Annual Financial Statements 2007
of Bank Austria Creditanstalt

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*) Part of the consolidated financial statements in accordance with IFRSs

I. Bank Austria

Bank Austria at a Glance

Income statement figures			(in € m)
	2007	2006	+/–
Net interest income	3,936	2,681	46.8%
Net fees and commissions	2,124	1,667	27.4 %
Net trading, hedging and fair value income	141	348	–59.6 %
Operating income	6,414	4,762	34.7 %
Operating expenses	–3,346	–2,757	21.4 %
Operating profit	3,069	2,005	53.0 %
Profit before tax	2,745	3,272 [1)]	–16.1 %
Consolidated profit	2,258	3,022 [1)]	–25.3 %

1) The income statement for 2006 includes one-off effects totalling € 1,758 m (capital gains of € 2,267 m; provisioning charge adjustment of € 278 m; integration costs of € 231 m)

Volume figures			(in € m)
	31 DEC. 2007	31 DEC. 2006	+/–
Total assets	209,170	154,255	35.6 %
Loans and receivables with customers	115,341	80,104	44.0 %
Primary funds	119,699	80,316	49.0 %
Shareholders' equity (excluding minority interests)	14,676	9,927	47.8 %
Risk-weighted assets (banking book)	110,418	73,136	51.0 %

Key performance indicators		
	2007	2006 [2)]
Return on equity after tax (ROE)	17.0 %	15.8 %
Return on assets (ROA)	1.18 %	0.70 %
CEE contribution to profit before tax	48.9 %	44.9 %
Cost / income ratio	52.2 %	57.9 %
Net interest income / avg. risk-weighted assets (banking book)	4.08 %	3.50 %
Risk / earnings ratio	12.3 %	14.9 %
Provisioning charge / avg. risk-weighted assets (banking book)	0.50 %	0.52 %
Total capital ratio	11.4 %	14.7 %
Tier 1 capital ratio	8.8 %	11.6 %

2) Adjusted for one-off effects

Staff			
	31 DEC. 2007	31 DEC. 2006	+/–
Bank Austria Creditanstalt (full-time equivalent)	54,387	21,087	157.9 %
Central and Eastern Europe	43,648	8,973	386.4 %
Austria and other subsidiaries	10,739	12,114	–11.4 %

Offices			
	31 DEC. 2007	31 DEC. 2006	+/–
Bank Austria Creditanstalt	2,343	1,070	119.0 %
Central and Eastern Europe	1,977	681	190.3 %
Austria and other subsidiaries	366	389	–5.9 %

Consolidated Financial Statements

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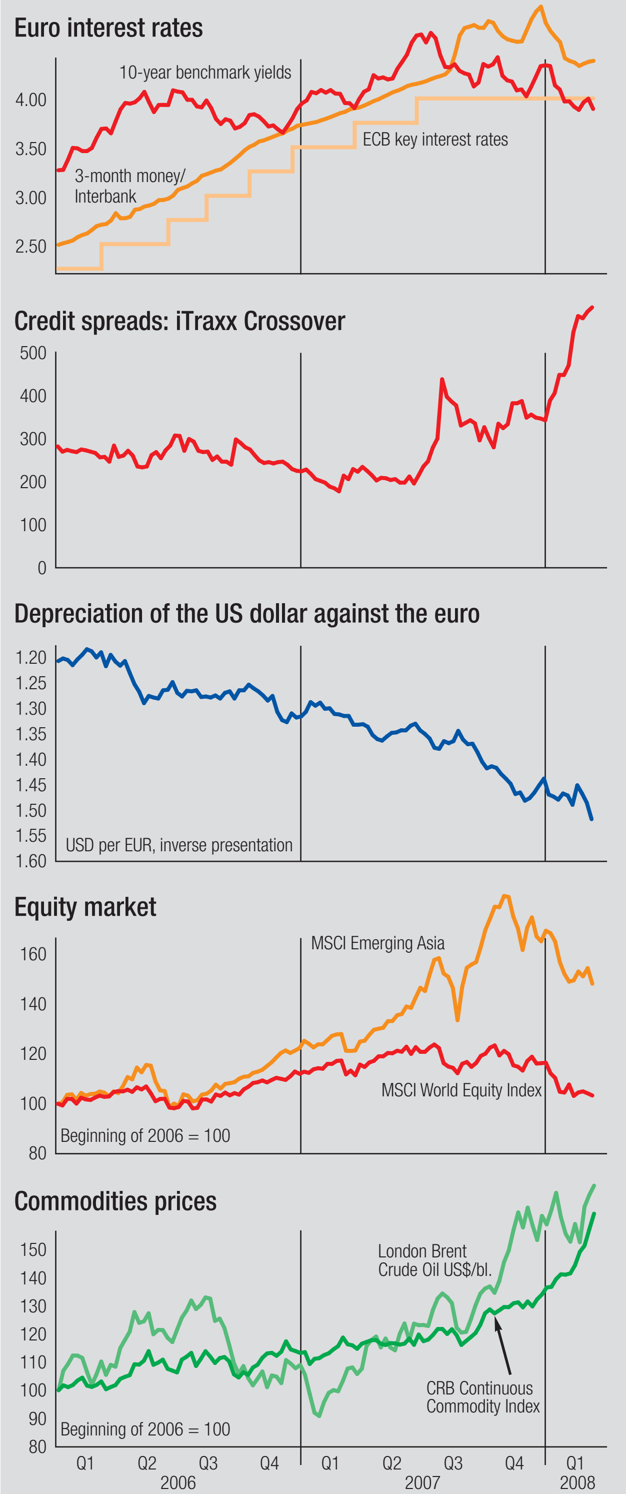
The Banking Environment in 2007



The global economy was much more buoyant in most of 2007 than one might think on looking back (at the time this Annual Report is completed). Brisk growth was largely driven by sound, real economic trends: the growth of the young Asian economies – "golden dragons" – of a real 10 %, the spread of this impetus via the global division of labour, which has gathered further momentum, and its gradual favourable influence on the European economy. Global stock markets performed very strongly until the middle of the year. The ECB raised interest rates for the seventh and eighth times in this cycle since the end of 2005, in each case by 0.25 percentage points to 4 % in June, while long-term benchmark yields rose by about 0.5 percentage points until mid-2007.

The trends turned downward in the second half of the year, and it was for a long time unclear whether the impact of the sharp correction of the overheated US real estate market, which will be known in economic history as the "sub-prime crisis", will be limited to the financial sector or have far-reaching consequences for the real economy. In the summer of 2007, the initial credit losses which hit some aggressive local real estate financiers and the hedge funds investing in this sector caused difficulties for the related structured products (ABCP, CDOs, CLOs), which were placed worldwide in connection with real estate financing operations. Structured investment vehicles (SIVs) which had issued these products subsequently also encountered problems; ultimately, the situation also had a strong impact on banks, either through their direct lending activities or through utilisation of the back-up credit lines made available by them. The high risk tolerance of investors looking for the best yields, which had supported the market for a long time, collapsed, and spreads widened considerably, especially on the credit market. The markets saw a decoupling of the relevant derivatives benchmarks from the underlying instruments and the fundamental condition of the corporate sector. Towards the end of 2007 (and especially in the subsequent months) loan-based funding became more expensive for companies and for young economies with a high level of foreign indebtedness and a low savings ratio. Business in highly leveraged primary market segments (LBOs) dried up. In the money market, a lack of transparency in the sub-prime exposures of some big players finally undermined confidence in interbank business. This resulted in a sharp rise in liquidity costs, although central banks responded with large-volume open-market operations.

The US Federal Reserve took remedial measures by sharply lowering key interest rates by one percentage point between mid-September and the end of 2007 (and by a total 2.5 percentage points until going to press), while the ECB refrained from raising interest rates any further. The value of the US dollar fell by over 10 % compared with 2006.

The slowdown in economic growth in the fourth quarter of 2007 and subsequent months is explained mainly by a rise of commodities prices (by over 20 % pursuant to the CRB Index). Not limited to oil and precious metals, the rise also covered primary industrial products, and raw materials in the agricultural sector in particular. This development is due to the economic upturn and growing prosperity in the Far East, while also serving as an incentive for financial investments and subsequent excessive trends.

Trends in our core markets

● With GDP growth of 3.4 % in 2007, Austria maintained its momentum of the previous year and further increased its growth lead over the US and the euro area. Despite the difficult international environment, growth was driven by strong foreign demand, primarily from Central and Eastern Europe, and brisk investment activity was boosted mainly by the export industry. Private consumption, dampened by an increase in the savings ratio, lagged far behind with a growth rate of 1.5 %, notwithstanding the positive trends in the labour market which were reflected in a decline in unemployment to 4.3 % and growth of 1.9 % in the employment rate. The Austrian economy weakened towards the end of 2007. The adverse impact of global developments curbed export growth, and investments also slowed. The anticipated recovery of private consumption failed to take place as the increase in inflation (3.6 % growth rate in December, year-on-year), driven by external factors (prices for oil and commodities), dampened consumer sentiment.

The favourable economic environment failed to halt the downturn in the growth of bank loans in 2007. The slower growth rate of 3.6 % at the end of 2007, compared with 4.6 % in 2006, was attributable solely to developments in household loans. Housing construction loans continued to experience buoyant growth of 7.2 %, while growth of loans to medium-sized companies stagnated, and consumer loans contracted by as much as 4 %. This development is explained by the restraint exercised by consumers in the face of rising interest rates and the ongoing discussions on retirement planning, as well as by the more cautious approach by banks given a 14.5 % rise in insolvencies of private individuals in 2007. This compared with an over 6 % decline in company insolvencies. Corporate loans also reflected the good economic climate with strong growth of 7.5 % in the reporting year. In terms of investment activity, 2007 was characterised by strong growth in household deposits (+7.3 %) and even more so by corporate deposits (+24.8 %). The higher interest rates and the need for greater security in the wake of the turbulence in international financial markets in the second half of the year resulted in stronger demand for bonds, while shifts in assets led to net outflows in the area of mutual funds (without price effects).

● In 2007, Central and Eastern Europe recorded robust economic growth of 6.5 %, equalling the growth rate of 2006. The economy was supported by dynamic investment activity, which will probably have peaked in 2007. This development further enhanced the region's competitiveness and created a basis for sustained, strong export growth. Private consumption also expanded at a buoyant rate, driven by higher wages and lower unemployment levels. As the region remains attractive for long-term investors, countries financed much of the imbalance in foreign trade through foreign direct investment.

In the second half of the year, in line with the international trend, the region saw a sharp rise in consumer prices, especially for food and fuels. Central banks responded with a more restrictive monetary policy, despite making additional liquidity available to the money market as a temporary measure during the US sub-prime crisis as part of a fine-tuning process; in this context interest rates were also raised in a number of countries. Towards the end of 2007, it became apparent that the CEE countries cannot fully escape the repercussions of the sub-prime crisis. Borrowing became more expensive especially for countries with substantial external indebtedness and large imbalances. However, as underlying economic growth in these countries is sustainable and robust, they have coped well with these developments.

The banking sector continued to expand at a dynamic rate, supported by sustained, strong nominal and real economic growth. This was reflected in an expansion of loans and deposits in CEE of 38 % and 25 %, respectively (in euro terms). In this context, strong growth rates were recorded (in local currency) in Turkey with 26 % and 15 %, and Croatia with 13 % and 16 %, respectively. Russia turned in an exceptionally strong performance with 52 % growth in loans, and deposits increased by a substantial 42 %.

Management Report of Bank Austria Creditanstalt for 2007

Bank Austria Creditanstalt in 2007

Overview

● Bank Austria Creditanstalt, hereinafter referred to as "Bank Austria", achieved an excellent performance in 2007, with consolidated profit (net profit less minority interests) amounting to € 2,258 m and return on equity reaching 17 %.

● Results are well balanced – all regions and business segments contributed to the significant increase in value created by the bank. Economic Value Added (marginal EVA) rose by € 905 m to € 1,262 m; of the absolute increase (Delta EVA), the Austrian business segments (including MIB, without the Corporate Center) accounted for € 291 m and the CEE business segment for € 334 m.

● Thanks to the bank's diversified business portfolio as a universal bank, and with a focus on customer business, Bank Austria coped well with the difficult conditions faced by financial markets and the banking sector worldwide in the second half of 2007. Bank Austria's MIB business segment, which operates within UniCredit Markets & Investment Banking, even achieved a significant increase of 17 % in operating income.

● In the Austrian market we improved our efficiency and performance capabilities; the new service models, a product policy that is closely geared to customer needs and the reorganisation of production and settlement processes that took place in the past few years are now all paying off. Profit before tax for 2007 in the three segments of Austrian customer business exceeded the previous year's figure by € 354 m or almost 80 %. A large contribution of € 254 m to this improvement came from the turnaround in the Retail Division.

● In the Central Eastern Europe (CEE) business segment we assumed the sub-holding company function for CEE (except Poland's Markets) at the beginning of 2007, thus substantially expanding the perimeter of our operations and rounding it off with acquisitions of strategic importance in Kazakhstan and Ukraine. Based on the new scope of consolidation (in a pro-forma comparison with the previous year) both the operating profit and the profit before tax generated by our CEE banking subsidiaries increased by one-third. All countries improved their results significantly, with Russia, Turkey (on a proportionate basis), Croatia and Bosnia achieving particularly strong increases reflecting the size of operations in these countries and the strong market position of our local banks. The CEE business segment accounted for close to one half (49 %) of the bank's profit before tax.

● Costs remained under control. The numerous integration projects, including mergers in five countries, were successfully completed, with synergy effects starting to make themselves felt in the very first year. Despite the expansion of business, current costs remained stable, both overall and in the two core markets. The cost/income ratio (compared with the pro-forma figure for 2006) declined by 6.2 percentage points to 52.2 % in 2007; in CEE, at 51.4 %, the cost/income ratio remained slightly below the average for the bank as a whole.

● In Austria, net writedowns of loans and provisions for guarantees and commitments returned to the trend experienced over the past five years, with a decline supported by still favourable economic developments; 2006 had seen significant charges made in connection with the application of higher credit risk standards reflecting methodological changes. In CEE, net writedowns of loans and provisions for guarantees and commitments rose as a result of business volume expansion. The cost of credit in CEE was 48 basis points, lower than in the three Austrian customer business segments (combined figure: 57 basis points).

● Following our value management approach, we gave special attention to capital efficiency and the profitability of risk-weighted assets in new business and in credit portfolio management, despite strong external and organic growth. With € 15.3 bn in equity and a Tier 1 capital ratio of 8.76 %, Bank Austria is well placed, even after the recent acquisitions, to continue to effectively use available potential in the market.

● We made good progress in implementing the business model of UniCredit Group in our entire sphere of responsibility. In line with the principle of best practice, Bank Austria made important contributions to international cooperation in the establishment of international product lines, e.g. in leasing operations, Global Financial Services and in marketing activities relating to the CEE network and targeted at Group customers; conversely, Bank Austria also benefited from integration in UniCredit Group, e.g. through Pioneer's strong international presence in asset management and through UniCredit Markets & Investment Banking, as well as by sharing expertise within the other Divisions.

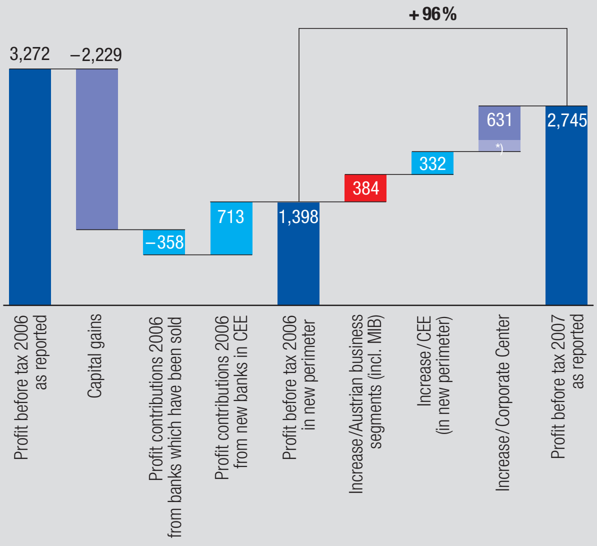
Results for 2007 and operating performance

Consolidated profit for 2007 (net profit less minority interests) was € 2,258 m, 25 % lower than in the previous year (€ 3,022 m). Profit before tax reached € 2,745 m in 2007, after € 3,272 m in 2006. However, the previous year's figure included € 2,229 m in one-off capital gains on the sale of HVB Splitska banka and Bank BPH.

➔ Excluding CEE capital gains, profit before tax for 2007 was more than two and a half times the figure for the previous year, an increase of 163 %.

When interpreting the profit growth, various factors need to be taken into account to obtain meaningful information on the enhancement of the bank's operating performance: first, the group of consolidated companies was significantly larger, reflecting the net effect of disposals in 2006 and additions in 2007 in the CEE business segment. Second, there were one-off effects which related primarily to the comparative figures for 2006; after adjustment for these effects, the third factor is the excellent performance of the CEE banking subsidiaries in the new perimeter and also a significant improvement in results from the other business segments.

Profit before tax for 2007 compared with the previous year (€ m)



*) In 2007 one-off effect of € 164 m from revaluation of ASVG equivalent (release of pension provisions)

1. CEE consolidation effect: 2007 was Bank Austria's first full year as a sub-holding company for CEE operations. In 2006, HVB Splitska banka d.d., Split, was sold to a third bank to comply with merger control requirements, and Bank BPH S.A., Kraków, was transferred to UniCredit in an arm's length transaction to manage the Polish operations within a separate Division pursuant to an agreement with the Polish government. At the beginning of 2007, the CEE banking subsidiaries acquired from UniCredit and HVB were added to the group of consolidated companies. UniCredit's "CEE Business Unit" was transferred to BA-CA AG as a contribution in kind in exchange for 55 million newly issued shares of BA-CA AG, and through several transactions we acquired the equity interest in International Moscow Bank previously held by VTB Bank (France) S.A. and from HVB its interest in International Moscow Bank – we now hold 100 % in IMB – as well as the banking subsidiaries and operations in the Baltic countries. All of the units mentioned above have been included in the group of consolidated companies of BA-CA for the first time as from 1 January 2007. This means that the 2007 income statement reflects Bank Austria in its new function as sub-holding company for CEE. Details of the changes in the group of consolidated companies are given in note 2 to the consolidated financial statements on page 39 of this Annual Report.

If Bank Austria's income statement is adjusted to the CEE consolidation perimeter as from the beginning of 2007, the comparative figure for profit before tax for 2006 is € 1,398 m. The above-mentioned capital gains are not included in that figure. Profit contributions of € 358 m in 2006 from the banks that were sold compare with profit contributions of € 713 m in 2006 from the banks newly added to the group of consolidated companies.

➔ Bank Austria's profit before tax for 2007 (€ 2,745 m) is thus 96 % higher than the pro-forma figure for 2006 for the new CEE consolidation perimeter.

Other changes in the group of consolidated companies in 2006 (capital gains from the sale of CEE subsidiaries of the former Capital Invest to Pioneer International totalled € 38 m) were not directly related to the CEE sub-holding company function which Bank Austria assumed within UniCredit Group, and they are therefore not reflected in the pro-forma figure for 2006. In 2007, consolidation effects which go beyond the new perimeter of the bank's operations in CEE, and which therefore have to be taken into account when examining the bank's income statement for 2007, are mostly attributable to the expansion and restructuring of the MIB business segment. Such effects include the acquisition of Aton International Limited, Nicosia, and of Aton Broker, Moscow, as of 31 July 2007, and the consolidation of these

Management Report 2007 (CONTINUED)

companies within the MIB business segment from that date. CA IB Corporate Finance (which was accounted for in the Corporates business segment in 2006) was transferred to MIB in 2007. As BA-CA Leasing GmbH was transferred to UniCredit Global Leasing S.p.A., Milan, in return for a 32.59 % shareholding interest in this company, BA-CA Leasing was still consolidated within the Corporates business segment in the first half of 2007; as from the middle of 2007, investment income from this shareholding interest in UniCredit Global Leasing S.p.A., which is accounted for under the equity method, has been included in the Corporates business segment result. While the latter two changes have an impact on specific items in the income statement (revenue components and expense items especially in regard to the respective business segments), they have no significant influence on the development of the bank's overall results.

2. One-off effects above all have an impact on comparative figures for the previous year, which serve to measure the bank's performance in 2007: when we created a new divisional structure in 2006 and closed the profitability gap in retail banking within the Group, we made restructuring provisions of € 231 m, reflected in the item Integration costs. In 2006 we moreover put risk standards (default criteria) on a new basis in respect of the large numbers of low-volume loans to retail customers and in the SME sub-segment. In 2006 we also restructured the methodologies used for calculating losses "incurred but not yet reported (IBNR)". Together, these changes resulted in a one-off increase of € 278 m in net writedowns of loans in 2006. The sale of subsidiaries in Hungary and Croatia of the former Capital Invest (now Pioneer Investments Austria, PIA) to Pioneer Investments resulted in one-off capital gains of € 38 m in 2006.

In the 2007 reporting period there was the following one-off effect: as at 1 May 2007, the internal service agreement on the "BA-CA pension equivalent" (ASVG equivalent under Austrian social security legislation) was adjusted to changes in the legal framework (by raising the minimum retirement age, introducing specific reductions and reducing widows' pensions). The Austrian Federal Minister for Health, Family and Youth Affairs has confirmed that the "ASVG equivalent" is equivalent to the the benefits under the Austrian statutory pension insurance system. This enabled the bank to release the amount of € 164 m from the pension provision.

➔ Adjusted for these special factors (i.e. after allowing for the consolidation effects of subsidiaries in CEE and adjusted for the one-off effects in 2006) and after deduction of the ASVG-related effect in 2007, profit before tax rose from € 1,869 m in 2006 to € 2,582 m in 2007. This represents an **improvement of 38 % in results** from current business over the previous year.

Strong growth of results for 2007	(€ m)
Profit before tax for 2006 as reported	**3,272**
Capital gains on the sale of banks in CEE	–2,229
Contribution to results from banks sold	–358
Contribution to 2006 results from CEE banks transferred to BA-CA	+713
Profit before tax for 2006, pro forma in the new perimeter	**1,398**
Adjusted for one-off effects in 2006 (net of expenses)	+471
Profit before tax for 2006 pro forma, adjusted	1,869
Profit before tax for 2007, adjusted	2,582
One-off effect in 2007 (ASVG)	+164
Profit before tax for 2007 as reported	**2,745**

+38 % +96 %

3. Improvement in performance: The breakdown of Bank Austria's business segments in the table below shows that the growth of results is broadly based. All Divisions contributed to the improved performance. The CEE business segment lifted profit before tax by one-third in a like-for-like perimeter; profit before tax doubled in a comparison with the old perimeter. Subsidiaries in all CEE countries contributed to the improved results, and in some cases growth rates were well in the double-digit range. On account of the country's size and/or our market position, the contributions from our subsidiaries in Russia, Turkey and Croatia were particularly significant, accounting for one-third of absolute growth. Markets & Investment Banking also further boosted its results despite difficult market conditions in the second half of the year.

Profit contributions from Divisions and regions (€ m)	2007	2006	+/– €	+/– %
Bank Austria (new/pro forma)	**2,745**	**1,398**	**+1,348**	**+96 %**
CEE (constant perimeter)	1,342	1,010	+332	+33 %
Markets & Investment Banking (MIB)	237	207	+30	+15 %
Austrian customer business	804	451	+354	+78 %
of which: Retail	135	–119	+254	n.m.
Corporates	570	507	+63	+12 %
PB&AM	99	63	+37	+58 %
Corporate Center	362 1)	–130	+492	n.m.
2006 figures as reported				
Bank Austria (new/old perimeter)	2,745	1,043 2)	+1,702	+163%
CEE (new/old perimeter)	1,342	655	+687	+105%

n.m. = not meaningful
1) including one-off effect (release of ASVG-related provisions) of € 164 m
2) without CEE capital gains of € 2,229 m

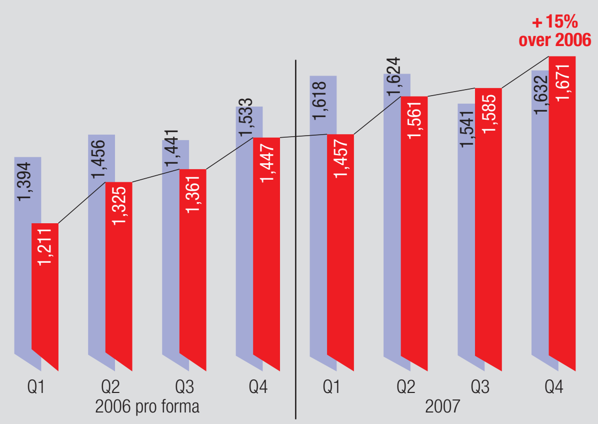
The contribution from the three Austrian customer business segments to the improvement in profit before tax in 2007 was more or less equal to the CEE Division's contribution (see table). This was mainly due to the turnaround in the Retail Division, which returned to sustainable profitability after years of reorganisation. The success achieved in this context is not diminished by the fact that the comparative figure for 2006 included a special provisioning charge and restructuring provisions which make the turnaround appear less pronounced on an adjusted basis. Corporates and PB&AM also developed very favourably. The strong increase in profits in the Corporate Center reflects progress achieved by Global Banking Services (GBS) in cost management and it also includes the above-mentioned one-off effect (ASVG, € 164 m). The variable share of the purchase price (share in current profits of UniCredit's Polish banking subsidiaries) is included in the Corporate Center result (€ 223 m for the year as a whole), not in the CEE business segment.

Income statement for 2007

Unless otherwise stated, in the following comments the figures in the income statement for 2007 are compared with pro-forma figures for 2006 because this provides more meaningful information.

● **Operating income** (€ 6,414 m) in 2007 exceeded the previous year's figure by € 590 m or 10 %, although net trading, hedging and fair value income (€ 141 m) was € 339 m lower than the – excellent – performance achieved in the previous year. The latter item of the income statement reflected the repercussions of the sub-prime crisis in the second half of the year; given the low exposure of Bank Austria

Operating income by quarter (€ m)



Total operating income

Operating income excl. net trading, hedging and fair value income = net interest income, net fees and commissions, net other expenses/income

and as positions in the relevant market segments were reduced at an early stage, the impact on the bank was comparatively low. The other components of operating income rose by a combined € 929 m or 17 %. Almost all of the increase of € 590 m in operating income came from the CEE business segment, where the decline in net trading, hedging and fair value income was less pronounced.

Trends in operating income (on a constant perimeter basis) show a **quarter-on-quarter** increase in the "sustainable" income components – i.e. operating income without net trading, hedging and fair value income. Operating income in the fourth quarter of 2007 was 16 % higher than in the same period of the previous year (see chart). Net trading, hedging and fair value income, which made significant contributions to overall profits over many years and thus strongly supported the bank's performance, experienced a setback in two quarters amid a market crisis that occurs only once in a decade.

▶ Within the income components, **net interest income** (€ 3,936 m) rose by € 531 m or 16 %. The major part of the increase resulted from lending and deposit business in CEE, where the banking subsidiaries continued to achieve strong growth in interest-bearing business volume – on both sides of the balance sheet – at satisfactory margins; particularly strong increases were seen in Russia and Turkey. The Markets & Investment Banking (MIB) Division made a substantial contribution to net interest income, accounting for close to one-third of the increase in absolute terms; FICC (Fixed Income, Currencies & Commodities) can look back on an exceptionally good year; as the year progressed, there was a decoupling of the Division's net interest income from developments in net trading, hedging and fair value income. In Austrian customer business, net interest income declined slightly because in the second half of 2007, leasing business was accounted for using the equity method. While net interest income in Austria stagnated, this reflected the net effect of opposite trends in the contribution from the terms of business in lending and deposits: lending business, which saw only a slight increase in volume, involved significantly higher liquidity cost, especially later in the year; developments in customer deposits were favourable, with a strong increase in volume in the course of the year and margins improving on the deposit side. Bank Austria's strong deposit base has proved to be an advantage in a phase of difficult funding conditions.

▶ **Net fees and commissions** (€ 2,124 m) accounted for 33 % of operating income, partly reflecting the weaker net trading, hedging and fair value income. Overall, they increased by 17 %. The share of fee business is growing steadily in Austria and very dynamically in CEE. The above-average rate of growth (+27 %) in CEE resulted from increasing market penetration with modern banking products and

Management Report 2007 (CONTINUED)

services, and from asset building via securities investments which is now gathering momentum. There was a particularly strong increase in net fees and commissions in Turkey (+ € 115 m / +76 %), where the bank holds a leading position in fee-earning business, ranging from card business and asset management to leasing and factoring. In the Austrian Retail business segment and in the Private Banking & Asset Management Division, securities business again made a strong contribution, both in custody services and in the launch and distribution of structured new issues. The most important factors in commission-based business with corporate customers were commercial services, including trade finance and international cash management, as well as companies' increased use of derivatives for managing interest rate/exchange rate/liquidity risk. The deconsolidation of leasing business in the second half of the year and the transfers to MIB (CA IB Corporate Finance) make the underlying trend appear less pronounced.

▶ While **net trading, hedging and fair value income** reached € 224 m in the first six months of 2007, a level exceeding the long-term annual average, the result for the second half of 2007 was negative (– € 83 m). The figure for 2007 as a whole fell by € 339 m compared with the exceptionally strong performance in the previous year, with the MIB Division accounting for a decline of € 243 m and the relevant units in CEE for a decrease of € 61 m.

This is to be seen in the context of the dislocations caused by the sub-prime crisis in related markets, especially ABS/MBS instruments and the other credit trading activities in financials and corporate issues. As positions in these sub-segments were marked to market in Bank Austria, results from them are fully reflected in net trading, hedging and fair value income.

It should be noted here (further details are given in the report on the MIB business segment) that despite the difficult market environment, Markets & Investment Banking operations achieved significant overall growth in revenues in 2007. MIB's profit before tax thus exceeded the previous year's figure. This was due to the wide diversification of proprietary trading, the sound mix of trading and investment banking, and to customer business, which has been a focus of the Division's activities over the past years.

● This provided a strong base for **revenue growth** at Bank Austria in its new structure, only affected by temporary losses, which were small by comparison with other banks. The positive development fully fed through to results as **costs** remained at a stable level.

Operating expenses were € 3,346 m, down by € 51 m or 2 % from the previous year. As mentioned above, this also reflected a special effect: in May, the internal service agreement on the pension equivalent under Austrian social security legislation (ASVG) was adjusted to changes in the legal framework, enabling the bank to release the amount of € 164 m from the pension provision, which reduced payroll costs in the Corporate Center. Even without this effect, cost growth remained moderate: adjusted for this one-off factor, the increase over the previous year was as low as € 113 m or about 3 % (on a pro-forma basis in the new perimeter), which is remarkable given the strong expansion in CEE. The deconsolidation of leasing business does not significantly change the overall picture, costs associated with this 1,436 FTE operation for six months account for about 1.5 % of total costs. In the Austrian business segments Retail, PB&AM and Corporates (also on a constant perimeter basis), costs decreased significantly. In CEE (pro forma) cost growth of 11% was considerably lower than the 21% increase in revenues, a remarkable performance in view of mergers which took place in countries with a multiple presence, the rebranding process and the start of the branch expansion programme.

In 2007, the **cost/income ratio** for the bank as a whole was reduced from 58.3 % to 52.2 %; without the ASVG effect, it would have fallen to 54.7 %. The cost/income ratio in CEE is lower, at 51.4 %, compared with the pro-forma figure of 55.9 % for 2006.

➔ Bank Austria's **operating profit** for 2007 rose by € 641 m or 26 % compared with the pro-forma comparative figure, exceeding € 3 bn for the first time (€ 3,069 m); the improvement resulted from strong revenue growth and slightly lower costs.

● The income statement items leading from operating profit to profit before tax – on balance, an expense for 2007 – were a net figure that was significantly lower (– € 323 m) than in 2006 (pro-forma figure: – € 1,030 m), resulting in a large positive contribution to the change in profit before tax compared with the previous year. Net writedowns of loans and provisions for guarantees and commitments were considerably lower in 2007, and net income from investments was higher; moreover, there were lower provisions for risks and charges and lower provisions for integration projects.

▶ In 2007, **net writedowns of loans and provisions for guarantees and commitments** were € 483 m, down by 32 % from the previous year (pro-forma figure: € 715 m). The decline of € 232 m mainly reflects the base effect in the second half of 2006, when a one-off allocation of € 278 m was made to provisions (as part of a methodological refinement and higher credit risk standards for low-volume loans to retail customers and to a smaller extent in the SME segment). Adjusted for this effect, there was little change in the provisioning charge (+ € 46 m / +11%) and this change reflected a sound ratio to the underlying business expansion.

Austrian customer business accounted for € 272 m or about 56 % of total net writedowns of loans and provisions for guarantees and commitments. In the Retail business segment, risk processes which were improved in the past few years (credit scoring for early identification, "soft collection" etc.) started to have positive effects although the unfavourable market trend in insolvencies of private individuals continues. The provisioning charge was € 208 m, lower than the previous year's figure adjusted for the one-off effect (€ 228 m). In this context there was a positive effect from the sale of "impaired assets", i.e. non-performing loans called for payment at least 11 months before, in the nominal amount of € 850 m, most of which related to the Retail business segment. The risk/earnings ratio for 2007 in the Retail business segment was 27.8 % after 29.7 % (adjusted) or 53.9 % (not adjusted) in the previous year.

In 2007, the Corporates Division again experienced a favourable risk trend. Net writedowns of loans and provisions for guarantees and commitments, at € 66 m, were slightly higher than the adjusted figure for the previous year, but measured by the risk/earnings ratio of 10.4 % they were at a low level in a long-term comparison. Among the reasons that contributed to this development were the improvement in corporate balance sheets in past years and increased use of capital market-related financing instruments. Another factor was the economic trend; while the number of business insolvencies continued to decline most recently, they tended to involve larger amounts. Portfolio restructuring in the Real Estate sector and in Financial Institutions also contributed to easing the risk situation, with net releases of provisions.

As the CEE business segment achieved strong organic growth, net writedowns of loans and provisions for guarantees and commitments rose by 19 %, an increase which was lower than growth in net interest income. The risk/earnings ratio remained stable, at less than 10 % it was far below average in a bank-wide comparison. The provisioning charge of € 211 m in CEE amounted to 44% of total net writedowns of loans and provisions for guarantees and commitments; CEE accounted for 55 % of net interest income.

▶ Among the other items leading to profit before tax, there was a net release of provisions for litigation risks, based on a decision by the Austrian Supreme Court in respect of rights to future pension benefits of current employees against BA-CA's predecessor institutions. Provisions for litigation risks were € 75 m, down by 48 % from 2006.

Restructuring costs in 2007 were € 33 m, considerably lower than in 2006, a year in which € 257 m was allocated in respect of extensive integration projects and restructuring, including measures to enhance profitability in Austrian customer business. This shows that integration in UniCredit Group's divisional structure is more or less complete.

Net income from investments amounted to € 268 m in 2007. The figure reported in the 2006 income statement (not adjusted) was € 2,313 m. In the pro-forma calculation – which covers the current figures of the newly added banks (less those for banks that were sold), but does not include the large one-off capital gains in connection with restructuring in the CEE business segment – the comparative figure is € 93 m. Most of the increase of € 175 m resulted from Bank Austria's € 223 m share of current profits of UniCredit's Polish banking subsidiaries, which is defined in the terms and conditions of the sale of Bank BPH. While this share is based on variable operating performance, it is reported in the Corporate Center to maintain transparency of the CEE business segment in the new perimeter, and is included in net income from investments.

● Based on profit before tax of € 2,745 m, income tax for 2007 in accordance with IFRSs was € 382 m, up by 59 % on 2006. The remaining net profit of € 2,364 m includes minority interests of € 106 m (4.5 % of net profit).

➔ The 2007 income statement shows **consolidated profit** of **€ 2,258 m,** more than double the pro-forma figure for 2006. Compared with the consolidated profit of € 3,022 m reported for 2006 – which, as mentioned above, included one-off capital gains of € 2,267 m on the sale of CEE subsidiaries – the figure for 2007 was 25% lower (for an interpretation, see the introductory remarks in this section of the Annual Report).

The average number of shares outstanding rose by 31% to 192.9 million shares as the share capital was increased through the issue of 55.0 million new shares at the beginning of 2007. On this basis, **earnings per share** were € 11.71 after € 20.56 in 2006 (after deduction of all one-off effects but still in the old consolidation perimeter, and based on the old number of shares, we published adjusted earnings per share of € 7.61 for 2006).

Management Report 2007 (CONTINUED)

Proposal for the appropriation of profit: The amount of the profit available for distribution is determined on the basis of the separate financial statements of Bank Austria Creditanstalt AG, the parent company. The profit shown in Bank Austria Creditanstalt AG's separate financial statements for the financial year beginning on 1 January 2007 and ending on 31 December 2007 amounted to € 1,162.3 m. The amount of € 354.6 m was allocated to reserves and the profit brought forward from the previous year was € 2.3 m. Thus the profit available for distribution was € 810.0 m. The Management Board proposes to the Annual General Meeting that a dividend of € 4.0 per share entitled to a dividend be paid on the share capital of € 1,468,770,749.80. As the number of shares is 202,031,740, the total amount of the proposed dividend is € 808.1 m.

Growth, profitability and capital efficiency

According to the principles of value-based management, which are applied within UniCredit Group, the value creation which the bank seeks (beyond the cost of capital) results from growth and capital efficiency. In the strongly expanding banking sectors in Central and Eastern Europe, growth will be achieved from the very start with a high return on equity while keeping capital requirements as low as possible. In the other business segments, which are mainly active in mature markets and in financial markets, priority is given to optimising capital employment and enhancing profitability. One of the objectives in both of the bank's core markets is to decouple, as far as possible, the trend in operating income from pure volume expansion (and equity allocated) and increase it beyond the rate of volume growth with a view to enhancing RWA productivity (operating income/risk-weighted assets).

Bank Austria's growth in 2007 as compared with the previous year ("new/old") reflects a strong expansion of business volume and capital employed. The structural change in connection with Bank Austria's assumption of the sub-holding company function for CEE operations at the beginning of 2007 and organic growth achieved since then have created significant value. Average risk-weighted assets rose by 31%, solely through expansion in CEE. About four-fifths of RWA growth was due to consolidation effects and the remainder to organic growth.

In the Austrian business segments (incl. the Corporate Center), risk-weighted assets were more or less unchanged, with a clear decline in the three segments of Austrian customer business (–2%). Among the reasons for this decline were the above-mentioned placement of impaired loans and the deconsolidation of BA-CA Leasing in July 2007.

RWA productivity in the three Austrian business segments was maintained at a satisfactory level, increasing by 0.04 percentage points to 5.19%. As the factors mentioned above also resulted in a reduction of equity allocated to these segments, ROE improved significantly to 18.2% (after tax before deduction of minority interests). Value creation in absolute terms (Marginal Economic Value Added) of the three segments was € 361 m; if the MIB Division is included, value creation totalled € 518 m, almost matching the figure for the CEE business segment (€ 581 m). This development reflects primarily the turnaround in the Retail Division, and also the high level of profitability in the Corporates Division, especially in view of the low cost/income ratio in the latter business segment.

The structural changes had a clearly value-creating effect in the CEE business segment, where growth of risk-weighted assets is accompanied by disproportionately high productivity (operating income/RWA: 7.23%). Although equity allocated to or absorbed by the business segment rose strongly, Marginal Economic Value Added more than doubled.

	2007	2006	+/–	+/– %
RWA (€ bn)				
Bank Austria	104.5	79.8	24.7	31%
Austrian customer business[1)]	47.6	48.8	–1.1	–2%
CEE (new/old)	46.6	24.7	21.9	88%
Operating income as a percentage of RWA				
Bank Austria	6.14%	5.97%	0.17%P	
Austrian customer business[1)]	5.19%	5.15%	0.04%P	
CEE (new/old)	7.23%	6.98%	0.25%P	
Equity (€ bn)				
Bank Austria	13.9	8.3	5.7	69%
Austrian customer business[1)]	3.5	3.8	–0.3	–9%
CEE (new/old)	7.1	3.6	3.5	95%
ROE after tax (before deduction of minority interests)				
Bank Austria	17.0	10.9[2)]		
Austrian customer business[1)]	18.2	9.4		
CEE (new/old)	15.4	14.3		
Economic Value Added (EVA)[3)] (€ m)				
Bank Austria	1,262	357	905	
Austrian customer business[1]	361	70	291	
CEE (new/old)	581	247	334	

1) Austrian customer business: Retail + Corporates + PB&AM. The remainder is included in MIB and the Corporate Center.
2) excluding CEE capital gains (€ 2,229 m)
3) Marginal Economic Value Added (based on NOPAT without goodwill)

Development of Business Segments

Retail Division

(€ m)	2007	SHARE	2006	SHARE	CHANGE	
Net interest income	748	19%	768	29%	–20	–3%
Net non-interest income	517	21%	514	25%	3	1%
Operating income	1,266	20%	1,283	27%	–17	–1%
Operating expenses	–935	28%	–978	35%	43	–4%
Operating profit	330	11%	305	15%	26	8%
Net writedowns of loans	–208	43%	–414	61%	207	–50%
Net income from investments	14	5%	6	0%	8	>100%
Profit before tax	**135**	**5%**	**–119**	**–4%**	**254**	**n.m.*)**
Risk-weighted assets (avg.)	16,171	15%	16,564	21%	–393	–2%
Allocated equity	1,019	7%	1,184	14%	–165	–14%
Cost/income ratio	73.9%		76.2%			
Risk/earnings ratio	27.8%		53.9%			
ROE before tax	13.3%		–10.1%			

*) not meaningful

Efforts made in the past years to serve the market with a customer-focused approach while also improving profitability proved successful in 2007. Redefined in 2006 to reflect UniCredit's divisional structure, the Retail Division, which in 2005 had reported a loss before tax of € 283 m, generated a profit before tax of € 135 m in 2007, after a net loss before tax of € 119 m in 2006. Although the large net loss before tax in 2006 mainly resulted from a substantial one-off provisioning charge (made as part of a methodological alignment of risk parameters), it is now clear that the Retail Division has achieved the turnaround.

The turnaround in results for 2007 was supported by a favourable cost trend and lower net writedowns of loans and provisions for guarantees and commitments, while operating income more or less matched the previous year's level. Following the one-off provisioning charges in 2006, the figure for 2007 returned to "normal" and, even on an adjusted basis, developed better than expected, despite mixed trends in the market environment. An evaluation of the performance data should take into account that while BANK*PRIVAT* had already been allocated to the new PB&AM business segment as a business unit in 2006, the transfer of customers from the Retail business segment was not completed until September, which diminishes the significance of business volume and revenues in a year-on-year comparison. Card Complete (VISA) is also consolidated in the Retail business segment and Wüstenrot is included as an investment accounted for under the equity method.

The three customer segments of the Retail Division (excluding subsidiaries) generated a combined increase of 2% in operating income in 2007. The Affluent Customers sub-segment was the strongest performer (+6%) due to the lower proportion of financing activities, while revenues in the Mass Market and Small Businesses sub-segments were maintained or even increased slightly. However, all sub-segments show the same profile: weak lending business, a marked improvement in deposits, in both cases in terms of business volume and revenues, and a further robust expansion of fee-based business. Operating income generated by the Retail Division generally reflected the cyclical interest rate developments, which made customers sensitive to interest rate levels.

At business segment level, net interest income (€ 748 m) for 2007 was 3% lower than in 2006. This reflects the net effect of contrary trends in lending activities and deposit business, which moved in opposite directions, with significant percentage changes over the previous year. Lending volume increased slightly, with significant structural changes: while medium/long-term loans grew strongly – especially housing loans, which were a focus of marketing activities in 2007 and expanded faster than the market –, there were double-digit declines in overdraft facilities and loans to small businesses, reflecting interest rate sensitivity in the short-term sector. Tighter margins, especially in the areas of short-term loans and medium/long-term consumer loans, were therefore responsible for the decline in revenues from lending business.

In line with the interest rate cycle, deposit business was the main driver of revenue growth in 2007. Primary funds (including debt securities in issue) rose by more than 4%, with time deposits making a substantial contribution to growth. Demand was particularly strong for "ErfolgsKapital fix" and "ErfolgsKapital dynamisch", two virtual account-based savings products with tiered interest rates linked to the deposit period. Besides the increase in savings deposits, sales activities for the bank's own debt securities were also successful. Together with the currently improved margins in deposit business, revenues from liabilities-side business rose by about 10%. With an average of over € 51 bn in primary funds, including over € 17 bn in savings deposits, the Retail Division is an indispensable and stable source of funding for the entire bank in times of a tight money market.

Net fees and commissions in 2007 rose by 3% to € 548 m, with even higher growth rates in the three customer segments. Fee income from account-related services and domestic payments made a significant contribution to gross revenues. We made further progress in promoting the use of derivatives by business customers. In securities business, growth was driven by safe-custody business and sales

Management Report 2007 (CONTINUED)

commissions from structured investment products. The launching of FokusInvest, an asset management product (complemented by AnlageCheck), reflects our efforts to standardise the bank's products while giving customers easier access to discretionary asset management. These efforts are complemented by FokusLife, an asset management product for a fund-linked life insurance savings scheme which is available with a minimum investment of € 7,500.

Operating expenses totalled € 935 m, down by € 43 m or 4 % from the previous year. The most significant contribution to improving cost efficiency came from the spin-off of back-office activities, which was carried out in previous years, and from cost management at process level in successful cooperation with Administration Services GmbH, the subsidiary responsible for back-office activities. In our sales activities, we refined the segmentation according to customers' needs and potential with a view to providing the optimum level of service to the relevant customer clusters. We are thus addressing both the cost side and revenues. The cost/income ratio continued to decline: in 2007 it reached 73.9 %, after 76.2 % in the previous year and 91.5 % in 2005.

Operating profit (which was not affected by one-off effects) improved by € 26 m or 8 % to € 330 m. Among the items leading from operating profit to profit before tax, **net writedowns of loans and provisions for guarantees and commitments** declined from € 228 m in 2006 to € 208 m in 2007 if the comparative figure for 2006 (€ 414 m) is adjusted for the above-mentioned one-off effects. The risk/earnings ratio was 27.8 % after 29.7 % (adjusted). The sale of impaired loans mentioned previously also made a contribution to this development.

The income statement of the Retail Division shows a **profit before tax** of € 135 m, corresponding to a return on equity (ROE before tax) of 13.3 %.

Private Banking & Asset Management

(€ m)	2007	SHARE	2006	SHARE	CHANGE	
Net interest income	19	0 %	14	1 %	5	33 %
Net non-interest income	183	7 %	156	8 %	27	17 %
Operating income	202	3 %	171	4 %	32	19 %
Operating expenses	– 104	3 %	– 105	4 %	1	– 1 %
Operating profit	98	3 %	66	3 %	32	50 %
Net writedowns of loans	1	0 %	1	0 %	0	89 %
Net income from investments	3	1 %	– 1	0 %	4	n.m.
Profit before tax	**99**	**4 %**	**63**	**2 %**	**37**	**58 %**
Risk-weighted assets (avg.)	452	0 %	441	1 %	11	3 %
Allocated equity	203	1 %	172	2 %	31	18 %
Cost / income ratio	51.5 %		61.6 %			
ROE before tax	48.9 %		36.5 %			

In Bank Austria's Private Banking & Asset Management (PB&AM) business segment – created at the beginning of 2006 as part of the alignment to UniCredit's divisional structure – we carried out further integration measures in 2007 with a view to combining Private Banking activities and providing targeted and specialised services while continuing to conduct local fund business backed by the strength of Pioneer, one of the world's leading asset managers. 2007 was also a good year for PB&AM's operations although the market environment became increasingly difficult as the year progressed.

The transfer to BANK*PRIVAT* of top customers recommended by BA-CA was completed, enabling the private banking unit to provide integrated services to the top customer segment with a focus on asset management. We can now continue to meet customers' specific needs with the wide expertise of Private Banking und Asset Management. In Asset Management, Pioneer Investments Austria (PIA) – the investment management company previously operating under the name of Capital Invest – had a good start following its rebranding. The wide range of products, which concentrates on maintaining investment opportunities while limiting risk and thus meets investors' current preferences in the best possible way, helped this business area to cope well with the widespread uncertainty prevailing among investors from the autumn of 2007 onwards. Our structured investment products proved to be very attractive in this environment.

Overall, in 2007 the PB&AM Division generated a **profit before tax** of **€ 99 m**, an increase of € 37 m or 58 %.

Operating income rose by € 32 m or 19 % to **€ 202 m**. The increase was due to a favourable trend in operating activities and to performance-related fee income in Asset Management business. Most of the revenue growth resulted from operating activities of BANK*PRIVAT* and the other companies in the business segment: Schoellerbank, AMG and PIA. Net interest income – that accounts for a disproportionately small percentage of operating income in this business segment, which generates strong fee and commission income – increased strongly, from € 14 m to € 19 m, reflecting the attractiveness of short-term deposits in 2007. The most important contribution to profits again came from net non-interest income, which rose by 17 % to € 183 m. This development was mainly driven by the successful placement of structured investment products, with turnover in brokerage activities also rising strongly in the volatile market environment seen in recent months.

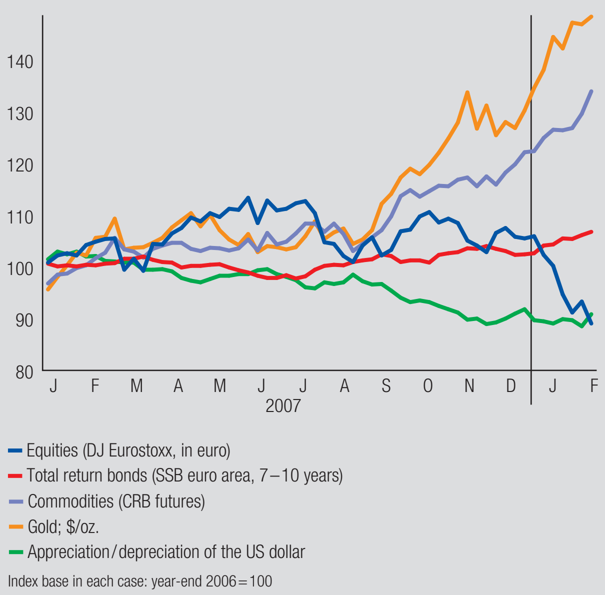
The improvement in operating income fully fed through to profits as **costs** (€ 104 m) remained at a stable level despite restructuring measures. Costs even declined slightly, by 1%, a remarkable success given the fact that the importance of staff-intensive advisory services rose strongly as Private Banking activities were expanded. The cost/income ratio was reduced by 10 percentage points, from 61.6 % to 51.5 %.

Operating profit rose by 50 % to € 98 m. The other items leading to profit before tax in the income statement of the PB&AM business segment are of lesser significance because lending activities account for a comparatively small part of PB&AM's activities. As in the previous year, there was a release of loan loss provisions. Thus **profit before tax** amounted to € 99 m (after € 63 m). **Return on equity** (ROE before tax) improved by 12 percentage points to 48.9 % although equity allocated to the PB&AM Division increased by 18 % in line with capital management principles.

In the Private Banking sub-segment, **volume** (total financial assets) rose by 11% to **€ 15.6 bn** in 2007, with a trend that was stronger in the first six months than in the second half of the year. Within the Asset Management sub-segment, assets under management at "Pioneer Investments Austria (PIA)" at year-end 2007 totalled **€ 25.0 bn.** Large investors and institutional customers accounted for about one half of this total – in this area PIA ranks second in the Austrian market with a market share of 15.87 % – while the other half is placed with private investors.

Although trends in the first six months were encouraging, 2007 was not a good year for investments. While stock markets felt the adverse impact of developments triggered by the sub-prime crisis and were also affected by fears of recession, some asset classes (commodities, precious metals) experienced a sharp rise in prices in recent months (see chart). Bonds were an alternative, but in view of the prevailing low interest rate levels they did not deliver satisfactory performance. This market environment led to strong demand for structured investment products (guarantee funds and guarantee bonds). While bank deposits proved to be very attractive at the peak of the interest rate cycle, guarantee products – most of which come with an 80 % peak value guarantee and 100 % capital guarantee (at the end of the term) – continue to have strong appeal. The net volume placed in 2007 totalled € 1.55 bn, including € 1.23 bn in guarantee funds, with (index-linked) bonds accounting for the remainder. With over € 3.4 bn of fund assets invested in guarantee products, PIA is the Austrian market leader by a wide margin. Asset Management GmbH (AMG), which acts as BA-CA's competence centre for the creation of structured products and is also active in direct investments for private investors, additionally focused on developing new products such as VM PREMIUM, FokusInvest and AnlageCheck. This approach is new in Austria; it gives customers access to standardised asset management services starting with a low investment level, effectively meeting the needs of customers who prefer active investment management with a flexible response to changes in market conditions and developments in the selected risk classes.

Performance of key investment classes



Index base in each case: year-end 2006 = 100

Management Report 2007 (CONTINUED)

Corporates Division

(€ m)	2007	SHARE	2006	SHARE	CHANGE	
Net interest income	630	16%	653	24%	–24	–4%
Net non-interest income	375	15%	406	20%	–31	–8%
Operating income	1,005	16%	1,059	22%	–55	–5%
Operating expenses	–353	11%	–436	16%	84	–19%
Operating profit	652	21%	623	31%	29	5%
Net writedowns of loans	–66	14%	–124	18%	58	–47%
Net income from investments	–12	–5%	7	0%	–19	n.m.
Profit before tax	**570**	**21%**	**507**	**16%**	**63**	**12%**
Risk-weighted assets (avg.)	31,009	30%	31,768	40%	–759	–2%
Allocated equity	2,260	16%	2,469	30%	–208	–8%
Cost/income ratio	35.1%		41.2%			
Risk/earnings ratio	10.4%		18.9%			
ROE before tax	25.2%		20.5%			

2007 was a satisfactory year for Bank Austria's Corporates business segment, with good results achieved in a difficult environment. The year also saw structural changes in the course of supra-regional integration in UniCredit's Corporate Division. As the year progressed, the repercussions of the sub-prime crisis were also felt in the corporate sector, mainly in an indirect form through a more clouded economic outlook. Corporate banking in a narrower sense was affected to a greater extent, not only because of the upward movement and flattening of the yield curve in the course of the year (see chart) but increasingly also through higher liquidity cost associated with funding in the second half of 2007. Nevertheless, the Corporates Division strengthened its market leadership position in Austria with a refined customer segmentation and a needs-focused service approach. The range of activities of the Corporates Division and its profitability and efficiency indicators compare well with the banking industry as a whole and within the Group: **profit before tax** rose by 12% to **€ 570 m**, ROE before tax improved from 20.5% to 25.2%, the cost/income ratio declined significantly to 35.1%, and net writedowns of loans were at a low level in a long-term comparison.

The reorganisation of the business segment at the end of 2006 and in 2007 makes it difficult to interpret the income statement of the Corporates Division: the comparative figures for the previous year included CA IB Corporate Finance, which was transferred to the MIB Division at the beginning of 2007 together with various product competencies in large-volume investment banking. Since the second half of 2007, BA-CA Leasing GmbH has no longer been part of the group of consolidated companies. Instead, an interest of about 33% in the results of UniCredit Global Leasing S.p.A. is included within net interest income in the item Income from investments valued at equity. While this structural change has no major effect on the Corporates Division's overall results, it has a significant influence on the various income and expense items reflecting the size of BA-CA Leasing; the leasing sub-group also included business in CEE. This becomes apparent from a comparison of the data in the following table with the actual figures.

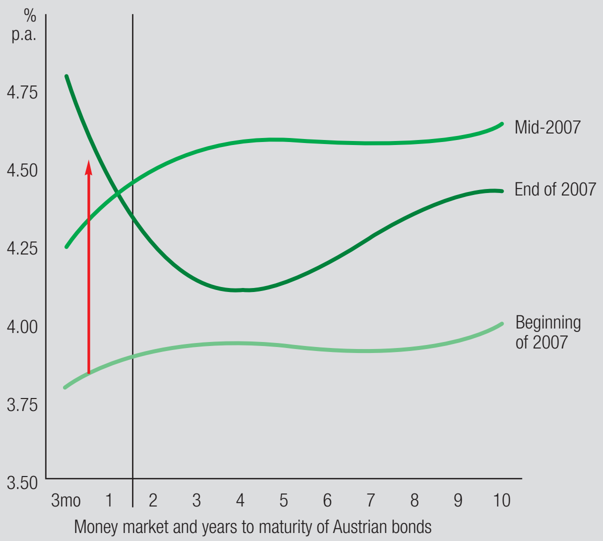
Corporates Division without CA IB CF and without BA-CA Leasing (€ m)

	2007	SHARE	2006	SHARE	CHANGE	
Net interest income	530	14%	512	19%	19	4%
Net non-interest income	318	13%	304	15%	14	5%
Operating income	849	13%	816	17%	33	4%
Operating expenses	–275	8%	–270	10%	–5	2%
Operating profit	573	19%	546	27%	28	5%
Net writedowns of loans	–57	12%	–105	16%	49	–46%
Net income from investments	–13	–5%	5	0%	–17	n.m.
Profit before tax	**500**	**18%**	**446**	**14%**	**54**	**12%**

Operating income in 2007 including BA-CA Leasing was € 1,005 m after € 1,059 m in 2006. Without BA-CA Leasing (and without CA IB CF in the previous year) – a definition essentially reflecting the operating performance of the five profit centres of the Corporates Division – operating income rose by 5% compared with the previous year. Net interest income and net non-interest income were up by 5% each.

Contributions to the increase in net interest income generated in current business with corporate customers came from both loans and deposits. Interest income from lending business rose on the back of growing volume of mortgage loans, with an even more pronounced increase achieved in the area of medium-term and long-term commercial financing. This is a good performance, given the trend in margins and the additional charge resulting from higher liquidity costs. Short-term loans and trade finance declined as companies enjoyed ample liquidity. The main factor driving growth in net interest income in 2007 was deposit business: deposits from customers exceeded the previous year's level by an average 12%, mainly reflecting the increase in time deposits, which rose by more than one-quarter. While margins were only slightly higher – unlike in retail business –, the volume increase on the liabilities side is additional evidence for the fact that companies enjoyed a strong liquidity position and took advantage of higher short-term and medium-term interest rates. Another reason for the increase in net interest income is improved asset quality: we placed loans in the secondary market and via derivatives, thus improving the overall interest margin and reducing equity allocated to the Corporates Division.

Yield curve



Third-degree polynomes

Net fees and commissions from current corporate business rose by 8 % (excluding leasing business, which generates strong fee and commission income, the figure would have declined by 8 % as half a year's contribution is missing). About half the increase was due to derivatives business, a sector in which fees and commissions rose by 16 %; the Real Estate profit centre was particularly successful in this context, apart from the other sub-segments of corporate banking business, while Public Sector activities were affected by the critical view which public sector entities have recently taken of the use of derivatives.

In 2007, **operating expenses** declined by 19 %, the cost/income ratio decreased from 41.2 % to 35.1%, mainly due to the leasing consolidation effect. Even on an adjusted basis, however, costs remained under control, rising by only 2 %; based on the adjusted figure, the cost/income ratio declined by almost 1 percentage point to 32.3 %. These figures reflect successful cooperation with Administration Services (AS). Moreover, in Austrian corporate banking business, new service models with a fine segmentation make it possible to align service intensity with customers' specific needs and make increased use of electronic sales channels, putting sales activities on a more cost-effective basis.

Operating profit (€ 652 m) for 2007 exceeded the previous year's figure by 5 %, both at business segment level (as reported) and on an adjusted basis (without BA-CA Leasing and CAIB in the previous year). **Profit before tax** (€ 570 m) rose even more strongly, by 13 % – also at business segment level and on an adjusted basis. In this context it should be noted that **net writedowns of loans and provisions for guarantees and commitments** were € 66 m, significantly lower than in 2006 (€ 124 m). The 2006 figure reflected an additional one-off provisioning charge of € 67 m which was made as part of a methodological refinement and the application of higher credit risk standards. Measured by the risk/earnings ratio of 10.4 %, the provisioning charge for 2007 was low in a multi-year comparison. This low level is also explained by favourable economic developments; most recently, however, business insolvencies – though declining in number – tended to involve larger amounts. Portfolio restructuring in Real Estate and Financial Institutions had a positive effect, with net releases of provisions. One of the reasons for the favourable development seen in recent years is the improvement in corporate balance sheets and increased use of capital market-related financing instruments, a process in which banks worked with their customers ahead of the introduction of Basel II. The development was also supported by our active portfolio management via the secondary market: in August 2007, we placed risk-weighted assets of about € 2 bn (Basel-II effective) under the "EuroConnect LC 2007" programme.

Equity allocated to the Corporates Division is 16 % of the total figure for the bank. The Division accounts for 11% of total costs and contributes **21% to Bank Austria's profit before tax. Return on equity** (ROE before tax) increased from 20.5 % in 2006 to **25.2 %** in 2007.

Management Report 2007 (CONTINUED)

Markets & Investment Banking (MIB)

(€ m)	2007	SHARE	2006	SHARE	CHANGE	
Net interest income	330	8%	124	5%	206	>100%
Net non-interest income	140	6%	277	13%	–137	–49%
Operating income	470	7%	402	8%	69	17%
Operating expenses	–233	7%	–167	6%	–66	39%
Operating profit	238	8%	235	12%	3	1%
Net writedowns of loans	1	0%	1	0%	–1	–62%
Net income from investments	1	0%	7	0%	–6	–85%
Profit before tax	**237**	**9%**	**207**	**6%**	**30**	**15%**
Risk-weighted assets (avg.)	5,352	5%	3,266	4%	2,086	64%
Allocated equity	1,960	14%	311	4%	1,648	>100%
Cost/income ratio	49.5%		41.6%			
ROE before tax	12.1%		66.4%			

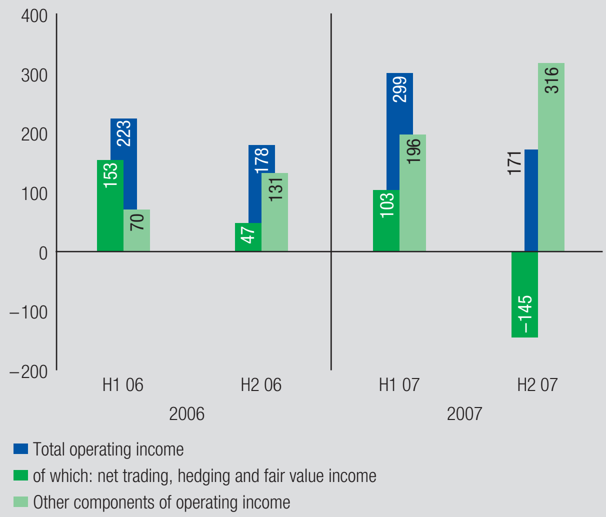
Operating income generated by the Markets & Investment Banking (MIB) business segment of Bank Austria for 2007 as a whole rose by 17% to € 470 m, despite global market turbulence caused by the sub-prime crisis. Profit before tax was € 237 m, up by 15% on the previous year. MIB's good overall performance in 2007 is mainly due to the diversification of trading activities – by market segment and region – and to the large proportion of customer-driven business. It also reflects the growing importance of advisory services, which have been intensified over the past years.

In the MIB business segment, trends in the first six months of 2007 differed from developments in the second half of the year: after a record performance in the first six months, the second half-year was characterised by a global market correction in major market segments triggered by the US sub-prime crisis. Operating income in the first half of 2007 totalled € 299 m, significantly exceeding the performance in the same period of the previous year (+34%). Apart from an initial temporary market correction in February/March, the main features in the first half of 2007 were a steady increase in short-term interest rates, rising share prices and a stronger euro. Volatility and credit spreads for corporate and emerging markets bonds fell to low levels, benefiting investment banking activities in particular. Net trading, hedging and fair value income in the first six months reached € 103 m and the other income components taken together amounted to € 196 m. Net interest income (€ 112 m) and net fees and commissions (€ 77 m) more than doubled compared to the first half of 2006.

The second half of 2007 saw a market correction triggered by the US sub-prime crisis – a situation seen only once in about ten years. This mainly affected the Structured Credit sector. Current trading results and valuation results from this sector were the factors leading to a net loss on trading activities in the second half of the year (– € 145 m). After years of high market liquidity, a global deleveraging process started in July 2007. The resulting illiquidity brought interbank trading in these products to a standstill. After two US hedge funds active in this segment encountered difficulties, credit spreads in the secondary market widened abruptly as investors became risk-averse; this put massive pressure on valuation prices of structured products (asset-backed securities: ABCP, CDOs, CLOs). The markets also saw a decoupling of the prices for credit derivatives from their underlying instruments – normally there is a close correlation between the underlying (loan, security) and the derivative instrument. As available market parameters were taken into account in the valuation of our trading positions (on the assets side and on the liabilities side), this had an impact on net trading, hedging and fair value income.

In the second half of the year, net interest income rose strongly, more than offsetting the negative impact on results from trading activities. Net interest income in the second half of 2007 alone reached € 218 m (+134% over the second half of 2006). The FICC (Fixed Income, Currencies, Commodities) team took advantage of partly high volatility to generate exceptionally good results, performing far above expecta-

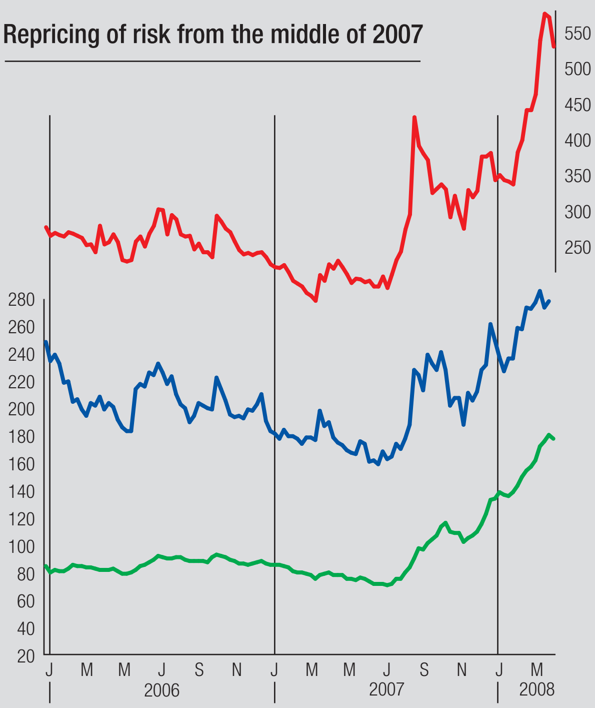
MIB Division of Bank Austria copes well with a difficult second half of 2007



tions. A particularly strong contribution to this outstanding performance came from Interest Rate Management, an area in which revenues were supported by favourable yield curves. As confidence between commercial banks declined, money was traded in the interbank market at high risk premiums in the second half of the year. As a result, shorter maturities became more expensive than longer maturities. Our team took advantage of this inverted yield curve.

Among the other MIB business areas (whose performance is mainly reflected in net fees and commissions), Equities benefited from the market position and competence achieved in EEMEA markets, despite nervous stock markets in the second half of 2007. Our teams took advantage of strong demand in primary business and of rising trading volume and high volatility levels to generate a significant increase in fee and commission income. Investment banking activities – both Financing and M&A – also contributed to the bank's good performance. In this context they fulfilled important cross-selling functions internally and in cooperation with the other Divisions of Bank Austria.

Repricing of risk from the middle of 2007



- JPM Emerging Markets Bond Index (yield spread over sovereign bonds) (left scale)
- BBB corporate bonds (spread over government bonds) (left scale)
- "iTraxx Europe Crossover": exposure to 50 European sub-investment grade reference entities (right scale)

In 2007 as a whole, the increase over 2006 in **net interest income** (up by € 206 m to € 330 m) and in **net fees and commissions** (up by € 102 m to € 172 m) offset the change in **results from trading activities** (down by € 243 m to a net loss of € 42 m in 2007).

The increase in operating income compared with the previous year (+ € 69 m) compares with an increase of € 66 m in **operating expenses**; this reflects various factors including consolidation effects and integration activities (the CA IB subsidiaries were not consolidated in the previous year, and in the third quarter of 2007 the Russian broker ATON was added to the group of consolidated companies) as well as changes in internal cost allocation. The increase over the previous year (39 %) also reflects the growing significance of advisory services. In 2007, the cost/income ratio was 49.5 %, a low level for investment banks in Europe.

Operating profit reached € 238 m, matching the previous year's level (€ 235 m). As there was little change in other items, **profit before tax** was **€ 237 m**, exceeding the 2006 figure by € 30 m or 15%. ROE before tax was 12.1%. It should be noted that average risk-weighted assets rose by 64 % and that in connection with restructuring, equity allocated to the Division, at € 1.96 bn (after € 311 m in the previous year), was also substantially larger.

Management Report 2007 (CONTINUED)

Central Eastern Europe (CEE)

(€ m)	2007	SHARE	2006	SHARE	CHANGE	
Net interest income	2,151	55 %	1,048	39 %	1,104	> 100 %
Net non-interest income	1,216	49 %	677	33 %	539	80 %
Operating income	3,367	52 %	1,725	36 %	1,642	95 %
Operating expenses	–1,729	52 %	–917	33 %	–812	89 %
Operating profit	1,638	53 %	808	40 %	830	>100 %
Net writedowns of loans	–211	44 %	–141	21 %	–70	50 %
Net income from investments	20	8 %	5	0 %	15	>100 %
Profit before tax	**1,342**	**49 %**	**655**	**20 %**	**687**	**> 100 %**
Risk-weighted assets (avg.)	46,593	45 %	24,720	31 %	21,872	88 %
Allocated equity	7,099	51 %	3,639	44 %	3,460	95 %
Cost/income ratio	51.4 %		53.2 %			
Risk/earnings ratio	9.8 %		13.4 %			
ROE before tax	18.9 %		18.0 %			

From the beginning of 2007, Bank Austria's CEE business segment comprised the substantially expanded consolidation perimeter – with new banking subsidiaries in 16 countries. This means that 2007 was the first full year for Bank Austria in its new sub-holding company function. ATF Bank, a large bank in Kazakhstan, was added to the group of consolidated companies in November 2007. Therefore the income statement for 2007 as compared with the business segment in its old form (as reported for 2006) reflects the structural changes and the new size and quality of the CEE business segment. The income statement for 2007 also shows the enhanced performance and organic growth achieved by the new group of consolidated companies in 2007; this performance can be seen from a comparison with the pro-forma figures for 2006.

In 2007, the CEE Division generated a **profit before tax** of **€ 1,342 m**, contributing about one half (49 %) to Bank Austria's overall profits. The increase over the previous year (as reported) was € 687 m, which means that the figure doubled (+105 %). This increase was supported by **volume growth**: risk-weighted assets (RWA) averaged € 46.6 bn in 2007, and were thus 88 % higher than in 2006 (in the old perimeter). **Operating income** (€ 3,367 m) was 95 % higher than in the previous year. This shows that growth in average volume was accompanied by stronger performance: **RWA productivity** (operating income/risk-weighted assets) rose from 6.98 % to 7.23 % (comparative figure for the three business segments of Austrian customer business: 5.19 %).

Operating expenses in the CEE business segment (€ 1,729 m) were 89 % higher than in the previous year. The increase of € 812 m in costs was about half the growth of operating income (+ € 1,642 m). The cost/income ratio was 51.4 %, an improvement of 1.8 percentage points compared with the previous year (in the old perimeter). Thus **operating profit** rose by € 830 m, more than doubling (+ 103 %). Net writedowns of loans and provisions for guarantees and commitments increased at a disproportionately low rate of 50 % to € 211 m. With a risk/earnings ratio of below 10 % (exact figure: 9.8 %) and a cost of risk of 48 basis points, the risk profile of the CEE business segment is more favourable than for the bank as a whole and in the previous year (2006 / old consolidation perimeter: 13.4 % and 59 basis points, respectively).

➔ The assumption of the sub-holding company function, which also involved the sale of large banks, has enlarged BA-CA's regional perimeter, expanded the local market position in the merger countries and substantially increased overall business volume while also enhancing productivity and improving cost efficiency as well as the current risk situation. Above all, the outlook for sustained growth and value creation has further improved. We intend to use this environment primarily for organic growth. A comparison of the income statement for 2007 with the pro-forma figures for 2006 shows that our banking subsidiaries in CEE have made good progress on this path.

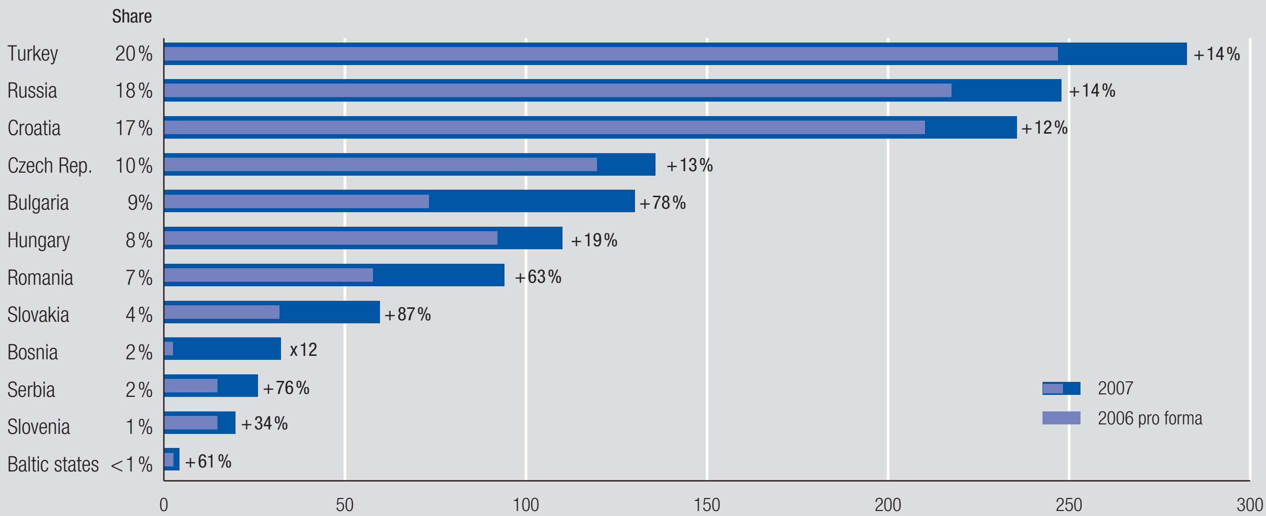
In the following comments, the comparative figures for the previous year are adjusted on a pro-forma basis to reflect the current group of consolidated companies. As the 2006 balance sheets were not consolidated retrospectively in the new perimeter, there are no exact comparative figures for the CEE business segment showing the trend in volume.

CEE business segment: comparison with 2006 pro-forma figures (€ m)	2007	SHARE	2006 PF	SHARE	CHANGE	
Net interest income	2,151	55 %	1,772	52 %	379	21 %
Net non-interest income	1,216	49 %	1,015	42 %	201	20 %
Operating income	3,367	52 %	2,788	48 %	580	21 %
Operating expenses	–1,729	52 %	–1,557	46 %	–172	11 %
Operating profit	1,638	53 %	1,230	51 %	408	33 %
Net writedowns of loans	–211	44 %	–177	25 %	–34	19 %
Net income from investments	20	8 %	15	16 %	5	37 %
Profit before tax	**1,342**	**49 %**	**1,010**	72 %	**332**	**33 %**
Cost/income ratio	51.4 %		55.9 %			
Risk/earnings ratio	9.8 %		10.0 %			

On a like-for-like perimeter basis, the CEE business segment shows that profits rose by one-third (+€ 332 m) to € 1,342 m. The improvement in operating performance of the subsidiaries compared with the previous year thus almost matches the structural effect – a notable achievement. All of the countries contributed to the good results (see chart).

Operating income (€ 3,367 m) of the CEE business segment was up by € 580 m or 21% on the pro-forma figure for 2006, the major part of the increase came from **net interest income**, which grew by € 379 m (+21%). Most of this growth was achieved in classic customer business in corporate and retail banking, where volume grew at comparatively satisfactory margins. Russia and Turkey accounted for more than half of the increase in absolute terms, with net interest income also growing strongly in the Czech Republic (mainly in corporate customer business) and in Bulgaria. **Net fees and commissions** rose by € 200 m or 27 % compared with the pro-forma figure for 2006, improving across the board, though the overall increase in the region was driven by different business areas in different countries: payment services, fees and commissions for guarantees and other commercial services, mainly in South-East Europe, sales of insurance contracts, as well as custody and brokerage in the growing securities business. A strong increase was achieved in Turkey, where our banking subsidiary holds a leading position in the local card business and is also among the international benchmarks in this area. **Net trading, hedging and fair value income** (€ 177 m) declined by 26 % compared with the previous year, with different trends in the various markets. The Russian capital market, which is in the focus of volatile portfolio investments, felt the liquidity squeeze and the resulting increase in credit spreads and money market interest rates in the second half of 2007 although, fundamentally, the market in Russia itself was in good shape. Romania, Slovakia, Croatia and Turkey generated significant profits from trading activities.

Profit before tax of CEE banking subsidiaries (€ m)



Management Report 2007 (CONTINUED)

Growth in CEE proceeded at a high level of cost efficiency and with a comparatively low provisioning requirement, also on a like-for-like perimeter basis: **operating expenses** (€ 1,729 m) in 2007 were € 172 m or 11% higher than the pro-forma figure for the previous year. The cost/income ratio improved from 55.9 % to 51.4 %. This improvement reflects synergies from local mergers and general cost discipline. In view of investment in organic growth of current business, the level of cost efficiency is remarkable: in the course of 2007, we opened 82 branches in Turkey, 17 in Russia, 9 in Romania and 7 in Hungary. The number of employees (full-time equivalent) increased by 2.6 % in 2007 (5,277 FTEs in ATF Bank, the bank in Kazakhstan, were only added in December).

Net writedowns of loans and provisions for guarantees and commitments in 2007 increased by 19 % to € 211 m compared with the pro-forma figure for 2006. This development is explained by expansion, as can be seen from the decline in the risk/earnings ratio (also on a like-for-like perimeter basis) from 10.0 % to 9.8 %.

In 2007, **CEE currencies** were under revaluation pressure resulting from substantial capital inflows in connection with direct investment and portfolio investment, and temporarily also from short-term investments (carry trades) in CEE currencies bearing higher interest rates which are funded in low interest-rate currencies. Measured by annual average exchange rates, the currencies of Slovakia (10.2 %), Romania (5.7 %, with strong fluctuations during the year) and Hungary (5.1%) appreciated significantly compared with the previous year, while the Czech currency (2.1%) and the Turkish currency (1.3 %) appreciated to a lesser extent. The Russian rouble depreciated by 2.6 % against the euro on an annual average. Overall, currency translation of local income statement items into euro results in a slight appreciation, which accounts for only € 12 m or just under 1% of profit before tax in the CEE business segment.

Having created a uniform structure in our network through the integration projects, we are now focusing our attention on implementing our **strategy of organic growth**. In larger, high-growth markets such as Russia, Turkey and Romania, we are developing our business, which is partly still dominated by the corporate customer segment, into universal banking operations. We are planning to open up to 1,000 new branches in our key markets within the next three years. In other countries we take a more selective approach, focusing on specific segments and products, and bringing UniCredit Group's strengths to bear in our entire network via our **cross-regional product lines**.

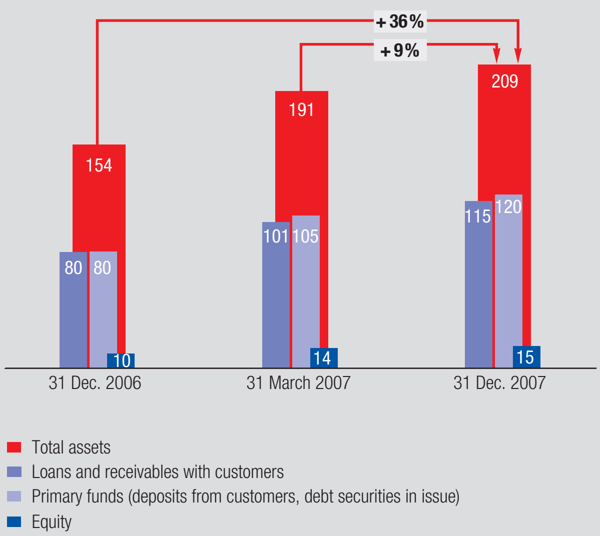
Balance sheet developments

Bank Austria Creditanstalt's total assets as at 31 December 2007 were **€ 209.2 bn**, up by **€ 54.9 bn or 36 %** on year-end 2006. This strong increase was due to the first-time consolidation of the new CEE banks and to volume growth achieved by the bank's operations.

At the end of 2006, the two banks which were sold – i.e. HVB Splitska banka and Bank BPH – were no longer included in the group of consolidated companies and the new banks were not yet included in the consolidation perimeter. Therefore the consolidation effect resulting from Bank Austria's assumption of the holding company function for CEE operations is all the stronger. As balance sheets were not consolidated retrospectively, the interim balance sheet at 31 March 2007 was the first balance sheet reflecting Bank Austria's new structure. At that date, total assets exceeded the year-end 2006 figure by 24 %; similar growth rates were seen in loans and receivables with customers (+26 %) and on the liabilities side in primary funds (+24 %). In the rest of the year, by the end of 2007, total assets increased by 9 % (see chart).

The year-on-year comparison shows that the CEE banks that were added to the group of consolidated companies are banks with strong and fast-growing **customer business**: loans and receivables with customers rose at a disproportionately high rate of 44 % to a total of € 115.3 bn. This development does not fully reflect the underlying trend as leasing business is no longer accounted for via the consolidated company BA-CA Leasing GmbH; since the end of July, leasing business

Balance sheet developments in 2007 (€ bn)



has been included in the consolidated financial statements via a 32.59 % shareholding interest in UniCredit Global Leasing S.p.A., Milan, an international product line of UniCredit Group, which is accounted for at Bank Austria under the equity method. As BA-CA Leasing is no longer consolidated, finance leases, which are included in loans and receivables with customers, declined by € 4.9 bn (other balance sheet items are affected by this change to a lesser extent). Primary funds (deposits from customers and debt securities in issue) in Bank Austria's balance sheet rose more strongly than loans and receivables with customers – by 49 % to € 119.7 bn – which means that lending business with customers can be fully financed through primary funds.

Interbank business was characterised by disproportionately low growth on both sides of the balance sheet. This was due to the repercussions of the sub-prime crisis, which generally led to great restraint on money markets. After growing at a disproportionately low rate from the end of 2006 to the end of March 2007, loans and receivables with banks declined from June to September before recovering somewhat towards the year-end; at the end of 2007, they totalled € 38.0 bn, an increase of 17 % over the year-end 2006 figure. Deposits from banks showed a similar trend, reaching € 52.4 bn at the end of 2007, up by 9 % on 2006.

Financial assets held for trading (+15 % to € 19.1 bn) and the relevant items on the liabilities side (+41%) expanded strongly in the course of the year, a development in which the consolidation effect was less pronounced.

The balance sheet items **Non-current assets and disposal groups classified as held for sale** and **Liabilities included in disposal groups classified as held for sale** include the real estate at Vordere Zollamtsstrasse 13 and the real estate at Am Hof 2, which is carried in the balance sheet of a subsidiary; under a resolution passed by the Management Board, both properties are intended to be sold. Profit- and liquidation-sharing rights in Immobilien Holding GmbH and the equity interest in Hypo Stavebni Sporitelna in the Czech Republic are also offered for sale.

The numerous changes in the group of consolidated companies at the beginning of 2007 and in the course of the year – including IMB, ATON, the shareholding interest in UniCredit Leasing and, last but not least, the acquisition of ATF Bank in Kazakhstan led to an increase of € 3.1 bn in **goodwill** to a total of € 3.9 bn.

Balance sheet structure: Loans and receivables with customers accounted for 55 % of **total assets**, followed by loans and receivables with banks (18 %). The largest balance sheet items after financial assets held for trading (9 %) were available-for-sale financial assets (5 %) and held-to-maturity investments.

On the **liabilities side**, deposits from customers accounted for 45 % of the balance sheet total, and debt securities in issue for 13 % – the combined total, referred to as primary funds, was 57 %. Equity accounted for 7 % and liabilities held for trading represented 4 % of the balance sheet total.

At the end of September 2007, **equity** amounted to **€ 15,333 m** (7 % of the balance sheet total). The increase of € 5.1 bn or 51% since the end of 2006 was due to the capital increase (+ € 400 m in subscribed capital and + € 2,463 m in capital reserves) and the inclusion of current profits of € 2,258 m; the dividend payment was € 588 m.

Capital resources pursuant to the Austrian Banking Act

The assessment basis pursuant to the Austrian Banking Act (banking book) rose by € 37.3 bn (+51.0 %) to € 110.4 bn compared with the year-end 2006 figure. The increase largely resulted from the transfer of UniCredit banking subsidiaries to the BA-CA Group and the acquisition of HVB subsidiaries in the first quarter of 2007 as well as the acquisitions in the third and fourth quarters of 2007. It is complemented by a positive expansion of business. The transfer of BA-CA Leasing to UniCredit Global Leasing in the third quarter of 2007 and the securitisation transactions of BA-CA AG in the second half of 2007 reduced the assessment basis. In the reporting period, the capital requirement for the banking book rose by € 3.0 bn.

Net capital resources increased by € 1.8 bn (+16.6 %) to € 12.6 bn compared with year-end 2006. Three factors were mainly responsible for this rise: the capital increase at BA-CA AG in the first quarter of 2007, an increase in supplementary elements, and the above-mentioned acquisition by BA-CA of new subsidiaries which partly offset the effects of the first two factors.

This resulted in a Tier 1 capital ratio of 8.76 % as at 31 December 2007 (year-end 2006: 11.62 %) and a total capital ratio of 11.37 % (year-end 2006: 14.73 %).

Further information

The following detailed information is included in the notes to the consolidated financial statements: details of events of particular significance after the end of the financial year in note 4, "Events after the balance sheet date"; details on the use of financial instruments in note 3, "Significant accounting policies"; information on existing risks of changes in prices, credit risk, liquidity risk and cashflow risk in the risk report in notes 58 to 62; information pursuant to Section 243a of the Austrian Commercial Code (concerning rights linked to shares) in note 42, "Equity".

Management Report 2007 (CONTINUED)

Outlook

Macroeconomic environment and risks

● After four years of steady, strong growth of about 4.5 % annually, 2008 will see the global economy expanding at a rate that will be about three-quarters of a percentage point lower. The US economy, still a pacemaker of economic performance, is currently moving along zero growth; uncertainty triggered by the financial market crisis has led to higher costs associated with risk; and the sharp increase in commodities prices is dampening the structural upswing in the Far East, which remains the mainstay of global economic growth. The firm euro amplifies the spillover of these trends into the euro area, where growth will reach about 1.5 % in 2008, after 2.7 % in the previous year. The significant reductions of interest rates in the United States – leading to negative real interest rates – and fiscal measures should start to have an expansionary effect from the middle of the year. And despite inflationary tendencies, the ECB is also expected to reduce its key interest rates as the year progresses. In combination with the hoped-for return to normal conditions in money markets, this will help to raise the yield curve again, with little change in long-term yields.

● Austria's economy will be impacted in 2008 by the unfavourable international environment affecting export performance and demand for capital goods. Confidence in industry and among consumers has declined, and Bank Austria's business indicator points to a slowdown in economic activity. Although pensions and wages have increased considerably and the encouraging trend in the labour market continues, private consumption will grow only moderately in 2008. The outlook is clouded by the strong increase in prices which will not weaken until the second half of the year when food prices will ease. The Austrian economy will nevertheless continue to grow, though more moderately, at 1.9 %.

● The CEE region will not be able to escape the impact of weaker economic activity and the general repricing of risk. The latter will be evident in the foreseeable future – CDS spreads have doubled or tripled all around the world since July 2007. Moreover, international investors are starting to be quite selective, penalising countries which show high imbalances. With strong fundamentals, the region is however in a favourable position to cope with the new environment. Real GDP growth will likely decline only slightly, to 5.7 % in 2008 from 6.8 % in 2007.

The long-term growth trend across the group of CEE countries is still intact: consumption is fuelled by rising household incomes and declining unemployment, although this is mitigated by high inflationary pressures and tighter monetary conditions. Despite some tightening of credit, the prospects for investment activity remain positive thanks to a buoyant corporate sector and a number of infrastructure projects financed by structural funds (in EU member countries) or investment and growth funds (CIS). Slower growth in the euro area will put some pressure on the export sector. The region nonetheless remains competitive and selected industries may even benefit from a relocation of production by international companies. Oil and other commodities prices remain supportive for CIS countries.

In recent years, most countries in the region have been relying on external savings to finance their growth. Rising current account deficits were financed by foreign direct investment, but also by foreign debt – in 2007 the region attracted roughly € 100 bn in international debt. The worldwide repricing of risk has made foreign borrowing more expensive, increasing the risk of tighter credit conditions also on the domestic front. Countries with larger external imbalances face a higher increase in the cost of external funding, making them more vulnerable to adverse developments in the new international environment.

● In the Central European countries of our perimeter economic growth should amount to 4.7 % in 2008 compared to 6.0 % in 2007. Countries in this region are less sensitive to the global financial turmoil as external imbalances are under control and the cost of funding remains relatively low despite the upward trend. However, we expect some monetary tightening in the wake of rising inflationary pressures and growing production capacity constraints.

● We forecast some slowing of growth rates in SEE, from 6.7 % in 2007 to 5.7 % in 2008. These countries have small and very open economies, which have largely financed their growth in recent years through foreign borrowing. In some countries there is political uncertainty. The global repricing of risk has had a particularly strong impact on these countries, and we expect their credit growth to lose momentum. Some slowing of growth is however welcomed in the Baltics, where concerns over overheating were repeatedly addressed in recent years. We forecast growth of close to 6 % in Bulgaria. Markets are starting to price a higher cost of risk for the country, amidst its high current account deficit and rising inflationary pressures, which raise questions about the long-term sustainability of the currency board. We believe, however, that macroeconomic policies are very coordinated, focused on some moderate cooling.

In **Croatia**, the central bank's strategy of cooling domestic credit growth while limiting local banks' external indebtedness and promoting their recapitalisation, has proved successful. The current account deficit remains high, at an estimated 7.4 % of GDP in 2007, with no financing problems, as reflected in the continuing upward pressure on the kuna. Market sentiment towards **Romania** has changed substantially in the last year. While growth prospects remain positive, the country is paying the cost of its long-term vulnerability and of a rather incoherent political environment. The exchange rate, despite a rather tight monetary policy, has strongly depreciated in the past months and remains quite volatile. We forecast growth of around 5.4 % and a slight slowdown in lending growth. In **Serbia** the political environment will remain uncertain. The consequences of Kosovo's unilateral declaration of independence are still not clear. Meanwhile, economic growth is forecast to be moderate, slowing from last year's peak level on the back of tighter global credit conditions. In **Bosnia and Herzegovina** the domestic political environment is also a central issue and raises questions about whether a signing of the SAA (Stabilisation and Association Agreement) with the EU will take place. On the economic front, robust credit growth and strong manufacturing activity point to strong growth in 2007 and 2008.

● The repricing of risk at an international level has also affected **Russia**, as both banks and medium-sized and large Russian companies relied heavily on external funding in recent years. The main evidence so far points to weaker growth in corporate deposits and an acceleration in corporate lending growth. We see lending growth at 35 % in 2008, and this will fuel consumption and investment growth. Overall, we forecast growth of 6.7 % for Russia, with high oil prices remaining a key driver for the economy. In **Ukraine** growth will ease from 7.3 % in 2007 to 5.6 % in 2008. The country continues to experience a consumption and investment boom, largely financed by strong capital inflows and by a rapidly expanding banking sector. There are also imbalances, with the current account deficit standing at 4.1% of GDP and inflation peaking at 16.6 % in December. It should be noted that the economy remains quite sensitive to potential external shocks, such as a sudden drop in steel prices or another gas crisis with Russia. A liquidity crisis is discernible and already translating into a credit squeeze in **Kazakhstan**. The consumption and investment boom which has driven the impressive growth of recent years is severely constrained. Companies have reduced access to international capital markets, while the banking sector, which was financing a credit boom through foreign borrowing, now has to severely limit lending expansion to its deposits' attraction capacity. We now forecast growth as low as 5 % in 2008, after rates close to or above 10 % in the last few years. We still expect the country's long-term potential to be maintained, as with high energy and raw material prices the country has sufficient money and commitment to prevent a major crisis. Although the **Turkish** economy lost significant momentum in 2007, the outlook is somewhat brighter now despite the fragile global environment. Policy interest rates are now 225 basis points lower than five months ago, which will support investment activity. The political uncertainties have been dispelled, and the government is promoting important reforms. Although the banking sector is sound and relatively well protected by fairly limited dependency on international borrowing (the loans/deposit ratio is still below 1), Turkey is exposed to financial contagion from abroad.

Outlook for Bank Austria's performance in 2008

● In **Austrian customer business**, the market will continue to be characterised in 2008 by weak volume growth and – in view of more intensive competition – by persistent pressure on margins. The restrained economic trend will dampen lending growth to 3.5 % in 2008. The cyclical weakening and continued ample liquidity in the business sector will be reflected in a lower increase in demand for corporate finance while loans to households will grow more strongly than in 2007, which was a weak year in this respect. Deposit growth will also decrease as interest rates decline. With a sustained stabilisation of the financial market situation, mutual funds and bond funds in particular, as well as insurance policies, will again become more attractive in 2008. Despite the subdued market outlook, we expect moderate revenue growth in 2008. Following various adjustments in past years, the bank's sales activities, product policy and processes are closely geared to meeting the specific needs of the various customer segments. These areas will no longer be subject to major restructuring. We expect that further growth of profits from Austrian customer business will mainly come from using UniCredit's cross-regional business model (revenue and cost synergies), i.e. from a further reduction of the cost/income ratio, and from improved productivity measured on the basis of risk-weighted assets.

● Credit spreads **in financial markets** have continued to widen in the first few months of 2008, which means that there is still a risk for the entire banking industry of further marking-to-market adjustments in the structured credit sector. The bundling of all resources within the Markets & Investment Banking Division and integration in a strong international network will further enhance our ability to compete effectively in CEE markets, where competition is intensifying.

Management Report 2007 (CONTINUED)

Our trading activities are diversified and internationally coordinated within the various business areas, with MIB units in CEE also becoming more closely integrated in the network. Customer-driven business and especially our regional focus on CEE with large cross-selling potential in the entire UniCredit Group provides a strong basis for success in both Markets activities and Investment Banking operations in 2008. Therefore we think that in 2008, as the repercussions of the sub-prime crisis subside, our MIB Division will be able to achieve the levels of profitability seen in past years.

● We expect that the **CEE business segment** will make the strongest contribution to profit growth in 2008. Although the countries within the perimeter of our operations differ widely in terms of size, openness to foreign trade, convergence to the European Union and economic structure, and despite the related differences in risk profiles, there is a common denominator for banking business from the CEE Division's perspective: in the basic scenario, real economic growth will far exceed the level achieved in West European economies. Moreover, as in previous years, further accelerating financial intermediation and progressive penetration with state-of-the-art banking products will support these trends. Growth will weaken somewhat, but loans will nevertheless increase by between 25 % and 30 %, with even higher rates expected in retail banking. The trend in deposits will lag behind this development, following the logic of the catching-up process; yet growth rates in deposits will be only slightly lower. Assets under management will keep pace with this momentum, but only in countries where convergence has made good progress.

In this environment we will pursue organic growth, also through our ambitious branch network expansion programme in growth markets. These efforts will be supported by closer divisional coordination and international product lines. Progressive division of labour using best practice will contribute to keeping the increase in costs at a level that will be significantly lower than revenue growth, despite heavy investment. Capital productivity is an important success factor also in CEE. Overall, we expect profits in the CEE business segment to rise further in 2008, continuing the trend seen in previous years.

➔ While the strong improvement in Bank Austria's performance in 2007 will probably not be repeated in 2008, the basic scenario, if the above-mentioned risks do not materialise, is at least a double-digit percentage increase in profits.

4 March 2008, the Management Board

Erich Hampel
Chairman

Federico Ghizzoni | Thomas Gross

Wilhelm Hemetsberger | Werner Kretschmer

Ralph Müller | Regina Prehofer

Carlo Vivaldi | Robert Zadrazil

Consolidated Financial Statements

in accordance with International Financial Reporting Standards (IFRSs)

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Income statement of the Bank Austria Creditanstalt Group

for the year ended 31 December 2007

(€ m)

	(Notes)	2007	2006	CHANGE IN € M	CHANGE IN %
Net interest	(5)	3,653	2,456	1,197	48.7
Dividend income	(6)	124	130	–6	–4.6
Other income from equity investments	(6)	160	96	64	67.3
Net interest income		**3,936**	**2,681**	**1,255**	**46.8**
Net fees and commissions	(7)	2,124	1,667	457	27.4
Net trading, hedging and fair value income	(8)	141	348	–207	–59.6
Net other expenses/income	(9)	214	66	147	>100
Net non-interest income		**2,478**	**2,081**	**397**	**19.1**
OPERATING INCOME		**6,414**	**4,762**	**1,652**	**34.7**
Payroll costs	(10)	–1,836	–1,606	–230	14.3
Other administrative expenses	(11)	–1,243	–903	–340	37.6
Recovery of expenses		4	–	4	>100
Amortisation, depreciation and impairment losses on tangible and intangible assets	(12)	–270	–248	–23	9.1
OPERATING EXPENSES		**–3,346**	**–2,757**	**–589**	**21.4**
OPERATING PROFIT		**3,069**	**2,005**	**1,063**	**53.0**
Goodwill impairment		–	–8	8	–100.0
Provisions for risks and charges	(13)	–75	–111	36	–32.4
Restructuring costs	(14)	–33	–248	215	–86.7
Net writedowns of loans and provisions for guarantees and commitments	(15)	–483	–679	196	–28.9
Net income from investments	(16)	268	2,313	–2,045	–88.4
PROFIT BEFORE TAX		**2,745**	**3,272**	**–527**	**–16.1**
Income tax	(17)	–382	–140	–242	>100
NET PROFIT		**2,364**	**3,132**	**–769**	**–24.5**
Minority interests		–106	–111	5	–4.3
CONSOLIDATED PROFIT		**2,258**	**3,022**	**–764**	**–25.3**

Key figures

		2007	2006
Earnings per share (in €, basic and diluted)	(18)	11.71	20.56
ROE before tax		19.7%	39.6%
ROE after tax		17.0%	39.5%
Cost/income ratio		52.2%	57.9%
Risk/earnings ratio		12.3%	25.3%

Balance sheet of the Bank Austria Creditanstalt Group

at 31 December 2007

Assets (€ m)

	(Notes)	31 DEC. 2007	31 DEC. 2006	CHANGE IN € M	CHANGE IN %
Cash and cash balances	(20)	2,967	1,584	1,384	87.4
Financial assets held for trading	(21)	19,092	16,676	2,416	14.5
Financial assets at fair value through profit or loss	(22)	935	487	448	92.1
Available-for-sale financial assets	(23)	10,864	9,697	1,167	12.0
Held-to-maturity investments	(24)	7,623	5,772	1,851	32.1
Loans and receivables with banks	(25)	38,007	32,486	5,521	17.0
Loans and receivables with customers	(26)	115,341	80,104	35,237	44.0
Hedging derivatives	(27)	1,147	1,207	–60	–5.0
Changes in fair value of portfolio hedged items (+/–)		–	–	–	–
Investments in associates and joint ventures	(28)	2,281	1,890	391	20.7
Property, plant and equipment	(29)	2,003	1,373	630	45.9
Intangible assets	(30)	4,258	1,052	3,206	>100
of which goodwill		*3,886*	*836*	*3,050*	*>100*
Tax assets	(31)	1,007	998	9	0.9
a) current tax assets		151	99	53	53.5
b) deferred tax assets		856	900	–44	–4.9
Non-current assets and disposal groups classified as held for sale	(32)	1,727	15	1,712	>100
Other assets		1,918	916	1,002	>100
TOTAL ASSETS		**209,170**	**154,255**	**54,915**	**35.6**

Liabilities and equity (€ m)

	(Notes)	31 DEC. 2007	31 DEC. 2006	CHANGE IN € M	CHANGE IN %
Deposits from banks	(33)	52,445	48,309	4,136	8.6
Deposits from customers	(34)	93,203	54,969	38,234	69.6
Debt securities in issue	(35)	26,496	25,347	1,149	4.5
Financial liabilities held for trading	(36)	7,442	5,264	2,178	41.4
Financial liabilities at fair value through profit or loss	(37)	2,386	1,731	655	37.9
Hedging derivatives	(38)	1,638	1,440	198	13.7
Changes in fair value of portfolio hedged items (+/–)		–	–	–	–
Tax liabilities	(39)	616	587	29	5.0
a) current tax liabilities		125	85	39	46.0
b) deferred tax liabilities		492	501	–10	–2.0
Liabilities included in disposal groups classified as held for sale	(41)	1,247	–	1,247	>100
Other liabilities		3,574	1,954	1,619	82.9
Provisions for risks and charges	(40)	4,611	4,513	98	2.2
a) post-retirement benefit obligations		4,088	3,714	374	10.1
b) other provisions		523	799	–276	–34.6
Insurance reserves		178	–	178	>100
Equity	(42)	15,334	10,140	5,194	51.2
of which Minorities (+/–)		*658*	*213*	*444*	*>100*
TOTAL LIABILITIES AND EQUITY		**209,170**	**154,255**	**54,915**	**35.6**

Statement of changes in equity of the Bank Austria Creditanstalt Group

(€ m)

	SUB-SCRIBED CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION	RESERVES IN ACCORDANCE WITH IAS 39[1)]	ACTUARIAL LOSSES IN ACCORDANCE WITH IAS 19	SHARE-HOLDERS' EQUITY	MINORITY INTERESTS	EQUITY
As at 1 January 2006	**1,069**	**2,751**	**3,954**	**–293**	**125**	**–734**	**6,871**	**650**	**7,521**
Capital increase							–	25	25
Changes in the group of consolidated companies								–486	–486
Shares in controlling companies			–3				–3		–3
Recognised income and expenses			3,021	220	223	–23	3,440	86	3,526
Dividend paid			–368				–368	–62	–430
Other changes		108	–122				–14		–14
AS AT 31 DECEMBER 2006	**1,069**	**2,859**	**6,482**	**–73**	**347**	**–757**	**9,927**	**213**	**10,140**

1) Reserves in accordance with IAS 39	1 Jan. 2006	31 Dec. 2006
Cash flow hedge reserve	–111	–175
Available-for-sale reserve	236	522
Total	125	347

	SUB-SCRIBED CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION	RESERVES IN ACCORDANCE WITH IAS 39[1)]	ACTUARIAL LOSSES IN ACCORDANCE WITH IAS 19	SHARE-HOLDERS' EQUITY	MINORITY INTERESTS	EQUITY
As at 1 January 2007	**1,069**	**2,859**	**6,482**	**–73**	**347**	**–757**	**9,927**	**213**	**10,140**
Capital increase	400	2,463					2,863	365	3,228
Changes in the group of consolidated companies							–		–
Shares in controlling companies		1					1		1
Recognised income and expenses			2,258	43	49	157	2,507	86	2,593
Dividend paid			–588				–588	–6	–594
Other changes			–34				–34		–34
AS AT 31 DECEMBER 2007	**1,469**	**5,323**	**8,118**	**–31**	**397**	**–600**	**14,676**	**658**	**15,334**

1) Reserves in accordance with IAS 39	1 Jan. 2007	31 Dec. 2007
Cash flow hedge reserve	–175	–119
Available-for-sale reserve	522	516
Total	347	397

Statement of recognised income and expenses

(€ m)

	2007	2006
Gains/losses on assets held for sale (available-for-sale reserve)	–1	382
Gains/losses on cash flow hedges (cash flow hedge reserve)	75	–105
Foreign currency translation – exchange differences	30	212
Foreign currency translation relating to assets held for sale	–	–
Actuarial gains/losses on defined-benefit plans	210	–30
Taxes on items directly recognised in equity	–85	–63
Recognised directly in equity	**229**	**395**
Net profit	**2,364**	**3,131**
TOTAL OF INCOME AND EXPENSES RECOGNISED IN THE REPORTING YEAR	**2,593**	**3,526**
Shareholders' equity	2,507	3,440
Minority interests	86	86

Cash flow statement of the Bank Austria Creditanstalt Group

Cash flow statement		(€ m)
	2007	2006
NET PROFIT	**2,364**	**3,132**
Non-cash items included in net profit, and adjustments to reconcile net profit to cash flows from operating activities		
Depreciation, amortisation, net writedowns of loans, and changes in fair values	815	949
Increase in staff-related provisions and other provisions	137	346
Increase/decrease in other non-cash items	280	210
Gains/losses on disposal of intangible assets, property, plant and equipment, and investments	–299	–81
SUB-TOTAL	**3,297**	**4,556**
Increase/decrease in operating assets and liabilities after adjustment for non-cash components		
Financial assets held for trading	–386	–291
Loans and receivables	–9,230	–12,920
Other assets	–1,890	468
Financial liabilities held for trading	2,603	439
Deposits from banks and customers	11,710	4,601
Debt securities in issue	–6,241	4,433
Other liabilities	2,109	–251
CASH FLOWS FROM OPERATING ACTIVITIES	**1,972**	**1,035**
Proceeds from disposal of		
investments	17,947	7,064
property, plant and equipment	51	319
Payments for purchases of		
investments	–16,029	–8,000
property, plant and equipment	–655	–210
Proceeds from sales (less cash disposed of) of subsidiaries	–	–141
Payments for acquisition (less cash acquired) of subsidiaries	–1,223	–15
Other changes	–148	105
CASH FLOWS FROM INVESTING ACTIVITIES	**–57**	**–878**
Proceeds from capital increase	–	–
Dividends paid	–588	–368
Subordinated liabilities and other financial activities (net)	66	–34
CASH FLOWS FROM FINANCING ACTIVITIES	**–522**	**–402**
CASH AND CASH EQUIVALENTS AT END OF PREVIOUS PERIOD	**1,584**	**1,859**
Cash flows from operating activities	1,972	1,035
Cash flows from investing activities	–57	–878
Cash flows from financing activities	–522	–402
Effects of exchange rate changes	–10	–30
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**2,967**	**1,584**
PAYMENTS FOR TAXES, INTEREST AND DIVIDENDS		
Income taxes paid	–68	–99
Interest received	10,282	6,200
Interest paid	–6,448	–3,581
Dividends received	153	200

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Note
In this report, "Bank Austria Creditanstalt", "the BA-CA Group" and "the Bank Austria Creditanstalt Group" refer to the Group. To the extent that information relates to the parent company's separate financial statements, "Bank Austria Creditanstalt AG" or "BA-CA AG" is used.
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.

Notes (CONTINUED)

(1) Legal basis of the consolidated financial statements

Bank Austria Creditanstalt AG, Vordere Zollamtsstrasse 13, A-1030 Vienna, Austria, is a universal bank conducting banking business within the meaning of Section 1 (1) of the Austrian Banking Act. It is registered under no. FN 150714p in the Austrian Register of Firms at the Commercial Court of Vienna. The geographical focus of the bank's operations is on Austria and CEE.

Pursuant to Article 4 of Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002, companies governed by the law of a member state of the European Union have to prepare their consolidated financial statements for financial years beginning after 31 December 2004 in conformity with the accounting standards adopted in accordance with the procedure laid own in Article 6 of the Regulation if, at the balance sheet date, their shares are admitted to trading on a regulated market in the European Union.

(2) Structural changes

The following UniCredit subsidiaries were included in the group of consolidated companies of the Bank Austria Creditanstalt Group as from 1 January 2007:

- Koç Finansal Hizmetler A.Ş., Turkey (including Yapı Kredi Group)
- Zagrebačka banka d.d., Croatia
- Bulbank AD, Bulgaria
- Živnostenská banka a.s., Czech Republic
- UniBanka a.s., Slovakia
- UniCredit Romania S.A., Romania

The transfer was made in the form of a contribution in kind; in exchange, UniCredit S.p.A. received 55,000,000 new no-par value shares which do not carry dividend rights for 2006 at an issue price of € 105.33. In the IFRS financial statements, the transfer of the companies transferred was based on Group book values.

In 2007, Bank Austria Creditanstalt AG increased its shareholding interest in International Moscow Bank step by step to 100%. This was done through the acquisition of shares from Bayerische Hypo- und Vereinsbank AG (70.26%) and through further purchases. In August 2007, a capital increase of US$ 300 m was carried out. Preliminary goodwill amounts to € 912.7 m. With the approval of the Russian central bank, International Moscow Bank was renamed ZAO UniCredit Bank on 25 December 2007.

Furthermore, Bank Austria Creditanstalt acquired HVB Latvia AS, Latvia, for a purchase price of € 76.2 m. The preliminary goodwill resulting from the transaction is € 11.5 m.

In the first quarter of 2007, a capital increase of € 484.6 m was carried out at Zagrebačka banka d.d. and was fully subscribed by Bank Austria Creditanstalt AG. As a result, Bank Austria Creditanstalt's shareholding interest in Zagrebačka banka d.d., Zagreb, rose from 81.91% to 84.21%.

In the course of the new corporate branding process, HVB Bank Hungary, HVB Serbia and HVB Bank Latvia were renamed in the first quarter of 2007; the banks are now operating under the name of UniCredit Bank.

On 1 April 2007, the 25.5% shareholding interest in Adria Bank AG was sold to Nova Kreditna Banka Maribor (NKBM) at a price of € 9.6 m.

In Slovakia, HVB Bank Slovakia a.s. and UniBanka a.s. merged as at 1 April 2007. The name of the merged bank is UniCredit Bank Slovakia a.s.

On 25 April 2007, CA Immobilien Anlagen AG carried out a capital increase of € 676.3 m. Under this capital increase, Bank Austria Creditanstalt AG acquired 8,112,910 shares at a price of € 23.25, thus increasing its shareholding interest in CA Immobilien Anlagen AG to 10% of the share capital and 33% of the voting capital. This transaction results in preliminary goodwill of € 13.6 m in the Bank Austria Creditanstalt Group. The shareholding interest in CA Immobilien Anlagen AG has been accounted for by BA-CA in its consolidated financial statements using the equity method as from 1 May 2007.

The Bulgarian banking subsidiaries – Bulbank AD, HVB Bank Biochim AD and Hebros Bank AD – merged to form the new UniCredit Bulbank AD as at 27 April 2007.

On 1 June 2007, the Romanian banking subsidiaries HVB Tiriac Bank S.A. and UniCredit Romania S.A. completed their merger. The bank now operates under the name of UniCredit Tiriac Bank SA.

On 27 July 2007, Bank Austria Creditanstalt AG transferred its 99.98% interest in Bank Austria Creditanstalt Leasing GmbH to UniCredit Global Leasing S.p.A., Milan. In exchange, BA-CA receives a shareholding interest of 32.59% in that company, which has been accounted for in the Bank Austria Creditanstalt Group's consolidated financial statements under the equity method as from 1 July 2007.

On 31 July 2007, BA-CA acquired 100% in both Aton International Limited, Nikosia, and Aton Broker, Moscow, for a total purchase price of € 315.8 m. Of the preliminary goodwill, Aton International accounts for € 193.9 m and Aton Broker for about € 43.7 m. Both companies have been consolidated in the Bank Austria Creditanstalt Group's consolidated financial statements as from 31 July 2007.

The Slovenian banking subsidiary Bank Austria Creditanstalt d.d. Ljubljana was renamed UniCredit Bank Slovenija d.d. on 3 September 2007.

CA IB Corporate Finance GmbH, Vienna, was merged into CA IB International Markets AG, Vienna, on 30 October 2007 and CA IB International Markets AG was renamed UniCredit CAIB AG in November 2007. Furthermore, Bank Austria Creditanstalt AG sold the equity

Notes (CONTINUED)

(2) Structural changes (CONTINUED)

interests in the following companies which became equity interests of UniCredit CAIB AG following completion of the structuring under company law of Markets and Investment Banking activities as at year-end 2007:

- CA IB International Markets Ltd., London: sale on 17 October 2007
- UniCredit CA IB Polska, Warsaw, Poland: sale on 23 October 2007, and
- AI Beteiligungs GmbH with equity interests in the two companies Aton International Limited and ZAO ATON Broker: sale on 28 December 2007.

Following completion of their merger on 6 November 2007, Živnostenská banka and HVB Czech Republic now operate in the Czech Republic under the name of UniCredit Bank Czech Republic a.s.

On 13 November 2007, Bank Austria Creditanstalt AG completed the acquisition of ATF Bank, a bank in Kazakhstan. Bank Austria Creditanstalt AG acquired 92.88% of the share capital of ATF Bank, with subsidiaries in Kyrgyzstan, Tajikistan and the Omsk region in southern Siberia, for € 1,592 m. The acquisition of the bank results in preliminary goodwill of € 1,205.8 m.

Effects of changes in the group of consolidated companies

Balance sheet – Assets (€ m)

	31 DEC. 2006	ADDITIONS AS AT 1 JAN. 2007	DISPOSAL 2007	ADDITIONS IN 2007
Cash and cash balances	1,584	1,427	–	41
Financial assets held for trading	16,676	1,153	–	201
Financial assets at fair value through profit or loss	487	101	–1	170
Available-for-sale financial assets	9,697	1,361	–57	81
Held-to-maturity investments	5,772	4,367	–	6
Loans and receivables with banks	32,486	5,987	–535	1,244
Loans and receivables with customers	80,104	20,859	–6,313	4,647
Hedging derivatives	1,207	–	–	–
Changes in fair value of portfolio hedged items (+/–)	–	–	–	–
Investments in associates and joint ventures	1,890	55	–28	50
Property, plant and equipment	1,373	705	–379	143
Intangible assets	1,052	441	–36	354
of which goodwill	*836*	*368*	*–31*	*346*
Tax assets	998	167	–36	7
a) current tax assets	99	18	–	7
b) deferred tax assets	900	149	–36	–
Non-current assets and disposal groups classified as held for sale	15	154	–	–
Other assets	916	344	–180	29
TOTAL ASSETS	**154,255**	**37,122**	**–7,566**	**6,973**

Balance sheet – Liabilities and equity (€ m)

	31 DEC. 2006	ADDITIONS AS AT 1 JAN. 2007	DISPOSAL 2007	ADDITIONS IN 2007
Deposits from banks	48,309	6,905	–5,894	1,842
Deposits from customers	54,969	23,870	–400	2,860
Debt securities in issue	25,347	1,183	–418	1,228
Financial liabilities held for trading	5,264	82	–	109
Financial liabilities at fair value through profit or loss	1,731	–	–	–
Hedging derivatives	1,440	–	–	–
Changes in fair value of portfolio hedged items (+/–)	–	–	–	–
Tax liabilities	587	76	–42	2
a) current tax liabilities	85	20	–6	–
b) deferred tax liabilities	501	56	–35	2
Liabilities included in disposal groups classified as held for sale	–	61	–	–
Other liabilities	1,954	1,114	–217	21
Provisions for risks and charges	4,513	283	–6	2
Insurance reserves	–	162	–	–
Equity	10,140	3,386	–588	909
of which Minorities (+/–)	*213*	*31*	*–8*	–
TOTAL LIABILITIES AND EQUITY	**154,255**	**37,122**	**–7,566**	**6,973**

Notes (CONTINUED)

(3) Significant accounting policies

Pursuant to Section 59a of the Austrian Banking Act and Section 245a of the Austrian Commercial Code, and in conformity with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002, the 2007 consolidated financial statements of Bank Austria Creditanstalt have been prepared in accordance with International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board (IASB) and in accordance with the interpretations of the International Financial Reporting Interpretations Committee (IFRIC/SIC) applicable at the balance sheet date. All standards published by the IASB in the International Financial Reporting Standards 2007 as International Accounting Standards required to be applied to financial statements for 2007, and adopted by the EU, have been applied. In addition, the disclosure rules which are specified in the Accounting Manual of UniCredit, the ultimate parent company, and are required to be applied throughout the Group, were used as a basis for the preparation of the consolidated financial statements. The comparative figures for the previous year are also based on these standards. Unless indicated otherwise, all figures are in millions of euros (€).

Published IFRSs which have not yet become operative and have not yet been applied

IFRS 8, which was adopted by the European Union at year end 2007 and will be effective for annual statements for periods beginning on or after 1 January 2009, contains new rules for the basis of segment reporting. Under these rules, segment reporting is to be based on data other than IFRS data if management decisions rely on such other data. In such a case, a reconciliation to IFRS data in the other elements of financial reporting is required. As BA-CA's internal reporting system is based on IFRS data, there will be no changes in this respect. Furthermore, the new rules require segment reporting figures to reflect inter-segment items and transactions, i.e. gross figures are to be stated. This may result in various changes in individual lines within segment reporting, without having an impact on the bank's overall results or on the segment result.

Changes in accounting principles for the 2007 financial statements

IFRS 7, Financial Instruments: Disclosures, requires more detailed disclosures of the risk position of banks, especially regarding credit risk, to give the user a better insight into the bank's overall risk position. In order to fulfil this requirement Bank Austria has included in the notes some of the information which was not part of the notes in previous years (see note 58d). Apart from this there are no significant disclosure differences in the income statement between the presentation in the 2007 consolidated financial statements and the format used by BA-CA until 2006.

Consolidation methods

All companies that are material and are directly or indirectly controlled by Bank Austria Creditanstalt AG have been consolidated in the consolidated financial statements. The consolidated financial statements of Bank Austria Creditanstalt in accordance with IFRSs are based on the separate financial statements of all consolidated companies prepared on a uniform basis.

Material investments in associated companies, i.e., companies which are neither indirectly nor directly controlled by Bank Austria Creditanstalt AG but in which it can exercise a significant influence, are accounted for using the equity method.

Shares in all other companies are classified as investments available for sale and recognised at their fair values, to the extent that fair value is reliably measurable.

The method of inclusion in the consolidated financial statements is shown in the list of selected subsidiaries and other equity interests in note 55.

Consolidation procedures

Intragroup receivables, liabilities, expenses and income are eliminated unless they are immaterial. Intragroup profits are also eliminated.

Business combinations

In accordance with IFRS 3, paragraph 3 (b), IFRS 3 was not applied to business combinations involving entities under common control.

When a subsidiary is acquired, the fair values of its identifiable assets, including identifiable intangible assets, and liabilities are offset against the cost of acquisition. The difference between the cost of acquisition and the fair value of net assets is recognised in the balance sheet as goodwill if such difference cannot be attributed to intangible assets, e.g. a customer base. Pursuant to IFRS 3 and IAS 36, goodwill is not amortised. Goodwill arising on business combinations after 1 April 2004 is stated in the currency of the acquired company and translated at the closing rate. Goodwill is tested for impairment at least once a year.

As at the date of acquisition, equity of foreign subsidiaries is translated into euros. Gains and losses arising on the foreign currency translation of equity of foreign subsidiaries are recorded directly in equity as at the subsequent balance sheet dates.

Goodwill arising on acquisitions of subsidiaries and other equity interests before 1 January 1995 has been offset against retained earnings.

When a subsidiary is acquired, the calculation of minority interests is based on the fair values of assets and liabilities.

Foreign currency translation

Foreign currency translation is performed in accordance with IAS 21. Monetary assets and liabilities denominated in currencies other than the euro are translated into euros at market exchange rates prevailing at the balance sheet date. Forward foreign exchange transactions not yet settled are translated at the forward rate prevailing at the balance sheet date.

For the purpose of foreign currency translation of the financial statements of foreign subsidiaries, which are prepared in a currency other than the euro, the middle exchange rate prevailing at the balance sheet date has been applied to balance sheet items and the annual average exchange rate has been applied to income statement items.

Cash and cash equivalents

The amount of cash and cash equivalents stated in the cash flow statement includes the cash holdings of non-current assets classified as held for sale.

Financial instruments

Cash purchases and cash sales of financial instruments are recorded at the trade date.

Trading portfolios (including trading derivatives) are recognised at fair value through profit or loss. Netting of trading positions is performed only to the extent that there is an enforceable right to set-off and that this reflects the expected future cash flows from the transaction.

a) Financial assets and financial liabilities held for trading (HfT)

When an HfT financial instrument is recognised initially, it is measured at its fair value excluding transaction costs that are directly recognised in profit or loss. After initial recognition, an entity shall measure these financial instruments at their fair value through profit or loss. A gain or loss arising from sale or redemption or a change in the fair value of an HfT financial instrument is recognised in the income statement item Net trading, hedging and fair value income.

Financial assets held for trading include securities held for trading and positive market values of derivative financial instruments, recognised at their fair values. To determine fair values, market prices and quotes via Bloomberg, Reuters, Telerate, and other price indications from the interbank market etc. are used. Where such prices or quotes are not available, values based on present values or option pricing models are applied.

The item Financial liabilities held for trading shows negative market values of derivative financial instruments and short positions held in the trading portfolio. To determine fair values, market prices and quotes via Bloomberg, Reuters, Telerate, and other price indications from the interbank market etc. are used. Where such prices or quotes are not available, values based on present value calculations or option pricing models are applied.

Notes (CONTINUED)

(3) Significant accounting policies (CONTINUED)

b) Fair value option
When financial assets and financial liabilities are recognised initially, they may be classified as financial assets and financial liabilities at fair value through profit or loss (aFVtPL) if certain requirements are met (either reduction of valuation inconsistencies with associated financial instruments, or inclusion in a group of financial instruments managed at their fair values on the basis of an investment and risk strategy). In BA-CA's balance sheet, financial assets/liabilities at fair value through profit or loss include only those financial instruments which were designated as at fair value through profit or loss upon initial recognition. The results of the valuation are recognised in net trading, hedging and fair value income.

Available-for-sale financial assets (AfS)

Available-for-sale financial instruments are a separate category of financial instruments. To determine their fair values, market prices are used. Where such prices are not available, generally recognised valuation methods are used for determining fair values. Changes in fair values resulting from remeasurement are recognised in a component of equity (available-for-sale reserve) with no effect on income until the disposal of the financial asset. Impairment losses are recognised in income. Reversals of impairment losses on equity instruments are recognised in the available-for-sale reserve within equity; reversals of impairment losses on debt instruments are recognised in income.

Shares in companies which are neither consolidated nor accounted for under the equity method are classified as available for sale.

Held-to-maturity investments (HtM)

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity for which there is the positive intention and ability to hold to maturity.

These investments are recognised at amortised cost. Cost is amortised to the repayable amount until maturity. A held-to-maturity investment is impaired within the meaning of IAS 39.63 if its carrying amount is greater than the present value of estimated future cash flows. Such an impairment is recognised in the item Writedowns and value adjustments on held-to-maturity investments.

Loans and receivables with banks, loans and receivables with customers

Loans and receivables are carried in the balance sheet at amortised cost after deduction of loan loss provisions and including accrued interest. Amounts of premiums and discounts are accounted for at amortised cost.

Loan loss provisions:
Loan loss provisions comprise specific writedowns (including flat-rate specific writedowns, i.e., writedowns on small loans evaluated according to customer-specific criteria) and portfolio-based writedowns (for losses "incurred but not reported"). Loan loss provisions are made on the basis of estimates of future loan losses and interest rebates. Loans and receivables are shown net of loan loss provisions.

Derivatives

Derivatives are financial instruments whose value changes in response to changes in the underlying instrument, which require no initial net investment or only a small initial net investment, and are settled at a future date. Derivatives may be interest rate contracts, foreign exchange contracts, equity-related and other instruments. Credit derivatives are used for active credit portfolio management to optimise writedowns of loans. Derivative transactions may be concluded over the counter (OTC), i.e. directly with the counterparty, or via exchanges. The exposure is reduced by a margin which must be deposited for exchange-traded contracts (futures and options) to absorb current price fluctuations.

Derivatives are stated at their fair values. Changes in fair values are recognised in the income statement, except for effective cash flow hedges in accordance with IAS 39. Credit derivatives meeting the definition of financial guarantees are shown like financial guarantees. To determine fair values as at the transaction date, market prices and official quotes (Bloomberg, Telerate) are used. Where such prices or quotes are not available, recognised and tested models are used for determining current prices.

Hedging derivatives / hedge accounting

In hedge accounting, Bank Austria Creditanstalt distinguishes between fair value hedges and cash flow hedges. In both cases, changes in the values of the hedged item and the hedging instrument are recognised in income in the same period. To qualify for hedge accounting in accordance with IAS 39, hedges must be highly effective.

A fair value hedge provides protection against changes in the fair value of an asset or a liability. The hedging instrument is stated at its fair value, and any gains or losses on the hedging instrument are recognised in income. Gains or losses on the hedged item which are attributable to the hedged risk adjust the carrying amount of the hedged item and are recognised in income. The effectiveness of fair value hedges is measured on an ongoing basis.

Cash flow hedges are used by BA-CA for protecting future variable cash flows against changes in market rates. They hedge the exposure to variability in cash flows which result from assets or liabilities or from planned transactions and have an effect on income. Changes in the fair values of derivatives designated as hedging instruments are divided into a portion that is determined to be an effective hedge, and into an ineffective portion. The effective portion of any gain or loss on the hedging instrument is included in the cash flow hedge reserve and recognised in income in the same period in which the change in the value of the hedged item is recognised in income. This neutralises the effect on income. The effectiveness of cash flow hedges is measured on a regular basis.

Property, plant and equipment; intangible assets

Property, plant and equipment as well as intangible assets are carried at cost less depreciation and/or amortisation in accordance with IAS 16.

Assets are depreciated and amortised on a straight-line basis over their estimated useful lives. At Bank Austria Creditanstalt, depreciation and amortisation is calculated on the basis of the following average useful lives:

- buildings used for banking operations: 25–50 years
- office furniture and equipment: 4–15 years
- software: 4–6 years
- other intangible assets: 4–20 years
- customer base: 10–15 years

Any impairments are recognised in income. When the circumstances that led to such an impairment cease to exist, a reversal of the impairment loss is made. Since 1 January 2005, goodwill arising on business combinations has not been amortised but tested for impairment at least once a year. Impairment losses on goodwill are recognised in the income statement item Goodwill impairment.
No writebacks are allowed in respect of goodwill.

Investment property

Land and buildings held as investment property to earn rental income and/or for capital appreciation are included in property, plant and equipment and recognised at amortised cost. From 2006, rental income from such investments is included in Net other expenses/income.

Disposal groups classified as held for sale

Pursuant to IFRS 5 such disposal groups are to be carried at the lower of carrying amount and fair value less costs to sell. Assets and liabilities of the disposal group are stated separately in the consolidated financial statements. The result from this transaction will be recognised in the Corporate Center business segment.

Notes (CONTINUED)

(3) Significant accounting policies (CONTINUED)

Deferred taxes

Taxes on income are recognised and calculated in accordance with IAS 12 under the balance sheet liability method. At any taxable entity, the calculation is based on the tax rates that are expected to apply to the period in which the deferred tax asset or liability will reverse.

Deferred tax assets and liabilities are calculated on the basis of the difference between the carrying amount of an asset or a liability recognised in the balance sheet and its respective tax base. This difference is expected to increase or decrease the income tax charge in the future (temporary differences). Deferred tax assets are recognised for tax losses carried forward if it is probable that future taxable profits will be available at the same taxable entity. Deferred tax assets and liabilities are not discounted.

The tax expense related to profit before tax is recognised in the relevant item in the consolidated income statement. Taxes other than those on income are included in the item Other administrative expenses.

Pursuant to the group taxation rules introduced in Austria in 2005, BA-CA AG has formed a group of companies. Profit and loss transfer agreements have been concluded with 29 group members, and tax compensation agreements have been reached with the other companies.

Other assets

The components of this item are accounts receivable from deliveries of goods and the performance of services, tax claims and deferred tax assets.

Deposits from banks/customers, debt securities in issue

These items are carried at amortised cost.

In the case of debt securities in issue, any difference between the issue price and the amount repayable is amortised over the period to maturity.

The dividend proposed to the Annual General Meeting is not included in the bank's liabilities.

Long-term employee benefits and termination benefits

Provisions for post-employment benefits are recognised using the projected unit credit method in accordance with IAS 19. Pursuant to IAS 19.93A, actuarial gains and losses are not recognised in income but directly in equity. Such gains and losses are stated in the table "Statement of recognised income and expenses".

Under a commitment to provide defined benefits, Bank Austria Creditanstalt AG continues to recognise a pension provision for the entitlements of employees who retired before the pension reform as at 31 December 1999 became effective, and – as a special feature of Bank Austria Creditanstalt AG's staff regulations – for the future benefits, equivalent to those under mandatory insurance, earned by active employees and pensioners for whom Bank Austria Creditanstalt AG has assumed the obligations of the mandatory pension insurance scheme pursuant to Section 5 of the Austrian General Social Insurance Act (ASVG). The following are also covered by the provision:

- disability risk and rights to future benefits based on early retirement and pension entitlements of surviving dependants, less reimbursement from the pension funds,
- rights to future benefits under commitments to provide direct benefits in individual service agreements,
- rights to future benefits relating to additional pension payments for employees performing manual work.

The present value of pension obligations and severance-payment obligations as well as anniversary bonuses is determined with due regard to internal service regulations, on the basis of the following actuarial assumptions:

- discount rate/Austria: 5.25% p.a. (2005: 4.25% p.a.)
- increases under collective bargaining agreements: 2.45% p.a. (2005: 2.25%); assumption of increases for employees and pensioners
- career trends including regular salary increases under the current collective bargaining agreement for employees of Austrian banks and the effects of the transitional rules under the 2005 reform of Bank Austria Creditanstalt's service regulations. The rate applied in calculating non-regular salary increases was 0.25% p.a. (2005: 0.25% p.a.); assumption of increases for employees
- no discount for staff turnover
- retirement age: as a basis for calculation in respect of employees enjoying "permanent tenure" status in accordance with the internal agreement dated 30 December 1999 (as amended on 1 May 2007) on the payment of a Bank Austria ASVG pension equivalent, the age of 60 for men and 55 for women, with a transition to the retirement age of 65, has been taken into account. For all other employees, the new retirement age of 65 for men and women has been taken into account in accordance with the applicable rules (2003 pension reform including transitional rules). If the corridor pension rule results in a lower retirement age, the lower age was used as retirement age.
- 1999-P statistical tables of Aktuarverein Österreich (most recent life-expectancy tables for salaried staff)

No provisions are made for defined-contribution plans. Payments agreed to be made to a pension fund for defined-contribution plans are recognised as an expense.

Insurance reserves

Pursuant to IFRS 4, insurance contracts are contracts under which one party (the insurer) accepts significant insurance risk – i.e. risk, other than financial risk, to which the policy-holder is exposed on the basis of an uncertain event under contracts held by the policy-holder – from the policy-holder. These reserves represent the obligations, calculated using actuarial methods, arising from insurance contracts within the meaning of IFRS 4.

Equity

Equity is composed of paid-in capital, i.e., capital made available to the company by shareholders (subscribed capital plus capital reserves), and earned capital (retained earnings, foreign currency translation reserves, IAS 39 reserves, actuarial gains/losses, profit carried forward from the previous year, and net profit). The IAS 39 reserves include gains and losses on available-for-sale financial assets (available-for-sale reserve), which are not recognised in income, and those components of hedge accounting in accordance with IAS 39 which are not included in income (cash flow hedge reserve), after adjustment for deferred taxes. Since 1 January 2005, minority interests have been included in equity.

Treasury shares held are deducted from equity. The difference between the price on a later sale of treasury shares and the related post-tax repurchase cost is recognised directly in equity.

Net interest

Interest income and interest expense is accrued and recognised as long as such interest is expected to be recoverable. Income mainly received as payment for the use of capital (usually calculated, like interest, on the basis of a specific term or on the amount receivable) is included in income similar to interest. This item also includes income and expenses from the trading portfolio arising from interest, accrued interest on debt instruments and funding costs relating to the trading portfolio.

Dividends

Dividends are recognised in the income statement in the financial year in which their payment was approved.

Net fees and commissions

Net fees and commissions comprise income from services provided on a fee and commission basis, including trading-induced commission components, as well as expenses incurred for services provided by third parties and related to fee-earning business.

Fees and commissions are recognised on an accrual basis. Securities trading commission is recognised at the time the service is rendered. Investment portfolio management fees, advisory fees and investment fund management fees are recognised on a pro-rata

Notes (CONTINUED)

(3) Significant accounting policies (CONTINUED)

time basis. Fees included in amortised cost used to calculate effective interest rates are not included under fees and commissions, since they are part of the effective interest rate.

Net trading, hedging and fair value income

This item shows the realised and unrealised results from measuring all financial instruments at fair value through profit or loss using the mark-to-market method.

Net other expenses/income

This item also includes the recovery of non-staff expenses.

Other administrative expenses

This item also includes taxes other than those on income, which were previously included in the balance of other income and expenses.

Amortisation, depreciation and impairment losses on tangible and intangible assets

Writedowns on investment property are part of this item.

Net writedowns of loans and provisions for guarantees and commitments

This item includes writedowns of loans and additions to provisions for guarantees and commitments, and income from writebacks as well as recoveries of loans previously written off.

Repo transactions

Securities received in a transaction that entails a contractual obligation to sell them at a later date or delivered under a contractual obligation to repurchase are neither recognised nor derecognised. In respect of securities purchased under an agreement to resell, the consideration is recognised as a loan to customers or banks, or as an asset held for trading. In respect of securities held under a repurchase agreement, the liability is recognised as due to banks or customers, or as an HfT financial liability.

Revenue from these loans, being the coupons accrued on the securities and the difference between the sale/purchase and resale/repurchase prices, is recognised in profit or loss through interest income and expenses on an accrual basis. These transactions can only be offset if, and only if, they are carried out with the same counterparty and provided that such offset is provided for in the underlying contracts.

(4) Events after the balance sheet date

On 25 June 2007, the Management Board of BA-CA AG approved the acquisition of Joint Stock Commercial Bank for Social Development Ukrsotsbank, Kiev, Ukraine, (Ukrsotsbank). On 21 January 2008, the bank acquired a 94.20 % shareholding interest in the bank for € 1,525.5 m. 8.05 % of this interest, with a book value of € 130.4 m, was acquired directly by BA-CA AG, and 86.15 %, with a book value of € 1,395.2 m, was acquired indirectly through Private Joint Stock Company "Ferrotrade International" (a wholly-owned subsidiary of BA-CA AG), which has its headquarters in Kiev.

In February 2008, a lawsuit was served upon BA-CA AG which was filed by a shareholder of BA-CA AG who is also shareholder in Bank BPH S. A., Kraków, Poland (a former Polish subsidiary of BA-CA AG), against Bank BPH S. A., UniCredit and BA-CA AG. The action was brought for the declaratory judgement that BA-CA AG is shareholder in Bank BPH S. A., and that UniCredit is not shareholder in Bank BPH S. A. as the contract on the sale of Bank BPH S. A. by BA-CA AG to UniCredit is allegedly null and void. BA-CA AG believes this lawsuit is inadmissible and without merit.

In January 2008, the Landgericht München decided in favour of plaintiffs who had brought lawsuits contesting the resolutions passed at the Extraordinary General Meeting of HVB AG on 25 October 2006 to approve the sale of BA-CA AG to UniCredit and the sale of the activities of HVB AG in Central and Eastern Europe to BA-CA AG. The court decided on the grounds that two procedural defects had occurred in the Extraordinary General Meeting held in 2006. The court decision does not impact either the validity of the separate transfer of the shareholding interest in BA-CA AG to UniCredit at the beginning of 2007, or the validity of the transfer of HVB AG's activities in Central and Eastern Europe to BA-CA AG. The judgement is moreover not yet final and absolute.

In February 2008, BA-CA AG made an offer of settlement to those former employees who terminated their employment relationship on the grounds of retirement within a period of 8 years (1 January 2000 to 31 December 2007) after the pension entitlements were transferred to the pension fund and who have brought legal action against the bank (326 former employees). The period within which they can make a statement on acceptance of the offer ends around the end of March 2008. If the offer is accepted, benefits must also be offered to comparable former employees who have not brought legal action. This means that the total number of former employees affected in this context is about 2,600.

On 25 February 2008, Yapı Kredi Bank, Turkey, announced its intention to sell the insurance company Yapı Kredi Sigorta AS, Turkey. BA-CA AG held an indirect 38.8 % shareholding interest in Yapı Kredi Sigorta. Pro-rata IFRS equity of the company amounts to € 55.5 m.

Notes (CONTINUED)

Notes to the income statement

(5) Net interest income

		(€ m)
	2007	2006
Interest income	**10,282**	**6,621**
Financial assets held for trading	556	383
Financial assets designated at fair value through profit or loss	19	92
Available-for-sale financial instruments	424	290
Held-to-maturity investments	664	294
Loans and receivables with banks	1,912	1,418
Loans and receivables with customers	6,375	3,594
Hedging derivatives	312	521
Other assets	20	29
Interest expense	**−6,629**	**−4,165**
Deposits from banks	−2,422	−1,654
Deposits from customers	−2,946	−1,314
Debt securities in issue	−1,114	−1,061
Financial liabilities held for trading	−76	0
Financial liabilities designated at fair value through profit or loss	−41	−36
Other liabilities	−24	−56
Hedging derivatives	−4	−44
TOTAL	**3,653**	**2,456**

(6) Dividends and other income from equity investments

		(€ m)
	2007	2006
Income from dividends	**124**	**130**
Investments	23	24
Available-for-sale financial assets	95	100
Financial assets designated at fair value through profit or loss	6	6
Income from investments valued at equity	**160**	**96**
TOTAL	**284**	**225**

(7) Net fees and commissions

Fee and commission income/expense		(€ m)
	2007	2006
Fee and commission income	**2,575**	**2,025**
Management, brokerage and consultancy services	866	637
Collection and payment services	871	685
Other services	838	703
Fee and commission expense	**–451**	**–358**
Management, brokerage and consultancy services	–123	–112
Collection and payment services	–191	–140
Other services	–137	–106
TOTAL	**2,124**	**1,667**

Net fees and commissions		(€ m)
	2007	2006
Management, brokerage and consultancy services	743	525
Collection and payment services	680	545
Other services	701	597
TOTAL	**2,124**	**1,667**

(8) Net trading, hedging and fair value income

		(€ m)
	2007	2006
Financial assets held for trading	**–203**	**176**
Debt securities	–305	–13
Equity instruments	51	149
Units in investment funds	32	44
Loans	6	0
Other	13	–5
Financial liabilities held for trading	**–7**	**0**
Deposits	3	0
Other	–10	0
Other financial investments	**108**	**–2**
Derivatives	**224**	**149**
Financial derivatives	191	147
Credit derivatives	34	2
Trading income from assets and liabilities designated at FV through profit or loss	**15**	**22**
Dividends from trading assets	**4**	**3**
TOTAL	**141**	**348**

Notes (CONTINUED)

Notes to the income statement (CONTINUED)

(9) Net other expenses/income

(€ m)	2007	2006
Other income	356	134
Other expenses	–142	–68
TOTAL	**214**	**66**

This item also includes proceeds from the sale of assets not required for the bank's operations.

(10) Payroll costs

(€ m)	2007	2006
Employees	**–1,796**	**–1,569**
Wages and salaries	–1,365	–1,097
Social charges	–248	–214
Severance pay	–20	–5
Social security costs	–52	–37
Allocation to employee severance pay provision	–32	–28
Provision for retirement payments and similar provisions	–30	–185
Payments to external pension funds	–26	–27
Costs related to share-based payments	–2	–
Other employee benefits	–57	–22
Recovery of compensation	37	46
Others	**–40**	**–38**
TOTAL	**–1,836**	**–1,606**

(11) Other administrative expenses

(€ m)	2007	2006
Indirect taxes and duties	**–21**	**–8**
Miscellaneous costs and expenses	**–1,222**	**–895**
Fees paid to external professionals	–96	–86
Insurance	–23	–9
Advertising	–179	–138
Premises surveillance and cash transportation	–31	–18
Supply and miscellaneous services rendered by third parties	–286	–195
Property related expense	–231	–184
Maintenance and lease rentals for plant and equipment	–63	–41
Postage, telephone, printed materials and other office expenses	–142	–105
Hire charges and other expenses	–53	–33
Other costs	–119	–87
TOTAL	**–1,243**	**–903**

(12) Amortisation, depreciation and impairment losses on tangible and intangible assets

(€ m)	2007	2006
Tangible assets		
Owned	**–195**	**–148**
for operational use	–193	–118
for investment	–2	–30
Financial leases	**–1**	**–5**
for operational use	–1	–5
for investment	–	–
Intangible assets		
Owned	**–74**	**–95**
generated internally by the company	–17	–29
operating leases	–7	–
other	–50	–66
TOTAL	**–270**	**–248**

Notes (CONTINUED)

Notes to the income statement (CONTINUED)

(13) Provisions for risks and charges

(€ m)	2007	2006
Increase	**–113**	**–127**
Legal disputes	–27	–97
Reserves for advisory services	–86	–30
Decrease	**38**	**16**
Legal disputes	17	16
Reserves for advisory services	21	–
TOTAL	**–75**	**–111**
Net provisions		
Legal disputes	–10	–81
Reserves for advisory services	–65	–30
TOTAL	**–75**	**–111**

(14) Restructuring costs

(€ m)	2007	2006
Provisions	1	–234
Impairment of tangible assets	–	–2
Impairment of intangible assets	–	–
Payroll costs	–3	–1
Other administrative expenses	–30	–10
TOTAL	**–33**	**–248**

(15) Net writedowns of loans and provisions for guarantees and commitments

(€ m)	2007	2006
Impairment losses on loans and receivables	**–506**	**–664**
Loans and receivables with banks	**7**	**–3**
writedowns	–	–3
writebacks	4	–
payments received for written-off loans	4	–
Loans and receivables with customers	**–513**	**–661**
writedowns	–1,180	–945
writebacks	529	261
payments received for written-off loans	138	23
Impairment losses on other transactions	**23**	**–15**
TOTAL	**–483**	**–679**

(16) Net income from investments

	(€ m)	
	2007	2006
Income	381	2,340
Expense	–113	–27
NET INCOME FROM INVESTMENTS	**268**	**2,313**

	2007						
	AVAILABLE-FOR-SALE INVESTMENTS	HELD-TO-MATURITY INVESTMENTS	ASSOCIATED COMPANIES	PROPERTY	OTHER ASSETS	TOTAL	2006
Income	**251**	**–**	**31**	**89**	**11**	**381**	**2,340**
Gains on disposal	251	–	30	89	11	381	2,340
Writebacks	–	–	1	–	–	1	–
Other positive changes	–	–	–	–	–	–	–
Expense	**–3**	**–14**	**–9**	**–75**	**–11**	**–113**	**–27**
Writedowns	–3	–14	–	–	–	–18	–12
Impairment losses	–	–	–8	–	–	–8	–12
Losses on disposal	–	–	–1	–75	–11	–87	–4
Other negative changes	–	–	–	–	–	–	–
NET GAINS (LOSSES)	**248**	**–14**	**21**	**13**	**–**	**268**	**2,313**

(17) Income tax

	(€ m)	
	2007	2006
Current tax	–297	–193
Deferred taxes	–84	53
INCOME TAX	**–382**	**–140**

Notes (CONTINUED)

Notes to the income statement (CONTINUED)

Reconciliation of theoretical tax charge to actual tax charge		(€ m)
	2007	2006
Profit before tax	**2,745**	**3,272**
Applicable tax rate	25%	25%
Theoretical tax	**–686**	**–818**
Different tax rates	68	20
Non-taxable income	553	626
Non-deductible expenses	–399	–12
Prior years and changes in tax rates	19	8
a) effects on current tax	22	8
losses carried forward	1	8
other previous year effects	22	–
b) effects on deferred tax	–4	–
changes in tax rates	1	–
new tax imposed (–), previous tax revoked (+)	–5	–
Valuation adjustments and non-recognition of deferred taxes	77	43
writedowns deferred tax assets	–33	–
recognition of deferred tax assets	85	30
non-recognition of deferred tax assets	–4	–
non-recognition of deferred tax assets/liabilities under IAS 12.39 and 12.44	29	12
Amortisation of goodwill		–2
Non-taxable foreign income	9	3
Other differences	–21	–9
INCOME TAX	**–382**	**–140**

(18) Earnings per share

During the reporting period, no financial instruments with a dilutive effect on the bearer shares were outstanding. Therefore basic earnings per share in accordance with IAS 33 equal diluted earnings per share in accordance with IAS 33. Earnings per share are calculated on the basis of the average number of shares outstanding (2007: 192.9 million shares; 2006: 147.0 million shares).

(19) Dividends

The profit shown in Bank Austria Creditanstalt AG's separate financial statements pursuant to the Austrian Commercial Code for the financial year beginning on 1 January 2007 and ending on 31 December 2007 amounts to € 1,162.3 m. The amount of € 354.6 m was allocated to reserves and the profit brought forward from the previous year was € 2.3 m. Thus the profit available for distribution was € 810.0 m. The Management Board proposes to the Annual General Meeting that a dividend of € 4.00 per share entitled to a dividend be paid on the share capital of € 1,468,770,749.80. As the number of shares is 202,031,740, the total amount of the proposed dividend is € 808.1 m.

Furthermore, the Management Board proposes that the remaining amount of € 1.9 m be carried forward to new account.

Notes to the balance sheet

(20) Cash and cash balances

		(€ m)
	31 DEC. 2007	31 DEC. 2006
Cash	1,013	391
Demand deposits with central banks	1,954	1,192
TOTAL	**2,967**	**1,584**

(21) Financial assets held for trading

				(€ m)
	31 DEC. 2007			31 DEC. 2006
	LISTED	UNLISTED	TOTAL	TOTAL
Financial assets (non-derivatives)	**9,059**	**2,432**	**11,491**	**11,085**
Debt securities	8,900	1,517	10,416	9,603
Equity instruments	147	661	808	1,381
Units in investment funds	2	40	42	92
Loans	–	214	214	4
Impaired assets	10	–	10	6
Positive fair values of derivative financial instruments	**12**	**7,589**	**7,601**	**5,590**
Financial derivatives	12	7,477	7,489	5,573
Credit derivatives	–	112	112	17
TOTAL	**9,071**	**10,021**	**19,092**	**16,676**

(22) Financial assets at fair value through profit or loss

				(€ m)
	31 DEC. 2007			31 DEC. 2006
	LISTED	UNLISTED	TOTAL	TOTAL
Debt securities	534	44	577	204
Equity instruments	10	21	31	39
Units in investment funds	11	295	306	244
Loans	20	–	20	–
TOTAL	**575**	**360**	**935**	**487**

This item shows assets in respect of which BA-CA used the option to designate financial instruments as at fair value through profit or loss in order to avoid inconsistencies in the valuation of assets and liabilities which are connected with each other. Most of these assets are complex structures with embedded derivatives. Overall, a positive valuation result of € 16.0 m (2006: € 20.9 m) from the valuation of assets totalling € 935 m (2006: € 487 m) was recognised in the income statement.

Notes (CONTINUED)

Notes to the balance sheet (CONTINUED)

Financial assets at fair value through profit or loss: annual changes					(€ m)
	2007				
	DEBT SECURITIES	EQUITY INSTRUMENTS	UNITS IN INVESTMENT FUNDS	LOANS	TOTAL
As at 1 January 2007	**204**	**39**	**244**	**–**	**487**
Changes of consolidated companies	**224**	**–**	**16**	**30**	**270**
Increases	**455**	**–**	**150**	**–**	**606**
Purchases	423	–	116	–	539
Positive changes in fair value	3	–	23	–	27
Other adjustments	28	–	11	–	40
Reductions	**–305**	**–8**	**–105**	**–10**	**–427**
Sales	–210	–8	–91	–	–309
Redemptions	–69	–	–	–10	–79
Negative changes in fair value	–15	–	–5	–	–19
Other adjustments	–12	–	–9	–	–21
AS AT 31 DECEMBER 2007	**577**	**31**	**306**	**20**	**935**

(23) Available-for-sale financial assets

				(€ m)
	31 DEC. 2007			31 DEC. 2006
	LISTED	UNLISTED	TOTAL	TOTAL
Debt securities	4,898	2,623	7,521	5,745
Equity instruments	129	2,056	2,185	2,797
Units in investment funds	26	1,132	1,159	1,155
TOTAL	**5,053**	**5,811**	**10,864**	**9,697**

(24) Held-to-maturity investments

		(€ m)
	31 DEC. 2007	31 DEC. 2006
Debt securities		
Structured securities	70	125
Other securities	7,553	5,646
TOTAL	**7,623**	**5,772**

Held-to-maturity investments: annual changes	(€ m)
	2007
As at 1 January 2007	**5,772**
Changes of consolidated companies	**4,373**
Increases	**2,403**
Purchases	2,025
Writebacks	1
Other changes	377
Decreases	**–4,925**
Sales	–281
Redemptions	–4,245
Writedowns	–6
Other changes	–393
AS AT 31 DECEMBER 2007	**7,623**

(25) Loans and receivables with banks

		(€ m)
	31 DEC. 2007	31 DEC. 2006
Loans to central banks	**5,365**	**1,409**
Time deposits	289	180
Compulsory reserves	3,573	1,012
Repos	1,120	165
Other	382	52
Loans to banks	**32,642**	**31,077**
Current accounts and demand deposits	7,527	4,368
Time deposits	11,689	6,700
Other loans	13,397	19,984
Debt securities	–	–
Impaired assets	28	25
TOTAL	**38,007**	**32,486**
Loan loss provisions deducted from loans and receivables	33	6

(26) Loans and receivables with customers

		(€ m)
	31 DEC. 2007	31 DEC. 2006
Other transactions	72,641	44,022
Current accounts	15,824	14,042
Mortgages	15,506	8,800
Credit cards and personal loans, incl. loans guaranteed by salary	8,559	5,464
Impaired assets	2,071	1,796
Finance leases	740	5,613
Assets sold but not derecognised	–	366
TOTAL	**115,341**	**80,104**
Loan loss provisions deducted from loans and receivables	3,570	2,655

Notes (CONTINUED)

Notes to the balance sheet (CONTINUED)

(27) Hedging derivatives

(€ m)

	31 DEC. 2007			
	INTEREST RATES	CURRENCY AND GOLD	EQUITY INSTRUMENTS	TOTAL
Unlisted	**992**	**140**	**15**	**1,147**
Financial derivatives	992	140	15	1,147
Credit derivatives	–	–	–	–
TOTAL	**992**	**140**	**15**	**1,147**

(28) Equity investments

(€ m)

	INVESTMENTS VALUED AT EQUITY	OF WHICH GOODWILL	OTHER INVESTMENTS	2007
As at 1 January 2007	**1,109**	**93**	**780**	**1,890**
Changes of consolidated companies	**9**	**–**	**68**	**77**
Increases	**826**	**33**	**206**	**1,032**
Purchases	692	33	184	876
Writebacks	–	–	12	12
Revaluation	–	–	–	–
Other changes	134	–	10	144
Decreases	**–22**	**–**	**–696**	**–718**
Sales	–	–	–687	–687
Writedowns	–	–	–8	–8
Other changes	–22	–	–	–22
AS AT 31 DECEMBER 2007	**1,922**	**126**	**359**	**2,281**

(29) Property, plant and equipment

(€ m)	31 DEC. 2007	31 DEC. 2006
Assets for operational use	**1,751**	**839**
Owned	**1,698**	**785**
Land	185	114
Buildings	1,088	456
Equipment	152	44
Electronic systems	131	33
Other	142	138
Leased	**53**	**54**
Buildings	53	53
Held-for-investment assets	**252**	**535**
Owned	**252**	**535**
Land	197	181
Buildings	55	295
Other	–	58
TOTAL	**2,003**	**1,373**

Property, plant and equipment: annual changes (€ m)

	2007		
	ASSETS FOR OPERATIONAL USE	INVESTMENT PROPERTY	TOTAL
As at 1 January 2007	**839**	**535**	**1,373**
Changes of consolidated companies	**766**	**–297**	**469**
Increases	**601**	**19**	**620**
Purchases	356	18	374
Writebacks	1	–	1
Foreign currency translation difference	26	–	26
Other adjustments	217	1	218
Reductions	**–454**	**–5**	**–459**
Disposals	–45	–2	–47
Depreciation	–195	–3	–199
Foreign currency translation difference	–16	–	–16
Other adjustments	–197	–	–197
AS AT 31 DECEMBER 2007	**1,751**	**252**	**2,003**

Notes (CONTINUED)

Notes to the balance sheet (CONTINUED)

(30) Intangible assets

(€ m)	31 DEC. 2007	31 DEC. 2006
Goodwill	**3,886**	**836**
Other intangible assets	**373**	**217**
Intangible assets generated internally	153	130
Other assets	220	87
TOTAL	**4,258**	**1,052**

Intangible assets – annual changes (€ m)

	2007		
	GOODWILL	OTHER INTANGIBLE ASSETS	TOTAL
As at 1 January 2007	**836**	**217**	**1,052**
Changes of consolidated companies	**683**	**76**	**759**
Increases	**2,406**	**223**	**2,629**
Purchases	2,389	195	2,584
Writebacks	–	–	–
Foreign currency translation difference	–	–	–
Other adjustments	17	28	45
Reductions	**–39**	**–143**	**–182**
Disposals	–	–11	–11
Writedowns	–	–74	–74
Foreign currency translation difference	–20	–3	–23
Other adjustments	–19	–55	–74
AS AT 31 DECEMBER 2007	**3,886**	**373**	**4,258**

(31) Tax assets

(€ m)	31 DEC. 2007	31 DEC. 2006
Current tax assets	**151**	**99**
Deferred tax assets	**856**	**900**
Assets/liabilities held for trading	13	4
Other financial instruments	42	30
Property, plant and equipment	31	1
Provisions	387	473
Other assets/liabilities	64	60
Loans and receivables with banks and customers	70	43
Tax losses carried forward	245	284
Other	3	4
TOTAL	**1,007**	**998**

In 2007, deferred taxes were also recognised directly in equity. € 16 m (2006: € 96 m) was debited to the available-for-sale reserve and € 18 m (2006: € 27 m) was debited to the cash flow hedge reserve.

In addition, as actuarial gains and losses on pension and severance-payment obligations were not recognised in income in the reporting year, deferred tax assets of € 53 m (2006: € 8 m) were offset against equity in BA-CA AG.

As a result of the first-time consolidation of the subsidiaries and sub-groups referred to in note 2, and of foreign currency translation of deferred taxes and direct offsetting against reserves, part of the change in deferred taxes was not reflected in the expense in 2007.

The assets include deferred tax assets arising from the carryforward of unused tax losses in the amount of € 245 m (2006: € 284 m). Most of the tax losses carried forward can be used without time restriction.

In respect of tax losses carried forward in the amount of € 126 m (2006: € 668 m), no deferred tax assets were recognised because, from a current perspective, a tax benefit is unlikely to be realised within a reasonable period.

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

		(€ m)
	31 DEC. 2007	31 DEC. 2006
Non-current assets	**535**	**10**
Asset groups classified as held for sale		
Financial assets held for trading	–	–
Financial assets at fair value through profit or loss	–	–
Available-for-sale financial assets	557	–
Held-to-maturity investments	407	–
Loans and receivables with banks	65	–
Loans and receivables with customers	95	–
Equity investments	–	5
Property, plant and equipment	3	–
Intangible assets	3	–
Other assets	62	–
Total	**1,192**	**5**
TOTAL ASSETS	**1,727**	**15**

Following a resolution passed by the Management Board, this item includes real estate at Vordere Zollamtsstrasse 13 and real estate at Am Hof 2, which is carried in the balance sheet of a subsidiary; both properties are intended to be sold. Profit- and liquidation-sharing rights in Immobilien Holding GmbH and the equity interest in Hypo Stavebni Sporitelna in the Czech Republic are also offered for sale.

Notes (CONTINUED)

Notes to the balance sheet (CONTINUED)

(33) Deposits from banks

		(€ m)
	31 DEC. 2007	31 DEC. 2006
Deposits from central banks	**5,448**	**7,554**
Deposits from banks	**46,997**	**40,754**
Current accounts and demand deposits	6,933	8,714
Time deposits	21,473	18,011
Other liabilities	18,591	14,030
TOTAL	**52,445**	**48,309**

(34) Deposits from customers

		(€ m)
	31 DEC. 2007	31 DEC. 2006
Current accounts and demand deposits	34,439	27,172
Time deposits	35,323	25,252
Other liabilities	23,441	2,545
TOTAL	**93,203**	**54,969**

(35) Debt securities in issue

		(€ m)
	31 DEC. 2007	31 DEC. 2006
Listed securities	**12,329**	**12,005**
Bonds	11,923	11,600
Other securities	406	405
Unlisted securities	**14,167**	**13,342**
Bonds	11,663	10,859
Other securities	2,504	2,484
TOTAL	**26,496**	**25,347**

(36) Financial liabilities held for trading

(€ m)	31 DEC. 2007			31 DEC. 2006
	LISTED	UNLISTED	TOTAL	TOTAL
Financial liabilities	**124**	**1,124**	**1,248**	**70**
Deposits from banks	–	1,109	1,109	7
Deposits from customers	102	12	114	62
Debt securities	22	3	25	–
Negative fair values of derivative financial instruments	**64**	**6,130**	**6,194**	**5,194**
Financial derivatives	64	6,056	6,120	5,180
Credit derivatives	–	74	74	14
TOTAL	**188**	**7,254**	**7,442**	**5,264**

(37) Financial liabilities at fair value through profit or loss

(€ m)	31 DEC. 2007			31 DEC. 2006
	LISTED	UNLISTED	TOTAL	TOTAL
Deposits from banks	–	12	12	–
Deposits from customers	–	–	–	–
Debt securities	183	2,191	2,374	1,731
TOTAL	**183**	**2,203**	**2,386**	**1,731**

This item shows liabilities in respect of which BA-CA used the option to designate financial instruments as at fair value through profit or loss in order to avoid inconsistencies in the valuation of assets and liabilities which are connected with each other. Most of these liabilities are debt securities and complex structures with embedded derivatives. Overall, a negative change of € 1.2 m (2006: € 0.7 m) in the fair values of other debt securities totalling € 2,386 m (2006: € 1,731 m) was recognised in the income statement. In 2007, changes in fair values resulting from changes in our own credit rating were + € 30.6 m (2006: + € 2.9 m).

Notes (CONTINUED)

Notes to the balance sheet (CONTINUED)

(38) Hedging derivatives

(€ m)

	31 DEC. 2007		
	INTEREST RATES	CURRENCY AND GOLD	TOTAL
Unlisted	**1,097**	**541**	**1,638**
Financial derivatives	1,097	541	1,638
Credit derivatives	–	–	–
TOTAL	**1,097**	**541**	**1,638**

(39) Tax liabilities – income tax

(€ m)

	31 DEC. 2007	31 DEC. 2006
Current tax liabilities	**125**	**85**
Deferred tax liabilities	**492**	**501**
Loan loss provisions for loans and receivables with banks and customers	1	35
Assets/liabilities held for trading	6	1
Other financial instruments	382	431
Property, plant and equipment/intangible assets	66	19
Other assets/liabilities	12	11
Deposits from banks and customers	1	–
Other	24	4
TOTAL	**616**	**587**

Pursuant to IAS 12.39, no deferred tax liabilities were recognised for temporary differences in connection with investments in domestic subsidiaries because from a current perspective, they are not intended to be sold.

(40) Provisions

(€ m)

	31 DEC. 2007	31 DEC. 2006
Pensions and other post-retirement benefit obligations	**4,088**	**3,714**
Other provisions for risks and charges	**523**	**799**
Legal disputes	181	209
Other	341	590
TOTAL	**4,611**	**4,513**

Pensions and other post-retirement defined-benefit obligations	(€ m)
	2007
Opening net defined-benefit obligations	**3,714**
Changes of consolidated companies	**172**
Service cost	71
Finance cost	153
Actuarial gains (losses) recognised in the year	210
Gains (losses) on curtailments	–164
Benefit paid	–228
Other increases*)	383
Other reductions*)	–224
CLOSING NET DEFINED-BENEFIT OBLIGATIONS	**4,088**

*) Includes amounts arising from business combinations

Other provisions: annual changes	(€ m)
	2007
Provisions as at 1 January	**799**
Changes of consolidated companies	**107**
Increases	**72**
Provisions for the year	16
Changes due to the passage of time	–
Differences due to discount-rate changes	–
Other increases	56
Decreases	**–455**
Use during the year	–56
Differences due to discount-rate changes	–
Other decreases	–399
PROVISIONS AS AT 31 DECEMBER	**523**

Other decreases include the use of € 197 m of the restructuring provision in BA-CA AG.

Notes (CONTINUED)

Notes to the balance sheet (CONTINUED)

(41) Liabilities included in disposal groups classified as held for sale

(€ m)	31 DEC. 2007	31 DEC. 2006
Liabilities associated with assets classified as held for sale		
Deposits	–	–
Securities	–	–
Other liabilities	103	–
Total	**103**	**–**
Liabilities included in disposal groups classified as held for sale		
Deposits from banks	–	–
Deposits from customers	1,143	–
Debt securities in issue	–	–
Financial liabilities held for trading	–	–
Financial liabilities at fair value through profit or loss	–	–
Other liabilities	1	–
Total	**1,144**	**–**
TOTAL LIABILITIES	**1,247**	**–**

(42) Equity

As at 31 December 2007, the number of shares was 202,031,740, of which 10,100 were registered shares. The registered shares (10,000 registered shares are held by “Privatstiftung zur Verwaltung von Anteilsrechten”, a private foundation under Austrian law; 100 registered shares are held by “Betriebsratsfonds des Betriebsrats der Angestellten der Bank Austria Creditanstalt AG Großraum Wien”, the Employees’ Council Fund of the Employees’ Council of employees of Bank Austria Creditanstalt AG in the Vienna area) carry special rights: for resolutions concerning spin-offs and specific mergers or specific changes in the bank’s Articles of Association to be adopted at a general meeting of shareholders, the registered shareholders have to be present when the resolutions are adopted. The relevant resolutions are specified in Article 20 (13) and (14) of Bank Austria Creditanstalt’s Articles of Association.

As part of the bank’s securities business with its customers, Bank Austria Creditanstalt acquired 2,244,584 ordinary shares in Bank Austria Creditanstalt AG at the average price of € 136.66 and sold 2,261,584 shares at the average price of € 136.76. As at 31 December 2007, Bank Austria Creditanstalt AG and the consolidated subsidiaries held shares in Bank Austria Creditanstalt AG and shares in a controlling company worth € 0.99 m.

Pursuant to a resolution passed at the Annual General Meeting on 19 May 2005, the Management Board is authorised, in accordance with Section 169 of the Austrian Joint Stock Companies Act, to increase the share capital by up to € 534,460,374.90 by issuing up to 73,515,870 new no-par value shares against contributions in cash or in kind, excluding or not excluding subscription rights, until 21 June 2010. On 4 December 2006, the Management Board passed a resolution, with the consent of the Supervisory Board on 21 December 2006, to make partial use of the additional authorised capital and to increase the share capital by € 399,850,000 by issuing 55,000,000 no-par value shares in exchange for the contribution in kind of the “CEE Business Unit of UniCredit”, excluding subscription rights. The capital increase was carried out on 17 March 2007. The new shares are not listed and are entitled to dividend payments for profits from the 2007 financial year.

As at 31 December 2007, the amount of additional authorised capital was up to € 134,610,374.90.

Additional IFRS disclosures

(43) Time breakdown by contractual residual maturity of financial assets and liabilities

(€ m)

	AMOUNTS AS AT 31 DEC. 2007					
	ON DEMAND	TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS	TOTAL
Assets						
Loans	**17,562**	**31,628**	**20,075**	**33,572**	**50,511**	**153,349**
Banks	9,317	15,623	5,969	5,646	1,452	38,007
Customers	8,245	16,005	14,106	27,926	49,059	115,341
Liabilities						
Deposits	**41,111**	**41,196**	**9,293**	**4,739**	**1,829**	**98,168**
Banks	8,132	15,063	3,049	1,099	1,063	28,406
Customers	32,979	26,133	6,245	3,639	766	69,762
Debt securities in issue	**25**	**2,662**	**2,528**	**12,745**	**8,536**	**26,496**
Other liabilities	**4,141**	**14,316**	**15,124**	**8,008**	**5,890**	**47,479**

(44) Geographical distribution

Geographical distribution of total assets and operating income (€ m)

	31 DEC. 2007	
	TOTAL ASSETS	OPERATING INCOME
Austria	128,904	2,659
Total European countries	72,613	3,694
Western Europe	744	83
Central and Eastern Europe	71,869	3,611
America	995	33
Asia	6,658	29
Rest of the world	–	–
TOTAL	**209,170**	**6,414**

The geographic breakdown is based on the location of the subsidiary in which the transaction is recorded.

(45) Fair values

The following table shows the fair values of assets and liabilities. Loans and receivables with banks as well as loans and receivables with customers are stated net of loan loss provisions. The fair values indicated in the table are the amounts for which the financial instruments could have been exchanged between knowledgeable, willing parties in an arm's length transaction at the balance sheet date. To the extent that market prices were available from exchanges or other efficient markets, these were stated as fair values. For the other financial instruments, internal valuation models were used, in particular the present value method (discounting future cash flows on the basis of current yield curves). For fixed-rate loans to, and deposits from, banks and customers with a remaining maturity of, or regular interest rate adjustment within a period of, less than one year, amortised cost was stated as fair value. Investments in listed companies are included in the fair value of investments at their market values as at the balance sheet date. For investments in unlisted companies, the carrying amount was stated as fair value.

Notes (CONTINUED)

Additional IFRS disclosures (CONTINUED)

Fair values (€ m)

	2007		2006			
	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	DIFF. BETWEEN FAIR VALUE AND CARRYING AMOUNT 2007	DIFF. BETWEEN FAIR VALUE AND CARRYING AMOUNT 2006
Loans and receivables with banks	38,463	38,007	32,548	32,486	457	62
Loans and receivables with customers	116,812	115,341	80,463	80,104	1,471	359
Investments	22,238	21,702	17,835	17,845	536	–10
					2,463	**411**
Deposits from banks	52,324	52,445	48,275	48,309	–121	–33
Deposits from customers	94,399	93,203	54,843	54,969	1,196	–126
Debt securities in issue	26,422	26,496	25,381	25,347	–74	33
					1,001	**–126**
BALANCE					**1,462**	**537**

(46) Related party disclosures

a) Information on members of the Management Board, the Supervisory Board and the Employees' Council of Bank Austria Creditanstalt AG

Emoluments of members of the Management Board and the Supervisory Board

The emoluments paid by BA-CA AG to Management Board members in 2007 (excluding payments into pension funds) totalled € 7.62 m (comparable emoluments in 2006 totalled € 6.30 m). Of this total, € 1.88 m (2006: € 1.98 m) related to fixed salary components, and € 5.74 m (2006: € 4.32 m) related to variable salary components. Several members of the Management Board receive their emoluments from companies which are not included in the group of consolidated companies of BA-CA; these emoluments granted to Management Board members in such companies in the 2007 financial year amounted to € 5.06 m (2006: € 7.20 m). These Management Board members also received emoluments for activities which are not connected with the BA-CA Group but are in the interest of UniCredit Group.

Payments to former members of the Management Board and their surviving dependants (excluding payments into pension funds) totalled € 9.64 m (of which € 4.76 m was paid to former Management Board members of Creditanstalt AG, which merged with Bank Austria in 2002; € 1.92 m was paid to former Management Board members of Österreichische Länderbank AG, which merged with Zentralsparkasse in 1991, and their surviving dependants). The comparative figure for 2006 is € 10.96 m. Emoluments paid to this group of persons for activities in subsidiaries amounted to € 0.53 m (2006: € 0.57 m).

The emoluments of the Supervisory Board members active in the 2007 business year totalled € 0.32 m (2006: € 0.31 m) for Bank Austria Creditanstalt AG, and € 0.01 m (2006: € 0.01 m) for the two credit associations.

Loans to members of the Management Board and of the Supervisory Board

Loans to members of the Management Board amounted to € 0.27 m (2006: € 0.25 m), overdrafts granted to them were € 0.1 m (2006: € 0.1 m).

Loans to members of the Supervisory Board amounted to € 0.72 m (2006: € 0.27 m). Credit lines and overdrafts granted to Supervisory Board members totalled € 0.52 m (2006: € 0.1 m). Repayments during the business year totalled € 0.03 m (2006: € 0.04 m).

Loans to the Supervisory Board include those made to members of the Employees' Council who are members of the Supervisory Board. The maturities of the loans range from five to fifteen years. The rate of interest payable on these loans is the rate charged to employees of Bank Austria Creditanstalt.

Names of members of the Management Board and the Supervisory Board

Note 57 contains a list of the members of the Management Board and the Supervisory Board.

b) Relationships with unconsolidated subsidiaries and other companies in which an equity interest is held
All related-party banking transactions were effected on market terms.

Transactions with companies which are related parties are explained in note 2.

There is a syndicate agreement – the "Restated Bank of the Regions Agreement" – between UniCredit, "AV-Z Stiftung" and "Betriebsratsfonds des Betriebsrats der Angestellten der Bank Austria Creditanstalt AG Großraum Wien", which replaced the previous syndicate agreement.

In the Restated Bank of the Regions Agreement, the contracting parties "AV-Z Stiftung" and "Betriebsratsfonds des Betriebsrats der Angestellten der Bank Austria Creditanstalt AG Großraum Wien" have given an undertaking to UniCredit to the effect that if they want to sell BA-CA shares, they will first offer such shares held by them to UniCredit. If UniCredit does not accept the offer, the relevant contracting party could sell the BA-CA shares to a third party. In this case UniCredit has a right of preemption. For the duration of this agreement (10 years), "AV-Z Stiftung" has a right to nominate two members of the Supervisory Board of BA-CA AG, and thereafter one member of the Supervisory Board for the duration of the guarantee issued by the Municipality of Vienna and "AV-Z Stiftung".

As at 31 December 2007, UniCredit held a direct interest of 96.35% in BA-CA AG.

As at 31 December 2007, one Management Board member of HVB was a member of the Supervisory Board of BA-CA AG (the same member is a member of UniCredit's Management Committee), one Management Board member of BA-CA AG was also a member of HVB's Management Board until 31 December 2007.

As at 31 December 2007, there were the following interlocking relationships with UniCredit S.p.A.:
- The Chairman of the Supervisory Board of BA-CA AG is a member of the Board of Directors and a member of the Management Committee of UniCredit.
- Another member of the Supervisory Board is also a member of the Board of Directors of UniCredit.
- A further six members of the Supervisory Board of BA-CA AG are members of the Management Committee of UniCredit (one of them is also a member of the Management Board of HVB).
- Two members of the Management Board of BA-CA AG were members of the Management Committee of UniCredit.

Related party relationships and transactions as at 31 December 2007 (€ m)

	PARENT COMPANY AND UNCONSOLIDATED SUBSIDIARIES	ASSOCIATES	KEY MANAGEMENT PERSONNEL	OTHER RELATED PARTIES
Financial assets held for trading	2,483	–	–	–
Available-for-sale financial assets	61	14	–	–
Held-to-maturity investments	35	–	–	–
Loans and receivables with banks	8,408	745	–	–
Loans and receivables with customers	6,308	141	–	–
Investments in companies	305	48	–	–
Other assets	987	–	–	–
ASSETS	**18,587**	**949**	**–**	**–**
Deposits from banks	9,740	11,498	–	–
Deposits from customers	794	34	–	–
Debt securities in issue	1,730	–	–	–
Financial liabilities held for trading	994	–	–	–
Financial liabilities at fair value through profit or loss	469	–	–	–
Other liabilities	665	–	–	–
LIABILITIES	**14,392**	**11,532**	**–**	**–**

Notes (CONTINUED)

Additional IFRS disclosures (CONTINUED)

c) Other information on related party relationships

Privatstiftung zur Verwaltung von Anteilsrechten ("AV-Z Stiftung", the "Private Foundation"; until and including 17 April 2001, "Anteilsverwaltung – Zentralsparkasse")

Under Section 92 (9) of the Austrian Banking Act, the Private Foundation serves as deficiency guarantor for all liabilities of BA-CA AG in the event of the company's insolvency. The board of trustees of the Private Foundation has 14 members. These included four members of the Supervisory Board of BA-CA.

Municipality of Vienna

After the change in the legal form of Anteilsverwaltung-Zentralsparkasse into a private foundation in 2001, the Municipality of Vienna serves as deficiency guarantor for all outstanding liabilities, and obligations to pay future benefits, of Bank Austria Creditanstalt AG (then Bank Austria Aktiengesellschaft) which were entered into prior to and including 31 December 2001.

B & C Privatstiftung

The board of trustees of this foundation has three members. One of them is a member of the Management Board of BA-CA.

Immobilien Privatstiftung

The board of trustees of this foundation has three members. One of them is a member of the Management Board of BA-CA.

(47) Share-based payments

Outstanding instruments

The Management Board and selected employees of the Bank Austria Creditanstalt Group participate in UniCredit's incentive scheme for share-based payments. The share-based payments comprise:

- Stock Options,
- Performance Shares represented by UniCredit ordinary shares that the parent company undertakes to grant, conditional upon achieving performance targets set at Group and Division level in the Strategic Plan and any amendments thereto approved by the parent company's Board of Directors,
- Restricted Shares.

MEASUREMENT MODEL

Stock Options

The Hull and White Evaluation Model has been adopted to measure the economic value of Stock Options.

The following table shows the measurements and parameters used in relation to the Stock Options granted in 2007.

Measurement of Stock Options in 2007

	STOCK OPTIONS 2007
Exercise price (€)	7.094
UniCredit share market price (€)	7.094
Grant date	12 June 2007
Vesting period start-date	13 July 2007
Vesting period end-date	13 July 2011
Expiry date	15 July 2017
Exercise price-multiple (M)	1.5
Exit rate post vesting (E)	3.73 %
Dividend yield*)	2.8306 %
Volatility	17.296 %
Risk-free rate	4.624 %
Stock Options' fair value per unit at grant date (€)	1.3292

*) Ratio between the average of the dividends paid by UniCredito Italiano S.p.A. from 2004 to 2007 and the stock's market value at grant date.

Parameters are calculated as follows:

- **Exercise price:** arithmetic mean of the official market price of UniCredit ordinary shares during the month preceding the granting Board of Directors resolution.
- **UniCredit share market price:** set equal to the exercise price, in consideration of the "at the money" allocation of Stock Options at the date of the grant.
- **Exit rate:** annual percentage of Stock Options forfeited due to termination.
- **Dividend yield:** last four years' average dividend yield according to the duration of the vesting period.
- **Volatility:** historical daily average volatility for a period equal to the duration of the vesting period.

Performance Shares

The economic value of Performance Shares is measured considering the share market price at the grant date less the present value of the future dividends during the performance period. Parameters are estimated by applying the same model used for Stock Options measurement.

The following table shows the measurements and parameters used in relation to the Performance Shares granted in 2007.

Measurement of Performance Shares in 2007

	PERFORMANCE SHARES 2007
Grant date	12 June 2007
Vesting period start-date	1 January 2010
Vesting period end-date	31 December 2010
UniCredit share market price (€)	7.094
Economic value of vesting conditions	–1.015
Performance Shares' fair value per unit at grant date (€)	6.079

Restricted Shares

The economic value of Restricted Shares is measured considering the share market price at grant date.

Payroll costs in 2007 included share-based payments of € 2.1 m. The (cumulative) accrual totalled € 3.2 m.

(48) Segment reporting

The primary segment reporting format is based on the internal reporting structure of business segments, which reflects management responsibilities in the Bank Austria Creditanstalt Group in 2007. The business segments are presented as independent units with their own capital resources and are responsible for their own results.

The definition of business segments is primarily based on organisational responsibility for customers.

Retail

Responsibility for the Retail Division covers Bank Austria Creditanstalt AG's business with private customers and small businesses and the credit card business.

Private Banking & Asset Management

The new Private Banking & Asset Management Division comprises the subsidiaries BANK*PRIVAT*, Schoellerbank AG, Asset Management Gesellschaft AMG and Pioneer Investments Austria.

Corporates

The Corporates Division covers the previous Large Corporates (multinational corporates, financial institutions, public sector) and Real Estate segment, business with medium-sized companies and customers using specific products (e.g derivatives) as well as the activities of BA-CA Wohnbaubank AG, BA-CA Real Invest GmbH. The leasing business of the Bank Austria Creditanstalt Leasing Group was transferred to UniCredit Global Leasing with effect from July 2007. In return, BA-CA received a 32.59% shareholding interest in that company which is accounted for under the equity method.

CEE

The CEE business segment includes the commercial banking units of the Bank Austria Creditanstalt Group in the region of Central and Eastern Europe. From 2007, the CEE business segment also includes the units in Central and Eastern Europe and in Turkey which were transferred from UniCredit and HVB to the Bank Austria Creditanstalt Group. The corporate finance business for CEE customers was transferred to the Markets & Investment Banking Division. JSC ATF Bank was included in the group of consolidated companies as from December 2007.

Notes (CONTINUED)

Additional IFRS disclosures (CONTINUED)

Markets and Investment Banking
The Markets and Investment Banking Division essentially comprises the treasury activities of Bank Austria Creditanstalt AG. With effect from the beginning of 2007, this Division also includes the business of UniCredit CAIB AG and the corporate finance business for CEE customers. The equity interests in Aton International Limited and Aton Broker were included in the group of consolidated companies as from August 2007.

Corporate Center
"Corporate Center" covers all equity interests that are not assigned to other segments. Also included are inter-segment eliminations and other items which cannot be assigned to other business segments.

Methods
Net interest income is split up according to the market interest rate method. Costs are allocated to the individual business segments from which they arise. Goodwill arising on acquisitions is also assigned to the individual business segments.

The result of each business segment is measured by the net profit before tax and the net profit after tax earned by the respective segment. In addition to the cost/income ratio, the return on equity is one of the key ratios used for controlling the business segments. The segment reporting data also show the net profit after tax.

The interest rate applied to investment of equity allocated to the business segments has been reduced and corresponds to the 3-month EURIBOR plus a margin of the average 5-year UniCredit credit spread. The rate applied to the business segments for investment of equity is determined for one year as part of the budgeting process. A uniform rate of 3.4% is applied to loans on which interest is not accrued and to writedowns.

Overhead costs are allocated proportionately to direct and indirect costs.

Until the end of 2006, capital allocated to the business segments in BA-CA AG amounted to 7% of risk-weighted assets. The uniform percentage rate was changed with effect from the beginning of 2007; the bank uses differentiated percentage rates according to the individual business segments:

Retail	6.00%
Private Banking & Asset Management	5.90%
Corporates	6.45%
CEE	6.45%
Markets & Investment Banking	6.80%

There was no retroactive adjustment to the new percentage rates.

Capital allocation to subsidiaries reflects the equity capital actually available.

Segment reporting 1–12 2007/1–12 2006									(€ m)
		RETAIL DIVISION	PRIVATE BANKING & ASSET MANAGEMENT DIVISION	CORPORATES DIVISION	CENTRAL EASTERN EUROPE DIVISION	MARKETS & INVESTMENT BANKING DIVISION	CORPORATE CENTER	BA-CA GROUP
Net interest income	**1–12 2007**	**748**	**19**	**630**	**2,151**	**330**	**58**	**3,936**
	1–12 2006	**768**	**14**	**653**	**1,048**	**124**	**73**	**2,681**
Net fees and commissions	1–12 2007	548	143	342	929	172	–11	2,124
	1–12 2006	535	124	374	588	70	–25	1,667
Net trading, hedging and fair value income	1–12 2007	–	1	–	177	–42	6	141
	1–12 2006	–1	1	–	106	201	42	348
Net other expenses/income	1–12 2007	–31	39	33	110	11	52	214
	1–12 2006	–19	31	32	–17	6	33	66
Net non-interest income	**1–12 2007**	**517**	**183**	**375**	**1,216**	**140**	**46**	**2,478**
	1–12 2006	**514**	**156**	**406**	**677**	**277**	**50**	**2,081**
OPERATING INCOME	**1–12 2007**	**1,266**	**202**	**1,005**	**3,367**	**470**	**104**	**6,414**
	1–12 2006	**1,283**	**171**	**1,059**	**1,725**	**402**	**123**	**4,762**
OPERATING EXPENSES	**1–12 2007**	**–935**	**–104**	**–353**	**–1,729**	**–233**	**8**	**–3,346**
	1–12 2006	**–978**	**–105**	**–436**	**–917**	**–167**	**–154**	**–2,757**
OPERATING PROFIT	**1–12 2007**	**330**	**98**	**652**	**1,638**	**238**	**112**	**3,069**
	1–12 2006	**305**	**66**	**623**	**808**	**235**	**–31**	**2,005**
Goodwill impairment	1–12 2007	–	–	–	–	–	–	–
	1–12 2006	–8	–	–	–	–	–	–8
Provisions for risks and charges	1–12 2007	–1	–1	–5	–79	–	11	–75
	1–12 2006	–6	–1	1	–6	–6	–94	–111
Restructuring costs	1–12 2007	–	–1	–	–27	–2	–3	–33
	1–12 2006	–1	–1	–	–12	–31	–203	–248
Net writedowns of loans and provisions	1–12 2007	–208	1	–66	–211	1	–	–483
for guarantees and commitments	1–12 2006	–414	1	–124	–141	1	–2	–679
Net income from investments	1–12 2007	14	3	–12	20	1	243	268
	1–12 2006	6	–1	7	5	7	2,289	2,313
PROFIT BEFORE TAX	**1–12 2007**	**135**	**99**	**570**	**1,342**	**237**	**362**	**2,745**
	1–12 2006	**–119**	**63**	**507**	**655**	**207**	**1,960**	**3,272**
Income tax	1–12 2007	–26	–25	–120	–250	–51	90	–382
	1–12 2006	34	–12	–115	–134	–46	132	–140
NET PROFIT	**1–12 2007**	**109**	**75**	**450**	**1,092**	**186**	**452**	**2,364**
	1–12 2006	**–85**	**51**	**393**	**520**	**161**	**2,092**	**3,132**
RWA credit and market risk	**1–12 2007**	**16,171**	**452**	**31,009**	**46,593**	**5,352**	**4,927**	**104,504**
	1–12 2006	**16,564**	**441**	**31,768**	**24,720**	**3,266**	**3,014**	**79,773**
Allocated equity	1–12 2007	1,019	203	2,260	7,099	1,960	1,391	13,933
	1–12 2006	1,184	172	2,469	3,639	311	481	8,257
ROE before tax in %	*1–12 2007*	*13.3*	*48.9*	*25.2*	*18.9*	*12.1*	*n.m.*	*19.7*
	1–12 2006	*–10.1*	*36.5*	*20.5*	*18.0*	*66.4*	*n.m.*	*39.6*
ROE after tax in %	*1–12 2007*	*10.7*	*36.8*	*19.9*	*15.4*	*9.5*	*n.m.*	*17.0*
	1–12 2006	*–7.2*	*29.8*	*15.9*	*14.3*	*51.7*	*n.m.*	*37.9*
Cost/income ratio in %	*1–12 2007*	*73.9*	*51.5*	*35.1*	*51.4*	*49.5*	*n.m.*	*52.2*
	1–12 2006	*76.2*	*61.6*	*41.2*	*53.2*	*41.6*	*n.m.*	*57.9*
Risk/earnings ratio in %	*1–12 2007*	*27.8*	*n.m.*	*10.4*	*9.8*	*n.m.*	*n.m.*	*12.3*
	1–12 2006	*53.9*	*n.m.*	*18.9*	*13.4*	*n.m.*	*n.m.*	*25.3*

*) not meaningful

Notes (CONTINUED)

Additional IFRS disclosures (CONTINUED)

Segment reporting Q1–Q4 2007 (€ m)

		RETAIL DIVISION	PRIVATE BANKING & ASSET MANAGEMENT DIVISION	CORPORATES DIVISION	CENTRAL EASTERN EUROPE DIVISION	MARKETS & INVESTMENT BANKING DIVISION	CORPORATE CENTER	BA-CA GROUP
Net interest income	**Q4/2007**	**177**	**6**	**147**	**633**	**135**	**–18**	**1,079**
	Q3/2007	**200**	**5**	**167**	**536**	**83**	**29**	**1,019**
	Q2/2007	**187**	**4**	**156**	**510**	**69**	**22**	**948**
	Q1/2007	**185**	**4**	**161**	**472**	**43**	**25**	**890**
Net fees and commissions	Q4/2007	133	46	65	249	57	–	550
	Q3/2007	133	29	72	248	37	–	520
	Q2/2007	139	34	101	226	43	–5	537
	Q1/2007	144	33	104	207	35	–6	517
Net trading, hedging and fair value income	Q4/2007	–3	–	–	52	–73	–15	–39
	Q3/2007	3	–	–	31	–72	–6	–44
	Q2/2007	–	–	–	42	18	3	63
	Q1/2007	–	–	–	52	85	24	161
Net other expenses/income	Q4/2007	–5	12	–1	16	1	19	42
	Q3/2007	–10	9	–6	34	3	16	47
	Q2/2007	–8	11	25	43	3	2	75
	Q1/2007	–7	7	15	16	4	15	49
Net non-interest income	**Q4/2007**	**125**	**59**	**64**	**317**	**–15**	**3**	**553**
	Q3/2007	**125**	**38**	**66**	**314**	**–32**	**10**	**522**
	Q2/2007	**130**	**45**	**126**	**310**	**64**	**–**	**675**
	Q1/2007	**137**	**40**	**119**	**275**	**123**	**32**	**728**
OPERATING INCOME	**Q4/2007**	**301**	**65**	**211**	**950**	**120**	**–15**	**1,632**
	Q3/2007	**325**	**44**	**233**	**849**	**51**	**39**	**1,541**
	Q2/2007	**317**	**49**	**282**	**821**	**133**	**22**	**1,624**
	Q1/2007	**322**	**45**	**280**	**747**	**166**	**58**	**1,618**
OPERATING EXPENSES	**Q4/2007**	**–238**	**–30**	**–77**	**–525**	**–79**	**8**	**–941**
	Q3/2007	**–228**	**–25**	**–68**	**–417**	**–42**	**–40**	**–821**
	Q2/2007	**–235**	**–26**	**–107**	**–407**	**–52**	**93**	**–735**
	Q1/2007	**–235**	**–23**	**–101**	**–380**	**–60**	**–52**	**–849**
OPERATING PROFIT	**Q4/2007**	**63**	**35**	**133**	**425**	**41**	**–7**	**691**
	Q3/2007	**97**	**18**	**165**	**432**	**9**	**–1**	**720**
	Q2/2007	**82**	**23**	**175**	**414**	**81**	**115**	**889**
	Q1/2007	**88**	**22**	**179**	**368**	**106**	**6**	**768**
Goodwill impairment	Q4/2007	–	–	–	–	–	–	–
	Q3/2007	–	–	–	–	–	–	–
	Q2/2007	–	–	–	–	–	–	–
	Q1/2007	–	–	–	–	–	–	–
Provisions for risks and charges	Q4/2007	–4	–1	–4	–33	–	8	–34
	Q3/2007	5	–	–	–16	2	14	5
	Q2/2007	–1	–	–	–15	–	–12	–29
	Q1/2007	–2	–	–	–14	–2	–	–18
Restructuring costs	Q4/2007	–	–	–	–9	–2	–1	–13
	Q3/2007	–	–	–	–11	–	–1	–12
	Q2/2007	–	–	–	–5	–	–	–5
	Q1/2007	–	–	–	–2	–	–	–3

		RETAIL DIVISION	PRIVATE BANKING & ASSET MANAGEMENT DIVISION	CORPORATES DIVISION	CENTRAL EASTERN EUROPE DIVISION	MARKETS & INVESTMENT BANKING DIVISION	CORPORATE CENTER	BA-CA GROUP
Net writedowns of loans and provisions for guarantees and commitments	Q4/2007	–41	–	–26	–62	2	–	–128
	Q3/2007	–58	1	–10	–80	–1	–	–148
	Q2/2007	–58	–	–13	–19	–	–	–90
	Q1/2007	–51	–	–17	–50	–	–	–117
Net income from investments	Q4/2007	–	1	–1	–5	–2	56	49
	Q3/2007	–	1	–12	22	1	74	87
	Q2/2007	1	–	–2	–	2	74	75
	Q1/2007	12	–	2	3	1	39	58
PROFIT BEFORE TAX	**Q4/2007**	**18**	**36**	**104**	**315**	**39**	**55**	**565**
	Q3/2007	**45**	**20**	**143**	**347**	**11**	**86**	**652**
	Q2/2007	**24**	**22**	**159**	**374**	**82**	**177**	**840**
	Q1/2007	**48**	**22**	**164**	**305**	**105**	**45**	**688**
Income tax	Q4/2007	–	–9	–26	–61	–10	72	–34
	Q3/2007	–10	–4	–27	–62	1	13	–88
	Q2/2007	–5	–6	–29	–69	–17	–9	–134
	Q1/2007	–12	–6	–38	–59	–24	14	–125
NET PROFIT	**Q4/2007**	**18**	**26**	**78**	**254**	**29**	**127**	**531**
	Q3/2007	**36**	**16**	**116**	**285**	**12**	**99**	**564**
	Q2/2007	**20**	**17**	**130**	**306**	**65**	**168**	**705**
	Q1/2007	**36**	**16**	**126**	**246**	**80**	**59**	**563**
RWA credit and market risk	**Q4/2007**	**15,801**	**445**	**31,587**	**51,001**	**6,852**	**7,681**	**113,366**
	Q3/2007	**16,128**	**464**	**29,387**	**47,342**	**5,424**	**3,771**	**102,516**
	Q2/2007	**16,190**	**457**	**31,508**	**44,355**	**4,703**	**3,643**	**100,857**
	Q1/2007	**16,563**	**441**	**31,554**	**43,673**	**4,431**	**4,613**	**101,275**
Allocated equity	Q4/2007	1,003	231	2,241	7,517	5,099	–1,487	14,603
	Q3/2007	1,011	181	2,137	7,377	1,884	1,472	14,064
	Q2/2007	1,005	168	2,362	6,891	427	2,910	13,764
	Q1/2007	1,056	233	2,301	6,611	429	2,669	13,300
ROE before tax in %	*Q4/2007*	*7.1*	*61.9*	*18.5*	*16.8*	*3.0*	*n.m.*	*15.5*
	Q3/2007	*17.9*	*44.0*	*26.8*	*18.8*	*2.3*	*n.m.*	*18.6*
	Q2/2007	*9.7*	*52.4*	*27.0*	*21.7*	*77.2*	*n.m.*	*24.4*
	Q1/2007	*18.1*	*37.3*	*28.5*	*18.5*	*97.7*	*n.m.*	*20.7*
ROE after tax in %	*Q4/2007*	*7.1*	*45.9*	*13.9*	*13.5*	*2.2*	*n.m.*	*14.6*
	Q3/2007	*14.1*	*34.8*	*21.7*	*15.5*	*2.5*	*n.m.*	*16.0*
	Q2/2007	*7.9*	*39.3*	*22.0*	*17.8*	*61.0*	*n.m.*	*20.5*
	Q1/2007	*13.7*	*27.5*	*21.9*	*14.9*	*75.0*	*n.m.*	*16.9*
Cost/income ratio in %	*Q4/2007*	*78.9*	*45.7*	*36.6*	*55.3*	*65.5*	*n.m.*	*57.7*
	Q3/2007	*70.1*	*58.0*	*29.1*	*49.2*	*82.0*	*n.m.*	*53.3*
	Q2/2007	*74.2*	*53.8*	*38.0*	*49.6*	*39.4*	*n.m.*	*45.3*
	Q1/2007	*72.8*	*51.1*	*36.0*	*50.8*	*36.0*	*n.m.*	*52.5*
Risk/earnings ratio in %	*Q4/2007*	*23.4*	*n.m.*	*17.4*	*9.8*	*n.m.*	*n.m.*	*11.8*
	Q3/2007	*28.9*	*n.m.*	*6.0*	*14.9*	*n.m.*	*n.m.*	*14.5*
	Q2/2007	*31.1*	*n.m.*	*8.3*	*3.8*	*n.m.*	*n.m.*	*9.5*
	Q1/2007	*27.3*	*n.m.*	*10.7*	*10.5*	*n.m.*	*n.m.*	*13.2*

*) not meaningful

Notes (CONTINUED)

Additional IFRS disclosures (CONTINUED)

(49) Assets pledged as security

As at 31 December 2007, assets pledged by Bank Austria Creditanstalt totalled € 80,584 m.

(50) Subordinated assets

		(€ m)
	31 DEC. 2007	31 DEC. 2006
Financial assets held for trading	646	685
Available-for-sale financial assets	432	n. m.
Held-to-maturity investments	119	n. m.
Loans and receivables with banks	822	1,130
Loans and receivables with customers	381	419
Deposits from banks	130	n. m.
Deposits from customers	71	n. m.
Debt securities in issue	5,484	5,385

(51) Assets and liabilities in foreign currency

				(€ m)
	31 DEC. 2007		31 DEC. 2006	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
USD	20,182	24,566	16,193	17,688
JPY	953	1,545	858	551
CHF	14,375	2,839	15,571	15,214
Other	56,485	49,367	16,735	14,612
TOTAL	**91,995**	**78,316**	**49,357**	**48,064**

(52) Trust assets and trust liabilities

Trust assets and liabilities		(€ m)
	31 DEC. 2007	31 DEC. 2006
Loans and receivables with banks	17	46
Loans and receivables with customers	692	785
Other assets	21,102	12,619
TRUST ASSETS	**21,811**	**13,450**
Deposits from banks	338	225
Deposits from customers	21,229	12,607
Debt securities in issue	–	374
Other liabilities	243	244
TRUST LIABILITIES	**21,811**	**13,450**

(53) Repurchase agreements

Under repurchase agreements, financial assets were sold to third parties with a commitment to repurchase the financial instruments at a price specified when the assets were sold. At the balance sheet date, the total amount of repurchase agreements was € 6,820 m (2006: € 1,565 m). In those cases where Bank Austria Creditanstalt is the transferor, the relevant assets continue to be recognised in its balance sheet at their fair values. In those cases where Bank Austria Creditanstalt is the transferee, the bank does not recognise the assets in its balance sheet.

(54) Contingent liabilities and commitments

		(€ m)
	31 DEC. 2007	31 DEC. 2006
Financial guarantees given to:	**8,228**	**4,520**
Banks	1,697	387
Customers	6,531	4,132
Commercial guarantees given to:	**12,768**	**7,108**
Banks	2,825	2,211
Customers	9,943	4,897
Other irrevocable commitments	**14,224**	**6,087**
Credit derivatives: sales of protection	**969**	**935**
Other commitments	**5,731**	**4,609**
TOTAL	**41,919**	**23,259**

Notes (CONTINUED)

Additional IFRS disclosures (CONTINUED)

(55) List of selected subsidiaries and other equity interests

The list of unconsolidated subsidiaries required under the Austrian Commercial Code / Austrian Banking Act is included in the notes to the financial statements of Bank Austria Creditanstalt AG as at 31 December 2007. The notes have been lodged with the Austrian Register of Firms, a public register at the Commercial Court of Vienna (Handelsgericht Wien).

(55a) Consolidated companies

COMPANY	DIRECT OWNERSHIP INTEREST IN %	INDIRECT OWNERSHIP INTEREST IN %
AI Beteiligungs GmbH, Vienna	100,00	100,00
Asset Management GmbH, Vienna	100,00	100,00
ATF Bank Kyrgyzstan OJSC, Bishkek	94,18	87,48
ATF Capital B. V., CL Rotterdam	100,00	92,88
Aton International Ltd., Nicosia	100,00	100,00
AWT International Trade AG, Vienna	100,00	100,00
BA-CA Administration Services GmbH, Vienna	100,00	100,00
BACA Export Finance Limited, London	100,00	100,00
BA-CA Markets & Investment Beteiligung GmbH, Vienna	100,00	100,00
Bank Austria Creditanstalt Real Invest GmbH, Vienna	94,95	94,95
Bank Austria Creditanstalt Wohnbaubank AG, Vienna	100,00	100,00
Bank Austria Trade Services Gesellschaft mbH, Vienna	100,00	100,00
Banking Transaction Services S. R. O, Prague	100,00	100,00
BankPrivat AG, Vienna	100,00	100,00
CA IB Bulinvest EOOD Sofia, Sofia	100,00	100,00
CA IB Corporate Finance D. O. O., Ljubljana	100,00	100,00
CA IB Corporate Finance D. O. O. Belgrado, Beograd	100,00	100,00
CA IB Corporate Finance ZRt., Budapest	100,00	100,00
CA IB D. D., Zagreb	100,00	100,00
CA IB Romania SRL, Bucharest	100,00	100,00
CA IB Securities (Ukraine) AT, Kiev	100,00	100,00
CABET-Holding-Aktiengesellschaft, Vienna	100,00	100,00
Caibon. com Internet Services GmbH, Vienna	100,00	100,00
Card Complete Service Bank AG, Vienna	50,10	50,10
Centar Kaptol doo, Zagreb	100,00	84,21
CJSC Bank Sibir, Omsk City	100,00	92,88
Domus Bistro GmbH, Vienna	100,00	100,00
Domus Clean Reinigungs GmbH, Vienna	100,00	100,00
Domus Facility Management GmbH, Vienna	100,00	100,00
Eurolease Ramses Immobilien Leasing Gesellschaft mbH & Co. OEG, Vienna	99,80	99,80
HVB Central Profit Banka D. D. Sarajevo, Sarajevo	80,85	80,85
Hypo Stavebni Sporitelna A. S., Prague	60,00	60,00
Hypovereins Immobilien EOOD, Sofia	100,00	90,30

COMPANY	DIRECT OWNERSHIP INTEREST IN %	INDIRECT OWNERSHIP INTEREST IN %
Istra Golf doo, Umag	100,00	60,46
Istraturist Umag, Hotelijerstvo i Turizam DD, Umag	71,80	60,46
JSC ATF Bank, Almaty	92,88	92,88
Lassallestrasse Bau-, Planungs-, Errichtungs- und Verwertungsgesellschaft mbH, Vienna	100,00	100,00
Limited Liability Company B.A. Real Estate, Moscow	100,00	100,00
Marketing Zagrebacka Banka doo, Zagreb	100,00	84,21
Nova Banjalucka Banka AD, Banja Luka	90,93	90,93
OOO IMB Leasing Company, Mosca	100,00	100,00
Open saving pension fund Otan JSC, Almaty	83,08	77,16
Pioneer Investments Austria GmbH, Vienna	100,00	100,00
Pominvest dd, Split	88,66	74,66
Prva Stambena Stedionica dd Zagreb, Zagreb	100,00	84,21
Schoellerbank Aktiengesellschaft, Vienna	100,00	100,00
Sohibkorbank OJSC, Khujand City	75,10	69,75
UniCredit Bank Cayman Islands Ltd., Georgetown, Grand Cayman Islands	100,00	100,00
UniCredit Bank Czech Republic A.S., Prague	100,00	100,00
UniCredit Bank Hungary ZRT., Budapest	100,00	100,00
UniCredit Bank Latvia AS	100,00	100,00
UniCredit Bank Slovakia AS, Bratislava	99,03	99,03
UniCredit Bank Srbija JSC, Belgrad	99,89	99,89
UniCredit Bank Slovenija D.D., Ljubljana	99,99	99,99
UniCredit Bulbank AD, Sofia	90,30	90,30
UniCredit CA IB Beteiligungs AG, Vienna	100,00	100,00
UniCredit CA IB Polska S.A., Warsaw	100,00	100,00
UniCredit CA IB AG, Vienna	100,00	100,00
UniCredit CA IB Czech Republic AS, Prague	100,00	100,00
UniCredit CA IB Securities UK Ltd., London	100,00	100,00
UniCredit CA IB Slovakia A.S., Bratislava	100,00	100,00
UniCredit CA IB UK Ltd., London	100,00	100,00
UniCredit Factoring EAD, Sofia	100,00	90,30
UniCredit Jelzalogbank ZRT., Budapest	100,00	100,00
UniCredit Securities SA, Bucarest	100,00	55,20
UniCredit Tiriac Bank S.A., Bucarest	55,21	55,21
UniCredit Zagrebacka Banka DD, Mostar	93,98	79,14
Universale International Realitäten GmbH, Vienna	100,00	100,00
WAVE Solutions Information Technology GmbH, Vienna	100,00	100,00
Zaba Turizam doo, Zagreb	100,00	84,21
Zagreb Nekretnine doo, Zagreb	100,00	84,21
Zagrebacka Banka dd, Zagreb	84,21	84,21
Zane BH doo, Sarajevo	100,00	84,21
ZAO Aton Broker, Moscow	100,00	100,00
ZAO IMB-Leasing, Moscow	100,00	100,00
ZAO UniCredit Bank, Moscow	100,00	100,00
ZB INVEST DOO, Zagreb	100,00	84,21

Notes (CONTINUED)

Additional IFRS disclosures (CONTINUED)

(55b) Investments in companies accounted for under the proportionate consolidation method

	INDIRECT OWNERSHIP INTEREST IN %
Koc Finansal Hizmetler AS, Istanbul	50.00
Yapi Kredi Bank Nederland NV, Amsterdam	47.02
Stichting Custody Services KBN, Amsterdam	47.02
Yapi Kredi Azerbaijan, Baku	40.90
Yapi Kredi Holding BV, Amsterdam	40.89
Yapi Kredi Bankasi AS, Istanbul	40.89
Yapi Kredi Sigorta AS, Istanbul	38.80
Yapi Kredi Emeklilik AS, Istanbul	38.80
Yapi Kredi Faktoring AS, Istanbul	40.88
Yapi Kredi Yatirim Menkul Degerler AS, Istanbul	44.10
Yapi Kredi Moscow, Moscow	40.89
Yapi Kredi Bank Deutschland AG, Frankfurt	40.89
Yapi Kredi Finansal Kiralama AO, Istanbul	40.42
Yapi Kredi Yatirim Ortakligi AS, Istanbul	24.37
Yapi Kredi Portfoy Yonetimi AS, Istanbul	43.68

(55c) Investments in associated companies accounted for under the equity method

INVESTMENTS VALUED AT EQUITY NAME AND DOMICILE OF COMPANY	ADD-%	TOTAL ASSETS IN € THSD	OPERATING INCOME IN € THSD	EQUITY CAPITAL IN € THSD
NZ ZB D.O.O. Drustvo za Upravljanje Dobrovoljnim, Zagreb, HR	41.26	22,722	11,950	20,452
Allianz Zb D.O.O. Drustvo za Upravljanjie Obveznim, Zagreb, HR	41.26	1,989	1,805	1,150
Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck, AT	47.38	8,070,000	173,000	538,421
Banque de Commerce et de Placements SA, Genf, CH	12.54	1,345,361	82,640	75,190
Bausparkasse Wüstenrot Aktiengesellschaft, Salzburg, AT	24.10	5,663,000	142,464	332,508
BKS Bank AG, Klagenfurt, AT	36.03	5,624,400	158,508	464,546
CA Immobilien Anlagen Aktiengesellschaft, Vienna, AT	10.01	3,447,086	54,326	1,881,255
Oberbank AG, Linz, AT	33.44	14,236,909	382,544	884,926
Oesterreichische Kontrollbank Aktiengesellschaft, Vienna, AT	49.15	32,800,000	153,348	436,474
UniCredit Global Leasing SPA, Milan, IT	32.59	28,375,642	1,447,826	1,479,000
UPI Poslovni Sistem DOO, Sarajevo, BA	55.99	2,466	832	2,439
Yapi Kredi Koray Gayrimenkul Yatirim Ortakligi AS, Istanbul, TR	12.45	154,090	11,978	64,754

(55d) Investments in associated companies not accounted for under the equity method

In the 2007 financial year, aggregate total assets of associated companies in which Bank Austria Creditanstalt held investments which were not accounted for under the equity method were € 2,034 m. Aggregate equity capital of these companies amounted to € 158.0 m. The combined net profit of these companies was € 46.0 m.

(56) Employees

In 2007 and 2006, the Bank Austria Creditanstalt Group employed the following average numbers of staff (full-time equivalents*):

Employees	2007	2006
Salaried staff	44,542	30,884
Other employees	98	109
TOTAL	**44,640**	**30,993**
of which: in Austria	*10,558*	*11,118*
of which: abroad	*34,082*	*19,875*

*) Average full-time equivalents of staff employed in the BA-CA Group (consolidated companies), excluding apprentices and employees on unpaid sabbatical or maternity/paternity leave

(57) Supervisory Board and Management Board

In the reporting year, the following persons were members of the Management Board of Bank Austria Creditanstalt AG:

Chairman and Chief Executive Officer: Erich HAMPEL

Members: Willibald CERNKO (until 31 December 2007), Federico GHIZZONI (from 1 July 2007), Thomas GROSS, Wilhelm HEMETSBERGER, Werner KRETSCHMER, Andrea MONETA (until 30 June 2007), Regina PREHOFER, Johann STROBL (until 3 August 2007), Carlo VIVALDI (from 1 October 2007), Robert ZADRAZIL, Ralph MÜLLER (from 1 January 2008)

In the reporting year, the following persons were members of the Supervisory Board of Bank Austria Creditanstalt AG:

Chairman: Alessandro PROFUMO

Deputy Chairman: Franz RAUCH

Members: Vincenzo CALANDRA BUONAURA (from 3 May 2007), Sergio ERMOTTI, Paolo FIORENTINO, Dario FRIGERIO, Roberto NICASTRO, Vittorio OGLIENGO, Karl SAMSTAG, Gerhard SCHARITZER, Wolfgang SPRISSLER, Wolfgang HEINZL, Adolf LEHNER, Emmerich PERL, Thomas SCHLAGER (until 8 October 2007), Martina ICHA, Heribert KRUSCHIK, Josef REICHL (from 25 October 2007)

Notes (CONTINUED)

Risk report

(58) Overall risk management

Bank Austria Creditanstalt identifies, measures, monitors and manages all risks of the Bank Austria Creditanstalt Group. In performing these tasks, Bank Austria Creditanstalt works closely with the risk control and risk management units of UniCredit. In this context, Bank Austria Creditanstalt supports UniCredit's ongoing projects which are aimed at establishing uniform group-wide risk controlling procedures.

Bank Austria Creditanstalt divides the monitoring and controlling processes associated with risk management into the following categories:

- Market risk (58a)
- Liquidity risk (58b)
- Counterparty risk (58c)
- Credit risk (including real estate risk; 58d)
- Operational risk (58e)
- Business risk (58f)
- Risks arising from the bank's shareholdings and equity interests (58g)

The Management Board determines the risk policy and approves the principles of risk management, the establishment of limits for all relevant risks, and the risk control procedures.

In performing these tasks, the Management Board is supported by specific committees and independent risk management units. All risk management activities of Bank Austria Creditanstalt are combined within a management function at Management Board level directed by the Chief Risk Officer (CRO) and comprise secondary lending decisions in the Credit Operations department, the treatment of problem loans in the Special Accounts Management department, and strategic risk management in the Strategic Risk Management department. The unit for active credit portfolio management (Credit Treasury) reports directly to the Chief Financial Officer (CFO).

Strategic Risk Management is in charge of developing and implementing the methods of risk and income measurement; further improving and refining the measurement and control instruments; complying with the relevant requirements applicable to trading activities; developing and maintaining general policies; as well as reporting on the Bank Austria Creditanstalt Group's risk profile in an independent and neutral manner.

Credit Operations is reponsible for portfolio management, risk control and risk monitoring of the credit portfolio including credit ratings of corporate customers in CEE and SEE, and for preparing local accounts analyses and corporate analyses as well as collecting and evaluating sectoral information.

The responsibilities of Special Accounts Management include the management and settlement of non-performing loans. Activities focus on analysing and evaluating business and legal risks as a basis for preparing, obtaining approval for and implementing exposure strategies. In these activities, the department uses specific restructuring expertise which is also made available to banking subsidiaries.

The Asset/Liability Committee (ALCO) is responsible for the management of balance-sheet structure positions, it controls liquidity risk and deals with cross-divisional risk management issues arising between sales units and overall bank management as well as with the results of the credit portfolio model and operational risk. Control of market risk of the trading books is ensured by the Market Risk Committee (MACO), which meets once a week. MACO deals with short-term business management issues relating to the presentation and discussion of the risk/earnings position of Markets & Investment Banking and with limit adjustments, product approvals and positioning decisions. MACO also deals with methodological issues concerning the determination of counterparty risk. In addition, the general framework and limits for banking subsidiaries are defined by MACO. Credit risk is assessed by the credit committee.

The Management Board of Bank Austria Creditanstalt sets risk limits for market risk activities of the entire Bank Austria Creditanstalt Group at least once a year. MACO, which holds a meeting every week, makes limit decisions at the operational level and analyses the risk and earnings positions of the bank's Market & Investment Banking units. ALCO performs analyses and makes decisions with regard to business activities closely connected with customer business (in particular, balance sheet structure, liquidity, operational risk, and risk management issues arising between sales units and overall bank management). The decisions and results of these committees are reported directly to the bank's full Management Board. Strategic Risk Management, an independent department separate from the business divisions up to Management Board level, is in charge of preparing analyses and monitoring compliance with limits. 2007 saw the implementation of the second part of the project for counterparty risk calculation; the final acceptance test of the model by the supervisory authorities is planned for 2008. This step would enable the BA-CA Group to reduce capital used in this connection by applying the model.

The Bank Austria Creditanstalt Group applies the principle of value-based management. In line with this principle, for pricing purposes in business and customer relations (micro control), capital employed (comprising both the Tier 1 capital required pursuant to the Austrian Banking Act and economic capital) is expected to yield a specific return.

Beyond compliance with the regulatory capital rules pursuant to the Austrian Banking Act, economic capital is intended to reflect the bank's specific risk profile in a comprehensive and more consistent way. For micro-control purposes, economic capital for credit risk is calculated using value-at-risk methodologies. These unexpected losses over a period of one year are calculated with a confidence level of 99.95 %.

Additionally, value-at risk methodologies are used in the BA-CA Group for calculating or planning economic capital for all specified types of risk (market risk, credit risk, risks arising from shareholdings and equity interests, real estate risk, operational risk, business risk).

The Bank Austria Creditanstalt Group is included in the risk monitoring and risk management system of the entire UniCredit Group. This ensures overall risk management across the Group. Examples in this context are global MIB risk reporting and the global MIB limits in the area of market risk.

Current status of BASEL II implementation in the Bank Austria Creditanstalt Group

In spring 2003, Bank Austria Creditanstalt set up a group-wide programme to create the conditions for compliance with the new rules, effective since 2007, for holding adequate capital against risk-weighted assets.

Bank Austria AG decided, based on the discretion for credit institutions defined in the EU Directive and in line with the approach taken by the Group, to use the option to start employing Basel II at the beginning of 2008.

Since beginning of 2003, the focus of the programme has been on refining credit risk systems to meet the standards of the Advanced IRB approach, setting up a group-wide data base for the purposes of regulatory reporting and on creating the basis for ongoing implementation activities. Operational risk activities also commenced in this period. The Basel II project comprises BA-CA AG and all Austrian and foreign subsidiaries belonging to the group of consolidated companies, all risk categories (credit risk, operational risk and market risk) and all three pillars of Basel II.

From the different approaches that may be chosen in the area of credit risk under Basel II, the BA-CA Group – in line with the decision taken by UniCredit Group – has opted for the advanced internal ratings-based (AIRB) approach. Within the sub-group, the switch to the advanced approach will take place in stages – the phase roll out. This roll out plan has to be submitted to the regulators and is an integral part of the IRB application package. In the first phase, the focus was on BA-CA AG, which will use the AIRB approach – subject to approval by the competent supervisory authorities – for the major part of its portfolio as from 1 April 2008. The respective reporting requirements for AIRB in terms of internal and external reporting are an integral part of the programme and are being addressed accordingly.

As mentioned above, Basel II implementation has been established as a group-wide programme. Since the acquisition of HVB Group by UniCredit Group in 2005, UniCredit is responsible for Group-wide supervision and group guidelines also in the Basel II environment, as well as for the development of Group-wide rating systems. For example, Group-wide homogeneous portfolios have been defined for which uniform rating models are used, or planned for use, across the Group, such as those for countries, banks and multinational companies. The Group has also selected and (further) developed specific system components as Group-wide solutions for the calculation of loss parameters and risk-weighted assets.

Close cooperation ensures Group-wide consistency in the implementation of Basel II. Group standards have already been prepared and adopted by the UniCredit Group holding company in cooperation with the major legal entities, are used as an instrument for uniform Group-wide implementation, taking into consideration the local legal requirements and safeguarding Group interests. Integrating these Group standards in the processes and organisational set-up of all business divisions and Group units was one of BA-CA's major

Notes (CONTINUED)

Risk report (CONTINUED)

tasks in the past year and remains an important item on the bank's agenda. These Group standards will also be rolled out step by step in the relevant CEE subsidiaries in the coming years.

With the transfer of ownership to the Italian banking group, the Italian banking supervisory authority – the Bank of Italy – became the new home supervisor of UniCredit Group. Since then the Bank of Italy has been responsible for all approvals at Group level, while local supervisory authorities are responsible for local topics in the legal entities and for local on-site examinations. All regulatory issues are being dealt with in close cooperation between home and host regulators.

In 2007 the final phase of the Basel II programme was launched in BA-CA AG. Work in the past year focused on the preparation of and on-site supervisory assessment of the models developed locally by BA-CA AG which determine the basis for regulatory capital requirements. The review was carried out by Oesterreichische Nationalbank (OeNB), Austria's central bank, on behalf of the Austrian Financial Market Authority and Bank of Italy in the period from the beginning of April to the end of November, with some interruptions. The results of the numerous investments and preliminary work relating to the refinement of rating systems, regulatory reporting, data quality and data history, and the required IT systems, were considered to be appropriate for adoption of the AIRB approach, with various adjustments required to be made in the course of 2008. One of the focal areas of the regulatory review was the use test, by which BA-CA AG provided evidence that rating systems are used for both supervisory purposes and bank-internal control (as an element taken into account in lending decisions, in pricing, etc.).

At the beginning of 2008, the final opinion from the Austrian supervisory authority was sent to the Bank of Italy, together with a positive recommendation concerning approval for the use of the internal ratings-based approach in calculating BA-CA AG's assessment basis for regulatory capital. The Bank of Italy's approval at UniCredit Group level is expected to be received in the next few weeks.

The Group has also chosen the most advanced approach (AMA) in respect of operational risk. In 2007, on behalf of the Bank of Italy, the Austrian Financial Market Authority carried out an on-site assessment of the AMA pursuant to Section 70 (1) 3 of the Austrian Banking Act. The review focused on the organisational structure and processes used for limiting operational risk, and on the related control environment. The on-site review took place from the beginning of June until the beginning of August, with some interruptions.

As in the area of credit risk, the review of operational risk was completed with the transmission of a positive opinion to the Bank of Italy, together with a recommendation for approval of the use of the AMA. The Bank of Italy's approval at UniCredit Group level is expected to be available in the next few weeks.

Austrian subsidiaries

All Austrian subsidiaries in the new Group structure will use the standardised approach from 2008. From a current perspective, for reasons of materiality, it is not planned to switch to one of the IRB approaches.

CEE subsidiaries

The CEE subsidiaries will also start with the Basel II standardised approach in 2008. Given the Group's decision to use the IRB approach, efforts will of course be made to switch to the advanced IRB approach at most of the CEE subsidiaries. A high-level roll-out plan for the gradual switch to the IRB approaches has been drawn up with all CEE subsidiaries and communicated to the supervisory authorities involved. The CEE subsidiaries, in cooperation with the BA-CA sub-holding company, will refine the plan on an ongoing basis in 2008. These activities and the beginning implementation and completion of the apppropriate IT and rating systems as well as the start of the required time series collection will be focal areas of the Group-wide Basel II programme in 2008. Measures have been initiated together with the two new subsidiaries in Kazakhstan and Ukraine to ensure step-by-step compliance with the standardised approach.

Following an implementation phase which lasted about five years, BA-CA AG has successfully completed work on meeting the legal requirements under the EU's Capital Requirements Directive in connection with Basel II. In the next few years, in addition to ongoing compliance-related activities in BA-CA AG, the bank will roll out the quality standards for risk management instruments, reporting and compliance in the sub-group with a view to ensuring uniform Group-wide implementation and Group-wide consistency.

(58a) Market risk

Market risk management encompasses all activities in connection with our Markets & Investment Banking operations and management of the balance sheet structure in Vienna and at Bank Austria Creditanstalt's subsidiaries. Risk positions are aggregated at least daily, analysed by the independent risk management unit and compared with the risk limits set by the Management Board and the committees (including MACO) designated by the Management Board. At Bank Austria Creditanstalt, market risk management includes ongoing reporting on the risk position, limit utilisation, and the daily presentation of results of Markets & Investment Banking operations.

Bank Austria Creditanstalt uses uniform risk management procedures throughout the Group. These procedures provide aggregate data and make available the major risk parameters for the various trading operations at least once a day. Besides Value at Risk, other factors of equal importance are stress-oriented sensitivity and position limits. Additional elements of the limit system are loss-warning level limits and options-related limits applied to trading and positioning in non-linear products.

Bank Austria Creditanstalt's risk model ("NoRISK") was developed by the bank and has been used for several years. The model is applied and further refined by Strategic Risk Management. Ongoing refinement work includes reviewing the model as part of backtesting procedures, integrating new products, implementing requirements specified by the Management Board and by MACO, and adjusting the system to general market developments. In this context a product introduction process has been established in which risk managers play a decisive role in approving a new product. The "NoRISK" risk model, approved by the supervisory authorities since 1998, is used for computing capital requirements; in contrast to the internal risk management process, the computation of capital requirements takes into account the statutory parameters (confidence interval of 99%, 10-day holding period) and additionally the multiplier determined as part of the model review is applied. The risk model covers all major risk categories: interest rate risk and equity position risk (both general and specific risk), exchange rate risk and commodities position risk.

In 2007, the standard risk report presented at MACO's weekly meetings was adjusted to the structure of the UniCredit-wide MIB risk report and thus covers the same (stress) sensitivities in addition to VaR figures. Regular and specific stress scenario calculations complement the information provided to MACO/ALCO and the Management Board. Macro scenarios show the potential adverse impacts of global developments with specific effects on the respective risk categories, while stress sensitivities of individual risk factors or groups of risk factors show the potential adverse impacts on partial market segments. Stress scenarios are based on assumptions of extreme movements in individual market risk parameters. The bank analyses the effect of such fluctuations and a liquidity disruption in specific products and risk factors on the bank's results. These assumptions of extreme movements are dependent on currency, region, liquidity and the credit rating, and are set by Strategic Risk Management on a discretionary basis after consultation with experts in other areas of the bank (e.g. research, Treasury).

In addition to the risk model results, income data from market risk activities are also determined and communicated on a daily basis. These data are presented over time and compared with current budget figures. Reporting covers the components reflected in IFRS-based profit and the marking to market of all investment positions regardless of their recognition in the IFRS-based financial statements ("total return"). The results are available to Bank Austria Creditanstalt's trading and risk management units via the access-protected Intranet application "ERCONIS", broken down by portfolio, income statement item and currency. The new regulatory approach to prudent valuation in the trading book is also implemented primarily by Strategic Risk Management and further developed on an ongoing basis through cooperation within UniCredit Group (first application in December 2006).

In Vienna, Bank Austria Creditanstalt uses the "MARCONIS" system developed by the bank itself to completely and systematically review the market conformity of its trading transactions. This tool is also used by all CEE banking subsidiaries with market risk activities.

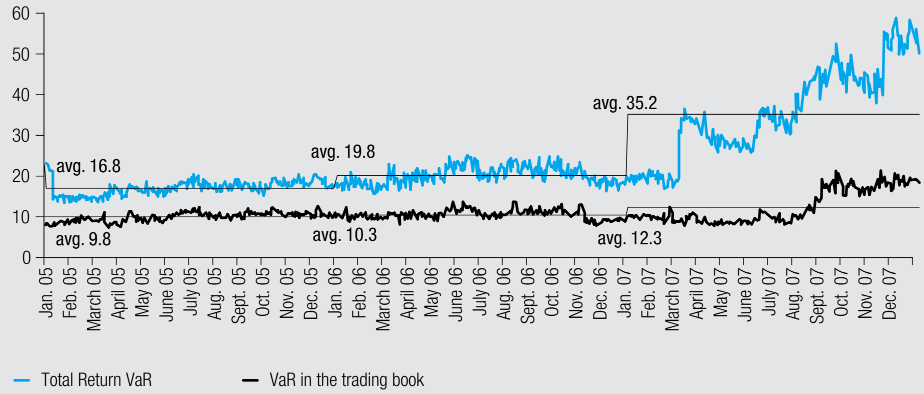
Value-at-risk movements (1 day, confidence interval of 99%) in 2007 reflected the acquisition of a number of banks and their inclusion in BA-CA's group of consolidated companies in the course of the year (initially UniCredit banking subsidiaries and, later on, acquisitions of banks outside UniCredit Group). The significant rise in VaR in March resulted mainly from the integration of Yapı Kredi (Turkey), and the increase in November was due to the integration of ATF (Kazakhstan). Overall, the integration of the new banking subsidiaries led primarily to a rise in Total Return VaR, while the increase in risk in the trading book was comparatively small.

Notes (CONTINUED)

Risk report (CONTINUED)

The results of the internal model based on VaR (1 day, confidence interval of 99%) in 2007 moved between € 16.7 m and € 58.7 m for the BA-CA Group. The average Total Return VaR was € 35.2 m, significantly higher than the comparative figure for the previous year (€ 19.8 m). The average VaR in the trading book only rose to a level of € 12.3 m (from € 10.3 m in the previous year). As in previous years, the risk report includes the non-trading driven equity positions of the bank's investment books and the hedge-fund positions. Credit spread risk and interest rate risk account for most of the total risk of the Bank Austria Creditanstalt Group.

VaR of the Bank Austria Creditanstalt Group in 2005–2007 (€ m)



VaR of the Bank Austria Creditanstalt Group by risk category (€ m)

RISK CATEGORY	MINIMUM	AVERAGE	MAXIMUM	YEAR-END
Interest rate risk	6.6	21.6	43.0	38.4
Credit spread	9.2	24.2	41.2	32.2
Exchange rate risk	0.7	2.3	5.1	1.8
Equity risk/trading	1.2	2.3	4.2	2.4
Emerging markets/high yield	0.8	1.6	2.9	1.2
Hedge funds	3.7	5.0	6.3	4.7
Equity risk/investment	5.6	9.7	13.1	10.6
Commodities position risk	0.0	0.0	0.0	0.0
Vega risk	0.8	2.2	5.9	3.4
TOTAL 2007	**16.7**	**35.2**	**58.7**	**49.9**
TOTAL 2006	**15.3**	**19.8**	**24.7**	**19.6**

In addition to VaR, risk positions of the Bank Austria Creditanstalt Group are limited through volume limits. As part of daily risk reporting, detailed "Trader Reports" are prepared for a large number of portfolios, with updated and historical information made available to all risk-takers and the respective heads of departments via the Intranet. The comprehensive statistical data on VaR made available in addition to limit-relevant 99% quantile figures include the average of scenario results beyond the 99% quantile mark, providing an indication of the magnitude of events for which the probability of occurrence is very low. In addition to limit-relevant overall simulation runs, the results of about 30 partial simulation runs are recorded daily in the risk database. Partial simulation runs simulate specific risk classes while keeping others constant. The combination of portfolios and partial simulation runs enable the bank to analyse all major risk components on a daily basis and over time.

As at 31 December 2007, the entire interest rate position of the Bank Austria Creditanstalt Group (trading and investment) for major currencies was composed as follows (the table below shows basis point values over € 500):

Basis point values of the Bank Austria Creditanstalt Group (in €)

€		AS AT 31 DECEMBER 2007 UP TO 1 MONTH	1 MONTH TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 5 YEARS	OVER 5 YEARS	TOTAL	ANNUAL AVERAGE, MINIMUM/MAXIMUM MAXIMUM	MINIMUM	ABSOLUTE AVERAGE
Western Europe	EUR	−41,070	−23,054	8,013	−754,332	−455,679	−1,266,123	−386,089	−1,648,658	965,204
	CHF	40,740	−36,006	−59,578	−37,527	−16,605	−108,975	139,264	−173,668	70,916
	DKK	38	16	−296	12	–	−230	1,138	−876	461
	GBP	−897	416	−25,857	−108,630	124,622	−10,346	19,389	−104,851	45,605
	NOK	104	588	−190	2	–	505	987	−1,143	494
	SEK	314	1,719	−853	−95	–	1,085	5,448	−2,199	3,168
New EU countries	CZK	−6,121	−24,962	18,325	−3,027	−36,949	−52,734	169,427	−359,290	31,080
	HUF	−204	−1,240	7,756	−47,691	−38,383	−79,762	24,201	−132,622	53,339
	PLN	−6,333	−1,643	46,340	−35,570	16,661	19,455	67,222	−73,153	27,896
	SKK	−2,230	1,695	604	−16,109	96,445	80,406	175,772	−32,307	75,408
Central and Eastern Europe incl. Turkey	BAM	−115	−702	−493	32	−2,294	−3,572	7,909	−3,642	2,368
	BGN	1,171	−298	−7,496	−37,256	−29,934	−73,813	1,989	−81,301	53,334
	HRK	−12,087	−3,404	−22,472	−111,965	−98,689	−248,618	−5,639	−252,307	147,336
	KZT	625	−164	−8,989	−59,963	−240,898	−309,389	14,462	−342,848	37,678
	LVL	−16	−625	−2,144	1,290	−636	−2,131	3,077	−6,252	2,591
	RON	7,560	−3,205	−2,444	−16,545	−8,917	−23,551	9,242	−77,613	27,536
	RSD	−446	−1,639	−1,762	35	–	−3,813	1,895	−4,939	2,180
	RUB	3,433	−9,820	−49,104	−189,723	−35,602	−280,817	−5,244	−310,099	179,607
	TRY	604	−19,614	−50,634	−175,277	−29,557	−274,478	165,229	−285,226	163,928
	UAH	−63	214	−6,372	1,073	–	−5,148	2,596	−79,284	4,865
Overseas – highly developed countries	USD	10,895	−57,767	33,954	−843,832	−202,549	−1,059,299	−205,021	−1,521,650	1,094,460
	CAD	1,122	−4,297	6,233	−1,578	86	1,567	3,508	−52,021	22,826
	AUD	−854	1,069	−31,562	–	–	−31,347	4,063	−40,945	12,510
	NZD	−1,108	−19	−13,133	5	–	−14,254	−44	−17,695	4,723
	JPY	77	−2,424	−11,339	28,199	−14,642	−130	109,118	−69,037	26,533
Other countries	AED	−27	2	1,148	–	–	1,123	1,249	−384	283
	EGP	−2	−1	–	−383	–	−386	−386	−743	558
	HKD	−51	−31	76	–	–	−6	3,081	−82	128
	ILS	98	−27	−48	−2,674	–	−2,650	36	−3,098	1,231
	ISK	165	178	49	−90	–	303	1,395	303	740
	SAR	−23	–	581	–	–	559	648	−52	73
	XAU	279	680	3,658	–	–	4,617	27,524	4,617	14,349
	ZAR	−67	−5	−3,290	−1,617	−48	−5,027	27,732	−19,423	7,444
	BPV<500	138	−135	−584	−196	1	−775	416	−462	929
TOTAL		**−4,350**	**−184,505**	**−171,903**	**−2,413,432**	**−973,565**	**−3,747,754**			**3,081,778**

Notes (CONTINUED)

Risk report (CONTINUED)

In 2007, Bank Austria Creditanstalt's positions reflected acquisitions of additional subsidiaries in CEE. In addition to EUR, an important currency for these units in terms of interest is USD. RUB, TRY and HRK also gained in importance, reflecting the size of our new subsidiaries; most of the related interest rate sensitivity is in the banking book (not in the trading book).

By analogy to the detailed presentation of basis point positions in the interest rate sector, daily reporting presents details of credit spread by curve and maturity band (the bank currently uses more than 500 credit spread curves for its risk calculations).

Spread basis-point values of the Bank Austria Creditanstalt Group (in €)

		ANNUAL AVERAGE, MINIMUM/MAXIMUM		
SP-BPVS	SECTOR	MAXIMUM	MINIMUM	ABSOLUTE AVERAGE
Main sectors	Financial services	–790,028	–2,158,605	1,635,456
	ABS and MBS	–1,347,797	–1,946,198	1,809,718
Corporates	Industrial	–161,699	–365,842	283,442
	Automobiles	–13,479	–170,110	41,809
	Consumer goods	38,264	–55,194	31,016
	Pharmaceutical	–84,006	–242,174	126,365
	Telecommunications	30,211	–85,938	39,212
	Energy & utilities	–121,690	–235,495	185,882
	Other (e.g. merchandising)	–15,127	–1,932,784	887,056
Treasury-near	Treasuries – EU	–1,221,671	–1,763,009	1,370,970
	Treasuries – new EU countries	–478,815	–1,102,510	765,259
	Treasuries – CEE & emerging markets	–19,137	–1,652,981	1,290,857
	Treasuries – developed countries overseas	74,268	–48,857	11,778
	Treasuries – agencies & supranationals	–7,725	–152,575	63,124
	Municipals & German Jumbo	–375,493	–1,677,641	593,779
TOTAL		**–7,079,524**	**–10,498,609**	**9,109,080**

Measured by the total basis-point value, the BA-CA Group's credit spread position in 2007 moved between € 7 m and € 10 m. Corporates and financials of investment grade continue to account for the largest part of the credit spread positions. However, as a result of the acquisition of new banking subsidiaries, the proportion of government bonds rose in 2007 (especially in CEE and emerging markets). Within corporates and financials, positions with a very good rating predominate. Within ABS and MBS, which are a focus of management attention due to the US real estate crisis, positions with excellent ratings (about 99 % AA and better, over 90 % AAA) and positions of a less recent nature predominate.

Despite the good rating structure of the portfolio, the BA-CA Group also felt the negative impact of the crisis in 2007: this applies to the specialised ABS/MBS sector and to the other credit trading sector of financials and corporates. As these positions are maintained in BA-CA's trading book, the market value declines associated with the crisis are already included and recognised in net trading, hedging and fair value income. There was no change in the valuation methods applied. Losses recorded in the credit spread sector were thus largely offset by other trading activities and were also in line with the results of regularly performed market risk stress analyses. Although the stress scenarios used so far indicated the losses incurred in this area, the crisis prompted the bank to review the macro scenarios used by it; this led to stricter stress assumptions being adopted especially for AAA rating classes.

The US sub-prime sector is of little significance for the BA-CA Group. There are no direct loans in this sector, and the end-of-2007 market value of investments in sub-prime related RMBSs and CDOs was about € 83 m and € 29 m, respectively. More than 99 % of this total volume is rated AAA. All CDOs were issued before 2006. Ongoing redemptions are steadily reducing the volume. Therefore losses incurred on these assets in 2007 have a low impact on BA-CA. As part of fair value adjustments, additional liquidity reserves were recognised in net trading, hedging and fair value income in 2007. The latter applies to securities based on sub-prime assets and to the other part of the ABS & MBS book.

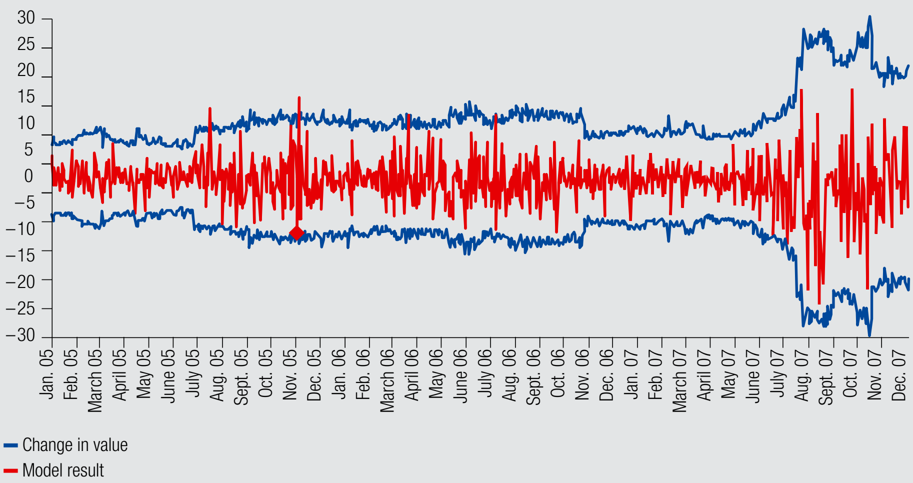
Bank Austria Creditanstalt has invested in hedge funds through its subsidiary Bank Austria Cayman Islands since 1999. Market-neutral and event-driven strategies account for the highest proportion of total volume, most of which is invested in funds of funds. The proportion of directional strategies is low compared with the industry average, and the applied leverage is also limited at a comparatively low level. The investment guidelines, which define major risk parameters, are an important management tool in this sector. Compliance with the investment guidelines and daily reviews of valuation results are assured by the risk management unit at Bank Austria Cayman Islands within central risk management guidelines laid down in Vienna.

In addition to the hedge fund activities on Cayman Island, Bank Austria Creditanstalt invested in hedge funds as part of its equity trading operations. With these investments, which were primarily driven by equity long/short strategies, the BA-CA Group aims to better diversify equity-related activities, thereby complementing the focal areas in Austria and the CEE countries. Investment decisions are prepared by a hedge fund research team of UniCredit CAIB AG. This business is conducted within guidelines defining standards in respect of maximum investment, investment diversification, relative size of holding in the fund and strategy, approach to due diligence and fund selection. The positions are integrated in the risk calculations of Bank Austria Creditanstalt and are monitored on an ongoing basis. In almost all cases, investment volume per fund is a single-digit million euro amount.

Capital requirements for market risk

Bank Austria Creditanstalt's risk model is subjected to daily backtesting in accordance with regulatory requirements. The model results are compared with changes in value on the basis of actually observed market fluctuations. As the number of backtesting excesses (negative change in value larger than model result) has been within the range permitted by law ever since the model was introduced, the multiplier need not be adjusted. In 2007, no backtesting excess was recorded.

Backtesting results for the trading book, 2005–2007 (€ m)



Notes (CONTINUED)

Risk report (CONTINUED)

Market risk management in CEE
At Bank Austria Creditanstalt, market risk management covers the activities in Vienna and the positions at the bank's subsidiaries, especially in Central and Eastern Europe. These subsidiaries have local risk management units with a reporting line to Strategic Risk Management. Uniform processes, methods, rules and limit systems ensure consistent group-wide risk management adjusted to local market conditions.

The "NoRISK" risk model has been implemented locally at major units (Czech Republic, Slovakia, Hungary, Bulgaria, Russia, Turkey), and a daily risk report is made available to the other units. The web application "ERCONIS" records the daily business results of treasury activities in CEE. In line with a total-return approach, measurements of the performance of subsidiaries include income generated by the subsidiaries and the valuation results of the banking book.

To avoid risk concentrations in the market risk position, especially in tight market conditions, Bank Austria Creditanstalt has implemented at its subsidiaries Value-at-Risk limits and position limits for exchange rate risk, interest rate risk and equity risk, which are monitored daily. The monitoring of income trends at subsidiaries by means of stop-loss limits provides an early indication of any accumulation of position losses.

The timely and continuous analysis of market risk and income is the basis for integrated risk-return management of treasury units at subsidiaries.

VaR 2007 of treasury units in CEE (in €)

	VALUE AT RISK 2007		
	MINIMUM	MAXIMUM	AVERAGE
Bulgaria	–378,052	–3,575,225	–1,889,093
Serbia	–70,920	–811,393	–230,161
Czech Republic	–922,383	–3,637,647	–1,410,854
Croatia*)	–1,550,768	–6,269,053	–4,303,762
Hungary	–820,652	–2,308,340	–1,240,998
Kazakhstan	–26,423,754	–39,614,970	–32,499,653
Latvia	–299,314	–712,055	–470,218
Romania	–130,161	–1,217,236	–427,494
Russia	–1,391,706	–6,469,723	–2,965,705
Slovenia	–19,094	–1,016,638	–405,552
Slovakia	–244,658	–942,284	–487,651
Turkey	–12,817,630	–24,311,758	–19,304,810
CEE LIMIT	**–1,854,316**	**–48,969,578**	**–20,704,589**

*) incl. CPB, UniZABA, ZABA, NBB, PSS

Market risk limit utilisation in CEE averaged about 30% in 2007, rising to 66% towards the end of the year as a result of the integration of ATF Bank in Kazakhstan and higher market volatility. Thus the CEE subsidiaries accounted for an average 50% of the Group's market risk. The relative increase of the CEE proportion of market risk in the Group is explained by the acquisition of Yapı Kredi Bank in Turkey and of ATF Bank in Kazakhstan.

In addition, short-term and medium-term liquidity management is performed centrally for subsidiaries through position limits.

The CEE subsidiaries of UniCredit Group were included in BA-CA's global market risk system through various integration projects in 2007. In the Czech Republic, Slovakia, Romania and Bulgaria, the banks of UniCredit and BA-CA were integrated in terms of technology and organisation. In Russia, Croatia, Latvia and Turkey, the banking subsidiaries of UniCredit and HVB were transferred to BA-CA's market risk environment. This ensures uniform rules, processes and risk measurement methods across the larger group.

The Bank Austria Creditanstalt Group has gained strong integration expertise through numerous integration projects carried out over the past years. Integrated market risk systems enable BA-CA to integrate additional units within the BA-CA Group's risk management framework in the future.

Management of balance sheet structure
Interest rate risk, market risk and liquidity risk as well as contribution margins from customer transactions are attributed to the bank's business divisions in line with the principle of causation through a matched funds transfer pricing system applied throughout the Group. ALCO ensures that the bank's overall maturity structure is optimised, with the results from maturity transformation being reflected in the Markets & Investment Banking Division. Factors taken into account in this context include the costs of compensation for assuming interest rate risk, liquidity costs and country risk costs associated with foreign currency financing at CEE subsidiaries.

Products for which the material interest-rate and capital maturity is not defined, such as variable-rate sight and savings deposits, are modelled in respect of investment period and interest rate sensitivity by means of analyses of historical time series, and taken into account in the bank's overall risk position. Interest rate sensitivities are determined and taken into account in hedging activities, which results in a positive contribution to profits from customer business.

To assess its balance sheet structure, the bank uses the Value-at-Risk approach, complemented by a scenario analysis covering subsequent quarters and years. The bank thus also follows the Basel II recommendation concerning the simulation of future net interest income under different interest rate scenarios ("earnings perspective").

In the earnings perspective analysis, simulations of the future development of net interest income and of the market value of the banking book are generally based on assumptions regarding volume and margin developments under different interest rate scenarios. Parallel interest rate shocks as well as inversions and low-interest-rate scenarios can be analysed to identify their possible impact on the bank's net interest income and market value.

The analyses performed as at December 2007 show that a decline in interest rates in all currencies would have the strongest impact on the bank's net interest income. This is a typical feature of commercial banks, given the interest rate remanence on the liabilities side of banks' balance sheets (sight deposits, equity).

The rules of the New Basel Capital Accord ("Basel II") require the measurement at Group level of "interest rate risk in the banking book" in relation to the bank's capital by comparing a change in the market value of the banking book after a 2% interest rate shock with the bank's net capital resources. In the event that such an interest rate shock absorbs more than 20% of a bank's net capital resources, the bank supervisory authority could require the bank to take measures to reduce risk.

A 2% interest rate shock would absorb about 4% of the Group's net capital resources; this calculation also includes the current investment of equity capital as an open risk position. This means that the figure for Bank Austria Creditanstalt is far below the outlier level of 20%.

(58b) Liquidity risk

In line with Group-wide standards, the Bank Austria Creditanstalt Group deals with liquidity risk as a central risk in banking business by introducing and monitoring short-term and medium-term liquidity requirements (warning level). In this context the liquidity situation for the next few days and also for longer periods is analysed against a standard scenario and against scenarios of a general and a bank-specific liquidity crisis. The degree of liquidity of customer positions and proprietary positions is analysed on an ongoing basis. Procedures, responsibilities and reporting lines in this area have been laid down in the liquidity policy, which is also applicable at Bank Austria Creditanstalt's CEE units and includes a contingency plan in the event of a liquidity crisis.

In medium-term and long-term liquidity management, liquidity inflows over 1 year and over 5 years must cover a minimum of 90% of expected liquidity outflows during these periods. This warning level must be observed at Group level. At BA-CA Group level, the relevant figures as at year-end 2007 were 0.96 for >1 year and 0.94 for >5 years.

For the purpose of short-term liquidity management, the BA-CA Group and each bank have implemented volume limits for the first five business days, for two weeks and for the entire first month of the period to maturity. Short-term liquidity management covers Treasury

Risk report (CONTINUED)

transactions and the securities portfolio of the respective bank. This limit was observed at all times. The liquidity strain in the wake of the sub-prime crisis did not lead to any major negative changes in this respect.

Liquidity costs are part of the reference rate system. The applicable alternative costs are debited or, on the basis of an opportunity approach, credited to the various products on the assets side and the liabilities side which have an effect on liquidity. In the current controlling process this ensures the proper pricing of our business.

(58c) Counterparty risk

For the purposes of portfolio management and risk limitation in the derivatives business with banks and customers, and on the basis of our internal market risk model, the bank has set up a new Monte Carlo path simulation to estimate the potential future exposure at portfolio level for each counterparty. The calculations are based on market volatility, correlations between specific risk factors, future cash flows and stress considerations. Netting agreements and collateral agreements are also taken into account for simulation purposes.

The simulation calculations are performed for all major types of transactions, e.g. forward foreign exchange transactions, interest rate instruments, equity-related instruments and credit derivatives. Commodity derivatives and repurchase agreements are taken into account with an add-on depending, for example, on the maturity. The bank applies a confidence interval of 97.5%.

At the end of 2007, derivative transactions resulted in the following exposures:

Exposures	(€ m)
Banks	3,267
Corporates/Retail	1,152
CEE	811
TOTAL	**5,230**

Line utilisation for derivatives business is available online in WSS ("Wallstreet"), the central treasury system, on a largely group-wide basis. In addition to the potential future exposure, the path simulation also enables the bank to calculate the average exposure and the modified average exposure pursuant to Basel II, as well as the effective maturity of the exposure to each counterparty. This makes it possible to integrate counterparty risk in an internal model compliant with Basel II.

Bank Austria Creditanstalt additionally limits the credit risk arising from its derivatives business through strict use of master agreements, the definition and ongoing monitoring of documentation standards by legal experts, and through collateral agreements and break clauses. Management takes proper account of default risk, especially in view of the significant increase in business volume, despite the good average credit rating of our business partners in the derivatives business.

(58d) Credit risk

The organisational changes through which the CEE subsidiaries of UniCredit and HVB were integrated in the BA-CA sub-group in 2007 also involved changes in the composition of net writedowns of loans and provisions for guarantees and commitments.

For the BA-CA sub-group, which grew significantly in the previous year, net writedowns of loans and provisions for guarantees and commitments were about € 483 m in 2007, down by about € 200 m from the 2006 figure not adjusted for one-off effects. As a percentage of the total volume of loans outstanding, the provisioning charge was 0.22%, compared with 0.23% based on the previous year's figure adjusted for one-off effects.

At BA-CA AG, the provisioning charge was about € 262 m, considerably lower than in 2006, a year that was characterised by significant one-off effects.

In the Retail business segment, the measures taken in previous years started to have positive effects. At about € 208 m, net writedowns of loans and provisions for guarantees and commitments were significantly below the budget level, not least because of the positive effects from the sale of loans.

This transaction involved the sale to several investors of a nominal volume of about € 850 m. This sale and improved risk processes had a favourable influence on net writedowns of loans and provisions for guarantees and commitments. Further improvements in risk systems and processes are planned for 2008 with a view to further improving the provisioning charge in this business segment.

In the Corporates Division, net writedowns of loans and provisions for guarantees and commitments were about € 66 m, which was again a very satisfactory level matching the 2006 figure adjusted for one-off effects. While the number of business insolvencies continued to decline, they tended to involve larger amounts. Nevertheless, thanks to successful restructuring efforts, which even led to net releases of provisions in the Real Estate and Financial Institutions sectors, the provisioning charge in the Corporates Division was kept at a low level.

In 2007, net writedowns of loans and provisions for guarantees and commitments of the banking subsidiaries in Central and Eastern Europe reflected the strong influence of the acquisition of the CEE subsidiaries previously held by Bayerische Hypo- und Vereinsbank (in the Baltic countries and in Russia) and by UniCredit S.p.A. (in Bosnia, Bulgaria, Croatia, the Czech Republic, Romania, Slovakia and Turkey). Including provisions made at BA-CA AG for this region, the provisioning charge reached about € 211 m. For this reason, a comparison of results for 2007 with previous years is of limited informative value. The new subsidiary in Kazakhstan is included in the provisioning charge for 2007 on a pro-rata time basis.

Overall, there was a satisfactory trend in risk costs in Central and Eastern Europe. On the basis of further refined risk management instruments and methods, and as economic conditions in the region remained stable, the ambitious targets were surpassed although lending volume rose strongly, especially in retail banking.

For BA-CA AG and all units that already use the Basel II default definition, impaired assets are loans and receivables which are in default also according to the Basel II definition. In Central and Eastern Europe, the risk categories which the respective central bank requires banks to use for the classification of loans and receivables are reconciled with the various categories of "impaired assets" as defined by the Bank of Italy.

Positive assessment of A-IRB compliance by Austrian Financial Market Authority concerning rating systems applied for by the bank

The rating systems applied for by BA-CA AG in respect of the advanced internal ratings-based (A-IRB) approach were positively assessed in the framework of the Basel II programme by the Austrian Financial Market Authority upon completion of the regulatory review at the beginning of 2008. The term "rating system" covers all methods, processes, controls, data collection systems and data processing systems used for assessing credit risk, assigning loans and receivables to rating classes, and to quantify estimates of defaults and losses in respect of specific types of loans and receivables.

Balance sheet exposure: gross and net values (€ m)

	AMOUNTS AS AT 31 DEC. 2007			
	GROSS EXPOSURE	SPECIFIC WRITEDOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE
Balance sheet exposure				
Financial assets held for trading	19,092	–	–	19,092
Financial assets at fair value through profit or loss	935	–	–	935
Available-for-sale financial assets	10,862	–1	4	10,864
Held-to-maturity investments	7,623	–	–	7,623
Loans and receivables with banks	38,040	–33	–	38,007
Loans and receivables with customers	118,910	–2,920	–650	115,341
Hedging instruments	1,147	–	–	1,147
Financial instruments classified als held for sale	1,123	–	–	1,123
TOTAL	**197,732**	**–2,955**	**–646**	**194,131**

Notes (CONTINUED)

Risk report (CONTINUED)

Distribution of on-balance and off-balance sheet exposure (book values)		(€ m)
	GROSS EXPOSURE	NET EXPOSURE
Balance sheet exposures		
Non-performing loans	3,034	604
Doubtful loans	1,299	1,092
Restructured exposures	652	306
Past due exposures	120	119
Country risk	2	2
Other exposures	192,626	192,008
TOTAL BALANCE SHEET EXPOSURE	**197,732**	**194,131**
Off-balance sheet exposures		
Impaired	227	121
Other exposures	41,849	41,799
TOTAL OFF-BALANCE SHEET EXPOSURE	**42,076**	**41,919**

Credit risk methods and instruments

Very important factors in the credit approval process are a detailed assessment of risk associated with each loan exposure, and the customer's credit rating in particular. Every lending decision is based on a thorough analysis of the loan exposure, including an evaluation of all relevant factors. Following the initial loan application, the bank's loan exposures are as a rule reviewed once a year. If the borrower's creditworthiness deteriorates substantially, shorter review intervals are obligatory.

For internal credit assessment in Austria and by Bank Austria's banking subsidiaries in CEE, the bank uses various rating and scoring models (for calculating the parameters PD, LGD and EAD on the basis of models specifically developed for these purposes)* for the customer/business segments to be assessed, in line with the various asset classes pursuant to Section 22b of the Austrian Banking Act, the Solvency Regulation and Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions. There are country-specific or region-specific models (e.g. for corporate customers, retail customers) and global models (e.g. for sovereigns, banks). The assessment of a loan exposure is based on data from the respective company's financial statements and on qualitative factors.

The various rating and scoring models provide the basis for efficient risk management of the BA-CA Group and are embedded in all decision-making processes relating to risk management. They are also a key factor for capital required to be held against risk-weighted assets. Great attention is given to consistency in the presentation for supervisory purposes and the requirements of internal control.

All internal rating and scoring systems are monitored on an ongoing basis and are subject to regular validation on an annual basis, including a review to verify if the rating/scoring system provides a correct representation of the risks to be measured. All model assumptions are based on multi-year statistical averages for historical defaults and losses.

With risk-adjusted pricing and a stronger focus on risk management, we aim to constantly improve the diversification and the risk/earnings ratio of the portfolio. For real estate customers, the customer-related rating is complemented by a transaction rating.

Bank Austria uses a scoring system for retail customers. The automated rating tool is used for assessing, monitoring and managing the large number of loan exposures to private customers, small businesses, independent professionals and non-profit organisations. Retail scoring comprises an application scoring procedure based on effective and recognised mathematical and statistical methods, and a behaviour scoring procedure taking into account such factors as amounts received in the account and customers' payment practices. The scoring system for retail customers provides information that is updated on a monthly basis. This gives the bank an accurate tool for lending decisions and early recognition of risk. Automated data processing helps Bank Austria to reduce costs required for credit control while accelerating lending decisions.

*) PD = Probability of Default; LGD = Loss Given Default; EAD = Exposure at Default

Balance-sheet and off-balance sheet exposure by external rating class (book values)								(€ m)
	AMOUNTS AS AT 31 DEC. 2007							
	EXTERNAL RATING CLASSES							
	AAA/AA–	A+/A–	BBB+/BBB–	BB+/BB–	B+/B	LOWER THAN B–	NO RATING	TOTAL
On-balance-sheet exposures	42,204	30,643	23,797	21,001	6,182	1,854	68,450	194,131
Guarantees given and commitments	6,827	3,180	4,669	3,795	771	197	22,480	41,919
TOTAL	**49,031**	**33,823**	**28,466**	**24,795**	**6,953**	**2,052**	**90,930**	**236,050**

Balance-sheet and off-balance sheet exposure by internal rating class (book values)						(€ m)
	31 DEC. 2007					
	INTERNAL RATING CLASSES					
	A	B	C	D	E	F
On-balance-sheet exposures	39,312	21,679	15,869	22,297	6,514	9,042
Guarantees given and commitments	7,812	3,444	4,870	5,109	2,469	1,290
TOTAL	**47,124**	**25,123**	**20,739**	**27,406**	**8,982**	**10,332**

	31 DEC. 2007						
	INTERNAL RATING CLASSES				IMPAIRED ASSETS	NO RATING	TOTAL
	G	H	I	J			
On-balance-sheet exposures	6,803	8,748	7,238	1,264	2,123	53,245	194,131
Guarantees given and commitments	2,395	2,025	1,537	338	121	10,508	41,919
TOTAL	**9,198**	**10,773**	**8,775**	**1,602**	**2,243**	**63,753**	**236,050**

Credit Treasury

Since the implementation of Credit Treasury (CT; former Active Credit Portfolio Management ACPM) a predefined corporate segment of customers is actively managed according to capital market principles, in addition to the unchanged credit process for credit risks. By mapping the credit risk from customer business through a reference structure derived from maturity-matched market prices a risk adequate pricing of this portfolio segment is secured, accompanied by efficient capital market control. In Credit Treasury, the risk positions are aggregated and the bank's credit risk profits are optimised. By actively hedging and re-investing, Credit Treasury is to widen the portfolio's diversification, and contributes to an improvement of the risk-return profile.

The weekly Credit Treasury Committee, analogously to the Market Risk Committee (MACO), serves to actually steer business in regard to the risk-return situation in Credit Treasury as well as to adapt limits and to decide on positions.

In 2007 Credit Treasury executed two synthetic securitisations relating to Austrian and international corporate loans.

(58e) Operational risk

Analogous to Basel II, operational risk is defined as the risk of unexpected losses due to human error, flawed management processes, natural and other catastrophes, technological failures and external events. For example, in the future, IT system failures, damage to property, processing errors or fraud will be subject to more accurate and consolidated risk measurement and management, on which the calculation of risk capital will be based.

Loss data are collected, and processes are optimised, in close coordination and cooperation with other departments and units including Internal Audit, the Compliance Office, Legal Affairs and the insurance sector. Also to be considered is the fact that Bank Austria Creditanstalt has always taken numerous measures in the various divisions to manage and reduce operational risk. Examples are data security measures, measures to ensure the confidentiality and integrity of stored data, access authorisation systems, the two-signatures principle, and a large number of monitoring and control processes as well as staff training programmes.

Risk report (CONTINUED)

In the same way as for other types of risk, in addition to central risk controlling, Bank Austria Creditanstalt – like UniCredit – has built up a decentralised risk management network of contacts within Divisions and at subsidiaries (OpRisk Managers). While the main task of central risk management is to define the methods used and to perform risk measurement and analysis, risk managers working on a decentralised basis are responsible for taking measures to reduce, prevent, or take out insurance against, risks.

Pursuant to Section 70 (1) 3 of the Austrian Banking Act, the Austrian Financial Market Authority (FMA) carried out an on-site supervisory assessment of the advanced approach in 2007. The review focused on the organisational structure and processes used for limiting operational risk, and on the related control environment. The on-site review, carried out by the FMA on behalf of the Bank of Italy, took place from the beginning of June until the beginning of August, with some interruptions.

Quite generally, the organisation of operational risk management at BA-CA has been established at a high quality level. A network of independent functions and teams are involved in managing and controlling risks, providing the Management Board with sufficient information on the risk situation and enabling the Management Board to manage risk. Improvements with regard to the extended documentation requirements for scenarios, risk indicators and the analysis of the general ledger for operational risk relevance as well as an ongoing expansion and strengthening of the functions of divisional Operational Risk Managers will take place in the course of 2008.

In the same way as for credit risk, following completion of the regulatory assessment of operational risk, the final opinion was sent to the Bank of Italy, together with a positive recommendation concerning approval for the use of the AMA. The Bank of Italy's approval at UniCredit Group level is expected to be received in the next few weeks.

In 2008, activities with regard to operational risk will focus on
- implementing the requirements under the regulatory reviews in Italy, Austria and Croatia,
- supporting the units pursuant to the AMA rollout plan in implementing the regulatory reviews for Basel II implementation in cooperation with UniCredit Group,
- deepening cooperation with the ORX loss data consortium and with the RMA with a view to developing and implementing best practice in the area of operational risk,
- expanding the operational risk management system with a view to integrating the general ledger analysis and integrating the local regulatory reports,
- further analysis of the existing insurance coverage of our Group and establishment of a strategic insurance programme.

(58f) Business risk

Business risk is defined as unexpected adverse changes in business volume and/or margins which cannot be attributed to other types of risk. Adverse changes result mainly from a significant deterioration in market conditions, changes in the competitive position or customer behaviour, and from changes in the legal environment.

Business risk measurement thus measures the influence of external factors on a decline in profits and the effect on the market value.

As part of general income and cost management, operational management of business risk is the responsibility of the individual business units.

(58g) Risks arising from the bank's shareholdings and equity interests

In dealing with this type of risk, Bank Austria Creditanstalt takes into account market price fluctuations in its equity holdings in listed and unlisted companies.

Not included are equity interests in operating subsidiaries of the Group because risks associated with such companies are determined and recorded under the various other risk types.

The portfolio includes various strategic investments and real estate companies; real estate holding companies are taken into account in real estate risk.

Generally, Value at Risk is determined on the basis of market values and volatilities of the relevant equity interests. For shares in unlisted companies the bank uses book values and volatilities of relevant stock exchange indices and takes account of residual variances.

(59) Legal risks

Provisions have been made for pending legal risks in line with the estimated probability of costs arising from litigation.

No provisions have been made, inter alia, for the following pending legal proceedings due to the low probability of claims being lodged. An outflow of funds cannot, however, be excluded in these cases, either:

● Action brought by the German Bundesanstalt für vereinigungsbedingte Sonderaufgaben (BVS) in Switzerland for repayment of credit balances held, and disposed of, by the Communist Party of Austria (KPÖ) at the former banking subsidiary in Zurich.
● Action brought by Valauret S.A. in Paris on the grounds of alleged involvement of Creditanstalt AG (now merged with Bank Austria Creditanstalt AG) in wilful deception in connection with a French joint stock company as a result of which the plaintiffs incurred losses through a loss in value of shares acquired by it in the joint stock company.
● An appeal with suspension of collection was lodged against the official notices on liability (capital yields tax) issued in connection with individual securities transactions for the periods 2005, 2006 and January to September 2007.

(60) Legal actions brought and legal proceedings

Legal actions for rescission and declaration of nullity
Three legal actions for rescission and declaration of nullity were brought against the resolutions adopted at the Annual General Meeting on 3 May 2007 concerning

- ● approval of the acts of the members of the Management Board of BA-CA
- ● approval of the acts of the members of the Supervisory Board of BA-CA
- ● transfer to UniCredit of the bearer shares held by minority shareholders of BA-CA against cash compensation in accordance with the provisions of the Austrian Squeeze-out Act

and against the rejection of a special audit to ascertain if the issue price set in December 2006 by the Management Board with the consent of the Supervisory Board for the capital increase against contribution in kind was adequate.

By decision of the Commercial Court of Vienna dated 7 February 2008, these proceedings were linked for joint hearing and decision pursuant to Section 197 (3) of the Austrian Joint Stock Companies Act.

In the pending proceedings, the court examines if the contested resolutions are to be declared null and void or are lawful resolutions. In these proceedings, the court will not make a decision on the adequacy of the cash compensation offered by UniCredit to minority shareholders of BA-CA for their bearer shares. A review of the adequacy of the cash compensation can only be applied for after registration of the shareholders' resolution in the Austrian Register of Firms. Such a review procedure would not relate to BA-CA AG but to the shareholders' sphere.

Proceedings before the Austrian Takeover Commission
Following an application by one shareholder in BA-CA AG, the Austrian Takeover Commission, by its decision dated 16 April 2007, initiated proceedings against UniCredit and BA-CA AG. As far as BA-CA AG is concerned, the object of these proceedings is to ascertain if the statement made by the Management Board of BA-CA AG in September 2005 was in compliance with the legal requirements or if material parts of the statement, especially with regard to Bank BPH remaining within the BA-CA Group in the future, were incomplete, misleading or incorrect. Since initiating the proceedings, the Austrian Takeover Commission has not taken any further steps.

(61) Information on the squeeze-out pursuant to the Austrian Federal Act on the Squeeze-out of Minority Shareholders (Gesellschafterausschlussgesetz) of the holders of bearer shares in Bank Austria Creditanstalt AG

On 26 March 2007, the fair cash compensation for the squeeze-out was set at € 129.40 per bearer share. The cash compensation was determined on the basis of a report by "Deloitte Valuation Services GmbH". The Commercial Court of Vienna appointed the audit firm "TPA Horwath Wirtschaftsprüfung GmbH" as auditor. In its report dated 27 March 2007, the auditor confirmed the correctness of the Joint Report of UniCredit and of the Management Board of Bank Austria Creditanstalt AG as well as the adequacy of the cash compensation offered by UniCredit. The cash compensation applies to about 3.65% of the share capital or 7.4 million bearer shares (7,374,016) in free float.

The Annual General Meeting of Bank Austria Creditanstalt AG on 3 May 2007 adopted a resolution concerning the planned squeeze-out.

(62) Financial derivatives

Derivatives are classified as interest rate contracts, foreign exchange contracts, securities-related contracts, credit derivatives and other derivatives (commodities), according to the underlying financial in-

Risk report (CONTINUED)

strument. In all categories, a distinction is made between OTC (over-the-counter) and exchange-traded contracts. The counterparties in OTC transactions are banks and customers, while exchange-traded contracts are bought and sold via recognised exchanges.

Over-the-counter transactions are individual agreements concerning volume, maturities and underlying instrument. In large-volume inter-bank trading, these agreements reflect international practice, while in customer business they are usually adjusted to specific needs. Exchange-traded contracts are always standardised in respect of volume and maturity date.

OTC trading accounts for the bulk of the BA-CA Group's business volume in derivatives, with a focus on interest rate contracts. OTC contracts include forward transactions, swaps and options. Exchange-traded contracts are futures and options.

Derivatives are mainly used for trading purposes. Market participants include banks, securities houses, mutual funds, pension funds and corporate customers. Customers can use these instruments to hedge risk positions against unfavourable price fluctuations and, depending on the strategies pursued by customers, they can benefit from changes in prices, exchange rates and interest rates.

Bank Austria Creditanstalt AG is a business partner in plain-vanilla and structured transactions for international and local banks as well as for institutional and corporate customers.

As at 31 December 2007, the total volume of derivative financial instruments (excluding credit derivatives) was € 710 bn in the trading book and € 293 bn in the banking book. Interest rate contracts account for the largest proportion of total volume. Securities-related transactions, credit derivatives and other derivatives account for a comparatively small proportion of total volume, but the significance of such derivatives has been growing over the past years.

For the purposes of portfolio and risk management, contracts are valued at current prices using recognised and tested models. Market values show the contract values as at the balance sheet date.

For the purposes of credit risk management, derivatives are taken into account with their respective positive market value and an add-on depending on the product, currency and maturity. Add-ons applied in internal credit risk management for the potential future exposure are based on the current market volatility relative to the remaining period to maturity of the transactions. Given the underlying confidence interval of 97.5%, these add-ons are in most cases clearly above the relevant levels pursuant to the Austrian Banking Act.

Line utilisation for derivatives business is available online in WSS ("Wallstreet"), the central treasury system, on a largely Group-wide basis. For smaller units not connected to the central system, separate lines are allocated and monitored. Group-wide compliance with lines approved in the credit process is thus ensured at any time.

BA-CA additionally limits the credit risk arising from its derivatives business through strict use of master agreements, through collateral agreements and break clauses. In combination with the very good average credit rating of our business partners in the derivatives business, management takes proper account of default risk.

Total volume of outstanding financial derivative transactions as at 31 December 2007

Regulatory portfolio – notional amounts			(€ m)
	TRADING BOOK		BANKING BOOK
	LISTED	UNLISTED	UNLISTED
Forward rate agreements	–	29,931	232
Interest rate swaps	–	424,482	269,984
Domestic currency swaps	–	16,846	10,063
Currency interest rate swaps	58	6,047	6,915
Basis swaps	–	7,577	4,110
Stock index swaps	49	364	–
Commodity index swaps	–	19	–
Futures	734	–	–
Cap options	–	13,233	1,291
Floor options	–	3,783	268
Other options	68,972	70,873	197
Forwards	–	66,918	89
Other derivative contracts	–	108	–
TOTAL	**69,813**	**640,182**	**293,149**

OTC financial derivatives: positive and negative fair value		(€ m)
	POSITIVE FAIR VALUE GROSS AMOUNT	NEGATIVE FAIR VALUE GROSS AMOUNT
Regulatory trading book	**7,477**	**6,056**
Central governments and banks	30	21
Public bodies	8	8
Banks	6,291	5,019
Financial companies	62	51
Insurance companies	8	9
Non-financial enterprises	1,050	899
Other entities	27	49
Banking Book	**1,147**	**1,638**
Central governments and banks	–	–
Public bodies	–	–
Banks	1,097	1,526
Financial companies	13	–
Insurance companies	–	–
Non-financial enterprises	37	111
Other entities	–	1
TOTAL	**8,624**	**7,694**

Risk report (CONTINUED)

Credit derivatives (€ m)

	NOTIONAL AMOUNT	POSITIVE FAIR VALUE	NOTIONAL AMOUNT	NEGATIVE FAIR VALUE
REGULATORY TRADING BOOK	**9,631**	**112**	**6,198**	**74**
Purchases of protection – counterparty	**8,269**	**106**	**6,198**	**74**
Central governments and central banks	–	–	–	–
Public bodies	–	–	–	–
Banks	8,269	106	6,157	74
Financial companies	–	–	–	–
Insurance companies	–	–	–	–
Non-financial enterprises	–	–	41	–
Other entities	–	–	–	–
Sales of protection – counterparty	**1,362**	**5**	**–**	**–**
Central governments and central banks	–	–	–	–
Public bodies	–	–	–	–
Banks	1,342	5	–	–
Financial companies	–	–	–	–
Insurance companies	20	–	–	–
Non-financial enterprises	–	–	–	–
Other entities	–	–	–	–
BANKING BOOK	**–**	**–**	**–**	**–**
TOTAL	**9,631**	**112**	**6,198**	**74**

OTC derivatives – residual life: notional amount (€ m)

	UP TO 1 YEAR	FROM 1 TO 5 YEARS	OVER 5 YEARS	TOTAL
Financial derivatives				
Trading book	**369,469**	**190,632**	**80,081**	**640,182**
Financial derivative contracts on debt securities and interest rates	255,325	156,015	75,414	486,755
Financial derivative contracts on equity securities and share indices	1,993	1,712	596	4,301
Financial derivative contracts on exchange rates and gold	112,122	32,887	3,915	148,924
Financial derivative contracts on other underlying assets	28	17	157	201
Banking book	**216,234**	**35,183**	**41,731**	**293,149**
Financial derivative contracts on debt securities and interest rates	214,523	27,514	33,970	276,006
Financial derivative contracts on equity securities and share indices	35	40	–	75
Financial derivative contracts on exchange rates and gold	1,677	7,629	7,762	17,068
Financial derivative contracts on other underlying assets	–	–	–	–
Credit derivatives				
Trading book	**796**	**13,199**	**1,843**	**15,837**
Credit derivatives with qualified reference obligation	–	–	–	–
Credit derivatives with not qualified reference obligation	796	13,199	1,843	15,837
Banking book	**–**	**–**	**–**	**–**
Credit derivatives with qualified reference obligation	–	–	–	–
Credit derivatives with not qualified reference obligation	–	–	–	–
TOTAL	**586,499**	**239,014**	**123,655**	**949,167**

Information required under Austrian law

(63) Consolidated capital resources and regulatory capital requirements

The following tables show the capital requirements for the Bank Austria Creditanstalt group of credit institutions pursuant to Section 30 of the Austrian Banking Act as at the balance sheet date of 2007 and 2006, as well as the various components of Bank Austria Creditanstalt's capital resources as at the end of 2007 and 2006:

Capital resources and capital requirements of the Bank Austria Creditanstalt group of credit institutions (€ m)	31 DEC. 2007	31 DEC. 2006
Core capital (Tier 1)	**9,678**	**8,501**
Paid-in capital	1,469	1,069
Capital reserve	7,547	2,154
Revenue reserve	1,374	1,054
Reserve pursuant to Section 23 (6) of the Austrian Banking Act	2,109	2,072
Untaxed reserves	83	83
Differences on consolidation pursuant to Section 24 (2) of the Austrian Banking Act	–4,656	225
Fund for general banking risks	2,454	2,150
– Intangible assets	–702	–306
Supplementary elements (Tier 2)	**4,034**	**3,158**
Undisclosed reserves	141	9
Supplementary capital	149	912
Participation capital	–	–
Revaluation reserve	–	57
Subordinated capital	3,744	2,180
Deductions	**–1,153**	**–886**
NET CAPITAL RESOURCES (TIER 1 PLUS TIER 2 MINUS DEDUCTIONS)	**12,559**	**10,773**
REQUIREMENT FOR THE BANKING BOOK	**8,833**	**5,851**
Assessment basis (banking book)	**110,418**	**73,136**
Tier 1 capital ratio	8.76 %	11.62 %
Total capital ratio	11.37 %	14.73 %
AVAILABLE TIER 3	**1,111**	**496**
Requirement for the trading book and for open foreign exchange positions	606	245
REQUIREMENT COVERED BY TIER 3	**606**	**245**

Capital requirements of the Bank Austria Creditanstalt group of credit institutions pursuant to the Austrian Banking Act as at 31 December 2007 (€ m)

RISK WEIGHTINGS	ASSETS AND OFF-BALANCE SHEET POSITIONS	WEIGHTED AMOUNTS	CAPITAL REQUIREMENT
0 %	42,662	–	
10 %	1,007	101	8
20 %	18,503	3,701	296
50 %	23,242	11,621	930
100 %	81,160	81,160	6,493
Investment certificates	1,434	580	46
ASSETS	**168,008**	**97,163**	**7,773**
Off-balance sheet positions	63,943	13,230	1,058
Derivatives	9,070	25	2
BANKING BOOK	**241,021**	**110,418**	**8,833**

Concluding Remarks of the Management Board

of Bank Austria Creditanstalt

The Management Board of Bank Austria Creditanstalt AG has prepared the consolidated financial statements for the financial year beginning on 1 January 2007 and ending on 31 December 2007, in accordance with International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board as adopted by the European Union. The management report of the Group was prepared in accordance with the Austrian Commercial Code and is consistent with the consolidated financial statements.

The consolidated financial statements and the management report of the Group contain all required disclosures; in particular, events of special significance which occurred after the end of the financial year and other major circumstances that are significant for the future development of the Group have been appropriately explained.

Vienna, 4 March 2008

The Management Board

Erich Hampel
(Chairman)

Federico Ghizzoni

Thomas Gross

Wilhelm Hemetsberger

Werner Kretschmer

Ralph Müller

Regina Prehofer

Carlo Vivaldi

Robert Zadrazil

On 4 March 2008, the Management Board passed on the consolidated financial statements to the Supervisory Board. The responsibility of the Supervisory Board is to examine the consolidated financial statements and to state if it approves the consolidated financial statements.

Consolidated Financial Statements of the Bank Austria Creditanstalt Group for 2007
Statement by Management

We state to the best of our knowledge that the consolidated financial statements prepared in accordance with the relevant financial reporting standards provide a true and fair view of the financial position and performance of the Group, and that in the Management Report of the Group the business trends including business results and the position of the Group have been presented in such a way as to provide a true and fair view of the financial position and performance of the Group, and that it describes the material risks and uncertainties to which the Group is exposed.

Vienna, 4 March 2008

The Management Board

Erich Hampel
(Chairman)

Federico Ghizzoni

Thomas Gross

Wilhelm Hemetsberger

Werner Kretschmer

Ralph Müller

Regina Prehofer

Carlo Vivaldi

Robert Zadrazil

Report of the Supervisory Board for 2007

Introduction

In the 2007 financial year, the Supervisory Board performed all its duties as defined by the law and the Articles of Association with due regard to the Austrian Code of Corporate Governance, and held six meetings. In addition, in thirteen cases, resolutions were passed by written circular votes. The credit committee of the Supervisory Board held four meetings during the reporting period, and passed a number of resolutions by written circular votes. The committee for the audit, and the preparation regarding the adoption, of the financial statements, the proposal for the appropriation of profits and the management report (audit committee) held two meetings. The strategy and nominations committee passed three resolutions by written circular votes.

Focus of activity

In the 2007 financial year, the Supervisory Board advised the Management Board on the management of the company and was regularly provided with information, in writing and orally, by the Management Board on the bank's and the Group's business and on major business transactions on a timely basis and in a comprehensive manner. The Management Board presented all facts in respect of which a decision by the Supervisory Board was required.

The activities of the Supervisory Board focused in particular on the future reorganisation of Markets & Investment Banking, the planned rebranding in Austria, the squeeze-out pursuant to the Austrian Squeeze-out Act, the contribution in kind of BA-CA Leasing to the UniCredit Leasing holding company, a detailed special report on developments in ABS markets against the background of the US subprime crisis and its effects on the bank's own portfolio, as well as numerous M&A measures such as the acquisition of equity interests, capital increases and transformations under company law mainly relating to subsidiaries in CEE. Among the main transactions there were the acquisition of majority interests in ATF Bank (Kazakhstan), Ukrsotsbank (Ukraine), Zagrebačka banka (Croatia – transferred by UniCredit) and the Russian International Moscow Bank (now ZAO UniCredit Bank).

In its work the Supervisory Board also took into account the bank's results and the main issues dealt with by the Supervisory Board committees.

The credit committee took decisions on loan exposures requiring its approval, especially large exposures pursuant to Section 27 of the Austrian Banking Act, including resolutions concerning credit lines, and with a view to Article 136 of the Italian Banking Act. It also dealt with portfolio and risk reports, the structure of the loan portfolio and risk policy principles.

The audit committee discussed the financial statements and the consolidated financial statements, and the audit reports and the management letter of the auditors, and reported to the Supervisory Board on these topics. The audit committee also discussed the remuneration of the auditors and the engagement letter. The activities of the strategy and nominations committee concentrated on submitting proposals to the Supervisory Board for the appointment of Management Board members.

Board members

At the Annual General Meeting held on 3 May 2007, Vincenzo Calandra Buonaura was elected to the Supervisory Board.

The Supervisory Board was sorry to hear about the death of Thomas Schlager on 8 October 2007. All members of the Supervisory Board will remember him with gratitude for his work. In accordance with a decision by the Employees' Council, Josef Reichl was delegated to the Supervisory Board with effect from 25 October 2007 to replace Thomas Schlager.

Details of the composition of the Supervisory Board committees in the 2007 financial year are given in the section "Supervisory Board and Management Board" in the Annual Report.

The following Management Board changes took place in the 2007 financial year:

The following members resigned from the Management Board: Andrea Moneta with effect from 30 June 2007, Johann Strobl with effect from 3 August 2007 and Willibald Cernko with effect from 31 December 2007. The following persons were appointed to the Management Board: Federico Ghizzoni with effect from 1 July 2007, Carlo Vivaldi with effect from 1 October 2007 and Ralph Müller with effect from 1 January 2008.

Financial statements/ consolidated financial statements

The accounting records, the financial statements for 2007 and the management report were audited by the Auditing Board of the Savings Bank Auditing Association and by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. As the audit did not give rise to any objections and the legal requirements were fully complied with, the auditors' report was expressed without qualification.

The Supervisory Board has endorsed the findings of the audit, agrees with the financial statements and the management report, including the proposal for the appropriation of profits, presented by the Management Board, and approves the 2007 financial statements, which are thereby adopted pursuant to Section 125 (2) of the Austrian Joint Stock Companies Act.

The 2007 consolidated financial statements were audited by the Auditing Board of the Savings Bank Auditing Association and by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft for consistency with International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board as adopted by the European Union, and the management report of the Group was audited for consistency with the Austrian Commercial Code. The audit did not give rise to any objections and the legal requirements were fully complied with. In the opinion of the auditors, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2007, and of the results of its operations and its cash flows for the financial year beginning on 1 January 2007 and ending on 31 December 2007, in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The auditors certify that the management report of the Group is consistent with the consolidated financial statements, and that the legal requirements for exemption from the obligation to prepare consolidated financial statements pursuant to Austrian law are met, and they express their unqualified opinion.

The Supervisory Board has endorsed the findings of the audit and thanks the Management Board and all employees for their strong personal commitment and their performance in the 2007 financial year.

Vienna, 11 March 2008

The Supervisory Board

Alessandro Profumo
Chairman of the Supervisory Board

Report of the Auditors

Auditors' report

We have audited the consolidated financial statements of Bank Austria Creditanstalt AG, Vienna, for the financial year from 1 January 2007 to 31 December 2007. These consolidated financial statements comprise the consolidated balance sheet at 31 December 2007, the consolidated income statement, the cash flow statement of the Group and the statement of changes in equity of the Group for the financial year ended 31 December 2007, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misrepresentation, whether due to fraud or error; selecting and applying appropriate accounting policies; and making estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the laws and regulations applicable in Austria and in accordance with International Standards on Auditing (ISA), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misrepresentation.

An audit involves performing audit procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

In making those risk assessments, the auditors consider internal control relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes the assessment of the appropriateness of the applied accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
Our audit did not give rise to any objections. Based on the results of the audit, in our opinion, the consolidated financial statements comply with the laws and regulations and present fairly, in all material respect, the financial position of the Group as at 31 December 2007 and of its financial performance and its cash flows for the financial year from 1 January 2007 to 31 December 2007 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Report on other legal and regulatory requirements
Laws and regulations applicable in Austria require us to perform audit procedures to ascertain whether the management report of the Group is consistent with the consolidated financial statements, and whether the other disclosures made in the management report of the Group do not give rise to misconception of the position of the Group.

In our opinion, the management report of the Group is consistent with the consolidated financial statements.

Vienna, 4 March 2008

Austrian Savings Bank Auditing Association
Auditing Board

Erich Kandler
Public Accountant

Friedrich O. Hief
Public Accountant

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Walter Reiffenstuhl
Public Accountant

Bernhard Gruber
Public Accountant

In case that the consolidated financial statements are disclosed or handed over to a third party in a version which differs from that (unabbreviated German version) certified by us (e.g. abbreviated version or translation), our prior approval is necessary if our audit opinion is included or our audit is mentioned.

II. Bank Austria Creditanstalt AG

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Preliminary remarks on the financial statements of Bank Austria Creditanstalt AG for 2007

Bank Austria Creditanstalt Aktiengesellschaft, the parent company of the Bank Austria Creditanstalt Group, presents its balance sheet as at 31 December 2007 and its profit and loss account for the year ended 31 December 2007, as well as the management report and the notes pursuant to Austrian law.

The consolidated financial statements of the Bank Austria Creditanstalt Group for the financial year beginning on 1 January 2007 and ending on 31 December 2007 were prepared in accordance with International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board as adopted by the European Union. The annual report of the Bank Austria Creditanstalt Group, which includes, inter alia, the consolidated financial statements, as well as the Group's management report and notes can be obtained, free of charge, under Investor Relations on the Internet (for contact details see page 170).

The two reporting formats – under IFRSs and under the Austrian Banking Act (BWG) – cannot be compared with one another because the operations covered by the financial statements differ (consolidated financial statements versus separate financial statements of the Group's parent company), and the valuation and accounting principles are also different. The annual report of the Group gives readers information on the status of the group of companies controlled by Bank Austria Creditanstalt AG. The consolidated financial statements provide international comparability, a fair value-based presentation of the financial position and performance, and more detailed information, for example through segment reporting. Bank Austria Creditanstalt AG's separate financial statements, prepared in accordance with Austrian rules, fulfill other important functions, especially under supervisory aspects. They are also the basis for determining the profit available for distribution under Austrian law and the dividend of Bank Austria Creditanstalt AG. In making an economic evaluation of the bank, users of the separate financial statements should take into account especially the extensive financial relations between the parent company and its banking subsidiaries. For this reason the financial statements of the Group provide more comprehensive information.

Management Report of Bank Austria Creditanstalt AG

1. Business developments and economic situation

1.1. Structural changes in the BA-CA Group

The "CEE Business Unit", which mainly includes the following subsidiaries of **UniCredit S.p.A.**, Genoa, Italy, **(UniCredit)**, was transferred to **Bank Austria Creditanstalt AG (BA-CA AG)** as a **contribution in kind** in exchange for 55 million newly issued shares in BA-CA AG with legal effect as of 17 March 2007:
Koç Finansal Hizmetler A.Ş., Turkey (50 % interest)
Zagrebačka banka d.d., Croatia (81.91 % interest)
Bulbank AD, Bulgaria (86.13 % interest)
Živnostenská banka a.s., Czech Republic (100 % interest)
UniBanka a.s., Slovakia (97.11 % interest)
UniCredit Romania S.A., Romania (99.95 % interest)

On 10 January 2007, **HVB Bank Latvia AS**, Riga, Latvia, was acquired for a purchase price of € 76.2 m; on 19 February 2007, the bank was renamed **AS UniCredit Bank Latvia.**

In the course of the new corporate branding process, HVB Bank Hungary Rt., Budapest, Hungary, and HVB Bank Srbija Crna Gora A.D., Belgrade, Serbia, were renamed UniCredit Bank Hungary Zrt and UniCredit Bank Serbia JSC, respectively, in the first quarter of 2007.

On 26 March 2007, a capital increase of € 484.6 m was carried out at **Zagrebačka banka d.d.**, Zagreb, Croatia. As a result, BA-CA AG's shareholding interest in Zagrebačka banka d.d. rose from 81.91 % to 84.21 %.

On 1 April 2007, the 25.5 % shareholding interest in **Adria Bank AG**, Vienna, was sold to Nova Kreditna Banka Maribor (NKBM), Slovenia, at a price of € 9.6 m.

In Slovakia, **HVB Bank Slovakia a.s.** and **UniBanka a.s.** legally merged as at 1 April 2007. The name of the merged bank is **UniCredit Bank Slovakia a.s.**

On 25 April 2007, **CA Immobilien Anlagen AG**, Vienna, carried out a capital increase of € 676.3 m. The shareholding interest in CA Immobilien Anlagen AG thereby increased to 10.01 % of the share capital and 33 % of the voting capital. The shareholding interest in CA Immobilien Anlagen AG has been accounted for by BA-CA in its consolidated financial statements using the equity method as from 1 May 2007.

The Bulgarian banking subsidiaries – **Bulbank AD**, Sofia, **HVB Bank Biochim AD**, Sofia, and **Hebros Bank AD**, Plovdiv – legally merged to form the new **UniCredit Bulbank AD**, Sofia, as at 27 April 2007.

The Romanian banking subsidiaries **Banca Comerciala HVB Tiriac Bank S.A.**, Bucharest, and **UniCredit Romania S.A.**, Bucharest, completed their legal merger on 1 June 2007. The bank now operates under the name of **UniCredit Tiriac Bank S.A.**

In 2007, Bank Austria Creditanstalt AG increased its shareholding interest in **International Moscow Bank (IMB)**, Moscow, Russia, step by step to 100 %. This was done through the acquisition of a 6.81 % shareholding interest from VTB Bank (France) S.A. on 10 January 2007, a 70.26 % shareholding interest from Bayerische Hypo- und Vereinsbank AG on 11 January 2007 and a 9.97 % shareholding interest from the European Bank for Reconstruction and Development (EBRD) on

Selected balance sheet items as a percentage of the balance sheet total compared with the previous year (in %)

	31 DEC. 2007	31 DEC. 2006
Assets		
Loans and advances to credit institutions (item 3)	22.8 %	26.0 %
Loans and advances to customers (item 4)	47.9 %	52.2 %
Securities including shares (items 5 and 6)	10.7 %	13.1 %
Shares in group companies (item 8)	10.9 %	3.6 %
Liabilities		
Amounts owed to credit institutions (item 1)	33.2 %	37.8 %
Amounts owed to customers (item 2)	35.8 %	33.5 %
Debts evidenced by certificates (item 3)	12.6 %	13.4 %

24 July 2007. On 16 August 2007, a capital increase of US$ 300 m was carried out. With the approval of the Russian central bank, International Moscow Bank was renamed **Closed Joint-Stock Company UniCredit Bank (ZAO UniCredit Bank)** on 25 December 2007.

On 27 July 2007, Bank Austria Creditanstalt AG transferred its 99.98 % interest in **Bank Austria Creditanstalt Leasing GmbH**, Vienna, to UniCredit Global Leasing S.p.A., Milan, Italy, with retroactive effect to 1 January 2007. In exchange, BA-CA AG received a shareholding interest of 32.59 % in **UniCredit Global Leasing S.p.A.**, which has been accounted for in the consolidated financial statements of the Bank Austria Creditanstalt Group under the equity method as from 1 July 2007.

On 31 July 2007, BA-CA AG acquired 100 % in both **Aton International Limited, Nicosia, Cyprus**, and **ZAO ATON Broker**, Moscow, Russia, for a total purchase price of € 315.8 m. Both companies have been included in the group of consolidated companies of the Bank Austria Creditanstalt Group as from 31 July 2007.

With a view to further enhancing customer service quality in **Markets & Investment Banking** in Austria and Emerging Europe, **CA IB Corporate Finance GmbH**, Vienna, was merged into **CA IB International Markets AG**, Vienna, on 30 October 2007 and CA IB International Markets AG was renamed **UniCredit CAIB AG** in November 2007. Furthermore, Bank Austria Creditanstalt AG sold the equity interests in the following companies which became equity interests of UniCredit CAIB AG following completion of the structuring under company law of Markets & Investment Banking activities as at year-end 2007:

- CA IB International Markets Ltd., London: sale on 17 October 2007
- UniCredit CA IB Polska, Warsaw, Poland: sale on 23 October 2007, and
- AI Beteiligungs GmbH with equity interests in the two companies **Aton International Limited** and **ZAO ATON Broker**: sale on 28 December 2007.

The Slovenian banking subsidiary Bank Austria Creditanstalt d.d. Ljubljana was renamed **UniCredit Banka Slovenija d.d.** on 3 September 2007.

On 13 November 2007, Bank Austria Creditanstalt AG acquired a 91.79 % shareholding interest in **JSC ATF Bank, Almaty, Kazakhstan**, for a purchase price of € 1,567.5 m. Through further purchases, the bank's shareholding interest rose to 92.88 % by 31 December 2007.

On 5 November 2007, Živnostenská banka a.s., Prague, Czech Republic, was merged into HVB Bank Czech Republic a.s., Prague, with retroactive effect to 1 October 2006 under commercial law pursuant to Czech local law. From the date of the merger, the bank has operated under the name of **UniCredit Bank Czech Republic a.s.**, Prague.

1.2. Business developments

Changes in total assets

As at 31 December 2007, Bank Austria Creditanstalt AG's total assets were € 144.2 bn, up by € 15.6 bn or 12.2 % compared with the balance sheet as at 31 December 2006.

Changes in selected balance sheet items compared with the previous year

Cash in hand and balances with central banks increased by € 34.5 m to a total of € 832.1 m, primarily on account of higher balances with Oesterreichische Nationalbank, Austria's central bank.

Treasury bills and similar securities were almost unchanged, at € 2.2 bn, with a slight increase in euro-denominated instruments.

Within loans and advances to credit institutions, placements repayable on demand rose strongly, at the expense of other placements and loans. Overall, this balance sheet item declined by € 0.5 bn or 1.5 % to € 32.9 bn.

Loans and advances to customers rose by € 2.0 bn or 2.9 % to € 69.1 bn, mainly as a result of an increase in foreign loans and advances denominated in euro.

The portfolios of bonds, other fixed-income securities and shares declined by € 1.4 bn or 8.4 % to € 15.5 bn, reflecting a decrease in shares and other variable-yield securities.

Equity interests and shares in group companies rose by € 13.6 bn to € 18.7 bn, mainly as a result of the equity interests transferred by UniCredit as a contribution in kind, the acquisition of ZAO UniCredit Bank, Russia, and of JSC ATF Bank, Kazakhstan, and the capitalisation of UniCredit CAIB AG, Vienna.

Other asset items rose by € 1.9 bn to a combined total of € 4.9 bn; the main reason for the increase was strong growth of derivatives held as trading assets.

On the **liabilities side**, amounts owed to credit institutions declined by € 0.7 bn or 1.5 %, as amounts repayable on demand decreased strongly, by € 2.7 bn, and this decrease was not offset by the increase in amounts owed to credit institutions with longer maturities. Amounts owed to customers rose by € 8.6 bn or 19.9 % and debts evidenced by certificates increased by € 1.0 bn or 5.6 %.

The increase in other liabilities was mainly due to derivatives in the banking and trading books.

Other provisions declined by € 299 m or 29.2 %, mainly as a result of the use of provisions made in the previous year for reorganising and restructuring the Retail, Corporates, Markets & Investment Banking and Global Banking Services Divisions, Support Services and Risk Management.

An amount of € 304 m was allocated to the fund for general banking risks for reasons of prudence in order to cover risks associated with banking business for which neither a value adjustment nor a provision had to be made. The fund was formed on the basis of Section 57 (3) of the Austrian Banking Act; in the future, it is available to cover losses immediately and without restriction.

Subordinated liabilities increased by € 0.6 bn or 16.8 % to € 4.2 bn. Supplementary capital declined by € 0.8 bn to € 0.5 bn.

As a result of the shareholding interests transferred by UniCredit as a contribution in kind, subscribed capital rose by € 400 m and capital reserves increased by € 5,393.3 m.

The increase of € 318.2 m in revenue reserves was mainly due to the appropriation from the annual surplus to the free reserve.

Details of the profit and loss account for 2007

Net interest income for the reporting period was € 1,415.7 m. Despite a 12.2 % increase in total assets, net interest income rose by only € 143.0 m or 11.2 %, as margins on customer business have been under strong pressure over the past years.

The increase of € 674.0 m in income from securities and equity interests to € 1,174.1 m resulted mainly from higher dividend income from shares in group companies, primarily from caibon.com Internet Services GmbH (release of capital reserve), Bank Austria Trade Service GmbH (release of capital reserve) and BACA Markets & Investment GmbH.

Net fee and commission income held up well in all areas, growing by € 58.0 m or 7.3 %.

In the wake of uncertainty triggered by the US sub-prime crisis among investors in stock markets, the net result from trading activities declined, mainly in the area of interest-related transactions, to a loss of € 122.2 m.

Other operating income rose by € 5.8 m or 5.0 % to € 120.5 m, an increase which primarily reflected higher compensation for group services and releases from provisions for legal risks.

Overall, **operating income** increased by € 612.2 m or 21.6 % to € 3,441.0 m.

General administrative expenses decreased by € 201.5 m or 11.7 % to € 1,513.8 m, This decline mainly reflected the adjustment, on 1 May 2007, of the internal service agreement on the BA-CA pension equivalent (ASVG equivalent) to changes in the legal framework – higher minimum retirement age, introduction of specific reductions, reduction of widows' pensions – which led to a partial release, recognised in the profit and loss account, of the pension provision. Staff costs fell by € 205.5 m or 19.8 % to € 833.0 m, other administrative expenses rose by € 4.0 m or 0.6 % to € 680.8 m.

As the provisions made for litigation risks were lower than in the previous year, other operating expenses declined by € 69.5 m to € 149.9 m.

Overall, **operating expenses** increased by € 294.9 m or 14.4 % to € 1,746.2 m.

Based on the large operating income, **operating results** doubled to € 1,694.8 m.

The favourable trend in risk costs associated with customer business in 2007 and income from the first variable profit-related component of the purchase price for Bank BPH S.A., Kraków, Poland, a bank which was sold to UniCredit in 2006, led to a decline to € 56.5 m in the net expense from the disposal and valuation of loans and advances and securities.

The net expense from the disposal and valuation of securities valued as financial fixed assets amounted to € 169.3 m, mainly reflecting gains on the sale of shares in CA IB International Markets Ltd., London, and in UniCredit CA IB Polska S.A., Warsaw, Poland, and valuation losses on the equity interests in caibon.com Internet Services GmbH und Bank Austria Trade Service GmbH, which resulted from distribution-related writedowns.

Results from ordinary business activities declined by 53.9 % to € 1,469.1 m.

Extraordinary results related to the allocation to the fund for general banking risks.

The **annual surplus** increased by € 306.8 m or 35.9 % to € 1,162.3 m.

1.3. Financial and non-financial performance indicators

Financial performance indicators

(in %)	2007	2006	2005	2004
Tier 1 capital ratio	20.1	14.1	10.8	10.6
Return on equity before taxes	12.3	13.8	8.3	4.4
Return on equity after taxes	12.2	13.6	7.9	4.4
Cost / income ratio	48.5	69.8	67.9	74.6
Risk / earnings ratio	10.0	24.0	22.2	19.2

Although risk-weighted assets in the banking book increased, the **Tier 1 capital ratio** improved during the year under review as a result of the capital increase in connection with the equity interests transferred by UniCredit as a contribution in kind, and in connection with the allocation to the fund for general banking risks, which is part of Tier 1 capital.

Equity capital rose strongly as a result of the capital increase, and the annual surplus improved by 35.9 %; thus **return on equity before taxes and after taxes** declined only slightly.

The strong decline in the **cost / income ratio** was mainly due to large dividend payments following the release of capital reserves at caibon.com internet Services GmbH and Bank Austria Trade Service GmbH, and to one-off income within general administrative expenses resulting from the adjustment of the internal service agreement on the BA-CA pension equivalent (ASVG equivalent) to changes in the legal framework.

The favourable trend in risk costs associated with customer business was the main factor for the improvement in the **risk / earnings ratio** to 10.0 %.

Non-financial performance indicators

The bank has:

	2007	2006	2005	2004
Branches in Austria	313	333	349	360
Foreign branches (without banking business)	1	–	–	–
Outlets at companies	7	8	8	8
Head office	1	1	1	1
Total	**322**	**342**	**358**	**369**

As the process of combining branches continued, the total number of branches declined further in the reporting year.

Under the place-of-work principle applied to BA-CA AG and its subsidiaries, staffing levels and staff costs are recorded by those companies in which the employees work. On the basis of this principle, **staffing levels** are as follows:

Staffing levels

	31 DEC. 2007	ANNUAL AVERAGE FOR 2007	31 DEC. 2006	31 DEC. 2005	31 DEC. 2004
Headcount 1)	7,236	7,307	7,512	7,369	8,533
of which: workers other than salaried staff	–	–	–	–	*310*
Full-time equivalents 1)	6,711	6,781	6,978	6,874	7,869
of which: workers other than salaried staff	–	–	–	–	*159*

1) excluding apprentices and employees on unpaid maternity or paternity leave, but including workers other than salaried staff and employees delegated under the place-of-work principle

The increase in staff levels in 2006 was exclusively due to the first-time application of UniCredit reporting guidelines, which require that staff members (237 persons) who terminated their active employment relationship as at 31 December 2006 are also included in the reporting-date figure.

BA-CA AG's Human Resources (HR) department carried out numerous development programmes as well as basic and advanced training programmes embedded in a comprehensive **Human Resources development policy**, which is further developed on an ongoing basis.

The Human Resources department supported the divisionalisation process by strengthening the business partner role. In this context the Human Resources Community acts as **adviser and strategic business partner** of its **customers, i.e. staff members and management**, and provides impetus to corporate development processes. A key factor is the proper balance between introducing change and maintaining elements that have proved effective.

Activities focus on the following HR projects:

● UniCredit Group's **Integrity Charter** defines shared values and rules of behaviour. It applies to all employees within UniCredit Group, irrespective of their position in the hierarchy. These are the 6 core values:

- Fairness
- Respect
- Freedom
- Transparency
- Reciprocity
- Trust

● **Employee survey** – Maintaining a dialogue with and listening to people are cornerstones of the Group's identity as set out in the Integrity Charter. These are also the basic qualities required to start a process of shared growth.

The opinions of our employees will help us identify our strengths and potential areas of improvement. In this way we will obtain important information for planning concrete measures to improve day-to-day activities. The employee survey also helps us to see what we have already achieved and what challenges we will have to meet in the future.

● The **Executive Development Programme (EDP)** has created a pool of top executives at Group level. Specific EDP processes support medium-term career planning and target-oriented development planning for each executive together with their superiors.

● **Job families** – Based on a given structure, an overview of all activities within the bank in terms of job profiles has been prepared for the first time, in cooperation with executives; jobs requiring similar professional and personal qualities have been bundled into job families.

● At BA-CA, **Performance Management** is aimed at achieving the following important objectives:
Consistently promoting employee development through transparent assessment of performance and well-balanced market-oriented incentives.

Employees are to be managed on the basis of annual targets derived from targets for the bank as a whole. We thereby aim to ensure that together we will achieve the targets for the entire bank by means of the **Management by Objectives (MbO)** instruments integrated in BA-CA Performance Management.

Transparent competence criteria applied in **AnnualPerformance-Reviews (APR)** are to strengthen the handling of personal feedback. The Human Resources Community fulfils its function of shaping the corporate culture by conveying company-specific standards and values; thereby the HR Community enhances employee engagement and employee loyalty across the bank.

Definitions of performance indicators

Tier 1 capital ratio: regulatory Tier 1 capital divided by risk-weighted assets (banking book) pursuant to the Austrian Banking Act (BWG)

Return on equity before taxes: annual surplus before taxes divided by average equity

Return on equity after taxes: annual surplus divided by average equity

Equity: subscribed capital, capital reserves, revenue reserves, reserve pursuant to Section 23 (6) of the Austrian Banking Act (BWG), untaxed reserves

Average equity: equity as at 1 January of the reporting year + equity as at 31 December of the reporting year divided by 2

Cost / income ratio: general administrative expenses (including depreciation) divided by operating income including the balance of other operating income / expenses

Risk / earnings ratio: net income / expenses from the disposal and valuation of loans and advances divided by net interest income including income from securities and equity interests

1.4. Capital resources and capital requirements

Capital resources of Bank Austria Creditanstalt AG as at 31 December 2007 pursuant to the Austrian Banking Act (BWG)

Tier 1 capital accounts for 84.9 % of net capital resources.

The comparative figures show the development of Bank Austria Creditanstalt AG's capital resources:

(€ m)	31 DEC. 2007	31 DEC. 2006
Share capital	1,469	1,069
Less: shares in a controlling company	– 1	– 3
Capital reserves	7,547	2,154
Other reserves eligible as Tier 1 capital	3,567	3,212
Fund for general banking risks	2,454	2,150
Less: intangible assets	– 203	– 209
Tier 1 capital	**14,833**	**8,373**
Net revaluation reserve	320	49
Net supplementary capital	516	1,282
Net subordinated capital	3,002	2,167
Tier 2 capital	**3,838**	**3,498**
Less: carrying value of shares and substitute capital where the equity interest is 10 % or less (excess over free amount)	0	0
Less: carrying value of shares and substitute capital where the equity interest exceeds 10 % (first loss position included in 2006)	– 1,114	– 1,149
Less: carrying value of equity interests and capital components of insurance companies	– 82	– 82
Net capital resources for banking-book solvency	**17,475**	**10,640**
Tier 3 capital (to the extent required for the trading book and open foreign exchange positions)	**494**	**324**

Capital requirements

The comparative figures show the development of the assessment basis and of capital requirements of Bank Austria Creditanstalt AG:

(€ m)	31 DEC. 2007	31 DEC. 2006
Assessment basis for the banking book Risk-weighted assets	65,732	50,730
Risk-weighted off-balance sheet transactions / Annex 1	8,148	8,498
Risk-weighted off-balance sheet transactions / Annex 2	22	20
Assessment basis	73,902	59,248
8 % capital requirement for the banking book	**5,912**	**4,740**
Capital requirement for the trading book (plus open foreign exchange positions)	**494**	**324**
Total capital requirement	**6,406**	**5,064**

The capital requirement of BA-CA AG for the trading book (€ 494 m) is covered completely by Tier 3 capital.

Net capital resources composed of Tier 1 capital and Tier 2 capital taken into account for banking-book solvency (€ 17,475 m) exceeded by 195.6 % the capital requirement for the banking book (€ 5,912 m). Tier 1 capital amounts to € 14,833 m and would on its own suffice to cover the entire capital requirement.

1.5. Information about share capital and the exercise of special rights

The subscribed capital of BA-CA AG as at 31 December 2007 amounted to € 1,468,770,749.80 and consisted solely of ordinary shares.

Pursuant to a resolution passed at the Annual General Meeting on 19 May 2005, the Management Board is authorised, in accordance with Section 169 of the Austrian Joint Stock Companies Act, to increase the share capital by up to € 534,460,374.90 by issuing up to 73,515,870 new no-par value shares against contributions in cash or in kind, excluding or not excluding subscription rights, until 21 June 2010. On 4 December 2006, the Management Board passed a resolution, with the consent of the Supervisory Board on 21 December 2006, to make partial use of the additional authorised capital and to increase the share capital by € 399,850,000 by issuing 55,000,000 no-par value shares in exchange for the contribution in kind of the "CEE Business Unit of UniCredit", excluding subscription rights. The capital increase was carried out on 17 March 2007. The new shares are not listed and are entitled to dividend payments for profits from the 2007 financial year.

As at 31 December 2007, the amount of additional authorised capital was up to € 134,610,374.90.

As at 31 December 2007, UniCredit held a direct interest of 96.35 % in BA-CA AG.

The registered shares held by Privatstiftung zur Verwaltung von Anteilsrechten (AV-Z Stiftung, a private foundation under Austrian law) and by the Employees' Council Fund (Betriebsratsfonds) have a long tradition and carry special rights for historical reasons: for specific important resolutions to be adopted at a general meeting of shareholders, the registered shareholders have to be present when the resolutions are adopted. The relevant resolutions are specified in Article 20 (13) and (14) of the bank's Articles of Association.

There is a syndicate agreement – the Restated Bank of the Regions Agreement – between UniCredit, "AV-Z Stiftung" and "Betriebsratsfonds des Betriebsrats der Angestellten der Bank Austria Creditanstalt AG Großraum Wien".

In the Restated Bank of the Regions Agreement, "AV-Z Stiftung" and "Betriebsratsfonds des Betriebsrats der Angestellten der Bank Austria Creditanstalt AG Großraum Wien" have given an undertaking to UniCredit to the effect that if they want to sell BA-CA shares, they will first offer such shares held by them to UniCredit. If UniCredit does not accept the offer, the relevant contracting party could sell the BA-CA shares to a third party. In this case UniCredit has a right of preemption.

For the duration of this agreement (10 years), "AV-Z Stiftung" has a right to nominate two members of the Supervisory Board of BA-CA AG, and thereafter one member of the Supervisory Board for the duration of the guarantee issued by "AV-Z Stiftung" and the Municipality of Vienna.

There are no agreements on compensation between BA-CA AG and the members of its Management Board or its Supervisory Board or its staff members in the event of a public takeover bid.

1.6. Proposal for the appropriation of profits for the 2007 financial year

The annual surplus for the financial year beginning on 1 January 2007 and ending on 31 December 2007 amounted to € 1,162.3 m. The amount of € 354.6 m was allocated to reserves and the profit brought forward from the previous year was € 2.3 m. Thus the accumulated profit available for distribution was € 810.0 m. The Management Board proposes to the Annual General Meeting that a dividend of € 4.0 per share entitled to a dividend be paid on the share capital of € 1,468,770,749.80. As the number of shares is 202,031,740, the total amount of the proposed dividend is € 808.1 m.

Furthermore, the Management Board proposes that the remaining amount of € 1.9 m be carried forward to new account.

1.7. Information on the squeeze-out pursuant to the Austrian Federal Act on the Squeeze-out of Minority Shareholders (Gesellschafterausschlussgesetz) of the holders of bearer shares in Bank Austria Creditanstalt AG

On 26 March 2007, the fair cash compensation for the squeeze-out was set at € 129.40 per bearer share. The cash compensation was determined on the basis of a report by "Deloitte Valuation Services GmbH". The Commercial Court of Vienna appointed the audit firm "TPA Horwath Wirtschaftsprüfung GmbH" as auditor. In its report dated 27 March 2007, the auditor confirmed the correctness of the Joint Report of UniCredit and of the Management Board of Bank Austria Creditanstalt AG as well as the adequacy of the cash compensation offered by UniCredit. The cash compensation applies to about 3.65 % of the share capital or 7.4 million bearer shares (7,374,016) in free float.

The Annual General Meeting of Bank Austria Creditanstalt AG on 3 May 2007 adopted a resolution concerning the planned squeeze-out.

1.8. Legal actions for rescission and declaration of nullity

Three legal actions for rescission and declaration of nullity were brought against the resolutions adopted at the Annual General Meeting on 3 May 2007 concerning

- approval of the acts of the members of the Management Board of BA-CA
- approval of the acts of the members of the Supervisory Board of BA-CA
- transfer to UniCredit of the bearer shares held by minority shareholders of BA-CA against cash compensation in accordance with the provisions of the Austrian Squeeze-out Act

and against the rejection of a special audit to ascertain if the issue price set in December 2006 by the Management Board with the consent of the Supervisory Board for the capital increase against contribution in kind was adequate.

By decision of the Commercial Court of Vienna dated 7 February 2008, these proceedings were linked for joint hearing and decision pursuant to Section 197 (3) of the Austrian Joint Stock Companies Act.

In the pending proceedings, the court examines if the contested resolutions are to be declared null and void or are lawful resolutions. In these proceedings, the court will not make a decision on the adequacy of the cash compensation offered by UniCredit to minority shareholders of BA-CA for their bearer shares. A review of the adequacy of the cash compensation can only be applied for after registration of the shareholders' resolution in the Austrian Register of Firms. Such a review procedure would not relate to BA-CA AG but to the shareholders' sphere.

1.9. Proceedings before the Austrian Takeover Commission

Following an application by one shareholder in BA-CA AG, the Austrian Takeover Commission, by its decision dated 16 April 2007, initiated proceedings against UniCredit and BA-CA AG. As far as BA-CA AG is concerned, the object of these proceedings is to ascertain if the statement made by the Management Board of BA-CA AG in September 2005 was in compliance with the legal requirements or if material parts of the statement, especially with regard to Bank BPH remaining within the BA-CA Group in the future, were incomplete, misleading or incorrect. Since initiating the proceedings, the Austrian Takeover Commission has not taken any further steps.

2. Report on risk management, risks, third-party guarantees and future developments

Overall risk management

Bank Austria Creditanstalt AG identifies, measures, monitors and manages all risks of the Bank Austria Creditanstalt Group. In performing these tasks, Bank Austria Creditanstalt AG works closely with the risk control and risk management units of UniCredit. In this context, Bank Austria Creditanstalt AG supports UniCredit's ongoing projects which are aimed at establishing uniform group-wide risk controlling procedures.

Bank Austria Creditanstalt divides the monitoring and controlling processes associated with risk management into the following categories: market risk, liquidity risk, counterparty risk, credit risk (including real estate risk), operational risk, business risk, and risks arising from the bank's shareholdings and equity interests.

The Management Board determines the risk policy and approves the principles of risk management, the establishment of limits for all relevant risks, and the risk control procedures.

In performing these tasks, the Management Board is supported by specific committees and independent risk management units. All risk management activities of Bank Austria Creditanstalt AG are combined within a management function at Management Board level directed by the Chief Risk Officer (CRO) and comprise secondary lending decisions in the Credit Operations department, the treatment of problem loans in the Special Accounts Management department, and strategic risk management in the Strategic Risk Management department. The unit for active credit portfolio management (Credit Treasury) reports directly to the Chief Financial Officer (CFO).

Cross-divisional control

Credit Operations is responsible for portfolio management, risk control and risk monitoring of the credit portfolio including credit ratings of corporate customers in CEE (Central Eastern Europe) and SEE (South-East Europe), and for preparing local accounts analyses and corporate analyses as well as collecting and evaluating sectoral information.

The responsibilities of Special Accounts Management include the management and settlement of non-performing loans. Activities focus on analysing and evaluating business and legal risks as a basis for preparing, obtaining approval for and implementing exposure strategies. In these activities, the department uses specific restructuring expertise which is also made available to banking subsidiaries.

The Asset/Liability Committee (ALCO) is responsible for the management of balance-sheet structure positions, it controls liquidity risk and deals with cross-divisional risk management issues arising between sales units and overall bank management as well as with the results of the credit portfolio model and operational risk. Control of market risk of the trading books is ensured by the Market Risk Committee (MACO), which meets once a week. MACO deals with short-term business management issues relating to the presentation and discussion of the risk/earnings position of Markets & Investment Banking and with limit adjustments, product approvals and positioning decisions. MACO also deals with methodological issues concerning the determination of counterparty risk. In addition, the general framework and limits for banking subsidiaries are defined by MACO. Credit risk is assessed by the credit committee.

The Management Board of Bank Austria Creditanstalt AG sets risk limits for market risk activities of the entire Bank Austria Creditanstalt Group at least once a year. MACO, which holds a meeting every week, makes limit decisions at the operational level and analyses the risk and earnings positions of the bank's Market & Investment Banking units. ALCO performs analyses and makes decisions with regard to business activities closely connected with customer business (in particular, balance sheet structure, liquidity, operational risk, and risk management issues arising between sales units and overall bank management). The decisions and results of these committees are reported directly to the bank's full Management Board. Strategic Risk Management, an independent department separate from the business divisions up to Management Board level, is in charge of preparing analyses and monitoring compliance with limits. 2007 saw the implementation of the second part of the project for counterparty risk calculation; the final acceptance test of the internal model for counterparty risk by the supervisory authorities is planned for 2008. This step would enable the BA-CA Group to reduce capital used in this connection by applying the model.

The Bank Austria Creditanstalt Group applies the principle of value-based management. In line with this principle, for pricing purposes in business and customer relations (micro control), capital employed (comprising both the Tier 1 capital required pursuant to the Austrian Banking Act and economic capital) is expected to yield a specific return.

Beyond compliance with the regulatory capital rules pursuant to the Austrian Banking Act, economic capital is intended to reflect the bank's specific risk profile in a comprehensive and more consistent way. For micro-control purposes, economic capital for credit risk is calculated using value-at-risk methodologies. These unexpected losses over a period of one year are calculated with a confidence level of 99.95%.

Additionally, value-at-risk methodologies are used in the BA-CA Group for calculating or planning economic capital for all specified types of risk (market risk, credit risk, risks arising from shareholdings and equity interests, real estate risk, operational risk, business risk).

The Bank Austria Creditanstalt Group is included in the risk monitoring and risk management system of the entire UniCredit Group. This ensures overall risk management across the Group. Examples in this context are global MIB[1)] risk reporting and the global MIB limits in the area of market risk.

Management of balance sheet structure

Interest rate risk and liquidity risk from customer transactions are attributed to the bank's Treasury through a matched funds transfer pricing system applied throughout the Group. On this basis, interest rate risk, market risk and liquidity risk as well as contribution margins from customer transactions can be attributed to the bank's business divisions in line with the principle of causation. ALCO ensures that the bank's overall maturity structure is optimised, with the results from maturity transformation being reflected in the Markets & Investment Banking division. Factors taken into account in this context include the costs of compensation for assuming interest rate risk, liquidity costs and country risk costs associated with foreign currency financing at CEE subsidiaries.

Products for which the material interest-rate and capital maturity is not defined, such as variable-rate sight and savings deposits, are modelled in respect of investment period and interest rate sensitivity by means of analyses of historical time series, and taken into account in the bank's overall risk position. Interest rate sensitivities are determined and taken into account in hedging activities, which results in a positive contribution to profits from customer business.

To assess its balance sheet structure, the bank uses the Value-at-Risk approach, complemented by a scenario analysis covering subsequent quarters and years. The bank thus also follows the Basel II recommendation concerning the simulation of future net interest income under different interest rate scenarios ("earnings perspective").

1) MIB = Markets and Investment Banking

In the earnings perspective analysis, simulations of the future development of net interest income and of the market value of the banking book are generally based on assumptions regarding volume and margin developments under different interest rate scenarios. Parallel interest rate shocks as well as inversions and low-interest-rate scenarios can be analysed to identify their possible impact on the bank's net interest income and market value.

The analyses performed as at December 2007 show that a decline in interest rates in all currencies would have the strongest impact on the bank's net interest income. This is a typical feature of commercial banks, given the interest rate remanence on the liabilities side of banks' balance sheets (sight deposits, equity). A downward interest rate shock of 1 % would depress net interest income in the first year by about € 150 m if all other factors (volume, margins, maturities) remain constant.

The rules of the New Basel Capital Accord ("Basel II") require the measurement at Group level of "interest rate risk in the banking book" in relation to the bank's capital by comparing a change in the market value of the banking book after a 2 % interest rate shock with the bank's net capital resources. In the event that such an interest rate shock absorbs more than 20 % of a bank's net capital resources, the bank supervisory authority could require the bank to take measures to reduce risk.

A 2 % interest rate shock would absorb about 4 % of the Group's net capital resources; this calculation also includes the current investment of equity capital as an open risk position. This means that the figure for Bank Austria Creditanstalt is far below the outlier level of 20 %.

Credit Treasury

Since the implementation of Credit Treasury (CT; former Active Credit Portfolio Management ACPM) a predefined corporate segment of customers is actively managed according to capital market principles, in addition to the unchanged credit process for credit risks. By mapping the credit risk from customer business through a reference structure derived from maturity-matched market prices a risk adequate pricing of this portfolio segment is secured, accompanied by efficient capital market control. In Credit Treasury, the risk positions are aggregated and the bank's credit risk profits are optimised. By actively hedging and re-investing, Credit Treasury is to widen the portfolio's diversification, and contributes to an improvement of the risk-return profile.

The weekly Credit Treasury Committee, analogously to the Market Risk Committee (MACO), serves to steer business in regard to the risk-return situation in Credit Treasury as well as to adapt limits and to decide on positions.

In 2007 Credit Treasury executed two synthetic securitisations relating to Austrian and international corporate loans.

2.2. Risks

Market risk

Market risk management encompasses all activities in connection with our Markets & Investment Banking operations and management of the balance sheet structure in Vienna and at Bank Austria Creditanstalt AG's subsidiaries. Risk positions are aggregated at least daily, analysed by the independent risk management unit and compared with the risk limits set by the Management Board and the committees (including MACO) designated by the Management Board. At Bank Austria Creditanstalt, market risk management includes ongoing reporting on the risk position, limit utilisation, and the daily presentation of results of Markets & Investment Banking operations.

Bank Austria Creditanstalt uses uniform risk management procedures throughout the Group. These procedures provide aggregate data and make available the major risk parameters for the various trading operations at least once a day. Besides Value at Risk, other factors of equal importance are stress-oriented sensitivity and position limits. Additional elements of the limit system are loss-warning level limits and options-related limits applied to trading and positioning in non-linear products.

Bank Austria Creditanstalt's risk model ("NoRISK") was developed by the bank and has been used for several years. The model is applied and further refined by Strategic Risk Management. Ongoing refinement work includes reviewing the model as part of backtesting procedures, integrating new products, implementing requirements specified by the Management Board and by MACO, and adjusting the system to general market developments. In this context a product introduction process has been established in which risk managers play a decisive role in approving a new product. The "NoRISK" risk model, approved by the supervisory authorities since 1998, is used for computing capital requirements; in contrast to the internal risk management process, the computation of capital requirements takes into account the statutory parameters (confidence interval of 99 %, 10-day holding period) and additionally the multiplier determined as part of the model review is applied. The risk model covers all major risk categories: interest rate risk and equity position risk (both general and specific risk), exchange rate risk and commodities position risk.

In 2007, the standard risk report presented at MACO's weekly meetings was adjusted to the structure of the UniCredit Group-wide MIB risk report and thus covers the same (stress) sensitivities in addition to VaR figures. Regular and specific stress scenario calculations complement the information provided to MACO / ALCO and the Management Board. Macro scenarios show the potential adverse impacts of global developments with specific effects on the respective risk categories, while stress sensitivities of individual risk factors or groups of risk factors show the potential adverse impacts on partial market segments. Stress scenarios are based on assumptions of extreme movements in individual market risk parameters. The bank analyses the effect of such fluctuations and a liquidity disruption in specific products and risk factors on the bank's results. These assumptions of extreme movements are dependent on currency, region, liquidity and the credit rating, and are set by Strategic Risk Management on a discretionary basis after consultation with experts in other areas of the bank (e.g. research, Treasury).

In addition to the risk model results, income data from market risk activities are also determined and communicated on a daily basis. These data are presented over time and compared with current budget figures. Reporting covers the components reflected in IFRS-based profit and the marking to market of all investment positions regardless of their recognition in the IFRS-based financial statements ("total return"). The results are available to Bank Austria Creditanstalt AG's trading and risk management units via the access-protected Intranet application "ERCONIS", broken down by portfolio, income statement item and currency. The new regulatory approach to prudent valuation in the trading book is also implemented primarily by Strategic Risk Management and further developed on an ongoing basis through cooperation within UniCredit Group (first application in December 2006).

In Vienna, Bank Austria Creditanstalt uses the "MARCONIS" system developed by the bank itself to completely and systematically review the market conformity of its trading transactions. This tool is also used by all CEE banking subsidiaries with market risk activities.

Value-at-risk movements (1 day, confidence interval of 99 %) in 2007 reflected the acquisition of a number of banks and their inclusion in BA-CA's group of consolidated companies in the course of the year (initially UniCredit banking subsidiaries and, later on, acquisitions of banks outside UniCredit Group). The significant rise in VaR in March resulted mainly from the integration of Yapı Kredi (Turkey), and the increase in November was due to the integration of JSC ATF Bank (Kazakhstan). Overall, the integration of the new banking subsidiaries led primarily to a rise in Total Return VaR, while the increase in risk in the trading book was comparatively small.

The results of the internal model based on VaR (1 day, confidence interval of 99 %) in 2007 moved between € 16.7 m and € 58.7 m for the BA-CA Group. The average Total Return VaR was € 35.2 m, significantly higher than the comparative figure for the previous year (€ 19.8 m). The average VaR in the trading book only rose to a level of € 12.3 m (from € 10.3 m in the previous year). As in previous years, the risk report includes the non-trading driven equity positions of the bank's investment books and the hedge-fund positions. Credit spread risk and interest rate risk account for most of the total risk of the Bank Austria Creditanstalt Group.

The US sub-prime sector is of little significance for the BA-CA Group. There are no direct loans in this sector, and the end-of-2007 market value of investments in sub-prime related RMBSs and CDOs was about € 83 m and € 29 m, respectively. More than 99 % of this total volume is rated AAA. All CDOs were issued before 2006. Ongoing redemptions are steadily reducing the volume. Therefore losses incurred on these assets in 2007 have a low impact on BA-CA. As part of fair value adjustments, additional liquidity reserves were recognised in net trading, hedging and fair value income in 2007. The latter applies to securities based on sub-prime assets and to the other part of the ABS & MBS book.

Information on the amounts of market risks is contained in the notes to the financial statements.

Liquidity risk

In line with Group-wide standards, the Bank Austria Creditanstalt Group deals with liquidity risk as a central risk in banking business by introducing and monitoring short-term and medium-term liquidity requirements (warning level). In this context the liquidity situation for the next few days and also for longer periods is analysed against a standard scenario and against scenarios of a general and a bank-specific liquidity crisis. The degree of liquidity of customer positions and proprietary positions is analysed on an ongoing basis. Procedures, responsibilities and reporting lines in this area have been laid down in the liquidity policy, which is also applicable at Bank Austria Creditanstalt's CEE units and includes a contingency plan in the event of a liquidity crisis.

In medium-term and long-term liquidity management of the Bank Austria Creditanstalt Group, liquidity inflows over 1 year and over 5 years must cover a minimum of 90 % of expected liquidity outflows during these periods.

For the purpose of short-term liquidity management, the BA-CA Group and each bank have implemented volume limits for the first five business days, for two weeks and for the entire first month of the period to maturity. Short-term liquidity management covers Treasury transactions and the securities portfolio of the respective bank. This limit was observed at all times. The liquidity strain in the wake of the sub-prime crisis did not lead to any major negative changes in this respect.

Our customer business is managed with due regard to liquidity costs. The applicable alternative costs are debited or, on the basis of an opportunity approach, credited to the various products on the assets side and the liabilities side which have an effect on liquidity. In the current controlling process this ensures the proper pricing of our business.

Counterparty risk

For the purposes of portfolio management and risk limitation in the derivatives business with banks and customers, and on the basis of our internal market risk model, the bank has set up a new Monte Carlo path simulation to estimate the potential future exposure at portfolio level for each counterparty. The calculations are based on market volatility, correlations between specific risk factors, future cash flows and stress considerations. Netting agreements and collateral agreements are also taken into account for simulation purposes.

The simulation calculations are performed for all major types of transactions, e.g. forward foreign exchange transactions, interest rate instruments, equity-related instruments and credit derivatives. Commodity derivatives and repurchase agreements are taken into account with an add-on depending, for example, on the maturity. The bank applies a confidence interval of 97.5 %.

Line utilisation for derivatives business is available online in WSS ("Wallstreet"), the central treasury system, on a largely group-wide basis. In addition to the potential future exposure, the path simulation also enables the bank to calculate the average exposure and the modified average exposure pursuant to Basel II, as well as the effective maturity of the exposure to each counterparty. This makes it possible to integrate counterparty risk in an internal model compliant with Basel II.

Bank Austria Creditanstalt additionally limits the credit risk arising from its derivatives business through strict use of master agreements, the definition and ongoing monitoring of documentation standards by legal experts, and through collateral agreements and break clauses. Management takes proper account of default risk, especially in view of the significant increase in business volume, despite the good average credit rating of our business partners in the derivatives business.

Credit risk

The organisational changes through which the CEE subsidiaries of UniCredit and HVB were integrated in the BA-CA sub-group in 2007 also involved changes in the composition of net writedowns of loans and provisions for guarantees and commitments.

In the Retail business segment, the measures taken in previous years started to have positive effects. Net writedowns of loans and provisions for guarantees and commitments were significantly below the budget level, not least because of the positive effects from the sale of non-performing loans.

This transaction involved the sale to several investors of a nominal volume of about € 850 m.

This sale and improved risk processes had a favourable influence on net writedowns of loans and provisions for guarantees and commitments. Further adjustments to risk systems and processes are planned for 2008 with a view to further improving the provisioning charge in this business segment.

While the number of business insolvencies continued to decline, they tended to involve larger amounts. Nevertheless, thanks to successful restructuring efforts, which even led to net releases of provisions in the Real Estate and Financial Institutions sectors, the provisioning charge in the Corporates Division was kept at a low level.

Overall, there was a satisfactory trend in risk costs in Central and Eastern Europe. On the basis of further refined risk management instruments and methods, and as economic conditions in the region remained stable, the ambitious targets were surpassed although lending volume rose strongly, especially in retail banking.

For BA-CA AG and all units that already use the Basel II default definition, impaired assets are loans and receivables which are in default also according to the Basel II definition. In Central and Eastern Europe, the risk categories which the respective central bank requires banks to use for the classification of loans and receivables are reconciled with the various categories of "impaired assets" as defined by the Bank of Italy.

Operational risk

Analogous to Basel II, operational risk is defined as the risk of unexpected losses due to human error, flawed management processes, natural and other catastrophes, technological failures and external events. For example, in the future, IT system failures, damage to property, processing errors or fraud will be subject to more accurate and consolidated risk measurement and management, on which the calculation of risk capital will be based.

Loss data are collected, and processes are optimised, in close coordination and cooperation with other departments and units including Internal Audit, the Compliance Office, Legal Affairs and the insurance sector. Also to be considered is the fact that Bank Austria Creditanstalt AG has always taken numerous measures in the various divisions to manage and reduce operational risk. Examples are data security measures, measures to ensure the confidentiality and integrity of stored data, access authorisation systems, the two-signatures principle, and a large number of monitoring and control processes as well as staff training programmes.

In the same way as for other types of risk, in addition to central risk controlling, Bank Austria Creditanstalt AG – like UniCredit – has built up a decentralised risk management network of contacts within departments and at subsidiaries (OpRisk Managers). While the main task of central risk management is to define the methods used and to perform risk measurement and analysis, risk managers working on a decentralised basis are responsible for taking measures to reduce, prevent, or take out insurance against, risks.

Pursuant to Section 70 (1) 3 of the Austrian Banking Act, the Austrian Financial Market Authority (FMA) carried out an on-site supervisory assessment of the advanced approach in 2007. The review focused on the organisational structure and processes used for limiting operational risk, and on the related control environment. The on-site review, carried out by the FMA on behalf of the Bank of Italy, took place from the beginning of June until the beginning of August, with some interruptions.

Quite generally, the organisation of operational risk management at BA-CA has been established at a high quality level. A network of independent functions and teams are involved in managing and controlling risks, providing the Management Board with sufficient information on the risk situation and enabling the Management Board to manage risk. Improvements with regard to the extended documentation requirements for scenarios, risk indicators and the analysis of the general ledger for operational risk relevance as well as an ongoing expansion and strengthening of the functions of divisional Operational Risk Managers will take place in the course of 2008.

At the beginning of 2008, the final opinion from the Austrian supervisory authority was sent to the Bank of Italy, together with a positive recommendation concerning approval for the use of the internal ratings-based approach in calculating BA-CA AG's assessment basis. The Bank of Italy's approval at UniCredit Group level is expected to be received at the beginning of 2008.

In 2008, activities with regard to operational risk will focus on

- implementing the requirements under the regulatory reviews in Italy, Austria and Croatia,
- supporting the units pursuant to the AMA rollout plan in implementing the regulatory reviews for Basel II implementation in cooperation with UniCredit Group,
- deepening cooperation with the ORX loss data consortium and with the RMA with a view to developing and implementing best practice in the area of operational risk,
- expanding the operational risk management system with a view to integrating the general ledger analysis and integrating the local regulatory reports,
- further analysis of the existing insurance coverage of our Group and establishment of a strategic insurance programme.

Business risk

Business risk is defined as unexpected adverse changes in business volume and / or margins which cannot be attributed to other types of risk. Adverse changes result mainly from a significant deterioration in market conditions, changes in the competitive position or customer behaviour, and from changes in the legal environment.

Business risk measurement thus measures the influence of external factors on a decline in profits and the effect on the market value.

As part of general income and cost management, operational management of business risk is the responsibility of the individual business units.

Risks arising from the bank's shareholdings and equity interests

In dealing with this type of risk, Bank Austria Creditanstalt takes into account market price fluctuations in its equity holdings in listed and unlisted companies.

Not included are equity interests in operating subsidiaries of the Group because risks associated with such companies are determined and recorded under the various other risk types.

The portfolio includes various strategic investments and real estate companies; real estate holding companies are taken into account in real estate risk.

Generally, Value at Risk is determined on the basis of market values and volatilities of the relevant equity interests. For shares in unlisted companies the bank uses book values and volatilities of relevant stock exchange indices and takes account of residual variances.

Legal risks

Provisions have been made for pending legal risks in line with the estimated probability of costs arising from litigation.

No provisions have been made, inter alia, for the following pending legal proceedings due to the low probability of claims being lodged. An outflow of funds cannot, however, be excluded in these cases, either:

- Action brought by the German Bundesanstalt für vereinigungsbedingte Sonderaufgaben (BVS) in Switzerland for repayment of credit balances held, and disposed of, by the Communist Party of Austria (KPÖ) at the former banking subsidiary in Zurich.
- Action brought by Valauret S.A. in Paris on the grounds of alleged involvement of Creditanstalt AG (now merged with BA-CA AG) in wilful deception in connection with a French joint stock company as a result of which the plaintiffs incurred losses through a loss in value of shares acquired by it in the joint stock company.
- An appeal with suspension of collection was lodged against the official notices on liability (capital yields tax) issued in connection with individual securities transactions for the periods 2005, 2006 and January to September 2007.

Positive assessment of A-IRB compliance by Austrian Financial Market Authority / Austrian central bank concerning rating systems applied for by the bank

The rating systems applied for by BA-CA AG in respect of the advanced internal ratings-based (A-IRB) approach were positively assessed by the Austrian Financial Market Authority / OeNB (Austria's central bank) upon completion of the regulatory review at the beginning of 2008. The Bank of Italy's approval at UniCredit Group level is expected to be available at the beginning of 2008. The term "rating system" covers all methods, processes, controls, data collection systems and data processing systems used for assessing credit risk, assigning loans and receivables to rating classes, and to quantify estimates of defaults and losses in respect of specific types of loans and receivables.

Very important factors in the credit approval process are a detailed assessment of risk associated with each loan exposure, and the customer's credit rating in particular. Every lending decision is based on a thorough analysis of the loan exposure, including an evaluation of all relevant factors. Following the initial loan application, the bank's loan exposures are as a rule reviewed once a year. If the borrower's creditworthiness deteriorates substantially, shorter review intervals are obligatory.

For internal credit assessment in Austria and by Bank Austria's banking subsidiaries in CEE, the bank uses various rating and scoring models (for calculating the parameters PD, LGD and EAD on the basis of models specifically developed for these purposes)[2] for the customer / business segments to be assessed, in line with the various asset classes pursuant to Section 22b of the Austrian Banking Act, the Solvency Regulation and Directive 2006 / 48 / EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions. There are country-specific or region-specific models (e.g. for corporate customers, retail customers) and global models (e.g. for sovereigns,

2) PD = Probability of Default; LGD = Loss Given Default; EAD = Exposure at Default

banks). The assessment of a loan exposure is based on data from the respective company's financial statements and on qualitative factors.

The various rating and scoring models provide the basis for efficient risk management of the BA-CA Group and are embedded in all decision-making processes relating to risk management. They are also a key factor for capital required to be held against risk-weighted assets. Great attention is given to consistency in the presentation for supervisory purposes and the requirements of internal control.

All internal rating and scoring systems are monitored on an ongoing basis and are subject to regular validation on an annual basis, including a review to verify if the rating/scoring system provides a correct representation of the risks to be measured. All model assumptions are based on multi-year statistical averages for historical defaults and losses.

With risk-adjusted pricing and a stronger focus on risk management, we aim to constantly improve the diversification and the risk/earnings ratio of the portfolio. For real estate customers, the customer-related rating is complemented by a transaction rating.

The bank uses a scoring system for retail customers. The automated rating tool is used for assessing, monitoring and managing the large number of loan exposures to private customers, small businesses, independent professionals and non-profit organisations.

Retail scoring comprises an application scoring procedure based on effective and recognised mathematical and statistical methods, and a behaviour scoring procedure taking into account such factors as amounts received in the account and customers' payment practices. The scoring system for retail customers provides information that is updated on a monthly basis. This gives the bank an accurate tool for lending decisions and early recognition of risk. Automated data processing helps the bank to reduce costs required for credit control while accelerating lending decisions.

2.3. Third-party guarantees

Under Section 92 (9) of the Austrian Banking Act, Privatstiftung zur Verwaltung von Anteilsrechten ("AV-Z Stiftung"), a private foundation, serves as deficiency guarantor for all liabilities of BA-CA AG in the event of the company's insolvency.

After the change in the legal form of Anteilsverwaltung-Zentralsparkasse into a private foundation in 2001, the Municipality of Vienna serves as deficiency guarantor for all outstanding liabilities, and obligations to pay future benefits, of Bank Austria Creditanstalt AG (then Bank Austria Aktiengesellschaft) which were entered into prior to and including 31 December 2001.

2.4. Outlook for 2008

Macroeconomic environment and risks

After four years of steady, strong growth of about 4.5 % annually, 2008 will see the global economy expanding at a rate that will be about 0.75 percentage points lower. The US economy, still a pacemaker of economic performance, is currently moving along zero growth; uncertainty triggered by the financial market crisis has led to higher costs associated with risk; and the sharp increase in commodities prices is dampening the structural upswing in the Far East, which remains the mainstay of global economic growth. The firm euro amplifies the spillover of these trends into the euro area, where growth will reach about 1.5 % in 2008, after 2.7 % in the previous year. The significant reductions of interest rates in the United States – leading to negative real interest rates – and fiscal measures should start to have an expansionary effect from the middle of the year. And despite inflationary tendencies, the ECB is also expected to reduce its key interest rates as the year progresses. In combination with the hoped-for return to normal conditions in money markets, this will help to raise the yield curve again, with little change in long-term yields.

Austria's economy will be impacted in 2008 by the unfavourable international environment affecting export performance and demand for capital goods. Confidence in industry and among consumers has declined, and BA-CA's business indicator points to a slowdown in economic activity. Although pensions and wages have increased considerably and the encouraging trend in the labour market continues, private consumption will grow only moderately in 2008. The outlook is clouded by the strong increase in prices which will not weaken until the second half of the year when food prices will ease. The Austrian economy will nevertheless continue to grow, though more moderately, at 1.9 %.

The CEE region will not be able to escape the impact of weaker economic activity and the general repricing of risk. The latter will be evident in the foreseeable future – CDS spreads have doubled or tripled all around the world since July 2007. Moreover, international investors are starting to be quite selective, penalising countries which show high imbalances. With strong fundamentals, the region is however in a favourable position to cope with the new environment. Real GDP growth will likely decline only slightly, to 5.7 % in 2008 from 6.8 % in 2007.

The long-term growth trend across the group of CEE countries is still intact: consumption is fuelled by rising household incomes and declining unemployment, although this is mitigated by high inflationary pressures and tighter monetary conditions. Despite some tightening of credit, the prospects for investment activity remain positive thanks to a buoyant corporate sector and a number of infrastructure projects financed by structural funds (in EU member countries) or investment and growth funds. Slower growth in the euro area will put some pressure on the export sector. The region nonetheless remains competitive and selected industries may even benefit from a relocation of production by international companies. Oil and other commodities prices remain supportive for CIS countries.

In recent years, most countries in the region have been relying on external savings to finance their growth. Rising current account deficits were financed by foreign direct investment, but also by foreign debt – in 2007 the region attracted roughly € 100 bn in international debt. The worldwide repricing of risk has made foreign borrowing more expensive, increasing the risk of tighter credit conditions also on the domestic front. Countries with larger external imbalances face a higher increase in the cost of external funding, making them more vulnerable to adverse developments in the new international environment.

In the Central European countries of our perimeter economic growth should amount to 4.7 % in 2008 compared to 6.0 % in 2007. Countries in this region are less sensitive to the global financial turmoil as external imbalances are under control and the cost of funding remains relatively low despite the upward trend. However, we expect some monetary tightening in the wake of rising inflationary pressures and growing production capacity constraints.

We forecast some slowing of growth rates in South-East Europe, from 6.7 % in 2007 to 5.7 % in 2008. These countries have small and very open economies, which have largely financed their growth in recent years through foreign borrowing. In some countries there is political uncertainty. The global repricing of risk has had a particularly strong impact on these countries, and we expect their credit growth to lose momentum. Some slowing of growth is however welcomed in the Baltics, where concerns over overheating were repeatedly addressed in recent years. We forecast growth of close to 6 % in Bulgaria. Markets are starting to price a higher cost of risk for the country, amidst its high current account deficit and rising inflationary pressures, which raise questions about the long-term sustainability of the currency board. We believe, however, that macroeconomic policies are very coordinated, focused on some moderate cooling. In Croatia, the central bank's strategy of cooling domestic credit growth while limiting local banks' external indebtedness and promoting their recapitalisation, has proved successful. The current account deficit remains high, at an estimated 7.4 % of GDP in 2007, with no financing problems, as reflected in the continuing upward pressure on the kuna. Market sentiment towards Romania has changed substantially in the last year. While growth prospects remain positive, the country is paying the cost of its long-term vulnerability and of a rather incoherent political environment. The exchange rate, despite a rather tight monetary policy, has strongly depreciated in the past months and remains quite volatile. We forecast growth of around 5.4 % and a slight slowdown in lending growth. In Serbia the political environment will remain uncertain. The consequences of Kosovo's unilateral declaration of independence are still not clear. Meanwhile, economic growth is forecast to be moderate, slowing from last year's peak level on the back of tighter global credit conditions. In Bosnia and Herzegovina the domestic political environment is also a central issue and raises questions about whether a signing of the SAA (Stabilisation and Association Agreement) with the EU will take place. On the economic front, robust credit growth and strong manufacturing activity point to strong growth in 2007 and 2008.

The repricing of risk at an international level has also affected Russia, as both banks and medium-sized and large Russian companies relied heavily on external funding in recent years. The main evidence so far points to weaker growth in corporate deposits and an acceleration in corporate lending growth. We see lending growth at 35 % in 2008, and this will fuel consumption and investment growth. Overall, we forecast growth of 6.7 % for Russia, with high oil prices remaining a key driver for the economy. In Ukraine growth will ease from 7.3 % in 2007 to 5.6 % in 2008. The country continues to experience a consumption and investment boom, largely financed by strong capital inflows and by a rapidly expanding banking sector. There are also imbalances, with the current account deficit standing at 4.1 % of GDP and inflation peaking at

16.6 % in December. It should be noted that the economy remains quite sensitive to potential external shocks, such as a sudden drop in steel prices or another gas crisis with Russia. A liquidity crisis is discernible and already translating into a credit squeeze in Kazakhstan. The consumption and investment boom which has driven the impressive growth of recent years is severely constrained. Companies have reduced access to international capital markets, while the banking sector, which was financing a credit boom through foreign borrowing, now has to severely limit lending expansion to its deposits' attraction capacity. We now forecast growth as low as 5 % in 2008, after rates close to or above 10 % in the last few years. We still expect the country's long-term potential to be maintained, as with high energy and raw material prices the country has sufficient money and commitment to prevent a major crisis. Although the Turkish economy lost significant momentum in 2007, the outlook is somewhat brighter now despite the fragile global environment. Policy interest rates are now 225 basis points lower than five months ago, which will support investment activity. The political uncertainties have been dispelled, and the government is promoting important reforms. Although the banking sector is sound and relatively well protected by fairly limited dependency on international borrowing (the loans / deposit ratio is still below 1), Turkey is exposed to financial contagion from abroad.

Outlook for Bank Austria Creditanstalt's performance in 2008

In Austrian customer business, the market will continue to be characterised in 2008 by weak volume growth and – in view of more intensive competition – by persistent pressure on margins. The restrained economic trend will dampen lending growth to 3.5 % in 2008. The cyclical weakening and continued ample liquidity in the business sector will be reflected in a lower increase in demand for corporate finance while loans to households will grow more strongly than in 2007, which was a weak year in this respect. Deposit growth will also decrease as interest rates decline. With a sustained stabilisation of the financial market situation, mutual funds and bond funds in particular, as well as insurance policies, will again become more attractive in 2008. Despite the subdued market outlook, we expect moderate revenue growth in 2008. Following various adjustments in past years, the bank's sales activities, product policy and processes are closely geared to meeting the specific needs of the various customer segments. These areas will no longer be subject to major restructuring. We expect that further growth of profits from Austrian customer business will mainly come from using UniCredit's cross-regional business model (revenue and cost synergies), i.e. from a further reduction of the cost / income ratio, and from improved productivity measured on the basis of risk-weighted assets.

Credit spreads in financial markets have continued to widen in the first few months of 2008, which means that there is still a risk for the entire banking industry of further marking-to-market adjustments in the structured credit sector. The bundling of all resources within the Markets & Investment Banking Division and integration in a strong international network will further enhance our ability to compete effectively in CEE markets, where competition is intensifying. Our trading activities are diversified and internationally coordinated within the various business areas, with MIB units in CEE also becoming more closely integrated in the network. Customer-driven business and especially our regional focus on CEE with large cross-selling potential in the entire UniCredit Group provides a strong basis for success in both Markets activities and Investment Banking operations in 2008. Therefore we think that in 2008, as the repercussions of the sub-prime crisis subside, our MIB Division will be able to achieve the levels of profitability seen in past years.

We expect that the CEE business segment will make the strongest contribution to profit growth in 2008. Although the countries within the perimeter of our operations differ widely in terms of size, openness to foreign trade, convergence to the European Union and economic structure, and despite the related differences in risk profiles, there is a common denominator for banking business from the CEE Division's perspective: in the basic scenario, real economic growth will far exceed the level achieved in West European economies. Moreover, as in previous years, further accelerating financial intermediation and progressive penetration with state-of-the-art banking products will support these trends. Growth will weaken somewhat, but loans will nevertheless increase by between 25 % and 30 %, with even higher rates expected in retail banking. The trend in deposits will lag behind this development, following the logic of the catching-up process; yet growth rates in deposits will be only slightly lower. Assets under management will keep pace with this momentum, but only in countries where convergence has made good progress.

In this environment we will pursue organic growth, also through our ambitious branch network expansion programme in growth markets. These efforts will be supported by closer divisional coordination and international product lines. Progressive division of labour using best practice will contribute to keeping the increase in costs at a level that will be significantly lower than revenue growth, despite heavy investment. Capital productivity is an important success factor also in CEE. Overall, we expect profits in the CEE business segment to rise further in 2008, continuing the trend seen in previous years.

While the strong improvement in Bank Austria Creditanstalt's overall performance in 2007 will probably not be repeated in 2008, the basic scenario, if the above-mentioned risks do not materialise, is at least a double-digit percentage increase in profits.

3. Events after the balance sheet date

Ukrsotsbank
On 25 June 2007, the Management Board of BA-CA AG approved the acquisition of **Joint Stock Commercial Bank for Social Development Ukrsotsbank, Kiev, Ukraine, (Ukrsotsbank).** On 21 January 2008, the bank acquired a 94.20 % shareholding interest in the bank for € 1,525.5 m. 8.05 % of this interest is held directly and 86.15 % is held indirectly through Private Joint Stock Company "Ferrotrade International" (a wholly-owned subsidiary of BA-CA AG), which has its headquarters in Kiev.

Real estate at Am Hof 2 and at Vordere Zollamtsstrasse 13, and profit- and liquidation-sharing right in Immobilien Holding GmbH
BA-CA AG started the sale process for its real estate at Vordere Zollamtsstrasse 13 and for its real estate at Am Hof 2, which is held via a subsidiary. The indirectly held profit- and liquidation-sharing right in Immobilien Holding GmbH is also offered for sale.

Legal action Polygon Poland
In February 2008, a lawsuit was served upon BA-CA AG which was filed by a shareholder of BA-CA AG who is also shareholder in Bank BPH S.A., Kraków, Poland (a former Polish subsidiary of BA-CA AG), against Bank BPH S.A., UniCredit and BA-CA AG. The action was brought for the declaratory judgement that BA-CA AG is shareholder in Bank BPH S.A., and that UniCredit is not shareholder in Bank BPH S.A. as the contract on the sale of Bank BPH S.A. by BA-CA AG to UniCredit is allegedly null and void. BA-CA AG believes this lawsuit is inadmissible and without merit.

Decision by Landgericht München
In January 2008, the Landgericht München decided in favour of plaintiffs who had brought lawsuits contesting the resolutions passed at the Extraordinary General Meeting of HVB AG on 25 October 2006 to approve the sale of BA-CA AG to UniCredit and the sale of the activities of HVB AG in Central and Eastern Europe to BA-CA AG. The court decided on the grounds that two procedural defects had occurred in the Extraordinary General Meeting held in 2006. The court decision does not impact either the validity of the separate transfer of the shareholding interest in BA-CA AG to UniCredit at the beginning of 2007, or the validity of the transfer of HVB AG's activities in Central and Eastern Europe to BA-CA AG. The judgement is moreover not yet final and absolute.

Settlement offer to BA-CA pensioners
In February 2008, BA-CA AG made an offer of settlement to those former employees who terminated their employment relationship on the grounds of retirement within a period of 8 years (1 January 2000 to 31 December 2007) after the pension entitlements were transferred to the pension fund. The period within which they can make a statement on acceptance of the offer ends at the end of March 2008.

Sale of insurance company Yapi Kredi Sigorta AS, Turkey
On 25 February 2008, Yapı Kredi Bank, Turkey, announced its intention to sell the insurance company Yapı Kredi Sigorta AS, Turkey. BA-CA AG held an indirect 38.8 % shareholding interest in Yapı Kredi Sigorta.

Vienna, 4 March 2008

Hampel
(Chairman)

Ghizzoni Gross Hemetsberger

Kretschmer Müller Prehofer

Vivaldi Zadrazil

Report of the Supervisory Board

Introduction

In the 2007 financial year, the Supervisory Board performed all its duties as defined by the law and the Articles of Association with due regard to the Austrian Code of Corporate Governance, and held six meetings. In addition, in thirteen cases, resolutions were passed by written circular votes. The credit committee of the Supervisory Board held four meetings during the reporting period, and passed a number of resolutions by written circular votes. The committee for the audit, and the preparation regarding the adoption, of the financial statements, the proposal for the appropriation of profits and the management report (audit committee) held two meetings. The strategy and nominations committee passed three resolutions by written circular votes.

Focus of activity

In the 2007 financial year, the Supervisory Board advised the Management Board on the management of the company and was regularly provided with information, in writing and orally, by the Management Board on the bank's and the Group's business and on major business transactions on a timely basis and in a comprehensive manner. The Management Board presented all facts in respect of which a decision by the Supervisory Board was required.

The activities of the Supervisory Board focused in particular on the future reorganisation of Markets & Investment Banking, the planned rebranding in Austria, the squeeze-out pursuant to the Austrian Squeeze-out Act, the contribution in kind of BA-CA Leasing to the UniCredit Leasing holding company, a detailed special report on developments in ABS markets against the background of the US subprime crisis and its effects on the bank's own portfolio, as well as numerous M&A measures such as the acquisition of equity interests, capital increases and transformations under company law mainly relating to subsidiaries in CEE. Among the main transactions there were the acquisition of majority interests in ATF Bank (Kazakhstan), Ukrsotsbank (Ukraine), Zagrebačka banka (Croatia – transferred by UniCredit) and the Russian International Moscow Bank (now ZAO UniCredit Bank).

In its work the Supervisory Board also took into account the bank's results and the main issues dealt with by the Supervisory Board committees.

The credit committee took decisions on loan exposures requiring its approval, especially large exposures pursuant to Section 27 of the Austrian Banking Act, including resolutions concerning credit lines, and with a view to Article 136 of the Italian Banking Act. It also dealt with portfolio and risk reports, the structure of the loan portfolio and risk policy principles.

The audit committee discussed the financial statements and the consolidated financial statements, and the audit reports and the management letter of the auditors, and reported to the Supervisory Board on these topics. The audit committee also discussed the remuneration of the auditors and the engagement letter. The activities of the strategy and nominations committee concentrated on submitting proposals to the Supervisory Board for the appointment of Management Board members.

Board members

At the Annual General Meeting held on 3 May 2007, Vincenzo Calandra Buonaura was elected to the Supervisory Board.

The Supervisory Board was sorry to hear about the death of Thomas Schlager on 8 October 2007. All members of the Supervisory Board will remember him with gratitude for his work. In accordance with a decision by the Employees' Council, Josef Reichl was delegated to the Supervisory Board with effect from 25 October 2007 to replace Thomas Schlager.

Details of the composition of the Supervisory Board committees in the 2007 financial year are given in the section "Supervisory Board and Management Board" in the Annual Report.

The following Management Board changes took place in the 2007 financial year:
The following members resigned from the Management Board: Andrea Moneta with effect from 30 June 2007, Johann Strobl with effect from 3 August 2007 and Willibald Cernko with effect from 31 December 2007. The following persons were appointed to the Management Board: Federico Ghizzoni with effect from 1 July 2007, Carlo Vivaldi with effect from 1 October 2007 and Ralph Müller with effect from 1 January 2008.

Financial statements / consolidated financial statements

The accounting records, the financial statements for 2007 and the management report were audited by the Auditing Board of the Savings Bank Auditing Association and by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. As the audit did not give rise to any objections and the legal requirements were fully complied with, the auditors' report was expressed without qualification.

The Supervisory Board has endorsed the findings of the audit, agrees with the financial statements and the management report, including the proposal for the appropriation of profits, presented by the Management Board, and approves the 2007 financial statements, which are thereby adopted pursuant to Section 125 (2) of the Austrian Joint Stock Companies Act.

The 2007 consolidated financial statements were audited by the Auditing Board of the Savings Bank Auditing Association and by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft for consistency with International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board as adopted by the European Union, and the management report of the Group was audited for consistency with the Austrian Commercial Code. The audit did not give rise to any objections and the legal requirements were fully complied with. In the opinion of the auditors, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2007, and of the results of its operations and its cash flows for the financial year beginning on 1 January 2007 and ending on 31 December 2007, in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The auditors certify that the management report of the Group is consistent with the consolidated financial statements, and that the legal requirements for exemption from the obligation to prepare consolidated financial statements pursuant to Austrian law are met, and they express their unqualified opinion.

The Supervisory Board has endorsed the findings of the audit and thanks the Management Board and all employees for their strong personal commitment and their performance in the 2007 financial year.

Vienna, 11 March 2008

The Supervisory Board

Alessandro Profumo
Chairman of the Supervisory Board

Financial Statements of Bank Austria Creditanstalt AG for 2007

Balance Sheet at 31 December 2007

Assets	31 DEC. 2007 IN € 1,000	31 DEC. 2006 IN € 1,000	CHANGE IN € 1,000	IN %
1. Cash in hand and balances with central banks	**832,052**	**797,508**	**34,544**	**4.3**
2. Treasury bills and other bills eligible for refinancing at central banks	**2,183,160**	**2,168,619**	**14,541**	**0.7**
a) treasury bills and similar securities	2,183,160	2,168,619	14,541	0.7
b) other bills eligible for refinancing at central banks	–	–	–	–
3. Loans and advances to credit institutions	**32,889,376**	**33,388,348**	**–498,972**	**–1.5**
a) repayable on demand	7,344,552	5,475,119	1,869,433	34.1
b) other loans and advances	25,544,824	27,913,229	–2,368,405	–8.5
4. Loans and advances to customers	**69,080,632**	**67,118,614**	**1,962,018**	**2.9**
5. Bonds and other fixed-income securities	**12,648,587**	**12,885,855**	**–237,268**	**–1.8**
a) issued by public borrowers	1,135,297	1,203,754	–68,457	–5.7
b) issued by other borrowers	11,513,290	11,682,101	–168,811	–1.4
of which: own bonds	*321,511*	*321,511*	–	–
6. Shares and other variable-yield securities	**2,812,883**	**4,000,989**	**–1,188,106**	**–29.7**
7. Equity interests	**3,030,702**	**424,115**	**2,606,587**	**>100**
of which: in credit institutions	*237,109*	*247,936*	*–10,827*	*–4.4*
8. Shares in group companies	**15,717,050**	**4,686,225**	**11,030,825**	**>100**
of which: in credit institutions	*9,773,199*	*2,856,209*	*6,916,990*	*>100*
9. Intangible fixed assets	**202,600**	**209,422**	**–6,822**	**–3.3**
10. Tangible fixed assets	**351,391**	**364,848**	**–13,457**	**–3.7**
of which: land and buildings used by the credit institution for its own business operations	*224,162*	*231,723*	*–7,561*	*–3.3*
11. Own shares and shares in a controlling company	**990**	**2,877**	**–1,887**	**–65.6**
Number of BA-CA shares	*7,019*	*24,019*	*–17,000*	*–70.8*
Number of UniCredito S.p.A. shares	–	–	–	–
Number of HVB shares	–	–	–	–
12. Other assets	**4,250,402**	**2,226,643**	**2,023,759**	**90.9**
13. Prepaid expenses	**168,481**	**256,612**	**–88,131**	**–34.3**
	144,168,306	**128,530,675**	**15,637,631**	**12.2**

Liabilities and Shareholders' Equity	31 DEC. 2007 IN € 1,000	31 DEC. 2006 IN € 1,000	CHANGE IN € 1,000	IN %
1. Amounts owed to credit institutions	**47,801,358**	**48,525,482**	**–724,124**	**–1.5**
a) repayable on demand	7,429,769	10,148,525	–2,718,756	–26.8
b) with agreed maturity dates or periods of notice	40,371,589	38,376,957	1,994,632	5.2
2. Amounts owed to customers	**51,599,377**	**43,033,344**	**8,566,033**	**19.9**
a) savings deposits	18,455,279	17,142,181	1,313,098	7.7
aa) repayable on demand	*4,693,466*	*3,863,086*	*830,380*	*21.5*
bb) with agreed maturity dates or periods of notice	*13,761,813*	*13,279,095*	*482,718*	*3.6*
b) other liabilities	33,144,098	25,891,163	7,252,935	28.0
aa) repayable on demand	*17,276,028*	*14,831,099*	*2,444,929*	*16.5*
bb) with agreed maturity dates or periods of notice	*15,868,070*	*11,060,064*	*4,808,006*	*43.5*
3. Debts evidenced by certificates	**18,210,180**	**17,248,197**	**961,983**	**5.6**
a) bonds issued	10,940,803	11,487,742	–546,939	–4.8
b) other debts evidenced by certificates	7,269,377	5,760,455	1,508,922	26.2
4. Other liabilities	**2,284,600**	**1,793,104**	**491,496**	**27.4**
5. Deferred income	**40,028**	**33,784**	**6,244**	**18.5**
6. Provisions	**3,690,094**	**3,843,920**	**–153,826**	**–4.0**
a) provisions for severance payments	274,079	260,143	13,936	5.4
b) pension provisions	2,628,336	2,511,066	117,270	4.7
c) provisions for taxes	65,300	51,683	13,617	26.3
d) other	722,379	1,021,028	–298,649	–29.2
6.A Special fund for general banking risks	**2,453,815**	**2,150,077**	**303,738**	**14.1**
7. Subordinated liabilities	**4,167,041**	**3,569,120**	**597,921**	**16.8**
8. Supplementary capital	**528,984**	**1,308,198**	**–779,214**	**–59.6**
9. Subscribed capital	**1,468,771**	**1,068,921**	**399,850**	**37.4**
10. Capital reserves	**7,546,970**	**2,153,670**	**5,393,300**	**>100**
a) subject to legal restrictions	6,126,210	732,910	5,393,300	>100
b) other	1,420,760	1,420,760	–	–
11. Revenue reserves	**1,375,369**	**1,057,177**	**318,192**	**30.1**
a) for own shares and shares in a controlling company	990	2,877	–1,887	–65.6
b) statutory reserve	14,535	14,535	–	–
c) reserves provided for by the Articles of Association	–	–	–	–
d) other reserves	1,359,844	1,039,765	320,079	30.8
12. Reserve pursuant to Section 23 (6) of the Austrian Banking Act (BWG)	**2,108,713**	**2,072,064**	**36,649**	**1.8**
13. Accumulated profit	**810,001**	**590,420**	**219,581**	**37.2**
14. Untaxed reserves	**83,005**	**83,197**	**–192**	**–0.2**
a) valuation reserve resulting from special depreciation	83,005	83,197	–192	–0.2
b) other untaxed reserves	–	–	–	–
aa) investment reserve pursuant to Section 9 of the Austrian Income Tax Act (EStG) 1988	–	–	–	–
bb) investment allowance pursuant to Section 10 of the Austrian Income Tax Act (EStG) 1988	–	–	–	–
cc) rent reserve pursuant to Section 11 of the Austrian Income Tax Act (EStG) 1988	–	–	–	–
dd) reserve transferred pursuant to Section 12 of the Austrian Income Tax Act (EStG) 1988	–	–	–	–
	144,168,306	**128,530,675**	**15,637,631**	**12.2**

Items shown below the Balance Sheet

Assets	31 DEC. 2007 IN € 1,000	31 DEC. 2006 IN € 1,000	CHANGE IN € 1,000	IN %
1. Foreign assets	**73,298,933**	**60,479,225**	**12,819,708**	**21.2**

Liabilities and Shareholders' Equity	31 DEC. 2007 IN € 1,000	31 DEC. 2006 IN € 1,000	CHANGE IN € 1,000	IN %
1. Contingent liabilities	**14,040,019**	**13,875,224**	**164,795**	**1.2**
of which a) acceptances and endorsements	–	–	–	–
b) guarantees and assets pledged as collateral security	14,040,019	13,875,224	164,795	1.2
2. Commitments	**5,015,784**	**4,726,974**	**288,810**	**6.1**
of which: commitments arising from repurchase agreements	209,084	275,881	–66,797	–24.2
3. Liabilities arising from transactions on a trust basis	**52,457**	**118,872**	**–66,415**	**–55.9**
4. Eligible capital pursuant to Section 23 (14)	**17,969,312**	**10,964,597**	**7,004,715**	**63.9**
of which: capital resources pursuant to Section 23 (14) 7	494,321	324,443	169,878	52.4
5. Capital requirement pursuant to Section 22 (1)	**6,406,444**	**5,064,333**	**1,342,111**	**26.5**
of which: capital requirement pursuant to Section 22 (1) 1 and 4	5,912,123	4,739,890	1,172,233	24.7
6. Foreign liabilities	**49,226,608**	**48,709,408**	**517,200**	**1.1**

Profit and Loss Account for the year ended 31 December 2007

	2007 IN € 1,000	2006 IN € 1,000	CHANGE IN € 1,000	IN %
1. Interest and similar income	**5,461,051**	**4,299,162**	**1,161,889**	**27.0**
of which: from fixed-income securities	*778,706*	*710,897*	*67,809*	*9.5*
2. Interest and similar expenses	**–4,045,358**	**–3,026,513**	**1,018,845**	**33.7**
I. NET INTEREST INCOME	**1,415,693**	**1,272,649**	**143,044**	**11.2**
3. Income from securities and equity interests	**1,174,110**	**500,109**	**674,001**	**>100**
a) income from shares, other ownership interests and variable-yield securities	78,137	84,781	–6,644	–7.8
b) income from equity interests	17,296	15,209	2,087	13.7
c) income from shares in group companies	1,078,677	400,119	678,558	>100
Net fee and commission income (sub-total of items 4 and 5)	**852,865**	**794,863**	**58,002**	**7.3**
4. Fee and commission income	**1,030,504**	**959,856**	**70,648**	**7.4**
5. Fee and commission expenses	**–177,639**	**–164,993**	**12,646**	**7.7**
6. Net loss / profit on trading activities	**–122,205**	**146,420**	**–268,625**	**>100**
7. Other operating income	**120,549**	**114,798**	**5,751**	**5.0**
II. OPERATING INCOME	**3,441,012**	**2,828,839**	**612,173**	**21.6**
8. General administrative expenses	**–1,513,770**	**–1,715,226**	**–201,456**	**–11.7**
a) staff costs	–832,960	–1,038,411	–205,451	–19.8
wages and salaries	*–471,580*	*–478,194*	*–6,614*	*–1.4*
expenses for statutory social-security contributions and compulsory contributions related to wages and salaries	*–107,425*	*–110,592*	*–3,167*	*–2.9*
other employee benefits	*–12,270*	*–12,842*	*–572*	*–4.5*
expenses for retirement benefits	*–193,987*	*–185,355*	*8,632*	*4.7*
allocation to the pension provision	*–2,845*	*–211,565*	*–208,720*	*–98.7*
expenses for severance payments and payments to severance-payment funds	*–44,853*	*–39,863*	*4,990*	*12.5*
b) other administrative expenses	–680,810	–676,815	3,995	0.6
9. Depreciation and amortisation of asset items 9 and 10	**–82,497**	**–106,445**	**–23,948**	**–22.5**
10. Other operating expenses	**–149,910**	**–219,366**	**–69,456**	**–31.7**
III. OPERATING EXPENSES	**–1,746,177**	**–2,041,037**	**–294,860**	**–14.4**
IV. OPERATING RESULTS	**1,694,835**	**787,802**	**907,033**	**>100**

		2007 IN € 1,000	2006 IN € 1,000	CHANGE IN € 1,000	IN %
11./12.	Net income/expenses from the disposal and valuation of loans and advances, securities as well as contingent liabilities and commitments	–56,468	–422,297	–365,829	–86.6
13./14.	Net income/expenses from the disposal and valuation of securities valued as financial fixed assets, and of shares in group companies and equity interests	–169,280	2,821,122	–2,990,402	>100
V.	RESULTS FROM ORDINARY BUSINESS ACTIVITIES	1,469,087	3,186,627	–1,717,540	–53.9
15.	Extraordinary income	–	–	–	–
16.	Extraordinary expenses	–303,738	–2,314,668	–2,010,930	–86.9
	of which: allocation to special fund for general banking risks	*–303,738*	*–2,089,200*	*–1,785,462*	*–85.5*
17.	Extraordinary results (sub-total of items 15 and 16)	–303,738	–2,314,668	–2,010,930	–86.9
18.	Taxes on income	–7,671	–14,939	–7,268	–48.7
19.	Other taxes not included under item 18	4,656	–1,468	6,124	>100
VI.	ANNUAL SURPLUS	1,162,334	855,552	306,782	35.9
20.	Movements in reserves	–354,649	–265,941	88,708	33.4
VII.	PROFIT FOR THE YEAR	807,685	589,611	218,074	37.0
21.	Profit brought forward from previous year	2,316	809	1,507	>100
VIII.	ACCUMULATED PROFIT	810,001	590,420	219,581	37.2

Notes to the Financial Statements of Bank Austria Creditanstalt AG

1. General information

The financial statements of Bank Austria Creditanstalt AG for the 2007 financial year were prepared pursuant to the provisions of the Austrian Commercial Code (Unternehmensgesetzbuch – UGB) in its currently applicable version and in compliance with the rules of the Austrian Banking Act (Bankwesengesetz – BWG) and the Austrian Joint Stock Companies Act (Aktiengesetz – AktG) that are applicable to credit institutions. The formats of the balance sheet and of the profit and loss account comply with the forms in Annex 2 to Section 43 of the Austrian Banking Act.

Bank Austria Creditanstalt AG, which is a company listed on the stock exchange, prepares its consolidated financial statements as a credit institution in accordance with International Financial Reporting Standards (IFRSs). The consolidated financial statements of Bank Austria Creditanstalt are published on the Internet (www.bankaustria.at).

Bank Austria Creditanstalt AG is a subsidiary included in the consolidated financial statements of UniCredit S.p.A.

The consolidated financial statements prepared by the Group's parent company are published at the following address: UniCredit S.p.A., registered office: Via Minghetti, 17, 00187 Rome, Italy. They are published on the Internet at www.unicreditgroup.eu.

2. Accounting and valuation methods

2.1. General rule

The financial statements were prepared on the basis of generally accepted accounting principles and in compliance with the general requirement of giving a true and fair view of the company's assets and liabilities, its financial position and results. Assets and liabilities were valued in accordance with the principle of individual valuation on a going concern basis. The principle of prudence was observed with due regard to the special characteristics of banking business operations.

2.2. Accounting and valuation methods

2.2.1. Foreign currency translation

Assets and liabilities denominated in foreign currencies were stated in the balance sheet at the European Central Bank's reference rates as at 31 December 2007. Expenses and income in foreign currencies were translated at the ECB's end-of-month reference rates. The euro denominations were translated as at 1 January 2002 at the rates fixed on 31 December 1998. Forward transactions that had not been settled at the balance-sheet date were translated at the forward rate.

2.2.2. Loans and advances

Provisions were made for identifiable lending risks. To the extent that it was possible to combine individual risk assets into groups, provisions were made on a portfolio basis.

2.2.3. Securities

Securities intended to be held as long-term investments were valued at cost. Use was made of the optional rule contained in Section 56 (2) and (3) of the Austrian Banking Act (spreading premiums / discounts in the profit and loss account over the period to maturity). The relevant amounts of premiums and discounts are indicated in item 4 of the notes to the balance sheet (4.6. Differences between cost and repayable amount of bonds and other fixed-income securities).

Securities held in the trading book were marked to market. Other securities held as current assets were valued at cost or market, whichever was lower. Own issues were stated in the balance sheet at average cost. Details are given in item 4 of the notes to the balance sheet (4.7. Differences between cost and market value of securities admitted to trading on an exchange which are not held as financial fixed assets).

2.2.4. Equity interests and shares in group companies

Equity interests and shares in group companies were stated at cost. In the case of permanent diminutions in value, write-downs were made in respect of listed and unlisted companies.

2.2.5. Intangible assets

Intangible assets were valued at cost less amortisation. The rate of amortisation applied to computer software was between 16.67 % p.a. and 25 % p.a., in line with its ordinary useful life, and for goodwill between 11 % p.a. and 20 % p.a.

2.2.6. Tangible fixed assets

Land, buildings and office furniture and equipment were stated at cost less depreciation. The rate of depreciation applied to buildings was between 1.49 % p.a. and 5 % p.a. and for furniture and equipment between 10 % p.a. and 25 % p.a., in line with their ordinary useful lives.

2.2.7. Low-value assets

Low-value assets were fully depreciated in the year of acquisition.

2.2.8. Derivatives
Derivatives in the banking book were recognised at amortised cost. Derivatives assigned to the trading book were marked to market. To the extent that derivatives were interest-rate hedging transactions, related income was included in net interest income.

2.2.9. Liabilities
Liabilities were stated in the balance sheet at the repayable amount. Premiums and discounts in connection with own issues are spread over the period to maturity.

2.2.10. Provisions
Provisions were recognised in the amount required pursuant to an assessment based on reasonable commercial principles.

Provisions for severance payments and pensions
Provisions for pension obligations and severance-payment obligations are recognised pursuant to the expert opinions KFS – RL 2 and 3, using the projected unit credit method in accordance with IAS 19. Pursuant to the corridor method, that part of the actuarial gains and losses which relates to the respective provisions and exceeds the corridor is spread over the average remaining period of service of the employees concerned and recognised as an expense.

As at 1 May 2007, the internal service agreement on the BA-CA pension equivalent (ASVG equivalent) was adjusted to changes in the legal environment – in particular, by raising the minimum retirement age, introducing specific reductions and reducing widows' pensions. This resulted in a partial release, recognised in the profit and loss account, of the pension provision.

Under a commitment to provide defined benefits, Bank Austria Creditanstalt AG continues to recognise a pension provision for the entitlements of employees who retired before the pension reform as at 31 December 1999 became effective, and – as a special feature of Bank Austria Creditanstalt AG's staff regulations – for the future benefits equivalent to those under mandatory insurance, earned by active employees and pensioners for whom Bank Austria Creditanstalt AG has assumed the obligations of the mandatory insurance scheme pursuant to Section 5 of the Austrian General Social Security Act (ASVG).

The following are also covered by the provision:
- disability risk and rights to future benefits based on early retirement and pension entitlements of surviving dependants, less reimbursement from the pension funds,
- pension entitlements based on direct benefit commitments contained in individual employment contracts, and
- rights to future benefits relating to additional pension payments for employees performing manual work.

The present value of pension obligations and severance-payment obligations and of anniversary bonuses is determined with due regard to internal service regulations, on the basis of the following actuarial assumptions:
- Discount rate: 5.25 % p.a. (2006: 4.25 % p.a.)
- Increases under collective bargaining agreements: 2.45 % p.a. (2006: 2.25 % p.a.) (assumption of increases for employees and pensioners)
- Career trends including regular salary increases under the current collective bargaining agreement for employees of Austrian banks and the effects of the transitional rules under the 2005 reform of Bank Austria Creditanstalt's service regulations. The rate applied in calculating non-regular salary increases was 0.25 % p.a. (2006: 0.25 % p.a.). (Assumption of increases for employees.)
- No discount for staff turnover
- Retirement age: for employees enjoying "permanent tenure" status under the internal services regulations on the payment of a Bank Austria pension equivalent to a mandatory social-security pension, dated 30 December 1999 (as amended on 1 May 2007), the retirement age is 60 for men and 55 for women, with the transition to the retirement age of 65 being taken into account. For all other staff members the new retirement age of 65 – for both men and women – under the applicable rules (2003 Pension Reform) was taken into account, with the transitional rules of the 2003 Pension Reform. If the corridor pension rule results in a lower retirement age, the lower age was used as retirement age.
- 1999 P statistical tables for salaried staff (Aktuarverein Österreich, life expectancy tables for salaried staff)

No provisions are made for defined-contribution plans. Payments agreed to be made to a pension fund for defined-contribution plans are recognised as an expense.

3. Changes in accounting and valuation methods, reclassifications

No changes in accounting and valuation methods were made compared with the previous year.

Notes to the Financial Statements (CONTINUED)

4. Notes to the balance sheet

4.1. Breakdown by maturity

Breakdown by maturity	31 DEC. 2007 (IN €)	31 DEC. 2006 (IN € THSD)
Loans and advances to credit institutions		
up to three months	9,588,357,025.32	15,420,023
over three months and up to one year	5,090,711,367.31	2,791,404
over one year and up to five years	8,573,469,494,72	7,851,954
over five years	2,292,286,025,92	1,849,847
Loans and advances to customers		
up to three months	9,009,698,140.42	9,975,970
over three months and up to one year	4,153,518,875.86	2,030,075
over one year and up to five years	13,363,445,853.52	13,148,104
over five years	37,472,242,025.42	37,737,439
Amounts owed to credit institutions		
up to three months	21,557,713,993.48	20,168,105
over three months and up to one year	3,752,384,954.71	4,343,943
over one year and up to five years	6,461,139,815.95	4,877,200
over five years	8,600,351,146.92	8,987,709
Amounts owed to customers		
a) Savings deposits *)		
up to three months	1,152,944,953.52	631,647
over three months and up to one year	6,772,757,729.92	3,901,438
over one year and up to five years	2,247,659,250.06	3,973,911
over five years	3,588,450,755.66	4,772,100
b) Other amounts owed to customers		
up to three months	9,774,187,189.94	6,282,814
over three months and up to one year	3,644,417,973.57	2,163,384
over one year and up to five years	909,578,144.87	1,240,821
over five years	1,539,887,135.41	1,373,045
Other debts evidenced by certificates		
up to three months	1,780,975,462.80	1,860,955
over three months and up to one year	451,148,644.90	936,273
over one year and up to five years	2,540,924,124.44	1,804,122
over five years	2,496,328,353.72	1,159,105

*) For savings deposits, the expected deposit period was used as the remaining period pursuant to Section 25 of the Austrian Banking Act. Recognised statistical methods were used for the calculation.

4.2. Assets and liabilities denominated in foreign currencies

At the balance sheet date, foreign currency assets amounted to € 30,864,530,362.08 or 21.41 % of total assets (31 December 2006: € 29,436,164 thsd or 22.90 % of total assets). Foreign currency liabilities amounted to € 30,943,696,986.34 or 21.46 % of the balance sheet total (31 December 2006: € 23,732,134 thsd or 18.46 % of the balance sheet total).

4.3. Loans and advances to, and amounts owed to, group companies and companies in which an equity interest is held

	GROUP COMPANIES		COMPANIES IN WHICH AN EQUITY INTEREST IS HELD	
	31 DEC. 2007 (IN €)	31 DEC. 2006 (IN € THSD)	31 DEC. 2007 (IN €)	31 DEC. 2006 (IN € THSD)
Loans and advances				
Loans and advances to credit institutions	15,446,940,389.00	10,835,181	783,206,224.00	481,577
Loans and advances to customers	6,258,226,802.00	4,919,324	196,419,209.00	352,327
Bonds and other fixed-income securities	1,368,441,466.92	960,552	72,771,072.59	93,599
Amounts owed				
Amounts owed to credit institutions	13,455,456,461.00	11,578,307	11,908,375,554.00	10,452,025
Amounts owed to customers	1,576,401,168.00	346,085	205,742,226.00	231,103

4.4. Group companies and companies in which an equity interest is held

Those companies in which Bank Austria Creditanstalt AG holds at least 20 % of the share capital – directly or through group companies – are listed in the notes to the financial statements on pages 52 to 55 pursuant to Section 238, item 2, of the Austrian Commercial Code.

Most of the business relations with group companies were customary banking relationships. Equity capital substitutes were used for some financings.

At the balance sheet date, Bank Austria Creditanstalt AG maintained single entity agreements for tax purposes with the following companies:

- Asset Management GmbH
- BACA Administration Service GmbH
- BA-CA Betriebsobjekte GmbH
- BACA Immobilien Entwicklungs- und Verwertungs GmbH
- BA-CA Markets & Investment Beteiligung GmbH
- Bank Austria Creditanstalt Finanzservice GmbH
- Bank Austria Creditanstalt Real Invest GmbH
- Bank Austria Creditanstalt Wohnbaubank AG
- Bank Austria Trade Service GmbH
- BANKPRIVAT AG
- caibon.com Internet Services GmbH
- CABET Holding AG
- DOMUS Facility Management GmbH
- GANYMED Immobilienvermietungsgesellschaft m.b.H.
- HYPERION Immobilienvermietungsgesellschaft m.b.H.
- Industrie-Immobilien-Verwaltung GmbH
- Lassallestraße Bau-, Planungs- und Errichtungs GmbH
- Human Resources Service and Development GmbH (previously Manfred Handbüchler GmbH)
- Pioneer Investments Austria GmbH (previously Capital Invest)
- RE St.Marx Holding GmbH
- card complete Service Bank GmbH (previously VISA-SERVICE Kreditkarten Aktiengesellschaft)
- WAVE Solutions Informations Technology GmbH
- ZETA Fünf Handels GmbH

4.5. Securities

Of Bank Austria Creditanstalt AG's total holdings of securities as at 31 December 2007, financial fixed assets accounted for € 6,907,266,476.47 (31 Dec. 2006: € 7,947,285 thsd) and current assets including the trading portfolio accounted for € 12,531,135,670.42 (31 Dec. 2006: € 12,637,647 thsd).

Notes to the Financial Statements (CONTINUED)

4.5.1. The following breakdown shows securities admitted to trading on an exchange:

	LISTED		NOT LISTED	
	31 DEC. 2007 (IN €)	31 DEC. 2006 (IN € THSD)	31 DEC. 2007 (IN €)	31 DEC. 2006 (IN € THSD)
Bonds and other fixed-income securities	9,484,520,208.85	9,897,969	3,164,066,612.55	2,987,886
Shares and other variable-yield securities	114,484,974.68	787,164	107,849,153.24	1,657,276
Equity interests	286,539,966.88	103,520	0.00	0
Shares in group companies	3.860,713,248.16	0	0.00	0
TOTAL	**13,746,258,398.57**	**10,788,653**	**3,271,915,765.79**	**4,645,162**

4.5.2. The following table shows securities admitted to trading on an exchange, broken down into fixed (long-term) and current assets:

	FIXED ASSETS		CURRENT ASSETS	
	31 DEC. 2007 (IN €)	31 DEC. 2006 (IN € THSD)	31 DEC. 2007 (IN €)	31 DEC. 2006 (IN € THSD)
Bonds and other fixed-income securities	3,131,997,879.62	3,382,908	9,516,588,941.78	9,502,947
Shares and other variable-yield securities	26,305,687.85	342,659	196,028,440.07	2,101,781
Total	**3,158,303,567.47**	**3,725,567**	**9,712,617,381.85**	**11,604,728**

The classification pursuant to Section 64 (1) 11 of the Austrian Banking Act is based on resolutions adopted by the Management Board.

4.5.3. Financial instruments carried as financial fixed assets for which the carrying amounts are higher than their fair values (Section 237a (1) 2 of the Austrian Commercial Code):

	BOOK VALUE 31 DEC. 2007 (IN €)	UNRECOGNISED LOSSES 31 DEC. 2007 (IN €)	BOOK VALUE 31 DEC. 2006 (IN € THSD)	UNRECOGNISED LOSSES 31 DEC. 2006 (IN € THSD)
Treasury bills and similar securities	746,561,127.63	–8,187,415.78	408,757	–5,932
Bonds and other fixed-income securities	1,076,404,797.23	–33,372,436.22	989,453	–18,304
Shares and other variable-yield securities	9,018,902.51	–871,756.47	9,027	–311
Equity interests	200,837,134.38	–67,198,029.78	25,337	–4,454
Shares in group companies	–	–	–	–

All of the unrecognised losses arising on bonds and shares resulted from market price fluctuations. There was no indication of a sustained deterioration in the issuers' creditworthiness.

4.6. Differences between cost and repayable amount of bonds and other fixed-income securities

In the case of bonds and other fixed-income securities which are held as financial fixed assets and for which cost exceeds the amount repayable, the difference is amortised over the period to maturity pursuant to Section 56 (2) of the Austrian Banking Act. At year-end, the difference to be amortised over the remaining maturity amounted to € 33,283,956.07 (31 December 2006: € 48,920 thsd).

In the case of bonds and other fixed-income securities which are held as financial fixed assets and for which cost is lower than the amount repayable, a write-up is made for the difference over the period to maturity pursuant to Section 56 (3) of the Austrian Banking Act. Until the balance sheet date, write-ups made in respect of such differences amounted to € 8,299,268.94 (31 December 2006: € 9,563 thsd).

4.7. Differences between cost and market value of securities admitted to trading on an exchange which are not held as financial fixed assets

As at 31 December 2007, the market value of securities held in the trading portfolio and marked to market was € 26,478,446.60 (31 December 2006: € 181,389 thsd) higher than cost.

At the balance sheet date, the market value of listed securities held to comply with liquidity requirements was € 70,391,539.30 (31 December 2006: € 46,734 thsd) higher than the carrying amount.

4.8. Bonds becoming due in the subsequent year

Assets held in the form of bonds and other fixed-income securities in the amount of € 1,177,706,661.17 (31 December 2006: € 2,115,677 thsd) will become due in 2008. Of the bonds issued, securities in the amount of € 2,109,978,343.56 (31 December 2006: € 2,010,959 thsd) will become due in 2008.

4.9. Securities held in the trading book

In the 2007 financial year, Bank Austria Creditanstalt AG maintained a trading book within the meaning of Section 22b of the Austrian Banking Act. The volume of the trading book amounted to € 1,663,059,450,066.94 (31 December 2006: € 1,072,299,692 thsd). Of this total, securities carried in the balance sheet accounted for € 9,112,517,570.10 (31 December 2006: € 10,373,814 thsd), money market instruments placed and taken were € 57,155,330,853.82 (31 December 2006: € 59,261,235 thsd), and other financial instruments accounted for € 1,596,791,601,643.02 (31 December 2006: € 1,002,664,643 thsd). Securities and money market instruments were included at book value, and other financial instruments (financial derivatives) at the notional amounts. The inclusion of financial derivatives complies with the reporting guideline applicable to VERA (Report on Condition and Income), under which interest rate swaps and currency swaps as well as forward foreign exchange transactions are to be reported as assets or liabilities. Compared with transaction-based inclusion, this results in an additional volume of € 650,185,758,941.32.

4.10. Own shares

As part of our securities business with customers, we purchased 2,244,584 Bank Austria Creditanstalt AG ordinary shares at an average price of € 136.66 and sold 2,261,584 shares at an average price of € 136.76.

As at 31 December 2007, Bank Austria Creditanstalt AG held 7,019 shares in Bank Austria Creditanstalt AG (31 December 2006: 24,019 shares).

4.11. Shares in a controlling company

As part of our securities business with customers, we purchased 16,585,543 UniCredito Italiano S.p.A. ordinary shares at an average price of € 6.02 and sold 16,585,543 shares at an average price of € 6.03.

At the balance sheet date, we did not hold any UniCredit S.p.A. shares.

4.12. Repurchased own subordinated bonds and supplementary capital

At the balance sheet date, Bank Austria Creditanstalt AG's own portfolio included subordinated bonds issued by the bank itself with a total carrying amount of € 7,188,501.77 (31 Dec. 2006: € 24,002 thsd), as well as supplementary capital with a total carrying amount of € 2,380,052.75 (31 Dec. 2006: € 4,096 thsd).

4.13. Trust transactions

The balance sheet items "Loans and advances to customers", "Amounts owed to credit institutions" and "Amounts owed to customers" included trust transactions totalling € 527,251,573.00 (31 December 2006: € 494,024 thsd) in respect of which there is no right of separation in the event of insolvency.

4.14. Assets sold under repurchase agreements

As at 31 December 2007, the book value of assets transferred under repurchase agreements was € 2,116,922,388.40 (31 December 2006: € 1,564,980 thsd). The relevant assets continue to be recognised as assets, the consideration received is included in liabilities.

Notes to the Financial Statements (CONTINUED)

4.15. Subordinated assets

	31 DEC. 2007 (IN €)		31 DEC. 2006 (IN € THSD)	
Loans and advances to credit institutions		**1,296,431,174.09**		**1,129,689**
of which: equity interests	*1,816,820.85*		*1,817*	
of which: group companies	*1,279,665,154.53*		*1,115,721*	
Loans and advances to customers		**384,201,130.53**		**418,736**
of which: equity interests	*715,793.32*		*300*	
of which: group companies	*250,587,314.07*		*251,094*	
Bonds and other fixed-income securities		**691,185,689.62**		**852,112**
of which: equity interests	*0.00*		*0*	
of which: group companies	*8,560,383.89*		*25,581*	

4.16. Intangible fixed assets and tangible fixed assets

The item “Intangible fixed assets” includes software in the amount of € 35,241,395.27 (2006: € 29,275 thsd) which was acquired from a group company. At the balance sheet date, the land value of property was € 77,036,531.63 (31 December 2006: € 77,076 thsd).

4.17. Movements in fixed assets

Equity interests include those silent holdings which are recognised in the item “Loans and advances to customers”. Securities comprise those included in the items “Treasury bills and other bills eligible for refinancing at central banks”, “Bonds and other fixed-income securities”, and “Shares and other variable-yield securities”.

Movements in fixed assets of Bank Austria Creditanstalt AG

Cost (in €)

	31 DEC. 2006	ADDITIONS	DISPOSALS	TRANSFERS	31 DEC. 2007
Securities	7,227,096,163.59	1,830,620,025.61	2,685,699,477.00	0.00	6,372,016,712.20
Equity interests	494,825,182.16	2,748,901,289.58	127,487,695.73	–5,846,417.24	3,110,392,358.77
Shares in group companies	5,324,088,374.48	12,888,864,749.17	1,282,078,340.93	5,846,417.24	16,936,721,199.96
Intangible fixed assets	647,866,346.16	36,479,214.64	407,555.80	0.00	683,938,005.00
Tangible fixed assets					
a) Land and buildings	342,464,132.72	9,376,381.05	16,778,976.36	14,747.12	335,076,284.53
b) Other tangible fixed assets	431,161,485.91	28,274,676.79	11,900,372.30	–14,747.12	447,521,043.28
TOTALS	**14,467,501,685.02**	**17,542,516,336.84**	**4,124,352,418.12**	**0.00**	**27,885,665,603.74**

Carrying value					(in €)
	WRITE-UPS	ACCUMULATED WRITE-DOWNS / DEPRECIATION	CARRYING VALUE 31 DEC. 2007	CARRYING VALUE 31 DEC. 2006	WRITE-DOWNS / DEPRECIATION IN 2007
Securities	–38,911,816.38*)	1,165,000.00	6,331,939,895.82	7,150,574,734.37	1,165,000.00
Equity interests	0.00	79,689,906.28	3,030,702,452.49	424,115,441.73	9,750,000.00
Shares in group companies	0.00	1,219,670,971.36	15,717,050,228.60	4,686,225,461.45	581,808,059.33
Intangible fixed assets	0.00	481,337,987.26	202,600,017.74	209,421,743.70	43,000,940.60
Tangible fixed assets					
a) Land and buildings	0.00	97,787,342.19	237,288,942.34	244,064,204.19	4,781,042.46
b) Other tangible fixed assets	31,891.29	333,451,142.51	114,101,792.06	120,783,832.78	34,713,975.57
TOTALS	**–38,879,925.09**	**2,213,102,349.60**	**25,633,683,329.05**	**12,835,185,418.22**	**675,219,017.96**

*) Premiums / discounts are spread over the period to maturity.

4.18. Leasing activities

In 2007, Bank Austria Creditanstalt AG was not directly active as lessor in the leasing business.

4.19. Total expenses for the use of tangible fixed assets not carried as assets

Obligations arising from the use of tangible fixed assets not carried as assets in the balance sheet (under leasing and rent agreements) which will become due in the subsequent period and in the subsequent five years are indicated in the table below:

Obligations under leasing and rent agreements		(in € 1,000)
	31 DEC. 2007	31 DEC. 2006
for the subsequent business year	76,473	79,980
for the subsequent five business years	394,219	409,821

4.20. Other assets

4.20.1. Other assets

This item includes positive or negative fair values, both reflected and not reflected in income, in the amount of € 3,192,447,167.05 (31 December 2006: € 1,766,681 thsd) from derivative products.

Dividends receivable from group companies with which there are profit pooling arrangements totalled € 801,190,175.16 (31 Dec. 2006: € 200,352 thsd).

Claims against the Austrian tax office for companies (Finanzamt für Körperschaften) totalled € 107,850,618.83 (31 Dec. 2006: € 86,485 thsd).

Other assets also include accrued interest and fees and commissions, in the amount of € 29,119,235.39 (31 December 2006: € 34,159 thsd).

4.20.2. Deferred expenses

Deferred expenses refer primarily to:

- the conversion of the company pension scheme financing system in 1999 to a defined-contribution pension fund in the amount of € 23,952,043.00 (31 December 2006: € 35,932 thsd), spread over ten years and recognised as an expense on this basis;
- the conversion of the valuation of pension provisions in 2004 pursuant to the expert opinions KFS – RL 2 and 3 in accordance with IAS 19 in the amount of € 72,886,200.00 (31 December 2006: € 145,772 thsd), spread over five years and recognised as an expense on this basis; and
- the conversion of the valuation of provisions for severance payments in 2004 pursuant to the expert opinions KFS – RL 2 and 3 in accordance with IAS 19 in the amount of € 2,904,800.00 (31 December 2006: € 5,810 thsd), spread over five years and recognised as an expense on this basis.

The above-mentioned deferred expenses totalled € 99,743,043.00 (31 December 2006: € 187,514 thsd).

4.21. Other liabilities

This item includes positive or negative fair values, both reflected and not reflected in income, in the amount of € 2,018,521,032.16 (31 December 2006: € 1,475,285 thsd) from derivative products.

Notes to the Financial Statements (CONTINUED)

Liabilities resulting from the settlement of Austrian capital yields tax (Kapitalertragsteuer – KESt) totalled € 44,670,118.66 (31 Dec. 2006: € 31,905 thsd).

Liabilities arising from short positions amounted to € 55,407,527.81 (31 Dec. 2006: € 62,353 thsd).

Other liabilities also include accrued expenses in the amount of € 15,103,177.32 (31 December 2006: € 12,178 thsd).

4.22. Provisions

4.22.1. Provisions for pensions and severance payments

The discount rate applied in 2007 was 5.25 %. The valuation of provisions results in a deficit of € 584,700,000.00 (2006: € 880,648 thsd) compared with the amount of provisions stated in the balance sheet.

The excess amount of € 247,945,500.00 resulting in the reporting year from the application of the corridor method will be spread over the average remaining service period in the subsequent year and recognised as an expense on this basis [2008: € 39,690,000.00 (pensions) and € 812,220.00 (severance payments)]. The amounts recognised as expenses in 2007 were € 80,984,229.00 (pensions) and € 5,880,214.00 (severance payments).

In the financial year, pension provisions increased by € 117,269,876.14. The regular allocation to pension provisions was € 27,164,639.14 (2006: € 45,451 thsd). The amount transferred from the restructuring provision to the pension provisions was € 187,667,008.00. In the balance sheet at 31 December 2007, pension provisions were stated at € 2,628,336,072.60 (31 Dec. 2006: € 2,511,066 thsd).

In the financial year, provisions for severance payments increased by € 13,936,077.13 (2006: € 10,400 thsd). The amount transferred from the restructuring provision to the provisions for severance payments was € 21,483,151.11. In the balance sheet at 31 December 2007, provisions for severance payments were stated at € 274,078,814.75 (31 Dec. 2006: € 260,143 thsd).

4.22.2. Other provisions

Other provisions totalled € 722,379,111.43 (31 December 2006: € 1,021,027 thsd), including provisions of € 318,861,729.67 (31 December 2006: € 361,897 thsd) for pending losses arising from lending and securities business, for risks related to equity interests, for litigation risks and for guarantee obligations, as well as € 101,468,120.80 (31 December 2006: € 298,678 thsd) for restructuring. Provisions for staff and non-staff expenses amounted to € 302,049,260.96 (31 December 2006: € 360,452 thsd), including provisions for anniversary payments, bonuses for the company's own employees, and legal costs and experts' fees.

4.23. Subordinated liabilities assumed

Subordinated liabilities assumed during the year did not exceed 10 % of the total amount of existing subordinated liabilities.

As at 31 December 2007, subordinated liabilities included 10 schilling-denominated bonds. Also included were 50 bonds and 4 time deposits, most of which have maturities exceeding ten years. The bonds and time deposits are denominated in EUR, USD, CHF, JPY and GBP. The total amount of subordinated capital stated in the balance sheet at 31 December 2007 was € 4,167,041,013.26 (31 December 2006: € 3,569,120 thsd), including accrued interest payable and interest allocated to zero-coupon bonds.

The concept of subordination is defined in Section 51 (9) of the Austrian Banking Act.

4.24. Fund for general banking risks

€ 303,737,733.00 was allocated to the fund for general banking risks. The total amount of the fund for general banking risks is € 2,453,814,733.00 (31 Dec. 2006: € 2,150,077 thsd).

4.25. Equity

4.25.1. Subscribed share capital

On 4 December 2006, the Management Board of Bank Austria Creditanstalt AG passed a resolution to increase the share capital of Bank Austria Creditanstalt AG from € 1,068,920,749.80, divided into 147,031,740 no-par value shares, by € 399,850,000 against contribution in kind to € 1,468,770,749.80 by issuing 55,000,000 no-par value shares entitled to a dividend from the financial year beginning on 1 January 2007 at the issue price of € 105.33 per share, thus by a total amount of € 5,793,150,000.00. The shareholders' subscription right was excluded. Only UniCredit S.p.A. was admitted to subscription of the shares to be issued, against contribution in kind of the "CEE Business Unit". The Supervisory Board of Bank Austria Creditanstalt AG approved the increase of the share capital, the contents of the share rights and the terms and conditions of the share issue by resolution adopted by circular votes on 21 December 2006. The capital increase took place on 17 March 2007.

With due regard to the capital increase carried out as mentioned above, the share capital of Bank Austria Creditanstalt AG as at 31 December 2007 amounted to € 1,468,770,749.80, divided into 10,100 registered no-par value shares carrying voting rights and 202,021,640 no-par value bearer shares carrying voting rights, with each no-par value share representing the same part of the share capital.

4.25.2. Capital reserves

As a result of the issue of 55,000,000 no-par value shares, the share premium of € 98.06 per share increased the capital reserves by € 5,393,300,000.00. As at 31 December 2007, the capital reserves were stated at € 7,546,969,443.67 (31 December 2006: € 2,153,670 thsd).

4.25.3. Revenue reserves

The reserve for own shares and shares in a controlling company amounted to € 990,380.90 (31 Dec. 2006: € 2,877 thsd).

The statutory reserve was shown unchanged at € 14,534,566.84. As at 31 December 2007, other reserves were stated at € 1,359,843,909.15 (31 Dec. 2006: € 1,039,765 thsd).

4.25.4. Reserve pursuant to Section 23 (6) of the Austrian Banking Act (BWG)

The amount of € 36,649,250.00 was allocated to the reserve pursuant to Section 23 (6) of the Austrian Banking Act (BWG), which totalled € 2,108,713,056.25 as at 31 December 2007.

4.25.5. Untaxed reserves

The valuation reserve resulting from special depreciation was reduced by € 191,840.64 to € 83,005,011.45.

Movements in valuation reserve and other untaxed reserves as at 31 Dec. 2007 (in €)

	31 DEC. 2006	TRANSFERS	ALLOCATIONS	RELEASES	31 DEC. 2007
1. Valuation reserve resulting from special depreciation					
Reserve pursuant to Section 12 of the Austrian Income Tax Act (EStG)					
Securities	5,343,133.71	0.00	0.00	–191,840.64	5,151,293.07
Equity interests	10,186,516.54	0.00	0.00	0.00	10,186,516.54
Shares in group companies	67,107,569.74	0.00	0.00	0.00	67,107,569.74
Land and buildings	27,877.30	0.00	0.00	0.00	27,877.30
Other tangible fixed assets	76,208.80	0.00	0.00	0.00	76,208.80
	82,741,306.09	0.00	0.00	–191,840.64	82,549,465.45
Valuation reserve pursuant to Sections 8 and 122 of the Austrian Income Tax Act (EStG)					
Land and buildings	455,546.00	0.00	0.00	0.00	455,546.00
Other tangible fixed assets	0.00	0.00	0.00	0.00	0.00
	455,546.00	0.00	0.00	0.00	455,546.00
Total 1	**83,196,852.09**	**0.00**	**0.00**	**–191,840.64**	**83,005,011.45**
2. Other untaxed reserves					
Untaxed reserves	0.00	0.00	0.00	0.00	0.00
Total 2	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
GRAND TOTAL	**83,196,852.09**	**0.00**	**0.00**	**–191,840.64**	**83,005,011.45**

4.26. Supplementary capital pursuant to Section 23 (7) of the Austrian Banking Act (BWG)

As at 31 December 2007, supplementary capital totalled € 528,984,401.99 (31 Dec. 2006: € 1,308,198 thsd).

4.27. Cross-holdings

There are no cross-holdings within the meaning of Section 240, item 9, of the Austrian Commercial Code.

Notes to the Financial Statements (CONTINUED)

4.28. Assets pledged as security

Assets pledged as security pursuant to Section 64 (1) 8 of the Austrian Banking Act (BWG)	31 DEC. 2007 (IN €)	31 DEC. 2006 (IN € THSD)
Cover fund for deposits held in trust for wards and included in liabilities item 2a)	102,077,422.69	87,447
Cover fund for mortgage bonds and public sector mortgage bonds included in liabilities item 3a)	2,759,557,666.57	2,718,664
for own bonds and medium-term notes included in liabilities item 3a)	71,299,845.42	70,387
Total	**2,932,934,934.68**	**2,876,498**
Security provided in favour of Oesterreichische Kontrollbank AG for the settlement of securities transactions	150,134,365.92	97,390
Margin requirement at ÖTOB and with various brokers	839,729,387.96	1,542,738
Claims assigned in favour of OeKB, security deposit with Oesterreichische Nationalbank	4,821,144,991.30	5,944,959
Claims assigned in favour of European Investment Bank, KfW, Oesterreichische Nationalbank; securities pledged	2,689,761,069.82	1,204,477
Security provided in favour of clearing systems (Cedel, Euroclear, Xetra)	382,897,660.92	1,347,713
Security provided in favour of foreign banks for securities lending transactions, and collateral agreements	30,559,839.95	93,536
Off-balance sheet transactions	5,539,231,221.79	5,494,524
Assets pledged in favour of foreign credit institutions and financial institutions which are group companies	448,546,395.63	1,133,827
Total	**14,902,004,933.29**	**16,859,164**
AGGREGATE TOTAL	**17,834,939,867.97**	**19,735,662**

The balance sheet item “Savings deposits” includes deposits held in trust for wards in the amount of € 98,255,222.79 (31 Dec. 2006: € 86,304 thsd).

4.29. Derivatives business

Derivatives are classified as interest-rate contracts, foreign-exchange contracts, securities-related contracts, credit derivatives and commodity derivatives, according to the underlying financial instrument. In all categories of transactions, a distinction is made between over-the-counter (OTC) and exchange-traded contracts. The counterparties in OTC transactions are banks and customers, while exchange-traded contracts are bought and sold via recognised exchanges.

Over-the-counter transactions are individual agreements concerning volume, maturities and underlying instrument. In large-volume interbank trading, these agreements reflect international practice, while in customer business they are usually adjusted to specific needs. Exchange-traded contracts are always standardised in respect of volume and maturity date.

OTC trading accounts for the bulk of the Bank Austria Creditanstalt Group’s business volume in derivatives, with a focus on interest rate contracts. OTC contracts include forward transactions, swaps and options; exchange-traded contracts are futures and options.

Derivatives are mainly used for trading purposes. Market participants include banks, securities houses, mutual funds, pension funds and corporate customers. Customers can use these instruments to hedge risk positions against unfavourable price fluctuations and, depending on the strategies pursued by customers, they can benefit from changes in prices, exchange rates and interest rates.

Bank Austria Creditanstalt AG is a business partner in plain-vanilla and structured transactions for international and local banks as well as for institutional and corporate customers.

As at 31 December 2007, the total volume of derivative instruments amounted to € 994,603,529,272.22. Positive market values totalled € 8,524,733,807.82, negative market values totalled € 7,478,829,501.39. Interest-rate contracts accounted for the largest proportion of total volume; moreover, foreign exchange contracts are also of major importance. Securities-related contracts, credit derivatives and other derivatives account for a comparatively small proportion of total volume, but the significance of such derivatives has been growing over recent years.

For portfolio management and risk management purposes, contracts are valued at current prices using recognised and tested models. Market values show the contract values as at the balance sheet date, positive market values indicate the potential default risk arising from the relevant activity.

For the purposes of credit risk management, derivatives are taken into account with their respective positive market value and an add-on depending on the product, currency and maturity. Add-ons applied in internal credit risk management take into account the potential future exposure, based on the current market volatility, relative to the remaining period to maturity of the transactions. Given the underlying confidence interval of 97.5 %, these add-ons are in most cases clearly above the relevant levels pursuant to the Austrian Banking Act.

Line utilisation for derivatives business is available online in WSS ("Wallstreet"), the central treasury system, on a largely group-wide basis. For smaller units not connected to the central system, separate lines are allocated and monitored. Group-wide compliance with lines approved in the credit process is thus ensured at any time.

Bank Austria Creditanstalt additionally limits the credit risk arising from its derivatives business through the consistent use of master agreements, through collateral agreements and break clauses. In combination with the very good average credit rating of our business partners in derivatives business, management takes proper account of default risk.

A.1 Regulatory trading portfolio: end-of-period notional amounts

	31 DEC. 2007			31 DEC. 2006		
	LISTED	UNLISTED	TOTAL	LISTED	UNLISTED	TOTAL
1. Forward rate agreements	0.00	23,910,719,792.24	23,910,719,792.24	0.00	15,198,593,843.00	15,198,593,843.00
2. Interest rate swaps	0.00	421,953,381,619.62	421,953,381,619.62	0.00	303,775,606,631.00	303,775,606,631.00
3. Domestic currency swaps	0.00	15,513,692,568.48	15,513,692,568.48	0.00	12,612,647,060.00	12,612,647,060.00
4. Currency interest rate swaps	0.00	6,079,016,551.79	6,079,016,551.79	0.00	3,591,752,124.00	3,591,752,124.00
5. Basis swaps	0.00	7,554,897,914.95	7,554,897,914.95	0.00	2,621,546,492.00	2,621,546,492.00
6. Stock index swaps	48,787,029.78	363,909,867.01	412,696,896.79	175,134,535.00	156,400,000.00	331,534,535.00
7. Commodity index swaps	0.00	18,916,267.82	18,916,267.82	0.00	816,032.00	816,032.00
8. Futures	694,455,272.77	0.00	694,455,272.77	1,490,985,244.00	0.00	1,490,985,244.00
9. Cap options	0.00	12,823,041,080.93	12,823,041,080.93	0.00	21,170,189,339.00	21,170,189,339.00
10. Floor options	0.00	3,815,495,382.19	3,815,495,382.19	0.00	5,006,104,739.00	5,006,104,739.00
11. Other options	68,970,622,800.00	68,073,486,123.90	137,044,108,923.90	31,547,394,086.00	57,647,593,447.00	89,194,987,533.00
12. Forwards	0.00	57,536,452,654.92	57,536,452,654.92	247,135.00	51,386,732,293.00	51,386,979,428.00
13. Other derivative contracts	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	**69,713,865,102.55**	**617,643,009,823.85**	**687,356,874,926.40**	**33,213,761,000.00**	**473,167,982,000.00**	**506,381,743,000.00**

Notes to the Financial Statements (CONTINUED)

A.2.1 Banking book: end-of-period notional amounts

	31 DEC. 2007			31 DEC. 2006		
	LISTED	UNLISTED	TOTAL	LISTED	UNLISTED	TOTAL
1. Forward rate agreements	0.00	231,518,704.30	231,518,704.30	0.00	50,000,000.00	50,000,000.00
2. Interest rate swaps	0.00	268,467,010,918.69	268,467,010,918.69	0.00	129,821,132,394.00	129,821,132,394.00
3. Domestic currency swaps	0.00	9,987,935,020.28	9,987,935,020.28	0.00	9,903,445,404.00	9,903,445,404.00
4. Currency interest rate swaps	0.00	6,914,393,808.03	6,914,393,808.03	0.00	7,438,729,652.00	7,438,729,652.00
5. Basis swaps	0.00	4,109,512,677.60	4,109,512,677.60	0.00	3,613,393,236.00	3,613,393,236.00
6. Stock index swaps	0.00	0.00	0.00	0.00	0.00	0.00
7. Commodity index swaps	0.00	0.00	0.00	0.00	0.00	0.00
8. Futures	0.00	0.00	0.00	0.00	0.00	0.00
9. Cap options	0.00	1,254,973,663.99	1,254,973,663.99	0.00	1,292,920,228.00	1,292,920,228.00
10. Floor options	0.00	267,798,434.00	267,798,434.00	0.00	280,966,727.00	280,966,727.00
11. Other options	0.00	194,911,553.34	194,911,553.34	0.00	237,150,309.00	237,150,309.00
12. Forwards	0.00	0.00	0.00	0.00	0.00	0.00
13. Other derivative contracts	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	**0.00**	**291,428,054,780.23**	**291,428,054,780.23**	**0.00**	**152,637,737,950.00**	**152,637,737,950.00**

A.4 OTC financial derivatives: positive fair value – counterparty risk

	31 DEC. 2007 GROSS AMOUNT	31 DEC. 2006 GROSS AMOUNT
A. Regulatory trading book:		
A.1 Central governments and banks	30,382,408.88	24,519,569.09
A.2 Public bodies	8,127,443.67	13,214,157.91
A.3 Banks	6,149,483,035.71	4,905,452,997.96
A.4 Financial companies	69,492,118.42	488,632,530.97
A.5 Insurance companies	7,975,625.81	8,374,753.48
A.6 Non-financial enterprises	1,008,222,987.74	8,910,893.11
A.7 Other entities	0.00	0.00
Total A	**7,273,683,620.23**	**5,449,104,902.52**
B. Banking book:		
B.1 Central governments and banks	0.00	0.00
B.2 Public bodies	0.00	0.00
B.3 Banks	1,082,045,181.05	1,211,445,176.00
B.4 Financial companies	12,942,590.86	0.00
B.5 Insurance companies	0.00	0.00
B.6 Non-financial enterprises	36,600,894.91	0.00
B.7 Other entities	0.00	0.00
Total B	**1,131,588,666.82**	**1,211,445,176.00**
TOTAL (A+B)	**8,405,272,287.05**	**6,660,550,078.52**

A.5 OTC financial derivatives: negative fair value – financial risk		
	31 DEC. 2007 GROSS AMOUNT	31 DEC. 2006 GROSS AMOUNT
A. Regulatory trading book:		
A.1 Central governments and banks	20,715,959.66	10,104,540.92
A.2 Public bodies	8,263,804.50	6,319,404.84
A.3 Banks	4,867,211,517.03	4,409,599,753.59
A.4 Financial companies	32,003,457.44	535,283,404.08
A.5 Insurance companies	9,008,622.84	9,690,567.00
A.6 Non-financial enterprises	804,397,117.96	4,057,144.95
A.7 Other entities	0.00	0.00
Total A	**5,741,600,479.43**	**4,975,054,815.38**
B. Banking book:		
B.1 Central governments and banks	0.00	0.00
B.2 Public bodies	0.00	0.00
B.3 Banks	1,493,089,088.26	1,429,417,179.94
B.4 Financial companies	0.00	0.00
B.5 Insurance companies	0.00	0.00
B.6 Non-financial enterprises	110,814,155.71	0.00
B.7 Other entities	0.00	0.00
Total B	**1,603,903,243.97**	**1,429,417,179.94**
TOTAL (A+B)	**7,345,503,723.40**	**6,404,471,995.32**

Notes to the Financial Statements (CONTINUED)

A.6 OTC financial derivatives – residual life: notional amount

	31 DEC. 2007			
	UP TO 1 YEAR	FROM 1 TO 5 YEARS	OVER 5 YEARS	TOTAL
A. Regulatory trading book	**352,021,903,413.11**	**185,183,652,776.08**	**80,447,670,778.39**	**617,653,226,967.58**
A.1 Financial derivative contracts on debt securities and interest rates	249,708,752,087.49	152,418,432,679.26	75,798,917,423.11	477,926,102,189.86
A.2 Financial derivative contracts on equity securities and share indices	1,888,216,680.98	1,396,267,598.49	595,551,340.00	3,880,035,619.47
A.3 Financial derivative contracts on exchange rates and gold	100,409,449,110.04	31,358,571,765.11	3,896,562,015.28	135,664,582,890.43
A.4 Financial derivative contracts on other underlying assets	15,485,534.60	10,380,733.22	156,640,000.00	182,506,267.82
B. Banking book	**215,529,602,644.76**	**34,508,317,024.07**	**41,379,917,967.67**	**291,417,837,636.50**
B.1 Financial derivative contracts on debt securities and interest rates	214,334,421,527.29	26,852,686,404.89	33,618,132,432.39	274,805,240,364.57
B.2 Financial derivative contracts on equity securities and share indices	34,850,652.60	38,060,900.74	0.00	72,911,553.34
B.3 Financial derivative contracts on exchange rates and gold	1,160,330,464.87	7,617,569,718.44	7,761,785,535.28	16,539,685,718.59
B.4 Financial derivative contracts on other underlying assets	0.00	0.00	0.00	0.00
TOTAL	**567,551,506,057.87**	**219,691,969,800.15**	**121,827,588,746.06**	**909,071,064,604.08**

	31 DEC. 2006			
	UP TO 1 YEAR	FROM 1 TO 5 YEARS	OVER 5 YEARS	TOTAL
A. Regulatory trading book	**238,854,191,991.23**	**160,567,538,402.58**	**73,923,317,011.77**	**473,345,047,405.58**
A.1 Financial derivative contracts on debt securities and interest rates	153,052,403,017.83	145,486,653,014.15	73,118,335,286.77	371,657,391,318.75
A.2 Financial derivative contracts on equity securities and share indices	876,523,251.00	1,550,511,304.00	648,341,725.00	3,075,376,280.00
A.3 Financial derivative contracts on exchange rates and gold	84,910,971,290.00	13,523,424,084.43	0.00	98,434,395,374.43
A.4 Financial derivative contracts on other underlying assets	14,294,432.40	6,950,000.00	156,640,000.00	177,884,432.40
B. Banking book	**65,018,577,009.06**	**40,946,750,597.29**	**46,672,410,988.48**	**152,637,738,594.83**
B.1 Financial derivative contracts on debt securities and interest rates	65,000,077,009.06	40,873,839,043.95	46,404,491,160.62	152,278,407,213.63
B.2 Financial derivative contracts on equity securities and share indices	18,500,000.00	72,911,553.34	0.00	91,411,553.34
B.3 Financial derivative contracts on exchange rates and gold	0.00	0.00	267,919,827.86	267,919,827.86
B.4 Financial derivative contracts on other underlying assets	0.00	0.00	0.00	0.00
TOTAL	**303,872,769,000.29**	**201,514,288,999.87**	**120,595,728,000.25**	**625,982,786,000.41**

B.2 Credit derivatives: positive fair value – counterparty risk

	31 DEC. 2007		31 DEC. 2006	
	NOTIONAL AMOUNT	POSITIVE FAIR VALUE	NOTIONAL AMOUNT	POSITIVE FAIR VALUE
A. REGULATORY TRADING BOOK:	**9,620,499,699.99**	**111,732,822.92**	**3,722,540,523.95**	**17,225,221.45**
A.1 Purchases of protection – counterparty:	8,268,312,938.83	106,457,249.58	375,000,000.00	407,658.23
1. Central governments and central banks	0.00	0.00	0.00	0.00
2. Public bodies	0.00	0.00	0.00	0.00
3. Banks	8,268,312,938.83	106,457,249.58	375,000,000.00	407,658.23
4. Financial companies	0.00	0.00	0.00	0.00
5. Insurance companies	0.00	0.00	0.00	0.00
6. Non-financial enterprises	0.00	0.00	0.00	0.00
7. Other entities	0.00	0.00	0.00	0.00
A.2 Sales of protection – counterparty:	1,352,186,761.16	5,275,573.34	3,347,540,523.95	16,817,563.22
1. Central governments and central banks	0.00	0.00	0.00	0.00
2. Public bodies	0.00	0.00	0.00	0.00
3. Banks	1,332,186,761.16	5,225,019.33	3,286,540,523.95	16,393,699.93
4. Financial companies	0.00	0.00	61,000,000.00	423,863.29
5. Insurance companies	20,000,000.00	50,554.01	0.00	0.00
6. Non-financial enterprises	0.00	0.00	0.00	0.00
7. Other entities	0.00	0.00	0.00	0.00
B. BANKING BOOK	**0.00**	**0.00**	**0.00**	**0.00**
TOTAL	**9,620,499,699.99**	**111,732,822.92**	**3,722,540,523.95**	**17,225,221.45**

B.3 Credit derivatives: negative fair value – financial risk

	31 DEC. 2007		31 DEC. 2006	
	NOTIONAL AMOUNT	NEGATIVE FAIR VALUE	NOTIONAL AMOUNT	NEGATIVE FAIR VALUE
A. REGULATORY TRADING BOOK:				
A.1 Purchases of protection – counterparty:				
1. Central governments and central banks	0.00	0.00	0.00	0.00
2. Public bodies	0.00	0.00	0.00	0.00
3. Banks	6,157,099,865.60	73,281,684.00	2,533,935,476.05	13,591,042.57
4. Financial companies	0.00	0.00	61,400,000.00	882,957.12
5. Insurance companies	0.00	0.00	0.00	0.00
6. Non-financial enterprises	41,000,000.00	481,352.58	0.00	0.00
7. Other entities	0.00	0.00	0.00	0.00
TOTAL	**6,198,099,865.60**	**73,763,036.58**	**2,595,335,476.05**	**14,473,999.69**

Notes to the Financial Statements (CONTINUED)

B4. Credit derivatives – residual life: notional amount				
	31 DEC. 2007			
	UP TO 1 YEAR	OVER 1 YEAR TO 5 YEARS	OVER 5 YEARS	TOTAL
A. Regulatory trading book	**787,540,112.79**	**13,188,390,401.73**	**1,842,669,051.06**	**15,818,599,565.58**
A.1 Credit derivatives with qualified reference obligation	0.00	0.00	0.00	0.00
A.2 Credit derivatives with not qualified reference obligation	787,540,112.79	13,188,390,401.73	1,842,669,051.06	15,818,599,565.58
B. Banking book	**0.00**	**0.00**	**0.00**	**0.00**
B.1 Credit derivatives with qualified reference obligation	0.00	0.00	0.00	0.00
B.2 Credit derivatives with not qualified reference obligation	0.00	0.00	0.00	0.00
TOTAL	**787,540,112.79**	**13,188,390,401.73**	**1,842,669,051.06**	**15,818,599,565.58**
	31 DEC. 2006			
	UP TO 1 YEAR	OVER 1 YEAR TO 5 YEARS	OVER 5 YEARS	TOTAL
A. Regulatory trading book	**826,986,484.44**	**3,929,548,255.93**	**1,561,341,622.61**	**6,317,876,362.98**
A.1 Credit derivatives with qualified reference obligation	0.00	0.00	0.00	0.00
A.2 Credit derivatives with not qualified reference obligation	826,986,484,44	3.929,548,255,93	1.561,341,622.61	6,317,876,362.98
B. Banking book	**0.00**	**0.00**	**0.00**	**0.00**
B.1 Credit derivatives with qualified reference obligation	0.00	0.00	0.00	0.00
B.2 Credit derivatives with not qualified reference obligation	0.00	0.00	0.00	0.00
TOTAL	**826,986,484.44**	**3,929,548,255.93**	**1,561,341,622.61**	**6,317,876,362.98**

4.30. Market risk

Market risk management at Bank Austria Creditanstalt AG encompasses the identification, measurement, monitoring and management of all market risks resulting from the banking business. The processes and methods used for measuring risk, defining and reviewing limits and for trading activities have been summarised in the Financial Markets Rulebook, which is available via Intranet.

Bank Austria Creditanstalt AG uses uniform Group-wide risk management procedures. These procedures provide aggregate data and make available the major risk parameters for the various trading operations at least once a day. Besides Value at Risk (VaR; for internal risk measurement on the basis of a one-day holding period and a confidence interval of 99 %), other factors of equal importance are stress-oriented volume and position limits. Additional elements of the limit system are loss-warning level limits, sensitivity and options-related limits applied to trading and positioning in non-linear products.

Bank Austria Creditanstalt AG's risk model ("NoRISK") was developed by the bank and has been used for several years. The model is applied and further refined by Strategic Risk Management.

As at 31 December 2007, VaR at Bank Austria Creditanstalt AG for the respective risk categories was as follows:

	in €
Exchange rate risk, overall	1,726,099.30
Equity position risk, trading book	914,479.94
Interest rate position risk, trading and banking books	10,232,170.01
Credit spread risk	17,797,243.92
High-yield risk*)	1,211,248.77
Overall market risk arising from the above components	26,054,156.69

*) In 2006, this line also showed the risk associated with the emerging markets bond portfolio, which is now integrated in interest rate position risk and credit spread risk.

The risk measurement model has additionally been used for the purpose of determining the capital requirements pursuant to the Austrian Banking Act (implementation of the Capital Adequacy Directive). Under this model, VaR for the trading book has also been calculated for a two-week holding period. This calculation takes into account the quantitative standards required by the regulatory authorities (one-sided confidence interval of 99 %, multiplier 3, average for the past 60 business days, add-on in the amount of the specific position risk).

As at 31 December 2007, this resulted in the following capital requirements at Bank Austria Creditanstalt AG:

	in €
Risk associated with the open foreign exchange position	73,342,705.77
General and specific risk in debt instruments	183,669,829.92
General / specific risk in equities	12,979,568.66
Overall risk (not equal to the sum of the above risk categories)	176,085,942.03

Within Bank Austria Creditanstalt AG, the reliability and accuracy of the internal model is monitored by daily back-testing, comparing the VaR amounts with the actually observed fluctuations in market parameters and in the total value of the trading books. The results of back-testing have so far continued to confirm the accuracy and reliability of the model and the model multiplier of 3.

Value-at-risk calculations are complemented by various stress scenarios to identify the potential effects on the Group's earnings of stressful market conditions. The assumptions made under such stress scenarios include extreme movements in prices or rates and a dramatic deterioration in market liquidity. Losses recorded also within BA-CA in credit spread market sectors in connection with the US real estate crisis were in line with the results of regularly performed market risk stress analyses also in 2007. Although the selected stress scenarios indicated the losses incurred, the crisis prompted the bank to review the macro scenarios used by it; this led to stricter stress assumptions being adopted especially for AAA rating classes. Overall, as the other Markets & Investment Banking (MIB) activities performed well in 2007, MIB came close to meeting the performance target. Losses recorded in the credit spread sector were thus largely offset by other trading activities.

Market risks resulting from the general balance sheet structure and the positioning of asset-liability management are additionally determined and regularly analysed by means of simulations of net interest income volatility. In addition to the business volume at the reporting date, these simulations are based on various interest rate scenarios, assumptions regarding new business, demand behaviour and general developments affecting margins in those market segments which are of greatest importance to Bank Austria Creditanstalt AG. Modelling over the projection period provides indications of trends in net interest income and enables the bank to identify risks at an early stage and to take appropriate measures.

In addition to calculating VaR for trading activities, the bank uses the Value-at-Risk method for measuring market risk in the banking book.

4.31. Contingent liabilities

Contingent liabilities of Bank Austria Creditanstalt AG shown below the line in item 1 on the liabilities side amounted to € 14,040,019,193.13, an increase of € 164,795,651.45 or 1.19 % over the previous year.

	31 DEC. 2007 (IN €)	31 DEC. 2006 (IN € THSD)
Acceptances and endorsements	0.00	0.00
Guarantees and assets pledged as collateral security	14,040,019,193.13	13,875,224

Guarantees in connection with retirement planning products benefiting from a state premium pursuant to Section 108 h (1) 3 and subsequent sections of the Austrian Income Tax Act (EStG)

In connection with retirement planning products benefiting from a state premium, Bank Austria Creditanstalt AG has incurred nominal capital guarantee obligations defined by law. Under the "Vorsorge-Plus-Plan" product (a mutual fund managed by Pioneer Investments Austria GmbH), the bank guarantees the investor that in the case of repayment through regular payments to the investor, the amount available for repayment will not be lower than the sum of amounts paid in plus premiums (variable in a range between 8.5 % and 13.5 %, and index-linked) credited to the account pursuant to Section 108 g of the Austrian Income Tax Act.

As at the end of 2007, amounts paid in for retirement planning products benefiting from a state premium totalled € 72,113,717.37 (including state premiums credited for the years 2003 to 2006 in the amount of € 3,857,773.23, but excluding premiums for 2007); this compares with the fund's net asset value of € 89,537,837.39. This means that the guarantee obligation, which amounted to € 72,113,717.37, was covered as at the relevant date.

Risk management is based on a CPPI model reflecting the stochastic characteristics of the proportions of equity and bond investments. Daily marking to market of the related options carried in the bank's trading book ensures that, if necessary, a sufficient provision is made immediately for any losses. The valuation functions are integrated in the OPUS system. Risk indicators are determined by the Credit Structured Products unit.

Notes to the Financial Statements (CONTINUED)

4.32. Letters of comfort and undertakings

In addition to the contingent liabilities shown below the balance sheet in item 1 on the liabilities side, there are the following letters of comfort and undertakings:

For 11 subsidiaries of Bank Austria Creditanstalt AG, guarantees were issued in favour of S.W.I.F.T.

Letters of comfort for a total amount of € 8.2 bn were issued in connection with international leasing transactions; given the nature of collateral for these transactions, it is not expected that claims will be lodged against Bank Austria Creditanstalt AG because the rights to payment undertaking amounts serving as collateral and held with the leasing companies or with Bank Austria Creditanstalt AG, or the rights to other security of stable value, have been transferred to the leasing companies.

The following four letters of comfort are included at a value of € 1 in the item below the balance sheet:

As security for a project loan for ISB Universale Bau GmbH, Brandenburg, a letter of comfort was issued to Bayerische Hypo- und Vereinsbank AG.

Moreover, two letters of comfort were issued for the floating of hybrid capital of BA-CA Finance (Cayman) Limited as well as of BA-CA Finance (Cayman 2) Limited.

For Infrastruktur Planungs- und Entwicklungs GmbH a letter of comfort was issued in favour of Autobahnen-und Schnellstraßen-Finanzierungs-Aktiengesellschaft (ASFINAG) as part of the company's bid for the "PPP Ostregion-Paket 1" project.

A letter of comfort was issued for BA-CA Wien Mitte GmbH / Salima Wien-Mitte Projektentwicklung GmbH in favour of the Austrian Federal Railways (ÖBB) in connection with the redesign of the former Wien Mitte bus terminal.

Furthermore, a commitment has been imposed on Bank Austria Creditanstalt AG under its membership, as prescribed in Sections 93 and 93a of the Austrian Banking Act, in Sparkassen Haftungs AG, a company which is the deposit insurance institution of the Austrian savings bank sector.

4.33. Commitments

Commitments

	31 DEC. 2007 (IN €)	31 DEC. 2006 (IN € THSD)
Liabilities arising from sales with an option to repurchase pursuant to Section 50 (3) and (5) of the Austrian Banking Act (BWG)	209,084,104.29	275,881
Underwriting commitments in respect of securities	80,462,404.16	149,955
Call / put options sold (pursuant to Annex 1 to Section 22 item 1 j)	462,856,239.62	429,122
Irrevocable loan commitments not yet utilised (credit facilities, commitments to lend, obligations to purchase securities, obligations to provide guarantees or acceptance facilities)	4,204,297,734.94	3,798,488
Any other irrevocable transactions that may give rise to credit risk and have not been mentioned above	59,084,108.00	73,528
TOTAL COMMITMENTS	**5,015,784,591.01**	**4,726,974**

5. Notes to the profit and loss account

5.1. Breakdown of income at foreign permanent establishments

On 29 December 2006, Bank Austria Creditanstalt AG set up a permanent establishment in Milan, Via Tortona 33, which is exclusively engaged in the management and controlling of the equity interests of UniCredit that have been transferred by way of contribution in kind. Therefore these activities are not banking activities. In 2007, net interest income including dividend income totalled € 4,227,533.53.

5.2. Income from equity interests and group companies

The item "Income from shares in group companies" included income from profit-pooling arrangements in the amount of € 782,303,188.42 (2006: € 181,950 thsd).

Within income and expenses arising from the valuation and disposal of equity interests, group companies accounted for a balance of minus € 233,617,152.71 (2006: plus € 2,796,551 thsd). No income was realised on the sale of shares in profit-pooling arrangements.

5.3. Income from administrative and agency services provided to third parties

In 2007, income from safe-custody services and from intermediary services relating to insurance, building-society savings agreements and real estate totalled € 78,092,448.55 (2006: € 82,002 thsd).

5.4. Other operating income
Other operating income included compensation for group services, releases of provisions for litigation risks, gains on other assets and rent income from real estate as well as all income not directly related to banking operations.

5.5. Expenses for subordinated liabilities
In the reporting year, the total amount of expenses for subordinated liabilities and supplementary capital was € 261,286,069.50 (2006: € 246,572 thsd).

5.6. Other operating expenses
Other operating expenses related primarily to expenses on banking operations not arising from lending business, and expenses arising from the agency agreements with CA IB International Markets Ltd., London, CA IB International Markets AG, Vienna, and BANK*PRIVAT* AG.

5.7. Extraordinary expenses
For reasons of prudence, € 303,737,733.00 (2006: € 2,089,200 thsd) was allocated to the fund for general banking risks to cover risks for which no special provisions were made.

5.8. Write-ups omitted
In the financial year, no write-ups (2006: € 0 m) were omitted to avoid tax consequences.

5.9. Effects of the change in untaxed reserves
The release of valuation reserves resulted in a minor income tax expense of € 11,990.00 (2006: € 254 thsd) for the 2007 financial year.

5.10. Taxes on income
Pursuant to the provisions on group taxation in Section 9 of the Austrian Corporation Tax Act (KStG), a group of companies existed as at 31 December 2007 which consisted of Bank Austria Creditanstalt AG as group holding company and 43 companies as group members (29 companies with profit and loss transfer agreements and 14 companies to which the amount of € 5,952,246.18 (2006: € 4,463 thsd) was charged in 2007 pursuant to tax compensation agreements).

As a result of the above-mentioned tax compensation payments being charged to group members, Bank Austria Creditanstalt AG's income tax expense for the 2007 financial year was € 7,670,548.91 (2006: € 14,939 thsd).

5.11. Deferred tax
No use was made of the option to carry deferred taxes as an asset. The amount of deferred taxes which may be carried as an asset pursuant to Section 198 (10) of the Austrian Commercial Code but is not separately shown in the balance sheet and which will probably reduce the tax charge in future years was € 144,476,000.00 (2006: € 171,201 thsd).

6. Information on staff, Management Board and Supervisory Board

6.1. Staff
The average number of salaried staff employed in 2007 was 6,781 (2006: 7,128) and the average number of other employees was 0 (2006: 0).

6.2. Expenses for severance payments and pensions
Expenses for severance payments and pensions relate to the items "expenses for retirement benefits", "allocation to the pension provision" and "expenses for severance payments and payments to severance payment-funds". In the 2007 financial year, allocations and payments for members of the Management Board and senior executives as well as their surviving dependants totalled € 14,681,247.66 (2006: € 13,504 thsd); allocations and payments for other employees and their surviving dependants totalled € 227,003,143.72 (2006: € 423,279 thsd). The amounts include payments to pension funds amounting to € 96,000.00 (2006: € 118 thsd) for active members of the Management Board and € 12,000.00 (2006: € 0) for former members of the Management Board.

6.3. Emoluments of Management Board members and Supervisory Board members
The emoluments paid in the 2007 financial year by Bank Austria Creditanstalt AG to Management Board members (excluding payments into pension funds) totalled € 7,621,000.00 (comparable emoluments in 2006 totalled € 6,296 thsd). Of this total, € 1,878,000.00 (2006: € 1,975 thsd) related to fixed salary components and € 5,743,000.00 (2006: € 4,321 thsd) related to variable salary components. Several Management Board members receive their emoluments from companies outside the BA-CA group of consolidated companies. These emoluments, which Management Board members were granted for activities in group companies, amounted to € 5,058,553.14 in the 2007 financial year (2006: € 7,198 thsd).

Notes to the Financial Statements (CONTINUED)

Payments to former members of the Management Board and their surviving dependants (excluding payments into pension funds) totalled € 9,641,612.90 (of which € 4,759,679.58 was paid to former Management Board members of Creditanstalt AG, which merged with Bank Austria AG in 2002, and their surviving dependants; € 1,916,079.81 was paid to former Management Board members of Österreichische Länderbank AG, which merged with Zentralsparkasse und Kommerzialbank AG, Vienna, in 1991, and their surviving dependants). The comparative figure for the previous year was € 10,960,000.00. Emoluments for activities in group companies paid to this group of persons amounted to € 529,619.14 (2006: € 565 thsd).

The emoluments of the Supervisory Board members active in the 2007 financial year totalled € 323,730.32 (2006: € 310 thsd) for Bank Austria Creditanstalt AG and € 6,976.62 (2006: € 6 thsd) for the two credit associations.

6.4. Loans and advances to Management Board members and Supervisory Board members

Loans to Management Board members are stated at € 265,849.66 (2006: € 248 thsd). Account overdrafts granted to members of the Management Board amounted to € 63,802.90 (2006: € 52 thsd).

Loans to Supervisory Board members amounted to € 716,673.04 (2006: € 272 thsd). Overdraft facilities and account overdrafts granted to members of the Supervisory Board totalled € 523,685.40 (2006: € 100 thsd). Repayments during the business year totalled € 31,998.91 (2006: € 45 thsd).

Loans and advances to the Supervisory Board include those made to members of the Employees' Council who are members of the Supervisory Board. The maturities of the loans range from five to fifteen years. The rate of interest payable on these loans and advances is the rate charged to employees of Bank Austria Creditanstalt AG.

6.5. Share-based payments

The Management Board and selected executives of Bank Austria Creditanstalt AG participate in the UniCredit share-based payment scheme of UniCredit Group. The share-based payment arrangements relate to Stock Options and Performance Shares for activities in Bank Austria Creditanstalt AG based on shares in the parent company UniCredit S.p.A.

UniCredit calculates the economic value of the share-based payment arrangements on a uniform basis for the entire Group (Hull & White evaluation model) and provides the Group companies with relevant information. In Bank Austria Creditanstalt AG, the total amount recognised in the profit and loss account as at 31 December 2007 was € 2,234,982.21.

The number and distribution of Stock Options granted in the respective financial years, the exercise price, the maturity, the periods during which Stock Options may be exercised, the transferability of Stock Options, the minimum holding period (blocking period), the conditions of transferability and exercise, and the fair value for Management Board members and executives as at 31 December 2007 can be seen from the table on page 159.

6.6. Names of Management Board members and Supervisory Board members

A list of the members of the Management Board and of the members of the Supervisory Board is given on pages 164 and 165.

1. Stock Options								
MANAGEMENT BOARD / SENIOR EXECUTIVES	YEAR IN WHICH STOCK OPTIONS WERE GRANTED	NUMBER OF SHARES THAT MAY BE PURCHASED	EXERCISE PRICE OR BASIS OR FORMULA	MATURITY	PERIOD DURING WHICH STOCK OPTIONS MAY BE EXERCISED	TRANSFER-ABILITY	BLOCKING PERIOD	FAIR VALUE AS AT 31 DEC. 2007 IN €
Management Board	2004	150,000	4.018	3 Sept. 2008	9 years	1)	no	261,180
	2005	80,778	4.817	25 Nov. 2009	9 years	1)	no	110,294
	2006	78,044	5.951	28 June 2010	9 years	1)	no	74,173
	2007	136,779	7.094	13 July 2011	6 years	1)	no	84,489
Senior executives	2005	207,200	4.817	25 Nov. 2009	9 years	1)	no	282,911
	2006	184,600	5.951	28 June 2010	9 years	1)	no	175,444
	2007	491,480	7.094	13 July 2011	6 years	1)	no	303,587

Stock Options granted by UniCredit to the members of the Supervisory Board do not constitute remuneration for activities on the Supervisory Board of Bank Austria Creditanstalt AG and are therefore not included in the above table.

Stock Options exercised in 2007

No Stock Options were exercised by members of the Management Board or by senior executives.
In 2007, former members of the Management Board exercised 1,100,000 Stock Options at an average exercise price of € 4.46 with a value at the exercise date of € 4,906,500.

2. Performance Shares								
MANAGEMENT BOARD / SENIOR EXECUTIVES	YEAR IN WHICH PERFORMANCE SHARES WERE GRANTED	NUMBER OF ALLOCATED PERFORMANCE SHARES	CONDITIONS	MATURITY	PERIOD FOR WHICH PEFORMANCE SHARES ARE ALLOCATED	TRANSFER-ABILITY	BLOCKING PERIOD	FAIR VALUE AS AT 31 DEC. 2007 IN €
Management Board	2005	29.889	3)	31 Dec. 2008	unlimited	no	no	3)
	2006	29.911	3)	31 Dec. 2009	unlimited	2)	no	3)
	2007	38.620	3)	31 Dec. 2010	unlimited	2)	no	3)
Senior executives	2005	502.500	3)	31 Dec. 2008	unlimited	no	no	3)
	2006	430.600	3)	31 Dec. 2009	unlimited	2)	no	3)
	2007	157.095	3)	31 Dec. 2010	unlimited	2)	no	3)

Performance Shares granted by UniCredit to the members of the Supervisory Board do not constitute remuneration for activities on the Supervisory Board of Bank Austria Creditanstalt AG and are therefore not included in the above table.

Performance Shares allocated in 2007

Performance Shares were allocated to members of the Management Board and to senior executives.

Conditions of transferability and exercise

1) Stock Options are restricted to the beneficiary's name and cannot be sold, assigned, pledged or transferred in any way. In the event of the beneficiary's death, claims under Stock Options may be transferred in full or in part to the beneficiary's heirs.
2) The rights under Performance Shares are restricted to the beneficiary's name and cannot be assigned, pledged or transferred in any way. These rights terminate automatically in the event of the beneficiary's death in the 3-year Performance Period (2007 – 2009)
3) These rights become vested only if 3 out of 5 internal key indicators of UniCredit Group or of the relevant Division are met in the year of allocation/maturity (2008-2010). The key indicators are EVA (Economic Value Added), EPS (earnings per share), cost/income ratio, total revenues and cost of risk. Fair values can only be determined in the respective year of allocation/maturity.

Shares in group companies and equity interests of Bank Austria Creditanstalt AG

List of shares in group companies and equity interests pursuant to Section 238 of the Austrian Commercial Code

Shares in group companies (consolidated)

NAME AND DOMICILE OF COMPANY	TOTAL INTEREST IN %	EQUITY IN €	NET INCOME / LOSS IN €	TOTAL ASSETS IN €	BALANCE SHEET DATE
AS UniCredit Bank, Latvia, Riga, LV	100.00	68,393,000.00	3,604,000.00	1,059,075,000.00	31 Dec. 2007 2)
Asset Management GmbH, Vienna, AT 1)	100.00	22,832,000.00	14,988,000.00	37,109,000.00	31 Dec. 2007 2)
AWT International Trade AG, Vienna, AT	100.00	174,655,000.00	5,931,000.00	177,708,000.00	31 Dec. 2007 2)
BA-CA Administration Services GmbH, Vienna, AT 1)	100.00	5,527,000.00	1,696,000.00	16,422,000.00	31 Dec. 2007 2)
BACA Export Finance Limited, London, GB	100.00	n.a.	4,589,000.00	n.a.	31 Dec. 2007 2)
BA-CA Markets & Investment Beteiligung Ges.m.b.H., Vienna, AT 1)	100.00	4,037,304,000.00	19,900,000.00	4,037,317,000.00	31 Dec. 2007 2)
Bank Austria Creditanstalt Real Invest GmbH, Vienna, AT 1)	94.95	112,152,000.00	17,788,000.00	125,743,000.00	31 Dec. 2007 2)
Bank Austria Creditanstalt Wohnbaubank AG, Vienna, AT 1)	100.00	51,096,000.00	7,430,000.00	4,144,999,000.00	31 Dec. 2007 2)
Bank Austria Trade Services Gesellschaft m.b.H., Vienna, AT 1)	100.00	7,851,000.00	15,841,000.00	259,290,000.00	31 Dec. 2007 2)
Banking Transaction Services s.r.o., Prague 1, CZ	100.00	1,809,000.00	–4,000.00	7,042,000.00	31 Dec. 2007 2)
BANKPRIVAT AG, Vienna, AT 1)	100.00	32,656,000.00	20,860,000.00	45,024,000.00	31 Dec. 2007 2)
CABET-Holding-Aktiengesellschaft, Vienna, AT 1)	100.00	654,730,000.00	21,199,000.00	722,558,000.00	31 Dec. 2007 2)
caibon.com Internet Services GmbH, Vienna, AT 1)	100.00	432,795,000.00	6,787,000.00	662,809,000.00	31 Dec. 2007 2)
card complete Service Bank AG, Vienna, AT 1)	50.10	65,141,000.00	37,975,000.00	360,105,000.00	31 Dec. 2007 2)
CJSC International Moscow Bank, Moscow, RU	100.00	953,908,000.00	182,054,000.00	9,925,000,000.00	31 Dec. 2007 2)
Domus Bistro GmbH, Vienna, AT	100.00	92,000.00	49,000.00	4,230,000.00	31 Dec. 2007 2)
Domus Clean Reinigungs GmbH, Vienna, AT	100.00	12,000.00	1,000.00	1,660,000.00	31 Dec. 2007 2)
DOMUS FACILITY MANAGEMENT GmbH, Vienna, AT 1)	100.00	1,106,000.00	788,000.00	7,611,000.00	31 Dec. 2007 2)
Eurolease RAMSES Immobilien Leasing Gesellschaft m.b.H. & Co OEG, Vienna, AT	99.50	23,122,000.00	162,000.00	66,582,000.00	31 Dec. 2007 2)
HVB Central Profit Banka d.d., Sarajevo, Sarajevo, BA	80.87	65,495,000.00	7,638,000.00	718,724,000.00	31 Dec. 2007 2)
JSC ATF BANK, Almaty, KZ	92.88	414,130,000.00	11,353,000.00	5,455,336,000.00	31 Dec. 2007 2)
Lassallestraße Bau-, Planungs-, Errichtungs- und Verwertungsgesellschaft m.b.H., Vienna, AT 1)	99.00	1,917,000.00	–62,000.00	175,653,000.00	31 Dec. 2007 2)
Nova Banjalucka Banka AD, Banja Luka, BA	90.93	34,137,000.00	29,000.00	265,662,000.00	31 Dec. 2007 2)
Pioneer Investments Austria GmbH, Vienna, AT 1)	100.00	59,781,000.00	44,195,000.00	89,468,000.00	31 Dec. 2007 2)
Schoellerbank Aktiengesellschaft, Vienna, AT	100.00	112,098,000.00	19,222,000.00	1,918,594,000.00	31 Dec. 2007 2)
UniCredit Bank Cayman Islands Ltd., Georgetown, Grand Cayman Islands, KY	100.00	274,004,000.00	22,153,000.00	1,454,745,000.00	31 Dec. 2007 2)
UniCredit Bank Czech Republic, a.s., Prague 1, CZ	100.00	861,813,000.00	105,643,000.00	10,408,346,000.00	31 Dec. 2007 2)
UniCredit Bank Hungary Zrt., Budapest, HU	100.00	496,340,000.00	80,593,000.00	5,997,965,000.00	31 Dec. 2007 2)
UniCredit Bank Serbia JSC, Belgrade, RS	99.89	183,018,000.00	23,687,000.00	916,050,000.00	31 Dec. 2007 2)
UniCredit Bank Slovakia a.s., Bratislava, SK	99.03	399,506,000.00	47,863,000.00	4,035,204,000.00	31 Dec. 2007 2)
UniCredit Banka Slovenija d.d., Ljubljana, SI	99.98	163,615,000.00	15,196,000.00	2,132,693,000.00	31 Dec. 2007 2)
UniCredit Bulbank AD, Sofia, BG	90.30	586,703,000.00	130,165,000.00	4,627,317,000.00	31 Dec. 2007 2)
UniCredit Tiriac Bank S.A., Bucharest, district 1, RO	55.26	418,970,000.00	78,898,000.00	3,557,965,000.00	31 Dec. 2007 2)
UNIVERSALE International Realitäten GmbH, Vienna, AT	100.00	185,062,000.00	83,000.00	314,987,000.00	31 Dec. 2007 2)
WAVE Solutions Information Technology GmbH, Vienna, AT 1)	100.00	1,841,000.00	–1,411,000.00	49,444,000.00	31 Dec. 2007 2)
Zagrebacka Banka d.d., Zagreb, HR	84.21	1,623,828,000.00	176,944,000.00	10,902,568,000.00	31 Dec. 2007 2)

The total percentage held comprises all shares held by consolidated companies and other group companies but not shares held on a trust basis.
Equity: equity pursuant to Section 229 of the Austrian Commercial Code.
Net income/loss before movements in reserves and appropriation of profits.
1) Profit pooling arrangement with Bank Austria Creditanstalt AG.
2) Figures in accordance with IFRSs.

Interests in companies accounted for under the proportionate consolidation method

NAME AND DOMICILE OF COMPANY	TOTAL INTEREST IN %	EQUITY IN €	NET INCOME / LOSS IN €	TOTAL ASSETS IN €	BALANCE SHEET DATE
Koc Finansal Hizmetler AS, Istanbul, Turkey	50.00	2,110,450,000.00	54,020,000.00	2,166,119,000.00	31 Dec. 2007 2)

Interests in associated companies accounted for under the equity method

NAME AND DOMICILE OF COMPANY	TOTAL INTEREST IN %	EQUITY IN €	NET INCOME / LOSS IN €	TOTAL ASSETS IN €	BALANCE SHEET DATE
Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck, AT	47.38	538,421,000.00	51,739,000.00	8,070,000,000.00	31 Dec. 2007 2)
Bausparkasse Wüstenrot Aktiengesellschaft, Salzburg, AT	24.10	332,508,000.00	20,643,000.00	5,663,000,000.00	31 Dec. 2007 2)
BKS Bank AG, Klagenfurt, AT	36.03	464,546,000.00	51,489,000.00	5,624,400,000.00	31 Dec. 2007 2)
CA Immobilien Anlagen AG	10.01	1,881,255,000.00	–138,000.00	3,447,086,000.00	31 Dec. 2007 2)
Oberbank AG, Linz, AT	33.44	884,926,000.00	91,114,000.00	14,236,909,000.00	31 Dec. 2007 2)
Oesterreichische Kontrollbank Aktiengesellschaft, Vienna, AT	49.15	436,474,000.00	60,480,000.00	32,800,000,000.00	31 Dec. 2007 2)
UniCredit Global Leasing S.p.A., Milan, Italy	32.59	1,479,000,000.00	222,827,000.00	28,375,642,000.00	31 Dec. 2007 2)

Unconsolidated companies

NAME AND DOMICILE OF COMPANY	TOTAL INTEREST IN %	EQUITY IN €	NET INCOME / LOSS IN €	TOTAL ASSETS IN €	BALANCE SHEET DATE
A) Group companies					
"Diners Club CEE Holding AG", Vienna, AT	99.80	3,592,959.47	539,012.92	18,720,054.44	31 Dec. 2005
A.V. Abwicklungs- und Vermögensverwaltungs GmbH being liquidated, Vienna, AT	100.00	–9,571.35	–32,262.25	8,327.43	31 Dec. 2006
Alfa Holding Ingatlanszolgaltato Kft., Györ, HU	95.00	0.00	–1,088.29	3,928.19	31 Dec. 2005
BA-CA Betriebsobjekte GmbH, Vienna, AT 1)	100.00	15,882,881.98	2,699,327.03	32,707,925.58	31 Dec. 2006
BA-CA GrECo Versicherungsmanagement Gesellschaft m.b.H., Vienna, AT	51.02	1,216,607.58	760,192.82	2,619,617.38	31 Dec. 2006
BA-CA Infrastructure Finance Advisory GmbH, Vienna, AT	100.00	–93,430.82	–12,943.74	0.00	31 Dec. 2006
BA-CA Private Equity GmbH, Vienna, AT	100.00	1,470,550.48	238,132.91	2,593,313.51	31 Dec. 2006
BA-CA Wien Mitte Holding GmbH, Vienna, AT	100.00	24,826,235.20	–4,517.09	24,828,317.20	31 Dec. 2006
BA-CA-GVG-Holding GmbH, Vienna, AT	100.00	328,677.67	290,053.27	1,527,000.15	30 Sept. 2006
BACAI (being liquidated), London, GB	100.00	n.a.	n.a.	n.a.	
Baltic Business Center Sp.z.o.o., Gdynia, PL	62.00	–19,830,978.68	–388,588.49	15,971,133.78	31 Dec. 2006
Bank Austria Aktiengesellschaft & Co EDV Leasing OHG, Vienna, AT	100.00	449,368.90	381,977.77	18,710,983.89	31 Dec. 2006
Bank Austria Creditanstalt Finanzservice GmbH, Vienna, AT 1)	100.00	1,525,300.69	6,276.72	9,356,298.31	31 Dec. 2006
Bank Austria Creditanstalt Immobilien Entwicklungs- und VerwertungsgmbH, Vienna, AT 1)	100.00	24,500.00	214,432.58	606,872.92	31 Dec. 2006
Bank Austria Creditanstalt Immobilienberatungs- und Service GmbH, Vienna, AT	100.00	–263,471.52	11,113.81	641,610.69	31 Dec. 2006
Bank Austria Creditanstalt Versicherungsdienst GmbH, Vienna, AT	81.00	175,569.83	–23,267.28	1,311,060.30	31 Dec. 2006
Bank Austria-CEE BeteiligungsgmbH, Vienna, AT	100.00	18,060.00	–2,006.75	18,060.00	31 Dec. 2006
Bank Rozwoju Energetyki i Ochrony Swodowiska S.A. MEGABANK being liquidated, Warsaw, PL	100.00	–4,960.58	–169.15	226.57	31 Dec. 2006

The total percentage held comprises all shares held by consolidated companies and other group companies but not shares held on a trust basis.
Equity: equity pursuant to Section 229 of the Austrian Commercial Code.
Net income/loss before movements in reserves and appropriation of profits.
1) Profit pooling arrangement with Bank Austria Creditanstalt AG.
2) Figures in accordance with IFRSs.

Notes to the Financial Statements (CONTINUED)

Unconsolidated companies					
NAME AND DOMICILE OF COMPANY	TOTAL INTEREST IN %	EQUITY IN €	NET INCOME / LOSS IN €	TOTAL ASSETS IN €	BALANCE SHEET DATE
BFAG – Holding Gesellschaft m.b.H., Vienna, AT	100.00	35,000.00	–928.82	25,608.00	31 Dec. 2006
Buchstein Immobilienverwaltung Gesellschaft m.b.H., Vienna, AT	100.00	27,731.65	5,368.91	27,731.65	31 Dec. 2006
Cards & Systems EDV-Dienstleistungs GmbH, Vienna, AT	58.00	1,408,589.67	794,679.70	5,673,285.61	31 Dec. 2006
EK Mittelstandsfinanzierungs AG, Vienna, AT	98.00	27,448,144.77	11,040,605.29	27,837,005.89	31 Dec. 2006
Erzet-Vermögensverwaltungsgesellschaft m.b.H., Vienna, AT	100.00	207,635.89	719.25	207,635.89	30 Nov. 2006
FactorBank Aktiengesellschaft, Vienna, AT	100.00	5,192,491.65	18,848.98	148,188,265.20	31 Dec. 2006
Financial Risk Management GmbH, Vienna, AT	100.00	83,903.65	14,915.92	271,381.86	31 Dec. 2006
FONTANA Hotelverwaltungsgesellschaft m.b.H., Vienna, AT	100.00	–1,208,739.59	–19,525.26	0.00	31 Dec. 2006
GANYMED Immobilienvermietungsgesellschaft m.b.H., Vienna, AT 1)	99.00	55,391,816.87	2,007,202.30	71,288,176.23	31 Dec. 2006
Gründerfonds GmbH & Co KEG, Vienna, AT	100.00	9,124,527.31	–2,264,767.89	9,263,934.65	31 Dec. 2006
GUS Consulting GmbH, Vienna, AT	100.00	1,804,504.71	–19,284,658.41	25,005,703.39	31 Dec. 2006
Human Resources Service and Development GmbH, Vienna, AT 1)	100.00	7,921.33	–638.55	9,058.50	31 Dec. 2006
HYPERION Immobilienvermietungsgesellschaft m.b.H., Vienna, AT 1)	99.00	49,675,201.19	0.00	54,350,577.71	31 Dec. 2006
Immobilien Rating GmbH, Vienna, AT	99.00	337,306.93	193,782.38	909,441.36	31 Dec. 2006
Industrie-Immobilien-Verwaltung Gesellschaft m.b.H., Vienna, AT 1)	99.90	152,564.82	2,415.59	159,343.22	31 Dec. 2006
Informations-Technologie Austria GmbH, Vienna, AT	61.37	22,586,888.68	249,845.35	88,234,664.79	31 Dec. 2006
Infrastruktur Holding GmbH, Vienna, AT	100.00	28,123.92	–1,933.19	28,123.92	31 Dec. 2006
KLEA ZS-Immobilienvermietung G.m.b.H., Vienna, AT	99.80	2,676,967.02	75,856.01	5,207,633.03	31 Dec. 2006
KLEA ZS-Liegenschaftsvermietung G.m.b.H., Vienna, AT	99.80	1,558,861.42	85,453.49	8,843,272.76	31 Dec. 2006
MC Marketing GmbH, Vienna, AT	100.00	143,027.27	–162,868.99	1,632,023.94	31 Dec. 2006
Mezzanin Finanzierungs AG, Vienna, AT	56.67	32,281,752.05	2,013,814.63	33,587,131.67	31 Dec. 2006
MY Beteiligungs GmbH, Vienna, AT	100.00	1,724.05	–2,915.55	1,724.05	31 Dec. 2006
MY Drei Handels GmbH, Vienna, AT	100.00	20,475.03	15,609.49	20,753.43	31 Dec. 2006
MY Fünf Handels GmbH, Vienna, AT	50.00	3,517.40	–2,991.57	51,639.61	31 Dec. 2006
Paytria Unternehmensbeteiligungen GmbH, Vienna, AT	100.00	596,120.61	–7,214.51	603,211.49	31 Dec. 2006
RAMSES-Immobilienholding GmbH, Vienna, AT	99.80	n.a.	n.a.	n.a.	
RE-St.Marx Holding GmbH, Vienna, AT 1)	100.00	20,955.18	98,288.99	119,939.17	31 Dec. 2006
SFB Stockerauer Finanzierungsberatungs- und Beteiligungs GmbH, Vienna, AT	99.80	–102,648.16	–138,984.58	1,500,783.07	31 Dec. 2006
Sigma Holding Ingatlanszolgaltato Kft., Budapest, HU	95.00	0.00	–10,140.21	451,634.43	31 Dec. 2005
Sinera AG, Zug, Switzerland	100.00	113,045.12	–11,418.13	120,872.58	31 Dec. 2006
THETA Fünf Handels GmbH, Vienna, AT	100.00	5,158.29	27,346.35	5,158.29	31 Dec. 2006
WEAG Leasing Gesellschaft m.b.H. being liquidated, Vienna, AT	100.00	379,927.66	4,312.11	383,927.66	31 Dec. 2006
WED Holding Gesellschaft m.b.H., Vienna, AT	48.06	11,549,174.62	48.62	11,749,889.71	31 Dec. 2006
WED Wiener Entwicklungsgesellschaft für den Donauraum Aktiengesellschaft, Vienna, AT	100.00	18,368,388.19	–35,209.24	19,497,492.07	31 Dec. 2006
WEILBURG Grundstückvermietungsgesellschaft m.b.H., Vienna, AT	99.99	1,361,973.70	–295,126.46	10,793,028.14	31 Dec. 2006
Wirtschaftsverein der MitarbeiterInnen der Bank Austria Creditanstalt, reg.Gen.m.b.H., Vienna, AT	54.66	276,187.03	–1,308,951.14	4,772,755.16	31 Dec. 2005
ZETA Fünf Handels GmbH, Vienna, AT 1)	100.00	71,000.00	96,680.80	170,775.80	31 Dec. 2006
ZETA Neun Handels GmbH, Vienna. AT	100,00	4,244.14	–2,707.12	4,244.14	31 Dec. 2006

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Net income/loss before movements in reserves and appropriation of profits.
1) Profit pooling arrangement with Bank Austria Creditanstalt AG.

Unconsolidated companies					
NAME AND DOMICILE OF COMPANY	TOTAL INTEREST IN %	EQUITY IN €	NET INCOME / LOSS IN €	TOTAL ASSETS IN €	BALANCE SHEET DATE
B) Associated companies					
“Gesfö” Gemeinnützige Bau- und Siedlungsgesellschaft m.b.H., Vienna, AT	25.00	5,810,281.94	436,366.76	13,791,986.72	31 Dec. 2005
“Sparkassen-Haftungs Aktiengesellschaft”, Vienna, AT	28.26	222,494.36	–1,945.24	225,271.36	31 Dec. 2006
Banco Interfinanzas S.A., Buenos Aires, Argentina	50.00	11,858,929.72	6,494,390.72	7,226,821.41	31 Dec. 2006
BANK MEDICI AG, Vienna, AT	25.00	7,430,176.60	1,283,960.09	9,173,303.36	31 Dec. 2006
HVB Banca pentru Locuinte S.A., Bucharest, RO	45.00	10,246,692.00	–1,575,385.73	11,542,972.66	31 Dec. 2005
Mizuho Corporate Bank – BA Investment – ConsultingGmbH, Vienna, AT	50.00	1,001,873.78	5,914.58	1,100,945.90	31 Dec. 2005
NOTARTREUHANDBANK AG, Vienna, AT	25.00	23,339,343.04	5,974,254.45	864,461,364.50	31 Dec. 2006
Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H., Vienna, AT	50.00	25,001,917.22	813,076.04	805,480,421.12	31 Dec. 2006
Österreichische Wertpapierdaten Service GmbH, Vienna, AT	29.40	36,336.42	0.00	1,277,327.61	31 Dec. 2006
PayLife Bank GmbH, Vienna, AT	23.86	67,894,813.32	32,554,311.88	310,570,140.40	31 Dec. 2006
Wiener Kreditbürgschaftsgesellschaft m.b.H., Vienna, AT	24.49	5,176,390.71	4,642.98	8,853,028.76	31 Dec. 2006
C) Other companies					
bareal Immobilientreuhand GmbH, Vienna, AT	50.00	–276,596.42	–311,596.42	382,917.48	31 Dec. 2006
CREDANTI HOLDINGS LIMITED, Nicosia, CY	30.00	45,377,971.00	456,927.00	45,386,119.00	31 Dec. 2005
Gustav-Kramer-Straße 5C Verwaltungs GmbH, Vienna, AT	25.50	14,038.62	–20,961.38	14,538.62	31 Dec. 2006
Kapital-Beteiligungs Aktiengesellschaft, Vienna, AT	20.00	8,565,543.71	–160,784.84	9,081,702.64	30 Sept. 2006
Projektentwicklung Schönefeld Verwaltungsgesellschaft mbH, Stuttgart, DE	50.00	28,362.37	302.57	29,208.11	31 Dec. 2005
SP Projektentwicklung Schönefeld GmbH & Co.KG, Stuttgart, DE	50.00	29,286,480.65	–85,942.98	30,160,912.40	31 Dec. 2005
UBF Mittelstandsfinanzierungs AG, Vienna, AT	24.10	6,239,796.21	2,721,266.88	6,351,561.92	31 Dec. 2006

The total percentage held comprises all shares held by consolidated companies and other group companies but not shares held on a trust basis.
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Net income/loss before movements in reserves and appropriation of profits.

Supervisory Board and Management Board of Bank Austria Creditanstalt AG

Supervisory Board
1 January 2007 – 31 December 2007

Chairman:	**Alessandro PROFUMO**	
Deputy Chairman:	**Franz RAUCH**	
Members:	**Vincenzo CALANDRA BUONAURA**	**(from 3 May 2007)**
	Sergio ERMOTTI	
	Paolo FIORENTINO	
	Dario FRIGERIO	
	Roberto NICASTRO	
	Vittorio OGLIENGO	
	Karl SAMSTAG	
	Gerhard SCHARITZER	
	Wolfgang SPRISSLER	
Delegated by the Employees' Council:	**Wolfgang HEINZL** Chairman of the Employees' Council	
	Adolf LEHNER First Deputy Chairman of the Employees' Council	
	Emmerich PERL Second Deputy Chairman of the Employees' Council	
	Thomas SCHLAGER Third Deputy Chairman of the Employees' Council	(until 8 October 2007)
	Martina ICHA Member of the Employees' Council	
	Heribert KRUSCHIK Member of the Employees' Council	
	Josef REICHL Member of the Employees' Council	**(from 25 October 2007)**

Management Board
1 January 2007 – 31 December 2007

Chairman / Chief Executive Officer:	**Erich HAMPEL**	
Members:	Willibald CERNKO	(until 31 December 2007)
	Federico GHIZZONI	**(from 1 July 2007)**
	Thomas GROSS	
	Wilhelm HEMETSBERGER	
	Werner KRETSCHMER	
	Andrea MONETA	(until 30 June 2007)
	Regina PREHOFER	
	Johann STROBL	(until 3 August 2007)
	Carlo VIVALDI	**(from 1 October 2007)**
	Robert ZADRAZIL	
	Ralph MÜLLER	**(from 1 January 2008)**

Financial Statements for 2007

Vienna, 4 March 2008

The Management Board:

Erich Hampel
(Chairman)

Federico Ghizzoni	Thomas Gross	Wilhelm Hemetsberger	Werner Kretschmer
Ralph Müller	Regina Prehofer	Carlo Vivaldi	Robert Zadrazil

Auditors' Report on the Financial Statements for 2007

We have audited the separate financial statements of Bank Austria Creditanstalt AG for the 2007 financial year including the accounting records. The accounting records, the preparation and content of these financial statements and of the management report in accordance with the provisions of the Austrian Commercial Code, with the supplementary provisions of the Austrian Banking Act and with the Articles of Association are the responsibility of management of Bank Austria Creditanstalt AG. Our responsibility is to express an opinion on the financial statements based on our audit and to state whether the management report is consistent with the financial statements.

We conducted our audit in accordance with legal provisions applicable in Austria and with Austrian generally accepted auditing principles. Those principles require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, and to make a statement as to whether the management report is consistent with the financial statements. In planning the audit procedures, we considered our knowledge of the business and of the economic and legal environment in which Bank Austria Creditanstalt AG operates as well as expectations of possible errors.

An audit includes examining, largely on a test basis, evidence supporting the amounts and disclosures in the accounting records and financial statements. An audit also includes assessing the accounting principles applied and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any objections. In our opinion, based on the findings of the audit, the financial statements comply with the provisions of the Austrian Commercial Code, with the supplementary provisions of the Austrian Banking Act and with the Articles of Association, and give a true and fair view of the financial position of Bank Austria Creditanstalt AG as at 31 December 2007 and of the performance of Bank Austria Creditanstalt AG for the 2007 financial year in accordance with Austrian generally accepted accounting principles. The management report is consistent with the financial statements.

Vienna, 4 March 2008

Savings Bank Auditing Association
Auditing Board
(Bank Auditors)

Erich Kandler
Public Accountant

Friedrich O. Hief
Public Accountant

KPMG Austria GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft

Walter Reiffenstuhl
Public Accountant

Bernhard Gruber
Public Accountant

Note: A facsimile of the German original can be found on page 167.

BANK AUSTRIA CREDITANSTALT AG
Jahresabschluss 2007

Bestätigungsvermerk des Jahresabschlusses 2007

Wir haben den Jahresabschluss der Bank Austria Creditanstalt AG für das Geschäftsjahr 2007 unter Einbeziehung der Buchführung geprüft. Die Buchführung, die Aufstellung und der Inhalt dieses Jahresabschlusses sowie des Lageberichtes in Übereinstimmung mit den österreichischen unternehmensrechtlichen Vorschriften, den ergänzenden bankrechtlichen Bestimmungen sowie der Satzung liegen in der Verantwortung der gesetzlichen Vertreter der Bank Austria Creditanstalt AG. Unsere Verantwortung besteht in der Abgabe eines Prüfungsurteils zu diesem Jahresabschluss auf der Grundlage unserer Prüfung und einer Aussage, ob der Lagebericht im Einklang mit dem Jahresabschluss steht.

Wir haben unsere Prüfung unter Beachtung der in Österreich geltenden gesetzlichen Vorschriften und Grundsätze ordnungsgemäßer Abschlussprüfung durchgeführt. Diese Grundsätze erfordern, die Prüfung so zu planen und durchzuführen, dass ein hinreichend sicheres Urteil darüber abgegeben werden kann, ob der Jahresabschluss frei von wesentlichen Fehldarstellungen ist und eine Aussage getroffen werden kann, ob der Lagebericht mit dem Jahresabschluss im Einklang steht. Bei der Festlegung der Prüfungshandlungen werden die Kenntnisse über die Geschäftstätigkeit und über das wirtschaftliche und rechtliche Umfeld der Bank Austria Creditanstalt AG sowie die Erwartungen über mögliche Fehler berücksichtigt.

Im Rahmen der Prüfung werden die Nachweise für Beträge und sonstige Angaben in der Buchführung und im Jahresabschluss überwiegend auf Basis von Stichproben beurteilt. Die Prüfung umfasst ferner die Beurteilung der angewandten Rechnungslegungsgrundsätze und der von den gesetzlichen Vertretern vorgenommenen, wesentlichen Schätzungen sowie eine Würdigung der Gesamtaussage des Jahresabschlusses. Wir sind der Auffassung, dass unsere Prüfung eine hinreichend sichere Grundlage für unser Prüfungsurteil darstellt.

Unsere Prüfung hat zu keinen Einwendungen geführt. Auf Grund der bei der Prüfung gewonnenen Erkenntnisse entspricht der Jahresabschluss nach unserer Beurteilung den unternehmensrechtlichen Vorschriften, den ergänzenden bankrechtlichen Bestimmungen sowie der Satzung und vermittelt ein möglichst getreues Bild der Vermögens- und Finanzlage der Bank Austria Creditanstalt AG zum 31. Dezember 2007 sowie der Ertragslage der Bank Austria Creditanstalt AG für das Geschäftsjahr 2007 in Übereinstimmung mit den österreichischen Grundsätzen ordnungsmäßiger Buchführung. Der Lagebericht steht im Einklang mit dem Jahresabschluss.

Wien, den 4. März 2008

Sparkassen-Prüfungsverband Prüfungsstelle (Bankprüfer)	KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
Mag. Kandler Wirtschaftsprüfer	Mag. Reiffenstuhl Wirtschaftsprüfer
Mag. Hief Wirtschaftsprüfer	ppa. Mag. Gruber Wirtschaftsprüfer

Translation of the facsimile on page 169

Financial Statements for 2007
Statement by Management

We state to the best of our knowledge that the financial statements prepared in accordance with the relevant financial reporting standards provide a true and fair view of the financial position and performance of the issuer, and that in the Management Report the business trends including business results and the position of the issuer have been presented in such a way as to provide a true and fair view of the financial position and performance of the issuer, and that it describes the material risks and uncertainties to which the issuer is exposed.

Vienna, 4 March 2008

The Management Board:

Erich Hampel
(Chairman)

Federico Ghizzoni	Thomas Gross	Wilhelm Hemetsberger	Werner Kretschmer
Ralph Müller	Regina Prehofer	Carlo Vivaldi	Robert Zadrazil

BANK AUSTRIA CREDITANSTALT AG
Jahresabschluss 2007

Erklärung der gesetzlichen Vertreter

Wir versichern nach bestem Wissen, dass der im Einklang mit den einschlägigen Rechnungslegungsstandards aufgestellte Jahresabschluss ein möglichst getreues Bild der Vermögens-, Finanz- und Ertragslage des Emittenten vermittelt und im Lagebericht der Geschäftsverlauf einschließlich des Geschäftsergebnisses und die Lage des Emittenten so dargestellt sind, dass ein möglichst getreues Bild der Vermögens-, Finanz- und Ertragslage des Emittenten entsteht, und dass er die wesentlichen Risiken und Ungewissheiten, denen der Emittent ausgesetzt ist, beschreibt.

Wien, den 4. März 2008

Der Vorstand:

Dr. Hampel (Vorsitzender)	**Dr. Ghizzoni**	**Groß**
Mag. Hemetsberger	**DDr. Kretschmer**	**Dr. Müller**
DDr. Prehofer	**Dr. Vivaldi**	**Zadrazil**

Investor Relations

Investor Relations of Bank Austria Creditanstalt AG

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e-mail: IR@unicreditgroup.at	Internet: http://ir.bankaustria.at
Günther Stromenger Tel: (+ 43) (0)5 05 05-872 30	
Christina Klein Tel: (+ 43) (0)5 05 05-595 22	

Ratings

	LONG-TERM	SUBORDINATED LIABILITIES	SHORT-TERM
Moody's[1)]	Aa2	Aa3	P-1
Standard & Poor's[2)]	A+	A	A-1

1) Grandfathered debt remains rated Aa2, subordinated debt rating remains Aa3.
2) Grandfathered debt and subordinated debt rating remain rated AA+.

Financial calendar

8 May 2008	Results for the first three months of 2008
5 August 2008	Results for the first six months of 2008
12 November 2008	Results for the first nine months of 2008
All information is available electronically at http://ir.bankaustria.at	

Imprint

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Austrian routing code: 12000
Austrian Register of Firms: FN 150714p
VAT registration number: ATU 51507409

Graphics: Horvath, Leobendorf

Note and disclaimer

This edition of the Consolidated Financial Statements and Management Report of the Group and of the Financial Statements and Management Report of Bank Austria Creditanstalt AG is prepared for the convenience of our English-speaking readers. It is based on the German original, which is the authentic version and takes precedence in all legal aspects.