

**Bank Austria  
Creditanstalt**

Banking for success.

Interim Report  
at 30 September

2004

# Bank Austria Creditanstalt at a Glance

Bank Austria Creditanstalt shares – key data	1 Jan.–30 Sept. 2004	2003	Change
Share price at end of period	€ 57.10	€ 40.50	+ 41.0 %
High/low (intraday)	€ 57.10/€ 40.81	€ 40.79/€ 26.80	
Average daily turnover in Bank Austria Creditanstalt shares on the Vienna Stock Exchange	164,000 shares	293,000 shares	
Earnings per share in accordance with IAS (annualised)	€ 3.93	€ 3.40	+ 15.6 %
Price/earnings ratio (end of period)	14.5	11.9	
Total shareholder return (2003 against offering price and excl. dividend)	43.5 %	39.7 %	
Market capitalisation (end of period)	€ 8.4 bn	€ 6.0 bn	+ 19.0 %

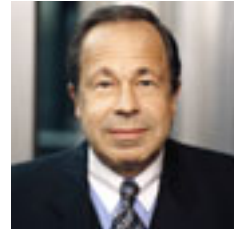
Income statement figures (in € m)	1 Jan.–30 Sept. 2004	1 Jan.–30 Sept. 2003	Change
Net interest income after losses on loans and advances	1,466	1,254	+ 16.9 %
Net fee and commission income	932	839	+ 11.1 %
Net trading result	138	217	– 36.7 %
General administrative expenses	–1,835	–1,838	– 0.2 %
Operating profit	685	482	+ 42.3 %
Net income before taxes	632	457	+ 38.4 %
Consolidated net income	434	312	+ 39.0 %

Volume figures (in € m)	30 Sept. 2004	31 Dec. 2003	Change
Total assets	139,947	137,053	+ 2.1 %
Loans and advances to customers after loan loss provisions	75,790	72,541	+ 4.5 %
Primary funds	80,754	76,642	+ 5.4 %
Shareholders' equity	6,371	5,815	+ 9.6 %
Risk-weighted assets (banking book)	70,128	65,550	+ 7.0 %

Key performance indicators (in %)	1 Jan.–30 Sept. 2004	2003
Return on equity after taxes (ROE)	9.5	8.7
Cash ROE (ROE after taxes before amortisation of goodwill)	12.7	12.4
Return on assets (ROA)	0.42	0.31
CEE contribution to net income before taxes	40.2	23.3
Cost/income ratio	64.5	69.9
Net interest income/avg. risk-weighted assets (banking book)	3.53	3.28
Risk/earnings ratio	18.1	21.5
Provisioning charge/avg. risk-weighted assets (banking book)	0.64	0.70
Total capital ratio (end of period)	12.4	13.1
Tier 1 capital ratio (end of period)	7.5	7.8

Staff	30 Sept. 2004	30 Sept. 2003	Change
Bank Austria Creditanstalt (full-time equivalent)	29,331	31,112	– 5.7 %
Austria (BA-CA AG and its subsidiaries that support its core banking business)	10,936	11,579	– 5.6 %
CEE and other subsidiaries	18,395	19,533	– 5.8 %
of which: Poland	9,669	11,546	– 16.3 %

Offices	30 Sept. 2004	30 Sept. 2003	Change
Bank Austria Creditanstalt	1,320	1,309	+ 0.8 %
Austria	404	422	– 4.3 %
CEE countries and rest of world	916	887	+ 3.3 %
of which: Poland	468	526	– 11.0 %



## **To Our Shareholders, Customers and Business Partners**

*Ladies and Gentlemen,*

*Bank Austria Creditanstalt has steadily improved its performance from quarter to quarter so far this year. Consolidated net income for the first nine months was € 434 m, almost 40 % more than in the same period of the previous year. There are good prospects that we will exceed our targets set for the year as a whole. Our subsidiaries in the CEE countries are the main contributors to growth; they accounted for 40 % of the bank's net income before taxes and three-quarters of the increase in profits. Revenue growth was also achieved in banking business in Austria, especially in the Private Customers segment, with a notable improvement in the structure of income. The two sustainable income components of our core business – core net interest income and net fee and commission income – increased significantly from quarter to quarter, also compared with the previous year. The results therefore have a strong basis, the "quality of results" has further improved. Particularly gratifying is the fact that the third quarter also saw good results from trading in financial market instruments, which returned to the strong performance achieved in the previous year.*

*Bank Austria Creditanstalt is focused on growth. In the third quarter, the bank's risk-weighted business volume was 4 % higher than in the previous year; business in Central and Eastern Europe expanded by 20 %, private customer business in Austria grew by 11 %. Taking account of these focal areas, we will optimise our use of capital, be it for organic growth or for acquisitions. Shortly before the publication of this report, we signed the agreement to purchase Hebrus Bank in Bulgaria. With its 210,000 customers and 92 offices, the bank complements the business portfolio and regional presence of our subsidiary HVB Bank Biochim. Our market share in Bulgaria thus rises to 10 %.*

*Our objectives are to expand business while enhancing productivity and maintaining stringent risk control. For CEE this means focusing all energies on growth and continuing to keep a tight rein on costs. For Austria this means, above all, optimising sales activities and the product range; taking a proactive approach and flexibly moving ahead in the high-return market segments; and enhancing back-office efficiency in the interests of customers. In October we started with a revision of the bank's internal service regulations in Austria. Bank Austria Creditanstalt left the Austrian Association of Savings Banks and became a member of the Austrian Association of Banks and Bankers. With this move and the related change in the collective agreement we have created the basis for modern and competitive internal service regulations. In this context, we want to formulate the details for the regulations – together with the Employees' Council, if possible – by the end of December.*

*The BA-CA share continued to advance in the third quarter. Since the initial public offering more than a year ago, the value of BA-CA shares has more than doubled. Our shares are among the best-performing equities in Europe. We see this performance as a mandate and as an incentive to consistently pursue the path which only started with the success achieved in the year so far.*

*Yours sincerely,*

*Erich Hampel*

## Performance of the BA-CA Share

Bank Austria Creditanstalt shares continued to advance in the third quarter of 2004. At the end of September, the BA-CA share price stood at € 57.10, having risen by 41 % over the first nine months of 2004. While the share price had moved in line with the Dow Jones EuroStoxx/

### BA-CA share advances independently of benchmark indices

Banks index in the second quarter, even tracking the day-to-day trend, the price of BA-CA shares disengaged from the index movement from the beginning of July onwards. In the period from the beginning of July to the end of September, the benchmark index for European banks fell temporarily and finally remained almost steady. In the same period, the BA-CA share gained 18 %. On 6 October it reached a new (intraday) high of € 60.64.

Compared with the offering price of € 29.00 on 8 July 2003, the BA-CA share price at the end of September 2004 (together with the dividend payment of € 1.02 in

May 2004) meant that the value of shareholders' assets almost doubled within 15 months, a remarkable performance in a European stock market environment that was not always favourable. The development of the BA-CA share price from the date of issue and from the beginning of the year to 30 September 2004 (+97 % and +41 %, respectively) thus outperformed the key Austrian ATX stock market index (+54 % and +32 %, respectively) and the Dow Jones EuroStoxx/Banks index, the European banking industry's benchmark (+13 % and +0.2 %, respectively). Annualised earnings per share for the first nine months were € 3.93, the price/earnings ratio (PER) was 14.5.

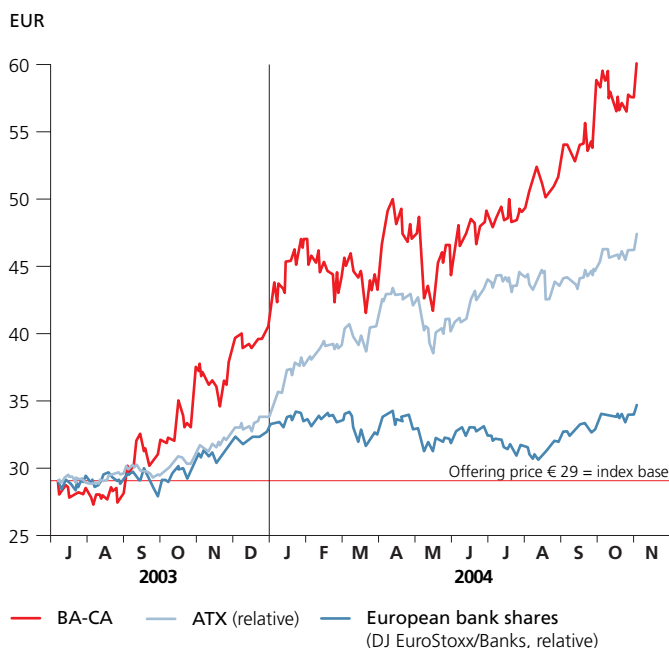
Most recently, the market capitalisation of Bank Austria Creditanstalt was € 8.9 bn (based on the closing price of € 60.35 on 2 November 2004), making it one of the largest Austrian listed companies.

At present, 18 investment banks cover the BA-CA share and thus Bank Austria Creditanstalt as a company. The positive feedback from analysts is mainly based on the strong performance. BA-CA's Investor Relations team provides analysts and investors with information on an ongoing basis. Immediately after the publication on 5 August of the bank's results for the first six months of 2004, the Chairman of the Managing Board and the CFO of Bank Austria Creditanstalt set out on a roadshow to 7 cities in the United States and in Europe to inform institutional investors and analysts of the bank's results. Moreover, several conferences and one-on-ones took place in various European countries. The publication of results on 4 November will also be followed by presentations, conferences and one-on-ones in Europe.

The performance of the BA-CA share shows that the bank's strategy of combining the growth market of Central and Eastern Europe with Austria's mature market in a network spanning 12 countries is right and leads to positive results for shareholders.

<http://ir.ba-ca.com>

### Performance of Bank Austria Creditanstalt shares compared with the ATX and the bank index/euro area



## Economic Environment and Market Situation in the Third Quarter of 2004

► In accordance with expectations, the strong upturn of the **global economy** has become more broadly based as the year progressed. All major economic regions are at present growing at more or less the same rate. The hoped-for mutual strengthening of economic regions has so far not taken place, so that the momentum of growth worldwide is in the process of slowing down in line with cyclical trends.

In the US, there was none of the fiscal impetus seen in the previous year, and private consumption remained moderate on account of the dampening effect of high energy prices on purchasing power. In China, economic policy was characterised by restrictive administrative and monetary measures in order to prevent an overheating of the economy. These measures had negative implications for the entire Far Eastern region. Europe again trailed behind all the other regions. While production benefited from demand for exports, this impetus did not lead to any sustainable increase in domestic demand.

The greatest burden for the global economy and a major factor of uncertainty was the sharp rise in oil prices. Prices for North Sea Brent climbed by 38 % to USD 46.22 per barrel in the third quarter, and most recently exceeded USD 50 per barrel. The higher prices on the one hand reflect the strong demand, which is now reaching the limit of normal production capacity. On the other hand, the prices include a risk premium for possible production bottlenecks that may occur in the winter on account of the unstable political situation in some oil producing countries. The rise was reinforced by substantial long positions of non-commercial futures market participants.

► Our core markets **Austria and CEE** again grew robustly in the third quarter, at a rate above the EU average in the year to date. In Austria, exports and industrial output accelerated slightly in the summer months from the high level achieved in the preceding quarters. In the surveys conducted, the scepticism of consumers was more strongly reflected than in actual purchases; personal loans increased significantly. Investments, largely aimed at enhancing productivity, continued to expand, although this is difficult to discern in a year-on-year com-

parison on account of the fiscally-related accelerated purchases in 2003. Demand for loans by the corporate sector was weak in view of companies' strong liquidity and restructuring measures taken in the previous year. Overall, GDP growth in the third quarter is still likely to match that of the previous quarter (a seasonally adjusted 0.9 % over the second quarter, and about 2.5 % year-on-year).

We expect real GDP third quarter growth in Central and Eastern Europe (CEE-11) to amount to 4.6 %, after 5.5 % in the two preceding quarters (in each case year-on-year) – still twice as high as the old EU countries. The weakening of the growth rate is mainly to be seen in connection with the fact that growth already started to accelerate a year ago. Moreover, the first six months saw substantial stockbuilding in the pre-EU accession phase. Domestic demand remains the pillar of growth, and is followed by investments and exports. In some countries, first and foremost Poland and Hungary, a restrictive monetary policy with rising or high short-term interest rates led to an appreciation of the respective currencies against the euro.

► **Financial market** trends changed in the third quarter, depending on whether the rise in oil prices was either seen as dampening growth, or whether growth was regarded as being resilient to oil price rises. US and European share prices temporarily fell below the level of year-end 2003. However, the "CEE-biased" ATX and the CECE Index comprising shares of 27 leading CEE companies rose by over one-third in the first nine months. As from the middle of the year, long-term euro rates fell to well below 4 % in tandem with the US benchmarks. Apart from expectations that oil prices would primarily curb economic growth rather than push up inflation, the investment of Asian intervention money in US Treasuries and the recycling of petrodollars contributed toward bringing interest rates down. With short-term rates remaining more or less unchanged, the euro yield curve continued to flatten. In the third quarter the US dollar fluctuated between USD 1.20 and 1.2450 per euro before falling sharply in mid-October (to USD 1.28 per euro at the time of going to press) as a result of the enormous US current account deficit and the discussion on China's exchange rate policy, which has merely been postponed.

- ▶ Results for the third quarter exceed the high level of the preceding quarter: net income before taxes amounts to € 220 m, up from € 216 m; consolidated net income (after taxes and minority interests) is € 151 m, up from € 150 m.
- ▶ Quality of results further improved:
  - CEE segment accounts for three-quarters of the increase in profits and contributes 40 % to the bank's net income before taxes.
  - Business with Austrian private customers generates high ROE.
  - Core net interest income and net fee and commission income rise steadily.
- ▶ International Markets performs well in the third quarter.
- ▶ Strong organic growth in the core business: risk-weighted assets up by 3 %, growth supported mainly by Austrian private customer business (+ 9 %) and CEE (+ 20 %).
- ▶ Expansion with a focus on productivity and with due regard to risks: significant improvement in cost/income ratio, provisioning charge as a percentage of risk-weighted assets continues to decline.
- ▶ Net income before taxes for the first nine months of 2004 reaches € 632 m, up by 38 % on the previous year; net income after taxes and minority interests rises by 39 % to € 434 m.

## Bank Austria Creditanstalt in the Third Quarter of 2004

In the third quarter of 2004, Bank Austria Creditanstalt significantly improved its results from its core business: **net income before taxes** was € 220 m, up by 2 % on the figure for the preceding quarter and 41 % higher than the figure for the third quarter of 2003. Consolidated net income (after taxes and minority interests) for the third quarter reached € 151 m, compared with € 150 m in the preceding quarter, an increase of 37 % on the figure for the same period of the previous year.

This means that Bank Austria Creditanstalt's net income before taxes has increased from quarter to quarter for more than a year. At the same time, the quality of results has improved: **core net interest income** (excluding income from equity interests) was 6 % up on the preceding quarter and 11 % higher than in the same quarter of the previous year. (The changes in overall net interest income reflect the seasonally irregular inflow of income from equity interests.) **Net fee and commission income** was only 1 % lower than the high level recorded in the preceding quarter and 7 % higher than a year before. This means that the two

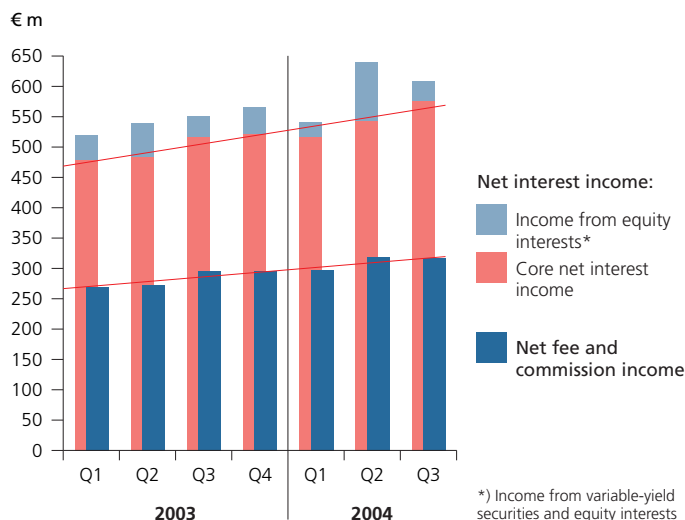
“sustainable” income components are rising steadily; special factors and one-off effects do not affect the general picture (see chart).

The **net trading result**, which includes the results from the trading book in Vienna, but not the other trading and investment positions of the International Markets segment, reached € 52 m (after € 29 m).

An **analysis by business segment** shows that the domestic customer business (comprising Private Customers Austria and Corporate Customers Austria) achieved a significant improvement in the third quarter. Net income before taxes totalled € 112 m, up by € 17 m on the figure for the preceding quarter and slightly lower than in the third quarter of 2003, which had benefited from one-off effects. International Markets had an excellent quarter, contributing € 42 m to overall results, an increase of € 17 m over the preceding quarter.

Central and Eastern Europe was again the top performer. As in the first and second quarters, results from the CEE business segment continued to improve. Net interest income grew further (with increases of 5 % on the preceding quarter and 50 % on the previous year). Thus operating revenues were only € 8 m or 3 % lower than the excellent performance in the second quarter. Costs rose by only 2 % or € 4 m, despite a strong expansion of business, which included the takeover

**Increase in sustainable income components**



and integration of further branches in Croatia and the integration of Central profit banca and Jelzálogbank. Net income before taxes generated by the CEE business segment was € 85 m, somewhat lower than in the preceding quarter, but two and a half times the figure for the same period of the previous year.

## The Bank's Income Statement for the First Nine Months of 2004

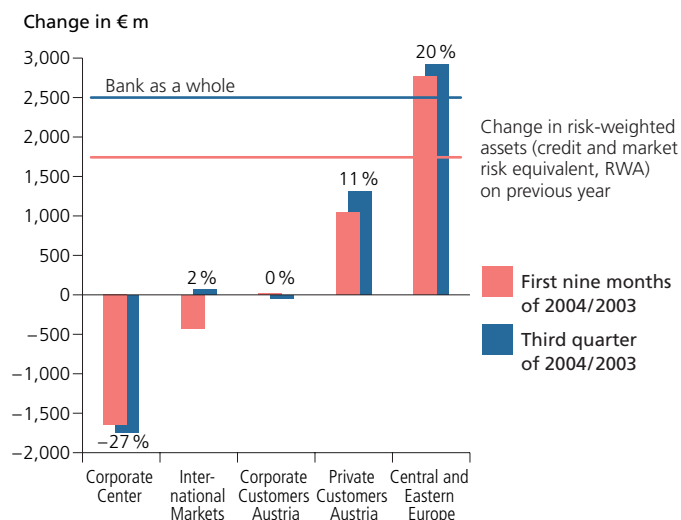
Thanks to a steady increase in sustainable income components so far in 2004, Bank Austria Creditanstalt is well on the way to exceeding its targets for the year. **Net income before taxes** for the first nine months amounted to € 632 m, an increase of € 175 m or 38.4 % over the figure for the same period of the previous year. Con-

solidated net income (after taxes and minority interests) was € 434 m, up by € 122 m or 39.0 %. Based on the average number of shares outstanding (147 million shares, after 124 million shares in the same period of the previous year), earnings per share are € 3.93, after € 3.35 (on an annualised basis).

The trend in business volume confirms that Bank Austria Creditanstalt is a **growth stock**. In 2003, the bank had carried out a capital increase to secure the base for business expansion. Now volume in the future-oriented high-profitability business segments is growing. In the first

### Results improve by about 40 % at all levels

### Contributors to growth



### Key indicators for the third quarter of 2004

Per cent	Q3/03	Q4/03	Q1/04	Q2/04	Q3/04
ROE before taxes	12.1	13.3	13.1	14.1	14.1
ROE after taxes	8.5	9.1	8.9	9.8	9.6
Cash ROE*	12.0	12.6	12.2	13.1	12.8

Net interest income/ risk-weighted assets	3.31	3.43	3.29	3.80	3.50
Cost/income ratio	67.1	73.5	67.5	62.7	63.7

Risk/earnings ratio	23.0	19.5	20.2	16.6	17.6
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Provisioning charge/ risk-weighted assets	0.76	0.67	0.66	0.63	0.62
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\*) Consolidated net income adjusted for amortisation of goodwill as a percentage of average shareholders' equity less goodwill

nine months of 2004, risk-weighted assets of the bank as a whole grew by 3 % compared with the previous year (or even 4 % Q3-on-Q3). The main pillar of growth is of course the CEE market, with volume increasing by about 20 %. The Austrian core business expanded in the Private Customers segment (risk-weighted assets up by 9 % and 11 %, respectively). In business with corporate customers, volume remained almost unchanged, reflecting a reduction of loans in lower rating classes and higher volume in good rating classes. International Markets has been reducing the credit and market risk equivalent (and equity capital allocated to the business segment) over a longer period of time now.

### Growth in high-return business segments

The **return on equity** improved although part of the funds raised through the capital increase in the previous year is not yet invested in the core business: the ROE before taxes was 13.8 % (previous year: 12.5 %), the ROE after taxes reached 9.5 % (8.5 %). The cash ROE (ROE after taxes adjusted for amortisation of goodwill and based on average shareholders' equity excluding goodwill) increased to 12.7 % (12.2 %).

Operating profit rose by € 203 m or 42.3 % to € 685 m. An analysis of this increase shows that **earnings quality** has further improved: operating revenues (including other operating income and expenses) grew by € 168 m or 6.3 %. The net charge for losses on loans and advances declined by € 33 m or 9.3 %, and general administrative expenses matched the previous year's level (down by € 3 m or 0.2 %).



**Net interest income** improved across the bank, growing by € 179 m or 11.1 % and thus making the strongest contribution to revenue growth. Despite the narrowing of margins on the liabilities side seen in the year to date in the Private Customers segment, net interest income from the domestic customer business matched the previous year's level, rising by € 3 m to € 1,138 m and thus accounting for 64 % of the total figure. The expansion of leasing business supported net interest

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**Operating revenues up in CEE and also in Austria**

income in the Corporate Customers segment. International Markets successfully managed its fixed-income position, achieving an increase of € 36 m in net interest income. Three-quarters of the growth in overall net interest income came from the CEE segment, which recorded an increase of € 134 m, to a level exceeding the previous year's figure by over one-third. This increase was achieved in all three CEE regions: the increase in Poland was some € 50 m, in the other new EU member states over € 20 m, and in South-East Europe almost € 30 m. In each case the growth in net interest income was based on a strong expansion of business volume; moreover, high short-term interest rate levels, primarily in Poland and Hungary, and also in Romania, led to a favourable trend in margins.

**Net fee and commission income**, the second "sustainable" income component, rose by 11 % or € 93 m to € 932 m compared with the previous year. The strongest growth in absolute terms was achieved in the lending business and in the securities and custodian business. In Austria, the corporate sector continued to make increasing use of advisory services provided by the bank's Treasury unit, and structured issues and the custodian business also saw higher activity levels as a result of a slightly stronger propensity to invest; several major projects were concluded in the commercial real estate sector. In Central and Eastern Europe (CEE), net fee and commission income rose by € 53 m or one-fifth. Growth was seen in card business, lending commissions and INM risk management products as well as custody services. Net fee and commission income in CEE accounts for a larger proportion of operating revenues than in Austria.

The **net trading result** for the first nine months of 2004 was € 138 m, some € 80 m or 36.7 % lower than for the same period of the previous year. This may partly be explained by the strong performance in the previous year and by a weak second quarter – trends in the third quarter were positive again. On the other hand, the results of trading activities and investment positions of INM have most recently been reflected to a greater extent in net interest income.

Improvements on the income side were fully reflected in net income because the **provisioning charge** and general administrative expenses continued to be kept under control, despite the expansion of business. The net charge for losses on loans and advances for the first nine months was € 323 m, down by € 33 m or 9.3 % from the previous year's level. The decline in the provisioning charge for Austrian customer business was stronger than for CEE business despite a persistently high rate of private insolvencies. In the first nine months of 2004, the net charge for losses on loans and advances was only 18.1 % of net interest income (compared with 22.1 % in the previous year). Thus the risk/earnings ratio was below the medium-term target of 20 %. Expressed as a percentage of risk-weighted assets, the net charge for losses on loans and advances was reduced from 0.70 % to 0.62 %.

**General administrative expenses** remained at the previous year's level (down by € 3 m or 0.2 %). Costs in Austria declined, and in CEE the increase in general administrative expenses mainly related to the first-time consolidation of Central profit banka and Jelzalogbank. The change in the cost/income ratio was thus determined by income trends, showing that business can be expanded without a proportionate increase in costs: in the Austrian customer business, the cost/income ratio declined slightly, to 66.6 % (after 68.6 % in the previous year), and in CEE it fell significantly, to 58.6 % (from 70.9 % in the previous year).

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**Costs remain under control despite business expansion**

**Net income from investments** showed a balanced result which was € 25 m lower than for the same period of the previous year, when the figure reflected substantial gains on sales of equity interests in Austria and Poland.



## Development of Business Segments in the First Nine Months of 2004

### Customer business in Austria

The Austrian customer business, which comprises the Private Customers Austria and Corporate Customers Austria segments, gained further momentum in the third quarter, though not in all areas. In some market segments – including private financings, real estate financings and leasing – business volume and revenues rose strongly. Net fee and commission income also developed favourably. However, the development of margins in the third quarter reflected interest rate movements and had an adverse impact on overall business results. Net income before taxes for the first nine months grew by € 31 m or 11 % to € 303 m, mainly as the result of a € 34 m (or 2 %) increase in operating revenues after the net charge for losses on loans and advances, especially as the provisioning charge declined by € 20 m or 7 %. General administrative expenses fell by over 2 %; this decline was due to the fact that residual costs are allocated to each business segment on the basis of the segment result before residual costs. Risk-weighted assets rose by an average 2.4 % for the first nine months, despite a reduction of corporate loans in the lower rating classes. Accounting

for 64 % of total general administrative expenses, the two Austrian customer business segments, to which a combined 52 % of total equity capital was allocated, generated 48 % of the bank's net income before taxes.

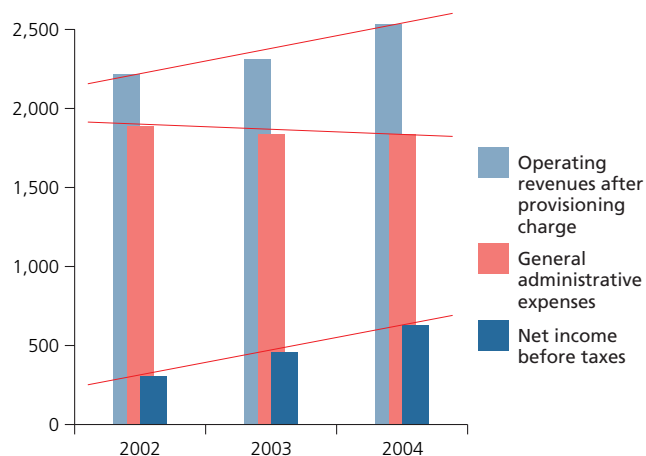
The projects for enhancing customer orientation and sales efficiency as well as back-office functions made good progress in the third quarter. The "Fit for Sales" programme launched in mid-2004 aims at enabling sales staff to concentrate on active selling and providing first-class service through all sales channels. This is done with central support (including data mining and campaign management) to effectively exploit potential for business with all target group segments. The first model region for multi-channel management included several branches in Vienna and enabled the bank to gain practical experience for the future implementation of the project. Multi-channel management comprises the areas of inbound call (routing of calls in the branch to the call centre), direct sales of online and telephone banking services by the call centre, and arrangements made by the call centre for appointments with customers. The experience gained in this process was taken into account in extending the project to other branches in Vienna and Graz in the third quarter. To sharpen the focus on sales activities, managers at the branch offices are supported through "branch coachings".

BA-CA Administration Services GmbH, a wholly-owned subsidiary of Bank Austria Creditanstalt, was set up with a view to designing back-office activities (transaction settlement, e.g. loan processing, data maintenance) in more efficient ways. The company becomes operational on 1 November and is located in Vienna. The new company will take over all back-office activities step by step until 2007. It will then have about 1,500 employees, who are delegated by the bank to BA-CA Administration Services GmbH.

In October the Managing Board started with a revision of the internal service regulations with a view to reducing the automatic growth of costs, offering competitive and secure jobs, and creating flexible and performance-oriented internal service regulations for our employees (see note 27 on page 27 of this interim report).

### Overview of results

First nine months of 2002/2003/2004



## Private Customers Austria

€ m	1–9 2004	1–9 2003	Change	
Operating revenues	958	953	5	1 %
... after net charge for losses on loans and advances	887	856	31	4 %
General administrative expenses	–757	–766	9	–1 %
Operating profit	131	88	43	49 %
Net income before taxes	130	85	45	53 %
Net income before taxes – share of Group total	20 %	19 %		
Equity – share of Group total	15 %	15 %		
ROE before taxes	19.3 %	15.5 %		

A successful sales drive in business with private customers offset the impact of an unfavourable operating environment characterised by weak growth of mass incomes, restraint of private investors and pressure on margins against the background of a further decline in interest rates. In the first nine months, net income before taxes rose by € 45 m or 53 % to € 130 m.

Net interest income from current business remained more or less stable, with insignificant fluctuations from quarter to quarter. However, a closer look shows strong underlying movements: consumer loans and home loans continued to grow, with the volume of private financings in the first nine months rising by 11 %, and by 13 % compared with the level a year before. Despite declining interest rates, the overall margin was kept constant (down by 0.07 basis points), and the margin on consumer loans even rose slightly. On the deposits side, savings deposits made the largest contribution to the interest margin in absolute terms, while also showing the strongest positive change. Within Bank Austria Creditanstalt AG, the average volume of deposits was 3 % higher than a year before, and there was a slight margin improvement.

Net fee and commission income grew by € 10 m or 3 % to € 388 m. Contributions to this growth came from card business, fees from the growing lending business, and an initial increase in securities transaction volumes. Income from payment services, on the other hand, declined, again resulting in a deficit after unit costs.

In the third quarter, the investment management subsidiaries recorded a strong net inflow, the first in a long time. This upturn was based on sales campaigns and the exceptional success of the Capital Invest Osteuropa-Garantie product. At the end of September, assets under management at the companies in Austria totalled € 21.6 bn; added to this is € 962 m representing assets under management at the young investment management companies in CEE countries. Bank Austria Creditanstalt Real Invest Immobilien-Kapitalanlage GmbH, which has offered the first open-end real estate fund in Austria under the new Austrian Real Estate Fund Act since November 2003, managed assets totalling € 163 m. At the end of September 2004, Schoellerbank had € 3,862 m in assets under management and BANKPRIVAT, Bank Austria Creditanstalt's private banking subsidiary, served customers in the top segment with assets totalling € 3.9 bn.

## Corporate Customers Austria

€ m	1–9 2004	1–9 2003	Change	
Operating revenues	791	783	8	1 %
... after net charge for losses on loans and advances	605	603	2	0 %
General administrative expenses	–411	–431	20	–5 %
Operating profit	197	183	14	8 %
Net income before taxes	174	188	–14	–7 %
Net income before taxes – share of Group total	27 %	41 %		
Equity – share of Group total	37 %	42 %		
ROE before taxes	10.1 %	12.4 %		

The Corporate Customers Austria segment was particularly affected by the unfavourable economic and interest-rate environment, which had an impact on current financing activities. On the other hand, leasing and real estate financing operations – the latter with both financing projects and investment business – were particularly successful, as were advisory services. On this basis, operating profit rose by 8 %.

In comparing these results with the previous year's figures, one should note that the net trading result and net income from investments for the first nine months of 2003 were exceptionally good on account of one-

off valuation-related effects. In 2004 these items returned to normal levels, resulting in a decline which does not permit a meaningful interpretation. Net income before taxes (€ 174 m) for the first nine months of 2004 was down by € 14 m or 7 % on the previous year's figure, a decrease reflecting the movements in the two items mentioned above.

In current business, the financing volume matched the level of the previous year and interest margins remained under pressure. In line with economic trends, there was strong demand for export finance and loans granted under assistance programmes, with margins remaining almost unchanged. This offset a decline in revenues from working capital loans and investment financing. On the investments side, volume remained stable with a shift from time deposits to sight and savings deposits, while margins narrowed somewhat.

A much better development was seen in securities business, with volume rising significantly. This is partly attributable to successful interest rate, foreign exchange and liquidity management via derivatives in cooperation with INM, which was an essential factor for the increase in net fee and commission income. Contributions from advisory services, corporate finance and, quite generally, cross-border business – as a unique selling proposition of Bank Austria Creditanstalt – are thus becoming increasingly important components of income.

The net charge for losses on loans and advances (€ 186 m) was € 6 m or 4 % higher than for the same period of the previous year. In the first nine months there were no major loan losses in business with large corporates. Risk-weighted assets matched the previous year's level, while the exposure to borrowers in lower rating classes was significantly reduced. However, the provisioning charge still amounts to almost one-third (32.7 %) of net interest income.

General administrative expenses were lower than in the previous year. The cost/income ratio declined to 51.8 % (after 54.3 %). With 37 % of average equity capital allocated to Corporate Customers Austria, this business segment accounted for 22 % of general administrative expenses and generated 27 % of the bank's overall net income before taxes.

## International Markets (INM)

€ m	1–9 2004	1–9 2003	Change	
Operating revenues	209	180	29	16 %
... after net charge for losses on loans and advances	209	180	28	16 %
General administrative expenses	–108	–116	9	–7 %
Operating profit	91	60	31	51 %
Net income before taxes	91	64	27	42 %
Net income before taxes – share of Group total	14 %	14 %		
Equity – share of Group total	3 %	4 %		
ROE before taxes	58.8 %	40.8 %		

International Markets (INM) performed very strongly in the third quarter of 2004, a period that the banking industry generally saw as unfavourable. Operating revenues reached the highest level in more than two years. Net income before taxes for the first nine months rose by 42 % to € 91 m compared with the same period of the previous year. The net trading result was lower than a year before, reflecting a shift to other components of the income statement, net interest income in particular, which rose by 48 %, and the positioning of Money Market operations. The significant increase in net interest income also resulted from the gratifying development in income from EUR maturity transformation.

General administrative expenses were down by 7 % from the previous year's figure. The number of employees continued to decline.

The good performance in the third quarter was mainly supported by the results of Money Markets, Asset Liability Management and Emerging Markets Investments (EMI) operations and by the equity units. EMI benefited particularly from falling USD interest rates and the resulting recovery of asset prices to generate a strong contribution to results, especially in August. In September, Money Market operations achieved the best monthly performance in the year so far, mainly due to the sharp increase in interest rates in the first days of September. The market position in CEE currencies was further strengthened. Our FX business made a significant positive contribution to profits in each of the first nine months of 2004 and thus supported INM's overall results.

Another success story is the sale of Treasury products to customers. For 2004 as a whole, results in this area (which are reflected in the Corporate Customers segment) are expected to exceed those of 2003 by about 20 per cent. This is mainly due to increased sales activities in the area of interest-rate and FX derivatives.

The Vienna-based equity sales team handled several large-volume equity transactions for customers. Custody services also contributed strongly to the 60 % increase in net fee and commission income, to a total of € 16 m.

The credit and market risk equivalent was reduced by about 13 % through further risk diversification and increased derivatives trading activities. Equity capital allocated to the INM business segment was 3 %, INM generated 14 % of the bank's net income before taxes. The cost/income ratio was reduced from 66.1 % in the first nine months of 2003 to 54.3 %. The ROE before taxes rose from 40.8 % in the previous year to 58.8 % in 2004.

### Central and Eastern Europe (CEE)

€ m	1–9 2004	1–9 2003	Change	
Operating revenues	881	713	168	24 %
... after net charge for losses on loans and advances	815	641	175	27 %
General administrative expenses	–514	–502	–12	2 %
Operating profit	297	133	165	124 %
Net income before taxes	254	123	131	107 %
Net income before taxes – share of Group total	40 %	27 %		
Equity – share of Group total	27 %	18 %		
ROE before taxes	20.7 %	19.2 %		

The main trends in the CEE business segment are expansion and progress in productivity. CEE accounts for 40 % of the bank's net income before taxes. Several factors combine to create a favourable environment in CEE for Bank Austria Creditanstalt's successful development: real economic growth, to which several countries' accession to the European Union gave an additional impetus from the spring onwards; high interest rate levels and firm exchange rates; growing monetisa-

tion; and the rapid advance of modern banking products. In the first nine months of 2004, net income before taxes – at the business segment level – was € 254 m, more than twice as much as in the previous year. The ROE rose to 20.7 % (19.2 % in the previous year), although equity capital allocated to the CEE segment almost doubled compared with the previous year as a result of business expansion and the higher percentage rate applied since the beginning of 2004 in allocating capital to foreign units in the CEE segment (see Interim Report at 31 March 2004).

All revenue components (with the exception of the net trading result) show double-digit growth. Net interest income rose by 34 %, boosted by the expansion of business volume and by the overall positive trend in margins. All three regions – Poland; the other new EU member states Hungary, the Czech Republic and Slovakia; and South-East Europe (SEE) – contributed equally to the increase. Net fee and commission income rose by 21 %, reflecting the good performance in the card business, in services for companies and in the securities sector including custody business. The bank is expanding its business with a strong awareness of risk: while risk-weighted assets were 20 % higher than in the previous year, the provisioning charge declined by 10 % to € 66 m. Expressed as a percentage of risk-weighted assets, the net charge for losses on loans and advances was 0.40 % (down from 0.53 % in the previous year). The provisioning charge amounted to 12.4 % of net interest income (compared with 18.3 % in the previous year). The expansion of business is also proceeding with due consideration to cost: general administrative expenses increased by just over 2 %, the cost/income ratio fell from 70.9 % to 58.6 %.

The retail banking initiative launched in the middle of 2004 aims at putting business on a broader basis. In Croatia, the integration of branches taken over from FINA was completed in the third quarter. Mobile sales units have also been established in Slovenia, Bulgaria and Romania. Of equal importance are cooperation arrangements with companies in the area of credit cards (e.g. in Poland, the Czech Republic, Slovakia) and with insurance companies (e.g. in Croatia).

The Cross Border Client Groups project was launched to even more effectively exploit the potential of our international network. The objective is to establish a framework for the systematic cross-border servicing of corporate customers in the entire HVB Group. As part of the project, uniform service standards, business processes and preferred "network products" have been defined.

### **The performance of the individual CEE subsidiaries\***

▶ The **Bank BPH Group** achieved a net income before taxes of PLN 740 m in the first nine months, a 68 % increase over the previous year which is above all attributable to a 23 % rise in net interest income. These results reflect the significant rise in business volume and a positive development of margins, while the provisioning charge was lowered by 7 % on account of the favourable economic developments. The gratifying trend was moreover supported by an 11 % rise in revenue from fee-based business following good results in the areas of mortgage business, consumer financing, credit card business, project finance and transactional banking. Careful cost management helped reduce general administrative expenses by 6 %.

While improving its results, Bank BPH has in the last twelve months also enhanced its position in the Polish banking market: the bank's market share in deposits and loans has risen to 10.1 % and 11.1 %, respectively.

▶ Our **banking subsidiary in the Czech Republic** improved its net income before taxes for the first nine months by 23 % compared with the previous year. This was largely due to the increase in net fee and commission income and a lower provisioning charge. In its business with corporate customers, HVB Bank Czech Republic was particularly successful in the areas of real estate and structured financings. In the retail banking business, the introduction of new account products contributed significantly to the increase in net fee and commission income. The bank's cooperation with Credit Suisse in the field of credit cards is making very good progress.

▶ **HVB Bank Slovakia** boosted its net interest income and net fee and commission income by 12 % and 11 %, respectively, in the first three quarters of 2004. As the increase offset the higher costs incurred through the expansion of the bank's branch network, net income before taxes was up on the previous year. The bank has started to issue co-branding credit cards in cooperation with Slovak Telecom. In the period under review, the bank launched HVB EURO EXPERT, a new product for corporate customers which combines advisory and financing services. The market share for corporate loans increased to almost 14 %.

▶ The **banking subsidiary in Hungary** also turned in an excellent performance with a net income before taxes of HUF 15.1 bn (57 % up on the previous year) for the first nine months of 2004. This gratifying development is also discernible in the area of corporate loans, where the bank claims a market share of 10 %. Good progress is also being made in retail banking; the bank has opened six branches since the beginning of the year and now has a network of 41 branches. Besides branch-based sales, customers are also responding favourably to alternative sales channels such as the call centre and Internet banking.

▶ **Bank Austria Creditanstalt Ljubljana** boosted its net income before taxes by 4 % to almost SIT 2 bn compared with the same period of the previous year. This was achieved largely by a 16 % increase in net fee and commission income. Measures taken to win additional private customers included a "Quick Cash Loan" campaign, which enabled the bank to sell over 7,500 loans, mostly to new customers. The bank expanded its market share of mortgage loans to 8.7 %. As of 30 September, our subsidiary accounted for 5.2 % of the combined total assets of all banks operating in Slovenia.

▶ **HVB Bank Romania** once again turned in an excellent result. Net income before taxes came to ROL 685 bn in the first nine months of the year, which is 109 % up on the corresponding period of the previous year. Lending volume in business with private and corporate customers increased substantially (by 91 % year-on-year), a development which boosted net interest income and

\*) Comments on results in local currency. For details of results in euros and in local currency, see table on pages 32/33.

net fee and commission income by 89 % and 62 %, respectively. The cost/income ratio is 35.7 % and the return on equity 56.0 %.

- ▶ Our **Bulgarian banking subsidiary**, HVB Bank Biochim, continued its favourable performance and in the first nine months generated a net income before taxes which was 64 % up on the previous year. An expansion of business volume (+40 % in loans and +21 % in deposits) led to a 51 % rise in net interest income and a 22 % rise in net fee and commission income compared with the preceding year. The bank has a market share of 8.2 % for loans and 6.1 % for deposits. The number of the bank's customers has risen by more than 20 % relative to year-end 2003.
- ▶ Our **banking subsidiary in Croatia**, HVB Splitska banka, achieved a net income before taxes of HRK 175 m in the first nine months of the year. This is 18 % up on the figure for the equivalent period of 2003. The public housing project, where the bank continues to act as the exclusive partner of the state housing construction agency, is making good progress. The bank is equally successful in the financing of infrastructure projects, e.g. as one of the banks helping to finance the development of the motorway network.
- ▶ The two banking subsidiaries in Bosnia and Herzegovina were merged on 30 September according to plan to form **HVB Central profit banka**. With 33 branches, more than 100,000 customers and a market share of 9 %, HVB Central profit banka is the country's fourth-largest bank. Operating revenues after the provisioning charge climbed appreciably in the third consecutive quarter, rising by 19 % compared with the second quarter.
- ▶ Our **Serbian subsidiary**, which is not consolidated, has been operating under the name "HVB Bank Serbia and Montenegro" since 23 August. In the first nine months, net income before taxes came to CSD 229 m, resulting in a return on equity of almost 21 %. The bank has launched a number of new products since the beginning of the year, including cash loans and car-purchase loans.

## Balance Sheet

As at 30 September 2004, Bank Austria Creditanstalt had total assets of € 139.9 bn. As in the preceding quarter, total assets for the third quarter of 2004 were again up on the previous figure. Since year-end 2003, total assets have grown by € 2.9 bn or 2.1 %. On the assets side, the increase resulted mainly from loans and advances to customers, and on the liabilities side from funds entrusted to the bank by customers. As in previous periods, interbank business was further reduced, with loans and deposits down by 7.2 % and 1.8 %, respectively.

The favourable € 3.2 bn or 4.2 % growth in loans and advances to customers compared with 31 December 2003 is a development largely attributable to an expansion of lending business in Poland, Hungary, the Czech Republic and by BA-CA Leasing. But growth was also achieved by the other banking subsidiaries in Central and Eastern Europe and through business generated in Austria. This reflects the expansive approach of Bank Austria Creditanstalt in these markets, with due account always being taken of the inherent risk. In this way, loan loss provisions were lowered by 0.8 %. Trading assets declined by 7.5 %, mainly due to a reduction of securities positions and the development of interest-rate and currency derivatives.

Primary funds, i.e. resources entrusted to the bank by customers, grew by € 4.1 bn or 5.4 % in the first nine months to € 80.8 bn as of 30 September 2004. The increase, in absolute terms, was distributed evenly between customer deposits (up by € 2.2 bn or 4.1 %) and liabilities evidenced by certificates (up by € 2.0 bn or 11.5 %). The growth in customer deposits, as in lending business, was most pronounced in Poland, the Czech Republic and Hungary, but was also strong in Austria. In all countries combined, savings deposits fell slightly by 1.3 %, but this was more than offset by a rise in sight and time deposits (up by 8.9 % and 4.4 %, respectively). A 12.9 % contraction in trading liabilities is explained largely by a decline of over € 1.3 bn in interest-rate and currency derivatives in the first nine months.



The good overall results reflected in a consolidated net income of € 434 m for the first nine months caused shareholders' equity to rise to € 6.4 bn. The increase of € 556 m or 9.6 % over year-end 2003 takes into account the dividend payment of € 150 m in May 2004, and includes foreign currency translation, and gains and losses recognised directly in equity in accordance with IAS 39.

### Capital resources

The assessment basis pursuant to the Austrian Banking Act (banking book) rose by € 4.6 bn (or 7.0 %) to € 70.1 bn compared with the end of 2003; most of the increase was due to higher business volume at the CEE banking subsidiaries. Growth was supported by rising exchange rates in some CEE countries. This was accompanied by a steady rise in business volume in Austria, especially in the Private Customers Austria segment. Net capital resources increased slightly, by 1.6 %, from € 8.6 bn to € 8.7 bn. As at 30 September 2004, the Tier 1 capital ratio was consequently 7.47 % (year-end 2003: 7.82 %) and the total capital ratio amounted to 12.44 % (year-end 2003: 13.10 %).

## Outlook

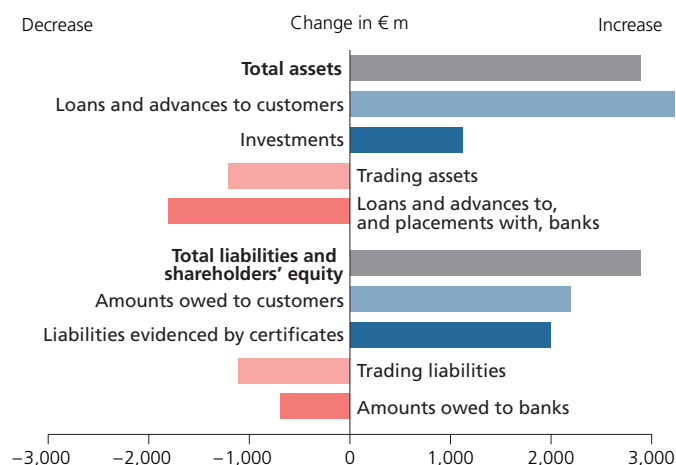
Various imponderables in the economic environment have emerged in the autumn. While there is no doubt that the oil price increase will dampen global economic growth, this is unlikely to lead to a new recession. In addition to these risks to the real economy, the US dollar's weakness has again focused attention on the problem of worldwide trade imbalances.

For our core markets we expect a moderate scenario that is not entirely free of risk. In Austria we do not anticipate any significant rise in demand, nor do we foresee a setback. The corporate sector will continue to exercise restraint. Interest rate developments and the narrowing of margins, which is to be seen together with the currently favourable risk environment, are not expected to provide any significant stimulus. Investors will still show a preference for low-risk products. While the upward economic trend in CEE will continue, a restrictive economic policy geared to meeting the Maastricht criteria will probably steer the economy into calmer waters. But as part of the structural catching-up process, the financial sector will continue to expand at a disproportionately high rate.

Apart from the risks arising from this scenario for trade, we do not see any major threats to a moderate continuation of present trends in the rest of the year. In Austria, Bank Austria Creditanstalt has switched from membership of the Austrian Association of Savings Banks to membership of the Austrian Association of Banks and Bankers. We hope that, following this change, we will also make rapid progress in modernising the bank's internal service regulations. It is imperative to avoid an adverse impact on business operations.

Bearing these opportunities and risks in mind, we expect to exceed the target, announced at the beginning of this year, of € 750 m for net income before taxes. We aim to achieve a net income before taxes of € 800 m while maintaining the high quality of results. We will consistently continue to pursue the measures initiated with a view to improving profitability and the allocation of equity capital.

### Customer business supports balance sheet growth





# Consolidated Financial Statements

## Income statement of the Bank Austria Creditanstalt Group for the first nine months of 2004

	(Notes)	1 Jan. – 30 Sept. 2004 € m	1 Jan. – 30 Sept. 2003 € m	Change	
				€ m	in %
Interest income		3,639	3,628	11	0.3
Interest expenses		–1,850	–2,018	168	–8.3
<b>Net interest income</b>	(5)	<b>1,789</b>	<b>1,610</b>	<b>179</b>	<b>11.1</b>
Losses on loans and advances	(6)	–323	–356	33	–9.3
<b>Net interest income after losses on loans and advances</b>		<b>1,466</b>	<b>1,254</b>	<b>212</b>	<b>16.9</b>
Fee and commission income		1,159	1,046	113	10.8
Fee and commission expenses		–227	–207	–20	9.6
<b>Net fee and commission income</b>	(7)	<b>932</b>	<b>839</b>	<b>93</b>	<b>11.1</b>
<b>Net trading result</b>	(8)	<b>138</b>	<b>217</b>	<b>–80</b>	<b>–36.7</b>
General administrative expenses	(9)	–1,835	–1,838	3	–0.2
Balance of other operating income and expenses	(10)	–16	9	–25	>100
<b>Operating profit</b>		<b>685</b>	<b>482</b>	<b>203</b>	<b>42.3</b>
Net income from investments		1	26	–25	–97.1
Amortisation of goodwill		–54	–48	–5	11.4
Balance of other income and expenses		0	–2	2	>100
<b>Profit from ordinary activities / Net income before taxes</b>		<b>632</b>	<b>457</b>	<b>175</b>	<b>38.4</b>
Taxes on income		–151	–102	–49	48.2
<b>Net income</b>		<b>481</b>	<b>355</b>	<b>126</b>	<b>35.5</b>
Minority interests		–47	–43	–4	10.0
<b>Consolidated net income</b>		<b>434</b>	<b>312</b>	<b>122</b>	<b>39.0</b>

### Key data

	1 Jan. – 30 Sept. 2004	1 Jan. – 30 Sept. 2003
Earnings per share (in €)	2.95	2.51
Return on equity before taxes (%)	13.8	12.5
Return on equity after taxes (%)	9.5	8.5
Return on equity after taxes before amortisation of goodwill (%) <sup>1</sup>	12.7	12.2
Cost/income ratio (%)	64.5	68.7
Risk/earnings ratio (%)	18.1	22.1

1) Consolidated net income adjusted for amortisation of goodwill as a percentage of average shareholders' equity less goodwill

Note:

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

# Income statement of the Bank Austria Creditanstalt Group by quarter

€ m	Q3 2004	Q2 2004	Q1 2004	Q4 2003	Q3 2003
Interest income	1,235	1,259	1,146	1,174	1,176
Interest expenses	-627	-619	-604	-608	-625
Net interest income	608	640	541	566	551
Losses on loans and advances	-107	-107	-109	-111	-127
<b>Net interest income after losses on loans and advances</b>	<b>501</b>	<b>534</b>	<b>432</b>	<b>455</b>	<b>424</b>
Fee and commission income	401	391	367	366	373
Fee and commission expenses	-84	-72	-70	-71	-77
Net fee and commission income	317	319	297	296	296
Net trading result	52	29	57	3	31
General administrative expenses	-620	-612	-604	-641	-598
Balance of other operating income and expenses	-3	-12	0	8	14
<b>Operating profit</b>	<b>246</b>	<b>257</b>	<b>181</b>	<b>121</b>	<b>166</b>
Net income from investments	-10	-22	33	95	6
Amortisation of goodwill	-18	-18	-18	-19	-16
Balance of other income and expenses	2	-1	0	-6	-1
<b>Profit from ordinary activities / Net income before taxes</b>	<b>220</b>	<b>216</b>	<b>196</b>	<b>191</b>	<b>156</b>
Taxes on income	-53	-51	-47	-53	-36
<b>Net income</b>	<b>167</b>	<b>165</b>	<b>149</b>	<b>138</b>	<b>120</b>
Minority interests	-16	-15	-16	-8	-10
<b>Consolidated net income</b>	<b>151</b>	<b>150</b>	<b>133</b>	<b>130</b>	<b>110</b>

## Key data

	Q3 2004	Q2 2004	Q1 2004	Q4 2003	Q3 2003
Earnings per share (in €)	1.03	1.02	0.91	0.89	0.76
Return on equity before taxes (%)	14.1	14.1	13.1	13.3	12.1
Return on equity after taxes (%)	9.6	9.8	8.9	9.1	8.5
Return on equity after taxes before amortisation of goodwill (%) <sup>1</sup>	12.8	13.1	12.2	12.6	12.0
Cost/income ratio (%)	63.7	62.7	67.5	73.5	67.1
Risk/earnings ratio (%)	17.6	16.6	20.2	19.5	23.0

1) Consolidated net income adjusted for amortisation of goodwill as a percentage of average shareholders' equity less goodwill

## Balance sheet of the Bank Austria Creditanstalt Group at 30 September 2004 compared with the balance sheets at 31 December 2003 and at 30 September 2003

### Assets

	(Notes)	30 Sept. 2004 € m	31 Dec. 2003 € m	Change € m in %		30 Sept. 2003 € m	Change € m in %	
Cash and balances with central banks (11)		3,020	2,286	735	32.1	2,229	792	35.5
Trading assets (12)		14,935	16,140	-1,205	-7.5	18,077	-3,142	-17.4
Loans and advances to, and placements with, banks (13)		23,321	25,130	-1,809	-7.2	26,955	-3,634	-13.5
Loans and advances to customers (14)		79,221	75,997	3,224	4.2	76,217	3,004	3.9
- Loan loss provisions (15)		-3,463	-3,490	27	-0.8	-3,578	115	-3.2
Investments (16)		17,027	15,910	1,116	7.0	17,270	-243	-1.4
Property and equipment (17)		1,135	1,120	15	1.4	1,072	63	5.9
Intangible assets (18)		1,247	1,288	-40	-3.1	1,246	1	0.1
Other assets		3,504	2,674	830	31.0	4,277	-773	-18.1
<b>TOTAL ASSETS</b>		<b>139,947</b>	<b>137,053</b>	<b>2,893</b>	<b>2.1</b>	<b>143,766</b>	<b>-3,819</b>	<b>-2.7</b>

### Liabilities and shareholders' equity

	(Notes)	30 Sept. 2004 € m	31 Dec. 2003 € m	Change € m in %		30 Sept. 2003 € m	Change € m in %	
Amounts owed to banks (19)		38,443	39,133	-690	-1.8	42,264	-3,821	-9.0
Amounts owed to customers (20)		56,018	53,824	2,195	4.1	54,452	1,566	2.9
Liabilities evidenced by certificates (21)		19,395	17,399	1,996	11.5	17,814	1,581	8.9
Trading liabilities (22)		7,453	8,560	-1,107	-12.9	10,228	-2,775	-27.1
Provisions (23)		3,579	3,422	157	4.6	3,455	125	3.6
Other liabilities (24)		2,943	3,118	-176	-5.6	3,890	-947	-24.4
Subordinated capital (25)		5,341	5,419	-78	-1.4	5,561	-220	-4.0
Minority interests		402	362	40	11.1	471	-68	-14.5
Shareholders' equity		6,371	5,815	556	9.6	5,631	740	13.1
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>139,947</b>	<b>137,053</b>	<b>2,893</b>	<b>2.1</b>	<b>143,766</b>	<b>-3,819</b>	<b>-2.7</b>

# Statement of changes in shareholders' equity of the Bank Austria Creditanstalt Group

€ m	Subscribed capital	Capital reserves	Retained earnings	Reserves in accordance with IAS 39	Shareholders' equity
As at 1 January 2003	829	2,016	2,031	-266	4,610
Capital increase	240	675			915
Consolidated net income			312		312
Dividend paid			-116		-116
Foreign currency translation			-166		-166
Gains and losses recognised directly in equity in accordance with IAS 39				57	57
Shares in the controlling company		8			8
Other changes			12		12
As at 30 September 2003	1,069	2,699	2,073	-209	5,631

€ m	Subscribed capital	Capital reserves	Retained earnings	Reserves in accordance with IAS 39 <sup>2</sup>	Shareholders' equity
As at 1 January 2004	1,069	2,737 <sup>1</sup>	2,149	-139	5,815
Consolidated net income			434		434
Dividend paid			-150		-150
Foreign currency translation			104		104
Gains and losses recognised directly in equity in accordance with IAS 39				135	135
Shares in the controlling company		23			23
Other changes			10		10
As at 30 September 2004	1,069	2,760 <sup>1</sup>	2,547	-4	6,371

1) Capital reserve in the separate financial statements of Bank Austria Creditanstalt AG: € 2,154 m.

2) Reserves in accordance with IAS 39	31 Dec. 2003	30 Sept. 2004
Cash flow hedge reserve	-226	-248
Available-for-sale reserve	87	244
Total	-139	-4

## Cash flow statement

€ m	1 Jan. – 30 Sept. 2004	1 Jan. – 30 Sept. 2003
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,286	1,824
Cash flows from operating activities	2,080	1,009
Cash flows from investing activities	-1,164	-403
Cash flows from financing activities	-207	-199
Effects of exchange rate changes	25	-2
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,020	2,229

# Notes to the Consolidated Financial Statements of Bank Austria Creditanstalt

The interim report of the Bank Austria Creditanstalt Group has been prepared in accordance with International Financial Reporting Standards (IFRS/IAS), requiring application of IAS 34 (Interim Financial Reporting). The interim report covers the first nine months of 2004 (1 January 2004 to 30 September 2004) and compares it with the same period of the previous year.

## **(1) Significant accounting principles**

With the exception of the translation of income and expense items at average exchange rates from 1 January 2004, the accounting principles and methods applied were the same as in the financial statements for 2003. Changes in segment reporting are explained in note 28.

## **(2) Changes in accounting principles in 2004**

The reduction of the Austrian corporation tax rate, plans for which were mentioned in the Annual Report 2003, was adopted in May 2004 and promulgated as the Austrian Tax Reform Act 2005 in the Austrian Federal Law Gazette (BGBl) 57/2004 on 4 June 2004. As stated in the Annual Report 2003, we continue to proceed from the assumption that this change in tax legislation will have no material effect on net income, whereas there will be changes in deferred taxes.

No financial instruments are outstanding which could have a dilutive effect. Therefore basic earnings per share equal diluted earnings per share. For the first nine months of 2004, earnings per share – based on the number of shares after the capital increase carried out in 2003, through which the total number increased by 33,031,740 shares to 147,031,740 shares – are € 2.95 (comparative figure for the same period of the previous year: € 2.51); the annualised figures are € 3.93 for the reporting period and € 3.61 for the same period of the previous year.

## **(3) Earnings per share**

Central profit banka d.d. Sarajevo, Sarajevo, a Bosnian bank which was acquired in the previous year, and HVB-Banka Bosna i Hercegovina d.d. Sarajevo, Sarajevo, have been consolidated as from 1 January 2004. As at 30 September 2004, Central profit banka and HVB-Banka Bosna i Hercegovina merged to form HVB Central profit banka d.d., Sarajevo. Moreover, HVB Jelzalogbank Rt., Budapest, has also been included in the consolidated financial statements for the first time.

## **(4) Changes in the group of consolidated companies in 2004**

The effects of these changes on the results for the first nine months of 2004 are shown in the table on page 21.

Following the sale by Bank Przemysłowo-Handlowy PBK S.A., Kraków, Górnoślaski Bank Gospodarczy S.A., Katowice, has been excluded from consolidation with effect from 1 May 2004.

## Income statement of the Bank Austria Creditanstalt Group for the first nine months of 2004

(of which: contribution of HVB Jelzálogbank Rt. + Central profit banka d.d.)

€ m	1 Jan. – 30 Sept. 2004	Jelzálogbank Rt. + Central profit b.
Interest income	3,639	31
Interest expenses	-1,850	-14
<b>Net interest income</b>	<b>1,789</b>	<b>17</b>
Losses on loans and advances	-323	-1
<b>Net interest income after losses on loans and advances</b>	<b>1,466</b>	<b>16</b>
Fee and commission income	1,159	6
Fee and commission expenses	-227	0
<b>Net fee and commission income</b>	<b>932</b>	<b>6</b>
<b>Net trading result</b>	<b>138</b>	<b>0</b>
General administrative expenses	-1,835	-15
Balance of other operating income and expenses	-16	0
<b>Operating profit</b>	<b>685</b>	<b>8</b>
Net income from investments	1	0
Amortisation of goodwill	-54	0
Balance of other income and expenses	0	0
<b>Profit from ordinary activities/Net income before taxes</b>	<b>632</b>	<b>8</b>
Taxes on income	-151	-1
<b>Net income</b>	<b>481</b>	<b>7</b>
Minority interests	-47	0
<b>Consolidated net income</b>	<b>434</b>	<b>7</b>

## Notes to the Income Statement

€ m	1 Jan. – 30 Sept. 2004	1 Jan. – 30 Sept. 2003
Interest income from		
loans and advances and money market transactions	2,809	2,921
bonds and other fixed-income securities	435	415
shares and other variable-yield securities	119	102
companies accounted for under the equity method	35	30
investment property	19	17
Interest expenses for		
deposits	-1,137	-1,335
liabilities evidenced by certificates	-393	-401
subordinated capital	-183	-203
Results from leasing transactions	86	64
<b>NET INTEREST INCOME</b>	<b>1,789</b>	<b>1,610</b>

### (5) Net interest income

€ m	1 Jan. – 30 Sept. 2004	1 Jan. – 30 Sept. 2003
Allocations to	611	695
provisions for loans and advances	588	678
provisions for contingent liabilities	23	17
Releases from	-274	-300
provisions for loans and advances	-232	-246
provisions for contingent liabilities	-43	-54
Recoveries of loans and advances previously written off	-14	-39
<b>NET CHARGE FOR LOSSES ON LOANS AND ADVANCES</b>	<b>323</b>	<b>356</b>

### (6) Losses on loans and advances

€ m	1 Jan. – 30 Sept. 2004	1 Jan. – 30 Sept. 2003
Securities and custodian business	212	180
Foreign trade/payment transactions	524	512
Lending business	144	108
Other services and advisory business	52	39
<b>NET FEE AND COMMISSION INCOME</b>	<b>932</b>	<b>839</b>

### (7) Net fee and commission income

€ m	1 Jan. – 30 Sept. 2004	1 Jan. – 30 Sept. 2003
Equity-related transactions	40	71
Interest-rate and currency-related transactions	98	146
<b>NET TRADING RESULT</b>	<b>138</b>	<b>217</b>

### (8) Net trading result



**(9) General administrative expenses**

€ m	1 Jan.– 30 Sept. 2004	1 Jan.– 30 Sept. 2003
Staff costs	1,042	1,039
<i>Wages and salaries</i>	705	716
<i>Social-security contributions</i>	167	156
<i>Expenses for retirement benefits and other benefits</i>	170	167
Other administrative expenses	617	624
Depreciation and amortisation	176	175
<i>on property and equipment</i>	97	103
<i>on intangible assets excluding goodwill</i>	79	72
<b>GENERAL ADMINISTRATIVE EXPENSES</b>	<b>1,835</b>	<b>1,838</b>

**(10) Balance of other operating income and expenses**

€ m	1 Jan.– 30 Sept. 2004	1 Jan.– 30 Sept. 2003
Other operating income	69	75
Other operating expenses	-84	-66
<b>BALANCE OF OTHER OPERATING INCOME AND EXPENSES</b>	<b>-16</b>	<b>9</b>

## Notes to the Balance Sheet

**(11) Cash and balances with central banks**

€ m	30 Sept. 2004	31 Dec. 2003
Cash and balances with central banks	2,704	2,154
Debt instruments issued by public borrowers and bills eligible for discounting at central banks	316	132
<i>Treasury bills and non-interest-bearing Treasury notes as well as similar debt instruments issued by public borrowers</i>	307	122
<i>Bills of exchange</i>	9	10
<b>CASH AND BALANCES WITH CENTRAL BANKS</b>	<b>3,020</b>	<b>2,286</b>

**(12) Trading assets**

€ m	30 Sept. 2004	31 Dec. 2003
<b>Bonds and other fixed-income securities</b>	<b>7,241</b>	<b>6,798</b>
Money market paper	88	490
Debt securities	7,148	6,149
<i>issued by public borrowers</i>	1,522	2,466
<i>issued by other borrowers</i>	5,626	3,683
Group's own debt securities	5	160
<b>Shares and other variable-yield securities</b>	<b>400</b>	<b>538</b>
Shares	318	132
Investment certificates	42	29
Other	40	377
<b>Positive market values of derivative financial instruments</b>	<b>7,274</b>	<b>8,783</b>
Equity derivatives	75	64
Interest-rate and currency derivatives	7,199	8,719
<b>Other trading assets</b>	<b>21</b>	<b>21</b>
<b>TRADING ASSETS</b>	<b>14,935</b>	<b>16,140</b>

€ m	30 Sept. 2004	31 Dec. 2003
Loans and advances	8,149	8,165
Money market placements	15,171	16,965
<b>LOANS AND ADVANCES TO, AND PLACEMENTS WITH, BANKS</b>	<b>23,321</b>	<b>25,130</b>

**(13) Loans and advances to, and placements with, banks – breakdown by product**

€ m	30 Sept. 2004	31 Dec. 2003
Loans to local authorities	3,678	4,252
Real estate finance	7,918	6,652
<i>Mortgage loans</i>	7,665	6,480
<i>Other real estate finance</i>	253	172
Current account credits	27,655	26,574
Loans	28,883	27,555
Money market placements	793	1,169
Other loans and advances	5,393	5,270
Finance lease receivables	4,900	4,524
<b>LOANS AND ADVANCES TO CUSTOMERS</b>	<b>79,221</b>	<b>75,997</b>

**(14) Loans and advances to customers – breakdown by product**

**(15) Loan loss provisions**

€ m	for loans and advances to, and placements with, banks		for loans and advances to customers		Total	
	30 Sept. 2004	30 Sept. 2003	30 Sept. 2004	30 Sept. 2003	30 Sept. 2004	30 Sept. 2003
<b>At beginning of reporting period</b>	<b>34</b>	<b>93</b>	<b>3,456</b>	<b>3,528</b>	<b>3,490</b>	<b>3,622</b>
Allocation	0	0	588	678	588	678
Release	-3	-3	-229	-243	-232	-246
Use	-2	0	-350	-248	-352	-248
Exchange differences and other adjustments not reflected in the income statement	2	-4	-34	-225	-32	-229
<b>AT END OF REPORTING PERIOD</b>	<b>32</b>	<b>87</b>	<b>3,431</b>	<b>3,491</b>	<b>3,463</b>	<b>3,578</b>

€ m	30 Sept. 2004	31 Dec. 2003
<b>Held-to-maturity investments – debt securities</b>	<b>6,320</b>	<b>6,858</b>
<b>Available-for-sale investments</b>	<b>9,600</b>	<b>7,952</b>
Shares in unconsolidated subsidiaries	695	762
Shares in other companies	298	728
Other fixed-income securities	4,337	2,537
Shares and other variable-yield securities	4,269	3,925
<i>Securities held as short-term investments</i>	2,445	2,202
<i>Securities held as long-term investments</i>	1,824	1,724
<b>Investments in companies accounted for under the equity method</b>	<b>740</b>	<b>718</b>
<b>Investment property</b>	<b>367</b>	<b>383</b>
<b>INVESTMENTS</b>	<b>17,027</b>	<b>15,910</b>

**(16) Investments**

**(17) Property and equipment**

€ m	30 Sept. 2004	31 Dec. 2003
Land and buildings used for banking operations	753	723
Other land and buildings	18	17
Other property and equipment	364	379
<b>PROPERTY AND EQUIPMENT</b>	<b>1,135</b>	<b>1,120</b>

**(18) Intangible assets**

€ m	30 Sept. 2004	31 Dec. 2003
Goodwill	1,003	1,015
Other intangible assets	245	273
<b>INTANGIBLE ASSETS</b>	<b>1,247</b>	<b>1,288</b>

**(19) Amounts owed to banks –  
breakdown by product**

€ m	30 Sept. 2004	31 Dec. 2003
Repayable on demand	5,414	3,642
With agreed maturity dates or periods of notice	33,030	35,491
<i>Loans raised</i>	11,472	11,393
<i>Money market deposits by banks</i>	19,722	22,592
<i>Other amounts owed to banks</i>	1,835	1,506
<b>AMOUNTS OWED TO BANKS</b>	<b>38,443</b>	<b>39,133</b>

**(20) Amounts owed to  
customers – breakdown by  
product**

€ m	30 Sept. 2004	31 Dec. 2003
Savings deposits	17,410	17,638
Other amounts owed to customers	38,609	36,186
<i>Repayable on demand</i>	19,824	18,199
<i>With agreed maturity dates or periods of notice</i>	18,785	17,987
<b>AMOUNTS OWED TO CUSTOMERS</b>	<b>56,018</b>	<b>53,824</b>

**(21) Liabilities evidenced by  
certificates – breakdown by  
product**

€ m	30 Sept. 2004	31 Dec. 2003
Debt securities issued	15,148	14,081
<i>Mortgage bonds and local-authority bonds</i>	1,874	2,390
<i>Other debt securities issued</i>	13,274	11,691
Other liabilities evidenced by certificates	4,247	3,318
<b>LIABILITIES EVIDENCED BY CERTIFICATES</b>	<b>19,395</b>	<b>17,399</b>

**(22) Trading liabilities**

€ m	30 Sept. 2004	31 Dec. 2003
Negative fair values of derivative financial instruments	7,001	8,122
<i>Equity derivatives</i>	261	56
<i>Interest-rate and currency derivatives</i>	6,740	8,066
Other trading liabilities	452	438
<b>TRADING LIABILITIES</b>	<b>7,453</b>	<b>8,560</b>

€ m	30 Sept. 2004	31 Dec. 2003	(23) Provisions
Provisions for retirement benefits and similar obligations	2,650	2,625	
Provisions for taxes	590	494	
<i>Current taxes</i>	25	39	
<i>Deferred taxes</i>	565	455	
Provisions for restructuring costs	3	0	
Provisions for contingent liabilities	157	117	
Other provisions for impending losses	180	187	
<b>PROVISIONS</b>	<b>3,579</b>	<b>3,422</b>	

€ m	30 Sept. 2004	31 Dec. 2003	(24) Other liabilities
Negative market values of derivative hedging instruments	2,130	1,884	
Other amounts payable	589	1,130	
Deferred income	224	104	
<b>OTHER LIABILITIES</b>	<b>2,943</b>	<b>3,118</b>	

€ m	30 Sept. 2004	31 Dec. 2003	(25) Subordinated capital
Subordinated liabilities	4,091	4,259	
Supplementary capital	1,250	1,160	
<b>SUBORDINATED CAPITAL</b>	<b>5,341</b>	<b>5,419</b>	

## Additional IAS Disclosures

(Full-time equivalent)	30 Sept. 2004	30 Sept. 2003	(26) Employees
<b>Bank Austria Creditanstalt Group</b>	<b>29,331</b>	<b>31,112</b>	
Bank Austria Creditanstalt AG and its Austrian subsidiaries that support its core banking business <sup>1</sup>	10,936	11,579	
CEE and other subsidiaries <sup>2</sup>	18,395	19,533	
<i>of which: Poland</i>	9,669	11,546	

1) Including four non-consolidated subsidiaries which support the core banking business (as at 30 Sept. 2004).

2) Including the consolidated companies Schoellerbank AG, Bank Austria Creditanstalt Leasing GmbH, VISA-SERVICE Kreditkarten AG, Capital Invest KAG, Asset Management GmbH, BA Cayman Islands Ltd., Bank Austria Creditanstalt Real Invest GmbH (as at 30 Sept. 2004). Figures as at 30 Sept. 2003 include BA/CA Asset Finance Ltd. and HVB Bank Yugoslavia a.d., a company which is not consolidated.

**(27) Events after the date of the interim financial statements**  
Legal proceedings regarding the restructuring of company pensions of Bank Austria Creditanstalt AG

In the middle of 2004, in a test case in which the Austrian Trade Union Federation brought an action against the Austrian Association of Savings Banks regarding the transfer of pension obligations to pension funds, the Austrian Supreme Court made a decision to the effect that the transfer, to the extent that collective agreements are concerned, was in compliance with the legal requirements. There is no obligation for Bank Austria Creditanstalt AG to guarantee a specific pension level to the employees affected by the transfer of pension obligations. Nevertheless, Bank Austria Creditanstalt AG was ordered to make certain compensation payments to employees who were close to retirement when the transfer took place.

As a result, Bank Austria Creditanstalt made compensation payments totalling some € 1.3 m (i.e., about 0.1 % of annual staff costs) to some 150 employees (the group of – mostly former – employees who, in the opinion of Bank Austria Creditanstalt AG, are the beneficiaries of the above decision).

Moreover, despite this decision issued by the Austrian Supreme Court, several former employees instituted individual legal proceedings against Bank Austria Creditanstalt AG. In view of the principles established by the Austrian Supreme Court in its decision, the risk arising for the bank from these proceedings is seen as very low.

**Issue of Tier 1 capital**

In October 2004, Bank Austria Creditanstalt strengthened its Tier 1 capital by issuing innovative financial instruments totalling € 250 m.

**Revision of internal service regulations**

To create modern and performance-oriented internal service regulations linked to fair remuneration for employees, the Managing Board prepared alternatives for the necessary reform of internal service regulations and decided to leave the Austrian Association of Savings Banks and join the Austrian Association of Banks and Bankers.

With effect from 12 October 2004, Bank Austria Creditanstalt ceased to be a member of the Austrian Association of Savings Banks and became a member of the Austrian Association of Banks and Bankers. Under the syndicate agreement which was signed in 2000 when Bank Austria Creditanstalt joined forces with HypoVereinsbank Group, Bank Austria Creditanstalt can leave the Austrian savings banks sector by the end of 2006 only on the basis of a two-thirds majority vote of the Supervisory Board. This means that Bank Austria Creditanstalt is currently still a member of the deposit insurance scheme of the Austrian savings banks.

The Managing Board of Bank Austria Creditanstalt aims to create a strong, modern financial services provider which is competitive internationally in the long term and offers secure jobs, enables employees to participate in the company's results and rewards excellent performance.

**(28) Segment reporting**

1–9 2004/1–9 2003

€ m		Private Customers Austria	Corporate Customers Austria	Central and Eastern Europe (CEE)	Inter- national Markets	Corporate Center	BA-CA Group
Net interest income	1–9 2004	569	570	531	111	8	1,789
	1–9 2003	573	563	397	75	2	1,610
Losses on loans and advances	1–9 2004	–71	–186	–66	0	0	–323
	1–9 2003	–97	–180	–73	0	–7	–356
Net fee and commission income	1–9 2004	388	219	311	16	–2	932
	1–9 2003	377	198	258	10	–5	839
Net trading result	1–9 2004	2	3	39	81	13	138
	1–9 2003	2	22	58	95	40	217
General administrative expenses	1–9 2004	–757	–411	–514	–108	–45	–1,835
	1–9 2003	–766	–431	–502	–116	–22	–1,838
Balance of other operating income and expenses	1–9 2004	1	3	–4	–10	–5	–16
	1–9 2003	–2	11	–6	–4	10	9
<b>Operating profit</b>	<b>1–9 2004</b>	<b>131</b>	<b>197</b>	<b>297</b>	<b>91</b>	<b>–30</b>	<b>685</b>
	<b>1–9 2003</b>	<b>88</b>	<b>183</b>	<b>133</b>	<b>60</b>	<b>18</b>	<b>482</b>
Net income from investments	1–9 2004	3	–20	–7	5	20	1
	1–9 2003	0	7	22	9	–14	26
Amortisation of goodwill	1–9 2004	–3	–2	–36	–4	–8	–54
	1–9 2003	–3	–1	–31	–5	–7	–48
Balance of other income and expenses	1–9 2004	0	–1	0	0	2	0
	1–9 2003	0	–1	–1	0	0	–2
<b>Net income before taxes</b>	<b>1–9 2004</b>	<b>130</b>	<b>174</b>	<b>254</b>	<b>91</b>	<b>–16</b>	<b>632</b>
	<b>1–9 2003</b>	<b>85</b>	<b>188</b>	<b>123</b>	<b>64</b>	<b>–3</b>	<b>457</b>
Credit and market risk equivalent (Austrian Banking Act)	1–9 2004	12,767	32,635	16,528	2,961	4,577	69,469
	1–9 2003	11,720	32,615	13,758	3,389	6,225	67,707
Equity allocated (average)	1–9 2004	894	2,284	1,641	207	1,086	6,112
	1–9 2003	727	2,022	853	210	1,053	4,865
<i>Return on equity before taxes in %</i>	<i>1–9 2004</i>	<i>19.3</i>	<i>10.1</i>	<i>20.7</i>	<i>58.8</i>		<i>13.8</i>
	<i>1–9 2003</i>	<i>15.5</i>	<i>12.4</i>	<i>19.2</i>	<i>40.8</i>		<i>12.5</i>
<i>Cost/income ratio in %</i>	<i>1–9 2004</i>	<i>79.0</i>	<i>51.8</i>	<i>58.6</i>	<i>54.3</i>		<i>64.5</i>
	<i>1–9 2003</i>	<i>80.6</i>	<i>54.3</i>	<i>70.9</i>	<i>66.1</i>		<i>68.7</i>
<i>Risk/earnings ratio in %</i>	<i>1–9 2004</i>	<i>12.5</i>	<i>32.7</i>	<i>12.4</i>	<i>0.0</i>		<i>18.1</i>
	<i>1–9 2003</i>	<i>16.9</i>	<i>32.0</i>	<i>18.3</i>	<i>0.4</i>		<i>22.1</i>

Segment reporting  
Q3 2004/Q2 2004/Q1 2004

€ m		Private Customers Austria	Corporate Customers Austria	Central and Eastern Europe (CEE)	Inter- national Markets	Corporate Center	BA-CA Group
Net interest income	Q3/2004	189	190	189	51	-11	608
	Q2/2004	192	190	180	46	32	640
	Q1/2004	188	189	162	15	-13	541
Losses on loans and advances	Q3/2004	-24	-62	-21	0	0	-107
	Q2/2004	-24	-64	-19	0	0	-107
	Q1/2004	-24	-60	-26	0	0	-109
Net fee and commission income	Q3/2004	133	74	104	4	1	317
	Q2/2004	127	74	111	7	0	319
	Q1/2004	128	70	96	5	-3	297
Net trading result	Q3/2004	1	2	13	29	7	52
	Q2/2004	0	1	16	15	-2	29
	Q1/2004	1	0	11	37	9	57
General administrative expenses	Q3/2004	-259	-126	-178	-37	-19	-620
	Q2/2004	-243	-147	-174	-36	-11	-612
	Q1/2004	-255	-138	-162	-34	-14	-604
Balance of other operating income and expenses	Q3/2004	0	2	-4	-4	3	-3
	Q2/2004	1	-2	3	-3	-10	-12
	Q1/2004	0	3	-3	-3	2	0
<b>Operating profit</b>	<b>Q3/2004</b>	<b>41</b>	<b>80</b>	<b>102</b>	<b>42</b>	<b>-19</b>	<b>246</b>
	<b>Q2/2004</b>	<b>53</b>	<b>53</b>	<b>116</b>	<b>28</b>	<b>8</b>	<b>257</b>
	<b>Q1/2004</b>	<b>37</b>	<b>65</b>	<b>79</b>	<b>20</b>	<b>-19</b>	<b>181</b>
Net income from investments	Q3/2004	-1	-6	-5	1	0	-10
	Q2/2004	3	-11	-4	-2	-9	-22
	Q1/2004	1	-4	2	5	29	33
Amortisation of goodwill	Q3/2004	-1	0	-12	-1	-3	-18
	Q2/2004	-1	-1	-12	-1	-3	-18
	Q1/2004	-1	-1	-12	-1	-3	-18
Balance of other income and expenses	Q3/2004	0	-1	0	0	2	2
	Q2/2004	0	0	0	0	0	-1
	Q1/2004	0	0	0	0	0	0
<b>Net income before taxes</b>	<b>Q3/2004</b>	<b>39</b>	<b>73</b>	<b>85</b>	<b>42</b>	<b>-19</b>	<b>220</b>
	<b>Q2/2004</b>	<b>54</b>	<b>41</b>	<b>101</b>	<b>25</b>	<b>-4</b>	<b>216</b>
	<b>Q1/2004</b>	<b>36</b>	<b>60</b>	<b>68</b>	<b>24</b>	<b>7</b>	<b>196</b>
Credit and market risk equivalent (Austrian Banking Act)	Q3/2004	13,254	32,807	17,186	3,074	4,605	70,927
	Q2/2004	12,773	32,772	16,789	2,972	4,019	69,324
	Q1/2004	12,275	32,325	15,610	2,838	5,107	68,155
Equity allocated (average)	Q3/2004	928	2,297	1,707	215	1,086	6,233
	Q2/2004	894	2,294	1,667	208	1,068	6,131
	Q1/2004	859	2,263	1,548	199	1,103	5,972
<i>Return on equity before taxes in %</i>	Q3/2004	16.9	12.7	19.9	78.5	-7.1	14.1
	Q2/2004	24.3	7.1	24.2	47.6	-1.6	14.1
	Q1/2004	16.8	10.6	17.7	49.2	2.7	13.2
<i>Cost/income ratio in %</i>	Q3/2004	79.9	47.1	59.1	46.9		63.7
	Q2/2004	76.1	55.8	56.2	56.7		62.7
	Q1/2004	80.9	52.5	60.8	62.3		67.5
<i>Risk/earnings ratio in %</i>	Q3/2004	12.5	32.8	11.2	0.0		17.6
	Q2/2004	12.3	33.5	10.6	0.0		16.6
	Q1/2004	12.7	31.7	15.7	0.0		20.2



Capital allocation is based on Austrian supervisory guidelines. In the past, capital allocated to the business segments amounted to 6.2 % of the risk positions (credit and market risk equivalent). In 2004, the percentage rate has been changed to 7 %; however, in line with international capital market practices, capital allocated to foreign units in the CEE business segment amounts to 10 % of the respective risk equivalent. The difference to the equity capital actually available in each case is transferred to the Corporate Center business segment. Furthermore, of the costs incurred within Bank Austria Creditanstalt AG, only those costs which have a direct earnings-generating business connection with CEE units are allocated to the CEE business segment. Other costs which Bank Austria Creditanstalt AG has so far allocated to the CEE business segment according to specific cost allocation methods remain in the Corporate Center business segment.

As a result of these changes, net interest income in the CEE business segment improves by € 18.1 m, general administrative expenses decline by € 29 m, and net income thus improves by € 47.1 m (at the expense of the Corporate Center business segment). This should be taken into account in comparing the figures with those for the previous year, which have not been restated.

Starting from 2004, the interest rate applied to allocated equity capital on a uniform Group-wide basis is 5 %, compared with 6.5 % in 2003.

## Changes in segment reporting with effect from 2004

## Information pursuant to the Austrian Banking Act

### Capital resources and capital requirements of the Bank Austria Creditanstalt group of credit institutions

€ m	30 Sept. 2004	31 Dec. 2003
<b>Core capital (Tier 1)</b>	<b>5,242</b>	<b>5,123</b>
<i>Paid-in capital</i>	1,069	1,069
<i>Capital reserve</i>	2,154	2,154
<i>Revenue reserve</i>	560	538
<i>Reserve pursuant to Section 23 (6) of the Austrian Banking Act</i>	2,070	2,070
<i>Untaxed reserves</i>	154	158
<i>Differences on consolidation pursuant to Section 24 (2) of the Austrian Banking Act</i>	-260	-316
<i>Less intangible assets</i>	-505	-550
<b>Supplementary elements (Tier 2)</b>	<b>3,892</b>	<b>3,888</b>
<i>Supplementary capital</i>	1,225	1,237
<i>Revaluation reserve</i>	182	93
<i>Subordinated capital</i>	2,485	2,558
<b>Deductions</b>	<b>-411</b>	<b>-424</b>
<b>Net capital resources (Tier 1 plus Tier 2 minus deductions)</b>	<b>8,723</b>	<b>8,587</b>
<b>Assessment basis (banking book)</b>	<b>70,128</b>	<b>65,550</b>
Tier 1 capital ratio	7.47 %	7.82 %
Total capital ratio	12.44 %	13.10 %
<b>Available Tier 3</b>	<b>397</b>	<b>432</b>
Requirement for the trading book and for open foreign exchange positions	326	356
<b>Requirement covered by Tier 3</b>	<b>326</b>	<b>356</b>

### (29) Consolidated capital resources and regulatory capital requirements

Capital requirements of the Bank Austria Creditanstalt group of credit institutions pursuant to the Austrian Banking Act as at 30 September 2004

€ m Risk weightings	Assets and off-balance sheet positions	Weighted amounts	Capital requirement
0 %	34,706	0	0
10 %	1,208	121	10
20 %	7,418	1,483	119
50 %	12,467	6,234	499
100 %	55,214	55,214	4,417
Investment certificates	1,215	364	29
<b>ASSETS</b>	<b>112,228</b>	<b>63,416</b>	<b>5,074</b>
Off-balance sheet positions	18,702	6,655	532
Special off-balance sheet positions	15,716	57	5
<b>BANKING BOOK</b>	<b>146,646</b>	<b>70,128</b>	<b>5,611</b>

## Other Information

**(30) Contingent liabilities and commitments**

€ m	30 Sept. 2004	31 Dec. 2003
Guarantees	9,642	9,074
Acceptances and endorsements	27	23
<b>CONTINGENT LIABILITIES</b>	<b>9,669</b>	<b>9,097</b>
Liabilities arising from sales with an option to repurchase	44	771
Other commitments	8,316	8,473
<b>COMMITMENTS</b>	<b>8,360</b>	<b>9,244</b>

# Income Statement of our Consolidated Banking Subsidiaries in CEE

in € m

	Poland		Hungary		Czech Rep.		Slovakia	
	1–9 2004	1–9 2003	1–9 2004	1–9 2003	1–9 2004	1–9 2003	1–9 2004	1–9 2003
Net interest income	279.7	228.8	67.8	51.6	59.2	57.4	24.2	21.2
Losses on loans and advances	-42.3	-45.7	-7.5	-5.3	-2.3	-4.4	-2.2	-2.6
Net fee and commission income	165.7	149.4	42.1	28.6	45.5	39.5	8.1	7.1
Net trading result	9.6	17.1	21.4	10.8	3.1	0.9	2.9	1.6
General administrative expenses	-249.6	-267.5	-64.0	-48.5	-55.7	-54.0	-19.2	-16.0
Balance of other operating income and expenses	7.7	-0.2	-0.1	0.5	-3.4	-1.3	0.0	0.0
<b>Operating profit</b>	<b>170.7</b>	<b>81.9</b>	<b>59.7</b>	<b>37.7</b>	<b>46.3</b>	<b>38.2</b>	<b>13.8</b>	<b>11.4</b>
Net income from investments	-7.1	16.9	0.0	0.1	-0.1	-0.1	0.2	2.1
Amortisation of goodwill	-2.9	-2.6	0.0	0.0	0.0	0.0	0.0	0.0
Balance of other income and expenses	-0.7	-0.7	0.0	0.0	0.0	0.0	0.0	0.0
<b>Profit from ordinary activities / Net income before taxes</b>	<b>160.0</b>	<b>95.5</b>	<b>59.7</b>	<b>37.8</b>	<b>46.2</b>	<b>38.1</b>	<b>14.0</b>	<b>13.5</b>
Average risk-weighted assets	5,580	4,937	2,415	1,732	2,953	2,389	830	684
Average shareholders' equity	1,187	1,115	343	278	394	359	165	147
<b>Cost/income ratio (in %)</b>	<b>54.0</b>	<b>67.7</b>	<b>48.8</b>	<b>53.0</b>	<b>53.4</b>	<b>55.9</b>	<b>54.5</b>	<b>53.4</b>
<b>Return on equity before taxes (in %)²</b>	<b>18.0</b>	<b>11.4</b>	<b>23.3</b>	<b>18.2</b>	<b>15.6</b>	<b>14.2</b>	<b>11.3</b>	<b>12.3</b>
<b>Exchange rate³ (units of local currency per euro)</b>	<b>4.6292</b>	<b>4.6227</b>	<b>253.2260</b>	<b>254.9600</b>	<b>32.2300</b>	<b>31.8440</b>	<b>40.3462</b>	<b>41.1650</b>

in local currency

	Poland (PLN m)		Hungary (HUF m)		Czech Rep. (CZK m)		Slovakia (SKK m)	
	1–9 2004	1–9 2003	1–9 2004	1–9 2003	1–9 2004	1–9 2003	1–9 2004	1–9 2003
Net interest income	1,295	1,058	17,163	13,165	1,908	1,829	977	873
Losses on loans and advances	-196	-211	-1,896	-1,350	-75	-141	-90	-105
Net fee and commission income	767	691	10,656	7,281	1,466	1,259	327	293
Net trading result	44	79	5,416	2,741	99	28	117	66
General administrative expenses	-1,155	-1,237	-16,201	-12,362	-1,796	-1,720	-774	-659
Balance of other operating income and expenses	36	-1	-14	130	-110	-40	0	0
<b>Operating profit</b>	<b>790</b>	<b>379</b>	<b>15,123</b>	<b>9,606</b>	<b>1,493</b>	<b>1,215</b>	<b>557</b>	<b>469</b>
Net income from investments	-33	78	0	29	-4	-2	8	86
Amortisation of goodwill	-13	-12	0	0	0	0	0	0
Balance of other income and expenses	-3	-3	0	0	0	0	0	0
<b>Profit from ordinary activities / Net income before taxes</b>	<b>741</b>	<b>441</b>	<b>15,123</b>	<b>9,635</b>	<b>1,489</b>	<b>1,212</b>	<b>565</b>	<b>555</b>
Average risk-weighted assets	25,830	22,821	611,464	441,555	95,187	76,073	33,476	28,151
Average shareholders' equity	5,493	5,156	86,772	70,967	12,707	11,444	6,669	6,046

1) HVB Bosnia and Central profit banka combined (not consolidated in the previous year)

2) Based on actual average equity

3) 2004: average exchange rate for the reporting period, 2003: exchange rate at the end of the reporting period

Financial information relating to subsidiaries corresponds to the interim financial statements prepared in accordance with IFRS as used for preparing the consolidated financial statements of the Bank Austria Creditanstalt Group.

Slovenia		Croatia		Romania		Bulgaria		Bosnia <sup>1</sup>		CEE banks	
1-9 2004	1-9 2003	1-9 2004	1-9 2003	1-9 2004	1-9 2003	1-9 2004	1-9 2003	1-9 2004	1-9 2003	1-9 2004	1-9 2003
17.3	18.7	52.2	48.5	19.7	11.1	26.8	17.7	7.5	-	554.4	455.0
-1.4	-1.4	-4.2	-8.4	-2.0	-1.9	-1.4	-2.9	-0.9	-	-64.3	-72.7
7.6	6.7	18.6	13.9	9.1	6.0	10.0	8.2	5.3	-	311.8	259.4
-0.2	-1.1	5.2	8.0	1.8	2.8	4.5	7.0	0.1	-	48.3	47.1
-14.8	-14.8	-45.2	-40.9	-10.6	-9.3	-26.3	-22.6	-12.9	-	-498.3	-473.5
-0.3	0.0	-3.1	-3.6	-0.9	-0.6	0.3	0.6	0.0	-	0.2	-4.7
<b>8.2</b>	<b>8.0</b>	<b>23.4</b>	<b>17.4</b>	<b>17.1</b>	<b>8.0</b>	<b>13.8</b>	<b>8.0</b>	<b>-0.9</b>	<b>-</b>	<b>352.2</b>	<b>210.6</b>
0.0	0.0	0.0	2.2	-0.3	0.6	0.5	0.7	0.0	-	-6.7	22.5
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-2.9	-2.6
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	-	-0.4	-0.7
<b>8.2</b>	<b>8.0</b>	<b>23.4</b>	<b>19.6</b>	<b>16.8</b>	<b>8.5</b>	<b>14.3</b>	<b>8.8</b>	<b>-0.6</b>	<b>-</b>	<b>342.1</b>	<b>229.7</b>
740	709	1,758	1,530	455	254	532	380	254	-	15,517	12,615
75	69	198	182	40	27	76	66	24	-	2,503	2,244
<b>60.6</b>	<b>61.0</b>	<b>62.1</b>	<b>61.2</b>	<b>35.7</b>	<b>48.5</b>	<b>63.3</b>	<b>67.3</b>	<b>100.2</b>	<b>-</b>	<b>54.5</b>	<b>62.6</b>
<b>14.6</b>	<b>15.5</b>	<b>15.8</b>	<b>14.4</b>	<b>56.0</b>	<b>42.7</b>	<b>25.1</b>	<b>17.8</b>	<b>-3.3</b>	<b>-</b>	<b>18.3</b>	<b>13.7</b>
<b>238.7840</b>	<b>235.4950</b>	<b>7.4829</b>	<b>7.5400</b>	<b>40,779</b>	<b>38,435</b>	<b>1.9524</b>	<b>1.9489</b>	<b>1.9558</b>	<b>-</b>	<b>-</b>	<b>-</b>

Slovenia (SIT m)		Croatia (HRK m)		Romania (ROL bn)		Bulgaria (BGN m)		Bosnia <sup>1</sup> (BAM m)	
1-9 2004	1-9 2003	1-9 2004	1-9 2003	1-9 2004	1-9 2003	1-9 2004	1-9 2003	1-9 2004	1-9 2003
4,123	4,394	390	365	805	426	52.3	34.6	14.7	-
-338	-338	-31	-64	-84	-74	-2.7	-5.7	-1.7	-
1,812	1,568	139	105	371	229	19.5	16.0	10.3	-
-39	-253	39	60	73	107	8.7	13.7	0.2	-
-3,534	-3,480	-338	-308	-432	-358	-51.3	-44.0	-25.3	-
-62	-3	-24	-27	-38	-24	0.5	1.2	0.0	-
<b>1,963</b>	<b>1,889</b>	<b>175</b>	<b>131</b>	<b>695</b>	<b>306</b>	<b>27.0</b>	<b>15.7</b>	<b>-1.7</b>	<b>-</b>
0	0	0	16	-11	22	1.0	1.4	0.0	-
0	0	0	0	0	0	0.0	0.0	0.0	-
0	0	0	0	0	0	0.0	0.0	0.6	-
<b>1,963</b>	<b>1,889</b>	<b>175</b>	<b>148</b>	<b>685</b>	<b>328</b>	<b>28.0</b>	<b>17.1</b>	<b>-1.2</b>	<b>-</b>
176,686	167,031	13,153	11,539	18,552	9,755	1,040	740	498	-
17,914	16,329	1,484	1,372	1,633	1,028	149	128	47	-

# Investor Relations

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## Information on the BA-CA share

### Vienna Stock Exchange

### Warsaw Stock Exchange

ISIN	AT0000995006	Trading symbol	BACA	BCA
Number of shares outstanding	147,031,740	Reuters RIC	BACA.VI	BACA.WA
Free float	22.47 %	Bloomberg Ticker Code	BACA AV	BCA PW

## Ratings

### Long-term

### Subordinated liabilities

### Short-term

Moody's

A2\*

A3\*

P-1

Standard & Poor's

A-\*

BBB+

A-2

\*) Outlook: stable

## Coverage

Citigroup, Commerzbank, CSFB, Deutsche Bank, Dom Maklerski BZWBK, Erste Bank, FPK, Goldman Sachs, Hauck & Aufhäuser, ING, JP Morgan, KBWL, Lehman Brothers, Merrill Lynch, Morgan Stanley, Raiffeisen Centro Bank, Salomon Oppenheimer, UBS

## Financial calendar

24 February 2005	Preliminary results for 2004
17 March 2005	Financial statements for 2004
12 May 2005	Results for the first three months of 2005
19 May 2005	Annual General Meeting
28 July 2005	Results for the first six months of 2005
27 October 2005	Results for the first nine months of 2005

## Information provided by IR:

Annual Report

Online Annual Report: <http://annualreport2003.ba-ca.com>

Interim reports

IR releases

Ad hoc reporting

IR website

Company presentations

All information is available electronically at <http://ir.ba-ca.com>

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**Notes**

This report contains forward-looking statements relating to the future performance of Bank Austria Creditanstalt. These statements reflect estimates which we have made on the basis of all information available to us at present. Should the assumptions underlying forward-looking statements prove incorrect, or should risks materialise to an extent not anticipated, actual results may vary from those expected at present.

“Bank Austria Creditanstalt” (BA-CA) as used in this report refers to the group of consolidated companies. “Bank Austria Creditanstalt AG” as used in this report refers to the parent company.

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

**Editorial close of this Interim Report**

3 November 2004

