ON THE WINGS OF SUCCESS Q3/08

Interim Report 3rd quarter of Volksbank AG

VOLKSBANK AG

KEY FIGURES OF VOLKSBANK AG

in euro million	30 Sep 2008	31 Dec 2007	31 Dec 2006
Balance sheet			
Total assets	**91,099**	**78,641**	**67,429**
Loans and advances to customers	45,809	39,048	31,110
Amounts owed to customers	12,984	10,851	8,087
Debts evidenced by certificates	35,966	33,109	30,846
Subordinated liabilities	2,401	1,966	1,817
Own funds			
Core capital (Tier I) after deductions	3,035	2,767	2,664
Supplementary capital (Tier II, Tier III) after deductions	1,339	1,491	1,451
Eligible qualifying capital	4,373	4,258	4,114
Assessment base credit risk	42,912	38,502	33,895
Capital requirement market risk	40	58	51
Capital requirement operational risk	128	0	0
Surplus capital	773	1,120	1,352
Core capital ratio in % [1]	**7.1**	**7.2**	**7.9**
Equity ratio in % [2]	**9.8**	**10.9**	**12.0**

	1-9/2008	1-9/2007	1-9/2006 restated
Income statement			
Net interest income	895.9	555.5	475.5
Risk provisions	–152.6	–36.3	–45.7
Net fee and commission income	189.1	130.9	91.3
Net trading income	59.8	43.4	53.0
General administrative expenses	–547.3	–441.3	–359.4
Other operating result	–127.6	14.7	1.4
Income from financial investments	–264.9	15.5	–3.0
Income from the disposal group	0.0	19.0	14.5
Result for the period before taxes	**52.4**	**301.4**	**227.6**
Income taxes	–22.2	–33.3	–42.8
Result for the period after taxes	**30.2**	**268.0**	**184.8**
Minority interest	–19.0	–90.5	–84.1
Consolidated net income	**11.2**	**177.6**	**100.7**
Ratios			
Cost-income-ratio	72.8 %	58.1 %	58.1 %
ROE before taxes	2.4 %	14.1 %	12.4 %
ROE after taxes	1.4 %	12.5 %	10.1 %
ROE consolidated net income	1.0 %	15.3 %	9.6 %
ROE before taxes (regulatory)	2.4 %	15.5 %	14.5 %

Ressourcen	**1-9/2008**	**1-9/2007**	**1-9/2006**
Staff average	8,748	7,560	6,274
of which domestic	2,262	2,356	2,274
of which foreign	6,486	5,204	4,000
	30 Sep 2008	**31 Dec 2007**	**31 Dec 2006**
Staff at end of period	9,177	8,341	6,762
of which domestic	2,327	2,193	2,401
of which foreign	6,850	6,148	4,360
Number of branches	560	493	337
of which domestic	50	49	79
of which foreign	510	444	258

[1] in relation to credit risk
[2] in relation to credit risk after deduction of capital requirement for market and operational risk

GROUP MANAGEMENT REPORT

Economic environment

Following a strong first quarter, the eurozone economy contracted by 0.2 % in each of the next two quarters[1)] due to the effects of high commodities and energy prices, the adverse credit situation resulting from the US mortgage crisis and the downturn in import demand from the USA and other key trading partners. Although growth in Austria has also decelerated, it remained positive at 0.3 % in the second quarter and 0.1 % in the third quarter. This growth advantage, which the country has repeatedly achieved in the recent past, was again attributable to its proximity to the economies of Central and Eastern Europe, all of which continued to record high growth rates in Q3 with the exception of Hungary. However, leading indicators in these markets have also deteriorated significantly.

Although falling oil prices and the EUR/USD exchange rate provided some relief, the US mortgage crisis has now developed into a fully-fledged global financial crisis. Following the failure of the US investment bank Lehman Brothers in September, the already stressed money markets essentially came to a standstill. 3M Euribor reached a new five-year high well in excess of 5 % and the global stock markets collapsed. The dollar recovered along with the yen and the Swiss franc – both of which are key financing currencies – and Iceland became the first government debtor to run into difficulties. The rising level of risk aversion among international investors resulted in exchange rate losses for most currencies in Central and South-Eastern Europe. In a coordinated effort to stabilize the financial markets, the Fed, the ECB, the SNB and other central banks reduced their prime rates by 25 - 50bp on 8 October. This was followed by additional interest rate cuts, some of which were dramatic in nature. With respect to fiscal policy, the USA and a number of European countries have introduced extensive government rescue packages for the financial sector.

Outlook

Although the rescue packages have given rise to hopes that the financial markets will stabilise, this is not expected to happen before the end of the year. Growth will remain extremely weak in the fourth quarter, with the likelihood of a pronounced slowdown in Central and South-Eastern Europe increasing. Global inflationary pressure will continue to decrease, although this will be offset to a certain extent by expansive fiscal measures and recent exchange rate developments in CEE and SEE countries.

For the coming year, the Euroframe group[2)] is forecasting a further decline in eurozone GDP of 0.4 %. This will also have an adverse effect on growth in the Czech Republic, Hungary and Slovakia since their export markets are reliant on trade with eurozone countries. South-Eastern Europe is being particularly hit by the decline in foreign investment. Some countries have already applied for aid from the International Monetary Fund and/or the European Union. However, only Ukraine has entered a real recession to date, while Hungary is in a phase of stagnation due to the budget consolidation measures implemented over the past two years – a situation that is not expected to change in the coming year. The other countries are likely to be able to continue their recovery process, albeit with reduced momentum.

Business development

The third quarter of 2008 was dominated by negative external factors. The crisis in the financial markets was intensified by the collapse of the investment bank Lehman Brothers and the three largest Icelandic banks. The VBAG Group was also affected by these developments, which impacted its net profit for the period as a result of impairments and risk provisions.

The risk provisions increased by euro 116 million to euro 153 million. This was primarily attributable to risk provisions for Lehman Brothers and the Icelandic portfolio.

The income from financial investments declined to euro –265 million. This was due to impairments on securities, particularly those issued by Lehman Brothers and Icelandic banks, as well as impairments in the structured credit portfolio in the amount of euro 42 million. However, the latter was largely covered by risk provisions recognised in 2007 in response to the potential future risk arising from the sub-prime crisis.

The sustained decline in the available for sale reserve (euro 64 million in Q3) was mitigated by the application of the new provision set out in IAS 39. At 30 September 2008, this item amounted to euro –265 million.

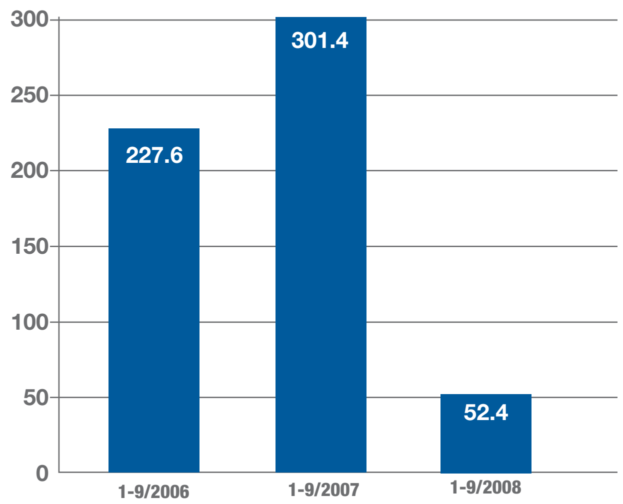
In the third quarter, the continued strained situation on the financial markets led to a number of municipal lenders requesting state aid. Kommunalkredit Bank AG (Kommunalkredit) also experienced a liquidity bottleneck that forced its owners, VBAG and Dexia

1) Figures for the third quarter are based on estimates by Eurostat and national statistical offices.
2) A network consisting of the European economic research institutes CASE (Poland), CPB (Netherlands), DIW Berlin (Germany), ESRI (Ireland), ETLA (Finland), IfW (Germany), NIESR (United Kingdom), OFCE (France), PROMETEIA (Italy) und WIFO (Austria).

Crédit Local, to enter into negotiations with the Republic of Austria in accordance with the Financial Market Stabilisation Act. On 3 November, an agreement was signed under which the shares in Kommunalkredit were sold to the Republic of Austria for one euro each. Accordingly, other operating results includes the impairment of the goodwill of the Kommunalkredit sub-group in the amount of euro 125 million.

As a result of this extraordinary environment, the result for the period before taxes for the 1-9/2008 period amounted to euro 52 million.

Result for the period before taxes in euro million



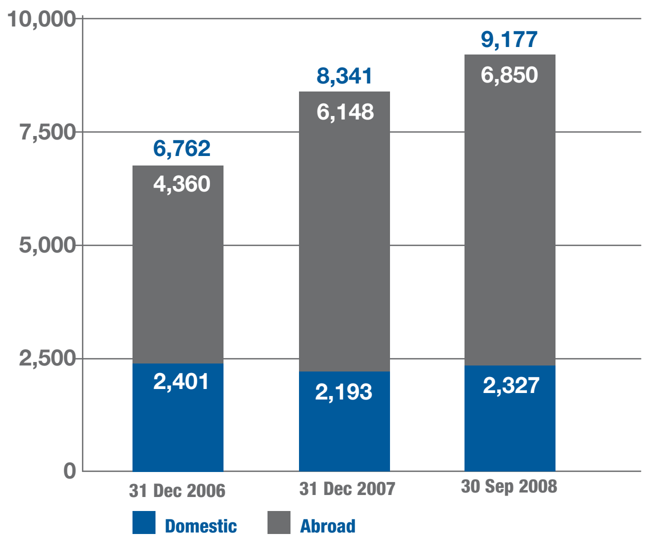
Despite these developments, net interest income remained positive in the third quarter of 2008, increasing by euro 340 million or 61.3 % year-on-year to total euro 896 million in the period 1-9/2008. The Retail segment recorded growth of euro 82 million – with Retail CEE accounting for euro 65 million of this figure – followed by the Financial Markets segment, which increased its net interest income by just under euro 34 million compared with the previous year. The improvement in the third quarter was also largely attributable to dividends from unconsolidated companies in the amount of euro 218 million.

Net fee and commission income also made a key contribution to earnings growth in the VBAG Group, increasing by euro 58 million or 44.5 % in the period under review to total euro 189 million. The largest year-on-year gains were generated by CEE banks in the amount of euro 25 million.

Despite the continued difficult market environment, net trading income improved by euro 16 million or 37.7 % to euro 60 million.

The Group continued to expand its branch network outside Austria, with the total number of branches increasing by 66 to 510 since the start of the year. In line with this policy, the workforce expansion focused on the CEE banks, which employed an additional 669 people. At 30 September 2008, the VBAG Group had a total of 9,177 employees, up 836 at the end of the previous year. As a result, general administrative expenses increased by 24.0 % to euro 547 million.

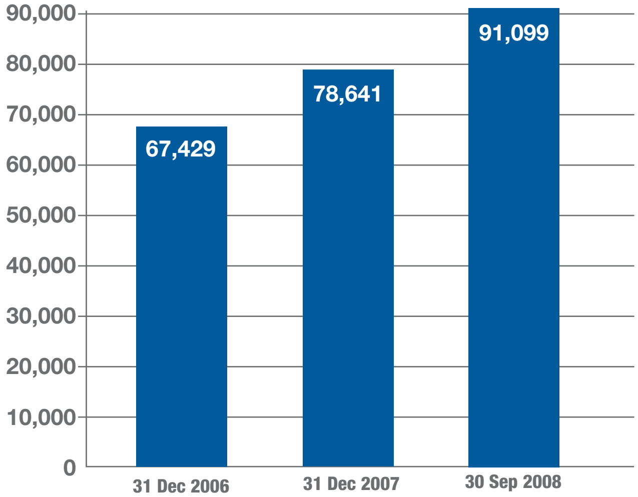
Number of employees at end of period



Balance sheet and own funds

At 30 September 2008, total assets amounted to euro 91.1 billion, up 15.8 % or euro 12.5 billion since 31 December 2007.

Total assets in euro million



Loans and advances to customers increased by euro 6.8 billion or 17.3 % to euro 45.8 billion, with CEE banks (up euro 2.6 billion or 35.4 %) and the Investkredit sub-group (up euro 1.1 billion or 11.1 %) recording the highest growth rates. The total volume of financial investments declined slightly to euro 17.8 billion as at 30 September 2008.

Despite the difficult market conditions, total primary deposits (amounts owed to customers, debts evidenced by certificates and subordinated liabilities) increased by euro 5.4 billion in the first three quarters of 2008. The growth in lending was financed by amounts owed to customers, which rose by 19.7 % or euro 2.1 billion, as well as the intensification of issuing activity in the VBAG Group in the first nine months of 2008, which resulted in debts evidenced by certificates increasing by euro 2.9 billion to euro 36.0 billion.

At 30 September 2008, the VBAG Group had eligible own funds in the amount of euro 4.4 billion. The tier I ratio (ratio of core capital to the assessment base for the credit risk) was 7.1 %. In May 2008, the VBAG Group succeeded in strengthening its capital base by issuing participation capital with a volume of euro 500 million. After deducting the requirements to cover market and operational risk, the Group's equity ratio now amounts to just under 10 %. All in all, the Group has a substantial surplus capital totalling just under euro 800 million.

Outlook

For 2008 as a whole, the VBAG Group is forecasting a net loss in accordance with IFRS after the deconsolidation of Kommunalkredit. However, it still expects to record a net profit in its single-entity financial statements, providing that the fourth quarter develops as planned. The management board is forecasting a net profit at Group level in 2009, although the operating result will be impacted by the effects of the financial crisis on the real economy. The sustained crisis of confidence affecting the financial markets means that banks will come under greater pressure to increase their tier I ratios to around 9 % - 10 %. To ensure the Group's future competitiveness, its shareholders have therefore resolved to implement measures to increase core capital in order to meet the new requirements of the market. This will provide VBAG with a solid capital base for its continued business development.

CORPORATES SEGMENT

The third quarter of 2008 was already strongly characterised by the current tense situation on the international money markets. The liquidity squeeze led to a downturn in growth for lending business towards the end of the reporting quarter. The higher refinancing costs could be passed on to customers in the case of new loan commitments.

The consistently positive trend in deposit business to date gave way to a significantly more volatile development. The increase in deposits in the first half of the year has been reversed in the third quarter. The volume of deposits fluctuated at a high level between EUR 480 m and EUR 550 m despite the difficult environment. USD deposits remained stable at EUR 280 m.

Business in the Trade Finance department developed very positively in the third quarter. The customer base and volumes were successfully increased, particularly in subsidized export finance. Co-operation with the Volksbanks in structured trade and export financing was intensified. The strategies for Russia and Turkey have led to the first transactions being concluded.

The expansion of the Corporate Finance business in Central and Eastern Europe in the first half of 2008 was slowed in the third quarter of the year. Eastern Europe was also hit by market turbulence and caution is required particularly in sensitive economic sectors. Nevertheless, selected conservative financing transactions were concluded in the third quarter of 2008.

Business activities in Germany continued to be very positive in the third quarter. In the important segment of acquisition finance various transactions could be arranged successfully. Our top 3 position in the MBO market was consolidated further. All told, business here is at the same (record) level as last year, despite the fact that the market environment has become noticeably more difficult. Market development in the area of classic corporate lending was quite different, but this only serves to round off business activity as a bank for medium-sized companies in Germany.

Outlook

Despite hopes for a stabilisation following several aid packages, it cannot be assumed that the financial markets will normalise in the near future. Growth in the fourth quarter also remains extremely weak and is expected to further cool down in Central and South-Eastern Europe.

Overall, Investkredit expects significantly reduced growth in its loan portfolio for the whole of 2008. The focus is being placed not on increased volumes but rather on the quality of the loan portfolio.

Investkredit intends to intensify co-operation with financial institutions such as the Oesterreichische Kontrollbank (OeKB) and the European Investment Bank (EIB), which will ensure attractive terms for the medium and long-term financing of investment projects. There is already increased demand for OeKB funds to finance our customers' foreign activities. In the future, Investkredit will be focusing on important, strategic core customers – small and medium-sized European companies. A new software for processing export finance applications will be fully implemented by the end of the year.

PUBLIC FINANCE SEGMENT

Total assets for the Kommunalkredit Group rose by euro 2.8 billion or 8.2 % to euro 35.5 billion since the beginning of the year. This growth in total assets was largely due to loans and advances to customers which increased by euro 1.9 billion or 14.3 % to euro 15.4 billion in the period to 30 September 2008. Loans and advances to banks increased by euro 865 million or 12.9 % to euro 7.6 billion.

Despite the positive trend in net interest income to euro 79.9 million (+18.5 % compared to the third quarter of 2007) Kommunalkredit has to report negative consolidated earnings of euro –84.7 million, for the first time in its history due to the global financial crises. This negative development is due to risk provisions and write-offs for loans and advances made as a consequence of the financial market crisis, which caused negative results in the credit segment and in financial investments.

As per 30 September 2008, the Kommunalkredit Group's equity capital totalled euro 1,016.8 million (total equity ratio of 11.0 %). At the end of the third quarter core capital was euro 728.7 million (core capital ratio: 7.9 %). Risk-weighted assets increased from euro 8,077.2 million to euro 9,266.4 million over the course of the first three quarters of 2008. This growth is mainly due to the increase in loans and advances to customers and banks.

The continuing impact of the financial market crisis, in particular the insolvency of the investment bank Lehman Brothers, resulted in a complete standstill of Kommunalkredit´s issuing activity on the capital market from mid-September.
After money market outflows, the focus of short-term refinancing is primarily on Repo and ECB tender transactions. In the third quarter of 2008 private placements with a total face value of around euro 278.7 million in EUR, USD and JPY (aggregate amount of euro 2.05 billion in the first three quarters of 2008), were completed as part of long-term refinancing. In the area of structured funding additional refinancing funds of euro 1.07 billion were generated in the first nine months of the year. In total, euro 4.1 billion in long-term refinancing was concluded in the first three quarters of 2008.

Net securitised refinancing measures in the first three quarters of 2008 came to a total of euro 3.3 billion (end of 2007: euro 3.1 billion). The balance-sheet item, "securitised liabilities", rose slightly to euro 19.84 billion (euro 19.68 billion as at 31 December 2007).

Outlook
The quarterly figures reflect all material events up to 15 October 2008. In the second half of October 2008, a re-appraisal of the risk situation in respect of loans and liquidity was undertaken at the Kommunalkredit Group. This re-appraisal was carried out after extensive discussions about possible support from the Volksbanken AG (VBAG) and Dexia Crédit Local. The difficult market conditions, the continuing squeeze in money and capital markets as well as an extraordinary case of damage at the Dexia banka Slovensko, a subsidiary of Dexia Kommunalkredit Bank (Dexia-Kom) in which Kommunalkredit holds stake, were all significant factors in the re-appraisal of the risk situation.<0

Based on these analyses and on the agreement reached between the government, VBAG and Dexia Crédit Local to utilise the financial market stability and inter-bank market strengthening act, the risk and profit profile can be described as follows:

As a result of the agreement from 3 November 2008 the shares owned by VBAG (50.78%) and Dexia Crédit Local (49.00%) were transferred to the Republic of Austria. The bank's tight liquidity situation was stabilised as a result of the new ownership structure, allowing easier access to the international money and capital markets in the future.

The bank's solvency has been secured long-term by the bank's re-capitalisation as a result of additional equity being made available by VBAG, Dexia Crédit Local and the Republic of Austria. However, due to write-downs and risk provisions for loans and advances a serious downturn in the income situation is to be expected for the fiscal year 2008. Furthermore, it was agreed that ownership of Dexia-Kom will be transferred to Dexia Crédit Local which in turn negatively affects the consolidated results for 2008 since the investment in Dexia-Kom will have to be written-off completely.

SEGMENT RETAIL

Volksbank Wien AG

The 3rd quarter of 2008 was extremely successful for Volksbank Wien.
Our market activities were also reflected in the figures. Amounts owed to customers have risen by 21.1 % since the beginning of the year; the increase in savings deposits was around 11 %. Loans and advances to customers increased 11.4 %; the operating result was approximately 7 % higher than the budgeted figure.

Volksbank Wien was able to continue the dynamic development of its asset management business despite the turbulence on the world’s financial markets.
For the first time, Volksbank Wien achieved 3rd place in the ÖGV (Austrian Association of Co-operatives) sector rankings for securities business.
The new certificates of deposit issued in the third quarter were particularly well-received by customers due to their 4.75 % fixed interest over 2 years; total sales reached EUR 5 million.

Strengthening the market position of Volksbank Wien continues being an important goal for the future. In order to provide customers with the best possible service, the current campaign for advisory and service excellence will be continued.

The acquisition campaign to broaden the customer base in commercial banking began in 2007 and is continuing successfully and consistently.

Outlook

Volksbank Wien will continue its already successful campaign to increase its market share in 2009. Economic forecasts predict higher savings rates for retail customers and a slow recovery in the securities market. The Kombisparen Gold product (a combination of capital savings account with 5.125 % interest p.a. and a selected asset management product), which will be launched in December and available until the end of February 2009, offers customers the chance to profit from both developments.

Volksbank Linz+Mühlviertel

The global financial crisis, which is now hitting Austria in full force, affected the development of Volksbank Linz+Mühlviertel. Nevertheless, due to the bank´s concentration on retail banking, the impact of the crisis could be minimised. With the exception of financial investments all segments have recorded increases. Total assets reached euro 400 million (up 6.7% relative to 31 December 2007) and loans to customers increased by 4.7%.

Our customers appreciate the security and stability of the Volksbank Group, especially when market conditions are difficult. Primary Deposits were increased by 4.7 % (euro 304 million), despite fierce competition in the first nine months of 2008.

Loans to retail customers grew by euro 103 million or 4.6%. The mortgage loan segment, which is our core business, expanded by euro 61 million or 10.5%.

A complete decoupling from the current market conditions was not possible in the securities business. The reduction in customer depots, however, could be limited to 1.6%.

In communication, the 3rd quarter was characterized by intensive customer contact in order to allay the fears of our business partners and customers about current developments in the financial market. It can be concluded that our customers accept Volksbank Linz+Mühlviertel as a reliable business partner and as a safe haven.

Outlook

Customers feel concerned about the financial crisis, cummunication with our customers will therefore be emphasised. The planned growth in savings volumes is achievable. To ensure a stable development of fees and commissions, measures have been adopted to further increase the sale of insurances.

Bank für Ärzte und Freie Berufe AG – Die Ärztebank

The Bank für Ärzte und Freie Berufe AG (Ärztebank) achieved significantly better results than expected in the first 3 quarters of 2008. Total assets reached euro 885 million as of 30 September 2008 and the result for the period was euro 1.6 million.
Customer growth was significantly higher than the targeted benchmarks, with over 700 new customer liaisons.

This positive result in the current market situation is primarily due to the well-publicised positioning of Ärztebank as a specialised bank for physicians and medical professionals in recent years. The range of products and advisory services are tailored to the needs of the target group and the financial consulting is based on individual solutions. In the coming quarters Ärztebank will focus its advisory service on sheltering its customers from the turbulences in the financial markets.

Outlook

The extension of customer relations in respect of liabilities as well as customer consulting on foreign currency loans will be the target for the last quarters activities.

IMMO-BANK Aktiengesellschaft

The third quarter of 2008 was characterized by a positive business development. IMMO-BANK also started preparations for intensified sales activities aimed at real-estate management companies.

Results on target

With a stable residential real-estate market in terms of demand and prices, loans have produced solid results: Compared to 31 December 2007, loans and advances to customers were up by around 8 %. Due to the turmoil in the financial markets, efforts were undertaken to step up risk management.
Since 1 January 2008, euro 84.8 million of tax-exempt mortgage bonds have been issued.

IMMO-BANK AG recorded satisfactory results in the third quarter 2008.

Outlook

Despite the depressed economy IMMO-BANK AG is confident of achieving the results forecast for 2008.

Our comprehensive campaign regarding sales and services is showing positive results. The focus in the coming months will be on property management companies (reserve accounts and refurbishment loans) , an important target group for IMMO-BANK AG.

IMMO-BANK AG is well positioned in the market which is a consequence of its high degree of specialisation, profound expertise and customer orientation as well as the rapid availability of capital due to a short decision process.

Volksbank International

The Volksbank International Group continued its successful growth course in the third quarter of 2008.

Total assets of the VBI Group soared by 29.1 % to euro 13.8 billion, compared to 31 December 2007. The banks in Hungary and the Czech Republic (euro 1.9 billion each), Slovakia (euro 1.4 billion) and Croatia (euro 1.1 billion) reached or surpassed the one-billion mark.

Accordingly, the volume of lending (+35.2 % to euro 9.9 billion) and total deposits (+16.4 % to euro 5.0 billion) has developed dynamically in the last nine months.

10 banks in 9 countries

The VBI Group now consists of ten VBI banks in nine Central and Eastern European countries (Slovakia, the Czech Republic, Hungary, Slovenia, Croatia, Romania, Bosnia-Herzegovina, Serbia, Ukraine) and VBI AG which is based in Vienna. The number of employees at the VBI Group increased to 5,758 as at 30 September 2008.

The strategy of focusing on qualitative growth through the expansion of selected lines of business proved highly successful. A great deal was invested in boosting marketing power and increasing the efficiency of internal workflows. Customers felt the effects in quick decision-making and a market-oriented range of services. This path of efficient growth will be followed as consistently and energetically in the future as it has in the past.

613 sales outlets

With a consist strategy of new start-ups and prudent acquisitions, VBI has further extended its network of international branches and increased the number of its outlets by 66 to 510, since the beginning of the year. Due to innovative distribution channels (franchise, bank shops) the VBI network has expanded. Furthermore the number of sales outlets (branches and new distribution channels) has risen sharply to 613.

This rapid and cost-efficient development of its regional presence was a decisive factor in the acquisition of many new customers. Hence, the VBI network now services around 1.5 million customer accounts.

Outlook

Thanks to its clear strategy and consistent customer orientation the VBI group has grown into a successful medium-sized network in the last few years.

In the years to come, special emphasis will be placed on taking full advantage of the opportunities for which VBI has consistently striven and on actively shaping its new role as a major player in CEE markets. In view of its business performance over the past few years, Volksbank International can look to the future with optimism and be confident that it will achieve its goals, even in these challenging times.

VB-LEASING International Holding GmbH

VB LEASING International is a joint venture between Österreichische Volksbanken AG and VR-LEASING AG. This strong background of leasing expertise in its fourteen-year history in equipment leasing was crucial for the development of VB Leasing as a financing specialist. VB Leasing International Holding GmbH, based in Vienna, currently has subsidiaries in Poland, the Czech Republic, Slovakia, Hungary, Slovenia, Croatia, Bosnia Herzegovina, Serbia and Romania.

Despite the tense situation in the international financial markets, the VB LEASING Group was able to hold its own in the 3rd quarter of 2008 in equipment leasing business in Central and Eastern Europe. At euro 1.16 billion, the volume of new business matched last year's figure. The Car Lease and Services business field advocated last year’s positive figure with around euro 460 million. The Balkan countries of Bosnia Herzegovina, Serbia and Slovenia achieved two-digit growth rates compared to last year and held steady against current fears of recession.

The current focus is to further diversify business with our vendor partners in order to reduce our risk profile. Due to the market situation, no further capital-intensive expansion is planned in new markets for November or December.

REAL ESTATE SEGMENT

The real estate segment net interest income was increased significantly. Also increased were risk provisions due to the negative business environment. Since no real estate sales were actuated in 2008, profit from this segment was also significantly below last year´s.

The volume of new business in **real estate finance** was reduced due to increased refinancing costs and a general shortage of liquidity in the market. Credit spreads widened compared to previous periods because of higher expected losses. Until the end of 2008, the key focus will be on concluding pending projects. Caution is the order of the day for new business.

Immoconsult's business is focused strategically on real-estate leasing activities in Austria and in the EU member states of Central and Eastern Europe. Immoconsult Asset Leasing is operating very successfully in the container leasing business. Both companies concluded leasing contracts with a total volume of euro 200 m in the first three quarters of 2008. Current Immoconsult projects include the financing of two shopping centres in Croatia and the financing of two major container shipping companies with customers in Korea and Italy.

The project development company **Premiumred** was able to repeat its marketing success in Romania (the 'Premium Plaza' office building in Bucharest was fully let by the time it opened) with its new project in Poland. At its opening in October, the North Gate in Warsaw - Premiumred's largest project to date with a rentable area of 30,100 m² - had an occupancy of 90 %. Tenants are mostly international corporates.

The **Europolis** Group increased its real estate assets to just under euro 1.7 billion as per 30 September 2008. Pre-tax profit was euro 38 million. Rental incomes for the first three quarters rose to euro 54 million and were therefore 11 % higher than in the previous year. The vacancy level was brought down to below 6 %. Europolis currently owns 41 real estate projects in the Czech Republic, Hungary, Poland, Romania, Slovakia, Croatia, Russia and the Ukraine. The contractually fixed investment volume was euro 2.8 billion.

In the Real-Estate Investments area, Europolis is currently expanding three logistics parks: Europolis Park Blonie to a total of 325,000 m², Europolis Park Budapest Aerozone to 90,000 m² and Europolis Park Budapest M1 to 260,000 m². The warehouse at the Europolis Park Arad has been completed and the first tenancy agreements have been signed. In addition, two logistics projects in the Ukraine and a logistics park in Bratislava are currently under development. The logistics share of the portfolio has now reached 31 %. In the Czech Republic the Amazon Court project, the third office building in the successful River City Prague Complex, is currently under construction and will be completed by the beginning of 2009. The second office building of the Sema Parc project in Romania was fully occupied before its completion. The KPP Shopping and Entertainment Center in St. Petersburg, Russia and an office building in Volgograd are currently being built. The luxury shopping centre Vremena Goda in Moscow has been purchased together with our Canadian partner, Ivanhoe Cambridge. Europolis now holds a stake of 40 % in the project with its 150 businesses and 32,000 m² of sales area. In the Asset Management area, Europolis Real Estate Asset Management GmbH develops and manages its real estate from Vienna and from its regional offices in Prague, Warsaw, Budapest, Bucharest, Moscow, Zagreb and Kiev which have a total of 118 employees. Since the beginning of the year, 167.000 m² have been rented out. A total of 800,000 m² are currently being let. In the Real Estate Financing area, Europolis AG's loan financing has risen to over euro 900 million. This is largely from loans for Europolis' special purpose companies.

Outlook

In view of the massive decline in market capitalisations of listed real estate companies, the ongoing credit crunch and bleak economic prospects, it is expected that over of the next few years real-estate companies will be confronted with a very challenging business environment. As a consequence, Investkredit's real estate financing will follow a course of consolidation in the coming quarters and concentrate primarily on real estate projects from core customers.

The construction work on 'Premium Point', a Premiumred office project in the heart of Bucharest, is proceeding according to plan and will be finished in the spring of 2009. Furthermore, a plot of around 28,000 m² has been purchased in Warsaw for the development of a business park. An option for a project with around 20,000 m² has been secured in Prague. This project will later be Premiumred's first 'Green Building'.

In view of the difficult situation on the international financial markets, Europolis will initially concentrate on the completion, letting and further development of existing objects. Office buildings in Prague, Warsaw and Bucharest are about to be handed over.

FINANCIAL MARKETS SEGMENT

The first three quarters of 2008 were characterised by the global financial crisis which reached a new peak with the collapse of Lehman Brothers in September. The resulting additional loss of confidence led to a further squeeze on liquidity in the capital markets and inter-bank markets. We are pleased with the good results for the segment and to be in a comfortable liquidity position despite the current dislocation in financial markets. Our forward-looking liquidity planning as well as our placement strength through direct marketing have contributed significantly to our stable liquidity position.

In the third quarter we issued euro 1.4 billion of fixed income products which enabled us to cover 94% of our planned, long-term liquidity demand for 2008. Simple fixed income products with medium term maturities were most in demand during the last quarter. In particular fixed and floating rate bonds as well as loans against borrower's notes were demanded and were directly placed with our target groups retail, bank's A depots and insurances. This continued the trend towards simpler products tailored to customer requirements. Foreign and Austrian banks have been significantly more cautious in their investment behaviour as a result of the liquidity situation. Institutional customers increasingly prefer shorter maturities or invest in the money market or in government bonds.

The main earnings driver within the Financial Markets Segment in the third quarter of 2008 was foreign exchange trading. The volatility in the foreign exchange markets enabled us to set up several very profitable trading positions. Consequently a record result could be achieved in cash and derivatives foreign exchange trading in the third quarter. Net interest income from money market trades with maturities of up to two years was also very strong and in continuation of the favourable trend set in the first two quarters.

Several organisational projects were started or continued in the third quarter aiming at an increased efficiency in the service to our customers. At Volksbank Invest rapid progress was made in the integration of the Structured Investments department. The joint organisational structure has already been implemented, the merging of the product range is now complete and a new umbrella brand called "VB Investments" has been created. Their advertising presence under the new brand name has already begun; the first joint products are being prepared and will be issued shortly. In this difficult market environment, the Alpha Strategies product category has performed as expected and has proven to be a particularly effective portfolio diversifier.

In the coming months, VB Invest will concentrate primarily on pension and annuity products. Those products will be an important part of the retail product range during the first quarter of 2009. The integration of Institutional Asset Management will create a central Asset Management unit designed to service all customers.

In order to further improve the sales support for our primary banks the treasury department implemented the “Treasury 4 You” project. This will increase the efficiency and quality of our services to customers.

Outlook:

The market environment in the fourth quarter of 2008 will doubtless go down in the history books of the financial markets as one of the most challenging and volatile ever seen. Exacerbated by the collapse of the three large Icelandic banks and the consequences arising from this, the quarter is also likely to be one generating the highest losses in the history of many financial institutions. The valuation of credit risks (widening of credit spreads) is already anticipating a sharp recession in the economy. Although we anticipate a slight easing of tension on capital markets in the first quarter of 2009, the negative market environment will continue to prevail for some time. The onus will therefore be on us even more to make use of the opportunities posed by every crisis in order to remain successful.

INCOME STATEMENT

	1-9/2008 Euro thousand	1-9/2007 Euro thousand	Changes Euro thousand	%
Interest and similar income and expenses	880,859	545,986	334,873	61.33 %
Income from companies measured at equity	15,038	9,544	5,494	57.56 %
Net interest income	895,897	555,530	340,367	61.27 %
Risk provisions	–152,613	–36,325	–116,287	>200.00 %
Net fee and commission income	189,124	130,877	58,247	44.51 %
Net trading income	59,829	43,447	16,381	37.70 %
General administrative expenses	–547,327	–441,327	–106,000	24.02 %
Other operating result	–127,630	14,662	–142,292	<–200.00 %
Income from financial investments	–264,901	15,454	–280,355	<–200.00 %
Income from the disposal group	0	19,048	–19,048	–100.00 %
Result for the period before taxes	**52,379**	**301,366**	**–248,987**	**–82.62 %**
Income taxes	–22,202	–32,202	9,999	–31.05 %
Income taxes of the disposal group	0	-1,126	1,126	–100.00 %
Result for the period after taxes	**30,177**	**268,038**	**–237,861**	**–88.74 %**
Profit attributable to shareholders of the parent company (Consolidated net income)	**11,172**	**177,560**	**–166,388**	**–93.71 %**
Profit attributable to minority interest (Minority interest)	19,005	90,478	–71,473	–79.00 %

BALANCE SHEET AS AT 30 SEPTEMBER 2008

	30 Sep 2008	31 Dec 2007	Changes	
	Euro thousand	Euro thousand	Euro thousand	%
ASSETS				
Liquid funds	4,736,459	3,200,392	1,536,067	48.00 %
Loans and advances to credit institutions (gross)	14,892,500	11,367,838	3,524,662	31.01 %
Loans and advances to customers (gross)	45,809,379	39,047,815	6,761,563	17.32 %
Risk provisions (–)	–605,230	–502,414	–102,816	20.46 %
Trading assets	943,426	1,008,738	–65,312	–6.47 %
Financial investments	17,782,258	18,195,539	–413,281	–2.27 %
Assets for operating lease	1,625,068	1,417,796	207,272	14.62 %
Companies measured at equity	269,059	103,091	165,969	160.99 %
Participations	258,395	249,417	8,977	3.60 %
Intangible assets	332,820	455,087	–122,267	–26.87 %
Tangible fixed assets	368,949	308,409	60,540	19.63 %
Tax assets	229,502	141,291	88,211	62.43 %
Other assets	4,456,205	3,647,829	808,376	22.16 %
TOTAL ASSETS	**91,098,789**	**78,640,829**	**12,457,960**	**15.84 %**
LIABILITIES AND EQUITY				
Amounts owed to credit institutions	30,261,237	24,200,454	6,060,783	25.04 %
Amounts owed to customers	12,983,877	10,850,921	2,132,956	19.66 %
Debts evidenced by certificates	35,966,111	33,108,714	2,857,397	8.63 %
Trading liabilities	386,335	329,024	57,311	17.42 %
Provisions	222,725	203,763	18,962	9.31 %
Tax liabilities	168,672	160,770	7,902	4.91 %
Other liabilities	5,992,876	4,873,324	1,119,552	22.97 %
Subordinated liabilities	2,400,829	1,966,480	434,349	22.09 %
Equity	2,716,128	2,947,380	–231,251	–7.85 %
Shareholder´s equity	1,402,028	1,600,384	–198,356	–12.39 %
Minority interest	1,314,100	1,346,996	–32,896	–2.44 %
LIABILITIES AND EQUITY	**91,098,789**	**78,640,829**	**12,457,960**	**15.84 %**

CHANGES IN THE GROUP´S EQUITY

Euro thousand	Sub-scribed Capital *	Capital reserves	Retained earnings	Currency Reserve	Valuation reserves pursuant to IAS 39 [3)]: Available for sale reserve	Valuation reserves pursuant to IAS 39 [3)]: Hedging reserve	Share-holder´s equity	Minority interest	Equity
As at 1 January 2007	**340,118**	**494,096**	**614,587**	**27,901**	**34,540**	**5,547**	**1,516,790**	**1,329,039**	**2,845,829**
Consolidated net income [1)]			177,560				177,560	90,478	268,038
Dividends paid			–36,081				–36,081	–8,943	–45,025
Change in currency reserve				4,127			4,127	2,986	7,113
Valuation pursuant to IAS 39 [2)]					–84,102	2,793	–81,309	–25,713	–107,022
Change in treasury stock	–135	–300					–434		–434
Change in deferred taxes arising from untaxed reserves			1,012				1,012	3,017	4,029
Change due to reclassifications shown under minority interest and capital increases			58				58	–106,032	–105,974
Changes from companies measured at equity, not affecting profit or loss				–4	1,260		1,256	1,217	2,473
As at 30 September 2007	**339,983**	**493,797**	**757,137**	**32,024**	**–48,302**	**8,340**	**1,582,979**	**1,286,049**	**2,869,027**
As at 1 January 2008	**339,960**	**493,709**	**800,705**	**19,577**	**-59,898**	**6,330**	**1,600,384**	**1,346,996**	**2,947,380**
Consolidated net income [1)]			11,172				11,172	19,005	30,177
Dividends paid			–37,688				–37,688	–46,926	–84,614
Change in currency reserve				29,957			29,957	19,105	49,062
Valuation pursuant to IAS 39 [2)]					–187,553	923	–186,631	–89,731	–276,362
Change in treasury stock	41	46					87		87
Change due to reclassifications shown under minority interest and capital increases			250				250	80,678	80,929
Changes from companies measured at equity, not affecting profit or loss				2,451	–17,954		–15,503	–15,027	–30,530
As at 30 September 2008	**340,001**	**493,755**	**774,440**	**51,985**	**–265,405**	**7,252**	**1,402,028**	**1,314,100**	**2,716,128**

Contributions from companies measured at equity, not affecting profit or loss

	30 Sep 2007	30 Sep 2008
Available for sale reserve	0	–18,076
Currency reserve	2,183	5,001
	2,183	**–13,075**

* The subscribed capital reported corresponds to the figures reported in the financial statements of Österreichische Volksbanken-AG

1) The currency translation differences amounting to euro 309 thousand (1-9/2007: euro 90 thousand) for shareholder's equity and euro 345 thousand (1-9/2007: euro 90 thousand) for minority interest resulted form the application of the average rates of exchange in the income statement.

2) In the first nine month of 2008, an amount of euro 5,181 thousand (1-9/2007: euro 6,025 thousand) previously recognised in the available for sale reserve was reclassified and shown in the income statement.

3) As at 30 September 2008 the available for sale reserve included deferred taxes of euro 74,049 thousand (30 September 2007: euro 14,533 thousand). The hedging reserve contains deferred taxes standing at euro –2,330 thousand at the balance sheet date (30 September 2007: euro –1,918 thousand).

CASH FLOW STATEMENT

Euro thousand	1-9/2008	1-9/2007
Cash and cash equivalents at the end of previous period	**3,200,392**	**1,199,865**
Cash flow from operating activities	1,574,002	2,154,985
Cash flow from investing activities	–378,978	–561,073
Cash flow from financing activities	341,043	83,821
Cash and cash equivalents at the end of the period	**4,736,459**	**2,877,597**

NOTES

Interim Financial Statements as of 30 September 2008

1) General

The interim report as of 30 September 2008 of the Österreichische Volksbanken-AG (VBAG) has been prepared in accordance with all IFRS / IAS published by the International Accounting Standards Board (IASB) as well as all interpretations (IFRIC / SIC) issued by the International Financial Reporting Interpretations Committee and the Standing Interpretations Comittee respectively as adopted for use in the European Union. These interim financial statements comply with IAS 34 Interim financial reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2007.

These condensed consolidated interim financial statements have not been audited.

In October 2008, the IASB published amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures. These amendments were also adopted by the European Union in October. The amendments allow financial instruments in the category held for trading or available for sale to be reclassified in the loans & receivables category, in certain cases. VBAG has made use of this opportunity in this interim financial statement. As a result, securities with no active market have been reclassified retrospectively from the available for sale category to the loans & receivables category with effect from 1 July 2008. The market value of these securities at the time of reclassification was euro 1,140 million. This value will be applied as the new carrying amount for these securities. The available for sale reserve after deferred taxes for these securities would have been euro -140 million as at 30 September 2008. As at 30 June 2008, the available for sale reserve after deferred taxes for these reclassified securities was shown as euro -79 million. Furthermore, as a result of the implementation of IFRS 7, the comparison figures were adjusted. These measures will improve transparency and comparability for the following periods without affecting the results. No further changes occurred in the reporting period with respect to the accounting or valuation methods used.

In preparing this interim report the judgements and estimates were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2007.

Due to negotiations held in October over the sale of Kommunalkredit, the goodwill of Kommunalkredit was subjected to an impairment test and impaired entirely in the 3rd quarter. For all other goodwill during the first nine months of the financial year, no events or changes in circumstances occurred that would indicate an impairment of goodwill, therefore no impairment tests were carried out for goodwill.

VBAG's interim consolidated financial statements have been drawn up in euro as this is the Group's functional currency. All figures are indicated in thousands of euros, unless specified otherwise. The following tables may contain rounding differences.

2) Changes in the Group structure

In the first three quarters of 2008, capital increases were completed at six VBI banking subsidiaries, in the course of which VBI took over the shares of third party shareholders. The resulting goodwill amounting to euro 241 thousand was recognised under assets.

3) Subsequent events

An agreement was signed on 3 November between the Republic of Austria and the owners of Kommunalkredit Bank AG (Kommunalkredit), VBAG and Dexia Crédit Local (Dexia) concerning the takeover of Kommunalkredit by the Republic of Austria. In this agreement, VBAG sold its share of 50.78 % in Kommunalkredit to the Republic of Austria for one euro and pledged to convert parts of its uncollateralised loans in the amount of euro 173 million into participation capital. This participation capital is to be issued with a dividend of 8 % and is non-callable for a duration of at least 5 years. VBAG will also submit a guarantee limited in time and extent for as yet unknown risks from Kommunalkredit. Since the effectiveness of this agreement depends upon the approval of various authorities, the point of time for the deconsolidation of the Kommunalkredit sub-group is not yet known. Consequently, the entire result of the Kommunalkredit sub-group will be incorporated into this interim financial statement. In addition, goodwill has been impaired by euro 124,699 thousand. The Kommunalkredit sub-group is reported in the public finance segment.

No other events took place during the period of the interim report that had any significant effect on the interim financial statements as at 30 September 2008.

4) Notes to the income statement

Interest and similar income and expenses

Euro thousand	1-9/2008	1-9/2007
Interest and similar income	4,765,977	3,622,619
Interest and similar expenses	–3,885,118	–3,076,632
Interest and similar income and expenses	**880,859**	**545,986**

Net fee and commission income

Euro thousand	1-9/2008	1-9/2007
Fee and commission income	275,624	183,066
Fee and commission expenses	–86,501	–52,189
Net fee and commission income	**189,124**	**130,877**

General administrative expenses

Euro thousand	1-9/2008	1-9/2007
Staff expenses	–284,503	–226,836
Administrative expenses	–229,706	–184,523
Depreciation of fixed assets	–33,117	–29,968
General administrative expenses	**–547,327**	**–441,327**

Income from financial investments

Euro thousand	1-9/2008	1-9/2007
Result from financial investments at fair value through profit or loss / Portfolio hedge	–90,639	8,741
Result from financial investments at fair value through profit or loss and from underlying instruments for portfolio hedges	41,224	–218,317
Result from revaluation of derivatives	–131,862	227,058
Result from fair value hedges	–2,190	–2,479
Result from revaluation of underlying instruments	62,893	58,607
Result from revaluation of derivatives	–65,083	–61,086
Result from other derivatives (investment book)	–1,668	–440
exchange rate related	–2,371	–2,073
interest rate related	698	4,753
credit related	–30	–610
others	36	–2,510
Result from available for sale financial investments	–80,006	–18,992
Result from loans & receivables financial investments	–45,777	0
Result from held to maturity financial investments	–77,299	891
Result from participating interests, assets for operating lease and other financial investments	32,678	27,732
Income from financial investments	**–264,901**	**15,454**

5) Notes to the consolidated balance sheet

Loans and advances to credit institutions

Euro thousand	30 Sep 2008	31 Dec 2007
Measured at fair value through profit or loss	139,707	213,067
Measured available for sale	402,675	412,304
Measured at amortised cost	14,350,119	10,742,467
Loans and advances to credit institutions	**14,892,500**	**11,367,838**

Loans and advances to customers

Euro thousand	30 Sep 2008	31 Dec 2007
Measured at fair value through profit or loss	3,489,035	3,532,287
Measured available for sale	1,334,017	1,487,605
Measured at amortised cost	40,986,327	34,027,923
Loans and advances to customers	**45,809,379**	**39,047,815**

Loans and advances to credit institutions and customers comprise non-interest bearing receivables amounting to euro 273,721 thousand (31 December 2007: euro 204,492 thousand).

Financial investments

Euro thousand	30 Sep 2008	31 Dec 2007
Financial investments at fair value through profit or loss	4,524,926	6,695,786
Debt securities	4,192,663	6,438,079
Equity and other variable-yield securities	332,263	257,707
Financial investments available for sale	8,063,335	7,463,369
Debt securities	7,900,929	7,422,153
Equity and other variable-yield securities	162,406	41,215
Financial investments loans & receivables	1,124,892	0
Financial investments held to maturity	4,069,105	4,036,384
Financial investments	**17,782,258**	**18,195,539**

Loans and advances to credit institutions and to customers as well as financial investments measured at fair value through profit or loss

Loans and advances to credit institutions and customers as well as financial investments have been designated to the category at fair value through profit or loss as the Group manages these receivables on a fair value basis in accordance with its investment strategy. Internal reporting and performance measurement of these receivables are conducted on a fair value basis.

On 30 September 2008, the maximum credit risk for loans and advances measured at fair value through profit or loss stood at euro 3,628,742 thousand (31 December 2007: euro 3,745,354 thousand).

In the first three quarters of 2008 no credit risk changes occurred in the fair value of loans and advances to credit institutions and customers measured at fair value through profit and loss.

Participations

Euro thousand	30 Sep 2008	31 Dec 2007
Investments in affiliates not consolidated	142,670	143,252
Participating interests	82,903	81,922
Investments in other companies	32,821	24,244
Participations	**258,395**	**249,417**

All participations are valued at amortised costs. No participation is listed on a stock exchange.

Amounts owed to credit institutions

The amounts owed to credit institutions are all measured at amortised cost.

Amounts owed to customers

Euro thousand	30 Sep 2008	31 Dec 2007
Measured at fair value through profit or loss	10,789	10,253
Measured at amortised costs	12,973,088	10,840,668
Saving deposits	1,548,936	1,468,830
Other deposits	11,424,152	9,371,838
Amounts owed to customers	**12,983,877**	**10,850,921**

Amounts owed to customers have been designated to the category at fair value through profit or loss as the Group manages these financial liabilities on a fair value basis in accordance with its investment strategy. Internal reporting and performance measurement of these liabilities are conducted on a fair value basis.

The carrying amount of the amounts owed to customers designated at fair value through profit or loss exceeds the redemption amount by euro 98 thousand (31 December 2007: euro 44 thousand).

Debts evidenced by certificates

Euro thousand	30 Sep 2008	31 Dec 2007
Measured at fair value through profit or loss	394,659	161,310
Measured at amortised costs	35,571,452	32,947,403
Debts evidenced by certificates	**35,966,111**	**33,108,714**

Debts evidenced by certificates have been designated to the category at fair value through profit or loss as the Group manages these financial liabilities on a fair value basis in accordance with its investment strategy or because derivatives are embedded in these liabilities. Internal reporting and performance measurement of these liabilities are conducted on a fair value basis.

The carrying amount of debts evidenced by certificates which are reported at fair value through profit or loss is euro 3,209 thousand lower than the redemption amount at the end of the life of maturity (31 December 2007: carrying amount exceeds the redemption amount by euro 8,838 thousand).

Subordinated liabilities

Euro thousand	30 Sep 2008	31 Dec 2007
Measured at fair value through profit or loss	51,899	57,511
Measured at amortised costs	2,348,930	1,908,969
Subordinated liabilities	**2,400,829**	**1,966,480**

Subordinated liabilities have been designated to the category at fair value through profit or loss as the Group manages these financial liabilities on a fair value basis in accordance with its investment strategy or because derivatives are embedded in these liabilities. Internal reporting and performance measurement of these liabilities are conducted on a fair value basis.
The carrying amount of the subordinated liabilities measured at fair value through profit or loss is euro 12,601 thousand lower than the redemption amount at the end of maturity (31 December 2007: euro 6,989 thousand).
In the first three quarters of 2008 the valuation of debts evidenced by certificates and subordinated liabilities, which is recognised directly in the income statement, includes a change of fair value amounting to euro 7,142 thousand (31 December 2007: euro 2,480 thousand), which can be attributed to a change in credit risk.
The item subordinated liabilities comprises hybrid tier one capital standing at euro 426,520 thousand (31 December 2007: euro 422,442 thousand) on the balance sheet date.

6) Own funds

The own funds of the VBAG Group of credit institutions which were calculated pursuant to the Austrian Banking Act can be broken down as follows:

Euro thousand	**30 Sep 2008**	**31 Dec 2007**
Subscribed capital (less treasury stocks)	839,268	330,853
Open reserves (including differential amounts and minority interests)	2,483,576	2,447,604
Funds for general banking risks	16,888	21,730
Intangible assets	–27,911	–25,251
Net loss	–89,698	–8,171
Core capital (Tier I capital) before deductations	3,222,123	2,766,765
Deductations from core capital (50 % deduction pursuant to Section 23 (13) and Section 29 (1) and (2) Austrian Banking Act)	–187,523	0
Core capital (Tier I capital) after deductions	3,034,600	2,766,765
Supplementary capital	538,900	540,056
Eligible subordinated liabilities	857,484	910,464
Hidden reserves pursuant to Section 57 (1) Austrian Banking Act	113,782	115,702
Revaluation reserves	0	1,612
Supplementary capital (tier II capital) before deductions	1,510,166	1,567,834
Deductions from supplementary capital (50 % deduction pursuant to Section 23 (13) and Section 29 (1) and (2) Austrian Banking Act)	–187,523	–83,540
Supplementary capital (tier II capital) after deductions	1,322,643	1,484,294
Short-term subordinated liabilities (tier III capital)	15,985	6,772
Eligible qualifying capital	**4,373,228**	**4,257,831**
Capital requirement	3,600,588	3,138,259
Surplus capital	772,640	1,119,572
Core capital ratio (tier I) (in relation to the assessment base pursuant to Section 22 Austrian Banking Act – credit risk)	7.07 %	7.19 %
Equity ratio (solvency ratio) (in relation to credit risk after deduction of capital requirements for market and operational risk)	9.80 %	10.91 %

The item open reserves includes the hybrid tier one capital totalling euro 426,520 thousand (31 December 2007: euro 422,442 thousand).

The risk-weighted assessment base as defined in the Austrian Banking Act and the ensuing equity requirement showed the following changes:

Euro thousand	**30 Sep 2008**	**31 Dec 2007**
Risk-weighted assessment base pursuant to Section 22 Austrian Banking Act – credit risk	42,912,075	38,502,339
Of which 8 % minimum capital requirement for credit risk	3,432,966	3,080,187
Capital requirement for position risk in debt instruments, equities, foreign exchange and commodities – market risk	39,662	58,072
Capital requirement for operational risk	127,960	0
Total capital requirement	**3,600,588**	**3,138,259**

The risk-weighted assessment base of the first quarter of 2008 has been calculated for all companies according to the standard approach. Starting with 1 April 2008, some companies are calculating the credit risk using the IRB approach.
Beginning with 2008, the counterparty risk of the trading book is shown in the capital requirement for credit risk, in previous periods it was recognised in the capital requirement for position risk in debt instruments, equities, foreign exchange and commodities.
In accordance with IFRS reporting, the scope of consolidation differs from the group of consolidated companies under the Austrian Banking Act as the IFRS provides for the inclusion of other enterprises not belonging to the banking sector, whereas the Austrian Banking Act stipulates that the group of consolidated companies should consist exclusively of credit and financial institutions as well as banking related auxiliary service providers. According to the Austrian Banking Act, credit institutions, financial institutions and subsidiaries providing banking related auxiliary services under control are fully consolidated. The carrying amount of financial institutions under control but not significant for the presentation of the group of credit institutions according to Section 24 para. 3a of the Austrian Banking Act is deducted from own funds. Subsidiaries providing banking related auxiliary services which are under control but are not consolidated according to Section 24 para. 3a of the Austrian Banking Act are taken into account in the assessment base at their carrying amounts. Subsidiaries which are managed jointly with non-Group companies are proportionate consolidated. Holdings in credit and financial institutions with a share between 10 % and 50 %, which are not under joint management, are also deducted from own funds, unless they are not voluntarily included on a pro-rata basis. Holdings of lower than 10 % in credit and financial institutions are deducted from own funds only if the exemption threshold is crossed. All other participating interests are taken into account in the assessment base at their carrying amounts.
In the first three quarters of 2008, no substantial, practical or legal obstacles existed which would have prevented the transfer of equity or the repayment of liabilities between the senior institution and institutions subordinated to the former.

7) Number of staff

Number of staff employed during the first half of 2008:

	Average number of staff		Number of staff at end of period	
	1-9/2008	1-9/2007	30 Sep 2008	31 Dec 2007
Domestic	2,262	2,356	2,327	2,193
Foreign	6,486	5,204	6,850	6,148
Total	**8,748**	**7,560**	**9,177**	**8,341**

The average staff number of the first three quarters of 2007 includes 428 employees of the NÖ Hypo sub-group as the deconsolidation of NÖ Hypo took place on 2 July 2007.

8) Branches

	30 Sep 2008	31 Dec 2007
Domestic	50	49
Foreign	510	444
Branches	**560**	**493**

9) Segment reporting

Segment reporting by business segments

Euro thousand	Public Finance	Corporates	Retail	Real Estate	Financial Markets	Other Operations	Group result
Net interest income							
1-9/2008	79,935	111,403	385,055	122,619	69,861	127,024	**895,897**
1-9/2007	58,577	82,792	303,054	109,818	36,143	–34,855	**555,530**
Risk provisions							
1-9/2008	–75,719	–292	–84,479	–16,385	24,423	–162	**–152,613**
1-9/2007	–1,546	–7,203	–48,861	–231	–2,008	23,523	**–36,325**
Net fee and commission income							
1-9/2008	27,535	17,410	105,453	8,227	25,137	5,362	**189,124**
1-9/2007	11,472	8,007	79,172	4,582	24,575	3,069	**130,877**
Net trading income							
1-9/2008	359	1,948	12,303	–3,775	44,508	4,486	**59,829**
1-9/2007	1,305	2,551	4,858	1,173	35,397	–1,838	**43,447**
General administrative expenses							
1-9/2008	–36,720	–61,342	–331,734	–56,483	–43,834	–17,213	**–547,326**
1-9/2007	–31,356	–53,342	–267,774	–37,993	–38,229	–12,633	**–441,327**
Other operating result							
1-9/2008	–124,290	–5,293	5,857	–6,277	253	2,118	**–127,630**
1-9/2007	3,974	1,289	609	6,939	242	1,609	**14,662**
of which impairment of goodwill							
1-9/2008	*–124,699*	*0*	*0*	*0*	*0*	*0*	***–124,699***
1-9/2007	*0*	*0*	*0*	*0*	*0*	*0*	***0***
Income from financial investments							
1-9/2008	–95,363	–37,093	–4,877	2,929	–65,134	–65,363	**–264,901**
1-9/2007	7,316	–1,463	488	24,664	4,755	–20,306	**15,454**
Income from the disposal group - NÖ Hypo							
1-9/2008	0	0	0	0	0	0	**0**
1-9/2007	0	0	0	0	0	19,048	**19,048**
Pre-tax profit							
1-9/2008	**–224,262**	**26,742**	**87,578**	**50,855**	**55,215**	**56,251**	**52,379**
1-9/2007	**49,743**	**32,630**	**71,547**	**108,953**	**60,877**	**–22,384**	**301,366**
Total assets							
30 Sep 2008	35,471,476	10,639,079	24,141,948	7,522,553	6,670,494	6,653,238	**91,098,789**
31 Dec 2007	32,824,325	11,058,629	19,334,235	6,454,152	5,909,094	3,060,394	**78,640,829**
Loans and advances to customers							
30 Sep 2008	15,412,370	7,095,028	17,328,109	4,646,426	418,730	908,716	**45,809,379**
31 Dec 2007	13,518,307	6,961,958	14,066,074	3,627,259	430,710	443,506	**39,047,815**
Amounts owed to customers							
30 Sep 2008	1,247,676	1,152,940	8,211,860	664,139	2,140,399	–433,136	**12,983,877**
31 Dec 2007	659,684	913,751	6,881,289	1,060,064	1,640,351	-304,218	**10,850,921**
Debts evidenced by certificates including subordinated liabilities							
30 Sep 2008	20,343,597	2,084,000	1,272,184	810,000	0	13,857,158	**38,366,940**
31 Dec 2007	20,185,403	2,664,896	1,057,728	854,782	0	10,312,385	**35,075,194**

Segment reporting by geographical markets

Euro thousand	Austria	Central and Eastern Europe	Other Markets	Group result
Net interest income				
1-9/2008	411,592	376,321	107,984	**895,897**
1-9/2007	150,309	324,018	81,204	**555,530**
Risk provisions				
1-9/2008	–25,901	–74,101	–52,610	**–152,613**
1-9/2007	5,933	–39,701	–2,557	**–36,325**
Net fee and commission income				
1-9/2008	78,095	106,394	4,635	**189,124**
1-9/2007	61,130	67,134	2,612	**130,877**
Net trading income				
1-9/2008	49,952	12,336	–2,460	**59,829**
1-9/2007	40,289	4,669	–1,511	**43,447**
General administrative income				
1-9/2008	–217,563	–288,769	–40,994	**–547,327**
1-9/2007	–186,400	–223,293	–31,634	**–441,327**
Other operating result				
1-9/2008	–112,860	–15,329	558	**–127,630**
1-9/2007	12,509	2,267	–113	**14,662**
Income from financial investments				
1-9/2008	–30,318	2,779	–237,361	**–264,901**
1-9/2007	15,447	363	–356	**15,454**
Income from the disposal group - NÖ Hypo				
1-9/2008	0	0	0	**0**
1-9/2007	19,048	0	0	**19,048**
Result for the period before taxes				
1-9/2008	**152,996**	**119,632**	**–220,248**	**52,379**
1-9/2007	**118,265**	**135,457**	**47,645**	**301,366**

10) Quarterly financial data

Euro thousand	7-9/2008	7-9/2007
Net interest income	443,539	192,355
Risk provisions	–107.690	–2,889
Net fee and commission income	71,388	46,964
Net trading income	8,111	13,626
General administrative expenses	–187,368	–159,982
Other operating result	–131,570	4,330
Income from financial investments	–237,331	975
Income from the disposal group	0	8,120
Result for the period before taxes	**–140,920**	**109,278**
Income taxes	2,058	–16,065
Income taxes of the disposal group	0	0
Result for the period after taxes	**–138,862**	**93,213**
Profit attributable to shareholders of the parent company (Consolidated net income)	**–87,596**	**66,357**
Profit attributable to minority interest (Minority interest)	–51,266	26,856

Statement of all legal representatives

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

Vienna, 26 November 2008

Franz Pinkl
Chairman
of the Managing Board

Manfred Kunert
Member
of the Managing Board

Wolfgang Perdich
Member
of the Managing Board

Wilfried Stadler
Member
of the Managing Board

Dieter Tschach
Member
of the Managing Board