares with interest rates of less than 1% (short term, 3 to 6 months) and 3% (medium term, 5-year HRK bond). Banks are required to raise the NPL coverage ratio to at least 50%. Overall, the total capital ratio in the banking industry is 21%.

Following a reasonably confident start in spring 2014, economic activity in **Bosnia and Herzegovina** was abruptly halted by disastrous floods and landslides in May. Since resuming business, companies have been stagnating. International organisations estimate that destruction and losses add up to 15% of GDP. Floods destroyed private property, agricultural areas and infrastructure as well as impacting the mining and steel industries and power plants. The IMF stepped up its standby arrangement to a multiple of the quota, and European institutions (including the EBRD) launched aid programmes. The cost of reconstruction will be €3 billion and, if well organised, will not lead to positive growth until 2015 (2.0%). The total volume of banks' loans to private households recently rose by 6% year-on-year, while loans to companies stagnated. Industrial production in **Serbia** was also affected by floods in May: according to recent statistics, industrial output fell by a double-digit percentage compared with the previous year. In annual average terms, industrial production was down by close to 5% and GDP was also lower than a year earlier. For 2014 we expect the economy to shrink by 0.5%.

Exchange rate movements



The banking environment (CONTINUED)

Serious damage impacted agriculture and mining as well as energy supply companies. This setback failed to be compensated for by the still prospering automotive industry (+5.2%). Private consumption has been declining for years (2014: –1.7%), a development which is to be seen in the context of the planned transition from a state-controlled business sector to private ownership of companies. With a large number of laws (including provisions to reduce pensions and wages) and the privatisation of 165 loss-making state-owned enterprises, the government intends to clear the way for access to IMF loans. The main obstacle is the soaring public deficit (expected to reach up to 8% of GDP in 2014). In the nine-month period to the end of September, the dinar (RSD) depreciated by 3.6% against the euro (most recent data: –3.8%). The inflation rate is 2.1% and the key interest rate is 8.5%. Lending volume is declining, especially loans to companies, and foreign debt in the corporate sector is at a high level. The impaired loans ratio continued to rise (22.8% in June).

The **Russian** economy absorbed the immediate impact of the conflict with the West reasonably well, a conflict which has been accompanied by international sanctions imposed in the middle of July and at the beginning of September and by counter-measures. However, structural problems (insufficiently diversified production, worse terms of trade, inadequate production capacity, labour market cleaned out) and the cyclical slowdown (underinvestment, overconsumption, credit boom) will become increasingly apparent in the medium term. Our economists therefore expect Russia's real GDP to decline by 0.4% in 2014 and stagnate in 2015 (–0.1%). Industrial output nevertheless rose significantly in September (+2.8% over the previous year), supported by the fact that imports were substituted with domestic products. Car production was an exception, with output (and sales) falling by about 20%. This reflects pronounced uncertainty among private households, which were faced with losses of real income in view of strongly rising inflation rates (recently 8.0%) and are also affected by the restrictive monetary policy aimed at preventing capital flight. While the oil price (recently at 83 US$/bl for Brent) is far below the budgeted figures, the state can draw on substantial reserves of the Russian welfare fund to provide support. The rouble depreciated by 8.9% against the euro in the first nine months of 2014 and by 16.9% most recently; depreciation against the currency basket of US dollar and euro was even stronger, at 19.8%. The intention to avoid rule-based intervention (and adherence to the objective of floating the rouble exchange rate by the end of the year) suggests interest rate increases, even if these come at the expense of necessary investment. The financial sector focuses on funding companies' foreign debt against the background of a foreign exchange shortage. In September 2014, total loans outstanding to corporate customers grew at an accelerated rate of 17.3% and deposits at banks increased by 23%. But net profit generated by the entire banking sector in the first nine months of 2014 was 8.8% down from the same period of the previous year.

Civil war in **eastern Ukraine**, the wobbly ceasefire, a mutual trade embargo with Russia and uncertainty about gas deliveries have plunged Ukraine into deep recession, which was foreseeable even before the conflict escalated. The contested regions of Donetsk and Lugansk account for 15% of normal GDP and 28% of industrial output. Exports to Russia were down by 25% in the first six months of 2014 (one of the reasons being that Ukrainian weapons deliveries were stopped), but this was more or less offset by larger exports to the West. Production shutdowns were and still are a direct consequence of war and retorsion. GDP in the second quarter fell by 4.6% year-on-year, with investment shrinking by 18.5%. An even stronger contraction is conceivable for the third quarter, while the unresolved gas conflict will impact the winter months. We expect GDP to shrink by 7% in 2014 as a whole. Currency reserves (US$16 billion) failed to be increased as intended, despite the disbursement of IMF funds (US$4.6 billion); further international support will be needed. In the period from the end of December 2013 to the end of September 2014, the Ukrainian hryvnia (UAH) depreciated by 30.6% against the euro (with even stronger losses in value on specific days) and by 36.7% against the US dollar. Most recently, CDS spreads were 1,370 (5-year US$) and Ukraine's credit ratings were CCC/Caa3/CCC.

In early 2014 **Turkey** faced a critical situation with capital outflows and strong currency depreciation. As the year progressed, the country managed to reduce the large current account deficit, its main problem (January/August: –40% to US$27 billion). Contributions to this reduction came from strong exports (supported by sales of gold), the dampening of the import pull and of private consumption through a generally more restrictive monetary policy (increase of key interest rate, higher minimum reserve requirement) and various measures to directly curb credit expansion (credit card boom). Higher exports (also as a result of currency depreciation) and especially public consumption (ahead of parliamentary elections) contributed to GDP growth of 3.6% in the first half of 2014. The policy mix started to change around the middle of the year, in response to the geopolitical environment – in the case of Turkey, primarily events in Iraq – and to the sharp deterioration in sentiment in Western Europe. The easing of the current account problem and the renewed inflow of portfolio investments were used to reduce interest rates, despite the high inflation rate of over 9% (recently 8.9%); real interest rates have been negative for months. Fiscal policy also had an expansionary effect. Credit expansion recently amounted to +18.7% (comparison of average levels 13 weeks/13 preceding weeks); this compares with +40% a year earlier. In the year to date, the Turkish lira firmed against the currency basket comprising the US dollar and the euro; by the end of September 2014, it had almost returned to the starting level at the beginning of the year (–1.1%). The Turkish lira slightly appreciated against the euro, by 2.4%, in the first nine months as a result of euro/US dollar movements. A comparison of average figures for the period from January to September shows depreciation of 16.9%.

Bank Austria in September 2014

Overview

● Bank Austria recorded a clear upward trend **from quarter to quarter** in 2014, despite the economic setback in the middle of the year which affected both Austria and CEE countries, and despite persistently weak demand and a further decline in interest rates. Operating income rose moderately from quarter to quarter, with all CEE regions contributing to growth. At €1.6 billion, operating income in the third quarter of 2014 was slightly higher than in the good preceding quarter and up by 13.0% on the weaker first quarter, which was impacted by volatile capital flows and currency depreciation in Russia and Turkey. **Net operating profit** improved steadily from the fourth quarter of 2013 onwards, to reach €571 million in the third quarter of 2014, on account of rigorous cost control and primarily because net write-downs of loans were lower. At this level, net operating profit was down by €100 million or 14.9% from the Q3 2013 figure; the decrease is explained by large one-off income in the same quarter of the previous year (gains of €191 million on the sale of insurance operations included in the contribution from Turkey, which is accounted for using the equity method). An important factor in the comparison of quarterly figures with those for the previous year are exchange rate movements, especially in the Turkish lira and the Russian rouble, and also in the Czech crown. Without the one-off effect a year earlier, net operating profit rose by one-fifth (+19.0%); additionally adjusted for exchange rate movements, it increased by one-quarter (+25.1%).

Among the non-operating items in the income statement, provisions made in Hungary for foreign currency loans had the strongest impact. **Net profit** (attributable to the owners of the parent company) for the third quarter of 2014 was **€416 million**, only slightly lower than in the preceding quarter and up by 16.7%, adjusted for the above-mentioned base effect, on the Q3 2013 figure (at constant exchange rates: +19.8%).

Quarterly trends in performance € million (2013 recast)

	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14
Operating income	1,747 1)	1,715 1)	1,376	1,531	1,554
Net operating profit	671	284	350	568	571
Non-operating items	–123	–2,951 2)	0	–142	–155
Net profit/loss 3)	**547**	**–2,666**	**351**	**426**	**416**

1) Including one-off effects (Q3 2013: gains on the sale of insurance operations in Turkey, Q4 2013: gains on the sale of MICEX shares and bonds). 2) Mainly reflecting the full write-off of goodwill, the realignment of leasing business, total profit or loss after tax from discontinued operations. / 3) Net profit/loss attributable to the owners of the parent company.

● **Operating income** in the **first nine months of 2014** failed to match the previous year's level because of lower figures in Turkey (on account of a local decline, the above-mentioned one-off effect and strong currency depreciation) and in Russia (only due to currency depreciation) and stagnation in Austria. However, the decline was offset by cost stability (decrease in absolute terms compared with the previous year) and significantly lower net write-downs of loans in all business segments. At €1,489 million, **net operating profit** thus more or less matched the previous year's level: at current exchange rates it was down by 2.0%; adjusted for exchange rate movements, the figure rose by 4.6%. Contributions to this improvement came from Austrian customer business and from the CEE Division (without the one-off effect related to Turkey).

In the first nine months of 2014, the balance of **non-operating items** (–€297 million) down to the bottom line was down by one-quarter from the same period of the previous year (see table). Within the total figure, higher provisions for risks and charges, including those of €107 million in Hungary for refunds of bid/ask spreads and unilateral interest rate adjustments on foreign currency loans in the past, were partly offset by net income from investments, which improved by €95 million, mainly as a result of gains on the sale of real estate.

Net profit (attributable to the owners of the parent company) generated by Bank Austria in the first nine months of 2014 was **€1,192 million**, up by €67 million or 6.0% on the figure for the same period of the previous year. Adjusted for the one-off effect in the third quarter of the previous year, net profit rose by €258 million or 27.6%; additionally adjusted for exchange rate movements, the increase was 35.1%.

Profit performance in the first nine months of 2014 € million (2013 recast)

	1–9 2014	1–9 2013	CHANGE		*CONST*
Operating income	4,461	4,788	–327	–6.8%	*–3.1%*
Net operating profit	1,489	1,519	–30	–2.0%	*+4.6%*
Non-operating items 1)	–297	–394	+97	–24.6%	
Net profit 2)	**1,192**	**1,125**	**+67**	**+6.0%**	***+11.4%***

1) Provisions for risks and charges, integration/restructuring costs and net income from investments; income tax, total profit or loss after tax from discontinued operations, non-controlling interests, Purchase Price Allocation effect, goodwill impairment charge. / 2) Net profit attributable to the owners of the parent company. / CONST = figures in all consolidated income statements translated into euro at constant exchange rates.

● At the end of September 2014, **total assets** were **€189.5 billion**, up by 6.5% on the year-end 2013 figure (€177.9 billion). The movement in total assets reflects low growth of loans and receivables with customers (+0.8%) while primary funds (deposits from customers and debt securities in issue) rose strongly (+5.4%), a pattern seen in Austria and CEE. These developments were supported by lively new issue activities, including mortgage bonds and Tier 2 capital. From the end of 2013 to the end of September 2014, IFRS equity rose by 7.4% to €16.2 billion (8.5% of total liabilities and equity) on account of profit retention.

● The **leverage ratio under Basel 3**, published for the first time, was **5.86%** based on the current status of applicable transitional arrangements (average figure for Q3 2014). The leverage ratio is the ratio of regulatory Tier 1 capital to the exposure measure (total assets plus derivative exposures, undrawn credit facilities, other off-balance sheet items and minor regulatory adjustments).

● **Risk-weighted assets and capital ratios** have been published under Basel 3 since the beginning of the year. Additionally, this report marks the transition to IFRSs in this context. The combined effect of regulatory requirements (current status in line with the phase-in over a number of years) and economic trends was an improvement in the total capital ratio from 13.5% (year-end 2013, under the old rules) to **13.8%**. As at 30 September 2014, the Tier 1 capital ratio was **10.9%**, and the Common Equity Tier 1 capital ratio was also 10.9%.

Bank Austria in September 2014 (CONTINUED)

Quarterly trends

● Net profit generated by Bank Austria in the third quarter of 2014 was €416 million, almost matching the good performance of the preceding quarter (–2.2%). This offset temporary weakness in the first three months of 2014 when several CEE countries, Turkey and Russia in particular, were strongly affected by withdrawals of international capital, currency depreciation and economic-policy countermeasures. The comparison with the same period of the previous year reflects a significant base effect: the figure for Q3 2013 included one-off income of €191 million from the sale of the Sigorta insurance operations in Turkey. As the contribution from Turkey is accounted for using the equity method in accordance with IFRS 11, the one-off income is included in "Dividend income and other income from equity investments". This means that it is also reflected in the changes in operating income and all other subtotals in the income statement. All of the decline of €131 million or 24.0% in net profit compared with the same period of the previous year is due to this non-operating one-off effect. Without the one-off effect, net profit would have increased by 16.7%; additionally adjusted for exchange rate movements, the increase would have been 19.8% (see table below).

	Q3 2014	+/– Q2 2014		+/– Q3 2013	
	€ MILLION	€ MILLION	%	€ MILLION	%
Operating income	1,554	+23	+1.5%	–193	–11.0%
… adjusted 1)	*1,638*	*+28*	*+1.8%*	*+52*	*+3.3%*
Net operating profit	571	+4	+0.6%	–100	–14.9%
… adjusted 1)	*626*	*+8*	*+1.4%*	*+125*	*+25.1%*
Profit before tax	487	–27	–5.3%	–131	–21.1%
… adjusted 1)	*538*	*–25*	*–4.4%*	*+90*	*+20.1%*
Net profit 2)	**416**	**–9**	**–2.2%**	**–131**	**–24.0%**
… adjusted 1)	*448*	*–14*	*–3.1%*	*+74*	*+19.8%*

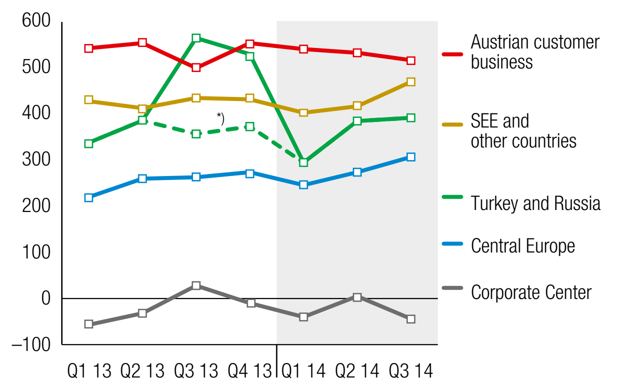
1) At constant exchange rates and without one-off income from the sale of Sigorta (€191 million) in the third quarter of 2013. / 2) Net profit attributable to the owners of the parent company.

● Starting from a weak first three months, operating income improved in the second and third quarters of 2014, mainly due to the contribution from CEE banking subsidiaries (see chart on this page). In Q3 2014, operating income was up by 1.5% on the preceding quarter and thus 3.3% higher (on an adjusted basis) than in the same period of the previous year. Revenue from Austrian customer business has been declining since the fourth quarter of 2013: operating income in Q3 2014 was 3% lower than in Q2 2014 but 3.4% higher than in Q3 2013, a period characterised by below-average performance. In the CEE business segment, on the other hand, operating income rose by 8.8% from Q2 to Q3 2014, after an increase of 13.6% from Q1 to Q2 2014. Year-on-year growth (Q3 2014 compared with Q3 2013, without Sigorta) was 5.1% (adjusted for exchange rate movements, +10.3%). The setback around the turn of the year was thereby offset. Strong increases were achieved in Central Europe (+11.0% over Q2 2014 and +10.7% over Q3 2013/adjusted for exchange rate movements, +16.7%) and in South-East Europe (+12.1% over Q2 2014 and +6.3% over Q3 2013/adjusted for exchange rate movements, +6.6%). Our Russian banking subsidiary showed a resilient performance, keeping operating income in the third quarter of 2014 at the level of the preceding quarter and thus slightly exceeding the figure for the same period of the previous year in euro terms (+0.9%) despite depreciation of the Russian rouble. Revenue growth in local currency reached 11.2%. The Turkish contribution, accounted for using the equity method, recovered (€93 million after €86 million in Q2 2014 and €50 million in Q1 2014); adjusted for exchange rate movements and without the Sigorta effect, operating income almost matched the Q3 2013 figure.

● Quarterly trends in 2014 were characterised by strict cost management. **Operating costs** in Bank Austria as a whole declined from quarter to quarter – at both current and constant exchange rates (most recently by 0.9%). Costs in Q3 2014 marginally exceeded the Q3 2013 figure (at current exchange rates: +0.1%, at constant exchange rates: +2.0%) although bank levies, which are included in operating costs, rose significantly. While revenue growth was very moderate and costs remained stable, **net write-downs of loans and provisions for guarantees and commitments** were the main factor contributing to the improvement in the year to date: after substantial net additions to loan loss provisions in the second half of 2013, the provisioning charge in the third quarter of 2014 was €169 million. At this level it was slightly higher than in the preceding quarter (€142 million), a period which benefited from the release of a provision, but over one-third lower than in the same period of the previous year (€263 million). This led to a considerable improvement in **net operating profit** (operating profit less net write-downs of loans and provisions for guarantees and commitments): at €571 million (more or less matching the Q2 2014 figure) it was significantly higher than in the first quarter of the current year (€350 million) but down by 14.9% from the third quarter of the previous year. Without the Sigorta effect in the previous year, net operating profit would have increased strongly, by 19.0% (adjusted for exchange rate movements, +25.1%).

● The **non-operating items** of the income statement to be taken into account to arrive at profit before tax were a net expense of €84 million in the third quarter of 2014. Within this total, provisions in Hungary for the refund, required by regulations, of exchange rate margins (–€31 million in the preceding quarter) and unilateral interest rate adjustments on foreign currency loans (–€76 million in Q3 2014) were a major factor. **Profit before tax** amounted to €487 million. The charge for income tax was €73 million and non-controlling interests of €4 million were also to be deducted. Total profit or loss after tax from discontinued operations reached +€6 million, with the charge of €35 million related to Ukrsotsbank being more than offset by positive valuation effects from real estate companies classified as held for sale. The third quarter of 2014 closed with a net profit of €416 million, after €426 million in the second quarter of 2014 and €547 million (without the Sigorta effect: €357 million) in the third quarter of 2013.

Operating income by region CEE at constant exchange rates (€ million)



*) Adjusted for one-off effects: Q3 2013 Turkey: gains on sale of Sigorta included in the contribution accounted for using the equity method; Q4 2013 Russia: gains on sale of MICEX and bonds

Bank Austria in September 2014 (CONTINUED)

Note: *Starting with 2014 our equity investment in the joint venture in **Turkey** is no longer accounted for using proportionate consolidation but using the **equity method**. The comparative figures for the previous year have been adjusted. This reflects the implementation of IFRS 10 and IFRS 11, which came into force at the beginning of 2014. In the income statement, the contribution from Turkey is shown in a single item, with the share of profit being included in "Dividend income and other income from equity investments". This change in the accounting method has no effect on profit trends.*

In the statement of financial position, the Turkish bank is no longer included with its pro-rata contributions to the various items but only with the carrying amount of the equity investment, shown in the item "Investments in associates and joint ventures". This has reduced total assets compared with previous periods, and also key volume figures derived from items in the statement of financial position, such as average lending volume. However, the operations in Turkey continue to be reflected in risk-weighted assets and capital ratios on a proportionate basis.

Condensed income statement of Bank Austria[1)]

(€ million)

RECAST [2)]	QUARTERLY FIGURES			FIRST NINE MONTHS		CHANGE	
	Q1 2014	+ Q2 2014	+ Q3 2014	= 1–9 2014	1–9 2013	+/– €	+/– %
Net interest	841	866	884	2,592	2,597	–5	–0%
Dividend income and other income from equity investments	73	151	126	351	639	–289	–45%
Net fees and commissions	330	346	347	1,022	1,008	+15	+1%
Net trading, hedging and fair value income	112	138	150	400	471	–71	–15%
Net other expenses/income	20	30	47	96	74	+23	+31%
Operating income	1,376	1,531	1,554	4,461	4,788	–327	–7%
Payroll costs	–406	–404	–398	–1,208	–1,233	+25	–2%
Other administrative expenses	–385	–381	–373	–1,139	–1,105	–34	+3%
Recovery of expenses	0	0	0	0	1	–1	–74%
Amortisation, depreciation and impairment losses on intangible and tangible assets	–44	–37	–43	–124	–155	+31	–20%
Operating costs	–835	–822	–814	–2,471	–2,492	+21	–1%
Operating profit	541	710	740	1,990	2,296	–306	–13%
Net write-downs of loans and provisions for guarantees and commitments	–190	–142	–169	–501	–777	+276	–35%
Net operating profit	**350**	**568**	**571**	**1,489**	**1,519**	**–30**	**–2%**
Provisions for risks and charges	–4	–28	–95	–126	–114	–12	+10%
Integration/restructuring costs	–1	–6	–1	–8	–16	+8	–49%
Net income from investments	75	–20	12	67	–28	+95	n.m.
Profit before tax	**421**	**515**	**487**	**1,423**	**1,362**	**+61**	**+4%**
Income tax for the period	–64	–63	–73	–200	–183	–17	+9%
Total profit or loss after tax from discontinued operations	2	–27	6	–19	–15	–4	+27%
Profit for the period	359	425	420	1,204	1,164	+40	+3%
Non-controlling interests	–8	1	–4	–11	–31	+19	–63%
Net profit before PPA [3)]	351	426	416	1,192	1,133	+59	+5%
Purchase Price Allocation effect	0	0	0	0	0	+0	n.m.
Goodwill impairment	0	0	0	0	–8	+8	–100%
Net profit [3)]	**351**	**426**	**416**	**1,192**	**1,125**	**+67**	**+6%**

n.m. = not meaningful. / 1) Bank Austria's income statement as presented in this table is a reclassified format corresponding to the format used for segment reporting. / 2) Recast to reflect the consolidation perimeter and business structure in 2014. / 3) Attributable to the owners of the parent company.

Bank Austria in September 2014 (CONTINUED)

Details of the income statement

● Net profit (attributable to the owners of the parent company) generated by Bank Austria in the first nine months of 2014 was **€1,192 million** – a respectable performance, achieved in a banking environment which is currently characterised by low demand, interest rates close to zero, and pressure on banks to adjust their operations. Net profit was thus up by €67 million or 6.0% on the same period of the previous year. The underlying improvement becomes apparent when taking into account various special factors which have an influence on the comparison with the previous year:

▶ When comparing the first nine months of 2014 with the same period of the previous year one should note a base effect: in the third quarter of 2013, Yapı Kredi, the Turkish bank in which we hold an equity interest, sold its insurance subsidiaries Yapı Kredi Sigorta (YKS) and Yapı Kredi Emeklilik (YKE) to Allianz SE (coupled with a cooperation agreement); the sale resulted in a gain of €191 million. This substantial one-off income is not reflected in net income from investments; it is included in operating income because in accordance with IFRS 11, the contribution from our Turkish joint venture (Koç Group with the banking subsidiary Yapı Kredi) is included in "Dividend income and other income from equity investments" (equity method of accounting).

➔ Adjusted for this one-off effect, net profit attributable to the owners of the parent company rose by €258 million or 27.6%.

▶ **Exchange rate effects** are another factor to be taken into account when analysing the bank's underlying commercial performance. Figures in local income statements are translated at average exchange rates for the period. Foreign currency translation has a negative impact of –13.2% in the case of Russia, –6.4% for the Czech Republic (due to currency depreciation in November 2013) and –3.9% for Hungary. The profit contribution from our Turkish joint venture, accounted for using the equity method, reflects currency depreciation of 16.1%.

➔ Adjusted for exchange rate movements, profit growth was between 6 and 7 percentage points stronger – depending on the definition of profit – than in euro terms (see table below).

➔ If results are adjusted for both special factors, bottom line results – in terms of operating performance but not in financial terms – improved by over one-third (+35.1%).

Performance in the first nine months of 2014 € million (2013 recast)

	1–9 14	1–9 13	CHANGE		*CONST*
Operating income	4,461	4,788	–327	–6.8%	*–3.1%*
… without contribution from Turkey (equity method)	*4,233*	*4,254*	*–22*	*–0.5%*	*+2.8%*
Operating costs	2,471	2,492	–21	–0.9%	*+1.4%*
Net write-downs of loans	–501	–777	+276	–35.5%	*–33.1%*
Net operating profit	1,489	1,519	–30	–2.0%	*+4.6%*
Profit before tax	1,423	1,362	+61	+4.5%	*+11.2%*
Net profit*)	**1,192**	**1,125**	**+67**	**+6.0%**	***+11.4%***
… without Sigorta effect	*1,192*	*935*	*+258*	*+27.6%*	*+35.1%*

*) Net profit attributable to the owners of the parent company.

● The improvement in Bank Austria's net profit in the current year is based on three factors: first, stable **operating income**, which – without the contribution from Turkey accounted for using the equity method – matched the previous year's level (–0.5%). This applies to both Austrian customer business (–0.4%) and CEE (without Turkey: +0.0%; additionally adjusted for exchange rate movements: +5.6%).

Second, **operating costs** were slightly reduced compared with the previous year (–0.9%), despite the higher charge for bank levies included in this item; even adjusted for exchange rate movements, cost growth was insignificant (+1.4%).

Third, and most importantly, **net write-downs of loans and provisions for guarantees and commitments** were reduced by over one-third from the high level of the previous year, when additions to loan loss provisions raised coverage ratios; the provisioning charge for the first nine months of 2014 was down by €276 million from the same period of the previous year.

➔ **Net operating profit** came close to the figure for the first nine months of the previous year (–2.0%; adjusted for exchange rate movements: +4.6%) although the contribution from Turkey declined by €305 million or 57.2% (adjusted for exchange rate movements: –49.2%), with €191 million of this decline being due to the above-mentioned one-off effect.

Fourth, substantial burdens resulting from **provisions for risks and charges**, including the provision of €107 million in Hungary for refunds of foreign exchange margins and unilateral interest rate adjustments applied to foreign currency loans in the past, were partly offset by **net income from investments**, which improved by €95 million mainly as a result of gains on the sale of real estate holdings.

➔ Overall, the negative balance of **non-operating items** was lower (by €91 million) than in the previous year. On this basis, profit before tax improved by €61 million or 4.5% to €1,423 million. Net profit attributable to the owners of the parent company rose by a similar amount, increasing by €67 million or 6.0% to €1,192 million.

● **Operating income** in the first nine months totalled €4.5 billion, more or less matching the level of the same period of the previous year (–0.5%) without the contribution from Turkey. **Net interest**, the largest component, amounted to €2.6 billion and thus almost equalled the figure for the first nine months of the previous year (adjusted for exchange rate movements: +4.3%).

Bank Austria in September 2014 (CONTINUED)

Operating income by component € million (2013 recast)

	1–9 14	1–9 13	CHANGE		*CONST*
Net interest	2,592	2,597	–5	–0.2%	*+4.3%*
Dividend income and other income from equity investments	351	639	–289	–45.1%	*–38.9%*
… of which contribution from Turkey (equity method)	*229*	*534*	*–305*	*–57.2%*	*–49.2%*
Net fees and commissions	1,022	1,008	+15	+1.5%	*+4.3%*
Net trading, hedging and fair value income	400	471	–71	–15.1%	–13.6%
Other	96	74	+23	+30.9%	+20.0%
Total operating income	4,461	4,788	–327	–6.8%	***–3.1%***
… without contribution from Turkey (equity method)	*4,233*	*4,254*	*–22*	*–0.5%*	*+2.8%*

The underlying average lending volume in the first nine months of 2014 was 3.1% lower than in the previous year. But net interest was supported by the fact that average primary funds (deposits from customers + debt securities in issue) rose by 3.9% while market interest rates generally declined. The same applies to most CEE countries. For the first nine months of 2014 the interest margin, measured by average interest-bearing volume on the assets and liabilities sides, was 2.06%.

Net interest generated by Austrian customer business – comprising three business segments: Retail & Corporates, Private Banking and Corporate & Investment Banking (CIB) – rose by 1.7% to €991 million. The margin contribution from lending business declined, reflecting further narrowing spreads and lower lending volume as demand was weak. This means that the increase was due to deposit business: the total volume of deposits rose strongly, especially time deposits held by corporate customers, large customers and high net worth individuals. The campaign launched at the end of 2013 to attract longer-term deposits by offering comparatively attractive interest rates in a low-interest environment was very successful, especially in corporate banking. These products are aimed at extending deposit maturities and are therefore an important factor in liquidity management under Basel 3 (Liquidity Coverage Ratio).

In the first nine months of 2014, the CEE business segment generated net interest of €1,846 million, accounting for 71% of the total for the bank as a whole. Net interest in CEE thus grew by 1.9% compared with the previous year; adjusted for exchange rate movements, the increase was 8.2%. Although our Russian banking subsidiary was facing difficult market conditions, it achieved growth of 5.5% to €534 million in net interest; at constant exchange rates, the increase was 21.5%. In September 2014, lending volume in local currency was up by 27.7% on a year earlier, and total deposits were up by 36.6%. In the Central European (CE) countries, net interest rose by 3.7% (adjusted for exchange rate movements: +9.5%) and lending volume and total deposits expanded. Moreover, the interest margin improved as reference rates declined. In the country group of South-East Europe (SEE), net interest grew by 2.7% (adjusted for exchange rate movements: +3.5%), a lower rate reflecting the weak trend in Romania. Growth was driven by Bulgaria (+8.3%), where our banking subsidiary offered stability during the local banking crisis. The concentration of commercial banking business in the Baltic countries to focus on leasing activities and the reduction of the cross-regional portfolio in the Profit Center Vienna acted as a brake on volume and net interest in the CEE Division.

Net fees and commissions in the first nine months of 2014 were **€1,022 million**, exceeding the previous year's figure by 1.5%; adjusted for exchange rate movements, they rose by 4.3%. Slight growth of 0.8% was achieved by the Austrian customer business segments (€507 million), reflecting divergent trends: although the propensity to save and invest was low and turnover volume was moderate, net fees and commissions in asset management increased by 5.3%, and within the Retail & Corporates business segment by as much as 13.0%. This growth is mainly explained by mutual fund business. The structural decline in safe custody business (–10.1%) had a negative impact on performance. Private Banking showed a similar profile. Fees and commissions from financial services rose strongly (+8.2%), especially in the areas of guarantees and credit derivatives in business with small and medium-sized businesses. Account-related and payment services, which still account for 46% of total fees and commissions in Austria, remained stable (–1.0%). Net fees and commissions generated in CEE rose more strongly and across the board, by 7.7% to €573 million; adjusted for exchange rate movements, growth reached 13.1%. The strongest growth in net fees and commissions was achieved by our banks in the Central European countries (+9.6%; in local currency, +15.4%), especially in Hungary (+19.9%/adjusted for exchange rate movements: +24.7%) and in the Czech Republic (+2.6%/+10.2%). Net fees and commissions also rose significantly in Russia (+8.7%/+25.2%) and in SEE (+4.0%/ +4.7%).

Net trading, hedging and fair value income in the first nine months of 2014 was €400 million, down by €71 million or 15.1% from the previous year's level. The Austrian customer business segments generated a net trading performance of €49 million, of which €38 million was accounted for by the CIB Division (down by €1 million from the first nine months of the previous year). One-half of the €23 million decrease compared with the previous year is due to a base effect in the Retail & Corporates business segment, where the comparative figure for the previous year included one-off income from the buyback of Wohnbaubank bonds. The net trading performance was mainly determined by developments in CEE, which regularly accounts for the major part of net trading income given the size of commercial banking operations in an environment of flexible exchange rates, volatile foreign capital transactions and strong interest rate movements. The decline of €61 million to €242 million resulted from developments in Russia, where net trading income, at €20 million, was still significant but down by 79% from the record figure of the previous year. The sharp fall was caused by market trends in the first quarter of 2014, when capital

Bank Austria in September 2014 (CONTINUED)

movements, depreciation of the Russian rouble and interest rate increases surrounding the Crimea crisis had a negative impact on valuation results. The Corporate Center performs various functions in connection with liquidity and capital management and other sub-holding company functions including exchange rate hedging for expected CEE profit contributions; net trading income in the Corporate Center rose by €13 million to €109 million. The rise was partly due to the increase in the share in profits of the UniCredit Markets product line, to which Bank Austria is still entitled this year (under the terms and conditions of the sale of UniCredit CAIB). Realised gains on available-for-sale investments (government bonds) also supported the net trading performance.

Net other expenses/income covers many minor items not included in core commercial banking business, e.g. results from equity interests which are not part of core business. This item of the income statement showed a positive figure of €96 million for the first nine months of 2014. The increase of €23 million reflects an equalisation payment within UniCredit Group, made in the previous year by Bank Austria for services provided to large international customers.

● **Operating costs** were €2,471 million in the first nine months of 2014, down by €21 million or 0.9% thanks to strict cost discipline and targeted programmes for efficiency enhancement in Austria (Initiative 2020) and in CEE countries. Even when adjusted for the (in this case favourable) effect of exchange rate movements, operating costs rose at a low 1.4%.

Costs € million (2013 recast)

	1–9 2014	1–9 2013	CHANGE		*CONST*
Austrian customer business	1,102	1,088	+14	+1.3%	
Central Eastern Europe (CEE)	1,190	1,240	–50	–4.0%	*+0.4%*
Corporate Center	178	164	+14	+8.5%	
Bank Austria as a whole	2,471	2,492	–21	–0.9%	*+1.4%*
… without bank levies	*2,341*	*2,378*	*–37*	*–1.6%*	
Cost/income ratio (without bank levies)					
Austrian customer business	65.4%	65.1%	+0.3 percentage points		
Central Eastern Europe (CEE)1)	39.0%	36.7%	+2.2 percentage points		
Bank Austria as a whole	52.5%	49.7%	+2.8 percentage points		
Types of costs					
Payroll costs	1,208	1,233	–25	–2.1%	
Other administrative expenses	1,139	1,105	+34	+3.0%	
… of which: bank levies/FTT2)	*168*	*147*	*+20*	*+13.4%*	
Amortisation, depreciation and impairment losses on intangible and tangible assets	124	155	–31	–19.7%	

1) When analysing the cost/income ratio it should be noted that the contribution from Turkey is accounted for using the equity method. This means that it is included in operating income but not in operating costs. 2) FTT= Financial Transaction Tax (Hungary and Slovenia), not deducted in the calculation of the adjusted cost/income ratio because it is a transitory item.

An analysis by cost type shows that payroll costs were down by €25 million (–2.1%) and amortisation, depreciation and impairment losses on intangible and tangible assets decreased by €31 million (–19.7%). Other administrative expenses rose by €34 million (+3.0%), mainly because bank levies in Austria, Slovenia, Slovakia, Romania and Hungary increased by a combined 13.8% to €130 million and together with financial transaction taxes in Slovenia and Hungary the total charge increased by 13.4% to €168 million.

Payroll costs in **Austrian** customer business (Retail & Corporates, Private Banking and CIB) were reduced by 2.2% despite the wage drift. The decrease was particularly pronounced in the Retail (–3.8%) and Corporates (–1.9%) subdivisions. In the Corporate & Investment Banking Division (+0.3%) and in the expanding Private Banking Division (+1.4%) payroll costs hardly changed. In average terms for the first nine months of 2014, the reduction of 233 FTEs in staffing levels in Austrian customer business to a total of 5,101 FTEs compared with the previous year (–5.4%) had a positive impact on costs. The number of FTEs at the end of September 2014 was down by 350 FTEs on a year earlier (–6.6%). The reductions in FTEs compared with the first nine months of 2013 were most pronounced in the Retail subdivision (–259 FTEs), followed by Corporates (–90 FTEs) and Private Banking (–4 FTEs); CIB remained unchanged. In the Corporate Center, staffing levels were reduced by an additional 106 FTEs. In HR statistics, this effect is offset by the acquisition of Immobilien Holding GmbH, adding 258 FTEs to the total number. (These additions do not increase operating costs, however, because the companies held by this holding company are classified as held for sale and represent a discontinued operation.) The incentive phase of our **Initiative 2020**, which is aimed at reducing the effective workforce and providing more flexible working arrangements, ended in the middle of the year. 1,270 employees (Bank Austria including subsidiary companies) accepted one of the part-time working models. On account of the high acceptance rate and other measures such as not filling vacant positions, we are two-thirds of the way towards meeting our reduction targets. Although the measures which have been agreed will partly become effective with some delay and consist mainly of part-time working arrangements, the reduction of effective employment by 456 FTEs as at the end of September 2014 compared with a year earlier confirms the success of the programme. **Other administrative expenses** in Austria (including the Corporate Center) rose by 8.1%; about one-half of the increase was caused by the **bank levy** in Austria, which was up by 27.9% to €88 million (on a pro-rata basis for nine months). Also reflected in cost growth are higher IT development costs for new advisory tools in corporate banking and in business with large companies.

The cost reductions in the **CEE business segment** (–4.0%) are attributable to currency depreciation in the larger countries; costs increased only marginally, by 0.4%, when adjusted for exchange rate movements. Within the total figure, payroll costs declined despite continued expansion in the strategic countries which are the focus of attention (at current exchange rates: –3.6%); even when adjusted for exchange

Bank Austria in September 2014 (CONTINUED)

rate movements, payroll costs remained under control (+1.2%). Operating costs in the first nine months of 2014 (i.e. without the Turkish operations, which are accounted for using the equity method and without Ukraine) included an average 24,267 FTEs in CEE, a reduction of 248 FTEs (–1.0%) compared with the first nine months of 2013. Staffing levels increased mostly in Russia (+60 FTEs) and Romania (+132 FTEs); in Romania the increase was due to the acquisition of the retail portfolio of the Royal Bank of Scotland. FTE numbers were down in Hungary as a result of the streamlining of the branch network (–99 FTEs) and in Croatia (–75 FTEs); in the Baltic countries FTEs declined following the discontinuation of universal banking business (–83 FTEs). In the new banking subsidiary in the Czech Republic, created through the merger of Czech and Slovak units in 2013, staffing levels declined by an average 149 FTEs on a comparable basis. In view of wage rises and increases in FTEs, costs in Russia rose at a disproportionately strong rate (in euro terms: –6.4%/at constant exchange rates: +7.8%), while the bank in the Czech Republic reduced operating costs in euro terms (–11.6%) and in local currency (–5.0%) although the bank levy in Slovakia continued to be payable following the merger of the two banks.

● **Net write-downs of loans and provisions for guarantees and commitments** returned to a normal level after the large additions to loan loss provisions in the third quarter of 2013 and in the 2013 annual financial statements. This development had a strong positive effect on the income statement for the first nine months of 2014. The provisioning charge in the reporting period was **€501 million, down by €276 million** or over one-third from the first nine months of 2013 (–35.5%/adjusted for exchange rate movements: –33.1%). On an annualised basis, this gives a decline of almost one-half (–49%) compared with 2013. The cost of risk in the reporting period fell to an average of 58 basis points (bp).

Net write-downs of loans and provisions for guarantees and commitments

	PROVISIONING CHARGE € million (2013 recast)			COST OF RISK as a proportion of lending volume		
	1–9 2014	2013	1–9 2013	1–9 2014	2013	1–9 2013
Austria *)	51	219	172	12bp	36bp	38bp
CEE	450	1,094	605	107bp	191bp	141bp
Bank Austria as a whole	501	1,313	777	58bp	112bp	88bp

*) incl. Corporate Center

Net write-downs of loans and provisions for guarantees and commitments were reduced across all business segments. The **provisioning charge in Austria** (customer business including the Corporate Center) declined steadily: at €51 million, the figure was **down** by €121 million or **70.3%** from the previous year. The cost of risk for the first nine months of 2014 was a low 12bp. The Retail & Corporates business segment benefited from a particularly strong reduction of the provisioning charge, with net write-downs of loans and provisions for guarantees and commitments falling to €59 million (first nine months of 2013: €134 million). This decrease was mainly due to developments in the Retail subdivision, with a lower volume of additions to loan loss provisions and one-off effects of +€10 million resulting from methodological changes. The Corporate & Investment Banking (CIB) business segment benefited from the release (in the second quarter) of a provision for a major loan and accrued interest which was pending for a long time; this led to a net release of loan loss provisions of €8 million. In the same period of the previous year, the provisioning charge in CIB was €38 million.

In the **CEE** Division, net write-downs of loans and provisions for guarantees and commitments in the first nine months of 2014 were €450 million, **down by one-quarter** (–€155 million/–25.6%) from the same period of 2013 (€605 million). The cost of risk in CEE fell to 107bp, about one-half of the figures for 2009 and 2010, which were between 200bp and 300bp. The reduction of the cross-regional and structured finance portfolio of the Vienna-based CEE headquarters (Profit Center Vienna) reduced the CEE Division's provisioning charge by €98 million. Even without this structural change, net write-downs of

Lending volume and asset quality *)

(€ million)	30 SEPT. 2014	31 DEC. 2013	30 SEPT. 2013
Bank Austria as a whole			
Gross loans to customers	121,953	120,778	122,728
Total write-downs	–6,786	–6,523	–6,124
Net loans to customers	115,167	114,255	116,604
Gross impaired loans	11,274	10,842	10,746
… % of loans to customers	*9.2%*	*9.0%*	*8.8%*
Specific write-downs	–6,151	–5,905	–5,511
Coverage ratio	54.6%	54.5%	51.3%
Net impaired loans	5,123	4,937	5,235
… % of loans to customers	*4.4%*	*4.3%*	*4.5%*
Central Eastern Europe (CEE)			
Gross loans to customers	61,979	58,007	58,959
Total write-downs	–4,242	–3,934	–3,524
Net loans to customers	57,737	54,073	55,435
Gross impaired loans	7,872	7,270	7,113
… % of loans to customers	*12.7%*	*12.5%*	*12.1%*
Specific write-downs	–3,933	–3,657	–3,216
Coverage ratio	50.0%	50.3%	45.2%
Net impaired loans	3,939	3,613	3,897
… % of loans to customers	*6.8%*	*6.7%*	*7.0%*
Austria (incl. Corporate Center)			
Gross loans to customers	59,974	62,772	63,769
Total write-downs	–2,544	–2,589	–2,600
Net loans to customers	57,430	60,183	61,169
Gross impaired loans	3,402	3,572	3,633
… % of loans to customers	*5.7%*	*5.7%*	*5.7%*
Specific write-downs	–2,218	–2,248	–2,295
Coverage ratio	65.2%	62.9%	63.2%
Net impaired loans	1,184	1,324	1,338
… % of loans to customers	*2.1%*	*2.2%*	*2.2%*

*) Ukraine (classified as held for sale) and Turkey (accounted for using the equity method) are no longer included in the relevant items of the statement of financial position and the income statement.

Bank Austria in September 2014 (CONTINUED)

loans and provisions for guarantees and commitments declined by €57 million (–11.5%). Measured by the cost of risk, net write-downs of loans improved in all CEE countries. Exceptions are Hungary and Slovenia, and Russia in local currency. The provisioning charge in Croatia was €69 million, lower than in the same period of the previous year (€92 million) after the previous year's increase in loan loss provisions. Romania also recorded a lower provisioning charge (€90 million after €108 million), but the cost of risk, at 286bp, was still the highest of all countries covered by the CEE Division. In the Czech Republic (including Slovakia) the cost of risk again fell to the lowest level in CEE (63bp after 74bp), due to strong growth in lending volume, a development which also reflects the favourable situation in the business cycle. Net write-downs of loans rose in Hungary (€40 million after €37 million) and slightly also in Slovenia; the cost of risk in these two countries is an above-average 173bp and 201bp, respectively. The provisioning charge at our Russian banking subsidiary started to rise: adjusted for exchange rate movements, it was up by 13.5%. This increase, hardly surprising in view of the economic situation and the sanctions, has not yet impacted performance in euro terms because the Russian rouble depreciated by a similar amount. Given strong lending growth in Russia, the cost of risk, at 66bp, is still far below the CEE average.

Impaired loans (non-performing loans, doubtful loans, restructured loans and past-due loans) rose by 4.0% from 31 December 2013 to 30 September 2014, while loans and receivables with customers at overall bank level stagnated (gross volume: +1.0%). This means that the impaired loans ratio (impaired loans as a proportion of gross lending volume) rose by 0.2 percentage points to 9.2% (on a net basis: 4.4%). As write-downs increased at a slightly higher rate of 4.2%, the coverage ratio improved to 54.6%. A year earlier, before the large additions to loan loss provisions in the fourth quarter of 2013, the coverage ratio was 3.3 percentage points lower (51.3%). All of the increase in impaired loans resulted from CEE (+8.3% from December 2013 to September 2014), where lending volume also rose strongly (+6.8%). The strongest increase in impaired loans was recorded in Russia, though from a very low level and as a result of a technical reclassification of a large exposure at the reporting date. Most recently, the impaired loans ratio in CEE – without Turkey (accounted for using the equity method) and without Ukraine (classified as held for sale) – was 12.7%. The coverage ratio deteriorated by 0.3 percentage points from year-end 2013 to the end of September 2014; at 50.0% it exceeds the level at the end of September 2013 (45.2%) by 4.7% percentage points, reflecting measures taken in the meantime. Impaired loans in Austria declined more strongly (–4.8%) than total lending volume (–4.5% from year-end 2013 to the end of September 2014). Impaired loans were 5.7% of gross loans to customers; net of write-downs, the impaired loans ratio was 2.1%.

➔ Bank Austria's **net operating profit** (operating profit less net write-downs of loans and provisions for guarantees and commitments) for the first nine months was down by €30 million or 2.0% from the same period of the previous year; without the Sigorta effect, net operating profit would have risen by 12.1%. Net operating profit generated by **Austrian** customer business increased by €101 million. While all of this growth was due to a lower provisioning charge, the quality of results improved as operating income, which held up well, and cost discipline fed through to net operating profit to a larger extent. In **CEE**, net operating profit at constant exchange rates was only slightly higher than in the previous year (+0.8%). This is due to the contribution from Turkey, which is accounted for using the equity method, includes non-operating components and declined on account of economic-policy adjustment measures (see commentary on the CEE business segment on page 27). The other CEE units generated a net operating profit which, adjusted for exchange rate movements, was up by a combined 32.0% on the same period of the previous year. Expenses related to new issues to strengthen the funding position and capital resources, as well as guarantee commissions and a portion of the charge for bank levies, are reflected in the **Corporate Center**. This explains the decline of €32 million in the Corporate Center's net operating profit, and of €30 million for the bank as a whole, compared with the previous year.

Net operating profit € million (2013 recast)

	1–9 2014	1–9 2013	CHANGE		*CONST*
Austrian customer business	438	336	+101	+30.1%	
Central Eastern Europe (CEE)	1,308	1,407	–99	–7.0%	*+0.8%*
… without contribution from Turkey (equity method)	*1,079*	*873*	*+206*	*+23.6%*	*+32.0%*
Corporate Center	–256	–224	–32	+14.3%	
Bank Austria as a whole	1,489	1,519	–30	–2.0%	*+4.6%*
… without Sigorta effect	*1,489*	*1,328*	*+161*	*+12.1%*	*+20.4%*

● The balance of **non-operating income/expenses** to be taken into account in calculating profit before tax on the basis of net operating profit was a net expense of €67 million for the first nine months of 2014, compared with a net expense of €158 million in the same period of the previous year. Within the total, net additions to **provisions for risks and charges** were €126 million, up by 10.1% on the previous year. Large provisions were made in the previous year for legacy burdens, mainly legal risks, which have largely been resolved in the meantime. Additions to provisions for risks and charges in the current year related mainly to the provision for charges resulting from the Hungarian Customer Loan Act for retroactive adjustment of foreign currency loans: in the reporting period, a provision of €107 million was made for foreseeable refunds, confirmed by a supreme court decision, of bid/ask spreads and unilateral interest rate adjustments (see risk report on page 70). Moreover, contractually agreed compensation payments resulting from the sale of an equity interest had a negative impact of €15 million. **Integration/restructuring costs** (€8 million after €16 million) in the first nine months of 2014 largely related to the restructuring of the branch network in Hungary; in the previous year, integration/restructuring costs related to the merger of the Czech and Slovak banking networks and restructuring in the Baltic countries. **Net income from investments** was €67 million in the first nine months of

Bank Austria in September 2014 (CONTINUED)

2014, after a net loss of €28 million in the same period of the previous year. This reflects gains on the sale of real estate, including the historical head office building in Vienna's Schottengasse, and other properties in Vienna and Russia. This income was diminished by a dilution effect of the equity interest in CA Immo AG resulting from the company's capital increase in June 2014; the equity interest is classified as held for sale in the interim financial statements.

Profit performance € million (2013 recast)

	1–9 2014	1–9 2013	CHANGE		*CONST*
Net operating profit	1,489	1,519	–30	–2.0%	*+4.6%*
Provisions for risks and charges	–126	–114	–12	+10.1%	*+15.6%*
Integration/restructuring costs	–8	–16	+8	–48.6%	*–45.6%*
Net income from investments	67	–28	+95	n.m.	*n.m.*
Non-operating items	–67	–158	+91	–57.7%	
Profit before tax	**1,423**	**1,362**	**+61**	**+4.5%**	***+11.2%***
Other non-operating items 1)	–230	–236	+6	–2.6%	
Net profit 2)	**1,192**	**1,125**	**+67**	**+6.0%**	***+11.4%***

1) Income tax, total profit or loss after tax from discontinued operations, non-controlling interests, Purchase Price Allocation effect, goodwill impairment charge. / 2) Net profit attributable to the owners of the parent company. / CONST = CEE translated into euro at constant exchange rates.
n.m. = not meaningful

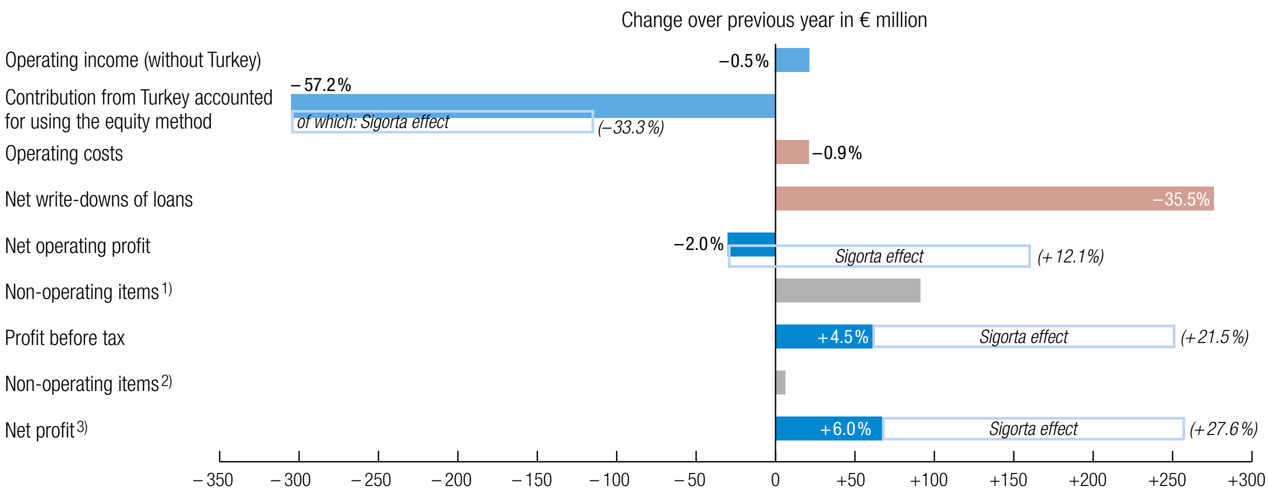
Net operating profit of €1,489 million and the negative balance of €67 million of non-operating items give a **profit before tax** of **€1,423 million** for the first nine months of 2014, a year-on-year increase of €61 million or 4.5% (adjusted for exchange rate movements: +11.2%).

The contribution from Turkey (calculated on the basis of our shareholding interest of about 42%) was €229 million (16%). The €305 million decline in profits in Turkey was largely due to the above-mentioned special effect in the third quarter of 2013 (gains of €191 million on the sale of insurance operations) and the remaining portion was due to the business environment following the adjustment, in line with economic policy, after the previous boom years and to some extent also to currency depreciation. Quarter-on-quarter developments in Turkey again reflected the upward trend seen in past years.

The income tax charge for the first nine months of 2014 was €200 million (same period of the previous year: €183 million). Total profit or loss after tax from discontinued operations for the reporting period was a loss of €19 million compared with a loss of €15 million for the same period of the previous year. In the current year the loss in Ukraine was partly offset by a positive contribution from the other units classified as held for sale, including Immobilien Holding. Non-controlling interests amounted to €11 million (first nine months of the previous year: €31 million). After deduction of non-controlling interests, Ukraine impacted profit with –€59 million.

The first nine months of 2014 thus closed with a **net profit** (attributable to the owners of the parent company) **of €1,192 million**, an increase of €67 million or 6.0% over the same period of the previous year. Return on equity after tax improved by 2.6 percentage points to 13.0%.

Results for the first nine months of 2014 compared with the first nine months of 2013



1) Provisions for risks and charges, integration/restructuring costs and net income from investments. / 2) Income tax, total profit or loss after tax from discontinued operations, non-controlling interests, Purchase Price Allocation effect (PPA), goodwill impairment charge. / 3) Net profit attributable to the owners of the parent company.

Bank Austria in September 2014 (CONTINUED)

Financial position

Note: *In conformity with changes in accounting rules (implementation of IFRS 11) we have accounted for our investment in Yapı Kredi ve Bankasi (a joint venture with our partner Koç Group in Turkey) using the equity method rather than proportionate consolidation since 1 January 2014. This means that in the statement of financial position, the Turkish bank is no longer included with its pro-rata contributions to the various items but only with the carrying amount of the investment, included in the item "Investments in associates and joint ventures". Moreover, the Real Invest Europe real estate fund has been included in consolidation in accordance with IFRS 10 since 1 January 2014. Given the large size of the operations in Turkey, as a result of these regulatory changes, total assets declined by €18.4 billion or 9.4 % compared with the figure determined as at year-end 2013; loans and receivables with customers were down by €14.2 billion or 11.0 %, and primary funds – i.e. the sum total of deposits from customers and debt securities in issue – declined by €13.9 billion or 9.9 %. For comparability purposes, the figures in the statement of financial position as at the end of 2013 and as at 30 September 2013 were adjusted to reflect the new method of accounting. Moreover, the comparative figures were adjusted to reflect a change in the sector to which a central clearing house belongs (now interbank business).*

● As at 30 September 2014, Bank Austria's **total assets** were **€ 189.5 billion**, up by **€ 11.6 billion or 6.5 %** on the year-end 2013 level. They were also higher, by more or less the same amount (+€ 11.5 billion / +6.5 %), than a year earlier although the figure at 30 September 2013 still included goodwill (€ 1.7 billion) which was fully written off in the consolidated financial statements for the 2013 financial year. Exchange rate effects are also an important factor in a year-on-year comparison as major currencies depreciated significantly in the fourth quarter of 2013 and in the first quarter of 2014 (especially the Russian rouble and the Turkish lira; the Czech crown in November 2013). While currencies stabilised as the current year progressed, the gap compared with the previous year continued to exist.

● **On the assets side, loans and receivables with customers** amounted to € 115.2 billion, accounting for over 61 % of total assets. Customer loans were thus up by 0.8 % on year-end 2013. A year-on-year comparison shows a decline of € 1.4 billion or 1.2 %. Lending volume in Austrian customer business remained constant in the first nine months (–1.2 % year-on-year). While credit demand was generally weak, loans to corporates picked up (+€ 106 million/+0.4 % year-on-year). Loans and receivables with customers in the Central Eastern Europe (CEE) business segment increased by 2.3 % in the first nine months of 2014 and were thus only slightly lower (–0.7 % at current exchange rates) than a year earlier. The exposure at the Vienna-based CEE headquarters, which also includes cross-regional financing, was reduced substantially. Without this reduction, total customer loans at the local banks in CEE grew by 2.4 % year-on-year and by 8.5 % at constant exchange rates. Particularly strong growth continued to be seen in Russia (+20.3 %; adjusted for exchange rate movements, +36.6 %) and at our Czech banking subsidiary, which also includes business in Slovakia (+1.2 % in euro, but +8.5 % in local currency). The pronounced

Major items in the statement of financial position

	30 SEPT. 2014	31 DEC. 2013 ADJUSTED 1)	CHANGE OVER YEAR-END 2013		30 SEPT. 2013 ADJUSTED 1)	CHANGE OVER PREVIOUS YEAR	
ASSETS							
Financial market investments 2)	22,686	20,722	+1,963	+9.5 %	19,787	+2,899	+14.7 %
Loans and receivables with banks	29,469	22,941	+6,528	+28.5 %	19,804	+9,666	+48.8 %
Loans and receivables with customers	115,167	114,255	+911	+0.8 %	116,604	–1,437	–1.2 %
Investments in associates and joint ventures	4,516	4,463	+53	+1.2 %	5,289	–772	–14.6 %
Intangible assets	162	162	–0	–0.1 %	1,891	–1,729	–91.4 %
Non-current assets and disposal groups classified as held for sale 3)	4,458	3,714	+744	+20.0 %	3,452	+1,006	+29.1 %
Other asset items	13,025	11,598	+1,426	+12.3 %	11,147	+1,878	+16.8 %
Total assets	**189,483**	**177,857**	**+11,626**	**+6.5 %**	**177,972**	**+11,511**	**+6.5 %**
LIABILITIES AND EQUITY							
Deposits from banks	25,593	24,530	+1,063	+4.3 %	26,899	–1,306	–4.9 %
Deposits from customers	99,914	96,593	+3,320	+3.4 %	91,760	+8,154	+8.9 %
Debt securities in issue	30,623	27,302	+3,321	+12.2 %	26,552	+4,070	+15.3 %
… Primary funds (deposits from customers and debt securities in issue)	*130,536*	*123,895*	*+6,641*	*+5.4 %*	*118,312*	*+12,224*	*+10.3 %*
Liabilities included in disposal groups classified as held for sale 3)	1,953	2,242	–289	–12.9 %	1,956	–3	–0.2 %
Provisions for risks and charges	5,457	4,985	+472	+9.5 %	4,889	+472	+11.6 %
Equity	16,157	15,050	+1,107	+7.4 %	18,111	–1,954	–10.8 %
Other liability items	9,785	7,154	+2,631	+36.8 %	7,804	+1,981	+25.4 %
Total liabilities and equity	**189,483**	**177,857**	**+11,626**	**+6.5 %**	**177,972**	**+11,511**	**+6.5 %**

1) Inclusion of the equity investment in the Turkish Koç Group adjusted to reflect the current method of accounting, i.e. accounted for using the equity method (previously: proportionate consolidation) and included in the item "Investments in associates and joint ventures". Due to a change related to the sector to which a counterparty belongs, loans and debt towards banks and loans and debt towards customers have been adjusted. / 2) Financial assets at fair value through profit or loss + available-for-sale financial assets + held-to-maturity investments. / 3) Mainly Ukrsotsbank, Ukraine, which is classified as a disposal group held for sale, and the Immobilien Holding companies.

Bank Austria in September 2014 (CONTINUED)

monetary expansion experienced in the past few years, by the younger CEE markets in particular, has slowed, not least due to strong disinflation and partly as a result of economic policy stabilisation measures.

Among the other major items on the assets side, **loans and receivables with banks** showed the strongest growth, expanding by €6.5 billion to €29.5 billion. At the end of reporting periods, short-term margin deposits with clearing houses and futures and options exchanges are volatile on both the assets and liabilities sides. Liquidity management led to a further rise in **financial market investments**, which totalled €22.7 billion (+€2.0 billion or +9.5% from year-end 2013/+14.7% year-on-year). The increase resulted primarily from the investment of liquid funds in sovereign debt securities (+€2.3 billion/+14.6%), almost all of which (97%) are classified as available-for-sale financial assets. All of the increase related to Austrian bonds, holdings of which rose by €2.5 billion (35.8%) to €9.3 billion. The three largest positions of government bonds – Austrian (51.3%), Czech (10.0%) and Romanian sovereign bonds (5.9%) – accounted for a combined 67.1% of the total portfolio (€18.2 billion). Holdings of Russian sovereign bonds amounted to €650 million (3.6% of the portfolio), Spanish government bonds totalled €616 million (3.4%) and Italian government bonds amounted to €490 million (2.7%). The first nine months again saw a more pronounced increase (+30.0% over year-end 2013/+31.9% year-on-year) in the generally volatile **financial assets held for trading** and hedging derivatives, to a combined total of €6.6 billion as at 30 September 2014.

● The financial position in 2014 is mainly characterised by the following **trends**: customer loans are still stagnating while deposits are expanding strongly, at rates not seen for a long time. This development reflects the economic environment: companies enjoy ample liquidity and their propensity to invest is declining; private households continue to reduce their debts in an environment of low interest rates. The development is also to be seen in the context of our efforts to extend funding maturities, strengthen the funding base with issues of our own debt securities and, especially in CEE, increasingly focus on funding from local sources.

On the **liabilities side, primary funds** (the sum total of deposits from customers and debt securities in issue) totalled €130.5 billion, up by 5.4% on December 2013 and 10.3% higher than at the end of September 2013. This represents 68.9% of total liabilities and equity. Of the total volume of primary funds, €80.5 billion or 61.7% came from Austria (customer business plus Corporate Center) while loans in Austria totalled €57.4 billion. An analysis of components shows that **debt securities in issue** increased at a disproportionately strong rate (+12.2% and +15.3%, respectively, to €30.6 billion); four benchmark issues launched in Austria with a total volume of €2.0 billion (three mortgage bond issues and a public-sector covered bond issue) contributed to this growth. In addition to a number of bond issues targeted at retail investors we also placed €1.5 billion in Tier 2 capital, thereby partly replacing maturing issues.

Deposits from customers were €99.9 billion, up by 3.4% on the year-end 2013 level and 8.9% higher than at 30 September 2013. Within Austrian customer business (+6.4% and +9.3%, respectively), deposits from corporate customers and in Private Banking (including business with foundations) recorded good growth, reflecting efforts to attract time deposits with a view to extending maturities ("Basel 3 products" ahead of the introduction of new liquidity requirements). In CEE, too, customer deposits at 30 September 2014 were higher than at year-end 2013 (+0.5%); deposits in CEE have been expanding for quite some time and the gap vis-à-vis lending volume is narrowing. Growth of deposits in CEE was 8.8% year-on-year; adjusted for exchange rate movements, the increase reached 15.1%. A disproportionately strong increase in deposits, +20.3% in euro terms and +36.6% in local currency, was seen in Russia, though growth weakened in the course of the first nine months of 2014. The expansion of customer deposits at our Czech banking subsidiary (+1.8% and +9.4%, respectively) was driven by favourable economic trends and the acquisition of customer portfolios from a third party (AXA). In Bulgaria, our banking subsidiary recorded a strong inflow of deposits (+17.0% year-on-year) as two local banks experienced serious difficulties. Customer deposits in Serbia and in Bosnia and Herzegovina also grew at double-digit rates. Overall, these developments underline the good reputation of our local banking subsidiaries.

Among the **other items on the liabilities side**, interbank deposits (€25.6 billion) rose by 4.3% in the first nine months of 2014, compared with a year-on-year decline of 4.9%. Financial liabilities held for trading, financial liabilities at fair value through profit or loss and hedging derivatives increased by €1.9 billion to €6.4 billion (in line with the corresponding items on the assets side) in the first nine months of 2014.

From the end of 2013 to the end of September 2014, IFRS **equity** rose by 7.4% to **€16.2 billion**. The €2.0 billion decrease compared with a year earlier (September 2014/September 2013) is due to the goodwill impairment charge in the same amount reflected in the annual financial statements for the previous year. The increase of €1,107 million from year-end 2013 to 30 September 2014 is essentially the net effect of changes in the consolidation perimeter (+€140 million), the inclusion of net profit of €1,204 million (including non-controlling interests) for the first nine months of 2014, and items within other comprehensive income totalling –€225 million. Within these items, the foreign currency translation reserve had a negative impact of –€503 million in the first nine months of 2014, which mainly resulted from substantial depreciation of the Russian rouble and the Ukrainian hryvnia (the latter reflected in the valuation of Ukrsotsbank, which is classified as held for sale). The Hungarian forint also depreciated, though not as strongly, while the Turkish lira firmed in the course of the first nine months of 2014. A positive effect of +€468 million after tax in the reporting period resulted from reserves in accordance with IAS 39 (cash flow hedges, available-for-sale financial assets), which reflected market price movements of financial market instruments, most recently the good performance in bond markets. In connection with the adjustment of the discount rate to the low interest rate environment, the impact on equity of actuarial losses in accordance with IAS 19 amounted to a net –€274 million.

Bank Austria in September 2014 (CONTINUED)

Risk-weighted assets and capital resources

Regulation 2013/575/ EU (Capital Requirements Regulation – CRR) and Directive 2013/36/ EU (Capital Requirements Directive IV) to ***implement Basel 3*** *in the European Union came into force on 1 January 2014. The Austrian CRR Supplementary Regulation of 11 December 2013 defines the implementation of transition provisions of the CRR for Austria. During the transition period, the effects of Basel 3 implementation are less significant. In addition to Basel 3 introduction, the calculation of consolidated regulatory capital and consolidated regulatory capital requirements was changed to* ***IFRSs*** *as at 30 September 2014.*

➔ *This means that changes in risk-weighted assets and capital resources in the first nine months reflect economic developments and the – more pronounced – effects of methodological changes related to the application of Basel 3 and IFRSs for the first time as at 30 September 2014 compared with Basel 2.5 rules and the Austrian Business Code as at 31 December 2013.*

● **Risk-weighted assets** (RWAs) rose by **€7.2 billion** or 6.1 % to **€125.7 billion** in the course of the first nine months of 2014.

▶ Most of the increase resulted from the **switch from Basel 2.5 to Basel 3**. The main factors behind the increase were the 250 % weighting of significant investments below the deduction threshold (mandatory deduction from capital under Basel 2.5), the new Asset Value Correlation (AVC) multiplier applicable in 2014, and the regulatory Credit Value Adjustment (CVA). The application of the SME supporting factor reduced RWAs.

The largest effect resulting from the **changeover to IFRSs** relates to the inclusion of deferred tax assets, which are weighted at 250 % until a level of 10 % of Common Equity Tier 1 capital is reached. Other effects relating to the changeover mainly result from higher carrying amounts of significant investments with a 250 % weighting.

▶ An analysis by **type of risk** shows that from year-end 2013 to the end of September 2014, credit risk RWAs increased by 5.8 billion or 5.6 % to €109.4 billion. Market risk RWAs rose by €1.5 billion to €3.6 billion, mainly because of the limitation on offsetting market risk within EU countries under Basel 3. RWAs from operational risk were €12.0 billion, down by €0.8 billion from year-end 2013. The decline resulted mainly from the introduction of a new AMA model (advanced measurement approach) in CEE.

● **Total regulatory capital** was €17.4 billion, up by €1.4 billion on year-end 2013. Within the total amount, **Tier 1 capital** remained almost unchanged, at €13.7 billion. The fact that large deductions were no longer applicable and their inclusion in RWAs offset the more stringent Basel 3 rules in respect of Tier 1 capital. On balance, the changeover to IFRSs reduced consolidated capital resources only slightly, essentially leading to a shift among the various components. **Tier 2 capital** rose by €1.7 billion, reflecting new issues of qualifying Tier 2 capital in the amount of €1.5 billion and the fact that Basel 2.5 deductions were no longer applicable as well as a reduction resulting from maturing issues. Tier 3 capital, which was eligible for inclusion under Basel 2.5, is no longer eligible for inclusion, leading to a reduction of €0.2 billion.

➔ Although RWAs rose, a further increase in total regulatory capital since the end of 2013 resulted in the **total capital ratio improving** from 13.5 % to **13.8 %**. After the changeover to Basel 3 and IFRSs, the Tier 1 capital ratio declined from 11.6 % to 10.9 %, mainly as a result of higher RWAs. As at 30 September 2014 the Common Equity Tier 1 capital ratio reached 10.9 %; this figure is not directly comparable with the Core Tier 1 capital ratio (excluding hybrid capital) under Basel 2.5 as at year-end 2013 because of different calculation methods.

Capital ratios based on all risks

	30 SEPT. 2014 BASEL 3	31 DEC. 2013 BASEL 2.5
Common Equity Tier 1 capital ratio	10.9 %	–
Core Tier 1 capital ratio (excl. hybrid capital)	–	11.3 %
Tier 1 capital ratio	10.9 %	11.6 %
Total capital ratio	13.8 %	13.5 %

Development of business segments

Retail & Corporates

Business segment as a whole (incl. FactorBank) | **of which: Retail** | **of which: Corporates**

(€ million)	1–9 2014	1–9 2013 1)	CHANGE		1–9 2014	1–9 2013 1)	CHANGE		1–9 2014	1–9 2013 1)	CHANGE	
Operating income	1,113	1,102	+11	+1.0%	567	565	+2	+0.4%	539	531	+9	+1.6%
Operating costs	–834	–838	+4	–0.4%	–553	–564	+11	–2.0%	–276	–269	–8	+2.9%
Operating profit	278	264	+15	+5.6%	14	0	+13	n.m.	263	262	+1	+0.3%
Net write-downs of loans	–59	–134	+75	–56.1%	10	–48	+58	n.m.	–68	–85	+17	–19.9%
Net operating profit	220	130	+90	+69.5%	24	–48	+72	n.m.	195	177	+18	+10.1%
Profit before tax	**219**	**138**	**+80**	**+58.1%**	**24**	**–39**	**+63**	**n.m.**	**194**	**177**	**+17**	**+9.8%**
Loans to customers (avg.)	40,082	40,936	–854	–2.1%	13,680	14,128	–448	–3.2%	25,985	26,488	–503	–1.9%
Primary funds (avg.)	40,720	41,686	–966	–2.3%	21,500	22,482	–982	–4.4%	19,189	18,923	+265	+1.4%
Risk-weighted assets (avg.) 2)	17,643	17,678	–36	–0.2%	7,800	7,882	–82	–1.0%	9,507	9,540	–33	–0.3%
Average equity 3)	1,668	1,805	–136	–7.5%	705	840	–135	–16.1%	929	943	–14	–1.5%

1) For segment reporting purposes, the comparative figures for 2013 were recast to reflect the structure and methodology of the 2014 reporting period (see the segment reporting section in the notes to the consolidated financial statements on pages 54 to 55 of this report. / 2) Average risk-weighted assets (all risks) under Basel 3 (2014) and Basel 2.5 (2013), respectively. / 3) Standardised capital; capital allocation to subsidiaries reflects actual IFRS capital. The difference compared with the consolidated IFRS equity of Bank Austria is included in the Corporate Center. / This information applies to all business segment tables.
n.m. = not meaningful

The Retail & Corporates business segment covers two large subdivisions: Retail, which comprises customer segments ranging from mass-market to affluent customers; and Corporates, the subdivision serving the entire range of business customers, SMEs and medium-sized and large companies which do not access capital markets (including Real Estate and Public Sector). Retail & Corporates also includes the specialised FactorBank AG (0.6% of revenues).

● The general environment in Austria was still characterised by weak demand, excess liquidity and interest rates close to zero. Although sentiment started to deteriorate gradually in the summer, the upward trend experienced in the Retail & Corporates business segment in the second quarter continued in the **third quarter of 2014**. As operating income declined only slightly and costs fell more strongly, operating profit was €95 million, matching the Q2 2014 figure and representing the highest level of any quarter in the past two years. On account of improved asset quality, net write-downs of loans and provisions for guarantees and commitments in Q3 2014 were €12 million, up from the particularly low level of the preceding quarter (€5 million) but significantly lower than in the previous year (€45 million for each of the first three quarters of 2013). This was the main reason for the improvement in net operating profit in Q2 and Q3 2014. At €84 million, net operating profit in Q3 2014 was down by 7.1% from the preceding quarter (€90 million) but double the figure for the same period of the previous year (€39 million), which saw a poor performance. Profit before tax for Q3 2014 (€84 million) was lower than in the preceding quarter (€89 million) while exceeding the Q3 2013 level by 70.0%.

● In the **first nine months of 2014**, operating income was stable (up by 1.0% on the previous year), operating costs declined slightly (–0.4%) and net write-downs of loans were down by one-half. On this basis, net operating profit (operating profit less net write-downs of loans) improved strongly, by €90 million to €220 million. **Profit before tax** increased by €80 million (+58.1%) to **€219 million**.

Operating income totalled €1,113 million (+1.0%). Within the total figure, net trading income was lower than the comparative figure due to a one-off effect in the same period of the previous year (gains on the buyback of Wohnbaubank bonds). The "sustainable" income components (net interest + net fees and commissions = €1,061 million) rose by a combined €29 million or 2.8% in the first nine months of 2014. **Net interest** increased by 2.8% to €699 million compared with the first nine months of 2013 although average lending volume was 2.1% lower than in the previous year. A major contribution came from a successful marketing campaign launched to attract longer-term deposits: for fixed deposit periods between 6 and 24 months we offered attractive interest rates, with a view to attracting deposits with longer maturities ahead of new Basel 3 rules including the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR).
Our offer met with a strong response from corporate customers, public sector entities and institutional customers (insurance companies/pension funds) while retail customers showed less interest. Although this development involved shifts from sight deposits to time deposits, net interest improved by €26 million on the liabilities side as interest rates were considerably lower than in the previous year. On the lending side, the volume of overdraft loans and consumer loans, quite generally those with short maturities, declined whereas medium and long-term loans remained stable as demand from corporate customers picked up. Spreads on the assets side narrowed. **Net fees and commissions** grew by €10 million or 2.8% to €361 million. After a long period during which investors were absent from the market, net fees and commissions from asset management products (placement of mutual funds, the bank's own issues and insurance products, and asset management fees and performance fees) increased, by 14.0%. Both subdivisions made contributions to this growth, with retail

Development of business segments (CONTINUED)

banking accounting for a larger proportion. Classic safe-custody business showed a weaker trend (–4.1 %), especially in the Retail subdivision. Net fees and commissions from financial services, a major component in corporate banking business, also rose by 13.8 %, with guarantee business making a strong contribution. Fees for account maintenance and payment transactions (including card business) remained stable, accounting for close to 60 % of total net fees and commissions. Foreign exchange trading, export finance and cash management (–1.1 %) were affected by the sluggish foreign trade.

Despite the reshaping of sales operations (SmartBanking, new branch concept) and IT expenses associated with new product initiatives in corporate banking, **operating costs** in the first nine months declined slightly, by 0.4 % to € 834 million. Without the higher charge for the bank levy (+ 23.3 %), operating costs would have fallen significantly (–1.3 %). The most pronounced decrease compared with the same period of the previous year was seen in payroll costs (–3.2 %), despite salary increases. At the end of September 2014, staff employed in the Retail & Corporates Division numbered 3,838 FTEs, down by 346 or 8.3 % from a year earlier. This reflects the high level of acceptance of our offers of part-time working arrangements as part of the above-mentioned Initiative 2020 and the fact that vacant positions were not filled. Nevertheless, the cost/income ratio is still high, at 71.8 % without the bank levy; in the Corporates subdivision it is unchanged at 46.8 %. In cost-intensive retail banking, the cost/income ratio is beginning to decline (–2.8 percentage points to 95.4 %).

Net write-downs of loans and provisions for guarantees and commitments in the first nine months of 2014 were € 59 million, substantially lower, by € 75 million of 56.1 %, than in the same period of the previous year. The cost of risk in the Retail & Corporates Division (measured against average lending volume) was a mere 20 basis points (first nine months of the previous year: 44 bp; 2013 as a whole: 33 bp). In retail banking, additions to loan loss provisions were low; moreover, large recoveries on loans in respect of which loan loss provisions had previously been made and the results of the quantitative risk model (in the second quarter) made it possible to release provisions, with a positive effect (+ € 10 million) on the income statement. The provisioning charge for corporate customers in the first nine months of 2014 declined by € 17 million (–19.9 %). At 35 basis points, the cost of risk in the Corporates subdivision was very low, as in the previous year (43 bp).

A slightly higher operating profit and lower net write-downs of loans translated into an increase of € 90 million or 69.5 % in **net operating profit** of Retail & Corporates, to a level of € 220 million. The balance of non-operating items in the reporting period was a low – € 1 million, compared with net income of € 9 million in the previous year, which reflected one-off income from an equity investment. **Profit before tax** thus improved by € 80 million or 58.1 % to € 219 million.

Private Banking

(€ million)	1 – 9 2014	1 – 9 2013	CHANGE	
Operating income	122	112	+ 10	+ 9.4 %
Operating costs	– 87	– 82	– 4	+ 5.4 %
Operating profit	35	29	+ 6	+ 20.6 %
Net write-downs of loans	0	– 1	+ 1	n.m.
Net operating profit	36	29	+ 7	+ 23.7 %
Profit before tax	**36**	**28**	**+ 8**	**+ 29.4 %**
Total financial assets (avg.)	20,323	18,883	+ 1,439	+ 7.6 %
Primary funds (avg.)	8,454	7,808	+ 646	+ 8.3 %
Loans to customers (avg.)	631	613	+ 18	+ 2.9 %
Risk-weighted assets (avg.)	614	682	– 67	– 9.8 %
Average equity	168	157	+ 11	+ 6.8 %

n.m. = not meaningful

The Private Banking business segment, with the two well-known brands Bank Austria Private Banking and Schoellerbank, is the undisputed market leader in Austria's Private Banking market. With a presence in 24 locations throughout Austria, the Private Banking Division's 540 employees (FTEs, end of September 2014) serve about 36,000 high net worth individuals and some 1,200 of the 3,000 Austrian private foundations. With an ROE before tax of 28.3 %, the Private Banking Division made a positive contribution to overall results and as a successful premium bank of Bank Austria it is a strong brand in the top market segment.

● The Private Banking business segment delivered an outstanding performance in the third quarter of 2014: assets under management rose by 5.5 % from the end of June to the end of September 2014, and by 11.3 % year-on-year. Profit before tax improved by 12.0 % to € 13 million (+ 56.8 % year-on-year). The strategy of focusing on asset management activities, which has high value creation potential, and on a service approach which concentrates on providing holistic but flexible customer services and a wide range of products, has been very successful – all the more so in an environment of interest rates close to zero and investment conditions which are perceived as being generally unfavourable.

● **Total financial assets** were **€ 21.4 billion** at the end of September 2014, with Schoellerbank accounting for almost one-half (€ 10.1 billion) of this amount. The increase of € 2.2 billion or 11.3 % compared with September 2013 came from asset management activities and direct deposits, while safe-custody business stagnated in line with the long-term trend. Assets under management rose to one-third (33 %) of total financial assets under the Private Banking Division's strategic core objective of expanding its leading market position in asset management. The year-on-year 13.6 % increase to € 7.0 billion is attributable to the good performance and net inflows of funds. The third quarter

Development of business segments (CONTINUED)

of 2014 saw positive net inflows in each of the three months, although the stock market cycle had already reached an advanced stage and the uncertainty prompted by the geopolitical trouble spots was very pronounced in the third quarter of 2014. Direct deposits, which are more volatile quarter-on-quarter, rose at a disproportionately strong rate in the third quarter of 2014 after recording a similar momentum in the first quarter of 2014. At €8.4 billion at the end of September 2014, direct deposits were 16.5% up on the previous year. Time deposits with long maturities and competitive terms (Basel 3 products) met with a strong response also from Private Banking customers, partly at the expense of sight deposits.

● **Operating income** rose by 9.4% to €122 million in the first nine moths of 2014, in parallel with volume expansion. The increase came mainly from net interest due to the strong growth in deposits at lower market rates. Given the nature of private banking business, net fees and commissions were again the largest income component (60%) and remained at the high level of the previous year. In line with the Division's business strategy, fees and commissions from asset management increased by 5.7%; this compared with a slight year-on-year decline in other areas (mutual funds, insurance products and safe-custody business). **Operating costs** in the reporting period were 5.4% higher than in the same period of the previous year, largely due to growth of non-staff expenses (+11.4%) which include the higher bank levy.

➔ After deduction of costs (and after the release of a small loan loss provision), **net operating profit came to €36 million. Profit before tax** rose by **29.4%** year-on-year and also totalled €36 million. Capital allocated to this business segment is typically low. On account of Private Banking's good profitability, ROE before tax was a disproportionately high 28.3% (January to September 2013: 23.4%).

Corporate & Investment Banking (CIB)

(€ million)	1–9 2014	1–9 2013	CHANGE	
Operating income	356	384	–28	–7.2%
Operating costs	–182	–168	–14	+8.1%
Operating profit	175	216	–41	–19.1%
Net write-downs of loans	8	–38	+46	–119.7%
Net operating profit	182	178	+4	+2.5%
Profit before tax	**185**	**182**	**+3**	**+1.5%**
Loans to customers (avg.)	13,039	13,718	–679	–4.9%
Primary funds (avg.)	8,728	8,486	+242	+2.9%
Risk-weighted assets (avg.)	8,363	9,255	–892	–9.6%
Average equity	842	925	–82	–8.9%

Corporate & Investment Banking (CIB) focuses on serving multinational companies and large international customers, providing them with capital market services and/or investment banking solutions tailored to their specific needs. CIB also serves banks, asset managers, institutional customers, insurance companies and selected real estate customers and funds. Within the international network of UniCredit's CIB Division, and based on the financial market expertise of a major international market player, CIB also performs important functions as a product provider for other Divisions.

In the summer months, the economic environment started to deteriorate, in parallel with the escalation of the Ukraine/Russia conflict and accompanied by sanctions and countermeasures. Together with the economic slowdown in Europe and the emerging markets these developments affected foreign trade and impacted the CIB Division's business with major international customers. Although companies still enjoy ample liquidity and terms and conditions for financing are extremely favourable, companies have again postponed planned investment projects, new issues and capital measures. From the banks' perspective, the environment was additionally characterised by a continued decline in interest rates and a flattening yield curve.

● After a good start to the year, operating income of the CIB business segment in the **third quarter of 2014** was weaker, as in the preceding quarter, but matched the Q3 2013 figure. Operating costs in the third quarter were down from the two preceding quarters; net write-downs of loans remained very low (cost of risk in Q3: 24bp). Profit before tax was €46 million, only slightly lower than for the third quarter of the previous year (–2.2%).

Development of business segments (CONTINUED)

● In the **first nine months of 2014, operating income** was €356 million, down by €28 million or 7.2% from the same period of the previous year. The decline was mainly due to **net interest**, which fell by €14 million or 5.6% to €245 million. This item also reflects net interest from Bank Austria's treasury trading operations, which declined by €18 million as the market situation was completely different to that in 2013 and transformation income was lower than in the first nine months of the previous year. Net interest from commercial banking activities was slightly higher than in the previous year (€144 million, +1.2%). On the lending side, volume declined as demand remained weak; moreover, spreads narrowed, also because financings bearing higher interest rates matured and on account of pressure on margins. On the liabilities side, the promotion of Basel-3 products through the campaign mentioned before led to a strong increase in time deposits also in CIB; while this came partly at the expense of sight deposits, it also increased the total volume of deposits by 6.8%. As spreads hardly changed, net interest generated on the liabilities side rose by a similar percentage. **Net fees and commissions** (€73 million) were down by 7.2% from the same period of the previous year, reflecting restraint in securities business on the part of customers (mainly in trading and in safe-custody business) and lower guarantee commissions. Foreign-trade-related services were also affected by the current lull in the market. **Net trading, hedging and fair value income** was €38 million, more or less matching the previous year's figure of €39 million.

Operating costs were €182 million, up by 8.1% on the previous year. Within the total figure, payroll costs were almost unchanged at €59 million. The number of employees at the end of September 2014 was 563 full-time equivalents (FTEs), equalling the number a year earlier. Average staff reflected in operating costs were down by 13 FTEs. Other administrative expenses increased at a higher rate (+12.9%) because they include the significantly larger portion of the (higher) bank levy attributable to CIB, which accounts for 19% of CIB's other administrative expenses and 13% of total operating costs. Another factor is higher IT costs associated with the development of new products and analysis tools for customer advisory services. Most recently, the cost/income ratio was 44.3%. In the first nine months of 2014, CIB recorded a net release of loan loss provisions, leading to income of €8 million in this context (compared with a provisioning charge of €38 million in the previous year): in the second quarter of 2014, the provision for a large exposure was released (after a legal dispute which had been pending for many years). Even without this one-off income, the cost of risk was lower than in the previous year (previous year's figure: 37bp). Net operating profit thus improved by 2.5% to €182 million. With a **profit before tax** of **€185 million** (+1.5% compared with the previous year) the CIB Division accounted for 42% of profit before tax generated by Austrian customer business. ROE before tax rose to 29.3% (previous year: 26.3%).

Central Eastern Europe (CEE)

(€ million)	1–9 2014	1–9 2013	CHANGE		CONST[1]
Operating income	2,949	3,253	–304	–9.3%	*–3.6%*
Operating costs	–1,190	–1,240	+50	–4.0%	*+0.4%*
Operating profit	1,758	2,012	–254	–12.6%	*–6.1%*
Net write-downs of loans	–450	–605	+155	–25.6%	*–22.6%*
Net operating profit	1,308	1,407	–99	–7.0%	*+0.8%*
Profit before tax	**1,195**	**1,346**	**–152**	**–11.3%**	***–3.4%***
Loans to customers (avg.)	56,261	57,245	–985	–1.7%	*+3.4%*
Primary funds (avg.)	48,550	46,528	+2,021	+4.3%	*+9.7%*
Risk-weighted assets (avg.)[2]	83,431	86,732	–3,301	–3.8%	…
Average equity	13,783	14,410	–627	–4.3%	…

1) CONST = rates of change at constant exchange rates. / 2) Risk-weighted assets include Turkey on the basis of proportionate consolidation.

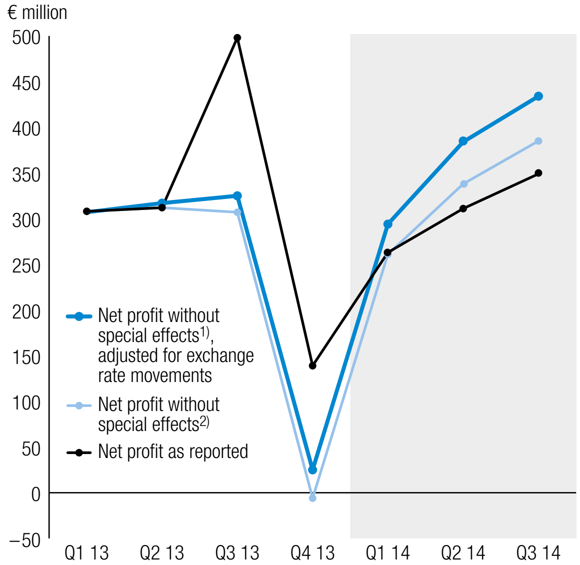
Bank Austria with its CEE business segment is UniCredit's sub-holding company for operations in Central and Eastern Europe, managing the leading banking network in CEE in 13 countries. The consolidated banks in CEE (end of September 2014, including Ukraine) have 29,322 employees (FTEs), who work in 1,441 branches; added to this are 18,489 employees (FTEs at 100%) and 1,017 branches in our Turkish joint venture. Following changes in accounting rules (IFRS 11), the investment in the Turkish joint venture has been accounted for using the equity method instead of proportionate consolidation since the beginning of 2014. In the first nine months of 2014, the CEE business segment accounted for 73.1% of profit before tax generated by Bank Austria's customer business (Bank Austria without the Corporate Center).

● **Business developments in the first nine months of 2014:** Although the economy in Western Europe was gradually losing momentum and geopolitical tensions increased, our banking subsidiaries in CEE continued to make progress in the second and third quarters, after a weaker start to the year. As explained in the introductory section on the banking environment, external stimulus to economic activity weakened while domestic demand recovered. In an environment of declining inflation rates, in some countries to a level close to or below zero, the banking sector saw a significant decline in market interest rates. As in Western Europe, credit demand in CEE slowed markedly, whereas deposits rose strongly and local funding continued to gain in importance. Market penetration with banking products advanced, both with regard to investment products and in services for and trading activities with large companies. On this basis the Central European countries achieved the strongest improvement (+46.7% over previous year, adjusted for exchange rate movements) in operating performance. The Western Balkan countries are still focusing on structural changes as part of their convergence process. Nevertheless, our local banks were able to take advantage of their strong market position and excellent reputation as international banks. Net operating profit in SEE

Development of business segments (CONTINUED)

(including Romania and Bulgaria) grew at double-digit rates (+29%). In **Turkey**, the weak performance in the first quarter of 2014, when an economic adjustment process became inevitable in view of currency depreciation in the wake of international capital movements, was subsequently offset. Although the restrictive economic policy, which was further tightened in summer 2014, had a direct impact on the banking sector (interest rate policy, increase in minimum reserve requirements, measures to dampen the credit card boom and overdraft loans), credit growth recently started to recover, though at reduced margins, and transaction volume in fee-based business also increased. The contribution from the bank in Turkey, which is accounted for using the equity method, rose from €50 million in the first quarter to €86 million in the second quarter and €93 million in the third quarter of 2014. Without the Sigorta effect (gains on the sale of Turkish insurance operations in the third quarter of 2013) already mentioned in this report, and adjusted for exchange rate movements, profit performance exceeded the previous year's level (+2.2%). Our **Russian** banking subsidiary performed well. An economy already weakened in cyclical and structural terms was further impacted by uncertainty and the consequences of the Crimea crisis, the subsequently escalating Ukraine conflict and sanctions, and ultimately a fall in oil prices and renewed rouble depreciation. Nevertheless, our bank was able to offset the strong decline experienced mainly in net trading income in the first quarter. Credit expansion started to accelerate (+14.1% from June to September/+27.7% in

CEE: quarterly trends in profits



1) Gains on the sale of insurance operations ("Sigorta effect") in Q3 2013; Russia: one-off income from the sale of MICEX shares and bonds in Q4 2013; Q2, Q3 2014: provisions for foreign currency loans in Hungary; Ukraine: current profit or loss in 2014 included in the item "Total profit or loss after tax from discontinued operations"
2) Not adjusted: large net additions to loan loss provisions in Q4 2013

September 2014 compared with the previous year, in local currency). Net operating profit increased in the third quarter of 2014, exceeding the figure for the same period of the previous year by 16.0% (adjusted for exchange rate movements). In euro terms, net operating profit rose by 5.1%.

Net operating profit of the CEE Division was up 21.5% to €533 million (adjusted for exchange rate movements: +20.1%) from the second to the third quarter of 2014. In a year-on-year comparison, operating performance declined by 11.7% and 7.3%, respectively, which is explained by the contribution from the joint venture in Turkey which is accounted for using the equity method. Without Turkey, operating performance improved by €130 million (+42.1%; at constant exchange rates: +48.0%). The improvement is largely attributable to operating profit, which – without the contribution from Turkey using the equity method – in the third quarter of 2014 was €75 million up on the figure a year earlier. The improvement is also a result of the significant decline in net write-downs of loans and provisions for guarantees and commitments in each of the first three quarters compared with the relevant periods of the previous year; in the third quarter of 2014 these were one-quarter (–€55 million) below the figure of the previous year. Within the balance of **non-operating items**, an important special effect reduces the excellent net operating profit: the provision for the refund of bid/ask spreads, confirmed by a supreme court decision, and of unilateral interest rate adjustments relating to foreign-currency loans, amounted to €31 million in the second quarter and €76 million in the third quarter. Ukrsotsbank, Ukraine, which is held for sale and is therefore classified as a discontinued operation, impacted the net profit of Bank Austria's CEE Division with –€59 million. The **net profit** (attributable to the owners of the parent company) generated by the CEE business segment in the first nine months of 2014 rose from €263 million (Q1) to €311 million (Q2) and €349 million in the third quarter (compared with €498 million on an unadjusted basis in Q3 2013). Adjusted for special factors – Sigorta, Hungarian foreign-currency loans and Ukraine – and at constant exchange rates, net profit in the third quarter of 2014 rose by **more than one-third** (+38.8%) compared with the previous year.

● **Operating income** achieved by the CEE Division in the **first nine months of 2014** was €2,949 million, two-thirds of the figure generated by Bank Austria as a whole. The decline of €304 million is almost equal to the €305 million decrease in net profit at our bank in Turkey whose contribution is accounted for using the equity method in line with IFRS11 and is included in operating income on this basis although it also includes non-operating components such as the Sigorta effect mentioned above. Without the contribution from Turkey accounted for using the equity method, operating income remained at the level of the previous year (+0.0%/adjusted for exchange rate movements: +5.6%). Within the overall figure, **net interest** (€1,846 million) was up 1.9% year-on-year and

Development of business segments (CONTINUED)

adjusted for exchange rate effects it rose by 8.2%. This is satisfactory, given the mixed environment. The net interest achieved by our Russian banking subsidiary rose by 5.5% to €534 million (adjusted for exchange rate effects: +21.5%), a particularly impressive performance in light of the difficult market conditions. In September 2014, lending volume was up by 27.7% in Russian rouble terms and deposits by 36.6% on the previous year. Our local banks in the Central European countries, where net interest rose by 3.7% and 9.5%, respectively, saw an increase in the volume of loans and deposits, and the interest margin improved as reference rates declined. In the country group of South-East Europe net interest grew by 2.7% (adjusted for exchange rate movements: +3.5%), a lower rate reflecting the weak trend in Romania. Growth was driven by Bulgaria (+8.3%), where our banking subsidiary offered stability during the local banking crisis. The concentration of commercial banking business in the Baltic countries to focus on leasing activities and the reduction of the cross-regional portfolio in the Profit Center Vienna significantly curbed volume and net interest in the CEE Division.

CEE: results for the first nine months of 2014

€ million	1–9 2014	1–9 2013	CHANGE		*CONST*
Net interest	1,846	1,812	+34	+1.9%	*+8.2%*
Dividend income and other income from equity investments	233	546	–313	–57.3%	*–49.5%*
… Turkey at equity	*229*	*534*	*–305*	*–57.2%*	*–49.2%*
Net fees and commissions	573	532	+41	+7.7%	*+13.1%*
Net trading, hedging and fair value income	**242**	**303**	**–61**	**–20.1%**	***–17.7%***
Operating income	2,949	3,253	–304	–9.3%	*–3.6%*
Operating costs	–1,190	–1,240	+50	–4.0%	*+0.4%*
Net write-downs of loans and provisions for guarantees and commitments	–450	–605	+155	–25.6%	*–22.6%*
Net operating profit	**1,308**	**1,407**	**–99**	**–7.1%**	***+0.8%***
… without Sigorta effect	*1,308*	*1,216*	*+92*	*+7.5%*	*+17.3%*
Non-operating items 1)	–113	–61	–52	+86.4%	*+96.4%*
Profit before tax	**1,195**	**1,346**	**–152**	**–11.3%**	***–3.4%***
Non-operating items 2)	–272	–230	–42	+18.2%	*+34.6%*
Net profit 3)	**923**	**1,117**	**–193**	**–17.3%**	***–11.1%***
… without special factors 4)	*1,091*	*926*	*+165*	*+17.8%*	*+17.2%*
Loans to customers 5)	57,737	58,127	–390	–0.7%	*+4.8%*
Primary funds 5) 6)	50,070	46,020	+4,050	+8.8%	*+15.5%*

CONST = adjusted for exchange rate movements/at constant exchange rates. / 1) Provisions for risks and charges, integration/restructuring costs and net income from investments. / 2) Income tax, total profit or loss after tax from discontinued operations, non-controlling interests, Purchase Price Allocation effect, goodwill impairment charge. / 3) Net profit attributable to the owners of the parent company. / 4) 2013: gains on the sale of Turkish insurance operations (Sigorta effect, €191 million); 2014: provision in respect of Hungarian foreign currency loans (–€107 million); results from Ukraine/discontinued operation (–€59 million). / 5) End-of-period figures. / 6) Deposits from customers and debt securities in issue.

Net fees and commissions generated in CEE rose more strongly across all regions, by 7.7% to €573 million; adjusted for exchange rate movements growth reached 13.1%. The strongest growth was achieved by our banks in the Central European countries (+9.6%; in local currency +15.4%), especially in Hungary (+19.9%/adjusted for exchange rate movements: +24.7%) and in the Czech Republic (+2.6%/+10.2%). Net fees and commissions also rose significantly in Russia (+8.7%/+25.2%) and in SEE (+4.0%/+4.7%). The first nine months generally saw growth in securities investments (AUM/AUC), in account and payment services, and in card business.

Net trading, hedging and fair value income in the first nine months of 2014 was positive in all countries. The total figure declined by €61 million to €242 million compared with the same period of the previous year, due to developments in Russia: under normal conditions, in 2013, our Russian banking subsidiary generated net trading income of between €30 million and €40 million per quarter; in the first quarter of 2014 the figure was slightly negative and in the third quarter close to zero. The total amount for the first nine months of 2014 was €20 million, down by €77 million from the same period of the previous year. Not surprisingly, the trend reflects the critical periods characterised by strong currency depreciation, high volatility and interest rate increases. A strong trading performance was seen in Hungary (+€57 million); customer business showed good results and the decline in interest rates enabled the local bank to realise gains on the bond portfolio. In Romania, net trading income was €61 million, matching the previous year's level.

Operating costs in the CEE business segment were down by 4.0%; without the effect of currency depreciation, costs rose by a marginal 0.4%. At current exchange rates, payroll costs declined by 3.6% despite continued expansion in the strategic countries which are the focus of attention; even when adjusted for exchange rate movements, payroll costs remained under control (+1.2%). Operating costs in the first nine months of 2014 (i.e. without the Turkish operations, which are accounted for using the equity method, and without Ukraine) included an average 24,267 FTEs in CEE, a reduction of 248 FTEs (–1.0%) compared with the first nine months of 2013. Staffing levels increased mostly in Russia (+60 FTEs) and Romania (+132 FTEs); in Romania the increase was due to the acquisition of the retail portfolio of the Royal Bank of Scotland. FTE numbers were down in Hungary as a result of the streamlining of the branch network (–99 FTEs) and in Croatia (–75 FTEs); in the Baltic countries FTEs declined following the discontinuation of universal banking business (–83 FTEs). In the new banking subsidiary in the Czech Republic, created through the merger of Czech and Slovak units in 2013, staffing levels declined by an average 149 FTEs on a comparable basis. In view of wage rises and increases in FTEs, costs in Russia rose at a

Development of business segments (CONTINUED)

disproportionately strong rate (in euro terms: –6.4 %/at constant exchange rates: +7.8 %), while the bank in the Czech Republic reduced operating costs in euro terms (–11.6 %) and in local currency (–5.0 %) although the bank levy in Slovakia continued to be payable following the merger of the two banks.

In the CEE Division, **net write-downs of loans and provisions for guarantees and commitments** in the first nine months of 2014 were €450 million, down by one-quarter (–€155 million/–25.6 %) from the same period of 2013 (€605 million). The cost of risk in CEE fell to 107 bp, about one-half of the figures for 2009 and 2010, which were between 200 bp and 300 bp. The reduction of cross-regional financing booked at the Vienna-based CEE headquarters (Profit Center Vienna) reduced the provisioning charge in the CEE Division by €98 million. Net write-downs of loans and provisions for guarantees and commitments at the banking subsidiaries also declined, by €57 million (–11.5 %/adjusted for exchange rate movements: –7.9 %) to €437 million. The cost of risk (net write-downs of loans p.a./average lending volume) improved in all CEE countries. Exceptions are Hungary and Slovenia, and Russia in local currency. The provisioning charge in Croatia was €69 million, lower than in the same period of the previous year (€92 million) after the previous year's increase in loan loss provisions. Romania also recorded a lower provisioning charge (€90 million after €108 million), but the cost of risk, at 286 bp, was still the highest of all countries covered by the CEE Division. In the Czech Republic (including Slovakia) the cost of risk again fell to the lowest level in CEE (63 bp after 74 bp), due to strong growth in lending volume, a development which also reflects the favourable situation in the business cycle. Net write-downs of loans rose in Hungary

CEE: net operating profit (operating profit less net write-downs of loans)

€ million	1–9 2014	1–9 2013	CHANGE		*CONST*
Czech Republic [1]	177	151	+16	+10.9%	*+18.3%*
Hungary	119	62	+57	+92.3%	*+99.4%*
Slovenia	1	–2	+3	n.m.	*n.m.*
Bulgaria	127	104	+23	+22.2%	*+22.2%*
Romania	41	30	+11	+38.1%	*+39.3%*
Croatia	147	125	+22	+17.7%	*+18.7%*
Bosnia and Herzegovina	35	33	+2	+5.8%	*+5.8%*
Serbia	38	34	+4	+10.9%	*+14.4%*
Russia	392	423	–31	–7.2%	*+6.8%*
Other incl. PCV [2]	4	–90	+94	n.m.	*n.m.*
CEE without Turkey	**1,079**	**873**	**+206**	**+23,6%**	***+32.0%***
Contribution from Turkey [3]	229	534	–305	–57.2%	*–49.2%*
CEE total	**1,308**	**1,407**	**–99**	**–7.1%**	***+0.8%***
… without Sigorta effect	*1,308*	*1,216*	*+92*	*+7.5%*	*+17.3%*

1) Including Slovakia. / 2) Baltic countries and Vienna-based CEE headquarters (Profit Center Vienna). / 3) Turkish joint venture accounted for using the equity method instead of proportionate consolidation in accordance with IFRS 11; also reflects non-operating items.
n.m. = not meaningful

(€40 million after €37 million) and slightly also in Slovenia; the cost of risk in these two countries is an above-average 173 bp and 201 bp, respectively. Adjusted for exchange rate movements, the provisioning charge in Russia rose by 13.5 %, reflecting business expansion. This increase had no impact on performance in euro as the Russian rouble depreciated by the same amount. The cost of risk, at 66 bp, was far below the CEE average.

Net operating profit generated by the CEE business segment was only slightly higher, by 0.8 % at constant exchange rates, than in the previous year. This is due to the contribution from Turkey, which is accounted for using the equity method, includes non-operating components and declined on account of economic-policy adjustment measures. The other CEE units generated a net operating profit which, adjusted for exchange rate movements, was up by a combined 32.0 % on the same period of the previous year.

The contribution from **Turkey**, accounted for using the equity method and corresponding to the pro-rata share of profits of our joint venture with the Koç Group, for the first nine months of 2014 was €229 million, down by about one-half. Adjusted for the gains on the sale of Sigorta in the previous year, the contribution from Turkey declined strongly, by 33.3 %; adjusted for exchange rate movements it was down by 19.8 %. This development is to be seen in the longer-term context of the adjustment of the Turkish economy's growth model: the boom in past years was driven by growth of consumption, which in turn was supported by excessive lending. The result was a huge current account deficit, which could not be financed on a sustainable basis through (volatile) capital inflows. As a consequence, the Turkish currency depreciated towards the end of 2013 and in the first quarter of 2014. The government subsequently pursued a restrictive economic policy, including increases in interest rates and in minimum reserve requirements, a policy which was further tightened in subsequent months through additional measures to contain the credit card boom and overdraft loans, directly impacting banks. In the meantime, loan growth and the inflation rate rose again. In this environment the Turkish bank in which we hold an equity interest continued to achieve strong growth of about 23 % (in local currency) in lending volume and deposits compared with the previous year. But net interest rose by only 4.9 % as margins narrowed. Net fees and commissions increased by 5.5 %, an unusually low rate explained by the curb on credit card business. Net trading income was down by about one-half from the same period of the previous year, partly because the comparative figure for the first nine months of 2013 reflected substantial sales of bonds. The cost of risk improved to 97 bp. The expansion programme continued as planned, and costs therefore rose more strongly, by 12.7 %, also due to index-linked salary increases in local currency. Quite generally, Turkey is still a classic growth market and can cope well with a period of consolidation.

Development of business segments (CONTINUED)

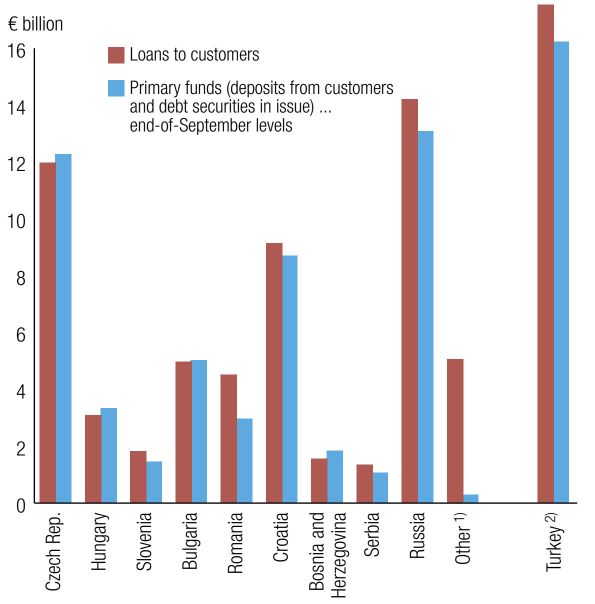
The **non-operating items** between net operating profit and profit before tax were a net expense of €113 million after a net expense of €61 million in the previous year, mainly because provisions for risks and charges (€109 million after €5 million) included provisions of €107 million for refunds of bid/ask spreads and unilateral interest rate adjustments in Hungary which were applied to foreign currency loans in the past.

➔ The CEE business segment's **profit before tax** for the first nine months of 2014 was **€1,195 million**.

Among the other non-operating items to be taken into account in calculating net profit, the item "Total profit or loss after tax from discontinued operations" includes the current results of –€81 million in **Ukraine**, reflecting average UAH depreciation of 29.6% against the euro. Of this total amount, €22 million was attributable to non-controlling interests. This means that on balance, the impact on Bank Austria was –€59 million. The current situation in the country has a strong impact on commercial activity. Ukrsotsbank has closed its operations in Crimea. In the regions of Donetsk and Luhansk, 9 branches have been closed permanently and 30 branches have been closed at least temporarily. A strong focus on deposit retention and restrictive lending practice helped to keep the bank's liquidity position stable (for more details see the risk report on page 62.) Net interest was significantly lower than in the previous year, reflecting a workout of non-performing loans and higher funding costs. Net fees and commissions reflect a decline in account and payment transactions due to the crisis. Costs in local currency were slightly down, one of the reasons being the reduction of staffing levels, by 1,450 FTEs or 22.4%, to 5,015 FTEs as at the end of September 2014 compared with the previous year. As was to be expected, net write-downs of loans were significantly higher than operating profit – not least on account of accelerated portfolio adjustments –, leading to the above-mentioned loss.

➔ **Net profit** (attributable to the owners of the parent company) for the first nine months of 2014 was **€923 million**, down by 17.3% from the previous year's €1,117 million. After deduction of the Sigorta effect in the previous year and of the provisions in respect of foreign currency loans in Hungary, and without the loss for the first nine months resulting from the Ukrainian banking subsidiary classified as held for sale, net profit rose by 17.8%; adjusted for exchange rate movements, net profit on this basis was up by 29.2%. **Return on equity** before tax in the CEE Division was 11.6% after 12.5% (on an unadjusted basis).

Loans and deposits in CEE



1) Baltic countries and cross-regional financing at the Vienna-based CEE headquarters. /
2) For information purposes; pro-rata share of Bank Austria, not included in the overall total.

Development of business segments (CONTINUED)

Income statement of the banks in CEE[1]

(€ million)

	CEE BUSINESS SEGMENT		CZECH REPUBLIC, SLOVAKIA		HUNGARY	
	1–9 2014	1–9 2013	1–9 2014	1–9 2013	1–9 2014	1–9 2013
Net interest	1,846	1,812	264	257	158	148
Dividends and income from equity investments	233	546	1	2	0	0
Net fee and commission income	573	532	96	94	88	74
Net trading income	242	303	39	66	57	27
Net other operating income/expenses	54	59	7	4	2	3
Operating income	**2,949**	**3,253**	**407**	**423**	**306**	**252**
Operating costs	**–1,190**	**–1,240**	**–184**	**–208**	**–147**	**–153**
Operating profit	**1,758**	**2,012**	**224**	**215**	**159**	**99**
Net write-downs of loans	–450	–605	–56	–64	–40	–37
Net operating profit	**1,308**	**1,407**	**168**	**151**	**119**	**62**
Provisions for risks and charges	–109	–5	–3	1	–108	–1
Integration/restructuring costs	–8	–20	–2	–9	–5	–5
Net income from investments	4	–35	–3	–1	6	–2
Profit before tax	**1,195**	**1,346**	**159**	**141**	**12**	**53**
Net profit[2]	**923**	**1,117**	**129**	**111**	**11**	**42**
Customer loans (end of period)	57,737	58,127	11,975	11,835	3,089	3,204
Primary funds (end of period)	50,070	46,020	12,275	12,121	3,344	3,322
Exchange rate (period average)			27.504	25.752	308.77	296.69
Appreciation/depreciation against the euro	–5.9%[3]		–6.4%		–3.9%	

(€ million)

	SLOVENIA		BULGARIA		ROMANIA	
	1–9 2014	1–9 2013	1–9 2014	1–9 2013	1–9 2014	1–9 2013
Net interest	36	37	201	185	146	146
Dividends and income from equity investments	0	0	1	1	0	0
Net fee and commission income	20	19	74	69	50	52
Net trading income	3	1	25	16	61	64
Net other operating income/expenses	0	–1	1	6	–2	–1
Operating income	**60**	**57**	**300**	**277**	**255**	**261**
Operating costs	**–31**	**–31**	**–108**	**–105**	**–125**	**–123**
Operating profit	**29**	**26**	**192**	**172**	**131**	**138**
Net write-downs of loans	–28	–28	–65	–68	–90	–108
Net operating profit	**1**	**–2**	**127**	**104**	**41**	**30**
Provisions for risks and charges	0	0	1	–4	0	0
Integration/restructuring costs	0	0	0	0	0	0
Net income from investments	0	–8	0	1	0	0
Profit before tax	**1**	**–10**	**128**	**101**	**42**	**29**
Net profit	**1**	**–8**	**115**	**89**	**18**	**24**
Customer loans (end of period)	1,827	2,042	4,984	4,796	4,521	4,456
Primary funds (end of period)	1,467	1,375	5,024	4,294	2,967	3,054
Exchange rate (period average)	1.0000	1.0000	1.9558	1.9558	4.4471	4.4084
Appreciation/depreciation against the euro	0.0%		0.0%		–0.9%	

1) The CEE business segment for segment reporting purposes comprises the total figures for the CEE banks shown in this table and the Vienna-based CEE headquarters. / 2) Attributable to the owners of the parent company. / 3) Depreciation against the euro, at the level of operating income.

Development of business segments (CONTINUED)

(€ million)

	RUSSIA		BALTICS		TURKEY AT EQUITY [4]		FOR INFORMATION: TURKEY PRO QUOTA [4]	
	1–9 2014	1–9 2013	1–9 2014	1–9 2013	1–9 2014	1–9 2013	1–9 2014	1–9 2013
Net interest	534	506	11	15			514	581
Dividends and income from equity investments	0	4	0	0	229	534	4	3
Net fee and commission income	103	95	1	2			215	243
Net trading income	20	97	0	1			43	98
Net other operating income/expenses	5	6	1	–1			3	21
Operating income	**663**	**708**	**12**	**17**	**229**	**534**	**779**	**946**
Operating costs	**–207**	**–221**	**–4**	**–10**			**–371**	**–390**
Operating profit	**456**	**487**	**8**	**6**	**229**	**534**	**408**	**556**
Net write-downs of loans	–63	–64	–1	–4			–114	–119
Net operating profit	**392**	**423**	**6**	**3**	**229**	**534**	**295**	**437**
Provisions for risks and charges	0	0	0	0			–9	–28
Integration/restructuring costs	0	0	–1	–5			0	0
Net income from investments	1	3	0	0			4	221
Profit before tax	**394**	**426**	**5**	**–3**	**229**	**534**	**289**	**629**
Net profit	**314**	**335**	**5**	**–3**	**229**	**534**	**229**	**534**
Customer loans (end of period)	14,215	12,645	383	529			17,532	14,781
Primary funds (end of period)	13,076	10,795	0	5			16,220	13,786
Exchange rate (period average)	48.0152	41.6819	0.7015 [5]	0.7010	2.9331	2.4598	2.9331	2.4598
Appreciation/depreciation against the euro	–13.2%		–0.1%		–16.1%		–16.1%	

(€ million)

	CROATIA		BOSNIA		SERBIA	
	1–9 2014	1–9 2013	1–9 2014	1–9 2013	1–9 2014	1–9 2013
Net interest	246	241	69	71	65	66
Dividends and income from equity investments	5	5	0	0	0	0
Net fee and commission income	94	90	26	25	14	12
Net trading income	17	27	4	4	7	7
Net other operating income/expenses	39	43	0	–1	0	0
Operating income	**402**	**406**	**99**	**99**	**87**	**85**
Operating costs	**–185**	**–188**	**–54**	**–56**	**–34**	**–31**
Operating profit	**216**	**217**	**45**	**43**	**53**	**54**
Net write-downs of loans	–69	–92	–10	–10	–15	–20
Net operating profit	**147**	**125**	**35**	**33**	**38**	**34**
Provisions for risks and charges	1	0	0	0	0	0
Integration/restructuring costs	0	0	0	0	0	0
Net income from investments	0	1	0	0	0	0
Profit before tax	**148**	**126**	**35**	**33**	**38**	**34**
Net profit	**102**	**88**	**25**	**24**	**33**	**29**
Customer loans (end of period)	9,136	9,564	1,562	1,471	1,358	1,255
Primary funds (end of period)	8,704	8,469	1,850	1,613	1,064	948
Exchange rate (period average)	7.6242	7.5617	1.9558	1.9558	116.21	112.69
Appreciation/depreciation against the euro	–0.8%		0.0%		–3.0%	

4) Turkey presented at equity in accordance with IFRS 11; additionally, pro-quota data for information purposes. / 5) Latvian lat (LVL).

Outlook

Moderate upward trend, now at a lower level

● Soft and hard economic indicators in the summer months dashed hopes, based on underlying data, for accelerated growth in the second half of 2014. And the fact that the decline in output, incoming orders and survey results originated in Germany was an unusual feature influencing **expectations** of companies and consumers in Europe. Our economists believe that the dip in summer 2014 was caused by shutdowns for holidays in the car industry and by significant calendar effects including bridging days. These factors had repercussions in the European network of manufacturing plants along the cross-regional value creation chain, of course also in CEE. This demonstrated the fragility of the moderate growth process. The next round of leading indicators will show whether, and to what extent, estimates for 2014 and forecasts for 2015 will have to be lowered.

Overall, however, the **general environment** for stronger growth has further improved: the fiscal burdens in the past few years will no longer apply. From 2011 to 2014, the structural primary deficit in the euro area improved by 3.3 percentage points of GDP; the next two years will only see an improvement of 0.2 percentage points. The upswing in the US is thought to be well supported, at a growth level of 2¾% to 3% p.a. The same applies to the UK economy. Factors providing an additional stimulus are lower oil prices, due to an expansion of supply, and depreciation of the euro, by 4.7% on a trade-weighted basis in the period from May. Finally, it is expected that economic policy will also give impetus to economic growth: fiscal stimuli including infrastructure measures and investment promotion programmes (EIB, EBRD) are to be coordinated and implemented in Europe. Now that the asset quality review and the stress test have been completed, significantly stronger use will probably be made of the next opportunity to use the long-term tender (TLTRO), which is subject to specific conditions. The ECB has prepared and discussed further instruments – purchases of covered bonds and asset-backed securities, maybe even intervention in corporate bonds – to raise its expansionary measures to the level seen at the beginning of 2012. At the same time the ECB regularly warns that monetary-policy stimuli cannot replace structural reforms.

➔ We maintain our **forecasts** of +0.8% for real GDP in the euro area in 2014 and +1.2% in 2015. Under the basic scenario the indications are that lending, sales and financial transactions in Europe will revive in the next few quarters. **Euro interest rates** in the money market continue to be close to zero, and we expect that short-term capital market interest rates will also rise only slightly, to 0.30%, by the end of 2015. The 10-year euro benchmark yield will increase steadily to 2.00%, with the yield curve steepening somewhat. This expectation is supported by our US interest rate scenario, which includes a steady increase to 2.00% and 3.70% for 2-year and 10-year maturities, respectively, by the end of 2015. We believe that the Fed will raise its key interest rates for the first time in the middle of 2015.

● **Global risks** to this moderate outlook have recently increased rather than declined. Among unpredictable event risks, the main risk is a further escalation, possibly also a regional spread, of the military conflict in eastern Ukraine, coupled with a spiral of sanctions and retorsion measures. Developments in the year to date have clearly shown the direct impact (via trade relations) and indirect consequences (via expectations and sentiment). The armed conflict in the Middle East also has cross-regional consequences. These regional crises affect the Central and East European countries in varying intensity. A potential currency crisis originating from Russia may be linked with even stronger capital flight and political intervention. Financial markets may see a faster-than-expected increase in interest rates, emanating from the US (however, the rising US current account deficit and a firmer dollar are factors which speak against such a development). We know from experience that this would have negative consequences for emerging markets with current account deficits and a strong dependence on capital inflows. Quite generally, it should be noted that the sharp decline in commodity prices also calls into question the growth model of those exporters of raw materials among emerging markets which have relied on externally financed consumption for many years. A new wave of global aversion to risk with rising volatility would lead to declining asset prices. If these risks accumulate as growth remains weak, Europe could slide into deflation, following the Japanese pattern. Economic-policy makers are becoming increasingly aware of these risks.

● At the beginning of September we reduced our forecasts for **CEE countries** (as compared with the scenario outlined in our 2013 Annual Report). Any further revision will depend on hard data for Western Europe and on influences from Russia. Developments show an even more differentiated pattern than has been the case so far. Overall (without Poland and Ukraine), we expect (GDP-weighted) growth of close to 1% in 2014 and 2015. **Central Europe** will see the strongest economic momentum of about 2½% in both years. On the supply side, this region will continue to benefit from new manufacturing capacity. The lull in exports and in industrial output (August saw the strongest decline since 2009) will probably be of a temporary nature. Significant increases in real wages, rising employment, higher credit demand in an environment of interest rates which are at a record low, and higher tax revenue provide a good basis for continued expansion of domestic demand, but the external crises are having an impact on consumer sentiment. Inflation has remained low and this has broadened the scope for monetary policy. The expansion will probably continue,

Outlook (CONTINUED)

though at a reduced rate in the first half of 2015. Among the countries in **South-East Europe**, Romania and Bulgaria partly show similar profiles with above-average GDP growth, while the restrictive public sector and a low level of absorption of available funds under EU financial assistance schemes will dampen future developments, apart from governance problems which are responsible for the backlog of reforms. The **Western Balkan countries** are lagging further behind, with growth of just over zero. This is only partly due to underperformance of trading partners and the impact of floods; slow progress is seen in stabilising government budgets, reducing the disproportionately large public sector and creating a more business-friendly environment. Moreover, Croatia and Serbia need an anchor of stability (IMF, EU) to contain public debt.

In **Turkey**, the picture has changed following the successful (yet incomplete) adjustment process in the first half of 2014 (curb on domestic demand, improvement in the current account). Lending activity is increasing more strongly again; interest rates were reduced after the abrupt increase in the first quarter; and the Turkish lira has stabilised. However, this has also led to higher vulnerability to external disruptions, including the risk of international portfolio inflows drying up, e.g. if the situation at the border escalates, all the more so as currency reserves are at a relatively low level. Domestic demand will grow at a weaker rate in 2015 as the spending boom of 2014, an election year, will not continue. We expect that growth in 2015 will reach 2.0% after 2.9% in the current year.

The main factor determining the outlook, i.e. the entire scenario, is the future development in **Russia**. In the first nine months, the country's economy proved remarkably resilient, partly as a result of import substitution and export diversification (China), and partly because economic operators adopted a wait-and-see attitude. Just before the editorial close of this report, the Russian rouble depreciated dramatically (to a level of 57.17 per euro; depreciation since the end of September: 12.5%, in the year to date: 20.9%; data as at 10 November 2014) although interest rates were increased to 9.5% a week earlier. These developments are linked to the fact that rule-based intervention at the boundaries of the band under the currency basket has been abandoned (intervention in October 2014 totalled US$30 billion), and to the transition to free floating (with ad-hoc intervention if necessary). The change in the currency regime coincided with a further decline in oil prices, triggering excessive fears. Longer-term structural problems are thus aggravated by current problems: a sharp fall in the terms of trade, capital outflows, high interest rates and, last but not least, a lack of access to capital markets due to the sanctions which have been imposed. Export revenues are falling significantly, aggregate demand data have a minus sign for 2015. At the most recent update in September, we expected real GDP to decline in both years.

● The recovery of the **Austrian** economy came to a standstill in the third quarter of 2014. Consumer sentiment and current surveys of sentiment in the manufacturing sector and of order trends do not indicate any improvement in the economic situation.
The Austrian economy is expected to stagnate in the remaining part of the year. Contrary to our original expectations, at the beginning of the current year, that Austria's economy would grow by up to 2% in 2014, the actual figure will only reach about ½ per cent.

The outlook for a stronger **economic momentum** in Austria in the course of 2015 is intact, based on exports picking up at least to some extent. Austria's exporters are well placed internationally to take advantage of robust demand from many (not all) emerging markets and of impetus provided by the US economy, all the more so as the weakening of the euro is enhancing their price competitiveness in many markets. As the ECB maintains its expansionary monetary policy, the investment backlog should be cleared in 2015, and domestic demand should also contribute to stimulating growth. Moreover, intensive discussion at the European level is focusing on investment programmes. In Austria, an income tax reform implemented in several steps from the beginning of the second half of the year could help to achieve a turnaround in sentiment and support consumption. After a lacklustre start to the new year, economic activity should thus gradually gain momentum in the course of 2015. We believe that economic growth of over 1 per cent, higher than in 2014, or up to 1.6 per cent based on our optimistic scenario, is possible in 2015.

In the **banking sector**, the deterioration in business sentiment will not permit any significant growth for the time being. Nevertheless, we expect at least some credit expansion towards the end of the current year. The strongest increase will be seen in housing loans, driven by low interest rates and further rising real estate prices. But in this area, too, growth will probably weaken in 2015 and fall behind the rates seen before 2007.

While we expect long-term interest rates to rise slightly, such an increase is not likely to be seen in the area of short-term deposits at banks in the near future. Deposit growth will therefore remain weak until the end of 2014 and also in 2015. Investments in shares and mutual funds should benefit from these developments. We believe that overall, the additions made by private households to financial assets held by them will be higher than in 2014. Yet this sector will also be lagging far behind the growth rates experienced before 2007. Last but not least, the shift from financial assets to tangible investments, especially real estate, will continue.

Outlook (CONTINUED)

Outlook for Bank Austria's performance

● The basic scenario described above does not suggest any new trends in commercial banking business in Austria and CEE in the fourth quarter of 2014. This means that the picture presented by the interim financial statements as at 30 September 2014 will be confirmed by performance in **2014 as a whole**. When this report was completed, it was still unclear how the Russian currency would move in the near future and what impact such sharp depreciation would have on the local economy and the banking sector. Some of the other risks mentioned above may also materialise in the short period to the end of 2014. Net profit of Bank Austria for the first nine months of 2014 was €1.2 billion, and this performance is of good quality. The financial statements for the full year 2014 will benefit from large-volume adjustments made already in the fourth quarter of 2013: substantial net additions to loan loss provisions improved coverage ratios in the previous year. Above all, goodwill was fully written off in the 2013 financial statements, involving a goodwill impairment charge of almost €2 billion. Performance in 2014 will no longer be burdened in this context.

● The environment for banking operations will hardly change in **2015**, at least in the first half of the year. As explained above, the basic prerequisites for economic growth in the coming quarters are in place. Whether such growth materialises, will depend on external factors including future developments in the centres of geopolitical crises.

In **Austria**, demand for corporate loans should pick up as and when companies make replacement investments and, later on, implement plans for expansion previously postponed. Margins on outstanding loans will continue to be under pressure, and income from maturity transformation will remain moderate in the foreseeable future. The outlook for net fees and commissions is better than for net interest: persistently low interest rates, in combination with the end of the boom in bond markets and increasing volatility in equity markets, should lead to stronger demand for suitable investment products and sound advice. Net fees and commissions from securities business, the placement of investment products and mutual funds, and from asset management, should therefore continue to rise. Foreign trade-related services should overcome temporary weakness as the year progresses. In a long-term comparison one can see that our risk management activities have significantly reduced net write-downs of loans. On this basis we expect Austrian customer business to generate a sound net operating profit in the near future.

● The general environment in Central and Eastern Europe is characterised by partly opposing trends. Nevertheless, we expect that the **CEE** business segment will continue to achieve good operating income. Exchange rate movements in the coming quarters may be more volatile, impacting local business in the highly exposed countries and also results in euro terms. A regional analysis shows that the **Central European** countries recorded an upward trend in 2014, outperforming the CEE average, and this should continue if activity in the European industrial sector revives. Domestic demand will be a supportive factor in this context, and business volume in the banking sector will consequently continue to grow. This applies especially to the Czech Republic. We also expect to see good results in Hungary again. Our local banks in **South-East Europe** have proved that based on their reputation and market position, they can achieve volume and profit growth even in a stagnant economic environment. **Turkey** is still a model of a growth market. Volume expansion and growth of fee-based services generate rising income even during periods when funding presents difficulties. Therefore continued investment in the branch network and in staff is paying off. As a result, the contribution from Turkey, accounted for using the equity method, should increase.

Our **Russian** banking subsidiary made a significant contribution to profits also during difficult market phases: focusing on the large corporates segment, the bank has so far proved to be robust and highly profitable. The bank's loan/direct-funding ratio is 108.7% (at the end of September 2014), it has a strong local funding base and a strong capital base. At the moment it is difficult to assess the impact of renewed strong market volatility since September and sharp currency depreciation observed shortly before this report was completed, and whether these developments will be permanent. The Russian economy's fundamentals, the sanctions and the risk profile are having an even stronger impact on our main target group. Nevertheless, we believe that our Russian banking subsidiary's earning power is robust. In **Ukraine**, Bank Austria has a direct shareholding of about 72% in Ukrsotsbank, which is classified as held for sale because Bank Austria has entered into negotiations to sell the bank. Lending business has been more or less frozen, a workout of impaired loans is under way. The bank's branches in Crimea are no longer operational. In the regions of Donetsk and Luhansk, we have closed 9 branches permanently and 30 branches at least temporarily. In the other regions of Ukraine, the bank continued its operations in an orderly manner. The bank's liquidity position remained stable. For this reason Ukrsotsbank did not need local central bank support.

The diversification of CEE operations across the region ensures that the CEE Division will continue to perform its role as an essential contributor to Bank Austria's profits also in periods of pronounced market volatility.

Consolidated Income Statement

of the Bank Austria Group for the first nine months of 2014

Income statement

(€ million)

	1 JAN.– 30 SEPT. 2014	1 JAN.– 30 SEPT. 2013 *)
Interest income and similar revenues	4,777	4,560
Interest expense and similar charges	–2,185	–2,015
Net interest margin	**2,592**	**2,545**
Fee and commission income	1,338	1,278
Fee and commission expense	–316	–279
Net fees and commissions	**1,022**	**999**
Dividend income and similar revenue	6	17
Gains and losses on financial assets and liabilities held for trading	273	358
Fair value adjustments in hedge accounting	–1	7
Gains and losses on disposal of:	139	81
a) loans	7	3
b) available-for-sale financial assets	133	64
c) held-to-maturity investments	–	3
d) financial liabilities	–	11
Gains and losses on financial assets/liabilities at fair value through profit or loss	–5	27
OPERATING INCOME	**4,026**	**4,034**
Impairment losses on:	–511	–769
a) loans	–558	–761
b) available-for-sale financial assets	–3	–11
c) held-to-maturity investments	–	–
d) other financial assets	51	3
Net income from financial activities	**3,515**	**3,265**
Administrative costs:	–2,351	–2,324
a) staff expense	–1,209	–1,221
b) other administrative expense	–1,142	–1,103
Provisions for risks and charges	–125	10
Impairment/write-backs on property, plant and equipment	–102	–105
Impairment/write-backs on intangible assets	–36	–53
Other net operating income	106	69
OPERATING COSTS	**–2,508**	**–2,403**
Profit (loss) of associates	328	595
Gains and losses on tangible and intangible assets measured at fair value	4	–3
Impairment of goodwill	–	–8
Gains and losses on disposal of investments	84	–16
TOTAL PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**1,423**	**1,429**
Tax expense (income) related to profit or loss from continuing operations	–200	–180
Total profit or loss after tax from continuing operations	**1,223**	**1,250**
Total profit or loss after tax from discontinued operations	–19	–139
NET PROFIT OR LOSS FOR THE PERIOD	**1,204**	**1,110**
Attributable to:		
Non-controlling interests from continuing operations	34	27
from discontinued operations	–22	–1
Non-controlling interests	**11**	**26**
Owners of the parent company from continuing operations	1,189	1,223
from discontinued operations	3	–138
Owners of the parent company	**1,192**	**1,084**
Earnings per share (in €, basic and diluted) from continuing operations	5.14	5.29
from discontinued operations	0.01	–0.60

*) Prior year figures were restated due to IFRS 10 and IFRS 11. This relates to the inclusion of the real estate investment fund "Real Invest Europe" in the consolidation perimeter, and to the presentation of the entities of the Yapı Kredi Group using the equity method instead of proportionate consolidation.

Consolidated Statement of Comprehensive Income

of the Bank Austria Group for the first nine months of 2014

Statement of comprehensive income

(€ million)

	1 JAN.– 30 SEPT. 2014	1 JAN.– 30 SEPT. 2013 *)
Total profit or loss after tax from continuing operations	**1,223**	**1,250**
Total profit or loss after tax from discontinued operations	**–19**	**–139**
NET PROFIT OR (–) LOSS FOR THE PERIOD	**1,204**	**1,110**
OTHER COMPREHENSIVE INCOME	**–225**	**–1,136**
Items that will not be reclassified to profit or loss	**–274**	**–2**
Actuarial gains or (–) losses on defined benefit plans	–365	–2
Income tax relating to items that will not be reclassified	91	–
Items that may be reclassified to profit or loss	**49**	**–1,134**
Foreign currency translation	–503	–691
Cash flow hedges [effective portion]	285	–204
Valuation gains or (–) losses taken to equity	*282*	*–196*
Transferred to profit or loss	*3*	*–8*
Available-for-sale financial assets	364	–170
Valuation gains or (–) losses taken to equity	*419*	*–153*
Transferred to profit or loss	*–55*	*–17*
Non-current assets and disposal groups held for sale	1	7
Share of other recognised income and expense from investments measured at equity	84	–189
Income tax relating to items that may be reclassified to profit or (–) loss	–182	113
Gains/losses on assets available for sale (available-for-sale reserve)	*–93*	*34*
Gains/losses on assets available for sale (available-for-sale reserve) of investments measured at equity	*–18*	*29*
Gains/losses on cash flow hedges (cash flow hedge reserve)	*–68*	*50*
Gains/losses on cash flow hedges (cash flow hedge reserve) of investments measured at equity	*–2*	*–*
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**979**	**–26**
Comprehensive income after tax from continuing operations	**1,226**	**15**
Comprehensive income after tax from discontinued operations	**–247**	**–41**
Attributable to:		
Non-controlling interests from continuing operations	33	25
from discontinued operations	–91	–2
Non-controlling interests	**–59**	**23**
Owners of the parent company from continuing operations	1,194	–10
from discontinued operations	–156	–38
Owners of the parent company	**1,038**	**–49**

Earnings per share (in €, basic and diluted)

(€)

	1 JAN.– 30 SEPT. 2014	1 JAN.– 30 SEPT. 2013
Earnings per share from comprehensive income after tax from continuing operations	5.16	–0.04
Earnings per share from comprehensive income after tax from discontinued operations	–0.67	–0.17

*) Prior year figures were restated due to IFRS 10 and IFRS 11. This relates to the inclusion of the real estate investment fund “Real Invest Europe” in the consolidation perimeter, and to the presentation of the entities of the Yapı Kredi Group using the equity method instead of proportionate consolidation.

Statement of Financial Position

of the Bank Austria Group at 30 September 2014

Assets

(€ million)

	30 SEPT. 2014	31 DEC. 2013 1)
Cash and cash balances	1,893	2,375
Financial assets held for trading	2,837	2,207
Financial assets at fair value through profit or loss	105	343
Available-for-sale financial assets	22,004	19,746
Held-to-maturity investments	577	633
Loans and receivables with banks	29,469	22,941 3)
Loans and receivables with customers	115,167	114,255 3)
Hedging derivatives	3,725	2,839
Changes in fair value of portfolio hedged items (+/–)	–	33
Investments in associates and joint ventures	4,516	4,463
Property, plant and equipment	1,976	2,096
of which held for investment	*847*	*800*
Intangible assets	162	162
Tax assets	1,046	945
a) current tax assets	65	72
b) deferred tax assets	981	872
Non-current assets and disposal groups classified as held for sale	4,458	3,714
Other assets	1,548	1,103
TOTAL ASSETS	**189,483**	**177,857**

Liabilities and equity

(€ million)

	30 SEPT. 2014	31 DEC. 2013 1)
Deposits from banks	25,593	24,530 3)
Deposits from customers	99,914	96,593 3)
Debt securities in issue	30,623	27,302
Financial liabilities held for trading	2,497	1,505
Financial liabilities at fair value through profit or loss	729	797
Hedging derivatives	3,176	2,220
Changes in fair value of portfolio hedged items (+/–)	47	–
Tax liabilities	775	508
a) current tax liabilities	41	21
b) deferred tax liabilities	734	487
Liabilities included in disposal groups classified as held for sale	1,953	2,242
Other liabilities	2,561	2,124
Provisions for risks and charges	5,457	4,985
a) post-retirement benefit obligations	5,021	4,630
b) other provisions	437	355
Equity	16,157	15,050
of which non-controlling interests (+/–) 2)	*254*	*340*
TOTAL LIABILITIES AND EQUITY	**189,483**	**177,857**

1) Prior year figures were restated due to IFRS 10 and IFRS 11. This relates to the inclusion of the real estate investment fund "Real Invest Europe" in the consolidation perimeter, and to the presentation of the entities of the Yapı Kredi Group using the equity method instead of proportionate consolidation.

2) Due to an error in the calculation of the additional non-controlling interests in Ukrsotsbank as a consequence of the merger of both Ukrainian banks and the simultaneous capital increase in December 2013, the non-controlling interest in Bank Austria Group as at 31 December 2013 was shown too high, by €145 million, while the group's own retained earnings were shown too low by the same amount. The figures have been restated. There was no effect on total equity as at 31 December 2013.

3) Due to a change related to the sector to which a counterparty belongs, the previous year's figures for loans and debt towards banks and loans and debt towards customers have been restated to allow a meaningful comparison between periods.

Statement of Changes in Equity

of the Bank Austria Group for the first nine months of 2014

(€ million)

	SUB-SCRIBED CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION	CASH FLOW HEDGE RESERVE	AVAILABLE-FOR-SALE RESERVE	CASH FLOW HEDGE AND AFS RESERVE ASSOCIATES	ACTUARIAL LOSSES IN ACCORDANCE WITH IAS 19	SHARE-HOLDERS' EQUITY	NON-CON-TROLLING INTERESTS	EQUITY
As at 1 January 2013 1)	**1,681**	**7,100**	**10,805**	**–1,735**	**350**	**582**	**212**	**–1,332**	**17,662**	**530**	**18,192**
Changes in the group of consolidated companies			–14						–14	–42	–56
Shares in controlling companies		9							9		9
Net profit for the period			1,084						1,084	26	1,110
Other comprehensive income				–688	–155	–128	–160	–2	–1,133	–3	–1,136
Dividend paid									0	–9	–9
AS AT 30 SEPT. 2013	**1,681**	**7,108**	**11,875**	**–2,423**	**195**	**454**	**52**	**–1,334**	**17,609**	**502**	**18,111**
	SUB-SCRIBED CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS 2)	FOREIGN CURRENCY TRANSLATION2)	CASH FLOW HEDGE RESERVE	AVAILABLE-FOR-SALE RESERVE	CASH FLOW HEDGE AND AFS RESERVE ASSOCIATES	ACTUARIAL LOSSES IN ACCORDANCE WITH IAS 19	SHARE-HOLDERS' EQUITY2)	NON-CON-TROLLING INTERESTS 2)	EQUITY
As at 1 January 2014 1)	**1,681**	**6,052**	**10,287**	**–2,577**	**194**	**400**	**25**	**–1,351**	**14,710**	**340**	**15,050**
Changes in the group of consolidated companies			147						147	–7	140
Shares in controlling companies		8							8	0	8
Net profit for the period			1,192						1,192	11	1,204
Other comprehensive income				–432	216	272	64	–274	–154	–71	–225
Dividend paid									0	–20	–20
AS AT 30 SEPT. 2014	**1,681**	**6,060**	**11,626**	**–3,008**	**410**	**672**	**88**	**–1,625**	**15,904**	**254**	**16,157**

1) Prior year figures were restated due to IFRS 10 and IFRS 11. This relates to the inclusion of the real estate investment fund "Real Invest Europe" in the consolidation perimeter, and to the presentation of the entities of the Yapı Kredi Group using the equity method instead of proportionate consolidation.

2) Due to an error in the calculation of the additional non-controlling interests in Ukrsotsbank as a consequence of the merger of both Ukrainian banks and the simultaneous capital increase in December 2013, the non-controlling interest in Bank Austria Group as at 31 December 2013 was shown too high, by €145 million, while the group's own retained earnings were shown too low by the same amount. The figures have been restated. There was no effect on total equity as at 31 December 2013.

Notes to the Consolidated Financial Statements

Basis for the preparation of the financial statements

As Bank Austria's shares are not listed on a stock exchange, we are not required to prepare quarterly financial statements as at 31 March and 30 September.

However, with a view to maintaining a high level of transparency in the market, we continue to publish condensed interim reports as at 31 March and 30 September.

The income statement and the statement of financial position contained in this condensed interim report have been prepared in accordance with International Financial Reporting Standards (IFRSs) complemented by explanatory information.

Accounting policies

Except for new standards and amendments as described below, the accounting policies applied by the Group in this interim financial report are the same as those applied by the Group in its consolidated financial statements for the year 2013.

Effects from the adoption of new standards

Introduction of IFRS 10, IFRS 11 and IFRS 12 as well as amendments to IAS 27 and IAS 28
In May 2011 the IASB issued IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, a revised IAS 27 Separate Financial Statements, which was amended as IFRS 10 was issued, while leaving the existing rules for separate financial statements unchanged, and a revised IAS 28 Investments in Associates and Joint Ventures, which was adjusted as IFRS 10 and IFRS 11 were issued. These Standards were endorsed by the EU in December 2012. The amendments to IFRS 10, IFRS 11 and IFRS 12 with regard to transition provisions and the amendments to IFRS 10, IFRS 12 and IAS 27 with regard to investment entities were also endorsed by the EU in 2013.

The Group has applied IFRS 10, IFRS 11, IFRS 12, the amended IAS 27, the amended IAS 28, and the consequential amendments since 1 January 2014.

IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities and establishes a single control model that applies to all entities, including special purpose entities previously considered under SIC-12. IFRS 10 specifies that an investor controls an investee when the investor is exposed or has rights to variable returns from its investment with the investee and has the ability to use power over the investee to influence such returns. Control is to be assessed on the basis of all current facts and circumstances and is to be reassessed as facts and circumstances change.

The Group has assessed the consolidation perimeter under the new control concept of IFRS 10 in detail. The effect on the consolidated financial statements as a result of this change is negligible.

IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 11 classifies joint arrangements as either joint operations or joint ventures and focuses on the nature of the rights and obligations of the arrangement. For joint ventures IFRS 11 requires the use of the equity method of accounting, eliminating the option to use the proportionate consolidation method, previously applied by the Group until 2013. IFRS 11 has had an effect on the financial statements of the Bank Austria Group as our investment in Yapı Kredi ve Bankasi, a joint venture with our partner Koç Group in Turkey, and all the subsidiaries belonging to Yapı Kredi Group, which in the consolidated financial statements were accounted for using proportionate consolidation based on IAS 31 until 31 December 2013, have been accounted for using the equity method since 1 January 2014.

This had a substantial effect on our consolidated financial statements and led to a reduction of about €16,082 million in total assets as at 31 December 2013. The comparative figures of the income statement for the previous year were also adjusted accordingly. This led to a shift within the income statement as the profit-or-loss components of subsidiaries belonging to Yapı Kredi Group are no longer included in the various items of the income statement but are presented on a combined basis in the item "Profit (loss) of associates".

IFRS 12 requires an entity to disclose the nature, associated risks, and financial effects of interests in subsidiaries, associates and joint arrangements and of unconsolidated structured entities. IFRS 12 requires more comprehensive disclosures in the notes than IAS 27 or SIC-12. As a preparation for the new and extended disclosure requirements resulting from IFRS 12, the Group invests in database modules for the consolidation software in order to be able to meet the new requirements with the first annual financial statements as at 31 December 2014.

Notes (CONTINUED)

IFRIC 21 Levies
IFRIC Interpretation 21 Levies contains new rules for accounting for levies in the financial statements. The Interpretation is applicable for annual periods beginning on or after 1 January 2014 and was endorsed by the EU on 14 June 2014. This Interpretation is of relevance for our Group in the context of accounting for bank levies in various countries. The first-time application of IFRIC Interpretation 21 does not result in any changes with regard to the method of accounting for bank levies which has been used so far.

IFRS 9 Financial Instruments
The IASB issued the final version of IFRS 9 Financial Instruments on 24 July 2014. IFRS 9 introduces changes in the classification and measurement of financial instruments while also including changes in rules for recognising credit losses and for hedge accounting. The Standard will come into effect on 1 January 2018 but has not yet been endorsed by the EU. The Group has started a project to analyse the effects of these changes and prepare for the introduction in the best possible manner.

IFRS 14 Regulatory Deferral Accounts
IFRS 14 Regulatory Deferral Accounts permits a company which is a first-time adopter of IFRS to continue to account, with some limited changes, for regulatory deferral account balances in accordance with the previously used generally accepted accounting policies. The Standard will become effective on 1 January 2016 but has not yet been endorsed by the EU. It has no effect on our Group.

IFRS 15 Revenue from Contracts with Customers
In May 2014, the IASB issued IFRS 15, which specifies when and how revenue from contracts with customers is to be recognised in all lines of business. The Standard supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services. The Standard will be effective from 1 January 2017; its endorsement by the EU is expected for the middle of 2015. The Group will analyse the potential effects of the application of this Standard in the coming months.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
In May 2014, the IASB issued amendments to IAS 16 and IAS 38, clarifying that the use of revenue-based depreciation methods for property, plant and equipment is not appropriate, and significantly limiting the use of revenue-based depreciation methods for intangible assets. An initial analysis shows that these amendments will have no effect on our Group. They will be effective from 1 January 2016, their endorsement by the EU is expected for the first quarter of 2015.

Amendments to IAS 16 and IAS 41 concerning bearer plants
In June 2014, the IASB issued amendments to IAS 16 and IAS 41 concerning bearer plants. These amendments have no effect on our Group. They will be effective from 1 January 2016, their endorsement by the EU is expected for the first quarter of 2015.

Amendments to IAS 19 concerning employee contributions
These amendments to IAS 19 clarify the accounting for contributions from employees, in addition to those from the employer, to a defined-contribution plan. The amendments became effective on 1 July 2014, their endorsement by the EU is expected for the fourth quarter of 2014. These amendments will have no effect on our Group.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets
The amendments refer to minor changes in the disclosures regarding recoverable amounts of non-financial assets and in particular cash-generating units. They became effective on 1 January 2014 and are of relevance for our Group for the first time for the consolidated financial statements as at 31 December 2014.

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting
This amendment to IAS 39 allows the continuation of hedge accounting when a derivative is novated to a clearing counterparty and certain conditions are met. The amendment is a response to changes in laws and regulations for over-the-counter derivatives, requiring many of them to be transacted with a central counterparty or entity acting in a similar capacity. The amendment became effective on 1 January 2014. Whether these amendments will have effects on the Bank Austria Group will depend on the ESMA's final technical standard.

Amendments to IFRS 11 Joint Arrangements
These amendments clarify the accounting for acquisitions of interests in joint operations. The amendments were issued in May 2014 and will be effective from 1 January 2016. Their endorsement by the EU is expected for the first quarter of 2015. From a current perspective, these amendments will have no effect on our Group.

Notes (CONTINUED)

Effects from the change in material calculation parameters

Post-employment benefits

The interest rate used in the calculation of the defined benefit obligation for our pension and severance pay plan was reduced compared to the previous year to 3.25% as of 30 June 2014 (31 December 2013: 3.75 %) in order to reflect the reduced interest rate levels. All other valuation parameters remained unchanged. The resulting measurement effect of the DBO in the amount of – €274 million (net of tax) was recognised in other comprehensive income in equity in line with IAS 19.

Transfer between portfolios

In accordance with the amendments to IAS 39 and IFRS 7, Reclassification of Financial Assets, published in October 2008, and in response to the rare circumstances presented by the financial market crisis, we had reclassified asset-backed securities (ABSs / specific securitised assets) from financial assets held for trading into loans and receivables with customers with effect from 1 July 2008 at the fair values determined at that date.

In accordance with IAS 39.50E, bonds included in the available-for-sale category had been reclassified into loans and receivables with banks with effect from 1 August 2011. There is the intention to hold these reclassified bonds until maturity.

The following table shows the effects of this reclassification by item in the statement of financial position and by income statement item as at 30 September 2014:

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

TYPES OF INSTRUMENTS	ACCOUNTING PORTFOLIO BEFORE RECLASSIFICATION	ACCOUNTING PORTFOLIO AFTER RECLASSIFICATION	CARRYING AMOUNT AS AT 30 SEPT. 2014	FAIR VALUE AS AT 30 SEPT. 2014	INCOME/EXPENSES ABSENT RECLASSIFICATION (BEFORE TAXES)		INCOME/EXPENSES RECOGNISED DURING THE PERIOD (BEFORE TAXES)	
					FROM MEASUREMENT	OTHER	FROM MEASUREMENT	OTHER
Debt securities								
	HFT	AFS	–6	–6	–	–	–	–
	HFT	HTM	–19	–20	1	1	–	1
	HFT	Loans to banks	–	–	–	–	–	–
	HFT	Loans to customers	–492	–503	41	11	3	10
	AFS	Loans to banks	–2,956	–3,012	23	38	–	53
TOTAL			**–3,474**	**–3,541**	**64**	**50**	**3**	**64**

Notes (CONTINUED)

Consolidated companies and changes in consolidated companies of the Bank Austria Group in the nine months of 2014

	CONSOLIDATED COMPANIES	COMPANIES ACCOUNTED FOR UNDER THE PROPORTIONATE CONSOLIDATION METHOD	COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD	TOTAL
Opening balance	**149**	**15**	**27**	**191**
Additions	**66**	**–**	**10**	**76**
Newly established companies	1	–	–	1
Acquired companies	35	–	9	44
Changes in UniCredit Group	30	–	1	31
Disposals	**–10**	**–**	**–3**	**–13**
Companies sold or liquidated	–7	–	–1	–8
Mergers	–3	–	–	–3
Changes in UniCredit Group	–	–	–2	–2
Changes as a result of IFRS 10 and IFRS 11	**1**	**–15**	**–2**	**–16**
Addition based on IFRS 10 and IFRS 11	1	–	1	2
Reduction based on IFRS 10 and IFRS 11	–	–15	–3	–18
CLOSING BALANCE	**206**	**0**	**32**	**238**

Acquisition of Immobilien Holding Group

With the closing dated 18 September 2014 the Bank Austria Group acquired 100 % of the shares in Immobilien Holding GmbH. Immobilien Holding GmbH is the holding company of the Immobilien Holding Group, which comprises 56 legal entities.

Due to this acquisition, 34 entities were included in the scope of consolidation as fully consolidated entities as of 30 September 2014, amongst them Wien Mitte Immobilien GmbH, in which the Bank Austria Group had already held an indirect 50 % stake accounted for using the equity method. Nine further entities have been included in the scope of consolidation at equity based on the fact that the Bank Austria Group now has significant influence over them; 13 entities have not been included in the scope of consolidation based on materiality reasons, shares in these companies are shown as available-for-sale financial assets (AFS) at cost.

The Bank Austria Group had already been participating in 88 % of the results of the Immobilien Holding Group through a profit participation right. For strategic reasons, Bank Austria intends to dispose of its real estate participations. As a prerequisite for such disposal, the remaining 12 % economic participation in the Immobilien Holding Group was purchased in this acquisition along with the gain of control over the group. Simultaneously, the existing profit participation right structure was wound up.

The Management Board intends to dispose of the entire Immobilien Holding Group, including Wien Mitte Immobilien GmbH and its holding company Wien Mitte Holding GmbH, within the next 12 months. The respective entities have therefore been classified as "held for sale" in the interim financial statements as of 30 September 2014 and are simultaneously treated as a "discontinued operation".

Other changes in the group of companies included in consolidation

Application of IFRS 10 and IFRS 11 for the first time resulted in the following changes in the group of companies included in consolidation:

The companies of the Yapı Kredi Group, which were previously accounted for using the proportionate consolidation method or the equity method, have been accounted for as a consolidated group using the equity method since 1 January 2014; this has reduced the total number of companies directly contributing to our group by 18, while instead the consolidated entity has been added to the companies accounted for using the equity method.

Moreover, Real Invest Europe, a real estate investment fund managed by Bank Austria Real Invest Immobilien-Kapitalanlage GmbH, has been included in consolidation since 1 January 2014.

The newly established company is UCTAM Hungary Kft.

Notes (CONTINUED)

Additions resulting from acquired companies relate to the acquisition of the Immobilien Holding Group comprising 33 consolidated companies and 9 companies accounted for using the equity method. Moreover, two other companies (Nordbahnhof Baufeld sechs Projektentwicklung GmbH and Nordbahnhof Baufeld 39 Projektentwicklung GmbH) were acquired which hold land in connection with the planned construction of the new Bank Austria Campus in the area of the former Northern Railway Station in Vienna.

Most of the additions resulting from changes in UniCredit Group relate to leasing companies in Russia, the Czech Republic, Slovakia and Romania, which were taken over from UniCredit Leasing SpA as part of the restructuring of leasing business. Another change is the addition of Wien Mitte Immobilien GmbH, a company which was previously accounted for using the equity method and is now a consolidated company following the acquisition of the Immobilien Holding Group.

One of the newly added leasing companies (OOO “UniCredit Leasing”, Russia) was previously accounted for using the equity method and is therefore shown within disposals resulting from changes in UniCredit Group. The same applies to Wien Mitte Immobilien GmbH, which was also previously accounted for using the equity method and is now a consolidated company following the acquisition of the Immobilien Holding Group.
The disposal of the company which was previously accounted for using the equity method relates to the sale of our interest in UniCredit Leasing SpA to UniCredit SpA.

Previously consolidated companies which are no longer part of the group of consolidated companies relate to the sale of Domus Clean Reinigungs GmbH, Mezzanin Finanzierungs AG and Schottengasse 6–8 Immobilien GmbH und Co KG. UCTAM RK Limited Liability Company, Kazakhstan, and two subsidiaries in Romania, UniCredit CAIB Securities Romania SA and UniCredit CAIB Romania SRL, were liquidated. Christoph Reisegger Gesellschaft m.b.H. was liquidated.

M.A.I.L Finanzberatung Gesellschaft m.b.H. was merged into Treuconsult Beteiligungsgesellschaft m.b.H., AWT International Trade GmbH was merged into Universale International Realitäten GmbH, and AS UniCredit Finance Lativa was merged into SIA UniCredit Leasing, Latvia.

Notes to the income statement

Interest income / Interest expense

Interest income and similar revenues

(€ million)

	1 JAN.– 30 SEPT. 2014	1 JAN.– 30 SEPT. 2013
Financial assets held for trading	399	66
Financial assets at fair value through profit or loss	2	3
Available-for-sale financial assets	436	438
Held-to-maturity investments	20	21
Loans and receivables with banks	195	184
Loans and receivables with customers	3,432	3,508
Hedging derivatives	288	335
Other assets	4	4
TOTAL	**4,777**	**4,560**

Interest expense and similar charges

(€ million)

	1 JAN.– 30 SEPT. 2014	1 JAN.– 30 SEPT. 2013
Deposits from central banks	–85	–54
Deposits from banks	–253	–300
Deposits from customers	–898	–1,038
Debt securities in issue	–580	–563
Financial liabilities held for trading	–356	–44
Financial liabilities at fair value through profit or loss	–5	–7
Other liabilities	–2	–4
Hedging derivatives	–5	–8
TOTAL	**–2,185**	**–2,015**

Fee and commission income / Fee and commission expense

Fee and commission income

(€ million)

	1 JAN.– 30 SEPT. 2014	1 JAN.– 30 SEPT. 2013
Guarantees given	134	129
Credit derivatives	2	–
Management, brokerage and consultancy services	388	364
Collection and payment services	572	551
Factoring	4	4
Other services	238	230
TOTAL	**1,338**	**1,278**

Fee and commission expense

(€ million)

	1 JAN.– 30 SEPT. 2014	1 JAN.– 30 SEPT. 2013
Guarantees received	–67	–28
Credit derivatives	–8	–11
Management, brokerage and consultancy services	–54	–61
Collection and payment services	–170	–161
Other services	–18	–19
TOTAL	**–316**	**–279**

Notes to the income statement (CONTINUED)

Gains and losses on financial assets and liabilities held for trading

(€ million)

	1 JAN.– 30 SEPT. 2014	1 JAN.– 30 SEPT. 2013
Financial assets held for trading	4	10
Financial liabilities held for trading	–	4
Other financial assets and liabilities: exchange differences	303	256
Derivatives	–34	89
TOTAL	**273**	**358**

Gains and losses on disposals/repurchases

(€ million)

	1 JAN.–30 SEPT. 2014			1 JAN.–30 SEPT. 2013		
	GAINS	LOSSES	NET PROFIT	GAINS	LOSSES	NET PROFIT
Financial assets						
Loans and receivables with banks	–	–	–	–	–	–
Loans and receivables with customers	8	–1	7	5	–2	3
Available-for-sale financial assets	152	–20	133	95	–31	64
Held-to-maturity investments	–	–	–	3	–	3
TOTAL ASSETS	**160**	**–21**	**139**	**103**	**–33**	**71**
Financial liabilities						
Deposits from banks	–	–	–	–	–	–
Deposits from customers	–	–	–	–	–	–
Debt securities in issue	–	–	–	11	–	11
TOTAL LIABILITIES	**–**	**–**	**–**	**11**	**–**	**11**
TOTAL	**160**	**–21**	**139**	**115**	**–33**	**81**

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

(€ million)

	1 JAN.–30 SEPT. 2014					1 JAN.– 30 SEPT. 2013
	UNREALISED PROFITS	REALISED PROFITS	UNREALISED LOSSES	REALISED LOSSES	NET PROFIT	NET PROFIT
Financial assets	**5**	**13**	**–7**	**–**	**11**	**16**
Debt securities	2	–	–	–	2	–
Equity instruments	–	–	–	–	–	–
Units in investment funds	3	13	–7	–	9	16
Loans	–	–	–	–	–	–
Financial liabilities	**15**	**1**	**–31**	**–**	**–16**	**–5**
Debt securities	15	1	–31	–	–16	–5
Deposits from banks	–	–	–	–	–	–
Deposits from customers	–	–	–	–	–	–
Credit and financial derivatives	**–**	**–**	**–**	**–**	**–**	**15**
TOTAL	**20**	**13**	**–38**	**–**	**–5**	**27**

Notes to the income statement (CONTINUED)

Impairment losses

(€ million)

	1 JAN.–30 SEPT. 2014						1 JAN.– 30 SEPT. 2013
	WRITE-DOWNS			WRITE-BACKS			
	SPECIFIC						
	WRITE-OFFS	OTHER	PORTFOLIO	SPECIFIC	PORTFOLIO	TOTAL	TOTAL
Impairment losses on loans and receivables	**–39**	**–1,008**	**–66**	**522**	**33**	**–558**	**–761**
Loans and receivables with banks	–	–	–	2	–	2	–
Loans and receivables with customers	–39	–1,008	–66	520	33	–560	–761
Impairment losses on available-for-sale financial assets	**–**	**–4**	**X**	**1**	**X**	**–3**	**–11**
Debt securities	–	–4	X	1	X	–3	–
Equity instruments	–	–	X	X	X	–	–10
Units in investment funds	–	–	X	–	X	–	–1
Impairment losses on held-to-maturity investments	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Debt securities	–	–	–	–	–	–	–
Impairment losses on other financial transactions	**–**	**–35**	**–2**	**85**	**3**	**51**	**3**
Guarantees given	–	–24	–1	73	2	50	–1
Credit derivatives	–	–	–	–	–	–	–
Commitments to disburse funds	–	–10	–2	10	1	–	–
Other transactions	–	–	–	1	–	–	4
TOTAL	**–39**	**–1,047**	**–69**	**607**	**36**	**–511**	**–769**

Payroll

(€ million)

	1 JAN.– 30 SEPT. 2014	1 JAN.– 30 SEPT. 2013
Employees	**–1,166**	**–1,171**
Wages and salaries	–837	–840
Social charges	–194	–195
Severance pay	–	–
Social security costs	–	–
Allocation to employee severance pay provision	–	–
Provision for retirement payments and similar provisions	–183	–182
Payments to external pension funds	–17	–17
Costs/recoveries related to share-based payments	–7	–7
Other employee benefits	–45	–49
Recovery of compensation*)	116	119
Others	**–43**	**–50**
TOTAL	**–1,209**	**–1,221**

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

Notes to the income statement (CONTINUED)

Other administrative expenses

(€ million)

	1 JAN.– 30 SEPT. 2014	1 JAN.– 30 SEPT. 2013
Indirect taxes and duties	**–183**	**–161**
Miscellaneous costs and expenses	**–959**	**–942**
Advertising, marketing and communication	–77	–77
Expenses related to credit risk	–8	–10
Expenses related to personnel	–37	–36
Information and communication technology expenses	–302	–289
Consulting and professional services	–46	–48
Real estate expenses	–204	–200
Other functioning costs	–286	–283
TOTAL	**–1,142**	**–1,103**

Net provisions for risks and charges

(€ million)

	1 JAN.–30 SEPT. 2014			1 JAN.– 30 SEPT. 2013
	PROVISIONS	REALLOCATION SURPLUS	TOTAL	TOTAL
Other provisions				
Legal disputes	–14	3	–11	–71
Staff costs	–	–	–	–
Other	–131	17	–115	81
TOTAL	**–145**	**20**	**–125**	**10**

Other net operating income

Other operating expenses

(€ million)

	1 JAN.– 30 SEPT. 2014	1 JAN.– 30 SEPT. 2013
Costs for operating leases	–	–
Non-deductible tax and other fiscal charges	–1	–1
Write-downs on improvements of goods owned by third parties	–3	–3
Costs related to the specific service of financial leasing	–3	–
Other	–71	–82
TOTAL OTHER OPERATING EXPENSES	**–77**	**–86**

Other operating income

(€ million)

	1 JAN.– 30 SEPT. 2014	1 JAN.– 30 SEPT. 2013
Recovery of costs	**–**	**1**
Other income	**183**	**153**
Revenue from administrative services	31	31
Revenues from rentals of real estate investments (net of direct operating costs)	9	11
Revenues from operating leases	28	8
Recovery of miscellaneous costs paid in previous years	2	2
Revenues from finance lease activities	6	–
Others	106	101
TOTAL OTHER OPERATING INCOME	**183**	**155**
OTHER NET OPERATING INCOME	**106**	**69**

Earnings per share

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. Earnings per share are calculated on the basis of the average number of shares outstanding (231.2 million shares).

Notes to the statement of financial position

Financial assets held for trading

(€ million)

	30 SEPT. 2014				31 DEC. 2013			
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL
Financial assets (non-derivatives)	**224**	**83**	**27**	**334**	**288**	**238**	**10**	**537**
Debt securities	222	83	27	333	278	238	10	527
Equity instruments	1	–	–	1	10	–	–	10
Units in investment funds	–	–	–	–	–	–	–	–
Loans	–	–	–	–	–	–	–	–
Derivative instruments	**1**	**2,490**	**11**	**2,503**	**1**	**1,666**	**3**	**1,670**
Financial derivatives	1	2,489	11	2,501	1	1,665	2	1,668
Credit derivatives	–	1	–	1	–	1	1	2
TOTAL	**225**	**2,574**	**38**	**2,837**	**290**	**1,904**	**13**	**2,207**

Financial assets at fair value through profit or loss

(€ million)

	30 SEPT. 2014				31 DEC. 2013			
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL
Debt securities	–	15	33	48	4	236	31	271
Equity instruments	–	–	–	–	–	–	–	–
Units in investment funds	15	–	41	57	17	–	55	72
TOTAL	**15**	**15**	**74**	**105**	**21**	**236**	**86**	**343**

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.

Available-for-sale financial assets

(€ million)

	30 SEPT. 2014				31 DEC. 2013			
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL
Debt securities	15,608	4,958	1,069	21,636	12,454	5,846	689	18,990
Equity instruments	194	–	124	318	25	–	591	616
Units in investment funds	–	–	50	50	–	82	59	141
TOTAL	**15,802**	**4,958**	**1,243**	**22,004**	**12,479**	**5,928**	**1,339**	**19,746**

Notes to the statement of financial position (CONTINUED)

Loans and receivables with banks

(€ million)

	30 SEPT. 2014	31 DEC. 2013
Loans to central banks	**6,569**	**6,499**
Time deposits	1,723	1,356
Compulsory reserves	3,825	4,315
Reverse repos	1,018	825
Other	3	3
Loans to banks	**22,901**	**16,442**
Current accounts and demand deposits	4,146	4,327
Time deposits	6,724	4,259
Other loans	8,575	4,410
Reverse repos	*6,081*	*1,619*
Finance leases	–	–
Other	*2,494*	*2,791*
Debt securities	3,457	3,446
Structured	–	–
Other	*3,457*	*3,446*
TOTAL (CARRYING AMOUNT)	**29,469**	**22,941**
Loan loss provisions deducted from loans and receivables	23	23

Loans and receivables with customers

(€ million)

	30 SEPT. 2014			31 DEC. 2013		
	PERFORMING	IMPAIRED	TOTAL	PERFORMING	IMPAIRED	TOTAL
Loans	**109,444**	**5,109**	**114,553**	**108,586**	**4,916**	**113,502**
Current accounts	11,799	307	12,106	11,126	404	11,530
Reverse repos	542	–	542	769	–	769
Mortgages	22,987	1,150	24,137	24,406	1,955	26,360
Credit cards and personal loans, including wage assignment loans	5,108	107	5,216	5,590	56	5,646
Finance leases	2,190	194	2,384	516	66	582
Factoring	1,260	39	1,299	1,119	19	1,138
Other loans	65,557	3,311	68,868	65,059	2,416	67,476
Debt securities	**599**	**14**	**614**	**733**	**21**	**754**
Structured securities	–	–	–	–	–	–
Other	*599*	*14*	*614*	*733*	*21*	*754*
TOTAL (CARRYING AMOUNT)	**110,044**	**5,123**	**115,167**	**109,318**	**4,937**	**114,255**
Loan loss provisions deducted from loans and receivables	635	6,151	6,786	618	5,905	6,523

Due to a change related to the sector to which a counterparty belongs, the previous year's figures for loans and debt towards banks and loans and debt towards customers have been restated to allow a meaningful comparison between periods.

Notes to the statement of financial position (CONTINUED)

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

(€ million)

	30 SEPT. 2014	31 DEC. 2013
Individual assets		
Financial assets	80	5
Equity investments	270	200
Tangible assets	262	101
Intangible assets	1	–
Other non-current assets	28	1
Total	**642**	**307**
Asset groups classified as held for sale		
Financial assets held for trading	75	38
Financial assets designated at fair value	–	–
Available-for-sale financial assets	97	199
Held-to-maturity investments	–	–
Loans and receivables with banks	192	197
Loans and receivables with customers	1,952	2,477
Equity investments	62	–
Tangible assets	207	316
Intangible assets	50	67
Other assets	1,180	113
Total	**3,816**	**3,407**
ASSETS	**4,458**	**3,714**

This item includes non-current assets and disposal groups whose sale is highly probable. They are recognised at the lower of their carrying amount and fair value less costs to sell and are stated separately in the consolidated financial statements.

Individual assets
The item includes selected assets of the companies Vienna DC Tower 2 Liegenschaftsbesitz GmbH and UniCredit CAIB Poland S.A. AG, which are intended to be sold pursuant to a resolution passed by the Management Board.

In June 2014, the Management Board of Bank Austria passed a resolution to sell the equity interest in CA Immobilien Anlagen Aktiengesellschaft ("CA Immo AG"). A sales process has been initiated, and the equity interest is therefore classified as held for sale in the interim consolidated financial statements as at 30 September 2014. The closing of the transaction has already taken place (see "Events after the reporting period").

On 26 August 2014 the Management Board of Zagrebačka banka decided to sell the equity interest in Istraturist Umag. Therefore the related assets and liabilities were reclassified to "Non-current assets and disposal groups classified as held for sale" and "Liabilities included in disposal groups classified as held for sale" as at the end of August 2014.

The land held by the two companies Nordbahnhof Baufeld sechs Projektentwicklung GmbH and Nordbahnhof Baufeld 39 Projektentwicklung GmbH in connection with the planned construction of the new Bank Austria Campus in the area of the former Northern Railway Station in Vienna is also presented as a disposal group classified as held for sale.

Asset groups classified as held for sale
Asset groups classified as held for sale include all assets and liabilities of the Immobilien Holding GmbH Group, consolidated for the first time as at 30 September 2014, together with its subsidiaries as well as Wien Mitte Immobilien GmbH and its parent company Wien Mitte Holding GmbH. This is a disposal group acquired for resale. In accordance with IFRS 5.39, a disclosure of the major classes of the disposal group's assets and liabilities is therefore not required and they are shown on a combined basis in the item "Other assets" of the table "Asset groups classified as held for sale" and in the item "Other liabilities" of the table "Liabilities included in disposal groups classified as held for sale".

Moreover, Public Joint Stock Company Ukrsotsbank and its subsidiaries continue to be classified as a disposal group held for sale as at 30 September 2014.

Notes to the statement of financial position (CONTINUED)

Deposits from banks

(€ million)

	30 SEPT. 2014	31 DEC. 2013
Deposits from central banks	**5,246**	**5,057**
Deposits from banks	**20,348**	**19,473**
Current accounts and demand deposits	2,573	2,134
Time deposits	6,001	5,641
Loans	11,506	11,587
Other liabilities	267	110
TOTAL	**25,593**	**24,530**

Deposits from customers

(€ million)

	30 SEPT. 2014	31 DEC. 2013
Current accounts and demand deposits	52,363	54,245
Time deposits	41,783	40,277
Loans	382	897
Liabilities in respect of commitments to repurchase treasury shares	732	695
Other liabilities	4,653	478
TOTAL	**99,914**	**96,593**

Due to a change related to the sector to which a counterparty belongs, the previous year's figures for loans and debt towards banks and loans and debt towards customers have been restated to allow a meaningful comparison between periods.

Debt securities in issue

(€ million)

	30 SEPT. 2014				31 DEC. 2013			
	CARRYING AMOUNT	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	CARRYING AMOUNT	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3
Securities								
Bonds	30,471	8,086	23,089	122	27,138	7,686	19,786	118
Other securities	152	–	159	–	164	–	164	–
TOTAL	**30,623**	**8,086**	**23,247**	**122**	**27,302**	**7,686**	**19,949**	**118**

Financial liabilities held for trading

(€ million)

	30 SEPT. 2014				31 DEC. 2013			
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL
Financial liabilities	**41**	**18**	**–**	**59**	**31**	**–**	**–**	**31**
Deposits from banks	–	18	–	18	–	–	–	–
Deposits from customers	41	–	–	41	31	–	–	31
Derivative instruments	**–**	**2,436**	**2**	**2,438**	**–**	**1,467**	**7**	**1,474**
Financial derivatives	–	2,429	2	2,431	–	1,447	7	1,455
Credit derivatives	–	8	–	8	–	19	–	19
TOTAL	**41**	**2,454**	**2**	**2,497**	**31**	**1,467**	**7**	**1,505**

Notes to the statement of financial position (CONTINUED)

Financial liabilities at fair value through profit or loss

(€ million)

	30 SEPT. 2014				31 DEC. 2013			
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL
Deposits from banks	–	–	–	–	–	–	–	–
Deposits from customers	–	–	–	–	–	–	–	–
Debt securities	–	724	5	729	–	788	9	797
TOTAL	**–**	**724**	**5**	**729**	**–**	**788**	**9**	**797**

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.

Liabilities included in disposal groups classified as held for sale

(€ million)

	30 SEPT. 2014	31 DEC. 2013
Deposits from banks	286	307
Deposits from customers	1,284	1,907
Debt securities in issue	4	4
Financial liabilities held for trading	1	1
Financial liabilities designated at fair value	–	–
Reserve	–	–
Other liabilities	378	23
LIABILITIES	**1,953**	**2,242**

Provisions for risks and charges

(€ million)

	30 SEPT. 2014	31 DEC. 2013
Pensions and other post-retirement benefit obligations	**5,021**	**4,630**
Other provisions for risks and charges	**437**	**355**
Legal disputes	98	103
Staff expenses	110	135
Other	229	117
TOTAL	**5,457**	**4,985**

Segment reporting

The table on the following two pages presents the income statement in the format used for controlling purposes and permits a reconciliation to the interim results and key indicators used for segment reporting.

Reconciliation of reclassified accounts to mandatory reporting schedule

(€ million)

	1 JAN.– 30 SEPT. 2014	1 JAN.– 30 SEPT. 2013
Net interest	2,592	2,545
Dividends and other income from equity investments	351	608
Dividend income and similar revenue	6	17
minus: dividends from equity instruments held for trading	*0*	*0*
Profit (loss) of associates – of which: income (loss) from equity investments valued at net equity	345	592
Net fees and commissions	1,022	999
Net trading, hedging and fair value income	400	471
Gains (losses) on financial assets and liabilities held for trading	273	358
plus: dividends from equity instruments held for trading	*0*	*0*
Fair value adjustments in hedge accounting	*–1*	*7*
Gains (losses) on disposal and repurchase of available-for-sale financial assets	*133*	*64*
Gains (losses) on disposal and repurchase of held-to-maturity investments	*0*	*3*
Gains (losses) on disposal or repurchase of financial liabilities	*0*	*11*
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss	*–5*	*27*
Net other expenses/income	96	73
Gains (losses) on disposals/repurchases of loans and receivables – not impaired	0	2
Premiums earned (net)	0	0
Other income (net) from insurance activities	0	0
Other net operating income	106	69
minus: other operating income – of which: recovery of expenses	*0*	*–1*
plus: impairment on tangible assets – other operating leases	*–12*	*0*
minus: Other operating expenses – write-downs on improvements of goods owned by third parties	*3*	*3*
OPERATING INCOME	**4,461**	**4,695**
Payroll costs	–1,208	–1,221
Administrative costs – staff expenses	–1,209	–1,221
minus: integration/restructuring costs	*1*	*0*
Other administrative expenses	–1,139	–1,092
Administrative costs – other administrative expenses	–1,142	–1,103
minus: integration/restructuring costs	*6*	*14*
plus: Other operating expenses – write-downs on improvements of goods owned by third parties	*–3*	*–3*
Recovery of expenses = Other net operating income – of which: Other operating income – recovery of costs	0	1
Amortisation, depreciation and impairment losses on intangible and tangible assets	–124	–154
Impairment/Write-backs on property, plant and equipment	–102	–105
minus: impairment losses/write-backs on property held for investment	*0*	*0*
minus: impairment on tangible assets – other operating leases	*12*	*0*
Impairment/Write-backs on intangible assets	–36	–53
minus: integration/restructuring costs	*2*	*3*
OPERATING COSTS	**–2,471**	**–2,466**
OPERATING PROFIT	**1,990**	**2,230**

Segment reporting (CONTINUED)

	1 JAN.– 30 SEPT. 2014	1 JAN.– 30 SEPT. 2013
Net write-downs of loans and provisions for guarantees and commitments	–501	–757
Gains (losses) on disposal and repurchase of loans	7	1
Impairment losses on loans	–558	–761
Impairment losses on other financial assets	51	3
NET OPERATING PROFIT	**1,489**	**1,472**
Provisions for risks and charges	–126	–114
Net provisions for risks and charges	–125	10
minus: release of provision for FX reserve Kazakhstan	*0*	*–122*
minus: integration/restructuring costs	*–1*	*–2*
Integration/restructuring costs	–8	–16
Net income from investments	67	–28
Impairment losses on available-for-sale financial assets	–3	–11
Impairment losses on held-to-maturity investments	0	0
plus: impairment losses/write-backs on property held for investment	*0*	*0*
Profit (loss) of associates	328	595
minus: profit (loss) of associates – income (loss) from equity investments valued at net equity	*–345*	*–592*
Gains and losses on tangible and intangible assets	4	–3
Gains (losses) on disposal of investments	84	–16
PROFIT BEFORE TAX	**1,423**	**1,315**
Income tax for the period	–200	–180
Tax expense (income) related to profit or loss from continuing operations	–200	–180
minus: taxes on Purchase Price Allocation effect	*0*	*0*
Total profit or loss after tax from discontinued operations	–19	–18
Profit or loss after tax from discontinued operations	–19	–139
plus: release of provision for FX reserve Kazakhstan	*0*	*122*
PROFIT (LOSS) FOR THE PERIOD	**1,204**	**1,118**
Non-controlling interests	–11	–26
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY BEFORE PPA	**1,192**	**1,092**
Impairment of goodwill	0	–8
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**1,192**	**1,084**

Segment reporting (CONTINUED)

Description of segment reporting

The segment reporting format is based on the internal reporting structure of business segments, which reflects management responsibilities in the Bank Austria Group in 2014. The business segments are presented as independent units with responsibility for their own results. The definition of business segments is primarily based on organisational responsibility for customers.

Segment reporting covers the following business segments:

Retail & Corporates

The Retail & Corporates business segment comprises business with private individuals (Retail), including the Mass Market and Affluent customer segments except Private Banking customers, and thus encompasses the entire multi-channel distribution network. Also included in this Division are subsidiaries active in credit card business and FactorBank. The Corporates subdivision covers the customer segments SMEs (small and medium-sized businesses) and corporate customers with an annual turnover of over €50 million, and Real Estate including various subsidiaries (e.g. Wohnbaubank, Bank Austria Real Invest Group) and the Public Sector customer segment.

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 business segment.

Corporate & Investment Banking (CIB)

The Corporate & Investment Banking segment covers the customer segment of multinational companies and large international customers using capital market services and investment banking solutions. Corporate & Investment Banking also serves financial institutions including banks, asset managers, institutional customers and insurance companies. The product lines offered by CIB to these customers are Financing & Advisory (classic and structured lending business and capital market advisory services), Global Transaction Banking (including payment transactions, trade finance, cash management) and within Markets & Corporate Treasury Sales the services relating to customer-driven trading activities. The product specialists continue to support commercial banking activities of the bank's other business segments.

Central Eastern Europe (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). On the basis of a strategic decision on risk reduction, the equity interest in Ukrsotsbank was classified as a discontinued operation (held for sale) at the end of 2013. Profit or loss of Ukrsotsbank continues to be included in the CEE business segment in the income statement item "Total profit or loss after tax from discontinued operations"; figures for previous periods were adjusted accordingly. The companies of the Yapı Kredi Group were previously accounted for using proportionate consolidation or the equity method. As a result of first-time application of IFRS 11, these companies are accounted for as a consolidated group using the equity method starting with 2014; figures for previous periods were adjusted accordingly.

The Yapı Kredi Group companies continue to be included on a proportionate basis in the calculation of risk-weighted assets and capital resources for regulatory purposes.

In the context of the realignment of leasing business, UniCredit Leasing SpA transferred leasing companies in Russia, the Czech Republic, Slovakia and Romania to Bank Austria in 2014.

Corporate Center

The item "Total profit or loss after tax from discontinued operations" in the Corporate Center's income statement in the fourth quarter of 2013 included the other effects resulting from the classification of Ukrsotsbank as a discontinued operation. The previous periods included effects from the sale (including profit or loss until the sale) of JSC ATF Bank and its subsidiaries. In addition to current expenses relating to steering and administrative functions for the entire bank, the Corporate Center comprises all equity interests that are not assigned to a business segment. The equity interest in UniCredit Leasing SpA, classified in the fourth quarter of 2013 as a disposal group held for sale, was sold in March 2014.

In September 2014, the Bank Austria Group acquired 100% of the shares in Immobilien Holding GmbH and assigned the shareholding to the Corporate Center. All Immobilien Holding Group companies are classified as held for sale.

Funding costs relating to consolidated subsidiaries are also assigned to the Corporate Center. Also included are inter-segment eliminations, other items which are not to be assigned to the business segments, and impairment losses on goodwill.

Segment reporting (CONTINUED)

Methods

Net interest 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 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. Essentially, it is composed of the 1-month EURIBOR and a liquidity cost margin based on the average term of balance sheet volume.

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).

Capital allocated to the business segments in UniCredit Bank Austria AG, based on the Tier 1 capital ratio, is 9% of risk-weighted assets.

Recasting:

A number of structural changes took place within the business segments and in the group of consolidated companies. This means that results for 2014 are not fully comparable with those for 2013. For this reason, the segment results for 2013 have been adjusted to the new structure. The difference compared with Bank Austria's overall results is presented in a separate column showing "Recasting differences".

The main pro-forma adjustments are as follows:

- As part of the restructuring of leasing business, companies were taken over from UniCredit Leasing SpA in Latvia in the second quarter of 2013 and in Bulgaria in the fourth quarter of 2013. These companies are included in the recast figures for all previous periods in 2013. Moreover, in the first quarter of 2014, further companies in the Czech Republic, Slovakia and Russia, and in the second quarter of 2014 in Romania, were taken over from UniCredit Leasing SpA and newly included in the group of consolidated companies of the Bank Austria Group. The companies were assigned to the CEE business segment; figures for previous periods were adjusted accordingly.
- Following the sale of the shareholding interest in UniCredit Leasing SpA in March 2014, the related contributions, which were accounted for using the equity method, were eliminated also in previous periods.
- Minor equity interests in the real estate sector previously held within the Retail & Corporates business segment were assigned to the Corporate Center. Figures for previous periods were adjusted accordingly.
- To enhance data comparability, further adjustments were made at segment level; these are mainly structural adjustments resulting from organisational changes.

Segment reporting (CONTINUED)

Segment reporting 1–9 2014/1–9 2013

(€ million)

		RETAIL & CORPORATES	PRIVATE BANKING	CORPORATE & INVESTMENT BANKING (CIB)	CENTRAL EASTERN EUROPE (CEE)	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST)	RECASTING DIFFER-ENCES [1]	BANK AUSTRIA GROUP (PUBLISHED) [2]
Net interest	1–9 2014	699	47	245	1,846	–246	2,592	–	2,592
	1–9 2013	680	35	259	1,812	–191	2,597	–52	2,545
Dividends and other income from equity investments	1–9 2014	31	–	–	233	87	351	–	351
	1–9 2013	23	–	4	546	67	639	–31	608
Net fees and commissions	1–9 2014	361	73	73	573	–58	1,022	–	1,022
	1–9 2013	352	73	78	532	–28	1,008	–8	999
Net trading, hedging and fair value income/loss	1–9 2014	10	1	38	242	109	400	–	400
	1–9 2013	32	2	39	303	96	471	–	471
Net other expenses/income	1–9 2014	11	–	1	54	30	96	–	96
	1–9 2013	16	1	4	59	–6	74	–1	73
OPERATING INCOME	**1–9 2014**	**1,113**	**122**	**356**	**2,949**	**–78**	**4,461**	**–**	**4,461**
	1–9 2013	**1,102**	**112**	**384**	**3,253**	**–61**	**4,788**	**–93**	**4,695**
OPERATING COSTS	**1–9 2014**	**–834**	**–87**	**–182**	**–1,190**	**–178**	**–2,471**	**–**	**–2,471**
	1–9 2013	**–838**	**–82**	**–168**	**–1,240**	**–164**	**–2,492**	**27**	**–2,466**
OPERATING PROFIT	**1–9 2014**	**278**	**35**	**175**	**1,758**	**–256**	**1,990**	**–**	**1,990**
	1–9 2013	**264**	**29**	**216**	**2,012**	**–225**	**2,296**	**–66**	**2,230**
Net write-downs of loans and provisions for guarantees and commitments	1–9 2014	–59	–	8	–450	–	–501	–	–501
	1–9 2013	–134	–1	–38	–605	1	–777	20	–757
NET OPERATING PROFIT	**1–9 2014**	**220**	**36**	**182**	**1,308**	**–256**	**1,489**	**–**	**1,489**
	1–9 2013	**130**	**29**	**178**	**1,407**	**–224**	**1,519**	**–47**	**1,472**
Provisions for risks and charges	1–9 2014	–	–	–	–109	–16	–126	–	–126
	1–9 2013	–	–1	–	–5	–107	–114	–	–114
Integration/restructuring costs	1–9 2014	–	–	–	–8	–	–8	–	–8
	1–9 2013	–	–	4	–20	–	–16	–	–16
Net income/loss from investments	1–9 2014	–1	–	2	4	61	67	–	67
	1–9 2013	9	–	–	–35	–1	–28	–	–28
PROFIT BEFORE TAX	**1–9 2014**	**219**	**36**	**185**	**1,195**	**–212**	**1,423**	**–**	**1,423**
	1–9 2013	**138**	**28**	**182**	**1,346**	**–333**	**1,362**	**–46**	**1,315**
Income tax for the period	1–9 2014	–43	–9	–46	–172	70	–200	–	–200
	1–9 2013	–19	–7	–44	–130	18	–183	3	–180
Total profit or loss after tax from discontinued operations	1–9 2014	–	–	–	–80	61	–19	–	–19
	1–9 2013	–	–	–	–51	36	–15	–3	–18
PROFIT OR LOSS FOR THE PERIOD	**1–9 2014**	**175**	**27**	**139**	**943**	**–80**	**1,204**	**–**	**1,204**
	1–9 2013	**119**	**20**	**139**	**1,165**	**–279**	**1,164**	**–46**	**1,118**
Non-controlling interests	1–9 2014	–7	–	–	–20	15	–11	–	–11
	1–9 2013	–6	–	1	–48	22	–31	5	–26
NET PROFIT OR LOSS ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY BEFORE PPA	**1–9 2014**	**168**	**27**	**139**	**923**	**–65**	**1,192**	**–**	**1,192**
	1–9 2013	**113**	**20**	**140**	**1,117**	**–257**	**1,133**	**–41**	**1,092**
Purchase Price Allocation effect	1–9 2014	–	–	–	–	–	–	–	–
	1–9 2013	–	–	–	–	–	–	–	–
Goodwill impairment	1–9 2014	–	–	–	–	–	–	–	–
	1–9 2013	–	–	–	–	–8	–8	–	–8
NET PROFIT OR LOSS ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**1–9 2014**	**168**	**27**	**139**	**923**	**–65**	**1,192**	**–**	**1,192**
	1–9 2013	**113**	**20**	**140**	**1,117**	**–265**	**1,125**	**–41**	**1,084**

Segment reporting (CONTINUED)

		RETAIL & CORPORATES	PRIVATE BANKING	CORPORATE & INVESTMENT BANKING (CIB)	CENTRAL EASTERN EUROPE (CEE)	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST)	RECASTING DIFFER-ENCES [1]	BANK AUSTRIA GROUP (PUBLISHED) [2]
Risk-weighted assets (RWA) (avg.) [3]	**1–9 2014**	**17,643**	**614**	**8,363**	**83,431**	**14,047**	**124,098**	**–**	**124,098**
	1–9 2013	**17,678**	**682**	**9,255**	**86,732**	**15,032**	**129,379**	**–1,932**	**127,447**
Loans to customers (end of period)	**1–9 2014**	**40,145**	**599**	**12,924**	**57,737**	**3,762**	**115,167**	**–**	**115,167**
	1–9 2013	**40,349**	**642**	**13,340**	**58,127**	**4,732**	**117,190**	**219**	**117,409**
Primary funds (end of period) [4]	**1–9 2014**	**42,007**	**9,163**	**8,885**	**50,070**	**20,411**	**130,536**	**–**	**130,536**
	1–9 2013	**39,217**	**7,969**	**8,327**	**46,020**	**16,637**	**118,170**	**687**	**118,857**
Cost/income ratio excl. bank levy in %	*1–9 2014*	*71.8*	*69.0*	*44.3*	*39.0*	*n.m.*	*52.5*	*n.m.*	*52.5*
	1–9 2013	*73.4*	*73.3*	*38.6*	*36.7*	*n.m.*	*49.7*	*n.m.*	*50.1*
Risk/earnings ratio in % [5]	*1–9 2014*	*8.1*	*n.m.*	*n.m.*	*21.7*	*n.m.*	*17.0*	*n.m.*	*17.0*
	1–9 2013	*19.1*	*1.5*	*14.5*	*25.7*	*n.m.*	*24.0*	*n.m.*	*24.0*

1) The segment results have been recast. The difference compared to Bank Austria's results is presented in a separate column showing "Recasting differences", which for 2013 mainly relate to the transfer of Leasing subsidiaries in the Baltics and in Bulgaria, Russia, the Czech Republic, Slovakia and Romania to Bank Austria. Recasting differences in dividends and other income from equity investments also relate to the sale of the equity stake in UniCredit Leasing SpA.

2) The comparative figures for 2013 and 2014 reflect the accounting figures, restatements are included as described in the notes.

3) Turkey consolidated on a pro-rata basis. Corporate Center: including Kazakhstan (until disposal).

4) Primary funds: deposits from customers and debt securities in issue.

5) Risk/earnings ratio: net write-downs of loans and provisions for guarantees and commitments measured against net interest and dividends and other income from equity investments.

n.m. = not meaningful

Segment reporting (CONTINUED)

Segment reporting Q1–Q3 2014/Q1–Q4 2013

(€ million)

		RETAIL & CORPORATES	PRIVATE BANKING	CORPORATE & INVESTMENT BANKING (CIB)	CENTRAL EASTERN EUROPE (CEE)	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST) [1]
Net interest	Q3 2014	232	16	77	651	–92	884
	Q2 2014	236	16	83	611	–80	866
	Q1 2014	231	15	85	584	–74	841
	Q4 2013	231	14	83	610	–64	873
	Q3 2013	225	12	81	616	–52	881
	Q2 2013	235	12	89	602	–77	861
	Q1 2013	221	11	89	595	–61	855
Dividends and other income from equity investments	Q3 2014	10	–	–	95	21	126
	Q2 2014	12	–	–	90	49	151
	Q1 2014	9	–	–	48	16	73
	Q4 2013	13	–	1	102	8	124
	Q3 2013	4	–	–	297	29	329
	Q2 2013	12	–	–	149	17	179
	Q1 2013	7	–	4	100	21	132
Net fees and commissions	Q3 2014	118	24	25	197	–17	347
	Q2 2014	120	24	23	197	–18	346
	Q1 2014	123	25	24	180	–22	330
	Q4 2013	128	27	31	198	–6	379
	Q3 2013	111	22	20	184	–2	336
	Q2 2013	120	25	28	179	–5	348
	Q1 2013	120	25	30	169	–21	324
Net trading, hedging and fair value income/loss	Q3 2014	2	1	9	106	32	150
	Q2 2014	6	1	8	79	45	138
	Q1 2014	3	–	20	57	31	112
	Q4 2013	1	1	15	260	45	321
	Q3 2013	7	1	11	90	48	158
	Q2 2013	7	1	20	102	51	180
	Q1 2013	17	–	8	111	–4	133
Net other expenses/income	Q3 2014	3	–	–	32	12	47
	Q2 2014	3	–	–	17	9	30
	Q1 2014	5	–	–	5	10	20
	Q4 2013	9	–	1	1	8	18
	Q3 2013	5	1	–	32	5	43
	Q2 2013	5	–	1	16	–19	2
	Q1 2013	6	–	3	11	8	28
OPERATING INCOME	**Q3 2014**	**365**	**40**	**112**	**1,081**	**–44**	**1,554**
	Q2 2014	**377**	**41**	**115**	**993**	**5**	**1,531**
	Q1 2014	**371**	**40**	**130**	**875**	**–40**	**1,376**
	Q4 2013	**382**	**41**	**131**	**1,170**	**–10**	**1,715**
	Q3 2013	**352**	**36**	**112**	**1,219**	**28**	**1,747**
	Q2 2013	**378**	**38**	**138**	**1,048**	**–32**	**1,570**
	Q1 2013	**371**	**37**	**134**	**986**	**–57**	**1,471**
OPERATING COSTS	**Q3 2014**	**–270**	**–28**	**–58**	**–398**	**–61**	**–814**
	Q2 2014	**–282**	**–30**	**–62**	**–389**	**–59**	**–822**
	Q1 2014	**–283**	**–29**	**–62**	**–404**	**–58**	**–835**
	Q4 2013	**–293**	**–28**	**–58**	**–457**	**–58**	**–894**
	Q3 2013	**–269**	**–27**	**–55**	**–410**	**–53**	**–813**
	Q2 2013	**–288**	**–28**	**–57**	**–408**	**–55**	**–835**
	Q1 2013	**–282**	**–28**	**–57**	**–422**	**–56**	**–844**
OPERATING PROFIT	**Q3 2014**	**95**	**13**	**54**	**683**	**–105**	**740**
	Q2 2014	**95**	**11**	**53**	**605**	**–54**	**710**
	Q1 2014	**88**	**12**	**68**	**471**	**–98**	**541**
	Q4 2013	**89**	**13**	**72**	**714**	**–68**	**821**
	Q3 2013	**84**	**9**	**57**	**809**	**–25**	**934**
	Q2 2013	**90**	**10**	**82**	**639**	**–87**	**735**
	Q1 2013	**89**	**10**	**78**	**564**	**–113**	**628**

Segment reporting (CONTINUED)

		RETAIL & CORPORATES	PRIVATE BANKING	CORPORATE & INVESTMENT BANKING (CIB)	CENTRAL EASTERN EUROPE (CEE)	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST) 1)
Net write-downs of loans and provisions for guarantees and commitments	Q3 2014	–12	–	–8	–150	–	–169
	Q2 2014	–5	–	28	–166	–	–142
	Q1 2014	–43	–	–13	–134	–	–190
	Q4 2013	–2	–	–15	–489	–30	–536
	Q3 2013	–45	–	–13	–205	–	–263
	Q2 2013	–45	–	–12	–213	1	–269
	Q1 2013	–45	–	–13	–188	–	–246
NET OPERATING PROFIT	**Q3 2014**	**84**	**13**	**46**	**533**	**–104**	**571**
	Q2 2014	**90**	**11**	**82**	**438**	**–54**	**568**
	Q1 2014	**45**	**12**	**55**	**337**	**–98**	**350**
	Q4 2013	**88**	**13**	**57**	**225**	**–98**	**284**
	Q3 2013	**39**	**9**	**44**	**604**	**–25**	**671**
	Q2 2013	**46**	**10**	**69**	**427**	**–86**	**466**
	Q1 2013	**45**	**9**	**65**	**377**	**–113**	**382**
Provisions for risks and charges	Q3 2014	–	–	–	–77	–18	–95
	Q2 2014	–	–	–	–30	2	–28
	Q1 2014	–	–	–	–3	–	–4
	Q4 2013	–5	–1	–	–6	–22	–34
	Q3 2013	–	–1	–	–	–15	–17
	Q2 2013	–	–	–	–4	–31	–34
	Q1 2013	–	–	–	–1	–62	–63
Integration/restructuring costs	Q3 2014	–	–	–	–1	–	–1
	Q2 2014	–	–	–	–6	–	–6
	Q1 2014	–	–	–	–1	–	–1
	Q4 2013	–	–	–	–13	–104	–117
	Q3 2013	–	–	4	–14	–	–10
	Q2 2013	–	–	–	–4	–	–4
	Q1 2013	–	–	–	–2	–	–2
Net income/loss from investments	Q3 2014	–	–	–	6	5	12
	Q2 2014	–1	–	–	–1	–17	–20
	Q1 2014	–	–	2	–	73	75
	Q4 2013	–41	–	–2	–18	–635	–696
	Q3 2013	11	–	–1	–34	–2	–26
	Q2 2013	–2	–	3	–2	1	–
	Q1 2013	–	–	–2	–	–	–2
PROFIT BEFORE TAX	**Q3 2014**	**84**	**13**	**46**	**461**	**–117**	**487**
	Q2 2014	**89**	**11**	**82**	**402**	**–69**	**515**
	Q1 2014	**45**	**12**	**57**	**332**	**–25**	**421**
	Q4 2013	**41**	**12**	**55**	**188**	**–858**	**–562**
	Q3 2013	**50**	**8**	**47**	**555**	**–43**	**618**
	Q2 2013	**44**	**10**	**72**	**417**	**–116**	**428**
	Q1 2013	**45**	**9**	**63**	**374**	**–175**	**316**
Income tax for the period	Q3 2014	–16	–3	–11	–66	23	–73
	Q2 2014	–20	–3	–20	–54	35	–63
	Q1 2014	–8	–3	–15	–51	12	–64
	Q4 2013	–23	–4	–14	–15	–189	–245
	Q3 2013	–6	–2	–11	–51	4	–66
	Q2 2013	–7	–3	–18	–28	–23	–79
	Q1 2013	–6	–2	–15	–51	37	–38
Total profit or loss after tax from discontinued operations	Q3 2014	–	–	–	–41	47	6
	Q2 2014	–	–	–	–35	8	–27
	Q1 2014	–	–	–	–4	6	2
	Q4 2013	–	–	–	–52	–199	–251
	Q3 2013	–	–	–	2	6	8
	Q2 2013	–	–	–	–56	13	–43
	Q1 2013	–	–	–	3	17	20

Segment reporting (CONTINUED)

		RETAIL & CORPORATES	PRIVATE BANKING	CORPORATE & INVESTMENT BANKING (CIB)	CENTRAL EASTERN EUROPE (CEE)	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST) 1)
PROFIT (LOSS) FOR THE PERIOD	**Q3 2014**	**69**	**10**	**35**	**354**	**–47**	**420**
	Q2 2014	**69**	**8**	**61**	**313**	**–27**	**425**
	Q1 2014	**37**	**9**	**43**	**277**	**–7**	**359**
	Q4 2013	**17**	**9**	**42**	**120**	**–1,247**	**–1,059**
	Q3 2013	**44**	**6**	**37**	**506**	**–33**	**560**
	Q2 2013	**37**	**7**	**54**	**333**	**–125**	**306**
	Q1 2013	**39**	**7**	**47**	**326**	**–121**	**298**
Non-controlling interests	Q3 2014	–3	–	–	–5	4	–4
	Q2 2014	–1	–	–	–2	4	1
	Q1 2014	–2	–	–	–13	8	–8
	Q4 2013	–3	–	–1	28	39	63
	Q3 2013	–3	–	–	–9	1	–10
	Q2 2013	–2	–	–	–21	15	–8
	Q1 2013	–2	–	1	–18	6	–13
NET PROFIT OR LOSS ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY BEFORE PPA	**Q3 2014**	**65**	**10**	**35**	**349**	**–43**	**416**
	Q2 2014	**68**	**8**	**61**	**311**	**–23**	**426**
	Q1 2014	**35**	**9**	**43**	**263**	**1**	**351**
	Q4 2013	**14**	**9**	**40**	**148**	**–1,207**	**–996**
	Q3 2013	**41**	**6**	**37**	**498**	**–32**	**550**
	Q2 2013	**35**	**7**	**54**	**312**	**–110**	**298**
	Q1 2013	**37**	**7**	**49**	**308**	**–115**	**285**
Purchase Price Allocation effect	Q3 2014	–	–	–	–	–	–
	Q2 2014	–	–	–	–	–	–
	Q1 2014	–	–	–	–	–	–
	Q4 2013	–	–	–	–	–	–
	Q3 2013	–	–	–	–	–	–
	Q2 2013	–	–	–	–	–	–
	Q1 2013	–	–	–	–	–	–
Goodwill impairment	Q3 2014	–	–	–	–	–	–
	Q2 2014	–	–	–	–	–	–
	Q1 2014	–	–	–	–	–	–
	Q4 2013	–	–	–	–9	–1,661	–1,670
	Q3 2013	–	–	–	–	–3	–3
	Q2 2013	–	–	–	–	–3	–3
	Q1 2013	–	–	–	–	–3	–3
NET PROFIT OR LOSS ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**Q3 2014**	**65**	**10**	**35**	**349**	**–43**	**416**
	Q2 2014	**68**	**8**	**61**	**311**	**–23**	**426**
	Q1 2014	**35**	**9**	**43**	**263**	**1**	**351**
	Q4 2013	**14**	**9**	**40**	**139**	**–2,869**	**–2,666**
	Q3 2013	**41**	**6**	**37**	**498**	**–34**	**547**
	Q2 2013	**35**	**7**	**54**	**312**	**–113**	**296**
	Q1 2013	**37**	**7**	**49**	**308**	**–118**	**282**
Risk-weighted assets (RWA) (avg.) 2)	Q3 2014	17,735	617	8,461	85,503	13,487	125,803
	Q2 2014	17,938	623	8,227	83,515	14,543	124,846
	Q1 2014	17,255	604	8,401	81,274	14,111	121,645
	Q4 2013	17,280	600	8,608	81,274	13,147	120,910
	Q3 2013	17,424	597	8,529	84,482	13,519	124,550
	Q2 2013	17,631	615	9,291	87,429	15,072	130,040
	Q1 2013	17,981	833	9,946	88,284	16,504	133,548
Loans to customers (end of period)	Q3 2014	40,145	599	12,924	57,737	3,762	115,167
	Q2 2014	40,242	635	13,052	57,091	4,284	115,304
	Q1 2014	39,898	636	13,126	54,606	4,959	113,224
	Q4 2013	40,067	644	12,956	56,436	4,656	114,759
	Q3 2013	40,349	642	13,340	58,127	4,732	117,190
	Q2 2013	40,857	627	13,652	57,911	5,451	118,498
	Q1 2013	40,896	592	14,189	58,090	5,607	119,374
Primary funds (end of period) 3)	Q3 2014	42,007	9,163	8,885	50,070	20,411	130,536
	Q2 2014	40,483	8,352	8,527	48,398	19,211	124,971
	Q1 2014	40,522	8,585	8,811	47,452	18,658	124,028
	Q4 2013	40,303	7,686	8,806	49,530	17,463	123,788
	Q3 2013	39,217	7,969	8,327	46,020	16,637	118,170
	Q2 2013	41,208	7,821	8,476	45,857	16,481	119,842
	Q1 2013	42,442	7,761	8,623	46,303	16,179	121,308

Segment reporting (CONTINUED)

		RETAIL & CORPORATES	PRIVATE BANKING	CORPORATE & INVESTMENT BANKING (CIB)	CENTRAL EASTERN EUROPE (CEE)	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST) 1)
Cost/income ratio excl. bank levy in %	*Q3 2014*	*70.6*	*66.8*	*44.6*	*36.3*	*n.m.*	*50.1*
	Q2 2014	*71.6*	*69.8*	*47.4*	*38.5*	*n.m.*	*51.3*
	Q1 2014	*73.1*	*70.3*	*41.2*	*42.8*	*n.m.*	*56.5*
	Q4 2013	*74.1*	*67.6*	*39.8*	*38.6*	*n.m.*	*50.5*
	Q3 2013	*73.5*	*73.4*	*43.1*	*33.2*	*n.m.*	*44.9*
	Q2 2013	*73.5*	*72.8*	*36.3*	*38.4*	*n.m.*	*51.3*
	Q1 2013	*73.3*	*73.8*	*37.4*	*39.4*	*n.m.*	*53.5*
Risk/earnings ratio in % 4)	*Q3 2014*	*4.8*	*0.3*	*10.0*	*20.1*	*n.m.*	*16.7*
	Q2 2014	*1.9*	*n.m.*	*n.m.*	*23.7*	*n.m.*	*14.0*
	Q1 2014	*17.8*	*0.7*	*15.7*	*21.2*	*n.m.*	*20.8*
	Q4 2013	*0.8*	*1.9*	*18.1*	*68.7*	*n.m.*	*53.8*
	Q3 2013	*19.6*	*1.7*	*15.8*	*22.5*	*n.m.*	*21.7*
	Q2 2013	*18.2*	*1.2*	*13.8*	*28.3*	*n.m.*	*25.8*
	Q1 2013	*19.6*	*1.7*	*14.1*	*27.0*	*n.m.*	*24.9*

1) Quarterly figures based on unaudited recast data only.
3) Turkey consolidated on a pro-rata basis. Corporate Center: including Kazakhstan (until disposal).
3) Primary funds: deposits from customers and debt securities in issue.
4) Risk/earnings ratio: net write-downs of loans and provisions for guarantees and commitments measured against net interest and dividends and other income from equity investments.
n.m. = not meaningful

Risk report

Liquidity risks in Ukraine, Russia and Bulgaria

Ukraine

The political crisis in Ukraine led to material **depreciation of Ukraine's currency (UAH down by about 36% against the US dollar since the beginning of 2014)** and an **interest rate increase in funding rates**. After substantial depreciation in March/April, further losses in value of UAH against the US dollar in the third quarter of 2014 were limited to about 10%.

The current situation in the country has a strong impact on commercial activity. Ukrsotsbank (USB) has closed its operations in Crimea. In the regions of Donetsk and Luhansk, 9 branches have been closed permanently and 30 branches have been closed at least temporarily.

The **customer deposit base in UAH** decreased by 17% in Q1 2014 (deposits in USD by 40%) but was subsequently stabilised. UAH deposits rose until the middle of October and are currently about 10% below the previous year's level. Ukrsotsbank is currently **not using any local central bank support**.

The bank holds about UAH 1.8 billion of collateral (Ukraine government bonds) which can be used for UAH refinancing with the local central bank beyond an eligible corporate bond portfolio of UAH 0.5 billion and a collateral-free National Bank of Ukraine (NBU) facility of UAH 0.2 billion. NBU has extended the eligible collateral definition to certain loan categories, the positive impact on the eligible collateral is assessed at about UAH 1 billion. Central bank funds in the amount of available collateral are available to the bank unless local minimum capital ratios fail to be met. Bank Austria supports USB with a USD overnight facility, which is currently not used.

A strong focus on deposit retention and restrictive lending practice helped to keep the overall **bank's liquidity position** stable.

Russia

The political **crisis in Ukraine** triggered major negative impacts on the Russian economy. **Currency depreciation and material interest rate increases** during the first quarter of 2014 mainly led to valuation losses on the bond and interest rate positions of UniCredit Bank Russia.

In the second quarter, the situation gradually eased at least in financial markets, leading to a countermovement in indices with an improvement in the earnings position of Markets operations in UniCredit Bank Russia.
Since the middle of 2014, the market environment has deteriorated again (EUR/RUB about –12% by the middle of October), with a negative impact on earnings especially in September 2014.

UniCredit Bank Russia is currently **not experiencing deposit outflows which exceed normal fluctuations**, just the usual seasonal outflows of short-term deposits of corporate customers. The additional economic sanctions which have been imposed (especially with regard to the oil industry) could potentially change the situation.

The bank is **compliant** with all external and internal **liquidity limits and liquidity ratios**. UniCredit Bank Russia continues to be a net liquidity provider to Bank Austria. Severe outflow assumptions in a stress test can be covered with the existing counterbalancing capacity.

Bulgaria

The banking crisis triggered in the middle of 2014 involved Commercial Corporate Bank and First International Bank (the no. 4 and no. 3 banks by total assets). With new management under a state commissioner at CCB and funding commitments given by the central bank, the crisis has so far not had any further negative impact on the financial services sector or on the local currency, which is pegged to the euro. UniCredit Bulbank recorded substantial inflows of deposits from customers of the above-mentioned banks and invested the additional liquidity in sovereign bonds.

UniCredit Bulbank's market and liquidity risk ratios are within a normal range. The Alert Task Force established at the onset of the local banking crisis has been wound up in the meantime. Day-to-day liquidity management of UniCredit Bulbank and communication with the competent functions within Bank Austria are subject to established standard processes.

Risk report (CONTINUED)

Country risk and sovereign risk

Risk associated with cross-border transactions with all customer groups is reflected in country risk (“transfer and convertibility risk”; country risk includes, for example, loans to foreign corporate customers or banks). Risk associated with the state itself (e.g. the purchase of government bonds) is reflected in sovereign risk, irrespective of whether such risk is cross-border or local risk. Both risks are assessed via a group-wide credit process. Country limits and sovereign limits are assessed by the responsible risk management team, approved by the relevant body having approval authority, and assigned to UniCredit subsidiaries according to business needs. In general, cross-border business is not limited for countries which are presumed less risky, e.g. the US, Japan, core EU countries; for all other countries, cross-border business is limited via the assigned country limit. Sovereign risk is in each case limited via counterparty limits. The overall bond exposure is monitored via nominal credit risk limits and market risk limits. Any impairment losses are recognised according to international standards.

Central and Eastern Europe, Ukraine and Russia

Political and economic developments in Ukraine are a particular focus of attention. The entire exposure is controlled via specific crisis strategies and closely monitored. Risk-mitigating measures have also been taken with regard to the portfolio relating to Russian customers, in the context of the sanctions which have been imposed.

Large sovereign exposures for countries in Central and Eastern Europe (e.g. Russia, Hungary, Romania, Croatia) mainly result from excess liquidity management of Bank Austria banking subsidiaries or guarantees from the respective sovereign provided to support local (i.e. Bank Austria banking subsidiaries in e.g. Serbia, Croatia) corporate business. Both are monitored and limited within the framework of credit risk management.

Risk report (CONTINUED)

Within the Group's sovereign exposures as at 30 September 2014, the carrying amount of sovereign debt securities was €18,229 million, of which about 94% concentrated on ten countries. For each of the ten countries, the table below shows the carrying amount of the exposures broken down by portfolio as at 30 September 2014.

Breakdown of sovereign debt securities by country and portfolio

(€ million)

	30 SEPT. 2014	31 DEC. 2013
COUNTRY/PORTFOLIO	BOOK VALUE	BOOK VALUE
Austria	**9,344**	**6,882**
HFT financial assets/liabilities (net exposures)	–	–
Financial assets at FV through P&L	–	–
Available for sale	9,220	6,755
Loans and receivables	–	–
Held-to-maturity investments	123	127
Czech Republic	**1,817**	**1,966**
HFT financial assets/liabilities (net exposures)	104	96
Financial assets at FV through P&L	8	232
Available for sale	1,705	1,638
Loans and receivables	–	–
Held-to-maturity investments	–	–
Romania	**1,080**	**1,213**
HFT financial assets/liabilities (net exposures)	18	–
Financial assets at FV through P&L	–	–
Available for sale	1,062	1,213
Loans and receivables	–	–
Held-to-maturity investments	–	–
Bulgaria	**907**	**532**
HFT financial assets/liabilities (net exposures)	12	7
Financial assets at FV through P&L	–	1
Available for sale	823	455
Loans and receivables	6	7
Held-to-maturity investments	66	63
Hungary	**905**	**1,949**
HFT financial assets/liabilities (net exposures)	21	74
Financial assets at FV through P&L	–	–
Available for sale	878	1,859
Loans and receivables	–	7
Held-to-maturity investments	6	9
Croatia	**787**	**826**
HFT financial assets/liabilities (net exposures)	7	8
Financial assets at FV through P&L	–	–
Available for sale	781	818
Loans and receivables	–	–
Held-to-maturity investments	–	–
Russia	**650**	**598**
HFT financial assets/liabilities (net exposures)	1	82
Financial assets at FV through P&L	–	–
Available for sale	648	516
Loans and receivables	–	–
Held-to-maturity investments	–	–

Risk report (CONTINUED)

	30 SEPT. 2014	31 DEC. 2013
COUNTRY/PORTFOLIO	BOOK VALUE	BOOK VALUE
Spain	**616**	**6**
HFT financial assets/liabilities (net exposures)	–	–
Financial assets at FV through P&L	–	–
Available for sale	610	–
Loans and receivables	–	–
Held-to-maturity investments	6	6
Slovakia	**580**	**516**
HFT financial assets/liabilities (net exposures)	10	9
Financial assets at FV through P&L	–	–
Available for sale	564	499
Loans and receivables	–	–
Held-to-maturity investments	7	7
Italy	**490**	**563**
HFT financial assets/liabilities (net exposures)	–	–
Financial assets at FV through P&L	–	–
Available for sale	489	563
Loans and receivables	–	–
Held-to-maturity investments	1	1
Other countries	**1,053**	**856**
HFT financial assets/liabilities (net exposures) *)	47	35
Financial assets at FV through P&L	–	–
Available for sale	992	808
Loans and receivables	–	–
Held-to-maturity investments	13	13
TOTAL	**18,229**	**15,908**
thereof:		
Slovenia	**272**	**188**
Greece	**2**	**2**
Portugal	**34**	**30**
shown under held for sale:		
Ukraine	**113**	**214**

*) Including exposures in credit derivatives

Risk report (CONTINUED)

Breakdown of sovereign debt securities by portfolio

(€ million)

	30 SEPT. 2014					
	HELD FOR TRADING (NET EXPOSURES)	FINANCIAL ASSETS AT FAIR VALUE	AVAILABLE-FOR-SALE FINANCIAL ASSETS	LOANS	HELD-TO-MATURITY INVESTMENTS	TOTAL
Book value of sovereign portfolio	220	8	17,773	6	222	18,229
Total portfolio of debt securities	292	48	21,636	614	577	23,166
% Portfolio	75.44%	17.52%	82.14%	0.95%	38.46%	78.69%
	31 DEC. 2013					
	HELD FOR TRADING (NET EXPOSURES)	FINANCIAL ASSETS AT FAIR VALUE	AVAILABLE-FOR-SALE FINANCIAL ASSETS	LOANS	HELD-TO-MATURITY INVESTMENTS	TOTAL
Book value of sovereign portfolio	312	233	15,124	14	226	15,908
Total portfolio of debt securities	495	271	18,990	754	633	21,143
% Portfolio	62.88%	85.99%	79.64%	1.83%	35.66%	75.24%

Sovereign exposures are bonds issued by and loans granted to central banks, governments and other public sector entities. ABSs are not included.

In addition to the exposures to sovereign debt securities, loans to central and local governments and other governmental bodies must be taken into account.

The table below shows the total amount of loans to countries where the overall exposure exceeded €100 million as at 30 September 2014; these countries accounted for 92% of the total.

Breakdown of sovereign loans by country

(€ million)

	30 SEPT. 2014	31 DEC. 2013
COUNTRY	BOOK VALUE	BOOK VALUE
Austria	4,985	4,888
Croatia	2,318	2,567
Indonesia	416	468
Bosnia and Herzegovina	221	216
Slovenia	218	228
Bulgaria	170	167
Gabon	156	–
Serbia	141	137
Romania	122	116
Hungary	122	187
Other	737	795
TOTAL ON-BALANCE SHEET EXPOSURE	**9,605**	**9,769**
shown under held for sale:		
Ukraine	21	33

Sovereign loans are loans granted to central and local governments and other public sector entities.

Risk report (CONTINUED)

Credit risk

In the first nine months of 2014, risk costs of **Bank Austria** were €501 million, significantly lower than for the same period of the previous year (first nine months of 2013: €777 million).

The provisioning charge in **Austria** declined substantially, especially in the **Retail & Corporates** business segment, where net write-downs of loans and provisions for guarantees and commitments amounted to €59 million (first nine months of 2013: €134 million). This decrease was mainly due to developments in the Retail subdivision, with a lower volume of additions to non-performing loans and large recoveries on loans in respect of which impairment losses were previously recognised.

The **Corporate & Investment Banking (CIB)** business segment benefited from a net release of loan loss provisions of €8 million, reflecting the release of the provision for a major customer. In the same period of the previous year, the provisioning charge in CIB was €38 million.

Net write-downs of loans and provisions for guarantees and commitments in the **CEE Division** in the first nine months of 2014 amounted to €450 million (first nine months of 2013: €605 million). The most significant improvements compared with the first nine months of 2013 were seen in Croatia, Romania and Serbia, mainly reflecting the stable development of the loan portfolio. The CEE business segment in UniCredit Bank Austria AG also made a strong contribution to the improvement.

The provisioning charge at the banking subsidiary in Russia was €63 million, more or less unchanged compared with the same period of the previous year (€64 million). To keep the future impact of current events on the loan portfolio to a minimum, the credit risk strategy was adjusted to reflect the current situation.

The credit risk strategy in respect of the Ukrainian banking subsidiary (held for sale) was also adjusted through restrictive requirements for all customer groups and products, and lending in regions or cities which are very strongly affected has been frozen.

Operational risk

Measures are being taken at Ukrsotsbank to limit the impact of the current crisis and minimise operational risks. Opening hours of local branches are adjusted to the current situation on a day-to-day basis, and the number of employees is being reduced. Business activities in the affected regions were suspended temporarily or stopped altogether.

In UniCredit Bank Russia, no direct operational risk losses have occurred so far in connection with the current crisis in Ukraine.
The impact of national legislation on foreign currency loans in Hungary and Croatia is described in the following section on legal risks.

Legal risks

We generally do not make provisions to the extent it is not possible to reliably predict the outcome of proceedings or to quantify possible losses. In cases where it is possible to estimate in a reliable manner the amount of the possible loss and such loss is deemed probable, we have made provisions in amounts we deem appropriate in light of the particular circumstances and in accordance with applicable accounting principles.

In line with the above policy, provisions have been made in the amount of the estimated risk for the following pending legal proceedings. In accordance with IAS 37 information which would seriously prejudice the relevant company's position in the dispute may be omitted:

The Madoff fraud

Background

In March 2009 Bernard L. Madoff ("Madoff"), former chairman of the NASDAQ Exchange and owner of Bernard L. Madoff Investment Securities LLC ("BLMIS"), pled guilty to operating what has been described as a Ponzi scheme, for which he was sentenced to 150 years in prison. In December of 2008, a bankruptcy administrator (the "SIPA Trustee") for the liquidation of BLMIS was appointed in accordance with the U.S. Securities Investor Protection Act of 1970.

Risk report (CONTINUED)

UniCredit Bank Austria AG was, until mid-2007, the owner of founder shares of the Primeo Fund Ltd., a Cayman fund now in Official Liquidation ("Primeo"), which had an account at BLMIS. UniCredit Bank Austria AG issued several tranches of notes whose potential return was to be calculated by reference to the performance of a synthetic hypothetical investment in Primeo. Some UniCredit Bank Austria AG customers purchased shares in Primeo funds that were held in their accounts at UniCredit Bank Austria AG. In addition, an indirectly owned subsidiary of UniCredit Bank Austria AG, known as BA Worldwide Fund Management Ltd. ("BAWFM") served as an investment adviser to the Primeo from Primeo's inception until mid-2007, and also provided investment advisory functions for Thema International Fund plc, a non-U.S. fund that had an account at BLMIS. UniCredit Bank Austria AG also owned a 25% stake in Bank Medici AG ("Bank Medici"), a defendant in certain proceedings described below. Bank Medici is alleged to be connected, inter alia, to the Herald Fund SPC, a non-U.S. fund that had an account at BLMIS.

Several customers addressed enquiries and complaints against UniCredit Bank Austria AG in connection with certain funds related to the fraudulent actions by Mr. Bernard L. Madoff. The following proceedings are relevant:

Austrian criminal proceedings: UniCredit Bank Austria AG has been named as a defendant in criminal proceedings in Austria which concern the Madoff case. These proceedings were initiated by a complaint filed by the FMA (the Austrian Financial Market Authority) to the Austrian prosecutor. Subsequently complaints were filed by purported investors in funds which were invested, either directly or indirectly, in Bernard L. Madoff Investments Securities LLC and Bernard L. Madoff Securities LLC (collectively referred to as "BMIS"). These complaints allege, amongst other things, that UniCredit Bank Austria AG breached provisions of the Austrian Investment Fund Act as prospectus controller of the Primeo Fund. These criminal proceedings are still at the pre-trial stage. In addition, the fee structure and the prospectuses themselves have been examined by an expert appointed by the prosecution.

Austrian civil proceedings: Numerous civil proceedings (with the claimed amount totaling about €129 million) have been initiated in Austria by numerous investors related to Madoff's fraud in which UniCredit Bank Austria AG, among others, has been named as defendant; different types of claims are asserted, including prospectus liability claims. The plaintiffs invested in investment funds that, in turn, invested directly or indirectly with BMIS. Several judgments have been issued in favour of UniCredit Bank Austria AG in various instances, some are already legally binding. Other judgments have been handed down against UniCredit Bank Austria AG, but none of them is final so far as appeals are pending. With respect to those cases currently on appeal no estimate can be made as to their potential outcomes nor the effects, if any, which the appeal decisions may have on other cases pending against UniCredit Bank Austria AG. In seven Supreme Court cases, different senates of the Austrian Supreme Court have held in favour of UniCredit Bank Austria AG and rejected claims based on various theories of liability and related to prospectus liability. At this stage, it is not possible to forecast what effect these decisions may have on other cases.

Proceedings in the United States

Purported class actions

UniCredit Bank Austria AG, UniCredit S.p.A., Pioneer Alternative Investments ("PAI") and Pioneer Global Asset Management S.p.A. ("PGAM"), a UniCredit S.p.A. subsidiary, were named among some 70 defendants in one or more of three putative class action lawsuits filed in the United States District Court for the Southern District of New York (the "Southern District") between January and March 2009, purporting respectively to represent investors in three investment fund groups (the "Herald" funds, the "Primeo" and the "Thema" funds) which were invested, either directly or indirectly, in BLMIS. It was principally alleged that the defendants breached common law duties misrepresenting the monitoring that would be done of Madoff and plaintiffs' investments, and disregarding purported "red flags" of Madoff's fraud, failing to exercise due care in connection with the plaintiffs' investments, and, in the Herald case, that the defendants, including UniCredit Bank Austria AG, violated the United States Racketeer Influenced and Corrupt Organizations Act ("RICO"), causing the class some US$2 billion in damages, which plaintiffs sought to treble under RICO. Plaintiffs sought damages in unspecified amounts (other than under RICO, as noted above) and other relief.

On 29 November 2011, the Southern District dismissed all three purported class action complaints on grounds, with respect to UniCredit Bank Austria AG, UniCredit S.p.A., PGAM and PAI, that the United States is not the most convenient forum for resolution of plaintiffs' claims. On 16 September 2013, the United States Court of Appeals for the Second Circuit (the "Second Circuit") affirmed the dismissal of the cases brought by the Thema and Herald investors (the Primeo litigants did not appeal and agreed to follow the results of Herald appeal). On 30 September 2013, the plaintiffs in the Thema and in the Herald action requested that the decision to affirm the dismissal be reheard by the same panel (a "panel rehearing") or reviewed by the plenary court ("a rehearing en banc"). On 28 May 2014, the panel that heard the original appeal denied plaintiffs´ request for a panel rehearing. On 30 July 2014, the Second Circuit denied plaintiff's request for rehearing en banc.

Claims by the SIPA Trustee

In December 2010, the SIPA Trustee filed two cases (the "HSBC" and the "Kohn" case, respectively) in the United States Bankruptcy Court in the Southern District of New York (the "Bankruptcy Court") against several dozen defendants. Both cases were later removed to the non-bankruptcy federal trial court, i.e., the Southern District.

Risk report (CONTINUED)

In the HSBC case, the SIPA Trustee sought to recover from some 60 defendants, including UniCredit Bank Austria AG, UniCredit S.p.A., BAWFM, PAI, certain current or formerly affiliated persons, and Bank Medici amounts to be determined at trial, allegedly representing so-called avoidable transfers to initial transferees of funds from BLMIS, subsequent transfers of funds originating from BLMIS (including alleged management, performance, advisory, administrative and marketing fees, said to exceed US$400 million in aggregate for all defendants), and compensatory and punitive damages against certain defendants on a joint and several basis, including the abovementioned, alleged to be in excess of US$2 billion. In addition to avoidable transfers, the SIPA Trustee sought to recover in the HSBC case unspecified amounts (said to exceed several billion dollars) for common law claims, including aiding and abetting BLMIS's breach of fiduciary duty and BLMIS's fraud, and contribution. The common law and contribution claims were dismissed on 28 July 2011, while certain claims (primarily avoidance claims) remained pending in the Bankruptcy Court. On 20 June 2013 the Second Circuit affirmed the Southern District's dismissal. On 9 October 2013, the SIPA Trustee petitioned the United States Supreme Court ("Supreme Court") to review the decision by the Second Circuit. The Supreme Court denied the SIPA Trustee´s petition on 30 June 2014.

In the Kohn case, the SIPA Trustee seeks to recover from more than 70 defendants, including UniCredit Bank Austria AG, UniCredit S.p.A., PGAM, BAWFM, Bank Austria Cayman Islands, certain current or formerly affiliated persons, and Bank Medici unspecified avoidable transfers from UniCredit Bank Austria AG as initial transferee from BLMIS, and from UniCredit Bank Austria AG, UniCredit S.p.A., and other affiliated individual defendants as subsequent transferees of funds likewise originating from BLMIS. The complaint further asserts common law claims and RICO violations, and seeks under RICO three times the reported net US$19.6 billion losses allegedly suffered by all BLMIS investors, as well as fees received, compensatory, exemplary and punitive damages, and costs of suit as against the defendants on a joint and several basis. On 21 February 2012, the Southern District dismissed the RICO and common law claims in respect of UniCredit Bank Austria AG, UniCredit S.p.A., PGAM, and the former CEO of UniCredit (who had also been named as a defendant). Certain claims (primarily avoidance claims) remain pending in the Bankruptcy Court. On 21 March 2012, the SIPA Trustee appealed the Southern District's dismissal of the RICO and common law claims to the Second Circuit. On 15 May 2014, the SIPA Trustee procedurally withdrew his appeal to the Second Circuit, but reserved the right to reinstate the appeal when the remainder of the case concludes in the lower court.

On 6 June 2014, the Southern District ruled at the request of a number of defendants, including UniCredit Bank Austria AG, UniCredit, PGAM and PAI, that avoidance claims based on subsequent transfers made abroad between a foreign transferor and a foreign transferee could not be maintained because the provisions of the United States law on which the SIPA Trustee relied may not be applied extraterritorially. The Southern District directed that the proceedings be returned to the Bankruptcy Court so that this ruling could be applied to all relevant cases, including the HSBC and Kohn cases.

The current or formerly affiliated persons named as defendants in the HSBC and Kohn cases, who had not been previously served, have now been served. These current or formerly affiliated persons may have similar defenses to the claims as UniCredit Bank Austria AG and its affiliated entities, and may have rights to indemnification from those parties.

Certain potential consequences

In addition to the foregoing proceedings stemming from the Madoff case against UniCredit Bank Austria AG, its subsidiaries and some of their respective employees and former employees, additional Madoff-related actions have been threatened and are in the process of being and may be filed in the future in said countries or in other countries by private investors or local authorities. The pending or future actions may have negative consequences for UniCredit Bank Austria AG.

UniCredit Bank Austria AG and its subsidiaries intend to defend themselves vigorously against the Madoff-related claims and charges.

Save as described above, for the time being it is not possible to estimate reliably the timing and results of the various actions, nor determine the level of responsibility, if any responsibility exists.

Certain legal developments in CEE arising out of disputes relating to foreign currency loans

In Central and Eastern Europe, in the last decade, a significant number of customers took out loans and mortgages denominated in a foreign currency (FX). In a number of instances customers – or consumer associations acting on their behalf – have sought to renegotiate the terms of such FX loans and mortgages, including having the loan principal and associated interest payments redenominated in the local currency at the time the loan was taken out, and floating rates retrospectively changed to fixed rates. This is resulting in litigation against subsidiaries of UniCredit Bank Austria AG in a number of countries including Croatia,Hungary and Serbia.

Specifically in **Croatia**, a consumer association sued 8 of the largest banks in 2012 (including Zagrebačka banka) claiming that: for loans linked to Swiss francs, consumers had not been given adequate information prior to taking out the loan and had not therefore been able to make a fully informed decision about the risks of such loans; and a variable interest rate was unlawful, as it was set by reference to a unilateral decision of the relevant bank and without the factors affecting the setting of the rate being clearly defined.

Risk report (CONTINUED)

On 4 July 2013 the first instance court in Zagreb upheld the complaint of the consumer association. The court required the banks, within 60 days, to offer the customers amended terms, converting the outstanding principal amount to Croatian kuna (HRK) at the CHF/HRK rate prevailing on the date the loan agreement was signed and substituting the variable interest rate with the fixed rate applicable at the date the loan in question was drawn down (the 60 Day Order). The decision was not binding as it was appealed by all 8 banks. On 13 June 2014, the Croatian appeal court varied the first instance decision and ruled that the foreign currency clause was lawfully agreed. The appeal court upheld, however, the first instance judgment regarding the unfairness of contractual terms permitting the banks to make unilateral changes to the floating rate of interest and ruled such terms null and void. The court annulled the 60 Day Order. The court stated that its decision does not give individual customers a direct entitlement to damages but individual consumers could seek a revision of their contract or compensation in individual actions before the courts.The court's decision has been challenged in its respective parts by both of the parties before the Croatian supreme court.

In **Hungary**, a Supreme Court decision on 16 June 2014 to ensure uniformity of judicial decisions regarding loans made to consumers in a foreign currency established the following principles:
- foreign currency exchange rate risk is to be borne by the consumer unless the consumer was misinformed about the risk
- whether a unilateral change (e.g. to a rate) is unfair and therefore invalid must be assessed on a case by case basis
- applying a different exchange rate for repayments of the loan from that used when the loan was made is unfair and therefore unenforceable and the difference must be repaid to consumers

In addition, on 4 July 2014 legislation was passed which extended the above decision to apply not only to foreign currency based but also to domestic currency consumer loans and leasing contracts. Building on the above Supreme Court decision, the legislation establishes a rebuttable presumption that terms allowing unilateral changes to consumer contracts are unfair and therefore unenforceable. It is for the lender to rebut the presumption. In addition, for loans based on foreign currency, the law requires the substitution of the foreign exchange rate applied by the lender with the midmarket rate of the Hungarian Central Bank (unless the lender used its own midmarket rate). Further legislation was passed in September 2014 regulating the settlement of lenders' obligations to consumers. Final methodological details and formulas for calculating the settlements will be regulated by the Hungarian Central Bank by November. UniCredit Bank Hungary has built a provision of €107 million to cover the loss expected from the above legislation.

In **Serbia** the association of users of banking services *"Currency"* has filed a class action against three banks in connection with up to 10,000 contracts on loans in CHF. UniCredit Bank Serbia JSC is not among the three defendants. The Primary Court has rejected this claim as inadmissible. The Appeal Court has not yet decided.

Other legal risks
In line with the above policy, no provision has been made for the following pending legal proceedings and the following other proceedings. Due to the uncertain nature of litigation, however, we cannot exclude that the following may result in losses to the bank:

- Action brought by the Belgian company **Valauret S.A.** in Paris on the grounds of alleged involvement of Creditanstalt AG (now UniCredit Bank Austria AG) in wilful deception in connection with a French joint stock company as a result of which the plaintiffs incurred losses through a loss in value of shares acquired by it in the joint stock company.

- **Istraturist Umag d.d.**
  Several court proceedings involving the Nova Ljubljanska Banka dd ("NLJB"), the Ljubljanska Banka d.d. ("LJB") and Istraturist Umag d.d. ("Istraturist") are pending. These arise out of the fact that in 1993 Istraturist notified LJB that it was setting off its own credit commitments to LJB in the sum of €15.8 million (originally DEM 31 million) against LJB's commitments to it in the same amount, effectively reducing the position to zero.

  NLJB, to whom all assets of LJB had been transferred, rejected the set-off and, between 1994 and 1998, sued Istraturist before the court in Slovenia, demanding payment of €15.8 million (originally DEM 31 million) plus interest. Other legal proceedings are also pending.

  Due to various legal reasons (different laws applicable during the long period of the interest calculation, different proceedings pending with the Courts of Slovenia and Croatia, information prejudicing Istraturist's position in the ongoing dispute) Istraturist cannot estimate and disclose any reliable interest figure at this stage.

  At the current time, it is not possible to estimate when the legal disputes will finally be resolved and what the ultimate resolution might be.

Risk report (CONTINUED)

- **Other proceedings**
  Recently, violations of US sanctions have resulted in certain financial institutions entering into settlements and paying substantial fines and penalties to various US authorities, including the US Treasury Department's Office of Foreign Assets Control ("OFAC"), the US Department of Justice ("DOJ"), the District Attorney for New York County ("DANY"), the US Federal Reserve ("Fed") and the New York Department of Financial Services ("DFS"), depending on the individual circumstances of each case.

  UniCredit Bank Austria AG has initiated a voluntary investigation of its historic compliance with applicable U.S. financial sanctions. It is possible that investigations into past compliance practices may be extended to one or more of our subsidiaries and/or affiliates. The scope, duration and outcome of any such review or investigation will depend on facts and circumstances specific to each individual case. UniCredit Bank Austria AG is updating its regulators as appropriate. Although we cannot at this time determine the form, extent or the timing of any resolution with any relevant authorities, the investigation costs, remediation required and/or payment or other legal liability incurred could lead to liquidity outflows and could potentially negatively affect the net assets and net results of UniCredit Bank Austria AG and one or more of its subsidiaries in any particular period.

Additional disclosures

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 2014 is €7 million.

No new Stock Options Plans were granted during 2014.

Full-time equivalents

	Q1–Q3 2014	2013 [2]
Salaried staff	36,847	38,946
Other employees	41	66
TOTAL [1]	**36,888**	**39,012**
of which: in Austria	*7,150*	*7,306*
of which: abroad	*29,738*	*31,706*

1) Average full-time equivalents of staff employed in the Bank Austria Group, excluding employees on unpaid sabbatical or maternity/paternity leave.
2) Figures for the previous year were reduced by the number of employees of the Yapı Kredi Group to enhance comparability.

Events after the reporting period

As part of the restructuring of the Group's leasing business, further companies of the leasing group in Austria, Bosnia, Slovenia and Ukraine of UniCredit Leasing SpA were added to the group of consolidated companies of UniCredit Bank Austria AG in October 2014.

In June 2014 the Management Board of Bank Austria decided to sell the equity interest in CA Immobilien Anlagen Aktiengesellschaft ("CA Immo AG"). A sales process was initiated for this purpose and the equity interest was therefore classified as held for sale in the interim consolidated financial statements as at 30 September 2014. The closing of the transaction took place on 29 October 2014 through the sale of the equity interest to a foreign investor.

Additional disclosures (CONTINUED)

Consolidated capital resources and risk-weighted assets

(€ million)

BASEL 3		BASEL 2	
	30 SEPT. 2014	31 DEC. 2013	
Paid-in capital instruments (excl. own Common Equity Tier 1 instruments)	1,681	1,681	Paid-in capital
Reserves and minority interests	13,320	13,243	Reserves and minority interests
Adjustments to Common Equity Tier 1	–972	–419	Intangible assets
		–787	Deductions from Tier 1
Transitional adjustments to Common Equity Tier 1 *)	–377		
Common Equity Tier 1 (CET1)	**13,653**		
Additional Tier 1 capital and qualifying Additional Tier 1 instruments issued by subsidiaries	163		
Adjustments to Additional Tier 1	–		
Transitional adjustments to Additional Tier 1 *)	–163		
Additional Tier 1 (AT1)	**–**		
Tier 1 capital (T1=CET1+AT1)	**13,653**	**13,718**	**Original own funds (Tier 1)**
Tier 2 capital and qualifying Tier 2 instruments issued by subsidiaries	4,041	2,510	Subordinated liabilities eligible for inclusion
		239	Revaluation reserves and undisclosed reserves
Adjustments to Tier 2 capital	–192	–678	Deductions from Tier 2
Transitional adjustments to Tier 2 capital *)	–118		
Tier 2 capital (T2)	**3,732**	**2,071**	**Tier 2 (T2)**
–	–	169	Tier 3 (T3)
TOTAL REGULATORY CAPITAL (TC=T1+T2)	**17,384**	**15,958**	**TOTAL REGULATORY CAPITAL (TC=T1+T2+T3)**

*) according to the Austrian CRR Supplementary Regulation (CRR-Begleitverordnung) of 11 December 2013

Risk-weighted assets

(€ million)

	30 SEPT. 2014 BASEL 3	31 DEC. 2013 BASEL 2
a) Credit risk pursuant to standardised approach	62,638	57,478
b) Credit risk pursuant to internal ratings-based (IRB) approach	46,437	46,120
c) Other (contribution to default fund of a CCP)	283	–
Credit risk	109,357	103,598
Position, foreign exchange and commodity risk	3,575	2,114
Operational risk	12,043	12,798
Risk positions for credit value adjustments (CVA)	736	–
TOTAL RWAS	**125,711**	**118,510**

Capital ratios

	30 SEPT. 2014 BASEL 3	31 DEC. 2013 BASEL 2
Common Equity Tier 1 ratio *)	10.9%	–
Core Tier 1 ratio (excl. hybrid capital) *)	–	11.3%
Tier 1 ratio *)	10.9%	11.6%
Total capital ratio *)	13.8%	13.5%

*) based on all risks

By deviation from IFRS 11, the Yapı Kredi sub-group companies continue to be included on a proportionate basis in the calculation of risk-weighted assets and capital resources for regulatory purposes.

As at 30 September 2014 the calculation of consolidated regulatory capital and consolidated regulatory capital requirements was changed to IFRSs in accordance with Section 29a of the Austrian Banking Act.

The Management Board

Willibald Cernko	CEO Support Services (Chairman)
Gianni Franco Papa	CEE Banking Division (Deputy Chairman)
Helmut Bernkopf	Commercial Banking Division (Retail & Corporates)
Francesco Giordano	CFO Finance
Dieter Hengl	Corporate & Investment Banking Division
Jürgen Kullnigg	CRO Risk Management
Doris Tomanek	Human Resources Austria & CEE
Robert Zadrazil	Private Banking Division

Vienna, 3 November 2014

Willibald Cernko

Gianni Franco Papa

Helmut Bernkopf

Francesco Giordano

Dieter Hengl

Jürgen Kullnigg

Doris Tomanek

Robert Zadrazil

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UniCredit Bank Austria AG / Corporate Relations

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Ratings

	LONG-TERM	SUBORDINATED LIABILITIES	SHORT-TERM
Moody's[1)]	Baa2	Ba2	P-2
Standard & Poor's[2)]	BBB+	BB+	A-2

Public-sector covered bonds of Bank Austria are rated Aaa by Moody's and mortgage bonds of Bank Austria are rated Aa1 by Moody's.

1) Grandfathered debt is rated Baa1, grandfathered subordinated debt is rated Ba2.
2) Grandfathered debt is rated BBB+, grandfathered subordinated debt is rated BB+.

Financial calendar

12 February 2015	Publication of the preliminary results for 2014
13 March 2015	Publication of the final results for 2014
All information is available electronically at http://ir.bankaustria.at	

Information and disclosure pursuant to Sections 24 and 25 of the Austrian Media Act (Mediengesetz):

Publisher and media owner:
UniCredit Bank Austria AG
A-1010 Vienna, Schottengasse 6–8
Tel.: + 43 (0)5 05 05-0
Fax: + 43 (0)5 05 05-56155
Internet: www.bankaustria.at
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BIC: BKAUATWW
Austrian bank routing code: 12000
Register of Firms: FN 150714p
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Editor: Planning & Controlling Austria
External Reporting, Michael Trischler

Creative concept: Orange 021

Design, graphic development and composition: Mercurio GP© – Milan

Graphics: www.horvath.co.at

Business objective:
Credit institution pursuant to Section 1 (1) of the Austrian Banking Act (Bankwesengesetz)

Persons (Management Board) authorised to represent the media owner:
Willibald Cernko (Chairman of the Management Board), Gianni Franco Papa (Deputy Chairman of the Management Board), Helmut Bernkopf, Jürgen Kullnigg, Francesco Giordano, Dieter Hengl, Doris Tomanek, Robert Zadrazil.

Supervisory Board of the media owner:
Erich Hampel (Chairman of the Supervisory Board), Paolo Fiorentino (Deputy Chairman of the Supervisory Board), Alessandro Decio, Olivier Nessime Khayat, Johannes Koller, Adolf Lehner, Alfredo Meocci, Roberto Nicastro, Vittorio Ogliengo, Franz Rauch, Josef Reichl, Karl Samstag, Wolfgang Sprißler, Ernst Theimer, Robert Traunwieser, Michaela Vrzal, Barbara Wiedernig.

Interests held in the media owner pursuant to Section 25 of the Austrian Media Act:
UniCredit S.p.A. holds 99.996% of the shares in the media owner (information on the shareholder structure of UniCredit S.p.A. is available at https://www.unicreditgroup.eu/en/governance/shareholder-structure.html).

"Betriebsratsfonds des Betriebsrats der Angestellten der UniCredit Bank Austria AG, Region Wien" (the Employees' Council Fund of the Employees' Council of employees of UniCredit Bank Austria AG in the Vienna area) and "Privatstiftung zur Verwaltung von Anteilsrechten" (a private foundation under Austrian law; founder: Anteilsverwaltung-Zentralsparkasse; beneficiary: WWTF – Wiener Wissenschafts-, Forschungs- und Technologiefonds) have a combined interest of 0.004% in the media owner.

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.