

INTERIM REPORT

3RD QUARTER

2010

KEY FIGURES OF VOLKSBANK AG

In euro million	30 Sep 2010	31 Dec 2009	31 Dec 2008
Statement of financial position ¹⁾			
Total assets	47.778	49.146	55.815
Loans and advances to customers	24,471	24,134	26,028
Amounts owed to customers	7,649	7,467	8,628
Debts evidenced by certificates	16,674	17,329	14,954
Subordinated liabilities	1,856	1,983	1,957
Own funds			
Core capital (tier I) after deductions	2,546	2,715	2,515
Supplementary capital (tier II, tier III) after deductions	843	968	909
Eligible qualifying capital	3,389	3,682	3,424
Assessment base credit risk	26,333	27,255	33,263
Capital requirement market risk	62	55	42
Capital requirement operational risk	133	125	114
Surplus capital	1,087	1,321	606
Core capital ratio in % ²⁾	9.7	10.0	7.6
Equity ratio in % ³⁾	11.8	12.5	9.7
	1-9/2010	1-9/2009	1-9/2008
Income statement ¹⁾			
Net interest income	583.9	460.6	696.5
Risk provisions	-285.8	-551.5	-69.8
Net fee and commission income	105.8	108.8	138.5
Net trading income	53.1	99.3	63.5
General administrative expenses	-414.5	-409.3	-443.9
Other operating result	4.7	18.6	6.3
Income from financial investments	10.9	-261.2	-169.1
Income from the disposal group	14.9	-72.1	-169.6
Result before taxes	72.9	-606.8	52.4
Income taxes	-16.3	119.4	-22.2
Result after taxes	56.6	-487.5	30.2
Non-controlling interest	-27.4	14.3	-19.0
Consolidated net income	29.2	-473.2	11.2
Key ratios ⁴⁾			
Cost-income-ratio	53.3 %	56.0 %	50.4 %
ROE before taxes	4.0 %	-26.7 %	14.1 %
ROE after taxes	3.2 %	-21.7 %	12.3 %
ROE consolidated net income	2.9 %	-32.0 %	14.7 %
ROE before taxes (regulatory)	3.7 %	-31.0 %	12.7 %
Resources ¹⁾			
Staff average	7,623	7,996	7,810
of which domestic	1,430	1,473	1,433
of which foreign	6,193	6,523	6,377
	30 Sep 2010	31 Dec 2009	31 Dec 2008
Staff at end of period	7,548	7,740	8,255
of which domestic	1,427	1,433	1,502
of which foreign	6,121	6,307	6,753
Number of sales outlets	558	584	611
of which domestic	1	1	1
of which foreign	557	583	610

¹⁾ The comparative figures of 2008 and 2009 were restated by disposal group in line with IFRS 5.

²⁾ In relation to credit risk

³⁾ In relation to total risk

⁴⁾ The cost-income-ratio was calculated without taking into account impairment of financial investments and of goodwill but including revaluation of investment properties. All ROEs were displayed without including the disposal group.

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Any role descriptions in this consolidated annual report that are used only in the masculine form apply analogously to the feminine form.

MANAGEMENT REPORT

Report on business development and the economic situation

Economic environment

Euro zone

The economy in the euro zone, which had growth by 1 % quarter-on-quarter in the second quarter of this year, lost momentum during the third quarter and achieved a growth rate of 0.4 % q/q or 1.9 % y/y in this period (Eurostat flash estimate). This slower upturn was extremely uneven. Greek GDP continued to decline compared with the previous quarter and was 4.5 % lower than in the same period of the previous year. Germany again proved to be the growth engine within the euro zone in the third quarter thanks to an upturn in the industrial landscape that only tailed off slightly towards the end of the quarter. Year-on-year GDP growth of 3.9 % was recorded in both the second and third quarters. In Austria, economic growth amounted to 2.2 % q/q and 2.5 % y/y. As in the previous quarter, growth was primarily supported by industry and exports, while investments in equipment also increased. The construction sector remained weak, with net economic output declining by 0.3 % compared with the previous quarter.

The unemployment rate in the monetary union was unchanged, at 10.1 %, in the months from July to September. The aggregate figure covered a range from 4.5 % at last in Austria to 20.8 % in Spain. The annual inflation rate, which was still around 1 % at the beginning of the year, rose steadily in the first half of the year. During the second quarter, it averaged 1.5 %, before reaching 1.8 % in September. With respect to the annual inflation rate the variation in national data was enormous as well – in September, the inflation rate ranged from –1 % in Ireland to 5.7 % in Greece.

The Czech Republic, Slovakia and – with certain restrictions – Hungary also reported economic dynamism, comparable to the "core euro zone" in the third quarter, albeit at very different levels. In the third quarter, annual growth was 3 % in the Czech Republic, 4.1 % in Slovakia and 2.1 % in Hungary, with exports as the key driver of growth. Ukraine, Serbia and Bosnia-Herzegovina also benefited from the upturn in the industrial landscape. By contrast, Romania remained mired in recession. In the third quarter, Romanian GDP was 2.3 % down on the comparable quarter in the previous year. Croatia, whose GDP data for the third quarter was not yet available when this interim report went to press, also started the quarter in a recession phase that is unlikely to have ended in the third quarter.

Financial Markets

Sentiment on financial markets remains dominated by uncertainties concerning Greece and other euro countries battling with high government debt and weak economic growth. The euro 750 billion rescue package concluded in mid-May only relieved the pressure on markets briefly. From the second half of June, risk premiums on Greek government bonds once again returned to levels in excess of 1,000 basis points compared with German government bonds. As a result of the publication of the positive effects of the Greek austerity measures, risk premiums had fallen back to levels between 600 and 800 basis points in the third quarter. In the first nine months of 2010, new Greek debt was reduced by some 30 % compared with the same period in 2009. However, in contrast to this, concerns about other countries, in particular Ireland, increased following the announcement that the state-owned Anglo Irish Bank required more capital than had been expected. The euro had depreciated by about 15 % against the US dollar and 11 % against the Swiss franc during the first half of the year. While the euro regained almost all the ground lost against the dollar in the third quarter, it only stabilised against the franc and closed the third quarter some 10 % down on its value at the end of the previous year. Stock markets performed more or less parallel to the external value of the euro and were mainly dependent on investors' attitude to risk. In the first half of 2010, the ATX lost around 9 % but its performance improved in the third quarter, the ATX closed the quarter 2 % up on the end of the previous year. In Central and South Eastern Europe, risk premiums on government bonds remained stable over the summer. With the exception of the Serbian dinar and the Croatian kuna, all currencies in this region appreciated somewhat in the second quarter and exchange rates only changed a little in the third quarter.

Business development

Österreichische Volksbanken-AG Group (VBAG) continued the positive trend from the first six months of 2010. The result before taxes reached euro 73 million, meaning that the Group was again successful in the third quarter. Capital ratios also remain satisfactory. The tier I ratio (in relation to credit risk) was well over 9 %, similar to the ratio in the first half of the year. As at 30 September 2010, the

equity ratio also remained clearly above 11 %. The outlook for the current year is satisfactory and according to plan. VBAG Group expects to report a consolidated profit before taxes in a high two-digit million range for the full year 2010.

Results in detail

Net interest income is one of the drivers behind the result and amounts to euro 584 million, up euro 123 million or 27 % on the same period of 2009. Net interest income increased in almost all segments. Here, the interest rate elasticity, which depressed net interest income in the previous year (the adjustment to the fall in the level of interest rates took place more rapidly on the assets side than on the liabilities side), is also having an impact. In the Corporates segment, net interest income was still behind the previous year, which is mainly attributable to the reduction in lending volume in the last few quarters.

Net fee and commission income declined by 3 % compared to last year and stood at euro 106 million for the reporting period. Detailed analysis shows that net fee and commission income from the lending business was down euro 2 million on the same period of 2009. The deliberate reduction in foreign currency loans as part of the adaptation of the risk strategy to current market conditions, which started in fiscal year 2009, led to a drop in net income from exchange rate transactions of euro 3 million. By contrast, net income from payment transactions (euro +2 million) and net fee and commission income from the securities business (euro +2 million) improved.

At euro 53 million, net trading income declined by euro 46 million compared to the previous year. However, this is mainly a consequence of the excellent performance in 2009, when VBAG Group achieved record net trading income.

Compared with the previous year, general administrative expenses of euro 415 million show a slight growth of euro 5 million. Operating expenditure increased by euro 7 million in comparison to last year, which is primarily attributable to the project costs – driven by the regulator – of the electronic data processing centre. At 1,427, the number of employees in Austria (adjusted for employees of Europolis Group and VB Linz+Mühlviertel) has remained stable since the end of 2009. The sales network abroad has been further optimised, which led to a decline in the number of employees from 6,307 (without Europolis) to 6,121.

The operating result (net interest income, net fee and commission income, net trading income, general administrative expenses) reached euro 328 million. The operating cost-income-ratio was further decreased to 55.8 %, which is lower than the figure of 61.2 % for the comparative period 2009.

The economic environment remains difficult in some regions of Central and Eastern Europe. For this reason, VBAG Group is still reporting increased risk provisions. For the first three quarters of 2010, risk provisions amounted to euro 286 million. The amount of risk provisions is still above the level of pre-crisis years; compared to the year 2009, however, risk provisions declined by 48 %.

Other operating result amounts to euro 5 million for the first three quarters of 2010. Income from financial investments, at euro 11 million, reflects the incipient recovery on the financial markets. Impairments for various investments amounting to euro 230 million were included here in the same period of 2009.

In the first three quarters of 2010 the income from the disposal group included the results of Europolis Group and VB Linz+Mühlviertel. Negotiations regarding the sale of Europolis Group were concluded with the signing in June. The buyer of Europolis, CA Immobilien Anlagen AG, will acquire the shares after the end of 31 December 2010. The effects on the consolidated financial statements are expected to be slightly positive. The sale of VB Linz+Mühlviertel was closed on 6 August 2010. The result from the deconsolidation of euro –5 million is also included in the income from the disposal group. The first projects for refocusing VBAG on its core business have thereby been concluded successfully.

Statement of financial position and own funds

As of 30 September 2010, total assets amounted to euro 47.8 billion, which signifies a decrease of euro –1.4 billion or 2.8 % in comparison to 31 December 2009.

While the lending volume dropped continuously from one quarter to the next in 2009 owing to the low demand for loans, this trend stopped in the first quarter of 2010. Loans and advances to customers have increased by euro 338 million since the end of 2009, reaching euro 24.5 billion. In the Retail

segment, loans and advances increased by euro 230 million in the first three quarters of 2010. The increase in loans and advances to customers in the Real Estate segment is attributable to the regrouping of the Europolis Group's refinancing. Loans and advances to customers are continuing to decline in the Corporates segment.

At euro 16.7 billion, debts evidenced by certificates decreased by -3.8 % against the end of 2009, as a result of scheduled repayments. This decrease was only partly offset by new issues. An increase of euro 182 million to euro 7.6 billion was recorded in amounts owed to customers. The liquidity situation of VBAG Group therefore remains very comfortable.

As at 30 September 2010, VBAG Group had eligible own funds of euro 3.4 billion. The tier I ratio (ratio of core capital to the assessment base for credit risk) was 9.7 %, while the tier I ratio in relation to total risk stood at 8.9 %. The equity ratio in relation to total risk amounted to 11.8 %. Available own funds exceeded the regulatory requirements by euro 1.1 billion or 47 %. Capitalisation of VBAG Group is solid, as shown by these figures.

Outlook

Economic environment

Due to the slowdown in growth in the US economy in the third quarter and weaker leading indicators such as incoming orders and purchasing managers' indices it is anticipated that the euro zone economy will lose further momentum in the second half of the year. Economic activity continues to grow in Austria, Germany and most CEE countries without generating inflationary pressures. Interest rates will therefore only move upwards from their current low very slowly. The environment remains fragile overall and financial markets are still very susceptible to setbacks.

Österreichische Volksbanken-Aktiengesellschaft (VBAG)

The outlook for 2010 is considerably more positive than it was in 2009, with the turnaround apparent in the results of the first three quarters of 2010. For this reason, VBAG Group expects a consolidated net profit in 2010.

Distributions for the fiscal year 2010 on profit-related securities issued by VBAG, however, are unlikely from today's view point due to the expected negative VBAG single entity result.

A comprehensive process has been initiated in order to focus on core business areas and to strengthen the business model. This process also aims at aligning VBAG Group's total assets with those of the Volksbank sector in the medium term. Accordingly, resizing measures like the sale of subsidiaries or participations are currently being evaluated. The restructuring process comprises all divisions of VBAG Group.

In order to further optimise the group's structure, the supervisory board of VBAG decided in June 2010 to combine Österreichische Volksbanken-AG with Investkredit Bank AG. A first step in this direction is the change of the managing board of Investkredit which was resolved by the supervisory board of Investkredit in September 2010. From this date, the managing board team of VBAG has been responsible for both companies. Further steps in this consolidation process should be completed by mid 2011. All these and future measures are targeted at repaying the participation capital held by the Republic of Austria in tranches as planned from 2011 onwards and on distributing dividend payments on all profit-related instruments for the fiscal year 2011.

CORPORATES SEGMENT

Corporate customers of VBAG Group are offered a comprehensive range of products and services through Investkredit Bank AG, Investkredit Investmentbank AG, Invest Mezzanine Capital Management GmbH, Investkredit International Bank plc, VB Factoring Bank AG and Volksbank Malta Limited.

The supervisory board of Investkredit Bank AG reached a fundamental decision on 14 September 2010: en route to the combination of Österreichische Volksbanken-AG (VBAG) and Investkredit Bank AG, a joint managing board team has been responsible for both banks. Previously four managing board members had been responsible for VBAG and four managing members for Investkredit (with one overlap), now four managing board members are responsible for the combined bank. In addition to the chairman of the managing board, Gerald Wenzel, this managing board team consists of Michael Mendel, Martin Fuchsbauer and Wolfgang Perdich. As one bank with one brand, one objective, one strategy and one managing board, VBAG Group will continue its strong commitment to commercial banking activities. The Corporates segment (without VB Factoring Bank AG) and Investkredit's real estate financing business are operating under the brand name of Volksbank AG – Investkredit as of now.

In Austria, the focus of Volksbank AG – Investkredit, as a bank for corporates and entrepreneurs, is concentrated on medium-sized companies. Here, the bank aspires to be its customers' main bank. Volksbank AG – Investkredit offers to its customers long and short-term financing, the comprehensive management of subsidies, export and trade finance, cash management products, interest and exchange rate hedges and factoring. For years, Volksbank AG – Investkredit has been supporting its customers successfully in their capital market activities, in the purchase and sale of companies and in the implementation of succession strategies for family owned companies. Volksbank AG – Investkredit also acts as a partner to the Austrian Volksbank sector in the provision of corporate finance. In Germany, Poland, Slovakia and the Czech Republic, corporate customers benefit from the bank's expertise in corporate finance.

Segment results

The Corporates segment reported a marked improvement in results, which is attributable, most notably, to a crucial fall in loan loss provisions. The result before taxes for the first three quarters of 2010 reached euro 29.7 million. Because of the reduction in the volume of business, net interest income and net fee and commission income are down on the figures for the previous year.

Loans

Due to the improvement of the economic environment, the demand for loans for the financing of investment projects in Austria and abroad is increasing. Credit lines for working capital are now used by the customers primarily to secure liquidity and no longer to fund emergency measures resulting from the financial crisis. Volksbank AG – Investkredit will further increase its emphasis on the long-term viability of the business models of its customers, which is the basis for prompt lending decisions for providing sufficient liquidity to its corporate customers.

Syndication and subsidies

Syndicated loan business with Austrian Volksbanks remained stable in the third quarter. A slight decrease in the number of syndicated loans was apparent but was offset by rising transaction volumes. The revenue generated by this business field could be increased. Volksbank AG – Investkredit will further expand its successful cooperation with the primary banks.

Volksbank AG – Investkredit is noting increasing demand for subsidies for investment projects in connection with the development and production of innovative products. By contrast, demand for guarantees from the government for measures to secure liquidity is falling, which is due to the fact that companies are being supplied with sufficient liquidity through the banking system.

Export finance

In the period under review, Volksbank AG – Investkredit again structured a soft loan and provided a tailor-made guarantee line to an Austrian customer active in China. Three additional soft loans for China amounting to over euro 13 million will be implemented at the beginning of the fourth quarter.

Cash management

Cash management business remained stable in all product areas in the third quarter of 2010. Preparatory work on the adoption of a new settlement system for foreign transfers also started, which will increase efficiency and improve quality.

Treasury Sales

The completion of measures to optimise processes in Corporate Treasury consultancy services led to more deals in the areas of interest rate and exchange rate management. Customer retention was further intensified through strategies to optimise risk, which led to increased flow and margin business for VBAG Group.

Structured finance

Following the difficulties of the economic crisis, the Leveraged Finance Austria/CEE division recorded a further increase and thus a normalisation in operating activities in the third quarter of 2010. While the number of transactions in Austria continues to lag behind previous levels, many financing transactions are already being implemented in CEE. The German market has picked up significantly, which has led to a sustained increase in the deal flow. The focus of the branch in Frankfurt remained on medium sized companies as well as professional financial investors in the third quarter.

Project finance

In recent months, the bank has carried out structured transactions, in particular to finance photovoltaic systems in the Czech Republic, where a reduction in the feed-in tariff is expected by the end of the year. By and large, fears that dramatic tariff reductions – triggered by budgetary pressures – would be adopted in various European countries have not come true.

Finance for international schools

At the end of September, a global loan to finance German international schools abroad of euro 60 million was signed with KfW Bankengruppe. As a result, long-term investment projects (e.g. new builds and extensions, sports facilities and science buildings) at more than 130 German schools abroad can be financed at subsidised interest rates. Volksbank AG – Investkredit is the only bank to have received a global loan of this kind from KfW which is a confirmation of the path it has adopted of increased involvement in issues for the future such as youth and education.

Investkredit Investmentbank (IKIB)

In the third quarter of 2010, IKIB worked on implementing existing consulting contracts with medium-sized corporate customers of Volksbank AG – Investkredit. New consulting projects are in the acquisition stage.

Factoring

Demand for factoring as an alternative form of financing is developing well. VB Factoring Bank AG reported a 4.2 % increase in its business volume compared with 2009. To date, new business has been satisfactory, sales to existing customers have fallen in some cases because of the macroeconomic situation.

Outlook

In line with the trend in economic activity, the vast majority of the 2009 annual financial statements of Volksbank AG – Investkredit's corporate customers report weaker results. However, the interim results for the current financial year indicate that the companies' performance is improving once again. This positive trend gives grounds for hoping that demand for loans will rise over the rest of the year. At present, the bank's attention is increasingly focused on the provision of financial services. These products and services are supplementing the existing product range, therefore they are to be offered more frequently.

The Corporate Treasury sales' strategy of reinforcing the bank's positioning as "THE risk manager" for corporate customers on the capital market is to be continued consistently.

A continuous and sustained improvement in the general conditions in Leveraged Finance is expected in the course of the next few quarters. Improvements in the functionality of the market for acquisitions will allow the number of transactions to increase.

Preparations for financing renewable energy projects in Slovakia and in Poland will dominate activities in project financing up to the end of the year. In 2011, attention will be focused firstly on developments in the tariff structures for renewable energy and secondly on the major investments projects in the area of traditional energy sources in Europe.

Given that the fourth quarter is traditionally strong for factoring, growth in business volume of 5 % to 6 % is expected for the year as a whole. As a result the one billion euro barrier would be exceeded for the first time since the establishment of VB Factoring Bank AG in 1980.

RETAIL SEGMENT

VBAG's Retail segment encompasses operating activities in Austria and the CEE countries. In Austria, the segment comprises VB Leasing Finanzierungsgesellschaft m.b.H., and in Central and Eastern Europe Volksbank International Group and VB-Leasing International Holding GmbH.

Retail in Austria

VB Leasing Finanzierungsgesellschaft m.b.H.

VB Leasing Finanzierungsgesellschaft m.b.H. reported new business volume of euro 80 million in the third quarter of 2010 (Q1 – Q3: euro 220 million). This corresponds to almost 4,400 contracts (Q1 – Q3: 12,600). Positive development was seen in practically all areas of business.

New contracts were maintained at a high level in the third quarter of 2010. The spread on the Euribor has been declining slightly.

In view of the difficult economic situation, the need for impairment was only moderate. Furthermore, there were unexpectedly high repayments from doubtful debts from the year 2009.

Retail abroad

Volksbank International

Volksbank International Group (VBI) increased its operating result year-on-year in the third quarter of 2010. The main reason for this was the growth in interest income.

Rising profit at all VBI banks

For the period from January to September 2010, all ten VBI banks increased their operating results (before risk) compared with the same period of the previous year. In total, the operating result (before risk) of VBI Group amounted to euro 176.5 million as at 30 September 2010, which represents a rise of 12 % compared with the third quarter of 2009 (euro 157.6 million). Credit risk provisions increased by 22.6 % to euro 155.8 million and could be absorbed easily.

Slight growth in net interest income

VBI Group recorded a growth in net interest income for the period from January to September 2010 to euro 315.9 million. In the same period of 2009 it amounted to euro 293.7 million. In general, interest income at VBI banks was largely stable. Significant net interest income increases were achieved at Volksbank Banja Luka (+32.7 %), Volksbank Slovenia (+29.5 %) and the Volksbanks in the Czech Republic (+11.2 %) and Croatia (+9.7 %).

Total assets and the volume of deposits

As at 30 September 2010, total assets of VBI Group amounted to euro 13.7 billion – a slight decrease compared with the end of 2009. Volksbank Romania accounted for the largest proportion of total assets of VBI Group with euro 4.8 billion, followed by the Volksbanks in the Czech Republic (euro 2 billion), Hungary (euro 1.9 billion), Slovakia (euro 1.3 billion) and Volksbank Croatia (euro 1.1 billion).

The total lending volume of VBI Group amounted to euro 9.9 billion as at 30 September 2010 (2009: euro 9.5 billion). The volume of deposits rose by 6.7 % year-on-year, amounting to euro 5 billion.

Further reduction in fixed costs

The cost management programme launched in 2009 at all VBI banks was continued in 2010. Internal processes were optimised further and the sales network of VBI Group was reviewed and adapted with regard to efficiency and profitability. From January to September 2010, an average of 5,410 staff was employed by the VBI banks, a reduction of 246 employees compared with the first three quarters of the previous year. The number of sales outlets was also adapted to the change in market conditions in Central and Eastern Europe. As at the end of September 2010, VBI banks operated a total of 498 branches (513 branches at the end of December 2009). The number of franchise branches decreased by 11 to 58. In total, VBI Group operates 556 sales outlets.

Efficiency significantly improved once again

VBI Group made further improvements in efficiency during the first nine months of the current year. The cost-income-ratio of VBI Group improved year-on-year by 1 percentage point to 57 %. In total, the Group's cost-income-ratio dropped by 30.6 percentage points between 2004 (87.6 %) and the end of September 2010.

Network comprises ten banks

Founded in 1991, Volksbank International AG, headquartered in Vienna, today manages a network of ten VBI banks in nine Central and Eastern European countries (Slovakia, Czech Republic, Hungary, Slovenia, Croatia, Romania, Bosnia-Herzegovina, Serbia and Ukraine).

The strategic focus of the VBI banks is on business with private customers and with small and medium-sized companies and micro-enterprises. A conservative and prudent risk policy forms part of their strategy.

The referral business for corporate customers of its Austrian, German, French and Italian partner banks is also strongly anchored in the business model of VBI.

VBAG owns a majority holding of 51 % in VBI. Since 2004, the German cooperative banks DZ BANK AG and WGZ BANK AG and French Banque Populaire Caisse d'Epargne (BPCE) have each held a 24.5 % interest in VBI.

VB-Leasing International Holding GmbH

Although the economic downturn bottomed out in Central and Eastern Europe in the financial year 2009, there has still been no significant improvement in market conditions. The market is demonstrating similar instability to that in the financial year 2009, therefore there is still no sign of a steady improvement and stabilisation in the leasing markets in Central and Eastern Europe.

Stable results despite continuing market turbulence

The leasing markets in Central and Eastern Europe shrank by between 40 % and 60 % in 2009. The business model of VB-Leasing International (VBLI) – which is based on a healthy balance between risk and reward – is a key factor in ensuring stability and security in these turbulent times. Through prompt, targeted counter-measures in the first three quarters of 2010 the volume of new business could be maintained at the level of the same period in the previous year. Therefore, as at 30 September 2010, VBLI recorded a new business volume of almost euro 650 million, corresponding to around 27,500 objects.

International orientation with local roots

As a multi-specialist in the equipment leasing sector, VB-Leasing International offers vendor partners and customers comprehensive full-service solutions. The portfolio is based on three areas of business, namely Car Lease & Services, Construction & Transport and Machinery. VB-Leasing focuses on sustainability and its relationships with customers and partners are based on security, trust and fairness.

Years of market and industry expertise in eight different markets in Central and Eastern Europe (Czech Republic, Slovenia, Croatia, Poland, Bosnia-Herzegovina, Slovakia, Serbia and Romania) enable VB-Leasing International to react swiftly and actively to country-specific market conditions and requirements.

Outlook

In a market that is recovering slowly, VB Leasing Finanzierungsgesellschaft m.b.H. will pursue its consistent risk policy with regard to credit rating, object quality and risk diversification. Particular attention will be paid to a risk-adequate pricing policy.

VBI Group will continue its strategy of qualitative growth and will also focus on its cooperative main bank business model. In addition, microloans will be added to its portfolio and it will also concentrate on the area of referral business for corporate customers. VBI sees particularly good opportunities for new business in the fields of renewable energy, the automotive industry and also in the real estate sector. A slight economic recovery is already becoming apparent in these sectors. In Central and Eastern European markets, many economic sectors still have to catch up with Western Europe. For VBI and its subsidiary banks, this offers good opportunities and lucrative prospects, particularly in the long term.

The experts at VB-Leasing International will continue to focus on providing high quality services and support to existing customers and on acquiring national and international vendor partners.

REAL ESTATE SEGMENT

Under the corporate slogan "excellence in real estate" VBAG Group offers its customers and real estate partners the following commercial property-related services: customised project financing from Investkredit Bank AG, lease financing from Immoconsult Leasinggesellschaft m.b.H. and property development through Premiumred Real Estate Development GmbH. Investkredit's real estate financing business is operating under the brand name of Volksbank AG – Investkredit as of now. Europolis AG was sold in June 2010 and is presented as a disposal group. The Real Estate segment's core markets are Austria and Central and Eastern Europe.

Segment results

The segment result for the first three quarters of 2010 shows a noticeable improvement year-on-year. The reasons for this are lower loan loss provisions in the first three quarters of 2010 and the impairments of the Europolis Group's investment property assets posted in the same period of 2009, which had a highly adverse impact on results in the first three quarters of 2009. There were slight increases in net interest and net fee and commission income, while general administrative expenses were kept stable. For the period under review, the result before taxes reached euro 11.6 million.

Volksbank AG – Investkredit

Both net interest income and operational result in real estate financing are slightly above plan. Compared with the previous years, result before taxes shows a noticeable improvement, which is attributable to lower loans loss provisions. There is still uncertainty regarding future economic trends and consequently the risk to which the company is exposed. New financing was concluded for an office project by the Ablon Group in Warsaw and for the WED's DC Tower 1 in Vienna.

Immoconsult

As the specialist in real estate leasing, Immoconsult will continue to concentrate on business in Austria. Its financing activities in cooperation with the Austrian Volksbanks are being continuously strengthened. In the Central and Eastern European core markets, the focus is concentrated on major international customers, who are serviced both from Vienna and by local subsidiaries. Leasing transactions with a total volume of euro 31 million were concluded in the first three quarters of 2010.

Premiumred

As the specialist in international project development of real estate within VBAG Group, Premiumred holds in its portfolio office buildings completed or renovated in 2008 and 2009 in Warsaw, Budapest and Bucharest. The total usable space of approximately 57,000 m² is – despite the challenging economic conditions – approximately 86 % let. Valid planning permission was recently received for the "Horizon Offices" project in Prague (rentable space around 23,000 m²) and it should be granted for the "Salomea Business Park" in Warsaw (rentable space around 28,000 m²) shortly.

Europolis

Europolis was sold to CA Immobilien Anlagen AG, closing of the transaction will take place at the end of December. Good operating results were achieved in the third quarter of 2010 again. In the period under review, rental income increased by 15.8 % from euro 60.2 million to euro 69.7 million year-on-year. At the same time, general administrative expenses were reduced by 15.7 % through cost cutting measures. The result before taxes attributable to VBAG Group increased from euro -90.9 million to euro 19 million. Europolis is therefore continuing the positive trend of the first two quarters.

In the area of asset management, letting activities continued successfully in recent months. Important tenancy agreement could be extended for the "Saski Crescent" office building in Warsaw. Also in Poland, Pekao Bank SA in the "Lipowy Office Park" extended its tenancy agreement covering 39,121 m² for a further seven years. In Hungary, the company succeeded in extending tenancy contracts covering 10,000 m² in the "M1 Business Park". In total around 75,000 m² of office and logistics space as well as space in shopping centres was let or re-let in the third quarter. Since the beginning of the year, contracts covering approximately 133,000 m² have been concluded.

Outlook

There are signs of the situation easing on real estate markets in Central and Eastern Europe. Market action is concentrated on real estate of high quality. However, even if transaction volume is increasing somewhat, the market environment in Central and Eastern Europe is expected to remain volatile.

Volksbank AG – Investkredit expects that in the next few months the impact of the more stringent capital and liquidity requirements imposed by central banks and the regulatory authorities (Basel III) will be felt.

Immoconsult continues to expect lower levels of investing activities and – given strong competition – a reduction in margins achievable in 2010.

Apart from project development, Premiumred will concentrate increasingly on its role as VBAG's workout unit for impaired real estate financing.

Europolis will continue to focus on extending tenancy contracts and on concluding new tenancies with the aim of increasing rental income further.

FINANCIAL MARKETS SEGMENT

The Financial Markets segment achieved a very good result once again in the third quarter. In total, the segment recorded a profit before taxes of euro 46.1 million as at 30 September 2010.

Group Treasury

Group Treasury has completed a period of reorganisation. The new structure is based on the key areas of Trading, Consulting and Sales and resulted in streamlined processes and a pooling of expertise. Furthermore it ensures a consistent method of approaching customers and guarantees the highest possible profitability. The positive effects of the reorganisation are also reflected in the Group Treasury's good results: in the first three quarters, the result before taxes, at euro 41 million, was 8.2 % up on planning values. The department's process and cost efficiency is underpinned with a cost-income-ratio of 28.7 %.

Trading

Fixed Income & Derivatives

Fixed Income & Derivatives again achieved stable earnings in the third quarter by optimising the management of currency and interest rate risks and of volatility in its trading books. Sales of OTC commodities were also stable. In terms of products, the focus remained on simple, easily comprehensible products such as floaters or step-up bonds. In the third quarter, activities in the field of syndication and origination were expanded further with eight co-lead mandates (four corporates and four financials) being achieved this year.

Foreign Exchange & Money Markets

In recent months, FX trading was characterised by substantial fluctuations in exchange rates. As a consequence of the "PIIGS" crisis, the euro lost ground against all currencies, with the EUR/CHF rate falling to a new low of 1.2776 in September. For this reason, many customers converted their CHF exposure. At the same time, the money market normalised slightly. Declining demand for ECB tenders indicated less need for liquidity than at the beginning of the year. In contrast to the long end of the curve, short-term money market rates slowly increased towards the ECB interest rate of 1 %. Repo transactions are becoming increasingly important both in the market as a whole and at VBAG. The premiums offered are narrowing significantly as liquidity increases in this market segment.

Consulting

Solution Management

The Solution Management department provides services to the regional Volksbanks. The hedging of interest rates continued to be a priority in the third quarter of 2010. The flat yield curve and low capital market interest rates have had a positive impact on sales of fixed interest rate financing with the focus here being on global hedges. Foreign exchange was dominated by the execution of limit orders because of the extreme volatility of markets. Additionally, the programming of an electronic order tool for the Volksbank sector was completed as part of Treasury4you.

Order Management

In Order Management the positive trend of the first half year continued. Portfolio diversification is becoming increasingly important for customers of the regional Volksbanks, with demand for third-party products coming from both retail and commercial customers. Switch proposals were worked out in the third quarter, which will now be implemented by the sector banks. The projects initiated to optimise the transfer of information to the Volksbanks are progressing according to plan.

Volksbanks' own account business

Hedging strategies for capital gains on Volksbanks' own investments have been presented and are already being implemented successfully by some associated banks. Furthermore, issues by international banks and companies have been presented to expand Volksbanks' range of investments.

Retail business of Volksbanks

In the Volksbanks' retail business department, the ongoing optimisation of the "Portfolio Illustrator" software, which provides information on securities to customers of the regional Volksbanks, was continued in the third quarter of 2010. Furthermore, the development of the "Financial Education" project for retail customers is continued in cooperation with the Group marketing department.

Sales

Corporate Treasury Sales

The Corporate Treasury Sales department advises corporate customers on the management of all capital market risks. Process optimisation measures led to more deals in the field of interest and exchange rate management being concluded. Customer retention was further intensified through strategies to optimise risk, which led to increased flow and margin business for the Group.

Institutional Sales

The policy of providing sustainable customer services has been continued in the third quarter, the focus remains on the speedy and well-founded information of institutional clients. Measures to secure the customer base in the long-term are being implemented according to schedule.

New Issues

As of 30 September 2010 VBAG has placed 130 retail issues which clearly demonstrates the trend towards retail business. In addition to the existing international prospectus (euro 10 billion Debt Issuance Programme) for institutional customers, the New Issues department successfully made available a prospectus geared towards the requirements of retail customers in the third quarter. This euro 2 billion base prospectus for the issuance of bonds to individual clients has been approved by the Austrian Financial Market Authority and has been published in September. The new prospectus is beneficial to customers as well as to customer advisors: the offered product is described in the prospectus in an easily comprehensible and transparent way. Furthermore, risks which can arise are clearly stated. When writing the prospectus, the focus also was on reducing the likelihood of liability according to the Securities Supervision Act, which customer advisors are confronted with. This is important because the Consumer Protection Act grants special protection to individual clients or small investors and legislators, regulators and the courts are increasingly focusing on this protection of small investors. It is of great importance to VBAG Group that highly qualified and well informed customer advisors provide optimal information to individual clients, which is facilitated by the new prospectus.

Volksbank Investments

In the third quarter of 2010 Volksbank Investments concentrated on presenting the customer benefits of the newly developed diversification strategy. Following an intense development process, Volksbank Investments has created a unique definition and combination of asset classes. Each of these asset classes offers the opportunity to perform well when this is not the case for other classes. The fact that asset classes perform differently in different market phases is also taken into account and weighted accordingly. This new form of targeted diversification will apply immediately to the entire product range and offers added value to investors.

Apart from the continued dominance of guarantee certificates, demand for instruments that offer protection against losses while simultaneously exploiting positive trends is high at present. This is also true of partial protection products, which are attractive to risk-averse investors because of their substantial safety cushion and which can do well on the rather directionless capital markets. As a result, Volksbank Investments is able to offer products, which correspond to the respective market opportunities and are consistent with the new corporate slogan "We create opportunities". These products stand out by being less dependent on the level of interest rates and by exploiting market volatility.

Compared with 30 June 2010, Volksbank Investments' assets under management have increased by 4.3 % from euro 7.88 billion to euro 8.22 billion. While certificates trended in line with the market at a very high level – the market share remains above 40 % – funds, in particular special funds, increased disproportionately: investment funds' volume increased from euro 3.49 billion to euro 3.62 billion. Asset management also posted an increase of just under 4 %, with assets under management increasing by euro 77 million to euro 2.17 billion (reporting date 31 August 2010 in each case).

Immo KAG

immofonds 1 continued its good performance in the third quarter. Vacancies were reduced sharply thanks to the success in letting Austrian and German properties; the occupancy rate now stands at approximately 96 %. Periodic valuations of some properties led to the values recognised in the portfolio being confirmed.

The newsletter for immofonds 1 proves popular in communication with sales partners, since it contains vital background information for customer advisors. The increase in the size of the sales team will improve the support provided to the distribution partners.

Outlook

In Treasury, the trend in capital market interest rates in the third quarter of 2010 had a positive impact on the results in the areas of managing balance sheet structures and providing services to corporate customers as well as on sales of interest hedging products. Further transactions, which are currently in the preparatory phase, and the positions taken in interest and currency trading give grounds for expecting the very positive trend to continue in the fourth quarter.

The New Issues department expects that banks will further increase their prudence with respect to their issuance activities. The focus of VBAG Group will remain on the assurance of quality. Consequently, the next step in this respect will be to submit the issue programme to a ISO-certification. The quality of a product depends, after all, not only on its rating but also to a great degree on transparent and secure processes.

Volksbank Investments expects the stagnation in traditional asset management to continue. By contrast, it sees potential for growth in index-oriented products and alternative investments. Volksbank Investments has responded to these structural changes early – both strategically and operationally. Competitive structures have already been developed in numerous markets in CEE and SEE countries. Volksbank Investments therefore assumes that existing competitive advantages based on previous investments can be increasingly played off once these markets bounce back.

At segment level, the positive business trend is expected to continue in the fourth quarter of 2010 despite forecasts of country risks and uncertainties on capital markets. The Financial Markets segment therefore expects a good result for the fiscal year 2010.

INVESTMENT BOOK/OTHER OPERATIONS SEGMENT

All activities relating to VBAG's investment book were centralised at the beginning of the year. Since then, they have been presented in the Investment Book/Other Operations segment which comprises the Capital Markets and Asset Liability Management profit centres. The activities of Back Office Service für Banken GmbH and of various holding companies are also included in the new segment.

Capital Markets

Within VBAG Group, the Capital Markets division is responsible for the management of the strategic investment book. The portfolio contains the entire securities portfolio that is required for regulatory purposes and banking operations, along with other capital market investments.

Spreads for government bonds of "PIIGS" countries remained high while those of Ireland even widened considerably in the third quarter. Conversely, credit risk premiums for corporates tightened across practically all rating classes.

Once again, no impairments were necessary in the strategic investment book during the period under review. Since the beginning of the year provisions could be partly reversed.

Group ALM and Liquidity Management

Asset Liability Management (ALM) is responsible for managing VBAG's long-term interest rate risk. Transfer prices are used to assume market risks from front office areas. The aim of the interest rate risk management is to record all material interest rate risks from assets, liabilities and off-balance sheet items in the investment book. In order to reach this aim it is necessary to analyse both the income effect and the present value effect of changes in interest rates. Income from the mismatch contribution increased in the first three quarters 2010.

Outlook

Next year, a moderate increase in interest rates and consequently a stable mismatch contribution is expected. Liquidity costs will fall sharply due to redemptions of VBAG issues. Based on these factors, an increase in net interest income is expected in 2011.

Income statement

	1-9/2010	1-9/2009	Changes		1-9/2009
	in euro thousand	restated in euro thousand	in euro thousand	%	published in euro thousand
Interest and similar income and expenses	579,718	468,867	110,852	23.64 %	464,009
Income from companies measured at equity	4,176	-8,268	12,444	-150.50 %	-8,268
Net interest income	583,894	460,599	123,295	26.77 %	455,741
Risk provisions	-285,812	-551,539	265,727	-48.18 %	-567,650
Net fee and commission income	105,805	108,846	-3,042	-2.79 %	126,106
Net trading income	53,091	99,302	-46,211	-46.54 %	102,347
General administrative expenses	-414,530	-409,294	-5,236	1.28 %	-471,448
Other operating result	4,710	18,643	-13,932	-74.73 %	13,841
Income from financial investments	10,883	-261,236	272,119	-104.17 %	-265,756
Income from the disposal group	14,880	-72,140	87,020	-120.63 %	0
Result for the period before taxes	72,921	-606,818	679,740	-112.02 %	-606,818
Income taxes	-11,506	99,863	-111,369	-111.52 %	119,358
Income taxes of the disposal group	-4,784	19,495	-24,279	-124.54 %	0
Result for the period after taxes	56,631	-487,461	544,092	-111.62 %	-487,461
Result attributable to shareholders of the parent company					
(Consolidated net income/loss)	29,204	-473,195	502,399	-106.17 %	-473,195
Result attributable to non-controlling interest (Non-controlling interest)	27,427	-14,266	41,693	<-200.00 %	-14,266

Statement of financial position

	30 Sep 2010	31 Dec 2009		Changes	31 Dec 2009
	in euro	restated		%	published
	thousand	in euro	in euro		in euro
		thousand	thousand		thousand
Assets					
Liquid funds	1,863,412	3,008,042	-1,144,630	-38.05 %	3,008,052
Loans and advances to credit institutions (gross)	6,672,293	6,795,291	-122,997	-1.81 %	5,961,684
Loans and advances to customers (gross)	24,471,412	24,133,518	337,894	1.40 %	24,168,604
Risk provisions (-)	-1,464,273	-1,233,691	-230,582	18.69 %	-1,245,350
Trading assets	1,895,500	1,764,095	131,404	7.45 %	1,764,095
Financial investments	9,441,580	9,410,642	30,938	0.33 %	9,410,647
Assets for operating lease	315,702	331,424	-15,722	-4.74 %	1,836,332
Companies measured at equity	71,379	70,887	492	0.69 %	70,887
Participations	637,969	634,992	2,977	0.47 %	655,254
Intangible assets	127,195	127,030	165	0.13 %	131,820
Tangible fixed assets	251,241	247,871	3,370	1.36 %	263,050
Tax assets	224,083	193,723	30,360	15.67 %	211,221
Other assets	1,590,718	1,491,838	98,880	6.63 %	1,491,414
Assets of the disposal group	1,679,499	2,169,929	-490,430	-22.60 %	388,734
TOTAL ASSETS	47,777,710	49,145,593	-1,367,883	-2.78 %	48,116,444
Liabilities and Equity					
Amounts owed to credit institutions	15,095,442	15,664,943	-569,501	-3.64 %	16,078,604
Amounts owed to customers	7,648,666	7,466,565	182,101	2.44 %	7,315,468
Debts evidenced by certificates	16,673,697	17,328,664	-654,967	-3.78 %	17,328,664
Trading liabilities	1,343,811	1,236,911	106,900	8.64 %	1,236,911
Provisions	179,281	179,636	-356	-0.20 %	191,001
Tax liabilities	66,659	62,424	4,234	6.78 %	146,591
Other liabilities	1,698,843	1,418,875	279,968	19.73 %	1,405,413
Liabilities of the disposal group	1,208,287	1,682,878	-474,591	-28.20 %	369,359
Subordinated liabilities	1,855,586	1,983,383	-127,796	-6.44 %	1,923,117
Equity	2,007,440	2,121,315	-113,875	-5.37 %	2,121,315
Shareholders' equity	1,111,286	1,178,072	-66,786	-5.67 %	1,178,072
Non-controlling interest	896,154	943,243	-47,089	-4.99 %	943,243
TOTAL LIABILITIES AND EQUITY	47,777,710	49,145,593	-1,367,883	-2.78 %	48,116,444

In order to provide a better comparability, the balance sheet figures as at 31 December 2009 were restated for the disposal group, although this is not required in accordance with IFRS 5.40. In doing so intragroup transactions between the disposal group and other Group members were not eliminated in order to present the remaining business transactions already in the right way.

Changes in the Group's equity

Euro thousand	Subscribed capital ¹⁾	Capital reserve	Retained earnings	Currency reserve	IAS 39 valuation reserves ²⁾		Shareholders' equity	Non-controlling interest	Equity
					Available for sale reserve	Hedging reserve			
As at 1 Jan 2009	339,524	493,343	613,006	-21,230	-204,200	10,162	1,230,604	993,229	2,223,833
Comprehensive income *			-473,195	690	55,044	1,016	-416,445	-13,444	-429,888
Dividends paid			-2,660				-2,660	-36,156	-38,816
Participation capital	1,000,000						1,000,000		1,000,000
Change in treasury stocks	-147	-188					-335		-335
Change due to reclassifications shown under non-controlling interest and capital increases			280				280	-14,887	-14,608
As at 30 Sep 2009 ³⁾	1,339,377	493,155	137,431	-20,540	-149,156	11,178	1,811,444	928,742	2,740,186
As at 1 Jan 2010	1,339,346	0	32,861	-41,771	-149,393	-2,970	1,178,072	943,243	2,121,315
Comprehensive income *			29,217	-1,095	-89,303	-4,971	-66,152	30,203	-35,949
Dividends paid							0	-10,554	-10,554
Change in treasury stocks	-129		-108				-236		-236
Change due to reclassifications shown under non-controlling interest and capital increases			-398				-398	-66,738	-67,135
As at 30 Sep 2010 ³⁾	1,339,217	0	61,573	-42,866	-238,696	-7,942	1,111,286	896,154	2,007,440

* Comprehensive income (Income and changes in reserves)

	1-9/2010		1-9/2009		Equity
	Shareholders' equity	Non-controlling interest	Shareholders' equity	Non-controlling interest	
Consolidated net income	29,204	27,427	56,631	-473,195	-487,461
Change in deferred taxes arising from untaxed reserve	14	14	27	0	0
Retained earnings	29,217	27,441	56,659	-473,195	-487,461
Currency reserve	-1,095	4,031	2,936	690	-48
thereof from application of the average rates of exchange in income statement	-88	-99	-187	423	825
Available for sale reserve (including deferred taxes) ⁴⁾	-89,303	697	-88,606	55,044	57,960
Hedging reserve (including deferred taxes) ⁵⁾	-4,971	-1,966	-6,937	1,016	-340
Comprehensive income	-66,152	30,203	-35,949	-416,445	-429,888

¹⁾ Subscribed capital corresponds to the figures reported in the financial statements of Österreichische Volksbanken-Aktiengesellschaft.

²⁾ As at 30 September 2010 the available for sale reserve included deferred taxes of euro 79,057 thousand (30 September 2009: euro 48,903 thousand).

The hedging reserve contains deferred taxes in the amount of euro 2,389 thousand at the balance sheet date (30 September 2009: euro -4,295 thousand).

³⁾ In the figures as at 30 September 2009 the disposal group accounted for an amount of euro 786 thousand in the currency reserve (disposal group Real Estate) and for an amount of euro 470 thousand in the available for sale reserve (disposal group Retail Banks).

In the figures as at 30 September 2010 the disposal group accounted for an amount of euro -6,565 thousand in the currency reserve (disposal group Real Estate).

⁴⁾ In the first three quarters of 2010, an amount of euro -981 thousand (1-9/2009: euro 8,209 thousand) previously recognised in the available for sale reserve was reclassified and shown in the income statement.

⁵⁾ Changes in value in the hedging reserve in the amount of euro -13,282 thousand (1-9/2009: euro -1,069 thousand) were recognised in income during the reporting period.

Cash flow statement

from continued operations

Euro thousand	1-9/2010	1-9/2009
Cash and cash equivalents at the end of previous period (= liquid funds)	3,008,042	3,875,611
Cash flow from operating activities	-1,169,093	-2,119,809
Cash flow from investing activities	170,676	145,372
Cash flow from financing activities	-146,213	926,358
Cash and cash equivalents at the end of period (= liquid funds)	1,863,412	2,827,532

NOTES

Interim financial statements as at 30 September 2010

1) General

The interim report as at 30 September 2010 of Österreichische Volksbanken-Aktiengesellschaft (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 Committee 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 31 December 2009.

These condensed consolidated interim financial statements have not been audited or reviewed.

In preparing this interim report the estimates and assumptions were the same as those applied to the consolidated financial statements as at 31 December 2009.

In the reporting period an impairment test for a company of the Europolis Group was carried out and led to an impairment of euro 461 thousand. There were no events or changes in circumstances for the remaining goodwill that would indicate an impairment, therefore no impairment tests were carried out for these goodwill.

The 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 2010, capital increases took place in some subsidiaries. At one company, partly some of the shares of third-party shareholders were taken over. The takeover of these non-controlling interests was recognised directly in equity.

In each case, in segment Real Estate and in the Europolis Group, two new companies were included in the scope of consolidation, as they are now no longer immaterial to the presentation of the Group. The takeover of results from previous years was recognised directly in equity.

On 12 July 2010, a framework agreement for the repurchase of stock of Investkredit International Bank p.l.c. with a face value of euro 53 million was concluded. From this time on, these shares are no longer shown as non-controlling interest in equity but as debt capital.

In a contract dated 29 June 2010, the shares in Europolis AG were sold to CA Immo CEE Beteiligungs GmbH and CA Immobilien Anlagen AG. The purchase was concluded with various conditions precedent, which must be fulfilled by the time the deal is closed. The deal is to be closed on 31 December 2010; the right of disposal over the shares will be transferred to the buyers at the end of 31 December 2010. The purchase price consists of a fixed amount of euro 272 million and a variable component based on the development of the net asset value (NAV) in 2010. In the calculation of the NAV, some assets and liabilities have been specified at their amounts as at 31 December 2009. This includes, among other things, investment property assets and deferred taxes. The result of the Europolis Group for the first nine months of 2010 was therefore adjusted for investment property valuations and deferred taxes, so that profit components that are no longer attributable to the VBAG Group would not be reported in the income statement. In addition, one company was transferred to the VBAG Group with purchase contract date 28 September 2010, and the banking operations of Europolis AG were sold to Investkredit Bank AG. The results, assets and liabilities of this company and the banking operations are not presented in the disposal group. All other results, assets and liabilities of the Europolis Group are presented as a disposal group.

The comparative figures in the income statement were restated accordingly. The balance sheet figures as of 31 December 2009 were also restated in order to ensure improved comparability. In this process, intragroup income and expenses as well as loans and advances and liabilities have no longer been eliminated, so as to present correctly any business relationships with the Europolis group remaining within the Group in the future.

Profit and loss of disposal group segment Real Estate

Euro thousand	1-9/2010	1-9/2009
Net interest income	47,380	-67,678
Risk provisions	-2,782	-5,526
Net fee and commission income	1,901	2,683
Net trading income	944	4,003
General administrative expenses	-14,258	-16,913
Other operating result	-12,424	-2,482
thereof impairment of goodwill	-461	-471
Income from financial investments	-1,804	-4,956
Result for the period before taxes	18,957	-90,871
Income taxes	-4,533	24,092
Result for the period after taxes	14,425	-66,779
Profit attributable to shareholders of the parent company	8,060	-33,404
Profit attributable to non-controlling interest	6,365	-33,375

Assets of disposal group segment Real Estate

Euro thousand	30 Sep 2010	31 Dec 2009
Liquid funds	104	10
Loans and advances to credit institutions (gross)	47,050	121,707
Loans and advances to customers (gross)	33,264	49,545
Risk provisions (-)	-12,899	-11,659
Financial investments	5	5
Assets for operating lease	1,508,609	1,504,908
Participations	20,513	20,262
Intangible assets	4,309	4,790
Tangible fixed assets	15,539	15,179
Tax assets	59,728	36,373
Other assets	3,277	40,075
Total assets	1,679,499	1,781,195

Liabilities of disposal group segment Real Estate

Euro thousand	30 Sep 2010	31 Dec 2009
Amounts owed to credit institutions	932,697	1,019,199
Amounts owed to customers	34,621	37,364
Provisions	13,514	11,365
Tax liabilities	87,487	84,167
Other liabilities	19,593	47,223
Subordinated liabilities	120,375	114,201
Liabilities	1,208,287	1,313,519

Negotiations regarding the sale of VB Linz+Mühlviertel were concluded on 25 June 2010 when the contract of sale was signed. All shares in VB Linz+Mühlviertel were sold to Volksbank Wels e.Gen. When the deal was closed on 6 August 2010, all rights and obligations were transferred to VB Wels and VB Linz+Mühlviertel was deconsolidated. The comparative period was therefore also adapted according to IFRS 5, owing to the sale of VB Linz+Mühlviertel on the one hand and the deconsolidation of the three retail banks with effect from 31 December 2009 on the other. Immo-Bank AG, Bank für Ärzte und Freie Berufe AG, Volksbank Wien AG and VB Linz+Mühlviertel are included in the result for the first nine months of 2009. In the result of the first nine months of 2010 only VB Linz+Mühlviertel is included.

Deconsolidation result of VB Linz+Mühlviertel

Euro thousand	
Assets proportional	353,994
Liabilities proportional	334,291
Available for sale reserve proportional	120
Disposal of net assets proportional	-19,583
Revenues	14,500
Deconsolidation result	-5,083

The deconsolidation result is shown in income of disposal group together with the result of disposal group segment Retail

Euro thousand	1 Jan -6 Aug 2010	1-9/2009
Net interest income	3,513	61,656
Risk provisions	678	-10,584
Net fee and commission income	1,344	17,246
Net trading income	28	401
General administrative expenses	-4,632	-50,298
Other operating result	51	-126
Income from financial investments	25	436
Result for the period before taxes	1,007	18,731
Income taxes	-252	-4,597
Result for the period after taxes	755	14,135
Profit attributable to shareholders of the parent company	736	13,913
Profit attributable to non-controlling interest	19	222

Assets of disposal group segment Retail

Euro thousand	6 Aug 2010	31 Dec 2009
Liquid funds	2,377	2,036
Loans and advances to credit institutions (gross)	127,507	153,406
Loans and advances to customers (gross)	199,725	197,333
Risk provisions (-)	-11,063	-11,696
Trading assets	208	0
Financial investments	36,948	37,106
Participations	2,218	2,218
Intangible assets	7	4
Tangible fixed assets	4,379	4,306
Tax assets	125	384
Other assets	829	3,637
Total assets	363,258	388,734

Liabilities of disposal group segment Retail

Euro thousand	6 Aug 2010	31 Dec 2009
Amounts owed to credit institutions	64,113	62,547
Amounts owed to customers	271,326	302,855
Provisions	2,374	2,312
Other liabilities	5,225	1,645
Liabilities	343,038	369,359

3) Subsequent events

A comprehensive process has been initiated in order to focus on core business areas and to strengthen the business model. This process also aims at aligning VBAG Group's total assets with those of the Volksbank sector in the medium term. Accordingly, resizing measures like the sale of subsidiaries or participations are currently being evaluated. The restructuring process comprises all divisions of VBAG Group.

In order to further optimise the group's structure, the supervisory board of VBAG decided in June 2010 to combine Österreichische Volksbanken-AG with Investkredit Bank AG. A first step in this direction is the change of the managing board of Investkredit which was resolved by the supervisory board of Investkredit in September 2010. From this date, the managing board team of VBAG has been responsible for both companies. Further steps in this consolidation process should be completed by mid 2011.

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 2010.

4) Notes to the income statement

Net interest income

Euro thousand	1-9/2010	1-9/2009
Interest and similar income	1,512,182	1,723,476
Interest and similar income from	1,473,952	1,680,072
liquid funds	16,724	47,228
credit and money market transactions with credit institutions	43,645	94,428
credit and money market transactions with customers	851,784	1,007,945
debt securities	221,849	271,509
derivatives in the investment book	339,951	258,960
Current income from	20,606	23,259
equities and other variable-yield securities	2,696	4,148
other affiliates	2,556	2,993
companies measured at equity	4,176	-8,268
investments in other companies	11,178	24,385
Operating lease operations (including investment property)	17,624	20,146
rental income	41,895	42,015
unrealised income / expenses from investment property	-295	3,231
depreciation of operating lease assets	-23,976	-25,100
Interest and similar expenses of	-928,288	-1,262,878
deposits from credit institutions (including central banks)	-202,847	-392,191
deposits from customers	-153,284	-211,701
debts evidenced by certificates	-463,037	-484,268
subordinated liabilities	-38,905	-72,152
derivatives in the investment book	-70,215	-102,566
Net interest income	583,894	460,599

Net interest income according to IAS39 categories

Euro thousand	1-9/2010	1-9/2009
Interest receivable and similar income	1,512,182	1,723,476
Interest receivable and similar income from	1,473,952	1,680,072
financial investments at fair value through profit or loss	12,457	24,942
derivatives in the investment book	339,951	258,960
financial investments available for sale	118,809	129,326
financial investments at amortised cost	942,795	1,195,408
of which financial lease	158,550	182,479
of which unwinding	8,217	2,911
financial investments held to maturity	59,940	71,436
Current income from	20,606	23,259
financial investments at fair value through profit or loss	65	1,506
financial investments available for sale	16,366	30,021
companies measured at equity	4,176	-8,268
Operating lease operations (including investment property)	17,624	20,146
Interest and similar expenses of	-928,288	-1,262,878
financial investments at fair value through profit or loss	-1,044	-246
derivatives in the investment book	-70,215	-102,566
financial investments at amortised cost	-857,029	-1,160,066
Net interest income	583,894	460,599

Risk provisions

Euro thousand	1-9/2010	1-9/2009
Allocation to risk provisions	-414,753	-593,734
Release of risk provisions	136,377	60,349
Allocation to provisions for risks	-10,836	-10,606
Release of provisions for risks	7,590	1,474
Direct write-offs of loans and advances	-5,766	-15,030
Income from loans and advances previously written off	1,576	6,007
Risk provisions	-285,812	-551,539

Net fee and commission income

Euro thousand	1-9/2010	1-9/2009
Fee and commission income from	149,300	156,402
lending operations	36,860	42,162
securities businesses	29,366	27,467
payment transactions	41,349	38,500
foreign exchange, foreign notes and coins transactions	21,883	24,232
other banking services	19,843	24,041
Fee and commission expenses from	-43,496	-47,556
lending operations	-15,325	-18,869
securities businesses	-9,457	-9,205
payment transactions	-4,810	-3,512
foreign exchange, foreign notes and coins transactions	-10,142	-9,876
other banking services	-3,761	-6,093
Net fee and commission income	105,805	108,846

Net trading income

Euro thousand	1-9/2010	1-9/2009
Equity related transactions	-470	1,475
Exchange rate related transactions	20,136	19,186
Interest rate related transactions	33,425	78,641
Net trading income	53,091	99,302

General administrative expenses

Euro thousand	1-9/2010	1-9/2009
Staff expenses	-211,757	-211,971
Other administrative expenses	-177,747	-170,525
Depreciation of fixed tangible and intangible assets	-25,026	-26,798
General administrative expenses	-414,530	-409,294

Income from financial investments

Euro thousand	1-9/2010	1-9/2009
Result from financial investments at fair value through profit or loss/macro hedges	27,582	32,946
Result from financial investments at fair value through profit or loss and from underlying instruments for macro hedges	27,430	33,457
Result from revaluation of derivatives	152	-511
Result from fair value hedges	0	-61
Result from revaluation of underlying instruments	-241,018	-296,338
Result from revaluation of derivatives	241,018	296,277
Result from valuation of other derivatives in the investment book	-19,871	-8,548
Equity related transactions	281	0
Exchange rate related transactions	2,492	318
Interest rate related transactions	-22,968	-10,896
Credit related transactions	310	2,293
Other transactions	14	-263
Result from available for sale financial investments	1,655	-26,071
Realised gains / losses	-981	7,619
Income from revaluation	2,831	6,416
Impairments	-195	-40,107
Result from loans & receivables financial investments	-1,316	-34,381
Realised gains / losses	3,995	521
Income from revaluation	4,630	0
Impairments	-9,941	-34,901
Result from held to maturity financial investments	-3,321	-24,041
Realised gains / losses	4,562	3,215
Income from revaluation	263	400
Impairments	-8,146	-27,656
Result from participations, assets for operating lease and other financial investments	6,154	-201,079
Realised gains / losses	6,633	11
Impairments	-478	-201,090
Income from financial investments	10,883	-261,236

5) Notes to the consolidated statement of financial position

Loans and advances to credit institutions and customers

Euro thousand	30 Sep 2010	31 Dec 2009 restated	31 Dec 2009 published
Loans and advances to credit institutions	6,672,293	6,795,291	5,961,684
Loans and advances to customers	24,471,412	24,133,518	24,168,604
Loans and advances to credit institutions and customers	31,143,705	30,928,809	30,130,288

Loans and advances to credit institutions and customers are measured at amortised cost.

Risk provisions

Euro thousand	Individual impairment credit institutions	Individual impairment customers	Portfolio based allowance	Total	of which disposal group
As at 1 Jan 2009	491	571,843	33,963	606,297	8,627
Currency translation	48	1,093	-856	284	-369
Reclassification	0	7,814	-3,077	4,737	2,566
Unwinding	0	-2,911	0	-2,911	0
Utilisation	0	-39,228	0	-39,228	-1,004
Release	0	-46,487	-22,423	-68,910	-1,081
Addition	0	594,682	22,533	617,215	6,637
As at 30 Sep 2009	539	1,086,806	30,140	1,117,485	15,376
As at 1 Jan 2010	539	1,177,271	79,237	1,257,047	23,355
Changes in the scope of consolidation	0	-10,568	-495	-11,063	-11,063
Currency translation	0	15,956	752	16,708	105
Reclassification	0	7,314	-148	7,166	-1,464
Unwinding	0	-8,217	0	-8,217	0
Utilisation	0	-64,913	0	-64,913	-102
Release	0	-114,787	-23,163	-137,951	-1,573
Addition	0	386,167	32,227	418,394	3,641
As at 30 Sep 2010	539	1,388,223	88,410	1,477,172	12,899

The additions include an amount of euro 10,768 thousand (2009: euro 3,662 thousand), which is caused by allocation due to interest past-due. Loans and advances to credit institutions and customers include non-interest-bearing receivables amounting to euro 584,571 thousand (31 December 2009: euro 441,379 thousand). The reclassification item reflects the regrouping of provisions.

Trading assets

Euro thousand	30 Sep 2010	31 Dec 2009 restated	31 Dec 2009 published
Debt securities	465,731	157,002	157,002
Equity and other variable-yield securities	69,986	43,125	43,125
Positive fair value from derivatives	1,359,782	1,563,968	1,563,968
foreign exchange transactions	56,158	100,101	100,101
interest rate related transactions	1,295,316	1,455,559	1,455,559
other transactions	8,308	8,308	8,308
Trading assets	1,895,500	1,764,095	1,764,095

Financial investments

Euro thousand	30 Sep 2010	31 Dec 2009 restated	31 Dec 2009 published
Financial investments at fair value through profit or loss	822,398	1,066,890	1,066,895
Debt securities	748,980	986,605	986,610
Equity and other variable-yield securities	73,419	80,286	80,286
Financial investments available for sale	5,003,716	4,466,256	4,466,256
Debt securities	4,745,106	4,197,122	4,197,122
Equity and other variable-yield securities	258,610	269,134	269,134
Financial investments loans & receivables	1,856,812	1,918,289	1,918,289
Financial investments held to maturity	1,758,654	1,959,208	1,959,208
Financial investments	9,441,580	9,410,642	9,410,647

Reclassification from available for sale to loans & receivables

In accordance with the amendments to IAS 39 and IFRS 7, available for sale financial investments were reclassified to the loans & receivables category in 2008. On initial recognition, these securities met the definition for the loans & receivables category but were instead designated as available for sale. The reclassification to the loans & receivables category was performed with retrospective effect from 1 July 2008. The fair value at the reclassification date was applied as the new carrying amount of these securities.

Euro thousand	30 Sep 2010	31 Dec 2009	1 Jul 2008
Carrying amount	797,117	861,322	1,140,363
Fair value	748,472	783,706	1,140,363
Available for sale reserve with reclassification	-48,885	-53,935	-79,177
Available for sale reserve without reclassification	-95,066	-121,012	-79,177

Amounts of available for sale reserves are shown under consideration of deferred taxes. The reclassification did not have any effect on the income statement.

Participations

Euro thousand	30 Sep 2010	31 Dec 2009 restated	31 Dec 2009 published
Investments in unconsolidated affiliates	490,580	487,902	507,784
Participating interests	73,229	73,204	73,267
Investments in other companies	74,160	73,885	74,202
Participations	637,969	634,992	655,254

All participations are measured at amortised cost. None of the Group's participations are listed on a stock exchange.

Other assets

Euro thousand	30 Sep 2010	31 Dec 2009 restated	31 Dec 2009 published
Deferred items	51,758	24,401	32,599
Other receivables and assets	163,481	425,861	409,734
Positive fair value from derivatives in the investment book	1,375,479	1,041,576	1,049,080
Other assets	1,590,718	1,491,838	1,491,414

Amounts owed to credit institutions

Euro thousand	30 Sep 2010	31 Dec 2009 restated	31 Dec 2009 published
Central banks	93,201	838,030	838,030
Other credit institutions	15,002,241	14,826,912	15,240,574
Amounts owed to credit institutions	15,095,442	15,664,943	16,078,604

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

Amounts owed to customers

Euro thousand	30 Sep 2010	31 Dec 2009 restated	31 Dec 2009 published
Measured at fair value through profit or loss	21,930	20,419	20,419
Measured at amortised cost	7,626,737	7,446,146	7,295,050
Saving deposits	149,536	136,360	136,360
Other deposits	7,477,201	7,309,786	7,158,689
Amounts owed to customers	7,648,666	7,466,565	7,315,468

Amounts owed to customers have been designated 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 for 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 falls below the redemption amount at maturity by euro 304 thousand (31 December 2009: euro 486 thousand).

Debts evidenced by certificates

Euro thousand	30 Sep 2010	31 Dec 2009 restated	31 Dec 2009 published
Mortgage and local authority bonds	256,074	233,308	233,308
Bonds	16,417,623	17,095,356	17,095,356
Debts evidenced by certificates	16,673,697	17,328,664	17,328,664

Debts evidenced by certificates are all measured at amortised cost.

Trading liabilities

Euro thousand	30 Sep 2010	31 Dec 2009 restated	31 Dec 2009 published
Negative fair value from derivatives			
exchange rate related transactions	86,285	105,297	105,297
interest rate related transactions	1,254,380	1,128,468	1,128,468
other transactions	3,146	3,146	3,146
Trading liabilities	1,343,811	1,236,911	1,236,911

Other liabilities

Euro thousand	30 Sep 2010	31 Dec 2009 restated	31 Dec 2009 published
Deferred items	86,794	40,773	56,018
Other liabilities	544,012	420,132	377,863
Negative fair value from derivatives in the investment book	1,068,037	957,970	971,532
Other liabilities	1,698,843	1,418,875	1,405,413

Subordinated liabilities

Euro thousand	30 Sep 2010	31 Dec 2009 restated	31 Dec 2009 published
Subordinated liabilities	924,539	953,971	1,043,706
Supplementary capital	931,047	1,029,412	879,412
Subordinated liabilities	1,855,586	1,983,383	1,923,117

Subordinated liabilities are all measured at amortised cost.

Subordinated liabilities comprise hybrid tier I capital in the amount of euro 300,000 thousand (31 December 2009: euro 353,123 thousand).

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 2010	31 Dec 2009
Subscribed capital (less treasury stocks)	1,844,870	1,845,000
Open reserves (including differential amounts and non-controlling interests)	1,042,158	1,061,125
Funds for general banking risks	10,796	10,886
Intangible assets	-37,729	-34,461
Net loss	-166,961	-68,707
Core capital (tier I capital) before deductions	2,693,134	2,813,843
Deductions from core capital (50 % deduction pursuant to section 23 (13) Austrian Banking Act)	-146,767	-99,161
Core capital (tier I capital) after deductions	2,546,367	2,714,682
Supplementary capital	383,528	361,322
Eligible subordinated liabilities	583,545	620,201
Hidden reserves pursuant to section 57 (1) Austrian Banking Act	54	117
IRB risk provision surplus	0	55,510
Supplementary capital (tier II capital) before deductions	967,127	1,037,150
Deductions from supplementary capital (50 % deduction pursuant to section 23 (13) Austrian Banking Act)	-146,767	-99,161
Supplementary capital (tier II capital) after deductions	820,360	937,989
Deductions from own funds pursuant to section 103e no. 13 Austrian Banking Act	-19,963	0
Short-term subordinated liabilities (tier III capital)	42,321	29,790
Eligible qualifying capital	3,389,085	3,682,461
Capital requirement	2,302,355	2,361,064
Surplus capital	1,086,730	1,321,397

Core capital ratio (tier I) (in relation to the assessment base pursuant to section 22 Austrian Banking Act – credit risk)	9.67 %	9.96 %
Equity ratio (solvency ratio) (in relation to credit risk after deduction of capital requirements for market and operational risk)	12.13 %	12.85 %
Core capital ratio (in relation to the risks pursuant to section 22 (1) no. 1-5 Austrian Banking Act)	8.85 %	9.20 %
Equity ratio (in relation to the risks pursuant to section 22 (1) no. 1-5 Austrian Banking Act)	11.78 %	12.48 %

The item open reserves includes the hybrid tier I capital totalling euro 300,000 thousand (31 December 2009: euro 353,123 thousand).

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

Euro thousand	30 Sep 2010	31 Dec 2009
Risk-weighted assessment base pursuant to section 22 Austrian Banking Act – credit risk	26,333,323	27,255,125
Of which 8 % minimum capital requirement for credit risk	2,106,666	2,180,410
Capital requirement for position risk in debt instruments, equities, foreign exchange and commodities – market risk	62,388	55,241
Capital requirement for operational risk	133,301	125,413
Total capital requirement	2,302,355	2,361,064

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 entities not belonging to the banking sector. According to the Austrian Banking Act, credit institutions, financial institutions and subsidiaries providing banking-related auxiliary services that are under the control of the parent are fully consolidated. The carrying amount of financial institutions that are controlled by the parent but that are not significant for the presentation of the group of credit institutions according to section 24 (3a) of the Austrian Banking Act is deducted from own funds. Subsidiaries providing banking-related auxiliary services that are controlled by the parent but that are not consolidated in accordance with section 24 (3a) of the Austrian Banking Act are included in the assessment base at their carrying amounts. Subsidiaries which are managed jointly with non-Group companies are proportionately consolidated. Investments in credit and financial institutions with a share of between 10 % and 50 % that are not jointly managed are also deducted from own funds unless they are voluntarily consolidated on a pro rata basis. Investments in credit and financial institutions of less than 10 % are deducted from own funds only if the exemption threshold is exceeded. All other participating interests are included in the assessment base at their carrying amounts.

All credit institutions under control are considered in the scope of consolidation according to the Austrian Banking Act.

In the first three quarters of 2010, 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) Financial assets and liabilities

The table below shows a classification of financial assets and liabilities in accordance with their individual categories and their fair values.

Euro thousand	Held for trading	At fair value through profit or loss	Held to maturity	Available for sale	Amortised cost	Carrying amount total	Fair value
30 Sep 2010							
Liquid funds	0	0	0	0	1,863,412	1,863,412	1,863,412
Loans and advances to credit institutions	0	0	0	0	6,672,293	6,672,293	6,672,274
Loans and advances to customers	0	0	0	0	24,471,412	24,471,412	22,952,357
Trading assets	1,895,500	0	0	0	0	1,895,500	1,895,500
Financial investments	0	822,398	1,758,654	5,003,716	1,856,812	9,441,580	9,266,819
Assets for operating lease	0	0	0	0	315,702	315,702	315,702
Companies measured at equity and participations	0	0	0	0	709,348	709,348	709,348
Derivatives in the investment book	1,375,479	0	0	0	0	1,375,479	1,375,479
Financial assets – total	3,270,979	822,398	1,758,654	5,003,716	35,888,979	46,744,726	45,050,890
Financial assets of the disposal group	1,222	5	0	0	1,609,540	1,610,767	1,597,869
Amounts owed to credit institutions	0	0	0	0	15,095,442	15,095,442	15,097,229
Amounts owed to customers	0	21,930	0	0	7,626,737	7,648,666	7,648,193
Debts evidenced by certificates	0	0	0	0	16,673,697	16,673,697	16,375,587
Trading liabilities	1,343,811	0	0	0	0	1,343,811	1,343,811
Derivatives in the investment book	1,068,037	0	0	0	0	1,068,037	1,068,037
Subordinated liabilities	0	0	0	0	1,855,586	1,855,586	1,334,256
Financial liabilities – total	2,411,848	21,930	0	0	41,251,461	43,685,239	42,867,113
Financial liabilities of the disposal group	2,208	0	0	0	1,087,693	1,089,900	1,089,900

Euro thousand	Held for trading	At fair value through profit or loss	Held to maturity	Available for sale	Amortised cost	Carrying amount total	Fair value
31 Dec 2009							
Liquid funds	0	0	0	0	3,008,042	3,008,042	3,008,042
Loans and advances to credit institutions	0	0	0	0	6,795,291	6,795,291	6,795,273
Loans and advances to customers	0	0	0	0	24,133,518	24,133,518	22,850,385
Trading assets	1,764,095	0	0	0	0	1,764,095	1,764,095
Financial investments	0	1,066,890	1,959,208	4,466,256	1,918,289	9,410,642	9,129,803
Assets for operating lease	0	0	0	0	331,424	331,424	331,424
Companies measured at equity and participations	0	0	0	0	705,879	705,879	705,879
Derivatives in the investment book	1,041,576	0	0	0	0	1,041,576	1,041,576
Financial assets – total	2,805,671	1,066,890	1,959,208	4,466,256	36,892,443	47,190,468	45,626,478
Financial assets of the disposal group	7,504	5	0	37,106	2,051,426	2,096,041	2,073,181
Amounts owed to credit institutions	0	0	0	0	15,664,943	15,664,943	15,671,235
Amounts owed to customers	0	20,419	0	0	7,446,146	7,466,565	7,464,292
Debts evidenced by certificates	0	0	0	0	17,328,664	17,328,664	17,182,599
Trading liabilities	1,236,911	0	0	0	0	1,236,911	1,236,911
Derivatives in the investment book	957,970	0	0	0	0	957,970	957,970
Subordinated liabilities	0	0	0	0	1,983,383	1,983,383	1,338,097
Financial liabilities – total	2,194,881	20,419	0	0	42,423,136	44,638,435	43,851,104
Financial liabilities of the disposal group	13,562	0	0	0	1,536,166	1,549,728	1,549,728

The table below shows all assets and liabilities which are measured at fair value classified according to their fair value hierarchy.

Euro thousand	Level 1	Level 2	Total
30 Sep 2010			
Financial assets			
Trading assets	386,720	1,508,779	1,895,500
Financial investments	4,744,855	1,081,259	5,826,114
at fair value through profit or loss	627,628	194,771	822,398
available for sale	4,117,227	886,489	5,003,716
Derivatives in the investment book	0	1,375,479	1,375,479
Total	5,131,575	3,965,518	9,097,094
Financial assets of the disposal group	5	1,222	1,227
Financial liabilities			
Amounts owed to customers	0	21,930	21,930
Trading liabilities	0	1,343,811	1,343,811
Derivatives in the investment book	0	1,068,037	1,068,037
Total	0	2,433,778	2,433,778
Financial liabilities of the disposal group	0	2,208	2,208
31 Dec 2009			
Financial assets			
Trading assets	97,672	1,666,424	1,764,095
Financial investments	4,849,899	683,247	5,533,146
at fair value through profit or loss	885,102	181,788	1,066,890
available for sale	3,964,797	501,459	4,466,256
Derivatives in the investment book	0	1,041,576	1,041,576
Total	4,947,571	3,391,247	8,338,817
Financial assets of the disposal group	34,669	9,947	44,616
Financial liabilities			
Amounts owed to customers	0	20,419	20,419
Trading liabilities	0	1,236,911	1,236,911
Derivatives in the investment book	0	957,970	957,970
Total	0	2,215,300	2,215,300
Financial liabilities of the disposal group	0	13,562	13,562

In 2010 and 2009 there have not been any reclassifications between the levels.

VBAG only uses market data which are from observable markets. If the system delivers prices for inactive traded positions, these prices are checked with prices based on secondary available market data, like credit spreads or transactions which are done on active markets in similar products. If necessary, the prices of the system are adapted.

8) Number of staff

Number of staff employed during the business year, including disposal groups

	Average number of staff		Number of staff at end of period	
	1-9/2010	1-9/2009	30 Sep 2010	31 Dec 2009
Domestic	1,518	2,052	1,453	1,541
Foreign	6,269	6,609	6,192	6,390
Total	7,787	8,661	7,645	7,931

The number of staff employed in disposal groups is as follows

	Average number of staff		Number of staff at end of period	
	1-9/2010	1-9/2009	30 Sep 2010	31 Dec 2009
Real Estate disposal group				
Domestic	30	32	26	34
Foreign	76	86	71	83
Real Estate disposal group total	106	118	97	117
Retail disposal group				
Domestic	58	547	0	74
Total number of staff	164	665	97	191

9) Sales outlets

	30 Sep 2010	31 Dec 2009
Domestic	1	11
Foreign	557	583
Total	558	594

As at 31 December 2009, VB Linz+Mühlviertel owned 10 branches.

10) Segment reporting

Beginning with this fiscal year, a change concerning the classification of business segments and profit centres to the several segments took place. The Domestic Retail segment was dissolved, due to the finalised sale of Immo-Bank, Ärztebank, VB Wien and VB Linz+Mühlviertel. Both profit centres, housing construction- and model financing, previously assigned to the Domestic Retail segment, are now allocated to the Corporates segment. The result from the disposal group Domestic Retail is shown in the Investment Book/Other Operations segment. As all activities relating to the investment book of VBAG were summarised organisationally, the business segment Capital Markets is displayed in the Investment book/Other Operations segment. Figures of the comparative period were adapted accordingly.

Segment reporting by business segments

Euro thousand	Corporates	Retail	Real Estate	Financial Markets	Investment Book/Other Operations	Consolidation	Total
Net interest income							
1-9/2010	114,092	423,152	56,090	20,750	-4,794	-25,395	583,894
1-9/2009	121,771	398,336	55,208	5,729	-56,579	-63,868	460,599
Risk provisions							
1-9/2010	-24,129	-215,127	-43,524	359	-3,390	0	-285,812
1-9/2009	-234,037	-202,742	-90,425	0	-24,336	0	-551,539
Net fee and commission income							
1-9/2010	7,199	63,202	2,272	20,220	21,540	-8,628	105,805
1-9/2009	15,570	64,521	-3,476	23,749	15,222	-6,740	108,846
Net trading income							
1-9/2010	610	10,866	-2,322	41,167	4,211	-1,440	53,091
1-9/2009	1,155	9,634	2,503	104,431	-11,482	-6,938	99,302
General administrative expenses							
1-9/2010	-60,202	-263,736	-25,541	-36,406	-54,418	25,772	-414,530
1-9/2009	-55,377	-254,610	-26,477	-34,873	-59,958	22,000	-409,294
Other operating result							
1-9/2010	-1,274	-3,565	771	16	24,036	-15,275	4,710
1-9/2009	1,027	11,089	-2,146	831	21,780	-13,939	18,643
<i>Of which impairment of goodwill</i>							
1-9/2010	0	0	0	0	0	0	0
1-9/2009	0	0	0	0	0	0	0
Income from financial investments							
1-9/2010	-6,548	9,390	4,918	2	3,122	0	10,883
1-9/2009	13,839	385	3,112	831	-279,404	0	-261,236
Income from the disposal group							
1-9/2010	0	0	18,957	0	-4,077	0	14,880
1-9/2009	0	0	-90,871	0	18,732	0	-72,140
Result for the period before taxes							
1-9/2010	29,748	24,180	11,622	46,108	-13,770	-24,966	72,921
1-9/2009	-136,050	26,614	-152,571	100,700	-376,025	-69,485	-606,818
Total assets							
30 Sep 2010	8,002,802	16,492,362	7,728,828	2,822,876	33,576,445	-20,845,602	47,777,710
31 Dec 2009	9,826,387	16,810,119	7,172,243	4,276,836	32,399,657	-21,339,649	49,145,593
Loans and advances to customers							
30 Sep 2010	6,326,017	12,570,568	4,808,028	0	2,513,585	-1,746,787	24,471,412
31 Dec 2009	7,176,804	12,340,241	4,262,757	290,792	1,897,955	-1,835,031	24,133,518
Amounts owed to customers							
30 Sep 2010	526,351	5,054,156	508,169	1,369,832	412,427	-222,268	7,648,666
31 Dec 2009	559,691	4,739,259	620,432	1,443,467	362,577	-258,862	7,466,565
Debts evidenced by certificates including subordinated liabilities							
30 Sep 2010	3,978,011	436,602	682,495	0	17,245,548	-3,813,374	18,529,283
31 Dec 2009	4,036,750	408,720	772,366	484,575	17,261,916	-3,652,280	19,312,047

Segment reporting by geographical markets

Euro thousand	Austria	Central and Eastern Europe	Other Markets	Total
Net interest income				
1-9/2010	99,247	415,108	69,539	583,894
1-9/2009	14,624	385,822	60,152	460,599
Risk provisions				
1-9/2010	-70,526	-210,436	-4,850	-285,812
1-9/2009	-296,809	-197,210	-57,520	-551,539
Net fee and commission income				
1-9/2010	39,912	63,257	2,636	105,805
1-9/2009	51,471	65,424	-8,049	108,846
Net trading income				
1-9/2010	43,982	9,239	-131	53,091
1-9/2009	86,890	12,906	-494	99,302
General administrative expenses				
1-9/2010	-144,285	-255,022	-15,223	-414,530
1-9/2009	-145,002	-248,594	-15,697	-409,294
Other operating result				
1-9/2010	11,018	-6,477	170	4,710
1-9/2009	14,179	3,370	1,094	18,643
Income from financial investments				
1-9/2010	-5,936	11,887	4,933	10,883
1-9/2009	-224,142	402	-37,496	-261,236
Income from the disposal group				
1-9/2010	-3,135	18,451	-436	14,880
1-9/2009	22,427	-100,459	5,892	-72,140
Result for the period before taxes				
1-9/2010	-29,723	46,006	56,638	72,921
1-9/2009	-476,362	-78,338	-52,118	-606,818

11) Quarterly financial data

Euro thousand	7-9/2010	4-6/2010	1-3/2010	10-12/2009	7-9/2009
Net interest income	186,953	204,423	192,517	137,675	185,342
Risk provisions	-92,054	-87,174	-106,583	-300,208	-269,072
Net fee and commission income	33,281	37,684	34,840	36,118	31,508
Net trading income	7,153	35,750	10,188	19,648	26,487
General administrative expenses	-132,952	-145,748	-135,830	-129,192	-138,988
Other operating result	-1,036	-2,461	8,207	2,492	3,991
Income from financial investments	16,716	-16,294	10,461	5,983	-234,669
Income from the disposal group	9,848	-2,753	7,785	-109,149	-72,016
Result for the period before taxes	27,909	23,427	21,586	-336,634	-467,416
Income taxes	-2,096	-6,100	-3,311	-315,270	54,475
Income taxes of the disposal group	-3,577	-2,897	1,690	16,322	18,694
Result for the period after taxes	22,236	14,430	19,965	-635,582	-394,248
Result attributable to shareholders of the parent company	14,605	7,228	7,371	-611,077	-367,095
Result attributable to non-controlling interest	7,631	7,202	12,594	-24,505	-27,152

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, 19 November 2010



Gerald Wenzel
Chairman of the Managing Board
Finance, Human Resources, Law, Organisation/IT, Marketing



Michael Mendel
Deputy Chairman of the Managing Board
Risk



Martin Fuchsbauer
Member of the Managing Board
Treasury



Wolfgang Perdich
Member of the Managing Board
Market/Overseas