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INTERIM REPORT 3rd QUARTER 2009

VOLKSBANK AG

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Any role discriptions in this interim report that are used only in the masculine form apply analogously to the feminine form.

Key figures of Volksbank AG

in euro million	30 Sep 2009	31 Dec 2008	31 Dec 2007
Statement of financial position [1]			
Total assets	**54,296**	**52,924**	**78,641**
Loans and advances to customers	28,100	28,818	24,764
Amounts owed to customers	10,762	11,829	10,191
Debt evidenced by certificates	18,106	15,213	13,436
Subordinated liabilities	1,981	2,014	1,457
Own funds			
Core capital (tier I) after deductions	2,817	2,515	2,767
Supplementary capital (tier II, tier III) after deductions	880	909	1,491
Eligible qualifying capital	3,697	3,424	4,258
Assessment base credit risk	30,892	33,263	38,502
Capital requirement market risk	48	42	58
Capital requirement operational risk	138	114	0
Surplus capital	1,040	606	1,120
Core capital ratio in % [2]	**9.1**	**7.6**	**7.2**
Equity ratio in % [3]	**11.4**	**9.8**	**10.9**

Income statement [1]	**1-9/2009**	**1-9/2008**	**1-9/2007**
Net interest income	455.7	816.9	498.8
Risk provisions	–567.7	–76.9	–34.8
Net fee and commission income	126.1	161.6	119.4
Net trading income	102.3	59.5	42.1
General administrative expenses	–471.4	–513.9	–412.1
Other operating result	13.8	–2.1	10.7
Income from financial investments	–265.8	–169.5	8.1
Income from the disposal group	0.0	–223.2	69.0
Result before taxes	**–606.8**	**52.4**	**301.4**
Income taxes	119.4	–22.2	–33.3
Result after taxes	**–487.5**	**30.2**	**268.0**
Minority interest	14.3	–19.0	–90.5
Consolidated net income	**–473.2**	**11.2**	**177.6**
Key ratios [4]			
Cost-income-ratio	63.9 %	50.9 %	58.4 %
ROE before taxes	–30.7 %	14.5 %	13.2 %
ROE after taxes	–24.7 %	12.6 %	11.5 %
ROE consolidated net income	–37.8 %	15.3 %	12.9 %
ROE before taxes (regulatory)	–31.5 %	14.2 %	14.2 %
Ressources [1]			
Staff average	8,661	8,455	6,842
of which domestic	2,052	2,003	1,697
of which foreign	6,609	6,452	5,145

	30 Sep 2009	**31 Dec 2008**	**31 Dec 2007**
Staff at end of period	8,482	8,926	8,055
of which domestic	2,021	2,080	1,938
of which foreign	6,461	6,846	6,117
Number of sales outlets	637	660	594
of which domestic	43	50	49
of which foreign	594	610	546

1) The comparative figures of 2007 and 2008 were restated by disposal group in line with IFRS 5.

2) In relation to credit risk.

3) In relation to credit risk after deduction of capital requirement for market and operational risk.

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

MANAGEMENT REPORT

Economic conditions in the third quarter of 2009

The third quarter saw the start of the forecast economic turnaround in most industrialised nations. According to initial estimates by the Bureau of Economic Analysis, the US economy has returned to a positive growth path, with a real annualised quarterly growth rate of 3.5 % compared with 0.7 % in the second quarter. The annual growth rate has improved from 3.8 % to 2.3 %, but remains clearly negative. This recovery is primarily attributable to private consumption, net exports, stockbuilding, rising government expenditure and a moderate upturn in investments in housing construction. The gross domestic product (GDP) of the eurozone increased by 0.4 % against the previous quarter in real terms, but remained 4.1 % lower than in the third quarter of 2008. In the second quarter, the eurozone economy had contracted by 0.2 % as against the previous quarter for an even more substantial real year-on-year decline of 4.9 %.

At 1.6 %, Slovakia recorded the strongest quarterly growth within the eurozone. The Slovakian economy had expanded by 1.1 % in the second quarter following a slump of 8.6 % in the first quarter. According to preliminary estimates by WIFO, Austrian real GDP in the third quarter was 0.9 % higher than in the previous quarter, but remained 2.4 % lower than in the previous year. This meant that Austria also enjoyed an above-average recovery. The key growth driver in the domestic economy was the seasonally adjusted increase in manufacturing (industrial production), which was accompanied by a tangible rise in goods exports. The economic measures initiated by the government had a particularly pronounced impact on construction investments (+1.3 % Q/Q).

However, the upturn has yet to take hold in all European countries, with the United Kingdom, Greece, Spain and Cyprus all seeing a further quarter-on-quarter decline in real GDP in the third quarter, as did Hungary (1.8 %) and Romania (0.7 %). By contrast, the economic cycle of the Czech Republic appears to be largely synchronised with that of the eurozone, with quarterly growth amounting to 0.8 %.

The global financial markets enjoyed a further rise in share prices in the third quarter. The Austrian Traded Index (ATX) also recovered by more than 500 points to just under 2,700 points.

The bond markets saw a continued normalisation of yield differentials, with the premium for Austrian government bonds as against the German benchmark bonds declining from just under 80 bp to a good 40 bp. By contrast, European yields themselves remained essentially unchanged, with the impact of increased government issuing activity largely offset by the unusually low level of inflation and capacity utilisation in the economy as a whole. The premiums for long-term non-government bonds with investment-grade ratings as against German government bonds fell to 144 bp, more than halving since the highs recorded at the start of the year.

Premiums for Central and Southeast European government bonds also continued to decline in the third quarter: the premiums for ten-year bonds in local currency fell from 660 bp to 464 bp in Hungary, from 711 bp to 677 bp in Romania and from 243 bp to 177 bp in the Czech Republic. By contrast, the reduced risk aversion among financial market participants had next to no impact on currency development. Only in Poland, where yields remained essentially unchanged, did the local currency experience a significant recovery.

Business development in the first three quarters of 2009

Results in detail

As in the first half of the year, VBAG focused on the provision of liquidity despite the positive sentiment on the money and capital markets. In addition to its usual funding activities, contracts were signed with the Republic of Austria regarding the issuance of government guaranteed bonds with a volume of euro 2 billion in the first quarter. In the second quarter, participation capital in the amount of euro 1 billion was issued to the Republic of Austria in order to strengthen the equity ratio. A further euro 1 billion of government-guaranteed bonds was placed in the third quarter. With these measures, the VBAG Group's capital and liquidity position has been secured for the long term.

Net interest income amounted to euro 456 million. This figure includes an impairment of real estate (in accordance with IAS 40) in the amount of euro –106 million (in the first three quarters of 2008 net interest income included a real estate appreciation of euro 39 million). Net interest income adjusted for non-recurring factors (real estate impairment of euro –106 million in 2009, special dividends of euro 218 million in 2008) was euro 550 million as of 30 September 2009 compared to euro 560 million in the same period of the previous year.

Within Austria, demand for loans from corporations is still sluggish, with many companies opting to postpone investments and delay or no longer fully utilise loans that have already been granted. As a result, net interest income of the Corporate segment increased by only euro 2 million as against the previous year to euro 114 million. Retail business proved to be a stabilising factor in this environment, with the Retail segment reporting year-on-year growth of euro 83 million, of which euro 53 million was attributable to banks in CEE countries.

The high level of net fee and commission income of the second quarter could not be maintained, it declined by euro 35 million year-on-year. Net trading income improved by euro 43 million as against the first nine months of 2008 as a result of the stabilisation of the money and capital markets

At euro 471 million, general administrative expenses decreased by euro 42 million compared with the previous year, thereby demonstrating the effectiveness of the cost reduction programmes that have been initiated. In the areas of operating expenditure and staff costs, year-on-year savings totalled around euro 20 million respectively. Since the start of the year, the number of employees in Austria has decreased from 2,080 to 2,021. The branch network outside Austria has been optimised, particularly in Ukraine, which accounts for the majority of the headcount reduction from 6,846 to 6,461. A total of 8,482 employees now serve VBAG Group's customers in 637 sales outlets within and outside Austria.

The cost-income-ratio amounted to 63.9 %. The operating result adjusted for non-recurring effects (impairments of real estate, special dividends), reaches euro 307 million, up 14.8 % compared to the same period of the previous year. The operating cost-income-ratio improved by 5.2 % year-on-year to 60.6 %.

However, the impact of the financial crisis on the real economy is clearly reflected in risk provisions for the lending business, which were increased to euro 568 million. The most significant rises were in the Corporates segment and at the CEE banks, where risk provisions amounted to euro 231 million and euro 127 million respectively. Income from financial investments totalled euro –266 million; this figure includes impairments of participations in the amount of euro 230 million.

As a result of risk provisions and impairments of participations and real estate, the result before taxes was euro –607 million, while the consolidated net result (after taxes and minority interests) was euro –473 million.

Balance sheet and own funds

As of 30 September 2009, total assets amounted to euro 54.3 billion, up euro 1.4 billion or 2.6 % on 31 December 2008.

In 2009, a fall in demand for loans was recorded in virtually all countries in which VBAG Group is active. Corporate loans as well as consumer and mortgage loans are affected alike. VBAG Group has restricted the granting of new foreign currency loans in order to counteract the risk of depreciation of the local currencies concerned. In addition, project finance in the area of real estate financing was reduced to mitigate the risk of negative changes in property values. Accordingly, loans and advances to customers have fallen by euro 0.7 billion since the end of the previous year due to scheduled repayments and the reduced volume of new business, amounting to euro 28.1 billion at the reporting date.

As of 30 September 2009, VBAG Group had eligible own funds of euro 3.7 billion. The tier I ratio (ratio of core capital to the assessment base for credit risk) is now 9.1 %, while the tier I ratio in relation to total risk is 8.5 %. The equity ratio in relation to total risk amounts to 11.1 %. Own funds exceeded the regulatory requirements by more than euro 1 billion.

Outlook

The initial monthly data for the fourth quarter shows a continued recovery in Austria and the eurozone, although this is likely to remain moderate due to the expiration of certain non-recurring effects. The recovery on the stock markets and in bond spreads has slowed down, while the downward trend in terms of money market interest rates is likely to have come to an end. Economic prospects in Central and Eastern Europe will remain muted in the near future, with political uncertainty in the run-up to elections overshadowing developments in some cases. There are signs of economic stabilisation in all of the core markets, although there inevitably remains a certain risk of a renewed downturn.

The economic environment remains extremely difficult, particularly for companies. VBAG expects therefore to recognise additional risk provisions in the fourth quarter. This trend is likely to continue into the first quarter of 2010 in the Corporates segment in particular, with a turnaround and a corresponding reduction in risk provisions forecast for the second or third quarter of 2010. Accordingly, the outlook for 2010 is considerably more optimistic than the situation in 2009, and VBAG expects a consolidated net profit again in 2010.

SEGMENT CORPORATES

The Corporates segment consists of Investkredit Bank AG, Investkredit Investmentbank AG, Investkredit International Bank p.l.c., VB Factoring Bank AG, Volksbank Malta Limited and other fully consolidated companies.

As a bank for corporate customers, Investkredit's range of specialised services is oriented towards the needs of small and medium-sized enterprises, which have formed the core target group of the bank and its subsidiaries for decades. Within the SME target group a particular focus is on family businesses. Customers are offered a comprehensive range of products and services, including traditional lending, debt capital markets services, special finance, structured export and trade finance, subsidised lending, cash management, interest rate and exchange rate hedging, private equity investments, M&A consulting and project finance. The bank's regional focus is on German-speaking countries and the neighbouring EU member states.

In the third quarter, the Corporates segment intensified its focus on traditional Corporates business, which forms the core of Investkredit's business model. In Frankfurt, the bank concentrates on niches in the corporate finance business. In both areas, risk provisions had to be increased which strongly affected the result. At euro 113.6 million, net interest income in the Corporates segment was higher than in the previous year. However, expenses for credit risk provisions increased from an almost flat result in the previous year to euro –231.5 million. The other earnings components include an 13 % reduction in general administrative expenses and a positive result from financial investments. All in all, the segment result before taxes and minority interests was euro –140.9 million.

The economic challenges caused companies to reduce their investment activities. Accordingly, loans and advances to customers in the Corporates segment continued to decline in the third quarter and are now down 9 % on the start of the year.

In the area of corporate lending, there was strong demand for the transfer of financing risks to government agencies. In particular, the market made use of subsidies aimed at ensuring long-term, low-interest liquidity. Austria Wirtschaftsservice GmbH (aws subsidies, ERP loans and liabilities for the operating funds of small and medium-sized enterprises) and Österreichische Kontrollbank AG (liabilities for large companies) offer subsidy programmes as part of government support packages. The first applications under the terms of the Austrian Enterprise Liquidity Support Act, which was adopted in the summer, have already been structured and submitted. At the end of the third quarter, Investkredit had received requests for around euro 500 million (based on Investkredit's financing share). In particular, the new subsidy programmes are being used in response to restructuring measures and increased working capital requirements. In this context, Investkredit is demonstrating its key role for small and medium-sized Austrian enterprises as an intermediary to the institutions providing the relevant support.

Despite the downturn in export activity among Austrian industrial customers, structured export and trade finance enjoyed stable development. In the area of leveraged finance, the third quarter was satisfactory in Germany thanks to a stronger deal flow and the significantly improved visibility in the markets. The volume and number of transactions rose again and the focus is on conservatively structured transactions in non-cyclical industries. The market recovery is expected to continue in the fourth quarter. Corporate Finance Austria/CEE is concentrating on early identification of risk and the intensive management of certain exposures, as well as the active observation of and participation in the secondary lending market to optimise portfolio management.

In the area of project finance, the strategic focus on sustainable projects in the energy and infrastructure sectors will be maintained, with a preference for projects in the euro zone. Government economic programmes – and investments in public utilities and road construction in particular – are expected to lead to a significant increase in demand for finance.

In the area of cash management, a number of customers have been acquired for the settlement of payment transactions, thereby increasing the number of giro accounts.

Outlook

The Corporates segment is expected to see a further rise in demand for government support packages, with a focus on aws programmes among small and medium-sized enterprises (Volksbank customers) and subsidies under the Austrian Enterprise Liquidity Support Act among large companies (Investkredit customers). This development will be driven by increased working capital requirements as a result of downsizing processes of companies. The subsidy programmes for investment financing are expected to enjoy greater demand among Investkredit customers that are considering M&A activities. All in all, additional risk provisions are expected for the year as a whole.

SEGMENT RETAIL

Österreichische Volksbanken-AG serves its customers in the Retail segment via an extensive banking network, both within and outside Austria. Volksbank Wien AG, Volksbank Linz+Mühlviertel reg. GenmbH, Bank für Ärzte und Freie Berufe AG and IMMO-BANK AG operate in Austria. VBAG Group is represented in nine CEE countries by both Volksbank International AG and VB-Leasing International Holding GmbH.

Volksbank Wien AG

The third quarter was satisfactory for Volksbank Wien. Loans and advances to customers increased by 4 % year-on-year and reached euro 1.3 billion in the third quarter.

The growth of the retail loan volume could be further increased through the cooperation with DZ subsidiary Teambank.

The result before taxes for the third quarter stood at euro 6.5 million in the reporting period. Credit risk provisions amounting to euro 6.9 million for the first nine months of 2009. The volume of savings deposits remained essentially unchanged.

The volume of security deposits increased by 10 % since the outbreak of the financial crisis and amounted to euro 625 million. This positive development is attributable to the provision of timely, risk-oriented customer advice and the acquisition of new customers.

In the third quarter, customers continued to focus on safe investments, demand for savings products (Sprungsparbuch and Kapitalsparbuch with an interest rate of 1.75 % p.a. for six months) remained strong.

With a focus on its target group of small and medium-sized enterprises, specific activities aimed at maintaining the high level of customer satisfaction were carried out. In addition to providing individual service and regularly distributing information, these activities centred on invitations to subject-specific events. The "Die Energie des Kulms" event with sports manager Hubert Neuper, for example, met with an enthusiastic response.

Another target group are families. Together with its cooperation partners Natural History Museum, the indoor play centres Family Fun and Fun4Kids, the Vienna Athletics Association and others, Volksbank Wien offers a wide range of events for families such as the "family weeks" in the fall which were a great success.

For efficiency reasons and to improve the service offered to customers, four branches within the existing branch network were merged in the third quarter. Volksbank Wien is also looking forward to the opening of a new representative branch office at Operngasse 8, 1010 Vienna, on 9 December 2009.

Volksbank Linz+Mühlviertel reg. GenmbH

The positive development of Volksbank Linz+Mühlviertel in the first half of the year continued in the third quarter. Total assets increased by 1.5 % since the start of the year, amounting to euro 384 million as of 30 September 2009.

Short-term customer deposits declined slightly year-on-year to euro 288 million. The volume of loans as well as the volume of security deposits also remained relatively stable. Long-term customer deposits increased by 6 % compared to the previous year.

Demand for commercial loans declined slightly due to the restrained investment policy of companies, which continued in the third quarter. By contrast, the mortgage loans sector showed a positive performance. Total loans and advances to customers amounted to euro 189 million as of 30 September 2009, a decrease of 7.3 % since the start of the year.

The volume of security deposits increased by 12 % since the start of the year, the positive trend from the first half year of 2009 could be continued in the third quarter.

Despite the downturn in net interest income, the result before taxes was at euro 0.3 million thanks to the positive net fee and commission results and cost savings.

Bank für Ärzte und Freie Berufe AG – Die Ärztebank

Ärztebank continued on its successful path in the third quarter of 2009. Total assets amounted to euro 886 million.

Despite the difficult conditions, pre-tax profit for the period could almost be doubled compared to the same period of the previous year and totalled euro 4 million. This positive development reflects Ärztebank's systematic strategic positioning as the specialist Austrian bank for the medical profession.

The headline product, the "Ärztesparkonto", is an attractive alternative to the traditional savings account. It has seen volume growth of 40.9 % since the start of the year, reaching a new high of euro 188 million.

The new "Praxiskonzept Plus" loan product supports the aim of qualitative growth in the lending business. This product is specifically tailored to the foundation or takeover of practices. In addition to financial expertise Ärztebank also offers business advice to its customers in order to further improve the quality of customer service.

IMMO-BANK AG

Despite the difficult market environment, IMMO-BANK AG was successful in the third quarter of 2009. At euro 7.9 million, pre-tax profit as of 30 September 2009 was significantly higher than in the same period of the previous year.

Loans and advances to customers also developed positively, totalling euro 964 million at the end of the third quarter of 2009 (own share).

IMMO-BANK AG has been issuing mortgage bonds in the form of convertible bonds since 1993. These bonds are exempt from capital gains tax up to a nominal interest rate of 4 % and are sold directly by IMMO-BANK AG and via the regional Volksbanks. Market demand in the third quarter was moderate, with an issue volume of euro 30 million as of 30 September 2009. Additional issues are scheduled for the fourth quarter.

The capital invested in this way, mostly by private individuals, forms the basis for the attractive range of IMMO-BANK loan products and hence facilitates the construction of modern and affordable housing in Austria.

The market success of IMMO-BANK AG is attributable to its coherent business model –which is the financing of residential real estate - and the continuity of its risk strategy. Thanks to its many years of experience in a stable business segment, the impact of the global financial crisis on IMMO-BANK AG has been minimal.

Additional factors in the success of the specialist bank include the wide range of synergies resulting from the operations of its complementary subsidiaries, such as IMMO-CONTRACT Maklerges.m.b.H.

Volksbank International AG

Volksbank International Group (VBI) continued on its successful course in the third quarter of 2009. This achievement is primarily attributable to the conservative and sustainable business model and its rigorous implementation over recent years.

Ten banks in nine countries

VBI Group consists of ten VBI banks in nine Central and Eastern European countries (Slovakia, the Czech Republic, Hungary, Slovenia, Croatia, Romania, Bosnia-Herzegovina, Serbia and Ukraine) as well as VBI AG, which is domiciled in Vienna. VBI Group employs a total of 5,546 staff. Its strategy of focusing on qualitative development has paid off.

Volksbank AG is the majority shareholder in VBI, with a 51 % interest. Since 2004, the German cooperative banks DZ BANK AG and WGZ BANK AG and Banque Populaire Caisse d'Epargne (BPCE), France, have each also held a 24.5 % interest in VBI.

Total assets remain stable

VBI Group's total assets amounted to euro 14.3 billion as of 30 September 2009 remaining relatively stable as against 31 December 2008. The largest share was attributable to Volksbank Romania, with total assets of euro 5.4 billion, followed by the banks in the Czech Republic (euro 2 billion), Hungary (euro 1.8 billion), Slovakia (euro 1.5 billion) and Croatia (euro 1.1 billion). The total volume of loans and advances to customers amounted to euro 9.6 billion and the deposit volume totalled euro 5.0 billion.

Around 600 sales outlets

Based on a continuous strategy of establishing its own operations supplemented by appropriate acquisitions and innovative sales channels (franchises, bank shops), VBI has developed an extensive network with 593 sales outlets in the key Central and European regions, a figure that remained relatively constant as against 2008. The cost-income ratio was reduced further to 53 %.

Retail business

In a difficult environment, net interest income increased by 39 %, from euro 135.1 million (as of 30 September 2008) to euro 188.3 million (as of 30 September 2009). Innovations were also pursued systematically. While sales innovations such as franchised bank outlets and bank shops have contributed to the strong performance to date, now it is primarily the internet that is used as a sales and communications tool.

Corporate business

VBI's corporate business performed well in the third quarter of 2009, generating clearly positive contribution margins despite increased risk costs. Net interest income increased by 9.9 % as against 30 September 2008 to total euro 84.3 million.

VB-Leasing International Holding GmbH

VB LEASING International is one of the most successful equipment leasing providers in Central and Eastern Europe. VB-Leasing International Holding GmbH, headquartered in Vienna, currently has its own subsidiaries in Poland, the Czech Republic, Slovakia, Slovenia, Croatia, Bosnia-Herzegovina, Serbia and Romania, as well as an investment in the Hungarian market leader Lombard Lízing.

VB LEASING offers financing solutions in three fields of business: Car Lease and Services, Construction and Transport, and Machinery. Its professional equipment expertise and presence in the local markets of Central and Eastern Europe enable VB LEASING to meet customers' requirements for both finance leases and operating leases.

In the third quarter of 2009, VB LEASING recorded a solid operating result of euro 4 million despite the strained situation in Central and Eastern Europe. In terms of new business, a slight slowdown in the previous trend was observed. In the first nine months of the year, VB LEASING Group reported total investments of around euro 680 million. The Polish and Czech companies achieved the largest volumes at around euro 200 million and euro 160 million respectively. By focusing on its profitable core business, utilising its equipment efficiently and reducing operating expenditure, VB LEASING has achieved a sustainable improvement in its results.

Outlook

One of Volksbank Wien's primary objectives remains the strengthening of its market position for the future. Accordingly, the campaign in the area of advisory services will be pursued systematically with the aim of offering customers the best possible service. Advisors receive training on an ongoing basis in order to expand their subject-specific and social competencies, thereby ensuring the quality of the advisory services provided.

Volksbank Linz+Mühlviertel has entered into a cooperation agreement with the DZ subsidiary Teambank in the area of retail loans that is expected to lead to a significant increase in the business volume in the medium term.

Growth in the customer base at Ärztebank is expected to continue. There has been strong demand for the financial evenings and special events held to date, such as on the topic of "Ärzte GmbH", thereby supporting Ärztebank's positioning as a bank for medical professionals.

Even in turbulent economic times, IMMO-BANK AG intends to continue undeterred on its path as a specialist for residential real estate financing. Thanks to the stable residential property market, flat structures and its clear positioning within the Volksbank-Sektor, it remains on course for success.

The sales campaign with a focus on the retirement and nursing care sector is already showing positive results. With these measures, IMMO-BANK AG is addressing the future market of financing retirement and nursing homes and social facilities such as sheltered accommodation. Concrete projects have already been completed.

Thanks to a clear strategy and a consistently customer-oriented approach, VBI Group has grown into a successful medium-sized network over recent years. Given the current underlying economic conditions, its primary objective is to exploit the opportunities it has created to optimal effect and to actively shape its new role as an important player in the CEE region.

Taking the economic situation into account, VB LEASING expects its business to continue to develop steadily over the medium term. Its short-term focus is on granular portfolio management and strengthening vendor partnerships in order to ensure that it is optimally positioned to meet future challenges.

SEGMENT REAL ESTATE

The Real Estate segment encompasses the real estate loan financing operations of Investkredit, the lease financing operations of Immoconsult, the real estate development activities of Premiumred and the investment and asset management activities of Europolis. In addition to Austrian customers, the segment primarily manages customers in CEE and SEE countries. In the third quarter, activities again focused on the expansion of existing customer relations, with new business conducted on a selective basis and restricted to Austrian customers.

Net interest income in the Real Estate segment declined significantly to euro −14.9 million as a result of impairments of real estate. This segment was also hit by increased risk provisions, with expenses for credit risk provisions increasing sixfold to euro −96 million. All in all, the segment result before taxes decreased from euro 50.9 million in the previous year to euro −155 million.

The impact of rising credit risk provisions on the segment result is becoming more pronounced and is a result of the weak economic environment. The impact is particularly felt in the area of real estate finance. However, this development is varying strongly depending on country and property type: whereas performance in the Czech Republic and Poland is relatively stable, Romania, Hungary and Croatia have been harder hit. Therefore the slowly recovering new business will be focused on more stable countries and on properties with good occupancy rates. Office space is a late-cycle market, meaning that a significant increase in vacancy rates in existing office properties has yet to be observed. Properties entering the market for the first time are being confronted with substantially longer letting processes. Retail properties are seeing increased levels of rent reductions and vacancies, particularly in Hungary. In the hotel business even attractive markets like Prague are being badly affected.

The business activities of Immoconsult are characterised by a strategic focus on real estate leasing activities in Austria and the selective support of Austrian key customers that are active in CEE and SEE countries. In addition, Immoconsult Asset GmbH operates in the container leasing business, working with the largest shipping lines and container leasing companies with the best credit ratings. Due to the financial and economic crisis, Immoconsult focused on improving profitability and risk levels in its existing portfolio in the first three quarters of 2009, with new exposures only entered into to an extremely limited extent. New business is being selectively acquired in Austria and the CEE/SEE target regions in accordance with risk policy principles and only if it offers high profitability.

Premiumred, Investkredit's project development company, succeeded in almost fully letting its largest office property to date – "North Gate" in Warsaw, with total space of 30,000 m^2 –primarily to international companies. The "Premium Point" office building in Bucharest, with a rentable area of around 6,400 m^2, was completed in June. Around 63 % of the available space has already been let to the largest British insurance group Aviva, as well as Thomson Reuters. The "Salomea Business Park", which will have a rentable area of around 28,000 m^2, is currently under construction near Warsaw Airport. Preliminary contracts have been concluded for the acquisition of a property in Prague. The transaction will be completed in 2009 with a view to constructing Premiumred's first "green building" with usable space of around 20,000 m^2.

In the first three quarters of 2009, Europolis increased its rental income by 22 % year-on-year to euro 60.2 million. However, the increase in valuation yields for real estate meant that substantial impairments were necessary, resulting in a significant loss for the period under review.

In Poland, more than 30 % of the existing logistics portfolio was newly let, including a rental agreement with FM Polska for around 34,000 m^2. In the Czech Republic, letting activities for the newly completed "Amazon Court" office building are being intensified. "Europolis Park Blonie" in Poland and "Europolis Park Bucharest" in Romania are also being expanded. Logistics now accounts for more than 25 % of the portfolios. The "Orhideea Towers" project in Bucharest, for which planning permission was obtained in May, is currently in the advance letting phase. All in all, more than 150,000 m^2 was let in the first three quarters of 2009. In the area of asset management, the main focus remains on extending existing leases and concluding new leases in order to keep the vacancy rate low. General administrative expenses have been reduced significantly. Loans and advances to customers of Europolis AG in the area of real estate finance declined to euro 829 million due to the refinancing of Europolis projects. The strategy in the current environment is to ensure cash flow, focus on asset management and press ahead with the property developments that are currently in the realisation phase.

Outlook

As part of its realignment and refocusing on its core market, VBAG's Real Estate segment intends to concentrate on Poland, the Czech Republic and Austria in the future. Developments in Romania will be observed for the time being. Broadly speaking, purchase transactions in Central Europe have increased again. Investkredit has adopted a selective approach to new business, focusing on long-standing customer relations and financing arrangements with a comfortable risk structure. A further stabilisation of the markets and increasing transaction volumes are expected for the next quarters. However, rising vacancy rates and rent defaults are expected in the course of 2010, particularly in the area of office property. The situation is similar in the retail area, where the projected decline in purchasing power as a result of increased unemployment has not yet manifested itself in lower levels of sales in all markets. All in all, additional risk provisions are expected for the year as a whole.

SEGMENT FINANCIAL MARKETS

The Financial Markets segment continued the positive trend from the first half of the year, recording strong results once again. As in previous quarters, the Group Treasury and Volksbank Investments divisions were primarily responsible for this performance. All in all, the Financial Markets segment generated a result before taxes of euro 47.2 million in the first three quarters of 2009.

As in the second quarter, the generally positive sentiment on the bond market, the steep interest rate curve and tighter credit spreads for bonds enabled the Fixed Income Team in the Group Treasury division to record excellent results in the period under review. A significant supporting factor was the extremely good cooperation with sales outlets at primary banks, where demand for fixed-interest or variable-interest bonds with minimum interest rates and inflation-protected bonds remained strong in the third quarter of 2009.

The success of the sales teams for Institutional Customers and Financial Institutions & Funds is also worthy of particular mention. Despite the illiquid and therefore difficult secondary market, the teams were able to replace a substantial bond volume between customers.

Currency trading was also successful, with trading income increasing once again in the third quarter.

The start of VBAG's participation in the tender procedure of the Swiss National Bank opened up a new source of funding, thereby expanding the refinancing base for Swiss francs. By contrast, participation in the ECB's FX swap tender was gradually reduced in order to cushion the expected withdrawal measures on the part of the ECB.

The "Treasury 4 You" platform, which was implemented in the second quarter, is enjoying great acceptance in the Volksbank Sector. At the end of the third quarter of 2009, a total of 45 Volksbanks had been activated for "Treasury 4 You". From May 2009 until the end of the third quarter, the platform generated a total turnover of almost euro 200 million. Currency derivatives have also been included in "Treasury 4 You" since early September.
Treasury information days were successfully held in Vienna and Salzburg in September.

The sustained, historically low level of interest rates is still causing a very high demand for interest rate derivatives among primary banks. In addition to the hedging products sold via "Treasury 4 You", interest rate derivatives with a volume of almost euro 250 million were transacted with primary banks in the first three quarters of the year.

The group responsible for retail business and order management, added a number of stock exchanges to the settlement system in order to facilitate a faster settlement of bonds and stocks for the serviced banks and customers.

The "asset building with third-party funds" project was successfully initiated in the third quarter, giving primary banks the option of selecting savings models for third-party funds.

The "investment fresh-up" was launched in conjunction with the Volksbank Academy and a number of Volksbanks. The regular certification of advisors serves to ensure that investment knowledge remains up-to-date at all times.

In the Capital Markets division, provisions for international credit risks in the banking book were increased slightly in the third quarter. The majority of these are write-downs in the securitisation portfolio, as a result of which net income from financial investments declined by around euro 9 million. The sustained strong development of the global capital markets led to a further improvement in the available for sale reserve. The valuation of the capital markets portfolio increased by around euro 60 million since the end of 2008 (without taking into account deferred taxes).

The sales volume for structured investments (certificates) amounted to euro 638 million. With regard to the core topics of sustainability and corporate social responsibility (CSR), the first sustainability certificate was launched in mid-2009. A total of 13 products have been issued in this area.

The Leben³ product that was launched in the second quarter has been extremely successful with a total of around 5,500 transactions to date (fund and insurance solution). A change in the statutory conditions for state-subsidies for private pension plans is expected in early 2010, and Volksbank Investments is currently developing corresponding products.

Volksbank Investments education and training program is focusing on improving advisor expertise and the structured transfer of knowledge. The program has been established throughout Austria and is currently being expanded beyond national borders for the first time (VB Invest d.o.o., Croatia).

Assets under management by Volksbank Investments in the third quarter totalled euro 7.59 billion. The volume of certificates increased slightly, while the fund volume remained stable.

Outlook

We expect the positive trend to continue in the fourth quarter, with a corresponding reduction in market volatility. Over the last quarter, customers and investors have started to show a little more risk appetite once again. This is likely to remain the case in the fourth quarter, thereby having a positive impact on the transaction volume. Low interest rates are also contributing to the rise in sales volumes. Demand for interest rate hedges and investment products offering more attractive interest rates than savings accounts is also expected to continue to rise.

Income statement

	1-9/2009 in euro thousand	1-9/2008 restated in euro thousand	Changes in euro thousand	Changes %	1-9/2008 published in euro thousand
Interest and similar income and expenses	464,009	807,051	–343,042	–42.51 %	880,859
Income from companies measured at equity	–8,268	9,803	–18,071	–184.34 %	15,038
Net interest income	455,741	816,854	–361,113	–44.21 %	895,897
Risk provisions	–567,650	–76,894	–490,756	>200.00 %	–152,613
Net fee and commission income	126,106	161,588	–35,483	–21.96 %	189,124
Net trading income	102,347	59,469	42,878	72.10 %	59,829
General administrative expenses	–471,448	–513,850	42,402	–8.25 %	–547,327
Other operating result	13,841	–2,090	15,931	<–200.00 %	–127,630
Income from financial investments	–265,756	–169,538	–96,218	56.75 %	–264,901
Income from the disposal group	0	–223,160	223,160	–100.00 %	0
Result for the period before taxes	**–606,818**	**52,379**	**–659,198**	**<–200.00 %**	**52,379**
Income taxes	119,358	–37,128	156,486	<–200.00 %	–22,202
Income taxes of the disposal group	0	14,926	–14,926	–100.00 %	0
Result for the period after taxes	**–487,461**	**30,177**	**–517,638**	**<–200.00 %**	**30,177**
Profit/loss attributable to shareholders of the parent company (Consolidated net income/loss)	**–473,195**	**11,172**	**–484,367**	**<–200.00 %**	**11,172**
Profit/loss attributable to minority interest (Minority interest)	–14,266	19,005	–33,271	–175.07 %	19,005

Statement of financial position

	30 Sep 2009 in euro thousand	31 Dec 2008 in euro thousand	Changes in euro thousand	%
Assets				
Liquid funds	2,843,678	3,897,897	–1,054,219	–27.05 %
Loans and advances to credit institutions (gross)	8,404,180	5,574,957	2,829,224	50.75 %
Loans and advances to customers (gross)	28,100,458	28,818,341	–717,883	–2.49 %
Risk provisions (–)	–1,117,485	–606,297	–511,188	84.31 %
Trading assets	885,646	1,085,598	–199,951	–18.42 %
Financial investments	9,356,300	8,961,634	394,665	4.40 %
Assets for operating lease	1,899,568	1,852,592	46,975	2.54 %
Companies measured at equity	97,950	126,306	–28,356	–22.45 %
Participations	549,989	769,814	–219,825	–28.56 %
Intangible assets	133,803	129,822	3,981	3.07 %
Tangible fixed assets	274,490	290,070	–15,581	–5.37 %
Tax assets	529,433	418,341	111,092	26.56 %
Other assets	2,337,898	1,604,690	733,209	45.69 %
Total assets	54,295,908	52,923,765	1,372,143	2.59 %

	30 Sep 2009 in euro thousand	31 Dec 2008 in euro thousand	Changes in euro thousand	%
Liabilities and equity				
Amounts owed to credit institutions	17,117,279	18,686,846	–1,569,567	–8.40 %
Amounts owed to customers	10,761,695	11,829,455	–1,067,761	–9.03 %
Debts evidenced by certificates	18,106,321	15,212,758	2,893,563	19.02 %
Trading liabilities	644,330	787,618	–143,289	–18.19 %
Provisions	194,725	181,535	13,189	7.27 %
Tax liabilities	138,212	173,142	–34,930	–20.17 %
Other liabilities	2,612,512	1,814,264	798,247	44.00 %
Subordinated liabilities	1,980,650	2,014,314	–33,664	–1.67 %
Equity	2,740,186	2,223,833	516,353	23.22 %
Shareholders' equity	1,811,444	1,230,604	580,840	47.20 %
Minority interest	928,742	993,229	–64,487	–6.49 %
Total liabilities and equity	54,295,908	52,923,765	1,372,143	2.59 %

Changes in the group's equity

Euro thousand	Subscribed capital [1]	Capital reserves	Retained earnings	Currency reserve	IAS 39 valuation reserves [2]: Available for sale reserve	IAS 39 valuation reserves [2]: Hedging reserve	Shareholders' equity	Minority interest	Equity
As at 1 Jan 2008	339,960	493,709	800,705	19,577	−59,898	6,330	1,600,384	1,346,996	2,947,380
Comprehensive income *			11,172	32,408	−205,507	923	−161,005	−66,649	−227,653
Dividends paid			−37,688				−37,688	−46,926	−84,614
Change in treasury stocks	41	46					87		87
Change due to reclassifications shown under minority interest and capital increases			250				250	80,678	80,929
As at 30 Sep 2008 [3]	340,001	493,755	774,440	51,985	−265,405	7,252	1,402,028	1,314,100	2,716,128
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	0	1,000,000
Change in treasury stocks	−147	−188					−335	0	−335
Change due to reclassifications shown under minority interest and capital increases			280				280	−14,887	−14,608
As at 30 Sep 2009	**1,339,377**	**493,155**	**137,431**	**−20,540**	**−149,156**	**11,178**	**1,811,444**	**928,742**	**2,740,186**

* Comprehensive income (Income and changes in reserves)

Euro thousand	1-9/2009 Shareholders' equity	1-9/2009 Minority interest	1-9/2009 Equity	1-9/2008 Shareholders' equity	1-9/2008 Minority interest	1-9/2008 Equity
Consolidated net income	−473,195	−14,266	−487,461	11,172	19,005	30,177
Currency reserve	690	−738	−48	32,408	21,481	53,889
thereof from application of the average rates of exchange in income statement	423	402	825	309	345	654
thereof from a hedge of a net investment	0	0	0	0	0	0
Available for sale reserve (incl. defferred taxes) [4]	55,044	2,916	57,960	−205,507	−107,376	−312,884
Hedging reserve (incl. deferred taxes)	1,016	−1,356	−340	923	242	1,165
Comprehensive income	**−416,445**	**−13,444**	**−429,888**	**−161,005**	**−66,649**	**−227,653**

[1] Subscribed capital corresponds to the figures reported in the financial statements of Österreichische Volksbanken-AG.

[2] As at 30 September 2009 the available for sale reserve included deferred taxes of euro 48,903 thousand (30 September 2008: euro 74,049 thousand). The hedging reserve contains deferred taxes in the amount of euro −4,295 thouand at the balance sheet date (30 September 2008: euro −2,330 thousand).

[3] In the figures as at 30 September 2008, the Kommunalkredit disposal group accounted for an amount of euro 4,832 thousand in the currency reserve and euro −139,845 thousand in the available for sale reserve.

[4] In the third quarter of 2009, an amount of euro 8,209 thousand (1-9/2008: euro 5,181 thousand) previously recognised in the available for sale reserve was reclassified and shown in the income statement.

Cash flow statement

from continued operations

Euro thousand	1-9/2009	1-9/2008
Cash and cash-equivalents at the end of previous period (= liquid funds)	3,897,897	3,172,239
Cash flow from operating activities	–2,138,170	1,671,484
Cash flow from investing activities	171,342	–492,148
Cash flow from financing activities	912,609	342,956
Cash and cash equivalents at the end of period (= liquid funds)	2,843,678	4,694,531

NOTES

Interim Financial Statement as at 30 September 2009

1) General

The interim report as at 30 September 2009 of Österreichische Volksbanken-AG (VBAG) has been prepared in accordance with all IFRS / IAS published by the International Accounting Standards Board (IASB) as well as all interpretations (IFRIC / SIC) issued by the International Financial Reporting Interpretations Committee and the Standing Interpretations 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 2008.

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

The Group's consolidated interim financial statements have taken into account all requirements specified by IFRS 8 Operating Segments and the amendments of IAS 1 Presentation of Financial Statements. Therefore the presentation of the figures of the previous period was adjusted. These measures will improve transparency and comparability for the following periods without affecting the results. No further changes occurred in the reporting period with respect to the accounting or valuation methods used.

In preparing this interim report the estimates and assumptions were the same as those applied to the consolidated financial statements as at 31 December 2008.

In the third quarter of 2009 an impairment test for a company was carried out and led to an impairment of euro 471 thousand. There were no events or changes in circumstances for the remaining goodwills that would indicate an impairment, therefore no impairment tests were carried out for these goodwills.

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

2) Changes in the Group structure

In 2009, 4 new companies were included in consolidation. The resulting goodwill amounting to euro 5,250 thousand has been activated. After an impairment of euro 471 thousand the goodwill has a carrying amount of euro 4,779 thousand.

In the first three quarters of 2009, 3 companies of the Europolis sub-group have been deconsolidated due to sale or liquidation. The deconsolidation result in the amount of euro 1,887 thousand is recognised in other operating result.

Due to the deconsolidation of Kommunalkredit as at 3 November 2008 the comparative figures were restated in accordance with IFRS 5.

Income statement of the Kommunalkredit disposal group

Euro thousand	**1-9/2008**
Net interest income	79,044
Risk provision	–75,719
Net fee and commission income	27,535
Net trading income	359
General administrative expense	–33,477
Other operating result	–125,540
Income from financial investments	–95,363
Result before taxes	**–223,160**
Income taxes	14,926
Result after taxes	**–208,235**
Profit attributable to shareholders of the parent company	**–169,117**
Profit attributable to minority interest	–39,118

3) Subsequent events

In the fourth quarter of 2009, negotiations with Volksbanken Sektor concerning the sale of five retail banks (Bank für Ärzte und Freie Berufe AG, Immo Bank AG, VB Factoring Bank AG, Volksbank Linz-Mühlviertel reg GmbH, Volksbank Wien AG) have been started. At the approval of this interim report by the Managing Board there was no contractual sales agreement concluded. Therefore the whole results of these five credit institutions are included in this interim consolidated financial statements. VB Factoring Bank AG is assigned to the segment Corporates, the other banks to the segment Retail.

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 2009.

4) Notes to the income statement

Net interest income

Euro thousand	1-9/2009	1-9/2008
Interest and similar income	1,768,094	2,426,386
Interest and similar income from	1,774,198	2,075,635
liquid funds	47,279	51,234
credit and money market transactions with credit institutions	93,321	206,062
credit and money market transactions with customers	1,086,953	1,386,703
debt securities	271,762	316,621
derivatives in the investment book	274,883	115,015
Current income from	23,475	258,323
equities and other variable-yield securities	4,257	8,351
other affiliates	3,031	12,353
companies measured at equity	–8,268	9,803
investments in other companies	24,456	227,816
Operating lease operations (including investment property)	–29,579	92,428
rental income	101,983	58,530
unrealised income / expenses from investment property	–106,462	39,191
depreciation of operating lease assets	–25,100	–5,293
Interest and similar expenses of	–1,312,354	–1,609,533
deposits from credit institutions (including central banks)	–364,419	–533,271
deposits from customers	–269,822	–322,534
debts evidenced by certificates	–486,875	–483,746
subordinated liabilities	–84,732	–108,417
derivatives in the investment book	–106,505	–161,564
Net interest income	455,741	**816,854**

Risk provisions

Euro thousand	1-9/2009	1-9/2008
Allocation to risk provisions	–617,215	–189,952
Release to risk provisions	68,910	117,546
Allocation to provisions for risks	–11,094	–13,755
Release of provisions for risks	1,737	7,998
Direct write-offs of loans and advances	–16,123	–2,226
Income from loans and advances previously written off	6,135	3,495
Risk provisions	–567,650	**–76,894**

Net fee and commission income

Euro thousand	1-9/2009	1-9/2008
Fee and commission income from	175,475	236,983
lending operations	48,454	45,249
securities businesses	31,753	39,454
payment transactions	45,303	48,744
foreign exchange, foreign notes and coins transactions	24,767	70,465
other banking services	25,197	33,070
Fee and commission expenses from	–49,369	–75,394
lending operations	–19,621	–16,717
securities businesses	–9,584	–16,390
payment transactions	–4,163	–5,158
foreign exchange, foreign notes and coins transactions	–9,894	–32,999
other banking services	–6,106	–4,130
Net fee and commission income	126,106	161,588

Net trading income

Euro thousand	1-9/2009	1-9/2008
Equity related transactions	1,512	8,055
Exchange rate related transactions	23,553	13,608
Interest rate related transactions	77,282	37,966
Other transactions	0	–160
Net trading income	102,347	59,469

General administrative expenses

Euro thousand	1-9/2009	1-9/2008
Staff expenses	–245,730	–265,603
Other administrative expenses	–195,575	–217,170
Depreciation of fixed tangible and intangible assets	–30,143	–31,077
General administrative expenses	–471,448	–513,850

Income from financial investments

Euro thousand	1-9/2009	1-9/2008
Result from financial investments at fair value through profit or loss / macro hedges	**32,946**	**–28,144**
Result from financial investments at fair value through profit or loss and from underlying instruments for macro hedges	33,457	–28,051
Result from revaluation of derivatives	–511	–93
Result from fair value hedges	**–61**	**–1,410**
Result from revaluation of underlying instruments	–296,338	–1,974
Result from revaluation of derivatives	296,277	564
Result from valuation of other derivatives in the investment book	**–12,670**	**–1,668**
Exchange rate related transactions	–3,498	–2,371
Interest rate related transactions	–11,203	698
Credit related transactions	2,293	–30
Other transactions	–263	36
Result from available for sale financial investments	**–25,635**	**–62,798**
Realised gains / losses	8,055	4,003
Income from revaluation	6,416	2,605
Impairments	–40,107	–69,406
Result from loans & receivables financial investments	**–34,381**	**–15,471**
Realised gains / losses	521	0
Impairments	–34,901	–15,471
Result from held to maturity financial investments	**–24,041**	**–58,477**
Realised gains / losses	3,215	–746
Income from revaluation	400	0
Impairments	–27,656	–57,731
Result from participations, assets for operating lease and other financial investments	**–201,913**	**–1,571**
Realised gains / losses	357	1,119
Impairments	–202,270	–2,690
Income from financial investments	**–265,756**	**–169,538**

5) Notes to the consolidated statement of financial position

Loans and advances to credit institutions and customers

Euro thousand	30 Sep 2009	31 Dec 2008
Loans and advances to credit institutions	8,404,180	5,574,957
Loans and advances to customers	28,100,458	28,818,341
Loans and advances to credit institutions and customers	**36,504,639**	**34,393,298**

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

Risk provisions

Euro thousand	Individual impairmant credit institutions	Individual impairment customers	Portfolio-based allowance	Total	of which disposal group
As at 1 Jan 2008	766	434,785	66,863	502,414	1,652
Currency translation	–79	7,572	403	7,896	0
Reclassification	0	–420	0	–420	0
Utilisation	0	–27,195	0	–27,195	0
Release	–19	–58,830	–59,319	–118,168	–622
Addition	50,750	158,874	31,078	240,702	50,750
As at 30 Sep 2008	51,418	514,786	39,026	605,230	51,781
As at 1 Jan 2009	**491**	**571,843**	**33,963**	**606,297**	**0**
Currency translation	48	1,093	–856	284	0
Reclassification	0	7,814	–3,077	4,737	0
Utilisation	0	–42,138	0	–42,138	0
Release	0	–46,487	–22,423	–68,910	0
Addition	0	594,682	22,533	617,215	0
As at 30 Sep 2009	**539**	**1,086,806**	**30,140**	**1,117,485**	0

The amount of utilised risk provisions also includes the unwinding effect of euro –2,911 thousand (1-9/2008: euro –1,272 thousand) which is reported in net interest income. Loans and advances to credit institutions and customers include non-interest-bearing receivables amounting to euro 416,010 thousand (31 December 2008: euro 244,452 thousand). The reclassification item reflects the regrouping of other assets.

Trading assets

Euro thousand	30 Sep 2009	31 Dec 2008
Debt securities	**39,972**	243,998
Equity and other variable-yield securities	**32,486**	18,541
Positive fair value from derivatives	**813,188**	823,058
foreign exchange transactions	**53,472**	30,461
interest rate related transactions	**734,019**	766,900
other transactions	**25,697**	25,697
Trading assets	**885,646**	**1,085,598**

Financial investments

Euro thousand	30 Sep 2009	31 Dec 2008
Financial investments at fair value through profit or loss	**1,113,321**	1,357,211
Debt securities	**941,768**	1,251,044
Equity and other variable-yield securities	**171,554**	106,166
Financial investments available for sale	**4,142,643**	3,087,528
Debt securities	**3,852,526**	2,917,185
Equity and other variable-yield securities	**290,117**	170,344
Financial investments loans & receivables	**1,918,276**	2,137,667
Financial investments held to maturity	**2,182,059**	2,379,228
Financial investments	**9,356,300**	**8,961,634**

Financial investments measured at fair value through profit or loss

Financial investments have been designated to the category at fair value through profit or loss as the Group manages these investments on a fair value basis in accordance with its investment strategy. Internal reporting and performance measurement for these investments are conducted on a fair value basis.

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.

Carrying amount, fair value and available for sale reserve (taking into account deferred taxes) of reclassified securities are shown below.

Euro thousand	30 Sep 2009	31 Dec 2008	1 Jul 2008
Carrying amount	948,089	1,073,806	1,140,363
Fair value	822,056	851,641	1,140,363
Available for sale reserve with reclassification	–59,725	–71,816	–79,177
Available for sale reserve without reclassification	–164,803	–248,245	–79,177

The reclassification did not have any effect on the income statement.

Participations

Euro thousand	30 Sep 2009	31 Dec 2008
Investments in unconsolidated affiliates	409,491	602,057
Participating interests	70,823	99,298
Investments in other companies	69,676	68,460
Participations	**549,989**	**769,814**

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 2009	31 Dec 2008
Deferred items	91,395	32,569
Other receivables and assets	485,841	180,410
Positive fair value from dervatives in the investment book	1,760,662	1,391,710
Other assets	**2,337,898**	**1,604,690**

Amounts owed to credit institutions

Euro thousand	30 Sep 2009	31 Dec 2008
Central banks	1,339,992	141
Other credit institutions	15,777,288	18,686,706
Amounts owed to credit institutions	**17,117,279**	**18,686,846**

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

Amounts owed to customers

Euro thousand	30 Sep 2009	31 Dec 2008
Measured at fair value through profit or loss	26,661	7,453
Measured at amortised cost	10,735,034	11,822,002
Saving deposits	1,639,010	1,676,756
Other deposits	9,096,024	10,145,246
Amounts owed to customers	10,761,695	11,829,455

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 243 thousand (31 December 2008: the carrying amount exceeds the redemption amount by euro 228 thousand).

Debts evidenced by certificates

Euro thousand	30 Sep 2009	31 Dec 2008
Mortgage and local authority bonds	229,054	219,647
Bonds	17,851,862	14,964,783
Medium-term notes	18,954	21,900
Others	6,451	6,427
Debts evidenced by certificates	18,106,321	15,212,758

Debts evidenced by certificates are all measured at amortised cost.

Trading liabilities

Euro thousand	30 Sep 2009	31 Dec 2008
Negative fair value from derivatives		
Exchange rate related transactions	51,899	54,994
Interest rate related transactions	571,067	711,261
Other transactions	21,364	21,364
Trading liabilities	644,330	787,618

Other liabilities

Euro thousand	30 Sep 2009	31 Dec 2008
Deferred items	79,348	56,241
Other liabilities	862,866	410,084
Negative fair value from derivatives in the investment book	1,670,298	1,347,940
Other liabilities	2,612,512	1,814,264

Subordinated liabilities

Euro thousand	30 Sep 2009	31 Dec 2008
Subordinated liabilities	1,087,034	1,098,928
Supplementary capital	893,616	915,386
Subordinated liabilities	1,980,650	**2,014,314**

Subordinated liabilities are all measured at amortised cost.

Subordinated liabilities comprises hybrid tier I capital in the amount of euro 353,514 thousand (31 December 2008: euro 355,494 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 2009	31 Dec 2008
Subscribed capital (less treasury stocks)	1,839,376	837,902
Open reserves (including differential amounts and minority interests)	1,794,149	1,957,632
Funds for general banking risks	17,495	18,028
Intangible assets	–34,465	–32,574
Net loss	–652,403	–125,647
Core capital (tier I capital) before deductions	2,964,152	2,655,341
Deductions from core capital (50 % deduction pursuant to section 23 (13) Austrian Banking Act)	–146,780	–140,667
Core capital (tier I capital) after deductions	2,817,372	2,514,674
Supplementary capital	397,323	409,845
Eligible subordinated liabilities	595,040	622,127
Hidden reserves pursuant to section 57 (1) Austrian Banking Act	4,214	3,382
Supplementary capital (tier II capital) before deductions	996,577	1,035,354
Deductions from supplementary capital (50 % deduction pursuant to section 23 (13)Austrian Banking Act)	–146,780	–140,667
Supplementary capital (tier II capital) after deductions	849,797	894,688
Short-term subordinated liabilities (tier III capital)	30,003	14,284
Eligible qualifying capital	3,697,172	**3,423,646**
Capital requirement	2,657,127	2,817,183
Surplus capital	1,040,045	606,463

Core capital ratio (tier I) (in relation to the assessment base pursuant to section 22 Austrian Banking Act - credit risk)	9.12 %	7.56 %
Equity ratio (solvency ratio) (in relation to credit risk after deduction of capital requirements for market and operational risk)	11.37 %	9.82 %
Core capital ratio (in relation to the risks pursuant to section 22 (1) no. 1-5 Austrian Banking Act)	8.48 %	7.14 %
Equity ratio (in relation to the risks pursuant to section 22 (1) no. 1-5 Austrian Banking Act)	11.13 %	9.72 %

The item open reserves includes the hybrid tier I capital totalling euro 353,514 thousand (31 December 2008: euro 355,494 thousand).

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

Euro thousand	30 Sep 2009	31 Dec 2008
Risk-weighted assessment base pursuant to section 22 Austrian Banking Act – credit-risk	30,892,375	33,262,990
of which 8 % minimum capital requirement for credit risk	2,471,390	2,661,039
Capital requirement for position risk in debt instruments equities, foreign exchange and commodities – market risk	47,930	42,140
Capital requirement for operational risk	137,807	114,004
Total capital requirement	**2,657,127**	**2,817,183**

In accordance with IFRS reporting, the scope of consolidation differs from the group of consolidated companies under the Austrian Banking Act as the IFRS provides for the inclusion of other enterprises not belonging to the banking sector, whereas the Austrian Banking Act stipulates that the group of consolidated companies should consist exclusively of credit and financial institutions as well as banking related auxiliary service providers. According to the Austrian Banking Act, credit institutions, financial institutions and subsidiaries providing banking related auxiliary services under control are fully consolidated. The carrying amount of financial institutions under control but not significant for the presentation of the group of credit institutions according to section 24 para. 3a of the Austrian Banking Act is deducted from own funds. Subsidiaries providing banking related auxiliary services which are under control but are not consolidated according to section 24 para. 3a of the Austrian Banking Act are taken into account in the assessment base at their carrying amounts. Subsidiaries which are managed jointly with non-Group companies are proportionate consolidated. Holdings in credit and financial institutions with a share between 10 % and 50 %, which are not under joint management, are also deducted from own funds, unless they are not voluntarily included on a pro-rata basis. Holdings of lower than 10 % in credit and financial institutions are deducted from own funds only if the exemption threshold is crossed. All other participating interests are taken into account in the assessment base at their carrying amounts.

In the first nine months of 2009, no substantial, practical or legal obstacles existed which would have prevented the transfer of equity or the repayment of liabilities between the senior institution and institutions subordinated to the former.

7) Number of staff

Number of staff employed during the first nine months of 2009

	Average number of staff		Number of staff at end of period	
	1-9/2009	1-9/2008	30 Sep 2009	31 Dec 2008
Domestic	2,052	2,262	2,021	2,080
Foreign	6,609	6,486	6,461	6,846
Total	**8,661**	**8,748**	**8,482**	**8,926**

In the first three quarters of 2008, the Kommunalkredit disposal group employed 293 employees at average (Domestic: 259 employees; Foreign: 34 employees).

8) Sales outlets

	30 Sep 2009	31 Dec 2008
Domestic	43	50
Foreign	594	610
Total	**637**	**660**

9) Segment reporting

Segment reporting by business segments

Euro thousand	Corporates	Retail	Real Estate	Financial Markets	Other Operations	Consoli-dation	Group result
Net interest income							
1-9/2009	113,590	467,899	–14,851	31,216	–79,413	–62,700	455,741
1-9/2008	111,403	385,055	122,619	69,861	200,111	–72,196	816,854
Risk provisions							
1-9/2009	–231,499	–216,426	–95,951	–28,341	4,567	0	–567,650
1-9/2008	–292	–84,479	–16,385	24,423	–161	0	–76,894
Net fee and commission income							
1-9/2009	14,596	82,741	–818	26,056	12,940	–9,410	126,106
1-9/2008	17,410	105,453	8,227	25,137	13,239	–7,878	161,588
Net trading income							
1-9/2009	1,035	10,155	6,506	104,431	–11,482	–8,297	102,347
1-9/2008	1,948	12,303	–3,775	44,508	6,881	–2,395	59,469
General administrative expenses							
1-9/2009	–53,449	–311,568	–43,391	–40,829	–49,269	27,058	–471,448
1-9/2008	–61,342	–331,734	–56,483	–43,834	–47,112	26,655	–513,850
Other operating result							
1-9/2009	1,027	10,963	–4,628	831	21,780	–16,132	13,841
1-9/2008	–5,293	5,857	–6,277	253	23,241	–19,871	–2,090
Of which impairment of goodwill							
1-9/2009	*0*	*0*	*–471*	*0*	*0*	*0*	*–471*
1-9/2008	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Income from financial investments							
1-9/2009	13,839	821	–1,844	–46,124	–232,448	0	–265,756
1-9/2008	–37,093	–4,877	2,929	–65,134	–65,363	0	–169,538
Income from the disposal group							
1-9/2009	0	0	0	0	0	0	0
1-9/2008	0	0	0	0	–223,160	0	–223,160
Result for the period before taxes							
1-9/2009	**–140,860**	**44,586**	**–154,978**	**47,241**	**–333,326**	**–69,481**	**–606,818**
1-9/2008	**26,742**	**87,578**	**50,855**	**55,215**	**–92,325**	**–75,685**	**52,379**
Total assets							
30 Sep 2009	9,253,594	23,956,903	7,636,170	4,905,009	35,272,746	–26,728,514	54,295,908
31 Dec 2008	10,520,254	24,399,651	7,294,909	5,329,270	31,190,609	–25,810,927	52,923,765
Loans and advances to customers							
30 Sep 2009	6,084,112	16,692,189	4,622,663	561,359	2,291,118	–2,150,983	28,100,458
31 Dec 2008	6,657,537	17,071,313	4,502,838	422,499	2,182,075	–2,017,922	28,818,341
Amounts owed to customers							
30 Sep 2009	426,998	8,031,382	709,797	1,619,026	362,581	–388,089	10,761,695
31 Dec 2008	1,050,204	8,107,854	690,970	2,142,179	674,972	–836,725	11,829,455
Debts evidenced by certificates including subordinated liabilities							
30 Sep 2009	3,333,008	1,227,334	931,850	0	18,679,220	–4,084,442	20,086,971
31 Dec 2008	2,895,822	1,208,916	914,647	0	15,025,051	–2,817,365	17,227,071

Segment reporting by geographical markets

Euro thousand	Austria	Central and Eastern Europe	Other Markets	Group result
Net interest income				
1-9/2009	81,059	310,340	64,343	455,741
1-9/2008	391,632	363,052	62,170	816,854
Risk provisions				
1-9/2009	–306,479	–203,650	–57,521	–567,650
1-9/2008	–26,019	–74,265	23,390	–76,894
Net fee and commission income				
1-9/2009	66,711	67,458	–8,063	126,106
1-9/2008	69,473	97,419	–5,303	161,588
Net trading income				
1-9/2009	89,442	8,989	3,917	102,347
1-9/2008	49,576	12,347	–2,454	59,469
General administrative income				
1-9/2009	–195,239	–259,582	–16,627	–471,448
1-9/2008	–203,543	–285,132	–25,175	–513,850
Other operating result				
1-9/2009	13,422	–786	1,205	13,841
1-9/2008	12,890	–15,382	402	–2,090
Income from financial investments				
1-9/2009	–225,276	–1,108	–39,372	–265,756
1-9/2008	–29,046	–4,877	–135,615	–169,538
Income from the disposal group				
1-9/2009	0	0	0	0
1-9/2008	–223,160	0	0	–223,160
Result for the period before taxes				
1-9/2009	–476,362	–78,338	–52,118	–606,818
1-9/2008	**41,802**	**93,162**	**–82,585**	**52,379**

10) Quarterly financial data

Euro thousand	7-9/2009	4-6/2009	1-3/2009	10-12/2008	7-9/2008
Net interest income	133,114	156,223	166,404	418,452	424,919
Risk provisions	–273,505	–179,539	–114,605	–78,058	–31,717
Net fee and commission income	37,959	48,205	39,942	41,109	53,096
Net trading income	27,916	47,650	26,782	–18,110	7,944
General administrative expenses	–159,162	–150,303	–161,983	–168,959	–175,182
Other operating result	4,206	5,829	3,806	–163,375	–7,031
Income from financial investments	–237,943	25,892	–53,704	–124,087	–148,320
Income from the disposal group	0	0	0	–361,200	–264,629
Result for the period before taxes	**–467,416**	**–46,044**	**–93,358**	**–454,228**	**–140,920**
Income taxes	73,169	30,647	15,541	193,151	–18,887
Income taxes of the disposal group	0	0	0	20,031	20,945
Result for the period after taxes	**–394,248**	**–15,396**	**–77,817**	**–241,046**	**–138,862**
Result attributable to shareholders of the parent company	**–367,095**	**–20,315**	**–85,784**	**–163,185**	**–87,596**
Result attributable to minority interest	–27,152	4,919	7,967	–77,861	–51,266

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, 6 November 2009

Gerald Wenzel
Chairman of the Managing Board

Michael Mendel
Deputy Chairman of the Managing Board

Wolfgang Perdich
Member of the Managing Board

Dieter Tschach
Member of the Managing Board